McBride plc

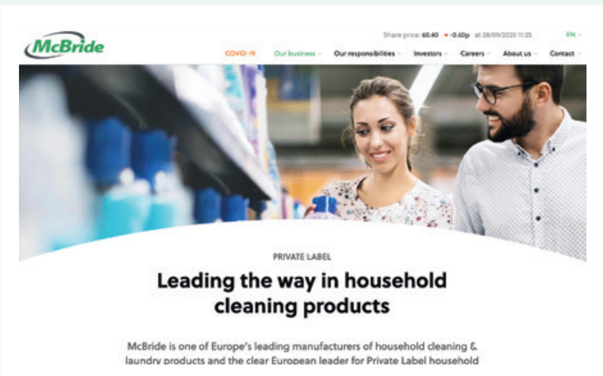
Annual Report and Accounts 2020

Welcome to the McBride plc Annual Report and Accounts

McBride is the leading European manufacturer and supplier of Contract Manufactured and Private Label products for the domestic household and professional cleaning/hygiene markets.

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

50% of revenues from top 10 customers	**79%** of revenues from top 5 European economies	**99%** of our packaging is recyclable
3,400 employees globally	**1bn** units sold	**49** of top 50 European grocery retailers supplied



Find out more online at

mcbride.co.uk

What's inside

Strategic report
pages 1 – 48

This section provides an overview of our business, our strategic objectives and our performance for the year ended 30 June 2020.

Compass strategy

Our new strategy direction
Focused growth, backed by more effective execution and our strong identity.

Read more on page 8

Directors' report
pages 49 – 100

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

Financial statements
pages 101 – 165

This section provides further detail on our financial performance and our independent auditor's report.

Additional information
pages 166 – inside back cover

This section provides additional information that may be useful to readers of this report.

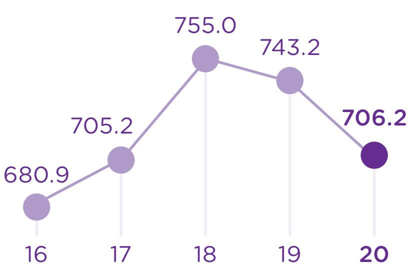
Our highlights

Financial

For the year ending 30 June

Revenue
(£m)[a]

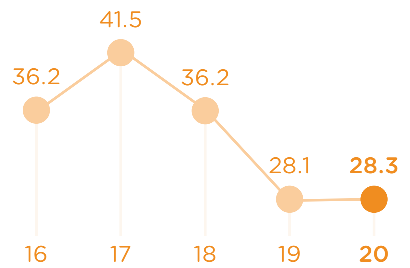
− £37.0m − 5.0%



(a) 2020 revenue on a continuing basis is £706.2 million (2019: £721.3m).

Adjusted operating profit
(£m)[b,1,2]

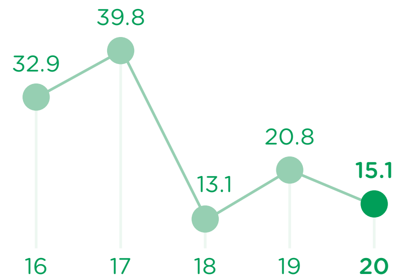
+ £0.2m + 0.7%



(b) 2020 adjusted operating profit on a continuing basis is £28.3 million (2019: £28.9m).

Operating profit
(£m)[c]

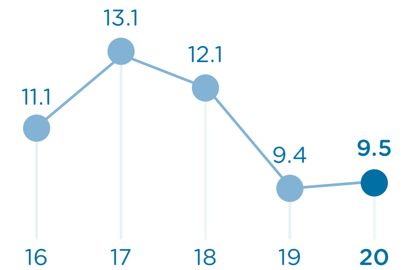
− £5.7m − 27.4%



(c) 2020 operating profit on a continuing basis is £15.4 million (2019: £26.6m).

Adjusted diluted EPS
(pence)[d,2,3]

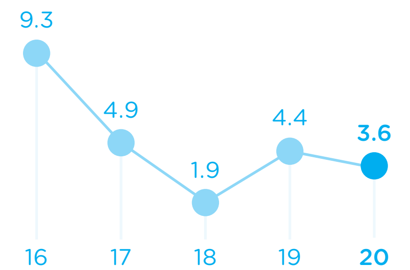
+ 0.1p + 1.1%



(d) 2020 adjusted diluted EPS on a continuing basis is 9.5 pence (2019: 9.7p).

Diluted EPS
(pence)[e]

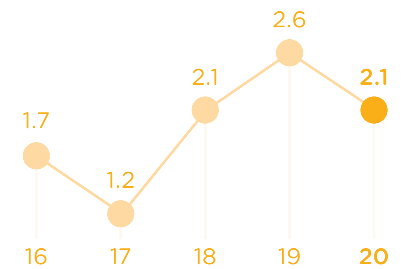
− 0.8p − 18.2%



(e) 2020 diluted EPS on a continuing basis is 3.7 pence (2019: 6.5p).

Debt/adjusted EBITDA[2,4]

− 0.5x − 19.2%



Profit before tax
(£m)[f]
£10.9m
(2019: £16.2m)

(f) 2020 profit before tax on a continuing basis is £11.2 million (2019: £22.0m).

Full-year payment to shareholders proposed at
1.1p
(2019: 3.3p)

Net debt
(£m)
£101.5m
(2019 restated for IFRS 16: £130.8m)

(1) Adjustments were made for the amortisation of intangible assets and exceptional items.
(2) The use of adjusted measures is discussed further in note 1 to the consolidated financial statements.
(3) Adjustments were made for the amortisation of intangible assets, exceptional items, unwind of discount on provisions, exceptional tax charges and any related tax.
(4) Adjustments to earnings before interest, taxes, depreciation and amortisation (EBITDA) were made for exceptional items.

Strategy and management

- Chris Smith appointed as CEO, June 2020
- New strategy and implementation programme launched; named Programme Compass
- Headline aim: Profitably grow annual revenues to €1 billion in the next five years through focused divisional strategies
- Phase 1 of the review of strategy concluded
- Move to a product technology led divisional structure from 1 January 2021
- Detailed divisional strategies to be outlined at investor day in February 2021

Business

- Strong profit performance in the last four months of the year driven by increased demand for cleaning, dishwash and aerosol products
- No significant production or business disruption from Covid-19
- Further delivery against key business improvement objectives:
  - New Malaysian factory to support further growth, to be operational from December 2020
  - Aerosols stand-alone business established, operating above targeted break-even position
  - Logistics improvement study concluded, implementation underway
  - As previously indicated, Barrow (UK Powders site) scheduled to close in October 2020
  - New product sustainability targets for 2025 announced

Chairman's statement

Jeff Nodland
Chairman

Dear shareholder

Welcome to the McBride plc 2020 Annual Report and Accounts. The past year has been a challenging and volatile period for trading with continued aggressive competitor pricing, a global pandemic and a retail environment still seeking price reductions for our products. We experienced weak trading conditions in H1 but demand improved for many of our products in H2. I am immensely proud of the way that the Group has responded to these challenges with flexibility and agility. I would like to thank our employees for their dedication and hard work over the last twelve months.

Covid-19

The Covid-19 pandemic had a significant impact on our operations during the last four months of our fiscal year. We have seen dramatic spikes in demand for our cleaning and dishwash products offset by weak demand for our laundry products, been forced to temporarily close factories and reduce factory output due to availability of employees as we responded to Covid-19 outbreaks and government mandated shutdowns, quickly developed new hydro-alcoholic sanitising products to meet customer demand and moved our entire support structure to working from home. The Group has responded fantastically to these challenges and has worked collaboratively with our customers in the face of unprecedented supply chain disruptions.

Strategic progress

McBride's performance in recent years has not met the Board's ambitions and expectations and, whilst the previous strategy of 'Repair, Prepare, Grow' has delivered many positive impacts, it has not met our overall financial expectations. It is now time to embark on a new journey to reflect the current environment and ensure we have the right organisation in place to capture the significant opportunities to grow our Company profitability.

Through the year, the Board has supported management in the development of our new strategy direction, known as Programme Compass. Following an externally commissioned market study and extensive reviews of possible strategy options, it has been concluded that a divisional approach, based on product technology, is best suited to deliver improved financial and operational performance.

The organisation is now finalising the divisional management teams and preparing the business to move to the new structure, which will take effect from 1 January 2021. Further details on the new strategy are provided on pages 8 to 13 and we plan to hold an investor day in February 2021 where the CEO and the divisional Managing Directors will set out strategies for their divisions and the detailed actions that will underpin them.

Compass strategy

Our new strategy direction
Focused growth, backed by more effective execution and our strong identity.

Read more on page 8

A divisional approach, based on product technology, is best suited to deliver improved financial and operational performance.

Payments to shareholders

The Group's current dividend policy to distribute earnings to shareholders in line with earnings at a cover of 2-3x is under review and an updated policy will be announced as part of the strategic update in February 2021. The Board cancelled the interim payment to shareholders of 0.8 pence per ordinary share declared in February 2020 as a result of uncertainty relating to Covid-19. In light of the Group's earnings for the year the Board recommends a final payment of 1.1 pence per ordinary share (2019: 1.8p) to shareholders. This gives a full-year payment of 1.1 pence (2019: 3.3p) and will be issued using the Company's B Share scheme.

Brexit

As I write this report, the future trading relationship between the UK and the EU remains uncertain. As indicated previously, the key challenges for the Group are chemical regulation, cross-border trading, employment and citizen rights. However, we have clear plans for ensuring customers continue to receive our products in case of disruption at ports and continue to monitor the latest developments in regulatory matters.

Governance

The Board remains focused on ensuring that the UK Corporate Governance Code's principles are applied. My introduction to the Directors' report on page 50 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 2020.

Board

On 11 June 2020 we appointed Chris Smith as Chief Executive Officer (CEO). Chris joined the Group in 2015 as Chief Financial Officer (CFO) and acted as Interim CEO between May 2019 and October 2019. The search for a permanent CFO is underway and in the meantime an experienced external candidate has been appointed as Interim CFO but has not been appointed to the Board. Ludwig de Mot, the former CEO, left the Group on 10 June 2020 having joined in late 2019.

Sandra Turner, until recently Remuneration Committee Chair, will step down on 20 October 2020 following nine years as a Non-Executive Director (NED). We appointed Elizabeth (Liz) McMeikan on 14 November 2019 as a NED and successor to the Remuneration Committee Chair. The transition from Sandra to Liz has been seamless. Neil Harrington, Audit Committee Chair, will step down in 2021, by which time he will also have completed the maximum nine years as a NED. The search for his replacement will commence in 2021 and details will be announced in due course. I would like to thank them and all Board members for their valuable contribution and wise counsel over their tenure on the Board.

Our people

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

Jeff Nodland
Chairman

Q&A with our CEO

We have set an ambitious target to profitably grow revenues to €1 billion p.a. within the next five years.

How well did you respond to operational issues caused by the Covid-19 pandemic?

I am very proud of how we handled our response to the pandemic. To ensure that our factory teams could continue to safely manufacture and supply our essential cleaning products, we quickly introduced, into all of our factories, personal protective equipment and new protocols around social distancing and hygiene practices.

Many of our sites broke production records in the fourth quarter of the year, allowing us to restore finished goods inventories back to close to normal levels by the year end, minimising disruption to our customers, following exceptionally high customer orders in March.

Our non-factory employees demonstrated great flexibility and resilience in quickly pivoting to new ways of working. Supported by excellent work from our IT team, they continued to effectively support the business while working full time from home.

Looking now at your new Compass strategy, why have you decided to change your strategy from Repair, Prepare, Grow?

Business performance in recent years has not met our ambitions. We have made good progress in a number of areas but need to do more to drive profitable revenue growth, improve our responsiveness to market conditions and develop our organisation.

What will the Compass strategy enable?

Moving to a divisional structure will enable greater accountability and ownership of business decisions; allow more focused divisional strategies; promote specialisms within our divisions; allow us to build more tailored relationships with customers; increase dependability through greater focus on customer service and product quality; accelerate the delivery of innovation; and improve our employee experience by building a more engaging workplace for our employees.

What are the new divisions and how will they be managed?

We will move to a product technology led divisional structure from 1 January 2021, splitting our European Household business into Liquids, Unit Dosing and Powders divisions, each led by a divisional Managing Director and leadership team. Our Aerosols and Asia Pacific businesses will continue to be run as separate divisions, but with oversight and leadership support from the Powders divisional Managing Director.

You have set an ambitious target of growing revenues to €1 billion in the next five years; does that mean that your divisional teams will now be chasing new business at any cost?

No, our divisional Managing Directors will build plans to drive profitable growth. We will continue to focus on costs and operational efficiencies to ensure that we improve our operating profitability.

What will remain at Group level and how will those functions add value to the divisions?

Purchasing, logistics, core IT, corporate finance and HR processes will continue to be controlled centrally, allowing us to leverage economies of scale of operating efficiencies.

For example, operating purchasing at a Group level will allow us to continue to buy key materials and provide access to leading suppliers for insight and technical expertise; operating logistics centrally allows Group-wide planning of our warehousing and transportation network, which provides lower rates than divisions acting alone would realise.

Where are you up to with the development of your Compass strategy and what are the next steps?

We have now completed our first phase, covering the market study, our high level organisation design and early work on strategy options for each of the divisions.

In the second phase between now and Christmas, the new divisional leadership teams will design their overall organisations and develop their detailed strategies, roadmaps and timelines to meet our overall Group ambition of profitably growing to €1 billion revenues within the next five years.

All this is being done whilst we run the business 'as is' up to the end of December, against the backdrop of possible further disruption from Covid-19, with our target of 1 January 2021 for the new structure to be active and the new McBride to be born.

At our interim results in February, we will have the new business leaders presenting their vision and ambition as part of an investor day.

Compass strategy

Profitably grow revenues to €1 billion p.a. in the next five years through focused divisional strategies.

As outlined by the Chairman and CEO, the Group has launched Programme Compass, its 2020 strategy review and implementation programme. We have now concluded the first phase of this review, which included an externally commissioned market study and early strategy development work.

The outcome of this has provided clear insights that will guide our plans to deliver top line growth and profitability improvements, which in turn will drive improved returns for our shareholders.

Overall top line growth

Profitability increase

Shareholder value

Our markets

The externally commissioned market study highlighted that the total market for Household products in Europe (dishwash, laundry and cleaners) is £14 billion and has grown by 1-3% p.a. in the past four years. Across this time period, overall Private Label has remained flat to slightly down in the five largest markets of the UK, Germany, France, Spain and Italy.

The overall European market is expected to grow at 1-3% p.a. in the coming years and Private Label share is expected to grow by 1-2% p.a. across the next three to five years, recovering some of the ground lost in the past few years.

Our profitable growth opportunities

There is a clear opportunity for further growth for McBride, both from overall growth and from Private Label share growth. Identified and targeted opportunities for profitable growth will allow McBride to grow beyond average market trends.

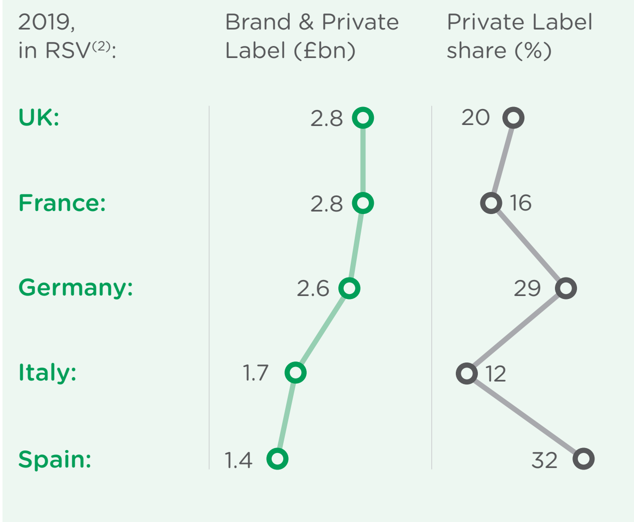
Our market and strategy platform work in Household Europe has given us up-to-date clarity on where to hunt for growth and also how we perform versus the competition. This includes:

- latest growth projections for key categories such as auto dishwash, laundry capsules and our liquids ranges;
- identification of options and ideas for share gain, with competitor responses predicted;
- line of sight as to how Contract Manufacturing may evolve, as well as options for adding value brands to our portfolio; and
- better understanding of our position by geography, allowing us to target specific geographies and generate ideas for certain products outside our traditional European backyard.

We have benchmarked ourselves versus the competition on topics such as market share, gross and net margins and how we compare with cost levels, efficiencies and raw material buying. This has developed a fuller understanding of competitors' strengths and weaknesses, plus initial rationale for targeted mergers and acquisitions (M&A) activity.

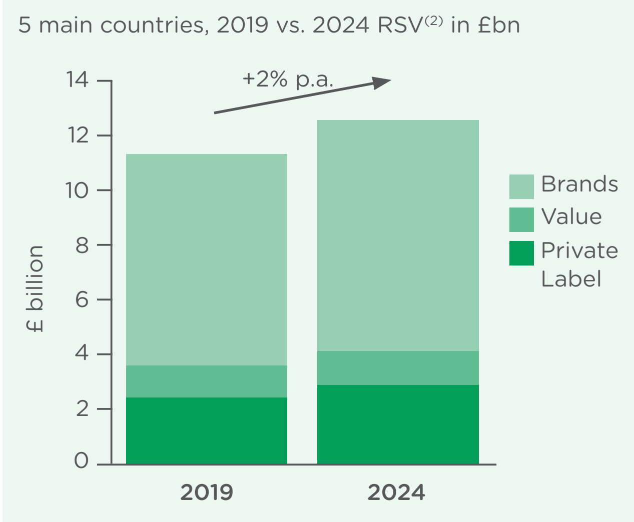
All of this information, the most comprehensive seen in the business for many years, forms the building blocks for the development of the Group's strategy and, in particular, provides the support for changing our Group-wide functional structure to a focused divisional organisation.

Total market(1)



(1) Market = Household products for laundry, dish, cleaners.
(2) RSV = retail sales value.

Total market(1) outlook



Source: OC&C, McBride 2020.

Compass strategy continued

Our new divisions will mainly follow product technologies.

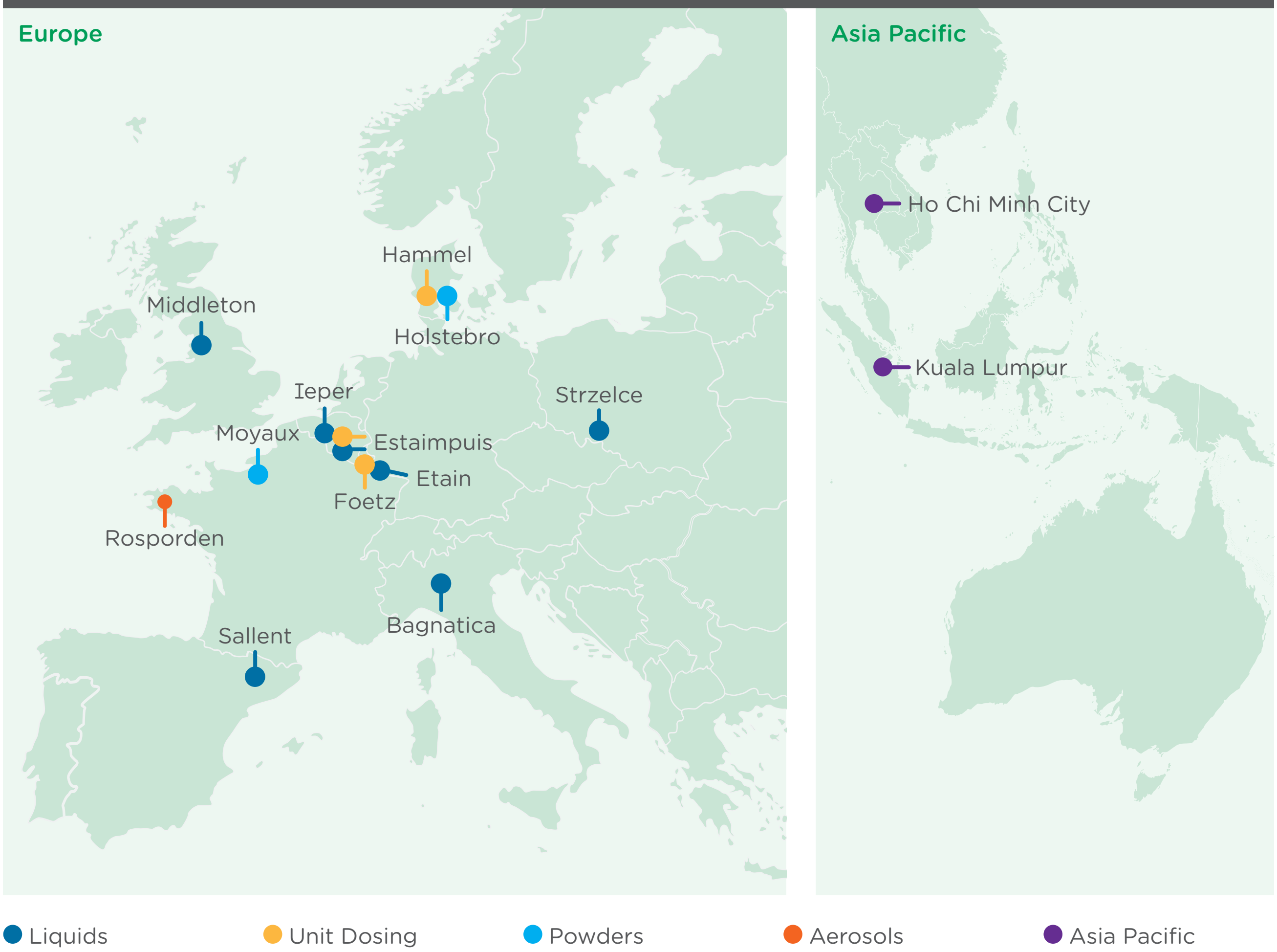
Our divisions

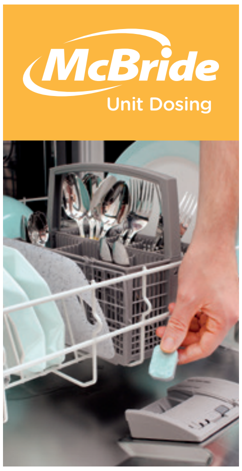
We will restructure the European Household business into three product technology led and separately managed and accountable business divisions:

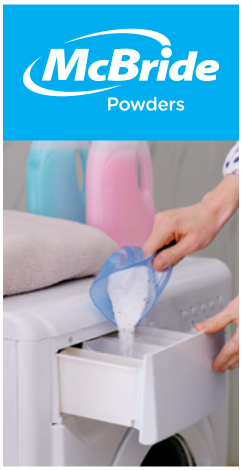
- Liquids – anything sold in a bottle or pouch, such as washing up liquid, bleach, disinfecting sprays;
- Unit Dosing – single-use products, typically auto dishwash tablets and laundry capsules; and
- Powders – mostly laundry powders, but with some auto dishwash powder products.

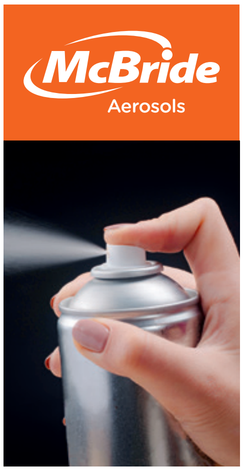
Our Asia Pacific and Aerosols businesses already have separate management teams and leadership, so we do not expect significant changes to these divisions.

Manufacturing sites





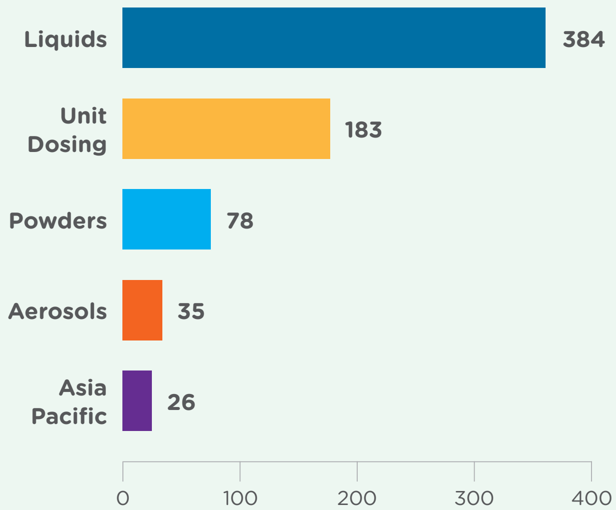




Group revenues by division

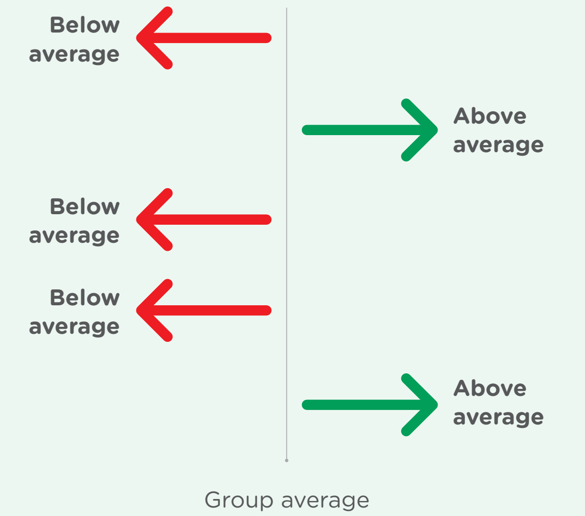
2020 in £m

Unaudited approximate values, to be validated and confirmed during Compass Programme Phase 2



Profitability by division

Comparison with Group average in EBITA %



Liquids will be the largest division, currently representing about 55% of Group revenues. Unit Dosing is the next largest, at approximately 25% of Group revenues, Powders represents approximately 10% and the Asia Pacific and Aerosols divisions approximately 5% each.

Unit Dosing and Asia Pacific currently deliver above Group average profitability, with Liquids, Powders and Aerosols delivering EBITA % margin below the Group average.

We expect that divisional focus around execution of strategy, market and competitor knowledge and a renewed determination and accountability for profitable growth, together with cost reduction and efficiency programmes, will deliver significant improvements to current levels of profitability.

Compass strategy continued

Our Group functions

We consider that a number of activities are best retained at this stage as Group-wide functions to maximise synergy benefits.

These include:

- Purchasing: we know that joint buying of key materials brings a competitive advantage and provides quality access to leading suppliers for insight and technical expertise;
- Logistics: consolidation of warehousing and trucking will provide lower rates for transport than divisions acting alone; and
- Information Technology, Finance and Human Resources processes will continue to be controlled centrally. These central functions will need to demonstrate their added value to the divisions and a healthy tension will need to exist to ensure our cost structure and quality meet our overall corporate ambitions.

Organisational benefits of our new structure

Accountability
Empowered teams will have greater **end-to-end accountability and ownership** of business decisions

Focus
Deliver long-term performance through **separate and focused divisional strategies**

Specialism
Better **alignment** within divisions will promote our **specialisms**

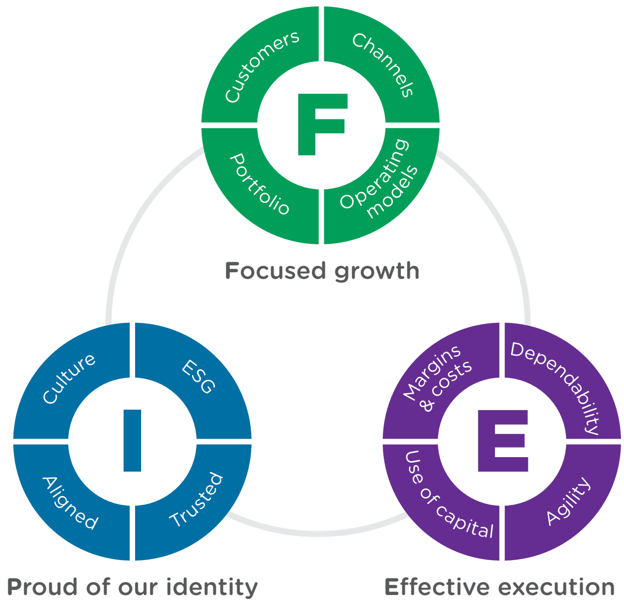
Relationships
We will build **tailored and more informed relationships** with our customers

Dependability
Divisional teams driving **'best in class' customer service and product quality**

Innovation
Accelerate the **pace of change and development of new ideas, products and services**

Employee experience
A more **engaging workplace** for our talent, a genuine **sense of belonging** for employees

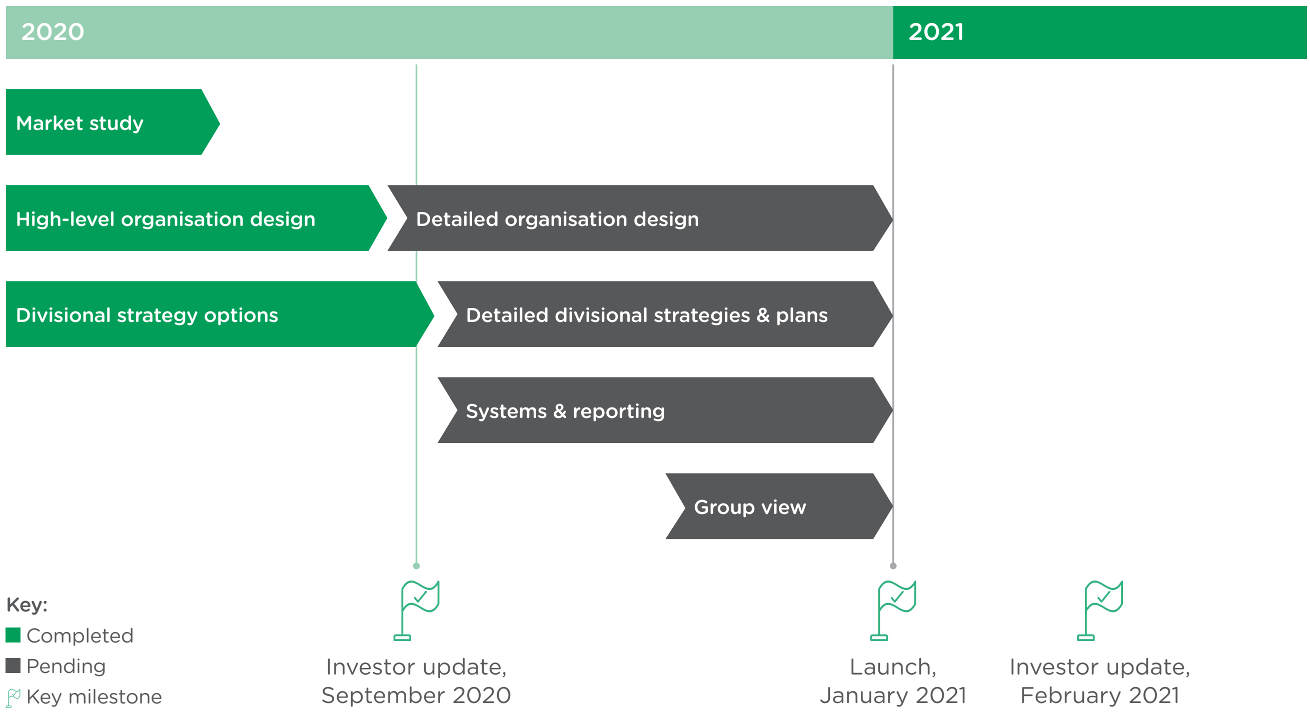
Our new strategy direction will be for focused profitable growth, backed by more effective execution and a strong McBride identity.



Timetable and next steps

We have now completed our first phase, covering the externally commissioned market study, our high-level organisation design and early work on strategy options for each of the divisions.

In the second phase from September to December 2020, the new divisional leadership teams will design their overall organisation and develop their detailed strategies, roadmaps and timelines to meet our overall Group ambition.



Market context

Understanding our key external drivers and market characteristics.

Input costs

Chemicals, plastic, packaging and logistics costs are major parts of our cost base. Changes to input prices impact our margins as customer pricing arrangements generally do not allow for these changes to be immediately reflected in revised prices.

Regulatory environment

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

Read more about changes made to comply with new product legislation on page 25

Channel and discounters

Changing shopper habits mean that McBride must provide compelling offerings in all retail channels, including discounter, bargain store and online channels. Discounters have seen a steady increase in sales across Europe, with their combined market share expected to reach 21% by 2022. Most products offered by discounters are usually private label, as they compete on a superior price/quality offer with a simple range rather than offering a wider choice of brands.

Retailer concentration

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

Brand owners

Brand owners often use private label suppliers to contract manufacture their products. These can develop into longer-term more structural supply arrangements. For McBride, such contracts offer profitable growth opportunities and help drive operational efficiencies by increasing asset utilisation.

Read more about growth in our Contract Manufacturing business on page 25

Consumers

Consumers are becoming more dynamic and mobile in their shopping habits. Their desire for value and convenience are growing aspects of shopping behaviour. With our everyday essential products, overall demand patterns tend to be relatively stable, although we have recently seen significant short-term demand volatility driven by consumers’ response to the Covid-19 pandemic.

Sustainability

Having sustainable operations that minimise negative impacts on the environment is very important for McBride, our customers and our consumers. Our product development plans are focused on improving sustainability through: reduction in the use of plastics, responsible sourcing and product compaction.

Read more about our new 2025 product sustainability targets on page 24

Growth

Our externally commissioned market study has highlighted growth opportunities in a number of our product categories. We are developing focused divisional strategies to profitably grow revenues to €1 billion per annum in the next five years.

Read more about how our Compass strategy will enable our profitable growth ambitions on page 8

Investment case

Our well-established market positions and scale advantages form a good base from which to deliver value to our shareholders.

Market dynamics supporting McBride's growth ambition

With over 80% of Group revenues being earned from sales made directly to European retailers, the development of retail markets throughout the region is very important. The consolidation of retailers in many parts of Europe, the emergence of discount retailers and the drive by many established retailers to simplify their product ranges and supplier base all provide opportunities for McBride. Additional opportunities can come from the increasing activity by brand owners considering further outsourcing options. Our scale, new divisional strategy and increasing geographic spread will be an ever more important factor for market supply and will allow us to capitalise on these growth prospects.

Broad customer and product base provides diversification

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

Competition is fragmented and often family owned

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

World-class manufacturing assets are key to cost competitiveness

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

Scale advantages are increasingly important

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

Cash-generative business, providing annual dividend and capital growth opportunities

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

Business model

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

McBride positioning and differentiation

Manufacturing excellence

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

Customers

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

Size to scale

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

People

We focus on the development of our people, organisational capabilities and skills. As a pan-European employer, McBride has access to a wide variety of talent so that whatever we do, whatever organisation we build, McBride can deliver upon its ambition and promises – with its people engaged, developed and positively challenged. We will look to further improve our employee engagement with the transition to a divisional structure under Programme Compass.

Innovation

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

Strategic objectives and value delivery

Sustainable profit streams

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

Maximise market-leading position

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

Our financial ambition

is to profitably grow to €1 billion per annum revenues in the next five years.

Executive review
CEO's report

Chris Smith
Chief Executive Officer

Results

Full-year Group revenues at £706.2 million were 1.7% lower than the prior year at constant currency, the reduction almost entirely a result of the decision to exit UK Aerosol manufacture in the fourth quarter of the previous financial year, with a consequent effect on Aerosols sales.

On a continuing operations basis, adjusted(1) operating profit for the year reduced by £0.6 million to £28.3 million (2019: £28.9m) with adjusted(1) operating profit margin flat at 4.0% (2019: 4.0%).

Adjusted(1) profits before tax from continuing operations reduced by £0.3 million to £24.2 million (2019: £24.5m). Diluted adjusted(1) earnings per share was 9.5 pence (2019: 9.7p).

The Strategic report was approved by the Board on 8 October 2020 and signed on its behalf by:

Chris Smith
Chief Executive Officer

Continuing operations

The financial year to 30 June 2020 saw a contrasting business performance between the first and second halves. Our first half year proved challenging, particularly due to weaker second quarter revenues across most European markets. Our second half year saw significant volume recovery in the last four months as a result of strong demand for cleaning products due to Covid-19. Consequently, our second half adjusted(1) operating profits were £16.7 million, generating a margin of 4.7%, which contrasts with £11.6 million and a margin of 3.3% in the first half.

Household

Reported revenues in our Household business decreased by 0.4% to £671.0 million (2019: £673.6m), unchanged at constant currency, and adjusted(1) operating profit was £33.1 million (2019: £39.9m), with adjusted(1) operating profit margins declining from 5.9% to 4.9%. Following our Aerosols business becoming a 'stand-alone' operation, a review of the use of shared functions resulted in a higher proportion of Group overhead costs being allocated to the Household segment from Aerosols, accounting for 0.8% of the 1.0% profit reduction.

(1) The use of adjusted measures is discussed further in note 1 to the consolidated financial statements.

We saw improvements in the last four months, with strong demand for cleaning products due to Covid-19.

Revenue	Year to 30 June 2020 £m	Year to 30 June 2019 £m	Reported change	Constant currency[2]
UK	**159.8**	173.1	(7.7%)	(7.7%)
France	**118.5**	122.0	(2.9%)	(2.3%)
North	**110.7**	111.3	(0.5%)	(0.2%)
South	**88.4**	79.4	11.3%	11.8%
East	**167.5**	166.4	0.7%	1.2%
Asia	**26.1**	21.4	22.0%	23.1%
	671.0	673.6	(0.4%)	(0.0%)

The Group's first-half Household revenues at constant currency were 1.4% lower compared to the prior year. Following a steady performance in the first four months of the year, the Group experienced a marked slowdown in November and December, especially in the UK and East regions.

Second half year revenues were 1.3%[3] higher than in the first half of the year, primarily a result of changes in consumer demand due to Covid-19 which had a broadly similar impact across all of our European markets in the last four months of the year. Consumers' focus on hygiene increased demand for bleach and surface cleaning products (run rates up 15%), whilst dishwashing tablets and liquids (run rates up 13%) benefited from more food and drink being consumed at home. This was offset in part by a decline in demand for laundry products (run rates down 7%).

Following exceptional levels of growth in many markets in March and April, reflecting consumer stockpiling across all categories ahead of countries going into lockdown, we saw overall demand return to more normal levels by the end of the fourth quarter.

(2) Comparatives translated at 30 June 2020 exchange rates.
(3) Half-year comparatives translated at 30 June 2020 exchange rates.

Our new factory in Malaysia will enable acceleration of sales growth in Asia Pacific region.

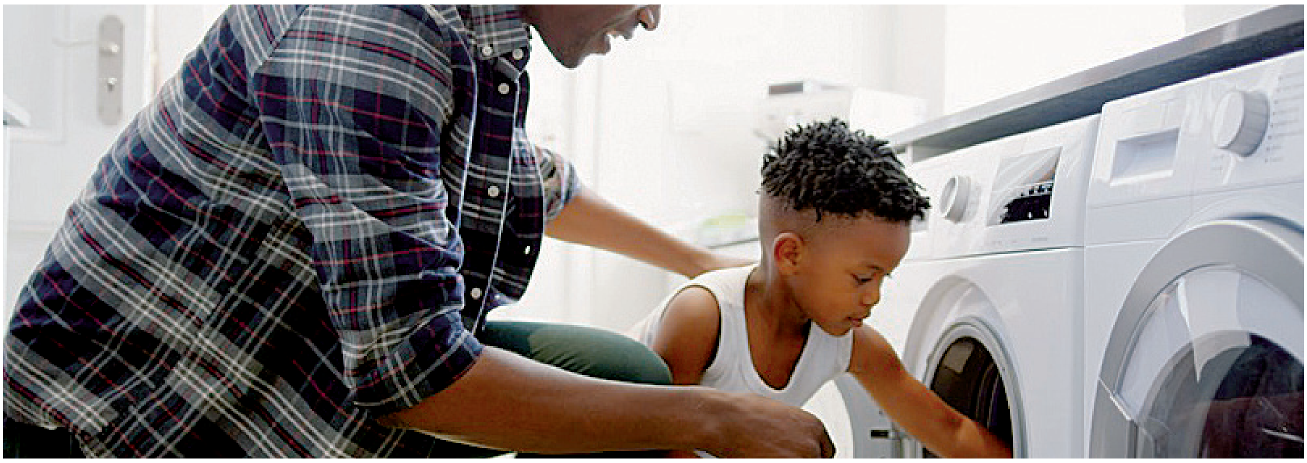
Continuing operations continued
Household continued
While our factories continued to produce significant volumes during the period, exceptional orders in March and April depleted our finished goods inventories and significantly impacted our ability to supply full customer demand in the later months of the fourth quarter. This was especially the case for certain liquids products, primarily as a result of capacity limits in a number of our factories.

In the UK, revenues of £159.8 million were 7.7% lower compared to the prior year. A number of previously lost contract volumes were not fully offset by new wins and reduced volumes overall contributed to an 8.5% revenue reduction for the year, with a partial recovery of revenue achieved from favourable pricing actions. Overall revenues in the last four months were unchanged compared to the run rate seen before the lockdown. The UK business is heavily weighted to laundry products and the discounters, both of which underperformed the market in general. Higher run rates in cleaners (+20%) and a small improvement in dishwash were offset by lower run rates in laundry (-14%) in the last four-month period.

In France, revenues of £118.5 million were down 2.3% at constant currency versus the prior year. Performance in the second half of the year improved significantly, resulting in an overall volume decline for the year of 2.7%. This was driven by our strong market share in private label dishwash and surface cleaner categories, which were in high demand due to Covid-19. Revenue run rates in the last four months were 9% higher compared to those seen before the lockdown, with strong gains in cleaners (+23%) and dishwash (+7%) being partially offset by slight declines in laundry (-3%).

In the North region, revenues of £110.7 million compared with £110.9 million at constant currency in the prior year. In the first half of the year, volumes declined 5.1%, largely as expected following contract losses in the prior financial year. Performance in the second half of the year improved, mainly as a result of our position in private label dishwash and surface cleaner categories which were in higher demand due to Covid-19. Revenue run rates in the last four months were 13% higher compared to those seen before lockdown.

Our South region reported revenues of £88.4 million, a revenue increase of 11.8% at constant currency. The year saw continued progress in our Iberian business where new customer and contract wins resulted in a volume increase of 29.6% versus prior year. Within the larger Italian market, volumes for the full year increased modestly by 3.3% versus prior year. Revenue run rates in the last four months were 1% lower compared to those seen before the lockdown, reflecting a slight slowing of performance in the second half of the year due in part to some limited supply of auto dishwash and cleaning products and reduced demand for laundry products.



The East region, covering Germany, Poland and other East European countries, delivered revenues of £167.5 million, representing an increase of 1.2% at constant currency. The region had a mixed year, with a particularly strong start to the first quarter driven by contract gains and strong promotional activity, subsequently tempered by contract losses in the second quarter. Revenue run rates in the last four months were 7% higher compared to those seen before the lockdown, with increases in cleaners (+7%) and dishwash (+20%), being offset by declines in laundry (-7%).

Asia reported sales of £26.1 million; a 23.1% increase on prior year at constant currency. This strong growth was driven by sales of dishwasher tablets, liquid hand wash and hand sanitiser. The region was able to supply higher volumes at relatively short notice, due to the investments made in the previous year to increase production capacity and flexibility. This growth has pushed the existing production facility to its capacity limits and the new Malaysian factory, which is expected to be operational in December 2020, will enable the Group to accelerate sales growth in the region going forward.

Whilst in the first half year to December 2019 the Group saw relative stability in input costs, the second half of the financial year benefited from slightly softer raw material and packaging pricing. Materials based on oil prices saw prices in general lower, helping to offset increases on caustic soda and paper feedstocks.

Direct labour costs benefited from operational efficiencies and savings from the Hull site closure in 2019, partially offset by higher costs incurred in relation to keeping our factories running well during the Covid-19 pandemic.

Distribution costs continued to remain under pressure, although some easing has been evident compared to the very high levels of price pressure seen in the prior years. During the last four months of the year, disruption resulting from the Covid-19 pandemic resulted in poorer transport utilisation. As a result, the ratio of distribution costs to sales has increased by 0.3% versus the prior year. The logistics management team have now completed their warehouse footprint and operational effectiveness review. The resultant transition is now underway with a phased impact from the end of the new financial year, delivering in the future a more cost-competitive position.

Administrative overheads increased by £3.7 million, with a significant element being driven by one-off costs. These include increased costs linked to Covid-19, release of indirect tax provisions in the prior year; and the cost of changes in the Board, including the departure of the former CEO. Employee costs comprise just over half of the total and increased in line with inflation or national pay awards; whilst bonus and LTIP costs reverted to normal levels following a net credit in the prior year.

We anticipate modest revenue growth and improvement in year-on-year profitability.

Continuing operations continued

Aerosols

Reported revenues were £35.2 million (2019: £47.7m) with the revenue decline reflecting the decision to exit UK Aerosol manufacture in the fourth quarter of the previous financial year.

Following the reset of our Aerosols business, and its transition to a stand-alone business unit with its own locally controlled resources, a review of the use of shared functions resulted in a higher proportion of Group overhead costs being allocated from Aerosols to the Household segment. Applying this principle to the FY19 result would have resulted in Aerosols reporting an operating loss of circa £1 million.

At the end of February, prior to any impacts from Covid-19, we were on track to achieve our ambition to bring the reset Aerosols business back to at least a break-even position. In response to increased demand for sanitising products as the Covid-19 pandemic spread to Europe, the Aerosols team quickly developed aerosol sanitiser products which saw good sales interest in the last three months of the year. As a result, the business reported an adjusted operating profit of £2.2 million for the year, significantly ahead of our financial ambition for the year.

Covid-19

During the Covid-19 pandemic our priorities have been to protect our team members and to support their health and wellbeing; to look after our customers; and to make our business secure, both financially and operationally.

We took a number of swift actions, including:

- forming a Covid-19 team in mid-March drawn from the Group's senior management. The team met daily to assess the range of issues impacting the Group. They scoped and rapidly put in place a plan of action, assigning activities and responsibilities. The team continues to meet regularly each week to monitor progress and to consider whether to adapt and/or flex the plan of action in light of ongoing developments;
- introducing enhanced safety procedures for social distancing and segregation for our factory-based employees. In addition, special arrangements were made to accommodate changes to shift patterns, assistance for employees with home challenges and flexible overtime arrangements;
- achieving a smooth transition to remote working for all of our office-based teams within a few days of local lockdowns being announced. A phased return to work for office staff has been achieved in most locations, again with the relevant national safety guidelines being introduced; and
- taking prudent and decisive action early in the process to preserve liquidity and reduce discretionary costs. This included cancellation of our interim dividend for the 2020 financial year, drawing down cash from our revolving credit facility and pausing all non-essential recruitment and travel.

Current trading and outlook

Trading conditions are starting to normalise as consumer behaviour returns to pre-Covid-19 patterns. Volumes in laundry products have not recovered, although demand for other cleaning products continues to show some year-on-year growth. We anticipate modest revenue growth in the coming year following contract gains which, combined with increased efficiency, should see a modest improvement in year-on-year profitability.

Key activities update

During the year we continued to make good progress on a number of initiatives highlighted in last year's Annual Report:

Factory footprint:

The new factory in Malaysia is expected to start operations in December 2020, slightly later than the original plan as a result of lockdown challenges relating to Covid-19, with the exit of the old facility now expected in March 2021. In late 2019, we announced the closure of the Barrow UK Powders facility as part of the consolidation of laundry powder volumes from our three plants to two. Production at Barrow is due to cease in October 2020.

Integrated business planning:

The project to introduce this latest generation sales and operations planning process made progress in the year, with new software under trial and continuing adoption of these processes in internal business reviews. This project is being further adapted and evolved to meet the needs of Programme Compass in FY21 and beyond.

Logistics footprint:

We have completed the study on options to optimise both our warehouse network and transport management processes. The initial actions are now underway with a phased benefit from the fourth quarter of the new financial year.

Customer segmentation:

Whilst we have further developed our thinking on how to segment our customers and as a result our proposition for different customers, we have only used this lightly in the year for such decisions as R&D and production prioritisation. The new organisation will dictate a different approach to segmentation and hence extending the roll-out of this action has been deferred.

Digital transformation:

We have successfully rolled out latest generation IT operating platforms for employees, which has been well tested as office-based employees worked smoothly from home during lockdown. We are embarking on a simplification of our SAP business systems environment and are in the early stages of installing new HR systems in Europe.

Underperforming sectors:

Our Aerosols business has now transitioned to a stand-alone operation. Its goal this past year was to turn from a loss-making business to at least a break-even position. It is pleasing to see the progress we have made, with the business delivering profits in excess of £2 million.

Read more about a number of key activities in the year on pages 24 and 25

Aerosols

We have successfully transitioned to a stand-alone business

Our Aerosols business unit is now a single-site operation, based in Rosporden, France.
With dedicated commercial and innovation teams, we have re-energised and re-established McBride as a competitive force in aerosols categories.

The business exceeded its financial targets for the year, contributing £2.2 million to Group profits, as the team focused on creating value for its customers through:

- greater consumer insight and understanding;
- improving the pace and quality of new product innovation;
- continuously improving processes, in the pursuit of operational excellence; and
- developing a strong entrepreneurial culture throughout the business.

As well as refreshing our core product range, the Aerosols team demonstrated great agility in developing and bringing to market in weeks rather than months, three aerosol-based sanitising products to help fight the spread of the Covid-19 virus. We also acquired and quickly installed assets to increase our manufacturing capacity for these products.

Product sustainability

We have set 2025 product sustainability targets

We recognise the importance of sustainability to both our customers and the wider environment. Our product development plans are focused on three pillars that support this agenda: reduction in the use of plastics, responsible sourcing and product compaction.

To deliver a clear step forward in terms of sustainability for every new product, we have set targets that by 2025:

- all our plastic packaging will be fully recyclable;
- we will add on average at least 50% post-consumer recycled content in our plastic bottles;
- all our carton and paper will be sustainably sourced;
- we will continue to encourage our customers towards the use of sustainable palm oil; and
- our product development will deliver further compaction in our laundry capsules and auto dishwashing tablets and development of a range of tablet form, home dissolvable cleaner products.

Product legislation

Successful response to product legislation changes

During the year, we made significant investments in our factories, and improvements to a large proportion of our product portfolio, to fully comply with two significant changes to EU consumer product legislation.

- **Restricting the use of the preservative methylisothiazolinone (MIT):**
  While preservatives are very useful to maintain formula quality for the entire shelf life of the product, some consumers can be sensitive to preservatives such as MIT and can develop allergies. Ensuring product quality, and maintaining the shelf life of our formulations with a smaller palette of preservatives, required a significant upgrade to our manufacturing processes.
  Over 75% of our c.3,000 product formulations were changed to comply with the new legislative requirements.

- **Introduction of Unique Formula Identification (UFI) codes:**
  UFI codes are being introduced to provide complete traceability of product information, to allow medical services to respond appropriately in the rare case that a consumer is accidentally exposed to a product. UFI codes will be applied to all applicable products by 1 January 2021, when this new legislation comes into force.

Contract Manufacturing

Further growth of our Contract Manufacturing business

Contract Manufacturing is an important driver of growth for our European Household business, growing revenues by 11.7% in FY20. Approximately 80% of our Contract Manufacturing sales are generated through partnering with the biggest branded companies in Europe.

We have created value for our customers by developing new products and providing access to new markets, geographies and categories. Our customers appreciate the expertise and competence that we offer in the development of a wide range of products, across our portfolio of liquids, powders and unit-dose products, enabling efficient product launches.

We can also provide customers with end-to-end solutions for environmentally friendly products and sustainable packaging solutions.

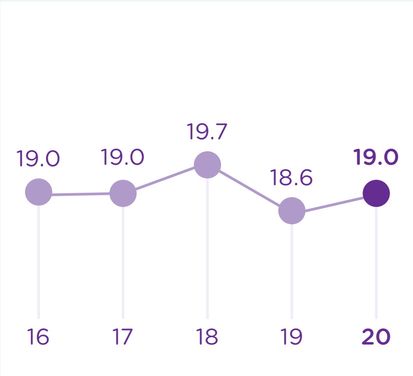
We anticipate delivering further profitable growth in contract manufacturing across all household product categories, expanding the current business with both multinational and local branded players.

Financial KPIs

We have five financial key performance indicators (KPIs) which we use to measure our performance.

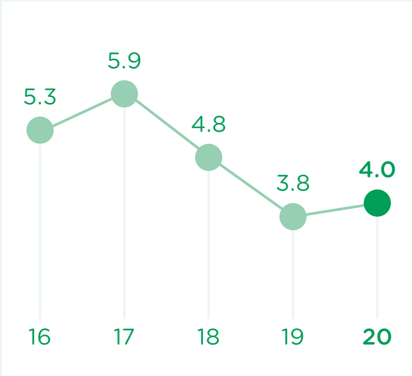
For the year ending 30 June

Labour cost/revenue (%)



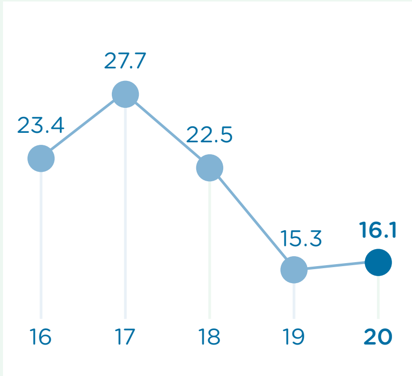
Labour cost as a percentage of revenue.

Adjusted operating margin (%)[1,3]



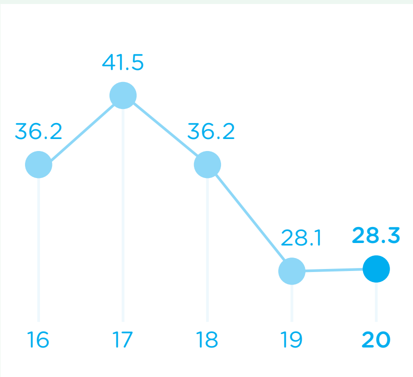
Adjusted operating profit as a percentage of revenue.

Return on capital employed (ROCE) (%)



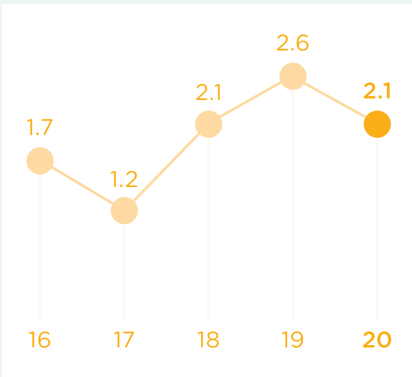
Adjusted operating profit as a percentage of average year-end net assets excluding net debt (pre IFRS 16).

Adjusted operating profit (£m)[2,3]



Operating profit before adjusting items.

Debt/adjusted EBITDA[3]



Net debt divided by adjusted EBITDA.

(1) 2020 adjusted operating profit as a percentage of revenue on a continuing basis is 4.0% (2019: 4.0%).
(2) 2020 adjusted operating profit on a continuing basis is £28.3 million (2019: £28.9m).
(3) The use of adjusted measures is discussed further in note 1 to the consolidated financial statements.

Interim CFO's report

Clive Jennings
Interim Chief Financial Officer

Group operating results

Continuing operations

Full-year adjusted[1] operating profit of £28.3 million was slightly lower than the prior year (2019: £28.9m) with adjusted[1] operating profit margin unchanged at 4.0%. Full-year operating profit was £15.4 million (2019: £26.6m). This includes amortisation of £2.1 million and exceptional charges of £10.8 million, largely related to the closure in 2020 of the Barrow site and consultancy costs incurred as part of the Group's review of strategy, organisation and operations.

Exceptional items

Total exceptional items of £10.8 million were recorded during the period in relation to continuing operations (2019: £0.4m). The charges primarily comprised the following:

- a factory footprint review charge of £9.4 million. This included £8.7 million related to the expected closure costs for the Barrow production facility, scheduled for October 2020. Of this, non-cash costs of £3.2 million include £0.5 million write down of goodwill, £1.7 million write down of plant and machinery and £1.0 million write down of inventory. Additionally, £2.7 million has been reserved for redundancy costs and £2.8 million was incurred in relation to legal and professional fees for consultancy around factory footprint and site closure. The remaining charges relate to restructuring activities to reduce the operational cost base in the UK;
- £1.3 million relating to consulting support in relation to the Group's ongoing review of strategy, organisation and operations (Programme Compass); and
- a net £0.1 million of residual items relating to the Aerosols reorganisation of 2019. This comprises a gain of £0.8 million following the sale of the land and buildings at the former UK Aerosols site in Hull, offset by an exceptional charge of £0.9 million following the termination of a third-party contract for the Hull warehouse operation and other site closure costs.

Discontinued operations

During the prior financial year, the Group successfully completed the sale of the European Personal Care (PC) Liquids business. The financial results of this business have been treated as discontinued operations in the current year financial statements. The remaining activities within the Group are referred to as continuing operations.

During the year there was no revenue or operating profit/loss related to the PC Liquids business. In the prior year, the PC Liquids business generated revenues of £21.9 million and had an adjusted operating loss of £0.8 million.

Following the sale of our PC Liquids business in the previous financial year, liabilities for specific future redundancy remained with McBride. The acquirer implemented these redundancies in the first half-year, resulting in McBride paying £0.3 million.

This project is now closed with no further costs expected.

Other financial information

Finance costs

Adjusted[1, 2] finance costs of £4.1 million (2019: £4.4m) were lower than the prior year, mainly due to foreign exchange benefits on currency revaluations.

Taxation

Reported profit before taxation from continuing operations was £11.2 million (2019: £22.0m). Adjusted[1] profit before taxation from continuing operations reduced by £0.3 million to £24.2 million (2019: £24.5m). The tax charge on continuing adjusted profit before tax for the period of £6.8 million (2019: £6.8m) represents a 28% (2019: 28%) effective tax rate. The impact on the future effective tax rate for the Group as a result of the new divisional structure is currently being assessed.

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) The use of adjusted measures is discussed further in note 1 to the consolidated financial statements.
(2) Adjusted finance costs refers to figures excluding unwind discount on environmental remediation provision.

Executive review continued
Interim CFO's report continued

Other financial information continued

Taxation continued

Transfer pricing is inherently subjective and in determining the appropriate level of provision, the Group considers the probability of a range of outcomes, using a weighted average methodology to focus risk on the most likely outcomes in the event of an audit. The amount provided also takes account of international dispute resolution mechanisms, where available, to mitigate double taxation. This analysis is reassessed at each period end and the estimates refined as additional information becomes available.

At 30 June 2020, the Group estimated its maximum possible tax exposure for ongoing tax audits and uncertain tax treatments to be £25.5 million, of which a provision of £5.0 million has been made.

Earnings per share

On an adjusted(1) basis, diluted earnings per share (EPS) from continuing operations was 9.5 pence (2019: 9.7p). Total adjusted(1) EPS increased to 9.5 pence (2019: 9.4p) with basic EPS at 3.6 pence (2019: 4.4p).

Payments to shareholders

During the year, the Board initiated a dividend policy review as part of the overall review of strategy, organisation and operations. As the Group's revised future plans and direction are concluded through the remainder of 2020 and future funding needs are defined, the Board expects to confirm its revised policy which will include consideration of views from current shareholders.

The Board cancelled the interim payment to shareholders of 0.8 pence per ordinary share declared in February 2020 as a result of uncertainty relating to Covid-19. In light of the Group's earnings for the year and the delay in conclusion of the revised dividend policy going forward, the Board recommends a final payment of 1.1 pence per ordinary share to shareholders. It is intended this will be issued using the Company's B Share scheme on 27 November 2020 to shareholders on the register on 23 October 2020. Elections for cash must be received by 1.00pm on 13 November 2020.

Cash flow and balance sheet

Cash generated from operations before exceptional items was £64.9 million (2019: £25.7m) in the year to 30 June 2020. One-off benefits in the final quarter as a result of various Covid-19 effects are estimated at in excess of £10 million, which will reverse in the new financial year.

Trading working capital(2) as a percentage of sales decreased from 12.0% at 30 June 2019 to 10.6% at the end of the period. Inventory levels were slightly higher than the prior year, with our factories performing very well to rebuild inventory levels following the exceptional level of orders in March and April that depleted our finished goods inventories. To a large extent, the additional revenues created by the exceptional level of demand had been converted to cash by the end of the year and the re-build of inventories through the last quarter not fully paid for. Additionally, the Group benefited from Covid-19 assistance packages from governments that allowed a postponement of certain tax payments into the next financial year (£4.9 million).

During the year, capital expenditure increased to £19.2 million in cash terms. In recent years we have prioritised capital expenditure to underpin our strategy of focused investment in growth categories.

Cash consideration of £3.0 million was received in relation to the sale of land and buildings at the former Aerosols site at Hull, UK which completed during the second quarter. In the prior year, cash consideration of £12.5 million was received in relation to the successful disposal of the PC Liquids business in addition to £1.6 million cash received for the disposal of our former manufacturing site in Italy.

The Group's net assets increased to £66.9 million (2019: £64.2m). Gearing(3) improved to 57% (30 June 2019: 66%) and return on capital employed (excluding IFRS 16) of 16.1% was higher compared to the prior year (2019: 15.3%).

(1) The use of adjusted measures is discussed further in note 1 to the consolidated financial statements.
(2) Trade working capital is defined as inventories, trade receivables and trade payables as a percentage of sales.
(3) Gearing is defined as the ratio of net debt/average year-end capital.

Bank facilities and net debt

Net debt at the year end excluding IFRS 16 decreased by £28.1 million to £92.8 million (30 June 2019: £120.9m) due mostly to the strong cash generation from operations in the year. Net debt including IFRS 16 was £101.5 million (30 June 2019 restated for IFRS 16: £130.8m).

The Group has an unsecured €175 million revolving credit facility (RCF) that is committed until June 2022. At 30 June 2020, the amount undrawn on the facility was €61.3 million (2019: €73.4m).

The Group's RCF funding arrangements are subject to banking covenants, representations and warranties that are customary for unsecured borrowing facilities, including two financial covenants: debt cover (the ratio of net debt to EBITDA) may not exceed 3:1 and interest cover (the ratio of EBITDA to net interest) may not be less than 4:1. For the purpose of these calculations, net debt excludes IFRS 16 leases and amounts drawn under the invoice discounting facilities. As at 30 June 2020, the debt cover ratio under the RCF funding arrangements was 1.4x (2019: 1.9x) and the interest cover was 12.2x (2019: 12.0x). The Group remains well within these covenants.

Additionally, the Group has a number of facilities whereby it can borrow against certain of its trade receivables. In the UK, the Group has a £25 million facility that is committed until October 2021. In France and Belgium, the Group has an aggregate €30 million facility, which has a rolling notice period of six months for the French part and three months for the Belgian part. The Group can borrow from the provider of the relevant facility up to the lower of the facility limit and the value of the respective receivables. The Group also has access to uncommitted working capital facilities amounting to £32.8 million at 30 June 2020 (2019: £58.6m).

Pensions

The Group provides a number of post-employment benefit arrangements. In the UK, the Group operates a defined benefit scheme, which is closed to new members and to future accrual, and a defined contribution pension scheme. Elsewhere in Europe, the Group has a number of smaller unfunded post-employment benefit arrangements that are structured to accord with local conditions and practices in the countries concerned. At 30 June 2020, the Group recognised a deficit on its UK scheme of £28.4 million (30 June 2019: £28.1m). The deficit is broadly unchanged over the period due to the increase in pension liabilities being offset by asset returns and deficit contributions paid by the Group.

The latest funding valuation for the UK scheme was completed as at 31 March 2018. As part of the deficit funding plan agreed with the trustees, the Company has agreed annual contributions of £4 million. As part of the agreement, the trustees have amended the fund's investment strategy with the aim of de-risking the scheme's assets to better match the cash inflows from the fund's assets with the cash flow requirements of the fund. This Cash flow Driven Investment (CDI) strategy was implemented during the first half of the financial year 30 June 2020. Through the use of credit/bond investments, the CDI strategy delivers a stable, more certain expected return and will reduce volatility in the reported accounting deficit as assets and liabilities are better matched.

The Group has other unfunded post-employment benefit obligations outside the UK that amounted to £3.1 million (30 June 2019: £3.0m).

Brexit

The Board continues to monitor the implications for the Group's operations in light of the new trading relationship between the UK and the EU, the final arrangements for which have yet to be concluded. Most product ranges produced in the UK are manufactured for UK customers with a very minimal level of exports to our EU customers. Some product ranges imported to the UK from the EU would be impacted by issues with cross-border movement. The Group has identified contingency plans to be implemented to mitigate these risks.

The lack of an agreed free trade deal between the UK and the EU could lead to a fall in consumer and business confidence. Such a fall in confidence could, in turn, reduce spend on our products.

A cross-functional Brexit Task Force has identified the impact of the UK and EU failing to reach a free trade agreement on the Group's operations and has produced a comprehensive mitigation plan.

Non-financial KPIs

Customer service level (CSL)

90.8%
Target: 96.75%

Our CSL scores are a measure of availability and delivery performance.

We measure the volume of products delivered and within agreed timescales as a percentage of total volumes ordered by customers.

Research & development expenditure

0.92%
2018/19: 0.98%

Our strategy is to ensure our sustainability capabilities become integral to product development and customer proposition.

We measure R&D expenditure as a percentage of Household revenue.

GHG footprint

34,547t
2018/19: 44,195t

Our operational greenhouse gas (GHG) footprint, reported in tonnes of carbon dioxide equivalent (CO_2e), includes Scope 1 and Scope 2 emissions.

The overall impact of our operations for Scope 1 and Scope 2 emissions was 34,547 tonnes of CO_2e emissions (2019: 44,195) with CO_2e efficiency of 25,960kg product/tCO_2e (2019: 20,908kg). It is a measure of the GHG intensity of our operations.

Health and safety

0.67
2018/19: 0.85

Our health and safety programme is built around four pillars: Health & Safety Awareness, Leadership Capabilities, Risk Management and McBride Standards. We place huge emphasis on the safety of our workforce and visitors to our sites.

We actively manage our safety performance through monitoring the incidence and causes of accidents that result in lost time.

Our lost time rate is calculated on the basis of number of lost workday cases per 100,000 hours worked in a rolling year.

Employee turnover

3.26%
2018/19: 6.47%

We recognise that our employees are a key driver of performance.

We measure the turnover of our permanent and temporary employees.

Gender split

40%
2018/19: 37%

We recognise the importance of diversity and inclusion.

We measure the number of female employees as a proportion of our global employees.

Our female employees account for 40% of our total global employees.

Principal risks and uncertainties

The ultimate objective of the Group's risk management process is to support the business in achieving its overall strategic and day-to-day operational objectives and in delivering on its commitments to all stakeholders.

Further detail on the risk management process can be found on page 66.

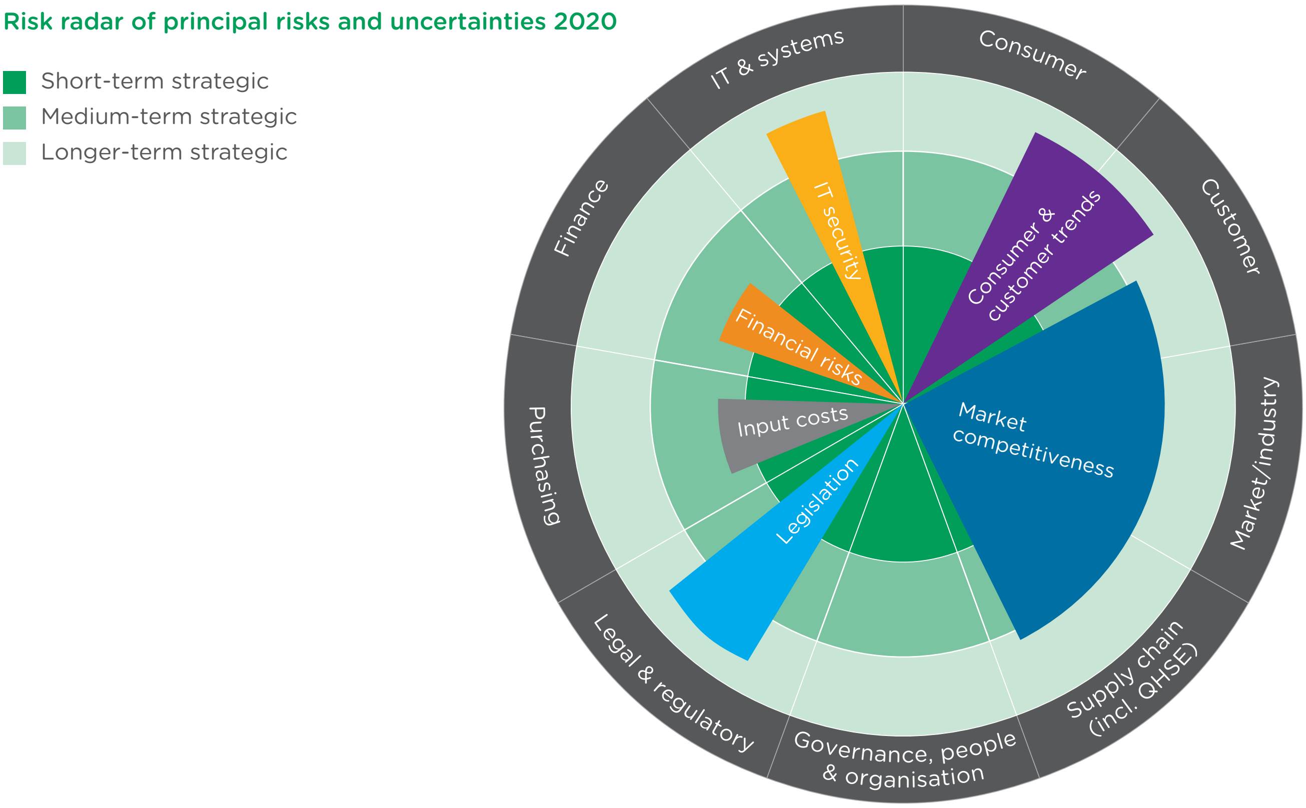
From this process, the Board has identified those risks which are deemed fundamental to the business as they potentially threaten the delivery of the Group's long-term strategic goals.

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

The Board also considered the specific risks and opportunities facing the business as a result of Covid-19 and the resultant impact on business strategy, decisions, activities and operations during the second half of the financial year. However, in the majority of instances these related to short-term operational issues, requiring tactical responses from the business which have been ratified and approved by the Board. Any long-term strategic matters and emerging risk considerations have been incorporated into the significant and strategic risk topics identified by the Group's risk management process, reviewed and approved by the Board, and disclosed below.

The set of principal risks and uncertainties provided on the following pages are not intended to be an exhaustive list. Additional risks not presently known to management, or risks currently deemed to be less material/strategically important, may also have potential to cause an adverse impact on our business. The Board has confidence in the ongoing risk horizon scanning and monitoring activities embedded within the Group's existing risk management processes, to provide early notification of emerging, potentially significant and strategically important risks on a regular basis.

Risk radar of principal risks and uncertainties 2020



Principal risks and uncertainties continued

Consumer and customer trends
Loss of key category and customer positions through lack of insight and/or understanding of consumer and customer-driven trends on sustainability and changes in product technology, formats and usage

Change ↑

Risk impact	Mitigation	Key developments
• Increasing relevance and impact of consumer and customer trends on product development strategies and market offerings. • No clear understanding and strategy related to customer and consumer trends, especially in growing areas of the market and shifting preferences in sustainability and technology. This could result in a potential loss of customer confidence and ultimately lead to a loss of business due to supplying a non-relevant offer. • Failure to identify and respond to any long-term shifts in consumer and customer trends driven by Covid-19.	• Integrated five-year business plan linking targeted customer/channel growth to asset investments. • Strategic long-term key account planning and channel strategies for discount and e-commerce. • Early visibility of key sustainability projects, with dedicated focus groups working on customer-led sustainability initiatives. • Use of appropriate macro trend insights on consumer, technology, environment and regulation, translating into medium and long-term development plans, updated to reflect any underlying shift in trends arising from Covid-19. • Sustainability insights group established within the Company, to gather and monitor trend data to ensure agreed sustainability targets are met.	• Changing to a divisional structure under our Compass programme will promote specialisms within our divisions, allowing us to build more tailored relationships with customers. • Differential investment in consumer insight and marketing capabilities. • Our product development plans are focused on improving sustainability through: reduction in the use of plastics, responsible sourcing and product compaction. • Enhanced marketing capabilities to ensure proactive modelling in the area of customer and competitor intelligence. • Dedicated business programme to maximise commercial effectiveness across different technology platforms.

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

Change ↑

Risk impact	Mitigation	Key developments
• Lack of investment to maintain cost leadership. • Lack of a focused and integrated business planning process, potentially resulting in sub-optimal strategies and initiatives to drive business growth and secure competitive advantage. • Growing international ambition and capability of key competitors, including emerging European players. • Changing customer dynamics, including mergers and buying collaborations leading to increasing strengthening of major retailers' leverage over suppliers on pricing and specification. • Failure to deliver targeted strategic asset and distribution improvement projects leading to uncompetitive costs. • Failure to deliver swift and effective innovation solutions, eroding competitive advantage.	• Strategic projects with adequate investment in the right resources, ring-fenced to deliver differentiated propositions at lower cost through scale application. • An integrated, cross-functional business planning process to ensure alignment and consistency in budgets, targets and performance/growth expectations across the Group. • New product development prioritisation tool implemented, driving optimum value from competing product technology options. • Capital expenditure is controlled through robust planning, budgeting and monitoring controls at regional and Group levels to ensure successful project results. • The Group's geographic and functional matrix structure enables effective change management throughout the business.	• The current review of Group strategy and organisational structure, Programme Compass, is a key driver for change, aimed at creating a more operationally focused leadership team, reinforcing the Group's objective to exploit scale and its ability to compete on cost. • Capital expenditure projects, principally in the strategic formats, to accelerate the delivery of the growth strategy. • Enhanced marketing capabilities to ensure proactive modelling in the area of customer and competitor intelligence. • Continuous improvements in the New Product Development process to ensure innovation is delivered more promptly and with more focused commercial impact.

Input costs

Raw materials drive the majority of product costs, thereby resulting in significant risks associated with commodity markets and their underlying volatility

Change ↔

Risk impact	Mitigation	Key developments
• A time lag between raw material price increases and recovery through pricing initiatives, with potential negative impact on profits. • A significant proportion of UK raw materials sourced from EU markets; the UK's exit from the EU could lead to potential volatility in raw material costs and availability in the medium term. • An interruption in the supply of key raw materials (exacerbated by the Covid-19 situation), could significantly affect our operations and financial position.	• A well resourced purchasing function with specialist knowledge and understanding of key markets. • Strong internal processes to track trends and integrate into forecasting and price recovery plans. • Timely and accurate forecasting models and approaches, in order to provide better visibility of volume requirements over time. • The Group is not overly reliant on any one supplier and continual alternative supplier scenario planning takes place, thereby helping to effectively manage the heightened risk of supply interruption, as a result of Covid-19.	• Following Covid-19 impacts on commodity markets, input costs based on oil prices were generally lower, helping to offset increases on caustic soda and paper feedstocks. • Simplifying raw materials and packaging portfolios has delivered benefits. • Creation of a high-level early warning tool to allow greater visibility of material inflation and ability to play out different cost base scenarios. • A focus on contractual cover to further protect the business. • Continuous improvements in our integrated business planning process to ensure input volumes and costs can be optimised over time. This process was adapted to provide weekly forecast visibility during a period of unprecedented demand and supply volatility caused by Covid-19.

Legislation

We operate in highly regulated markets, which are subject to regular change in terms of their legislative frameworks and practices

Change ↑

Risk impact	Mitigation	Key developments

• The Group is subject to laws and regulations covering areas such as product safety, the environment, labelling, health and safety, intellectual property, tax and financial accounting.
• Rapidly changing legislative frameworks, underlying laws, regulations and related interpretations, as well as increased enforcement actions (including penalties and reputational damage), create challenges for the Group and could limit the markets and geographies in which we can operate and sell.
	• The Group is an active member of relevant trade associations and industry bodies, which allows for the monitoring and implementation of impending legislation.
	• Where appropriate, the Group will input into government consultations which affect our products or industry.
	• Experienced in-house team of regulatory specialists and toxicologists support cross-functional teams, to identify, monitor and ensure successful implementation of regulatory changes and product safety requirements whilst minimising cost and disruption to the Group and its customers.
		• Continued improvements to strengthen the expertise, processes and systems in this area, including:
		  • access to relevant, appropriate specialist advice and expertise;
		  • effective processes and systems to identify, monitor and report compliance activities and any potential breaches;
		  • further improvements to policy and governance documentation to account for legislative changes; and
		  • enhanced tracking of the future legislative landscape and any potential impact on the Group.
		• We took significant actions to fully comply with new EU consumer product legislation regarding restricting the use of the preservative MIT and preparing to introduce Unique Formula Identification (UFI) codes.

Principal risks and uncertainties continued

Financial risks

Multinational operations potentially result in exposure to a variety of financial risks that could threaten the ongoing operation and viability of the Company

Change ↔

Risk impact	Mitigation	Key developments
• Risks associated with foreign currency exchange rates, interest rates, commodity prices, credit and taxation could impact profitability and cash flows, ultimately affecting the long-term viability of the Company. This has been a specific concern given the Covid-19 situation and the resultant potential impact on liquidity, viability and underlying financial performance and health of the Company. • An inability to effectively respond to the potential financial risks from the UK exiting the EU. This could create a degree of unpredictability for short-term and medium-term economic forecasts, as well as a potential adverse impact on the Company's liquidity, funding, creditworthiness and share price valuation.	• Strong and established financial framework monitoring whilst maintaining appropriate levels of liquidity and covenant commitments, thereby securing the long-term viability, financial performance and overall financial health of the Company, in light of any potential challenges imposed by Covid-19. • Robust framework established to ensure compliance with all international tax legislation, including publication of tax strategy. • Foreign exchange risk managed by hedging, thereby mitigating the effects on UK import costs and translation of Euro profits.	• Continued strong relationships with banking partners, with main Group banking facilities refinanced in June 2017 and committed until June 2022, and in October 2018, a new UK invoice discounting facility extended to October 2022. This increases both certainty and flexibility whilst reducing costs for the Group. • Continued active monitoring of significant developments related to the UK's exit from the EU, enabling contingency modelling and planning/preparation for a 'No Deal' Brexit.

Breach of IT security

System security breach could result in loss of sensitive data and/or business disruption. This risk has increased in potential severity during the unprecedented levels of home working imposed by the Covid-19 pandemic during the second half of the financial year

Change ↑

Risk impact	Mitigation	Key developments
• Loss of key and sensitive business data as a result of security breaches, external hacking and/or cyber threats. • Loss of IT services and systems, resulting in significant business disruption. • Increased incidence of security breaches due to high volumes of home working experienced during the Covid-19 imposed lockdown during the second half of the current financial year.	• Continual review and investment in security policies, controls and technologies to protect commercial and sensitive data. • Monitoring of developments in cyber security including engaging with third-party penetration testers and other specialists where appropriate. • Alignment to changes in legislation assessed and implemented, including GDPR. • Robust and effective IT security policies and monitoring activities to remain vigilant of the risks, whilst taking prompt, proactive and effective remedial action, where necessary.	• Recruitment of dedicated cyber security resource and the use of an internal penetration and vulnerability testing, modelling and assessment tool. • Further external penetration exercises undertaken during the year, with the Company having embarked upon the UK Government's Cyber Essentials accreditation programme. • Investment in appropriate tools and systems to proactively monitor and address any IT security breaches that could arise on an ongoing basis. • The IT team has supported the transition from office-based to home working by rolling out processes that maintain strong access controls to our systems.

In accordance with the UK Corporate Governance Code 2018, the Board has taken into consideration these principal risks and uncertainties when determining whether to adopt the going concern basis of accounting and when assessing the prospects for the Group when preparing its viability statement.

Going concern statement

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Executive review on pages 18 to 30. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risks.

The Group meets its funding requirements through internal cash generation and bank credit facilities, most of which are committed until June 2022. At 30 June 2020, committed undrawn facilities and net cash position amounted to £95.5 million. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance and the potential impact of Covid-19 and other principal risks and uncertainties, show that the Group will be able to operate comfortably within its current bank facilities. The Group has a reasonable level of debt to earnings.

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

Viability statement

In accordance with the requirements of the UK Corporate Governance Code ('the 2018 Code'), the Directors have performed a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board has determined that a three-year period to 30 June 2023 constitutes an appropriate period over which to provide its viability statement as it aligns with the primary focus of the Group's business planning.

In assessing the Group's viability, the Directors have considered the current financial position of the Group and its principal risks and uncertainties as described on pages 31 to 34 and made the assumption that the current borrowings will be renewed on similar terms at the next refinancing date. The analysis considers severe but plausible downside scenarios incorporating the principal risks from a financial and operational perspective, with the resulting impact on key metrics, such as debt headroom and covenants, considered. The alternative scenarios assume sensitivity around exchange rates and interest rates, along with significant reductions in revenue, margins and cash flow over the three-year period. In all cases the business model remained robust, funding capacity sufficient and covenants fully complied with. The Group's global footprint, product diversification and access to external financing all provide resilience against these factors and the other principal risks that the Group is exposed to. After conducting their viability review, the Directors confirm that, subject to refinancing as noted above, 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 2023.

Our stakeholders
Section 172(1) statement

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

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

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

Workforce

Why significant
We recognise that the success of our business is dependent upon the health and wellbeing of our workforce. By investing in the right people we are able to meet the strategic needs of our business.

How we engage
We strive to create a positive and engaged environment for our workforce.

We uphold the highest standards of safety in our manufacturing processes.

One of the major decisions taken in 2020 was around the impact of the Covid-19 pandemic. We used engagement surveys to understand our employees' emotional wellbeing and how they were coping with home working.

Consultations with the European Works Council have continued in spite of Covid-19 challenges.

2020 highlights
We introduced a range of measures to enable our employees to continue to work safely, details of which can be found on page 22. Office-based employees are working from home and social distancing measures and additional PPE were introduced in our factories. Further details can be found on page 55.

In June 2020 we launched our Employee Assistance Programme providing a 24/7/365 personal support line which offers our employees free and confidential telephone counselling and support for Covid-19 related issues and other concerns, including anxiety, managing family relationships in a lockdown situation and concerns about the financial impact of the pandemic.

Outcomes and impact of key decisions
During the pandemic no staff have been furloughed.

Our factories remained open between March and June 2020 apart from a 10-day closure in Bagnatica close to the epicentre of the Covid-19 pandemic in Italy.

At all times the Board balanced the needs of customers and the safety of the workforce.

Customers

Why significant
We are supplying household and personal products for cleaner and more hygienic homes which, since the Covid-19 pandemic, has taken on a new significance.

How we engage
We seek to provide our customers a compelling overall offer balancing the customers' price, service and quality priorities. Over the past year we have made efforts to recover our service performance and continue to recognise the importance to our customers of further improving this key element of our offer.

2020 highlights
As a result of the impact of the pandemic and restrictions necessary to ensure the safety of the public, we experienced delays in sourcing raw materials and logistics. This, coupled with increased demand in many of our product areas, created new challenges for our teams. Despite these challenges, we have worked hard to meet increased requirements and ensure the right products are in the right place at the right time.

Outcomes and impact of key decisions
We have managed to remain operational throughout the pandemic and able to meet the needs of our customers where it is safe for our workforce to do so and free from legal restrictions.

Customer service level improvement is embedded in the personal objectives of the Executive Directors and all senior managers.

The Board balanced the needs of the customers and the interests and safety of the workforce.

Suppliers

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

How we engage
Our Supplier Code of Conduct sets out the standards of behaviour we expect from all of our suppliers. We seek to establish mutually beneficial relationships with each of our suppliers and encourage them to match our high standards. Our central procurement function is dedicated to sourcing the Group's key materials and maintaining open communication with our suppliers. A due diligence exercise is carried out on new suppliers and regular audits take place.

2020 highlights
Throughout the Covid-19 pandemic we have worked closely with our suppliers and customers to ensure that vehicles on the road are as full as possible with the products that consumers need. The demand created by Covid-19 reduced the availability of certain raw materials with anticipated delivery dates also delayed.

Outcomes and impact of key decisions
Through our network of buyers we prioritised our purchasing activities on securing supply. Our research and development team continue to provide support through proactive testing of alternative materials where we anticipate future disruption.

A key focus for the Board is ensuring continued supply of raw materials and mitigating the risks associated with commodity markets and their underlying volatility.

The Group is not overly reliant on any one supplier and continual alternative supplier scenario planning takes place.

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

Our stakeholders continued
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 to ensure continued access to investors' capital 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 continue proactively to 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 the Directors attend the AGM and are available to answer questions.

2020 highlights
The Remuneration Committee undertook a thorough review of the Remuneration Policy and consulted with shareholders on the changes proposed.

Following the 2019 AGM, the Chairman engaged with a major shareholder regarding its vote against the resolution giving Directors authority to allot shares.

Outcomes and impact on key decisions
The Remuneration Policy that will be taken to shareholders for approval at the 2020 AGM takes into account the feedback received from shareholders.

The Board anticipates that the major shareholder who voted against the resolution giving Directors authority to allot shares at the 2019 AGM, will vote in favour of the resolution at the 2020 AGM.

As a consequence of the uncertainty relating to Covid-19, the Board cancelled the interim dividend of 0.8 pence per ordinary share declared in February 2020. The cash flow needs of the business were balanced against the requirements of shareholders during an uncertain period. However, the Board now feels able to recommend a final dividend of 1.1 pence per ordinary share.

Communities

Why significant
McBride has a strategic purpose to provide household and personal cleaning and hygiene products to customers for onward sale to consumers. This has never been more important than during the Covid-19 pandemic.

As an international business, we operate in many locations and are proud to be part of local communities providing employment and investment.

How we engage
We recognise the importance of sustainability to both our customers and the wider environment. Our product sustainability plans are to reduce the use of plastics, responsible sourcing of our raw materials and product compaction.

We are working towards reducing our greenhouse gas emissions as quickly as possible.

2020 highlights
Initiatives at the peak of the pandemic for our communities included producing new products such as hand sanitiser and specialist disinfectants as well as supplying equipment, resource, expertise and products to those that needed them.

For example, in Denmark we donated 1,000 protective health suits to the Danish Government, and in Spain we manufactured hand sanitiser for local organisations and schools.

Outcomes and impact on key decisions
Product sustainability targets for 2025 (detailed on page 24) have been approved by the Board.

Group non-financial information statement

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

Reporting requirement and our material areas of impact	Relevant Group principal risks	Relevant Group policies	Policy embedding, due diligence, outcomes and key performance indicators – page reference
Environmental matters • Responsible approach to product design and production	Consumer and customer trends	• Group ESG Policy	Environmental, social and governance, pages 40 to 45 and product sustainability, page 24
Employees • Responsible for the health and safety of our workforce	Legislation	• Group Quality, Health, Safety and Environment Policy	Environmental, social and governance, pages 46 and 47 Workforce engagement, pages 54 and 55 Our stakeholders, workforce, page 36 Covid-19, page 22 People, page 17 Compass strategy, page 12 Employee engagement, page 98
Social matters • Responsible approach to taxation	Financial risks	• Tax Strategy Statement • Business Ethics Policy	Environmental, social and governance, pages 47 and 48
Respect for human rights, anti-bribery and corruption • Reinforcing an ethical business culture	Legislation	• Business Ethics Policy • Supplier Code of Conduct • Anti-Bribery and Corruption Policy • Gifts and Hospitality Policy • Policy on the use of independent auditor for non-audit services • Whistleblowing Policy • Anti-slavery and Human Trafficking Statement	Environmental, social and governance, page 47 and policies, page 60 and page 69
Business model	All risks		Page 17
Non-financial key performance indicators			Page 30
Description of principal risks			Pages 31 to 34

Environmental, social and governance

We are committed to maintaining a responsible business. On pages 41 to 48 we explain our approach to enhancing the sustainability of our business and set out some of the key initiatives we are taking to create value for our customers, employees, shareholders and society.

Some of the ways in which we recognise we can reduce our environmental impact as a manufacturer are highlighted below:

92.2%

of waste generated recycled, reused and recovered

99.2%

of all packaging is recyclable

5.5%

reduction in energy consumption

Cruelty Free international certified products in our portfolio

Green energy 5.9% of total energy

Committed to the support of sustainable palm oil

Licence number: 4-0493-14-100-00

Our sustainability objectives

Sustainability is an integral part of our strategy and the decisions that we take. It is at the heart of our key business processes and supply chains. We ensure we have a full understanding of the impact of our products and the way we conduct our business on the environment.

Our sustainability framework is based around our policy on sustainability and the environment and four objectives:

Product and design

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

Read more on pages 42 and 43

Production and operations

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

Read more on pages 44 and 45

Our people

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

Read more on pages 46 and 47

Community and society

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

Read more on page 48

Our sustainability objectives continued

Product and design

Our first sustainability objective is to design, create and supply value products, which are safe to use, whilst minimising environmental impact. Our aim is to ensure that our sustainability capabilities become integral to product development and customer proposition. Consumer choices are increasingly driven by environmental and social concerns and we must respond to this in order to ensure the long-term success of the Company. Where possible, we work with customers and accredited ecological bodies to reduce potential environmental impact.

Our 2025 product sustainability targets

In 2020 we have launched our programme to deliver challenging 2025 targets for reducing the environmental impact of the products we supply.

Our ambition is to ensure that every new product we develop delivers a more sustainable footprint than the product it replaces. This programme is based on three key pillars, all of which are key components in product design:

- plastics reduction;
- product compaction; and
- responsible sourcing.

Plastics reduction

Plastics are a significant element in many of our final products. We intend that by 2025:

- our plastic bottles will contain on average 50% post-consumer recycled (PCR) content;
- all of our plastic packaging will be fully recyclable; and
- we will have eliminated all polyvinyl chloride (PVC) and mixed plastic packaging.

As part of our commitment to these targets we have increased our capability in the majority of our Household factories to produce polyethylene terephthalate (PET) plastic packaging with 100% PCR content. This is now available for all our customers across Europe. Approximately 60% of the PET preforms we procure now have PCR content.

In our drive to ensure all the packaging we use is fully recyclable, it is pleasing to report that we now have to change only a small number of product formats to meet this target. One of these is the doypack format; a lightweight pouch alternative to plastic bottles and tubs. These can be difficult to recycle as they are mostly based on mixed plastics such as PE/PET. We have already developed a mono-material doypack for auto dishwashing tablets and have now industrialised this for our full laundry capsules portfolio.

Product compaction

A key opportunity to reduce the environmental impact of our products is to reduce their size. This could include higher concentration formulations which will permit smaller pack sizes and increased use of refill options. All of these changes will reduce plastic and chemical usage as well as reduce the environmental impact from the transportation of our products between factory and consumer.

We already offer refill options for many customers and will encourage further take-up where possible. We will look to provide smaller products in our Unit Dosing ranges as well as more concentrated liquids products such as fabric conditioner. We intend by 2025 to have a full range of home dissolvable cleaner tablets, thus encouraging the re-use of existing packaging and reducing the production of trigger bottles.

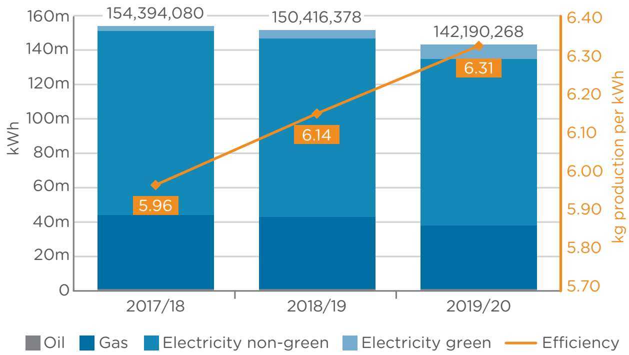
Responsible sourcing

Virtually all of our products leave our plants in a cardboard outer package. Our target for 2025 is that all our paper and card components will be responsibly sourced via FSC® approved suppliers. We are buyers of palm oil derived chemicals and from today, all our eco range products will only be produced using RSPO certified palm. We will continue to work with our customers to drive this across our entire range.

Production and operations

Our second sustainability objective is to continue reducing our environmental impact through efficient and effective process design, production and operational sustainability and continued improvement in managing waste in our manufacturing processes.

Total Group energy consumption



Total Group energy consumption reduced to 142,190,268 kWh (2019: 150,416,378 kWh) during the year. 25,938,675 kWh related to UK energy consumption (18.2%).

There has been a reduction of 5.5% overall in total Group energy usage as a result of several site initiatives, including investment in LED lighting improvements and the roll-out of sub-metering to provide improved insights into our energy consumption. We have also introduced a number of process optimisation initiatives including formula temperatures, optimisation of boiler and fluid bed operation to eliminate idle running and the optimisation of weekend clocks for compressor operation. During the reporting period, detailed energy audits, as part of the Energy Savings Opportunities Scheme Regulations, were commissioned to establish an energy-saving action plan at the Barrow and Middleton sites.

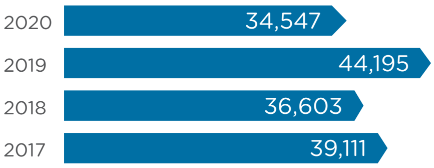
We have provided environmental awareness training as part of our ISO 14001 Environmental Management System which included legislation, site emissions and environmental impacts, waste stream and recycling. At our Barrow site, we improved the zoning and control of our compressed air system to isolate areas that were not in use to eliminate idle consumption. We have also been proactive in promoting energy awareness on all sites, specifically around the start-up and shutdown procedures of machines to reduce energy consumption.

Greenhouse gases (GHG)

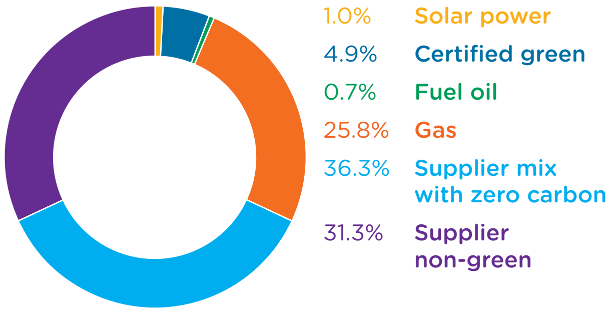
We have been calculating our Scope 1 and Scope 2 GHG emissions since 2008 in accordance with the relevant GHG Protocol Corporate Accounting and Reporting Standards and latest emissions factors from recognised sources, based upon market values.

The overall impact on our operations for Scope 1 and Scope 2 emissions was 34,547 tonnes of CO_2e emissions (2019: 44,195 tCO_2e) with CO_2e efficiency of 25,960kg product/tCO_2e (2019: 20,908kg). 5,918 tCO_2e related to our UK sites (17.1%).

Net Scope 1 and 2 CO_2e emissions (tonnes CO_2e)



Split of energy source index including green element of supplier grid mix 2019/20



Methodology note: This GHG inventory has been calculated in accordance with the GHG Protocol Corporate Accounting Standard using the operational control approach. UK Government GHG Conversion Factors for Company Reporting 2020 have been used to calculate GHG emissions.

Electricity – Calculated from supplier invoices using metered kWh data. The Shared Services office has been estimated based on historic consumption as there was no up-to-date information available from the landlord (>1% of Scope 2 emissions).

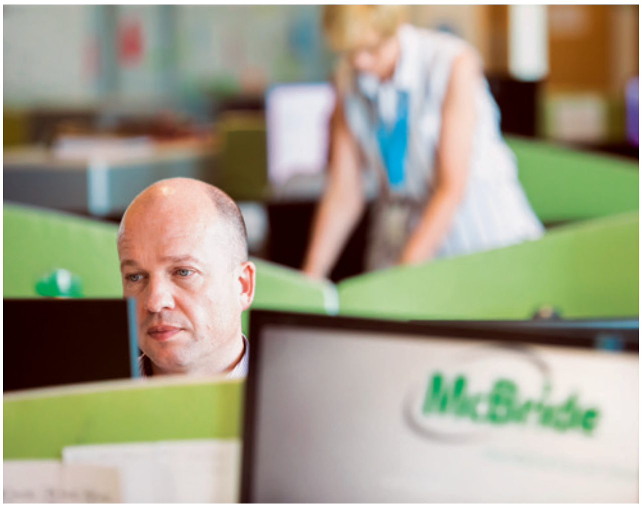
Market-based emissions have been calculated using supplier specific fuel mix disclosures along with the UK residual fuel mix.

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

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

Refrigerant gases (HFCs) – A combination of data from F-gas register, service reports and the screening methodology were used to calculate the emissions associated with refrigerant gases. There was no information available to calculate the HFC emissions for the Shared Services office. This source has been excluded on the basis that it is thought to be immaterial in comparison to the total GHG emissions and McBride does not have operational control over the service and maintenance of the air conditioning system.

Transport – Calculated based on volume of fuel purchased and mileage claims. The volume of fuel has been converted to kWh using the UK Government conversion factors. For mileage claims, details of the fleet were unknown, therefore the average car type was used to estimate GHG emissions and underlying energy use.



Environmental, social and governance continued
Our sustainability objectives continued

Our people

Our third sustainability objective is to create an environment where people want to work and are able to give their best.

A culture for success

Achieving our strategy requires us to have a culture that recognises the value of each person and enables our people to become fully engaged, aligned and to achieve their full potential. Our culture is the outcome of the way we work, interact with each other and the behaviours our people demonstrate. With the right culture we can accelerate the change required to execute our strategy and further improve employee engagement. This year we have engaged with the senior leaders in our organisation to shape our culture ambition, reconsider our purpose, vision and core values and set ourselves up for the changes ahead as we transition to a divisional structure. Our culture ambition will be brought to life through Programme Compass and by our senior leaders who role model required behaviours and ways of working. Our progress will be evident by the successful delivery of the organisational change required under Programme Compass.

Learning and development

R&D Academy

As a leading manufacturer of homecare products, we understand the value of developing the right technical expertise. We continuously equip our teams to develop and design sustainable products to serve our current and future markets.

Our learning and development programmes have this year been impacted by the Covid-19 pandemic. We have invested time and resource to adapt our traditional classroom learning to live virtual sessions to ensure our workforce continues to learn and develop during this time.

In 2018 we set up the R&D Academy and created a Learning & Development programme for the R&D teams. This programme covers business, organisational and technical topics to stretch, challenge and enhance our teams' overall capabilities. Year one of the programme focuses on sustainable product design, legislation, strategy and customers, to ensure the R&D teams have a sound foundation of learning before moving on to more specialised topics. The programme is continuously evolving with new study modules added monthly, written and delivered in-house.

Diversity and inclusion

We recognise and value all forms of diversity and endeavour to promote diversity and inclusion in our workplace. As a global business, we recruit, train and develop employees who are the best suited to the requirements of the job role, regardless of gender, ethnic origin, age, religion or belief, sexual orientation, gender identity or disability.

Gender pay gap reporting

We report annually on our gender pay gap to meet our UK legal obligations. Our Gender Pay Gap Report is available on our website. Throughout 2019/20, our Executive Committee comprised 50% female membership and 29% of our Board members were female.

As at 30 June 2020

Female Directors

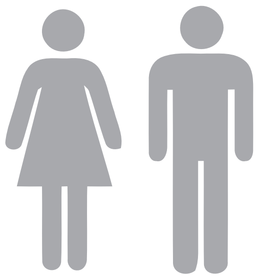
2/7 29%

Female senior management[(1)]

5/16 31%

Female total global employees

1,238/3,122 40%



Health and safety

Under our Group Quality, Health & Safety Policy which underlines our responsibility for continuous improvement, our health and safety programme is built around four pillars: health and safety awareness, leadership capabilities, risk management and McBride standards. We place huge emphasis on the safety of our workforce and visitors to our sites. We have adopted behavioural safety as a core competence to continue to keep our employees safe and build a zero accident safety culture. Every day our management teams are proactively testing our organisation and engaging our colleagues to ensure we work safely and identify any improvements we can make.

We actively manage our safety performance through monitoring the incidence and causes of accidents that result in lost time. Our lost time rate is calculated on the basis of the number of lost workday cases per 100,000 hours worked in a rolling year. Details can be found in our non-financial KPIs on page 30.

(1) Senior managers includes the Executive Committee and Directors of overseas and UK subsidiaries.

Wellbeing

Health and wellbeing received increased focus in 2020 during the Covid-19 pandemic. We enhanced our wellbeing programme to improve the support we offer to our employees in respect of mental and physical welfare. We introduced mindfulness sessions and gave all employees and their families access to an Employee Assistance Programme which provides 24/7 confidential counselling and support for personal and work related issues.

Our European Works Council is an information and consultation body. It provides a forum for discussing transnational issues and concerns and represents employees from our European sites. It meets twice a year.

Action taken in response to the pandemic is set out in the Executive review on page 22.

Reward and recognition

We continue to ensure our rewards are competitive and aligned with local markets.

Our staff turnover figures continue to be low. Details can be found in the non-financial KPIs on page 30.

Performance management

McBride has a well-established and structured approach to evaluating employee performance each year against personal objectives.

Ethical behaviour

Our Business Ethics Policy, which can be found on our website, is a guide for our employees to drive the right behaviours and to help them make the right decisions.

We monitor the employment practices of our supply chain and we carry out third-party ethical audits utilising the Sedex System wherever possible or, alternatively, under a specific retailer's own system.

The audits conform with the Ethical Trading Initiative (ETI). Our sites are independently audited at a frequency determined by risk. We retain all audit data under the Sedex System for all sites, regardless of audit frequency.

Our Supplier Code of Conduct sets out the standards of behaviour we expect from all of our suppliers. As a minimum standard, we adhere to the provisions of the ETI and require every supplier to comply with our Code of Conduct, along with national and other applicable laws.

Our Supplier Code of Conduct is published on our website and any breach of the code may result in termination of our business relationship with a supplier.

Human rights

We take the issue of human rights seriously and continue to strengthen our policies and management systems in this area. Our Anti-Slavery and Human Trafficking Statement enshrines our obligations under the Modern Slavery Act 2015. We are committed to ensuring there is transparency in both our own business and in our approach to tackling modern slavery in our supply chain. The outcome of our policies and procedures is that there have been no known instances of any form of discrimination, slavery or human rights violation.

Whistleblowing

McBride has a well-established process to enable employees to speak up about unethical behaviour. Any disclosure can be made anonymously if the employee so chooses.

Financial crime

McBride has a zero tolerance to financial crime and the giving or receiving of bribes for any purpose. We have an established policy framework which aims to minimise exposure to bribery, corruption and financial crime.

Our sustainability objectives continued

Community and society

Our fourth sustainability objective is to ensure that McBride's products and operations benefit our people, local communities and wider society.

Charitable Trust

The McBride Charitable Trust was established in 1995 to: i) provide grants to charitable bodies; ii) for the advancement of education and learning of residents of the UK and Europe (including, but not exclusively, persons who are or who have been employees of Group undertakings or, in the case of the death of persons so employed, of those who have been dependent upon them); and iii) to provide funds for other charitable purposes decided by the trustees.

Education

In 2019/20 the Trustees awarded a total of £14,000 to 77 children of McBride employees by way of educational grants towards funding their further education. The donations were received positively by our employees and their children.

Wider society

During 2019/20, we continued to provide support with stock donations via In Kind Direct for people living in poverty.

This year we donated 40 pallets of homecare products.

Fundraising

We continue to encourage our employees to get active, take part and raise money for local or national cancer and children's charities.

The McBride Charitable Trust has this year made donations on a matched basis to funds raised by our employees for Breast Cancer Now, Macmillan Cancer Support, Children in Need and Marie Curie in the UK.

The UK commercial team led a Fake it or Bake it competition where team members made cakes and bought cakes. A lucky panel of tasters then (while blindfolded) tried to identify which cake was home-baked and which was not. This was a great day of fun for the team and £376 was raised for Macmillan Cancer Support.

The UK commercial team also raised £512 for Children in Need by arranging competitions and challenges for McBride employees, from hula hooping to who could 'plank' the longest.

In Belgium, £857 was raised by one of our employees for children's cancer charities as part of De Warmste Week in Kortrijk.

Compliance with the UK Corporate Governance Code 2018

Principle 1: 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 2 to 48, 52 to 53 and 56 to 57
B. Purpose, values and strategy are set and align with culture, which is promoted by the Board.	pages 12 to 13, 46, 54, 56 to 57 and 73
C. Resources allow the Company to meet its objectives and measure performance. A framework of controls enables assessment and management of risk.	pages 31 to 34, 66 and 68 to 69
D. Engagement with shareholders and stakeholders is effective and encourages their participation.	pages 36 to 38 and 54 to 55
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 22, 36, 46 to 47, 54 to 55 and 69

Principle 2: Division of responsibilities	Page reference
F. The Chair is objective and leads an effective Board with constructive relations.	pages 51 to 53 and 56 to 60
G. The Board comprises an appropriate combination of Non-Executive and Executive Directors, with a clear division of responsibilities.	pages 50 to 53 and 58 to 59
H. Non-Executive Directors commit appropriate time in line with their role.	pages 60, 62, 67 and 71
I. The Company Secretary and the correct policies, processes, information, time and resources support Board functioning.	pages 56 to 58, 60 and 64

Principle 3: 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 54 and 62 to 65
K. There is a combination of skills, experience and knowledge across the Board and its Committees. Tenure and membership are regularly considered.	pages 52 to 53, 56, 59 and 62 to 65
L. Annual evaluation of the Board and Directors considers overall composition, diversity, effectiveness and contribution.	pages 51 and 64

Principle 4: 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 57 and 66 to 69
N. A fair, balanced and understandable assessment of the Company's position and prospects is presented.	pages 2 to 48 and 100 to 165
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 31 to 34, 56 to 57, 61 and 66 to 69

Principle 5: 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 72 to 73 and 76 to 81
Q. A transparent and formal procedure is used to develop policy and agree executive and senior management remuneration.	pages 71 and 73
R. Independent judgement and discretion is exercised over remuneration outcomes taking account of the relevant wider context.	pages 72 to 75, 77 to 80 and 82

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

Chairman's introduction to the Directors' report

Jeff Nodland
Chairman

Dear shareholder

I write to you for the first time as Chairman, following my appointment at the Company's 2019 AGM. I am pleased to present this year's Corporate Governance report and to update you on our progress throughout the year.

Board leadership

Our leadership role is centred on strategy, shareholder engagement, governance, risk management and culture. The Strategic report and the Directors' report together give us the opportunity to demonstrate how we have discharged our role.

Governance

The Annual Report for the year ended 30 June 2020 is the first to be published by us since the UK Corporate Governance Code 2018 ('the 2018 Code') became applicable to the Company. The application of the Principles of the 2018 Code is evidenced throughout this Annual Report.

We are accountable to all of our stakeholders for ensuring that governance processes are in place and we are fully committed to meeting the standards of the 2018 Code as far as it applies to a FTSE SmallCap company. As part of our strategic review we have evaluated our governance framework and during this process incorporated changes recommended by the 2018 Code. We have taken this time to focus on understanding and developing our culture as well as ensuring we have the right leadership to enable us to maximise the opportunities that lie ahead. The table on page 49 provides details of our compliance for the financial year 2019/20.

Board leadership succession planning

A key focus of our governance work this year has been to review the composition of the Board to ensure that it continues to be diverse in terms of background, skills and experience to support the strategic and operational direction of the Group.

Chairman

On 4 October 2019 we announced John Coleman's decision not to seek re-election at the Company's AGM on 22 October 2019 and that, having been appointed a Non-Executive Director in June 2019, I would be appointed Chairman after the 2019 AGM.

Board changes

Rik De Vos stepped down as Chief Executive Officer (CEO) in July 2019 and Chris Smith, Chief Financial Officer (CFO), became interim CEO, whilst between May and October 2019 an executive search and recruitment process was conducted for Rik's replacement. Ludwig de Mot was appointed CEO in November 2019 and after a short period with us stepped down in June 2020.

On 11 June 2020 we appointed Chris Smith as CEO. Chris joined the Group in 2015 as CFO. Over the five years Chris has been with McBride, he has demonstrated his strong international leadership capabilities in multi-site and multi-country organisations. The Board believes that he has the leadership style needed to maximise the opportunities that lie ahead.

The Board has begun a search for a new high calibre CFO with the assistance of our executive search partner Egon Zehnder. Whilst the search for a permanent CFO is in process, the Board has appointed an external candidate, Clive Jennings, as Interim CFO. Clive joins the Group's Executive Committee but has not been appointed to the McBride plc Board.

We have reviewed the composition of the Board to ensure that it continues to be diverse in terms of background, skills and experience, to support the strategic and operational direction of the Group.

In line with our succession plans and in anticipation of Sandra Turner not seeking re-election at the 2020 AGM, having served nine years on the Board, Liz McMeikan was appointed a Non-Executive Director in November 2019. Liz brings to the Board extensive consumer goods and retail experience as well as valuable Board experience and enhances the mix of skills, experience and knowledge required on the Board. In accordance with the Board's succession plan, Liz took over the role and responsibilities of Chair of the Remuneration Committee when Sandra Turner stepped down as Chair in May 2020.

Sandra Turner will step down from the Board on 20 October 2020. Neil Harrington, Audit Committee Chair, will step down in 2021, by which time he will also have completed the maximum nine-year term.

The Board considered the independence of Sandra Turner as she neared the end of her tenure and also the independence of Neil Harrington as he nears the end of his. The Board concluded that the objectivity of Sandra Turner and Neil Harrington was not impaired by their length of tenure and they continue to demonstrate their commitment to making decisions that are in the best interests of the business.

Board Committees

The Board continues to be supported by the Nomination, Audit and Remuneration Committees, whose full reports can be found on pages 62 to 95.

The key area of focus for the Nomination Committee has been, and will continue to be, succession planning as it progresses a search for a permanent CFO and commences a search for a Chair of the Audit Committee to replace Neil Harrington.

The Audit Committee has reviewed management's first calculations under IFRS 16 and the Remuneration Committee has carried out a thorough review of the Remuneration Policy and engaged with shareholders on changes proposed.

Board effectiveness

As Chairman, I am responsible for ensuring we continue to have an effective and functioning Board. The internally led Board evaluation undertaken at the end of the year 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 on page 64.

Nearing completion of my first year as Chairman of McBride, I am confident that our high standards of governance will support the business as we navigate through the unprecedented times resulting from the Covid-19 pandemic.

Jeff Nodland
Chairman

Board of Directors
Board leadership and Company purpose

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

Jeff Nodland
Chairman

Appointed to Board:
June 2019

Jeff has eleven years' experience in consumer chemicals manufacturing businesses, including both private label and contract manufacturing activities. He was most recently President and CEO of KIK Custom Products, retiring in February 2019 after eleven years in the role. KIK is one of North America's largest independent manufacturers of consumer packaged goods, including personal care, branded and private label household care, automotive chemicals and pool and spa chemicals. 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 the Augsburg University in Minneapolis, Minnesota, USA.

Committees:
N* R

Chris Smith
Chief Executive Officer

Appointed to Board:
January 2015

Chris joined the Company in 2015 as Chief Financial Officer. He was interim Chief Executive Officer during the period 22 July 2019 to 1 November 2019 and on 11 June 2020 he was appointed Chief Executive Officer. Chris is a chartered accountant and has more than 25 years' experience working in manufacturing businesses in highly competitive industries across the UK, Europe and Asia Pacific. Previously, Chris was Group Finance Director of API Group plc, the AIM-listed speciality metallic film, foil and laminates manufacturer. Former positions include Finance and IT Director for Europe & Asia of Scapa plc and a number of senior finance roles at Courtaulds plc.

Steve Hannam
Senior Independent Non-Executive Director

Appointed to Board:
February 2013

Steve brings extensive experience of independent Board-level scrutiny, having held a number of positions as Chairman and Non-Executive Director in listed companies during his career, as well as senior executive positions both internationally and in the UK. Steve brings diversity of style, skill and experience, which makes him ideally suited for the role of Senior Independent Director, ensuring a challenging mindset when setting and monitoring implementation of the Group's strategy. Steve's previous positions include Chairman of Aviagen International Inc, Non-Executive Director of Clariant AG and AZ Electronic Materials Services Limited, Group Chief Executive of BTP Chemicals plc and, most recently, Chairman of Devro plc and Senior Independent Director of Low & Bonar plc.

Committees:
A N R

Elizabeth McMeikan
Independent Non-Executive Director

Appointed to Board:
November 2019

Liz has extensive experience within the consumer goods and retail sectors, including senior management roles in commercial, marketing and operations at Tesco and Colgate Palmolive. This, combined with her strong non-executive experience, makes her an excellent addition to the Board. Liz is currently Senior Independent Director and Remuneration Committee Chair at Unite Group plc, ESG Committee Chair at Dalata Hotel Group plc and Audit Committee Chair of private company Fresca Group. Her past appointments include Senior Independent Director at J.D. Wetherspoon plc and Senior Independent Director and Remuneration Committee Chair at Flybe plc.

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

Committees:
A N R*

Neil Harrington
Independent
Non-Executive Director

Appointed to Board:
January 2012

Neil, a chartered accountant, brings a strong financial background, having operated as an executive Group Finance Director in a range of global consumer-facing businesses under both PLC and Private Equity ownership, with extensive experience of operating internationally. In particular, Neil has led complex corporate finance transactions, where his wealth of knowledge in debt structuring, financing, investment and banking facilities has been invaluable. Neil has held senior finance roles in a number of global listed companies, including ASDA/Walmart Stores Inc., Barclays Bank plc, French Connection Group plc and Mothercare PLC. In his previous role Neil was CFO of Cath Kidston Group Limited. Neil's financial background and expertise leave him eminently suitable to hold the role of Audit Committee Chair.

Other roles: Chief Financial Officer of Medivet Limited.

Committees:
A* N R

Sandra Turner
Independent
Non-Executive Director

Appointed to Board:
August 2011

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

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

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

Committees:
A N R

Igor Kuzniar
Non-Executive Director

Appointed to Board:
June 2019

Igor brings a strong background in finance, operational efficiency and strategy. He has 13 years' experience as an investor in mid-sized European companies. He also has experience as a management consultant advising multinational corporations across various industries.
In 2013, Igor co-founded Teleios Capital Partners. Teleios is an investment firm that acquires ownership positions in European public companies, seeking to help them maximise their long-term potential by working constructively with management and other shareholders. Prior to Teleios, he was a partner at the investment firm Octavian Advisors and a management consultant for McKinsey & Company.

Other roles: Managing Partner of Teleios Capital Partners GmbH.

Committees:
N

A Audit Committee
N Nomination Committee
R Remuneration Committee
* Chair

Corporate governance statement
Board leadership and Company purpose continued

Introduction
The 2018 Code applied to McBride from 1 July 2019. 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 49.

The Directors' report complements the Strategic report and explains how the Board operates in support of fulfilling McBride's purpose. The Board's role is to maintain and oversee frameworks for strategy, stakeholder engagement, governance, risk management and culture. 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.

Board leadership and Company purpose
As explained in my introduction to the Strategic report, McBride's performance in recent years has not met the Board's ambitions and expectations and, whilst the previous strategy of 'Repair, Prepare, Grow' has delivered many positive impacts, the Board decided it is now time to embark on a new journey to reflect the current environment facing our business and, as a consequence, are supporting the CEO and senior managers as they commence the development of our new strategic direction.

Strategy
During 2019/20, the Board assessed:

- the Group's strategic position;
- current and future trends for category, geographic and channel dynamics;
- the market for the potential for growth and to take market share;
- our competitors' strengths and weaknesses; and
- our own market share, gross and net margins and how we compare against other European manufacturers on cost levels, efficiencies and raw material buying.

Analysis and debate around our strategic direction was informed by inputs from our specialist teams within McBride including business unit leaders, marketing, supply chain, purchasing, R&D and logistics as well as an externally commissioned market study.

People strategy
As part of the new strategic direction, the Board reviewed the proposals for a divisional structure based on product technology and the resulting organisational design. The Board assessed the advantages and disadvantages of the divisional structure and the challenges that certain teams would encounter and the support they would be given.

Purpose, values and culture
McBride's purpose, values and new strategy have sustainability at its heart. 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.

During 2019/20, the business carried out a review of its corporate culture by engaging initially with the senior leadership team. It conducted surveys and held virtual collaborative workshops to identify where we are now and where we would like to be in the future. The senior leadership team discussed and agreed upon core and aspirational values. These were communicated to the wider workforce through culture and values programmes overseen by the Executive Committee. There was significant engagement across the business to ensure that our values resonate with people across different geographies, functions and job roles. Culture sets the tone and the Board believes that by encouraging a greater sense of belonging and improving employee engagement it will lead to a more motivated and productive workforce. We are therefore working to build a more open, diverse, inclusive and engaging culture at all levels of McBride. Our values define our behaviour and we acknowledge the need to focus on the development of our people and appreciation of diversity and inclusion.

The Board recognises that developing a healthy culture will be an evolving area of focus. The ongoing assessment of McBride's culture requires further development through employee engagement surveys and monitoring HR statistics such as absenteeism, employee turnover, learning and development completion rates and lost time incidents. Some of these are already part of our non-financial KPIs as set out in the Strategic report.

Workforce engagement
The Board acknowledges that meeting with local management, both formally and informally, allows a deeper insight and understanding of the issues and challenges across the business. With a large global workforce, the Board has not achieved the level of workforce engagement it aspires to.

In terms of engagement with employees, the Board agreed that Non-Executive Director attendance at European Works Council meetings and visits to our sites in Europe and Asia would provide the best opportunities for direct dialogue with the workforce.

There have been a number of Board changes over the course of 2019/20 and Neil Harrington and Sandra Turner will shortly step down, each having served nine years on the Board. With the exception of Steve Hannam, the composition of the Board will then have completely changed in a period of less than two years. This gives us the perfect opportunity to reconsider a chosen method for workforce engagement as recommended by the 2018 Code, acknowledging that our current practice does not strictly comply with provision 5.

In the meantime, and while travel restrictions are still in place, workforce engagement will continue to be managed by the senior leadership team led by the Group HR Director with oversight from the Board. An assessment of ways to engage with the local workforce in order to gather insights of their issues and challenges will be carried out and the Board will consider recommendations on how to progress this most effectively to best achieve a mechanism for a two-way dialogue with the workforce.

Employee surveys have been utilised to give an insight into the views of the workforce, particularly with regard to the impact of Covid-19. The surveys asked employees about communication effectiveness, emotional wellbeing and appetite for longer-term changes to ways of working and a greater degree of flexible working patterns. We value and act upon feedback from the workforce.

Covid-19

Since March 2020, the Board has taken steps to understand and mitigate the risks posed by, and the impacts arising from, the human, social, economic and business uncertainty resulting from the Covid-19 pandemic. The business has continued to support its customers by increased supplies of household and hygiene products.

The Board's response is summarised below:

- our management of the evolving issues of the Covid-19 pandemic was overseen by the Executive Committee with comprehensive and regular updates to the Board providing assurance of operational continuity and customer service levels;
- the Board endorsed the decisions not to furlough any employees, together with the social distancing measures adopted in the factories and remote working by office-based employees managed by the Executive Committee;
- since March 2020 all planned meetings of the Board and its Committees have been conducted virtually with full attendance, with the agendas developed to ensure review of the status of the Covid-19 pandemic and the operational and financial effects;
- in March 2020, the Covid-19 impact on funding and liquidity was considered and the decision made to cancel the interim payment to shareholders while economic and financial uncertainty remained. Since then the Board has decided to recommend a full-year payment to shareholders of 1.1 pence per ordinary share having regard to the expectations of all shareholder groups which, subject to shareholder approval, will be paid in November 2020;
- an assessment was completed to enable the Board to reflect on whether there had been any changes to the risk profile of the Group's operations. Details are contained in the Principal risks and uncertainties section on page 31; and
- a short delay in releasing the Annual Report for 2019/20 required a change to the date of the AGM from October to November 2020. Details of the arrangements for the AGM and changes to the usual format, for shareholder, Director and employee safety, are set out in the Notice of AGM 2020.

The Board will continue to assess our response to the Covid-19 pandemic and support changes to working practices to protect the health and wellbeing of the workforce. The Board will be supported by the Audit Committee's monitoring of our risk profile. The Remuneration Committee will consider any impact of the Covid-19 pandemic on executive pay at the relevant time.

Engagement with major shareholders

At the 2019 AGM more than 20% of votes were cast against the resolution giving Directors authority to allot shares.

Resolution 13 was passed as an ordinary resolution at the meeting, with 73.94% of votes cast in favour. The authority sought by the Company was in accordance with the latest Share Capital Management Guidelines published by the Investment Association. Furthermore, all major proxy voting agencies indicated their support of this resolution. The Company published a statement with its results of the 2019 AGM which noted that the Board had been engaging with shareholders and had a good understanding of the concerns raised. A further consultation process was undertaken and report to shareholders provided in line with the requirements of the 2018 Code. The Company identified those shareholders who did not support the resolution and the Chairman engaged with one of the most significant of these in relation to their views expressed. As a result of discussions, one major shareholder who voted against the resolution has indicated that its vote will be cast in favour of the resolution when it is again proposed at the 2020 AGM.

The Board welcomes the opportunity to openly engage with shareholders and help them understand our business. The Chairman takes overall responsibility for ensuring the views of shareholders are communicated to the Board and was present at all shareholder consultations on the new Remuneration Policy.

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 2020, the Board of Directors comprised the Chair, four independent Non-Executive Directors, one non-independent Non-Executive Director, representing the largest shareholder, and one Executive Director. Additional responsibilities assigned to certain Non-Executive Directors are explained on page 58.

The composition of the Board is subject to review and is a responsibility delegated to the Nomination Committee. Details of the tenure, gender 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 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 62 to 95.

The Audit Committee

The Board has established an Audit Committee of independent Non-Executive Directors. Details of its composition and work during the year are set out in the Audit Committee report on pages 66 to 69. The Board is satisfied that the Chair of the Audit Committee has recent and relevant financial experience including competence in accounting.

Fair, balanced and understandable reporting

The Board recognises its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects. The process to determine whether the 2020 Annual Report is fair, balanced and understandable was reviewed by the Audit Committee and was considered to be effective. The Board was satisfied that the narrative reporting is consistent with the financial reporting and concluded that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

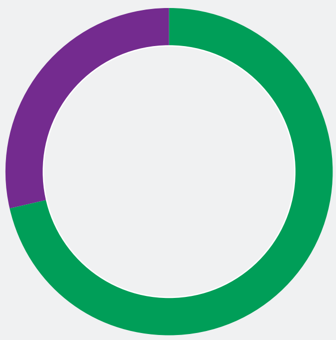
Risk management and internal control

The Board acknowledges that it is accountable for determining the extent and nature of the risks it is prepared to take in order to achieve the Company's strategic objectives. The Board has overall responsibility for the approach to risk management, determines the appetite for each risk and ensures appropriate mitigating actions or control measures are in place where relevant. A robust assessment of the Company's principal and emerging risks is carried out as described on page 31 to ensure alignment with the Company's strategic objectives.

Tenure

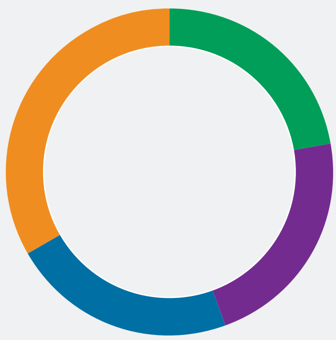
Under 1 year	1
1-5 years	2
6-8 years	2
8+ years	2

Gender



Male	5
Female	2

Relevant experience



Manufacturing	2
Retail	2
Chemicals	2
Finance	3

The Board also has responsibility for the Company's system of internal controls, including appropriate authorisation of transactions, policies and procedures, the application of financial reporting standards and the review of financial performance and significant judgements and estimates. Oversight of the effectiveness of risk management and internal controls is delegated to the Audit Committee.

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

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

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

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

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

The Internal Audit function provides independent assurance on the strength and effectiveness of the Group's risk management framework and is responsible for overseeing internal control processes for the Group. Further details are set out on page 69.

The risk management framework is set out on page 66.

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

Going concern

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 35.

Viability statement

The Board has 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. Details of the assessment and the viability statement are set out on page 35.

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. A new Remuneration Policy will be put before shareholders at the 2020 AGM.

Division of responsibilities continued

Operational management

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

As at 30 June 2020, the membership of the Executive Committee comprised the Chief Executive Officer, the Interim Chief Financial Officer, the Commercial Director, the Chief Information and Processes Officer, the Group HR Director and the General Counsel and Company Secretary.

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.

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 Purchasing 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.

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 management which benefits from a free flow of information between the Executive and Non-Executive Directors. The size of our Board encourages Directors to discuss matters openly and freely and to make individual contributions through the exercise of their personal skills and experience. No one individual has unfettered powers of decision making.

All Directors communicate with each other on a regular basis and contact with the Group's senior managers is sought and encouraged. Since March 2020 the Board has conducted its meetings, and those of its Committees, remotely through video calls.

Independence

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

In line with the 2018 Code, the Board has determined that Igor Kuzniar is not considered independent as he is an appointed representative of McBride plc's largest shareholder, Teleios Capital Partners GmbH.

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

Conflicts of interest

In line with the Companies Act 2006 and the Company's Articles of Association ('Articles'), the Company has a strict process in place to manage conflicts of interest.

A Director who becomes aware that they or their Connected Persons have an interest in an existing or proposed transaction with the Company is required to declare that interest at a meeting of the Board. Such disclosures are recorded and compliance reviewed at each meeting. Under the powers granted by the Articles, the Board is authorised to approve such conflicts where appropriate.

During the period to 30 June 2020, the Board authorised Igor Kuzniar's conflict of interest as an appointed representative of McBride plc's largest shareholder, Teleios Capital Partners GmbH, as well as Ludwig de Mot's appointment as a Non-Executive Director of VPK Packaging, a supplier to the Company. Ludwig de Mot's appointment as a Non-Executive Director of VPK Packaging Group NV was not considered significant in terms of time commitment and the Board concluded it would not affect his objectivity, but would be kept under review. As Ludwig de Mot left the Company on 10 June 2020 this is no longer considered to be a conflict.

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.

Election and re-election of Directors

The Board is satisfied that all the Directors standing for election or re-election perform effectively and demonstrate commitment to their roles. This has been demonstrated during the year by the willingness of the Directors to attend additional informal meetings 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 Annual General Meeting (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 election or re-election are set out on pages 52 and 53. These provide more details of the skills and experience which demonstrates why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

The Board, its Committees and the individual Directors participate in an annual performance evaluation. Further details of the performance evaluation process are set out on page 64. The performance evaluation process confirmed the continuing independent and objective judgement of all the Non-Executive Directors. The process also confirmed that the performance of all the current Directors standing for re-appointment and appointment continued to be effective and that they continue to demonstrate commitment in their respective roles.

Policies

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

Reporting

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

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

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

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. 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 of the Board and seven unplanned meetings in the year to 30 June 2020. Details of Director attendance is set out in the table. Scheduled meetings of the Board follow an agreed format, with agendas developed by the Chairman, CEO 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.

Attendance at meetings year ended 30 June 2020

Number of Board meetings held: 15

Members of the Board	Number of meetings attended	Member since
Jeff Nodland(1) Chairman	13/13	26/06/2019
Chris Smith(1) Chief Executive Officer	14/14	07/01/2015
Steve Hannam Senior Independent Non-Executive Director	15/15	04/02/2013
Neil Harrington Independent Non-Executive Director	15/15	03/01/2012
Igor Kuzniar Non-Executive Director	15/15	03/06/2019
Liz McMeikan(1, 2) Independent Non-Executive Director	8/8	14/11/2019
Sandra Turner(3) Independent Non-Executive Director	13/15	01/08/2011
John Coleman(4) Outgoing Chairman	3/3	22/04/2016
Ludwig de Mot(4) Outgoing Chief Executive Officer	8/8	01/11/2019

(1) Directors were not eligible to attend Board meetings scheduled to discuss their appointments.

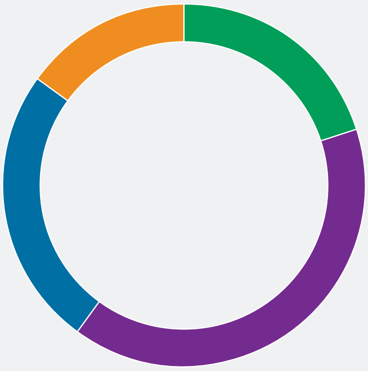
(2) From date of joining the Board.

(3) Sandra Turner was unable to attend two meetings due to medical reasons.

(4) To date of resigning as a Director.

Board activity in 2020

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
- Sales and marketing activity reviews
- Purchasing performance and feedstock forecasts
- The UK's decision to exit the EU
- Forward outlook for FX and interest rates
- Review of the implications of the Covid-19 pandemic on the business and key stakeholders

Strategic development opportunities

Matters considered

- Overseeing strategic implementation
- Strategic opportunity (including potential acquisitions and/or disposals in line with the Group's strategic plan) and project progress reviews
- Programme Compass – approving strategic change
- Key operational project progress reviews, including major capital expenditure investment proposals
- Reviewed the sustainability priorities for product design
- Reviewed the people strategy

Trading, financial and operational performance

Matters considered

- Financial management and performance
- Approval of budget
- Banking, tax and treasury strategy and policy reviews
- Approval of full-year and half-year announcements and other trading updates
- Annual Report and Accounts review and approval
- Consideration of shareholder views and analyst expectations
- Payment to shareholders, policy and proposals
- Reviewed the funding and management of the defined benefit pension scheme
- Considered the share performance

Governance and risk

Matters considered

- Health and safety updates
- Insurance programme renewal
- Process for engaging with the workforce
- Board self-evaluation exercise
- Corporate policies review and approval
- Search for CEO and CFO
- Approved the appointment of Chris Smith as CEO
- Succession planning reviews
- Considered changes to the Remuneration Policy
- Approved the Group's Risk Appetite Statement, principal risks and approach to managing and identifying emerging risks
- Received updates from the Audit Committee on the internal audit plan
- Approved the 2020 Annual Report and Accounts
- Approved the business to be considered at the 2020 AGM and the final dividend of 1.1 pence per ordinary share

Nomination Committee report
Composition, succession and evaluation

Jeff Nodland
Chair of the Nomination Committee

Dear shareholder
On behalf of the Nomination Committee, I am pleased to present the Nomination Committee report for the year ended 30 June 2020.

The Committee continues to focus on succession planning to ensure the Board and senior managers have the right capabilities to develop and execute our strategy and deliver the change required to sustain growth and create value.

We welcomed Liz McMeikan to the Board in November 2019. Liz brings a wealth of knowledge in the consumer goods and retail sectors and strong experience as a Non-Executive Director. Sandra Turner retires from the Board on 20 October 2020. The Board would like to thank Sandra for her significant and valued contribution and wise counsel over the past nine years.

Role
The principal role of the Committee is to focus on the leadership required by McBride to fulfil its purpose, achieve its vision and execute its strategy.

This involves keeping under review the structure, size and composition of the Board and to make appropriate recommendations to the Board with respect to any necessary changes. This includes evaluating the balance of skills, knowledge, experience and diversity on the Board and considering the effectiveness of the succession planning process for Board members. We also consider the effectiveness of senior management development and succession planning, including the processes for developing the future senior manager pipeline. Further details on our role and responsibilities can be found in our Terms of Reference at **www.mcbride.co.uk**

The Committee plays a key role in supporting inclusion and diversity across the Group. Both in the Board and amongst senior managers, it considers the range of perspectives and attributes to ensure they are aligned to the Group's strategy and culture.

The Committee reviews the size and composition of the Audit and Remuneration Committees to ensure they have the necessary expertise to discharge their role now and in the future in line with succession plans.

Composition
As at the date of this Annual Report, the Committee had six members; myself as Chair and all of the other Non-Executive Directors including Igor Kuzniar, the non-independent Non-Executive Director representing our largest shareholder. Only members of the Committee have the right to attend meetings. The CEO and the Group HR Director attend all or part of our meetings by invitation when appropriate. The Company Secretary acts as Secretary to the Committee.

Committee meetings 2019/20
The attendance of members at meetings during the year is set out below.

Number of Committee meetings held
(minimum one per year): 7

Members	Number of meetings attended (quorum is three members)	Member since
Jeff Nodland (Chair)(1)	5/7	26/06/2019
Steve Hannam	7/7	04/02/2013
Neil Harrington	7/7	03/01/2013
Igor Kuzniar	7/7	03/06/2019
Liz McMeikan(2)	2/2	14/11/2019
Sandra Turner(3)	6/7	01/08/2011
John Coleman(4)	4/4	22/04/2016

(1) Directors were not eligible to attend meetings scheduled to discuss their appointments.
(2) From date of joining the Board.
(3) Sandra Turner was unable to attend one meeting due to medical reasons.
(4) To date of resigning as a Director.

Committee activities

Our principal activities during 2019/20 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.
Appointment of Chairman	I was appointed Chairman elect on 7 October 2019. My appointment as Chairman in October 2019 did not involve the use of opening advertising or external search agencies as recommended in provision 20 of the 2018 Code. My predecessor was not involved in my selection or appointment as Chairman although he was involved in my selection and appointment as a Non-Executive Director in June 2019.
Appointment of Non-Executive Director and Non-Executive Director succession	Liz McMeikan was appointed a Non-Executive Director on 14 November 2019 with the support of external search firm Egon Zehnder. Recommended to the Board that Sandra Turner's term of appointment be extended from 14 August 2020 to 20 October 2020 including the necessary determination as to whether Sandra remained independent. Recommended to the Board that Neil Harrington's term of appointment be extended from 2 January 2021 to a date after the appointment of his replacement as Chair of the Audit Committee to ensure an orderly handover, including the necessary determination as to whether Neil will remain independent.
Executive Director recruitment	Undertaking a recruitment process for a CEO in July 2019 to replace Rik De Vos, resulting in the appointment of Ludwig de Mot. Commencing a recruitment process for a CFO following the appointment of Chris Smith as CEO when Ludwig de Mot stepped down in each case with the support of external search firm Egon Zehnder.
Election and re-election of Directors	After considering the individual contributions made by the Directors, recommended to the Board that Liz McMeikan be proposed for election as a Non-Executive Director and that all other current Directors be proposed for re-election at the 2020 AGM other than Sandra Turner who is not standing for re-election.
Review of performance and effectiveness during 2019/20	Undertook a review of 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.
Board Inclusion and Diversity Policy	Received for review a Board-level policy on inclusion and diversity to ensure the ongoing relevance of Board membership to a global manufacturing company in today's world.

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.

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.

Board evaluation

As a constituent of the FTSE SmallCap, McBride is not required to conduct an externally facilitated Board evaluation; however, the Board acknowledges that the 2018 Code encourages the Chairs of smaller listed companies to consider the benefits of an external perspective periodically. In June and July 2020, limited by social distancing restrictions, the Board conducted an online evaluation, led by the Chair. A number of external consultants were considered before selecting Independent Audit for assistance with the Board evaluation. 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® question libraries. 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, strategy, management of risk, dynamics and information. Members of each Committee answered questions specific to it. Subsequently, the Chair held one-to-one discussions with each Director to discuss areas of focus for the year ahead.

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

- the Chair's inclusive style;
- open and constructive debate and discussion;
- a spirit of trust and openness;
- a strong emphasis on compliance;
- the effectiveness of the Committees; and
- a strong awareness of the Company's financial health.

Key areas of focus from our 2019/20 evaluation	Progress and actions to be implemented during 2020/21
Board and senior management succession planning, diversity and talent management	A formal succession policy and plan is under review. More visibility of the measures in place to identify and nurture talent to be provided to the Board to ensure a diverse executive pipeline.
Risk management	Information on cyber risk and the degree to which McBride is prepared to respond to a crisis to be presented to the Board.
Following the appointment of a new Chief Executive Officer, a review of the strategic direction of the Company	A corporate strategy and transition plan together with divisional strategies are being prepared.
Skills matrix and composition of the Board	The succession procedure and skills matrices will be reviewed.
Board papers	Board papers will be revised and executive summaries prepared with areas for approval or Board discussion and direction identified.

Succession planning and Board appointment

The Board supports structured succession for the orderly and progressive refreshing of the Board. The tenure of the Non-Executive Directors is monitored. In its search for a permanent CFO and Chair of the Audit Committee, the steps below will be followed. All appointments will support and embrace difference and nurture an inclusive Board culture.

In this context, diversity encompasses gender, BAME ambitions and differing experience, education, background and thinking styles, the need to maintain Board cohesiveness and a positive culture. At the date of this report, two out of seven Board members (29%) are female, three out of six members (50%) of the Executive Committee are female and three out of nine members (33%) of the Risk Council are female.

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

1. The Committee continually evaluates and looks to refresh the composition of the Board to maintain the appropriate balance of knowledge, skills and experience to ensure its continued effectiveness.

2. When considering candidates for appointment as Directors and senior managers of the Company, the Committee prepares a detailed job specification and candidate profile. Once agreed, the Committee then works with an appropriate external search and selection agency to identify a shortlist of candidates of the appropriate calibre. The Board will only engage with such agencies that have a published diversity commitment.

3. Shortlisted candidates are then invited to be interviewed by the Committee members, and if recommended by the Committee, will meet the entire Board before any decision is taken relating to the appointment.

2020/21 objectives

In summary, the Board will review its Inclusion and Diversity Policy later this year and remains committed to maintaining not less than the current proportion of women on the Board and improving diversity in the boardroom.

The Committee's work for the forthcoming year will continue to focus on Board succession planning, giving consideration to the opportunities this might create to further improve Board diversity. The Committee has also agreed to focus on talent management within the Company's senior management team.

Jeff Nodland
Chair of the Nomination Committee

Audit Committee report
Audit, risk & internal control

Neil Harrington
Chair of the Audit Committee

Dear shareholder

On behalf of the Audit Committee, I am pleased to present our report for the year ended 30 June 2020.

As Committee Chair, I have relevant financial experience and up-to-date knowledge of financial matters, being a member of the Institute of Chartered Accountants in England and Wales and the current Chief Finance Officer of Medivet Group Limited. I have also held other senior finance roles, the most recent being Chief Finance Officer of Cath Kidston Limited and Group Finance Director at Mothercare plc for seven years.

As at the date of this Annual Report, the Committee had four members. Myself as Chair, Steve Hannam, Sandra Turner and Liz McMeikan. The Board Chairman, Chief Executive Officer, Chief Financial Officer, Igor Kuzniar (a Non-Executive Director), Group Financial Controller and Head of Internal Audit attend meetings by invitation. The Company's independent auditor, PricewaterhouseCoopers LLP (PwC), also attends meetings by invitation. During the year, PwC attended four meetings.

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

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

Effectiveness of the Audit Committee

The Board is satisfied that Committee members are sufficiently competent in financial matters, in addition to having a wide range of business and governance expertise both within the sector and elsewhere.

Effectiveness of the independent auditor

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

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

PwC's audit of the FY19 financial statements was selected for review by the FRC Audit Quality Review team. The Committee has received a copy of the review and was pleased to note that it did not identify any key findings and only a limited number of improvements were required.

The Committee and the Board remain satisfied with the level of independence, objectivity, expertise, fees, resources and general effectiveness of PwC and, accordingly, recommend that a resolution for the re-appointment of PwC as independent auditor for the Company should be proposed at the forthcoming AGM in November 2020.

Risk management framework

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

Auditor objectivity and independence

Committee review and auditor assurance

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

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 2020. Fees payable by the Group to PwC totalled £0.9 million (2019: £0.7m) in respect of audit services. There were no contingent fee arrangements with PwC.

Audit tenure

The Committee considered its external audit services, taking into account the UK Corporate Governance Code 2018 and Statutory Audit Services Order 2014. A full tender for the appointment of the external audit firm took place in 2011, as a result of which PwC was appointed as independent auditor with effect from November 2011. As noted above, the Committee regularly reviews the performance of the independent auditor and continues to be satisfied with PwC's independence, objectivity and expertise and believes that the Group is subjected to a rigorous audit process. PwC was first appointed as the Group's auditor for FY12 and will have served for ten years at June 2021. In accordance with the FRC rules on mandatory audit rotation, the Committee intends to tender the McBride FY22 audit during the course of FY21.

Non-audit fees

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

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

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

Fees payable by the Group to PwC totalled £20k (2019: £24k) in respect of non-audit services, equating to 2% of audit fees received by PwC during the same period (2019: 3%).

Main duties:

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

Attendance at meetings year ended 30 June 2020

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

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

Members	Number of meetings attended (quorum is two members)	Member since
Neil Harrington (Chair)	4/4	03/01/2012
Steve Hannam	4/4	04/02/2013
Jeff Nodland[1]	2/2	26/06/2019
Liz McMeikan[2]	2/2	14/11/2019
Sandra Turner[3]	3/4	01/08/2011

(1) To date of appointment as Chairman of the Board.

(2) From date of joining the Board.

(3) Sandra Turner was unable to attend one meeting due to medical reasons.

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

Committee activities

Accounting and reporting issues

The Committee received regular reports on the Group's trading performance, as well as progress on both the interim and full-year financial statements. Papers and other regular updates from both management and 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 2019/20 financial year are set out overleaf. The Committee is satisfied that the presentation of the financial statements is appropriate and in accordance with the Group's accounting policies.

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

Risk management and internal control environment

The Committee is delegated the responsibility for reviewing the effectiveness of the Group's systems of internal control, including all material financial, operational and compliance controls, as well as risk management systems, key corporate policies and financial reporting framework and processes to ensure that the interests of shareholders are properly protected. 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. No failings or weaknesses have been identified which had a material effect on the Company's financial performance.

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

Matters considered during the year	
Impairment reviews	Management's judgement on the need (or otherwise) to take impairment charges for goodwill or fixed assets was reviewed, taking into account the trading performance of and the prospects for each Cash Generating Unit (CGU). Recommendations were discussed and agreed with PwC. In particular, we reviewed the financial impact of the planned closure of the Barrow manufacturing site in October 2020. Management's recommendation to write down all goodwill attributable to the site and the value of specific plant and machinery and inventories that were not recoverable, was agreed by the Committee. Refer to note 13 to the financial statements.
Going concern status and longer-term viability statements	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 severe but plausible risk scenarios had been identified; a robust risk assessment had been carried out; and the Group's viability and going concern statements remained appropriate even when stress tested. Taking into account the Company's balance sheet position, the Committee expected the Group to be able to meet its liabilities as they fall due over the three-year period ending 30 June 2023. 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 35 be approved.
Exceptional items	The Committee reviewed the accounting treatment of exceptional items and agreed that the items listed in note 5 are exceptional in size and nature in relation to the Group and therefore it is appropriate to disclose them separately.
Quality of earnings	Reviews of the quality of the earnings (material items of income or expense) and one-off items included in cash flow were carried out by the Committee both at the half and full-year period ends. The Committee agreed that sufficient disclosure was 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 global transfer pricing. The Group adopted IFRIC 23, 'Uncertainty over income tax treatments' during the period under review and the Committee reviewed both the disclosure and the increased tax provision. In accordance with the terms of the Group's debt facilities, the Committee continued to monitor compliance with all relevant covenants to ensure the Group could continue to have sufficient funding capacity to deliver its strategy. The Committee also reviewed the Group's debt funding strategy, policies on currency and interest rate hedging transactions and approved the extension of the corporate guarantee for Asia Pacific banking arrangements.
Pensions	The Committee reviewed at each meeting the performance of the Robert McBride Pension Fund, a defined benefit pension scheme, closed to new members and future accrual, operated in the UK. Following a review of the Fund's investment strategy in FY19, the transition to a Cash flow Driven Investment (CDI) strategy was implemented during the first half of FY20. The Committee was supportive of this change as, through the use of credit/bond investments, the CDI strategy should deliver a stable, more certain expected return, thereby reducing volatility in the reported accounting deficit as assets and liabilities are better matched. The Committee noted that the implementation of the CDI strategy in the first half of FY20 was timely, as this mitigated the negative impact on the reported accounting deficit from the extreme volatility experienced in the second half of the year as markets reacted to the Covid-19 pandemic.
IFRS 16, 'Leases'	The Group has adopted this new standard with the modified retrospective approach from 1 July 2019. The Committee has reviewed and confirmed management's calculations of the increases in right-of-use assets and lease liabilities, along with the elimination of associated onerous provisions.
Covid-19	The Committee reviewed the impact of Covid-19 on the Group's financial performance. The Committee supported management's proposals to take prudent and decisive action to preserve liquidity and reduce discretionary costs. This included cancellation of the interim dividend, drawing down cash from the revolving credit facility (RCF) and pausing all non-essential recruitment and travel. The Committee also supported management's recommendation to issue unaudited preliminary results on 8 September 2020. This relieved some of the pressure on the year-end reporting timetable caused by Covid-19, including delays to budget and Compass strategy development as the leadership team's focus was diverted to developing actions to manage business disruption risks and the anticipation of possible inefficiency in year-end audit fieldwork caused by completion of this work on a fully remote working basis.

Internal Audit

The Internal Audit function provides assurance to the Committee that appropriate, adequate, effective and fit-for-purpose controls are in place across the Group. Regular meetings are held between the Head of Internal Audit and the Chair of the Audit Committee and the Committee actively engages the Internal Audit function to determine the extent to which the overall internal control environment can be enhanced, whilst understanding and evaluating specific control activities. Information on specific key control procedures undertaken by the Group can be found on page 66.

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

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

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

Risk management

The Committee monitors and challenges the adequacy of the Company's procedures in respect of business risk identification, assessment, monitoring and reporting. On behalf of the Board, the Committee specifically considered those risks and uncertainties facing the business which should be classified as significant and sought comfort from management on the mitigating factors being used to manage and address these. The current principal risks and uncertainties affecting the Group can be found on pages 31 to 34.

The Committee ratifies the Risk Council's Terms of Reference and is provided with biannual updates of matters the Risk Council has considered. Information on the matters considered by the Risk Council can be found on page 31.

Anti-bribery and corruption and whistleblowing policies

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

Anti-bribery and corruption

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

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

Whistleblowing

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

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

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

Fair, balanced and understandable

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

The Audit Committee report was approved by the Board on 8 October 2020 and signed on its behalf by:

Neil Harrington
Chair of the Audit Committee

Remuneration Committee report

Elizabeth McMeikan
Chair of the Remuneration Committee

Dear shareholder

On behalf of the Remuneration Committee, I am pleased to present the Remuneration report for the year ended 30 June 2020.

I was appointed Chair of the Remuneration Committee on 1 May 2020 having been a member of the Committee since November 2019. I would like to take this opportunity to thank Sandra Turner for the contribution she made as Chair of the Committee for the last six and a half years and, in particular, for the support she has given to me this year.

This Remuneration report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended ('the Regulations'), the UK Corporate Governance Code ('the Code') 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 Statement; Remuneration Policy Report, including Policy changes at a glance, and the Annual Report on Remuneration.

At the 2020 Annual General Meeting (AGM), the Company will be asking shareholders to vote on three separate resolutions:

- the binding triennial vote on the Directors' Remuneration Policy, which subject to shareholder approval will formally become effective as at the date of the AGM;
- an advisory vote on the Annual Report on Directors' Remuneration, which provides details of the remuneration earned by Directors for performance in the year ended 30 June 2020; and
- the introduction of a Restricted Share Plan.

Performance of the business

The past year has been a challenging and volatile period for trading with continued aggressive competitor pricing, a global pandemic and a retail environment still seeking price reductions. We experienced weak trading conditions in H1 but improved demand for many of our products in H2 leading to significant volume recovery in the last four months of the financial year.

Remuneration matters considered during and in respect of 2019/20

A summary of the key matters considered by the Committee during the year and since the year end in respect of 2019/20 is as follows:

- the Committee undertook a thorough review of our Policy and consulted with our shareholders on the changes proposed. The Policy we are taking to shareholders at the 2020 AGM takes into account the constructive feedback we have received during the consultation;
- in relation to the annual bonus, the Committee determined after the year end that a bonus of £76,433 (24.8% of salary) would be payable to Chris Smith covering this period. This level of payout was reflective of the wider business performance and no discretion was applied in determining the level of payout. Further details can be found on page 88;
- in relation to the LTIP awards granted in September 2017, the Committee reviewed the performance conditions after the year end and determined that performance for these awards was below the threshold levels. No discretion was applied in determining the level of vesting. The awards have, therefore, lapsed;
- the deferred share award granted to Chris Smith as part of the 2017 annual bonus will vest in September 2020. There are no performance conditions attached to this award (other than the participant being in employment at the date of vesting). Details of this award can be found on page 90;
- the Committee agreed the remuneration arrangements for the interim Chief Executive Officer until a new Chief Executive Officer appointment was made. Chris Smith (Chief Financial Officer) received an additional monthly allowance of £10,000 for the period he was interim Chief Executive Officer;
- the Committee agreed the remuneration arrangements for both the appointment of the new Chief Executive Officer and his subsequent departure. Ludwig de Mot joined the Board on 1 November 2019 and left the Board on 10 June 2020;
- the Committee agreed the remuneration arrangements for Chris Smith on his appointment as CEO effective 11 June 2020;

- the Committee completed a review of the annual fee payable to the Chairman;
- the Committee reviewed performance metrics in relation to the Executive Director's 2020/21 annual bonus and LTIP award. It determined that for the annual bonus, 80% of the opportunity would continue to be subject to an EBITA target and that the remaining 20% would be subject to personal objectives. For the LTIP there would be a move from relative TSR to ROCE for 50% of the award. Given the challenges imposed on the business as a result of Covid-19 and the fact that the strategic review is not yet complete, the Committee agreed to set the actual performance targets for the LTIP awards within six months of the date of grant of these awards. Further details can be found on page 78; and
- the Committee considered whether there was a need to reduce Executive Director remuneration in light of the Covid-19 pandemic. In line with our response to remuneration for our employees, and in the absence of a need to draw upon government support, the decision was taken not to make any such reduction.

Main duties:

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

Attendance at meetings year ended 30 June 2020

Both Jeff Nodland and John Coleman satisfied the independence condition on their respective appointments as a Non-Executive Director. John Coleman stepped down as a Director and Chairman following the AGM on 22 October 2019. The Board is satisfied that the remaining members during the year were independent Non-Executive Directors.

Number of Committee meetings held
(minimum two per year): 8

	Number of meetings attended (quorum is two members)	Member since
Liz McMeikan(1) (Chair from 1 May 2020)	4/4	14/11/2019
Sandra Turner(2) (Chair until 1 May 2020)	7/8	01/08/2011
John Coleman(3)	2/2	22/04/2016
Steve Hannam	8/8	04/02/2013
Neil Harrington	8/8	03/01/2012
Jeff Nodland	8/8	26/06/2019

(1) Liz McMeikan was appointed to the Board on 14 November 2019.
(2) Sandra Turner was unable to attend one meeting due to medical reasons.
(3) John Coleman stepped down as a Director and Chairman following the AGM on 22 October 2019.

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**.

Board changes

Rik De Vos, the outgoing Chief Executive Officer, resigned as a Director with effect from 19 July 2019 and left the business on 31 August 2019. He was not treated as a 'good leaver' and no payments for loss of office were made to him. Details of the remuneration applying to him whilst a Director during the year and on departure are included in the Annual Report on Remuneration.

Ludwig de Mot joined the Group and the Board as CEO on 1 November 2019 and stepped down and left the Group on 10 June 2020. He was not treated as a 'good leaver' and no payments for loss of office were made to him. Details of the remuneration applying to him whilst a Director during the year and on departure are included in the Annual Report on Remuneration.

As announced in June 2020, Chris Smith, formerly our CFO, has been appointed to the role of CEO. Chris Smith's remuneration arrangements on formal appointment to CEO were discussed and agreed by the Committee and are in line with our current Remuneration Policy.

Consideration of workforce remuneration

I welcome the introduction of a closer link between the work that we do as a Remuneration Committee on executive pay and our consideration of wider workforce policies and pay, as provided for in the new UK Corporate Governance Code. I have been working with our Group HR Director to gather data on workforce remuneration and this will be provided to the Committee on a regular basis going forward. Recognising that there are good reasons for the level and structure of executive pay to differ from the wider employee population, the Committee will continue to consider pay across McBride, seeking to reflect appropriate alignment with the principles which guide executive remuneration across the wider employee population.

Proposed amendments to our Directors' Remuneration Policy for 2020

After three years of operation of the current Remuneration Policy, we are required to submit a revised Remuneration Policy to shareholders at the 2020 AGM. Over the last year, the Committee has conducted a detailed review of our current remuneration arrangements, taking into consideration the emerging business strategy of our business over the life of the new Policy, developments in remuneration governance and best practice and, importantly, our desire to increase Executive Directors' shareholding levels, in order to align better with the experience of our investors. Key features of the new Policy can be found on pages 74 and 75.

We continue to value the support and feedback provided by shareholders. I am very grateful for the time that shareholders have given to the consideration of the proposed Policy and the constructive feedback we have received in developing the Policy and welcome your support at the upcoming AGM.

Policy changes at a glance

- Simplification of bonus deferral
- Voluntary additional bonus deferral, with 1:2 share matching
- Introduction of restricted stock units (RSUs) as an additional element of fixed pay
- Pension alignment for all Executive Directors to the UK workforce
- Increased shareholding requirement for Executive Directors and increased guideline for NEDs
- Extension of malus and clawback triggers to include corporate failure
- Enhanced change of control provisions
- ROCE to replace TSR as a performance metric in the LTIP
- Remuneration Committee discretion to override formulaic outcomes and scale back awards in respect of the annual bonus and long-term incentive outcomes
- Assistance with preparation of UK tax returns for non-UK NEDs
- International travel allowance for NEDs

Elizabeth McMeikan
Chair of the Remuneration Committee

Remuneration Policy report

Remuneration Policy principles

The Group's approach for all employees, including executives, is to set remuneration that is closely aligned with our underlying Group strategy, takes account of market practice, economic conditions, the performance of the Group and of teams or individuals, recognising any collective agreements that may apply as well as any legal or regulatory requirements in jurisdictions where it operates. Our Remuneration Policy ('the 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 new Policy has simplified the way that bonus deferral is operated and whilst the new Policy also introduces two additional elements of remuneration, being a matching award under the DBP and an award of RSUs as part of fixed pay, the Committee is confident that the end result is a remuneration structure which 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 now in line with current best practice expectations) and through the discretion the Committee has to override the vesting result in exceptional circumstances. In addition, holding periods are in place for awards under the RSU Plan, the DBP and the LTIP.
Predictability	The Committee assesses the potential outcome of future reward by reference to potential payouts that can be received at a range of outcomes (minimum, mid-point and maximum). Individual caps apply to participation in our incentive plans.
Proportionality	The Committee seeks to ensure that targets for annual bonus and long-term incentives are aligned with the Group's strategy and the long-term sustainable development of the business. The focus of our remuneration strategy is on rewarding performance – the majority of executive remuneration is variable and only payable if demanding performance targets are met. The majority of variable pay is payable in the form of shares. When setting targets for variable elements of pay the Committee carefully considers the targets to minimise the risk of excessive reward by reference to the maximum potential award that could be achieved. When assessing performance against annual bonus and LTIP the Committee also considers: • the overall performance of the business; • the quality of earnings when assessing the achievement of financial targets; and • the market in which the Company operates. Both annual bonus and LTIP payments are at the ultimate discretion of the Committee. The Committee retains discretion to override formulaic outcomes produced by the assessment of performance against predetermined performance conditions and scale back awards where, in the Committee's view, the payout levels do not reflect the performance of the wider business over the period, individual performance or where events happen that cause the Committee to determine that the conditions are unable to fulfil their original intended role. Any exercise of discretion will be fully disclosed to shareholders. RSUs, which are being introduced as an additional element of fixed pay, are not subject to performance conditions. Notwithstanding this, 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	As part of the preparation of the Policy the Committee reviewed the overall design of the Group remuneration strategy and believes that it is consistent with the Company's purpose, values and strategy and is aligned with the Group's culture. In particular, the Committee has taken steps to improve the alignment of interests between senior management and shareholders through the introduction of the RSU plan and the introduction of matching awards under the DBP, both of which are designed to increase share ownership.

The Committee undertook a detailed review of the current Policy over the course of the 2019/20 financial year, taking account of the 2018 UK Corporate Governance Code, developments in best practice, the business priorities and wider workforce pay practices.

A consultation, initially with five of the Company's largest shareholders and then an expanded shareholder and proxy investor group, was undertaken in the development of the proposed Policy. The Committee took shareholders' feedback into account when finalising the proposed Policy.

Remuneration Policy principles continued

A summary of the key changes in the proposed Policy is detailed below.

Policy changes at a glance

The current policy already contains a number of features that are in line with the updated UK Corporate Governance Code. The proposed Policy, however, includes two key modifications, which are designed to increase Executive Director share ownership and to enhance alignment with shareholders.

Simplification of bonus deferral	The maximum bonus potential will remain at 100% of base salary. We are proposing to simplify our approach to bonus deferral so that 30% of any bonus earned is deferred into shares under the Deferred Annual Bonus Plan (DBP) for three years (currently 80% of the bonus award is based on financial targets of which the first 50% is payable in cash, the balancing 30% is deferred into shares, and the remaining 20% is based on personal targets and payable in cash). This will ensure that part of the bonus is delivered in shares, irrespective of the level of performance. At the same time, executives can voluntarily invest all or part of the remaining annual bonus (up to 70% of bonus) into the DBP. Invested amounts will be matched with additional shares on a 1:2 ratio (i.e. one additional share for every two shares resulting from the voluntary deferral). Both the voluntary investment and matched shares will vest after three years subject to continued employment and will be subject to normal leaver provisions. This means that participants are putting fully vested bonuses at risk by agreeing to defer them.
Introduction of an additional element of fixed pay	The new Policy introduces the ability to make annual awards of RSUs of up to 15% of salary, effectively as part of fixed pay. RSUs will be granted under a new plan, which is being put to shareholders at the 2020 AGM. This approach accelerates the rate at which executives will acquire shares, enhancing the alignment with shareholders while ensuring the remuneration package remains competitive and retains key executives. The RSUs will normally vest three years from the date of grant and be subject to a two-year post-vesting holding period.

A number of further modifications are also being proposed in the new Policy (or in the way the Policy is to be implemented):

Pension alignment	The proposed Policy fully aligns the pension entitlement for all Executive Directors, including incumbent Directors, with that of the UK workforce with immediate effect. The aligned rate is currently 8% of salary.
Increased shareholdings	The current policy guideline of 200% of salary becomes a shareholding requirement, which is increased to 300% of salary for the CEO. The requirement for any other Executive Directors remains at 200% of salary. Our NEDs are encouraged to hold shares. This guideline is increased to 100% of their annual fee, from 33% in the current Policy.
Expansion of malus and clawback triggers	An additional trigger, in the event of corporate failure, is added to the existing malus and clawback provisions which cover misstatement, calculation error, reputational damage and serious misconduct or conduct which causes significant financial loss.
LTIP performance metrics	No material changes to the structure or policy limits are being proposed for the LTIP. A change is being proposed, however, to the LTIP performance metrics to be used for the awards to be made this year. The Committee has undertaken a review of the performance metrics attached to the LTIP. Going forward we propose to use a defined return on capital employed (ROCE) measure of performance in place of the existing relative TSR measures. This will account for 50% of the award (50% will remain subject to EPS performance). ROCE has been a Company KPI for many years and is widely used in the investment community; it is a more appropriate metric given the lack of suitable comparators for measuring TSR performance and the capital intensity of the business.

Remuneration Committee discretion	The new Policy lists all the Committee discretions. This includes the discretion to override formulaic outcomes and scale back awards in respect of the annual bonus and long-term incentive outcomes. The Committee retains the ability to operate discretion to override the formulaic bonus outcome where it is not reflective of underlying Company performance.
Change of control provisions	The provisions in the new Policy are structured on a similar basis to the US 'double trigger' market practice to better incentivise Executive Directors to support opportunities that may be in the best interest of shareholders (as further explained in the section on Executive Director compensation on loss of office, on page 81). No changes are proposed to the existing vesting provisions on a change of control in the DBP and the LTIP, which have standard provision for accelerated vesting, subject to performance (LTIP) and typically time pro-ration, and this is also the case under the new RSU plan.
NEDs	The new Policy includes a provision to pay for assistance with UK tax returns for non-UK NEDs. At the same time, the new Policy provides for an international travel allowance for NEDs. The Chairman will be entitled to receive an additional allowance of up to £50,000 p.a. to compensate for the additional time commitment involved in travelling both to attend Board meetings and to generally carry out his duties as Chair. There is no current intention to provide a similar allowance to other NEDs, however the Policy is drafted to allow for an additional allowance of up to £15,000 p.a. for other overseas-based NEDs, if required.

The proposed Policy will result in a more focused remuneration package going forward. It will achieve greater shareholder alignment and enable executives to reach the required levels of shareholding faster, with a significant proportion of their remuneration being delivered in shares.

Future Policy table

The following table summarises each element of our proposed Remuneration Policy for the Executive Directors, explaining how each element operates. The Policy will be formally effective following shareholder approval at the 2020 AGM, with those parts of the Policy applicable to the annual bonus applying for the full 2020/21 financial year. If approved, this Policy supersedes that approved by shareholders in 2017. Awards made under the existing approved Policy remain subject to the provisions of that Policy.

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 87. • Salaries are normally reviewed annually and may be increased each year. There is no maximum, but increases will generally be in line with those awarded to the Group's workforce, as well as reflective of the overall financial performance of the Group. • Increases beyond this may be awarded in limited circumstances, such as where there is a change in responsibility, experience or a significant change in the scale of the role and/or size, value and/or complexity of the Group.
Performance measures	• Not applicable.

Element: RSUs	
Purpose and link to strategy	• To ensure the Group is able to recruit and retain high-calibre executives. • To provide enhanced alignment to shareholders.
Operation	• Annual awards, as part of fixed pay. • Awards will normally vest three years from the date of grant. • Awards will be subject to a two-year post-vesting holding period, less any shares required to be sold to cover withholding tax. • Not pensionable, or 'salary', for the purposes of bonus, LTI or payments for loss of office. • Subject to malus and clawback[(1)].
Maximum	• Awards of up to 15% of salary may be granted annually.
Performance measures	• Not applicable. Please refer to summary of key changes on page 74 for more information.

Element: benefits	
Purpose and link to strategy	• To provide market-competitive benefits, in line with those provided to other Group employees.
Operation	• Benefits may include private medical insurance, sick pay, a fully expensed car (or equivalent cash allowance), disability and life assurance cover. • Some benefits may be provided in the case of relocation, such as removal expenses, and in the case of international relocation might also include such items as cost of accommodation, children's schooling, home leave, tax equalisation and professional advice etc. • The Company has the ability to reimburse the tax payable (grossed up) on any business expenses captured as taxable benefits.
Maximum	• The benefit provision is reviewed periodically. No maximum level is set on the value or cost of benefits provided.
Performance measures	• Not applicable.

Element: pension	
Purpose and link to strategy	• Retirement benefits are regarded as an important element of the Group's basic benefits package to attract and retain talent.
Operation	• Membership of the Company's defined contribution, or similar, pension scheme, or in agreed circumstances, a cash allowance in lieu of pension.
Maximum	• Up to 8% of base salary, or such other amount in line with that available to the majority of the UK general workforce, from time to time.
Performance measures	• Not applicable.

Element: annual bonus	
Purpose and link to strategy	• The purpose of the annual bonus is to incentivise delivery of the Group's financial and non-financial objectives and to ensure that Executive Directors and senior executives are fairly rewarded for their contribution to the success of the Group. • To provide alignment of Directors' interests to the interests of shareholders through enhanced shareholdings.
Operation	• Performance conditions are set independently by the Committee at the start of each year. • Performance criteria include the financial targets of the Group as agreed by the Board and specific annual targets based on clear and measurable objectives that underpin, and are key to achievement of, the Group's strategy. • Personal objectives are reviewed by the Committee to ensure they contribute to the strategic aims of the Group. • To further align the interests of Directors with shareholders, 30% of the bonus is paid via the Deferred Annual Bonus Plan (DBP). • Executive Directors can voluntarily invest any remaining bonus, up to a maximum of 70% of salary, into the DBP. Invested sums will be matched with additional shares on a 1:2 ratio. • Awards granted under the DBP vest after three years and are normally subject to the Director remaining employed by the Group at the end of that period. • A 'dividend equivalent' provision is also available on the DBP shares at the discretion of the Committee, enabling dividend equivalent payments to be paid, in cash or shares, on any shares that vest. • All bonus payments are at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that overall bonus payments reflect its view of corporate performance during the year when determining the final bonus amount to be awarded. • Both the cash and deferred share elements of the annual bonus are subject to malus and clawback(1).
Maximum	• 100% of base salary.
Performance measures	• At least 80% of the bonus will be assessed against a sliding scale of challenging and stretching financial performance targets, with no more than 20% of the bonus being based on the achievement of specific and measurable personal targets. Irrespective of achievement against the personal targets, no bonus is payable unless a minimum level of financial performance is achieved. • The Committee retains the ability in exceptional circumstances to adjust the targets and/or set different measures and alter weightings for the annual bonus if certain events occur, such as a material divestment of a Group business, which cause it to determine they are no longer appropriate and a change is required to ensure that they achieve their original purpose and are not materially less difficult to satisfy.

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

Future 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). • The Committee will operate the LTIP according to its respective rules and in accordance with the Listing Rules and HMRC rules, where relevant.
Maximum	• 125% of salary for the Chief Executive Officer and 110% of salary for the Chief Financial Officer and any other Executive Director in any financial year. The Committee reviews the quantum of awards annually to ensure they are in line with market levels and appropriate given the performance of the individual and the Company. • Actual award levels to Executive Directors are set out in the Annual Report on Remuneration.
Performance measures	• Vesting of awards would normally be based on key financial measures of performance (such as, but not limited to, earnings per share (EPS), ROCE), selected by the Committee and measured over a period of no less than three financial years. EPS is a measure of the Company's overall financial success and ROCE is a key performance indicator for the Group. • Different performance measures and/or weightings may be used for future awards to help drive the strategy of the business. • Targets are set by the Committee for each award on a sliding scale basis. No more than 25% of awards will vest for threshold performance, with full vesting taking place for equalling or exceeding maximum performance conditions. • The Committee retains the ability in exceptional circumstances to adjust the targets and/or set different measures and alter weightings for the LTIP if events occur, such as a material divestment of a Group business, which cause it to determine they are no longer appropriate and a change is required to ensure that they achieve their original purpose and are not materially less difficult to satisfy.

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

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 £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 Chair. • 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 86. The aggregate annual sum for Non-Executive Director fees cannot exceed £600,000 p.a. The Company does not intend to seek shareholder approval for any increase to this maximum in the short to medium term.
Performance measures	• No element of the Chairman's nor Non-Executive Directors' fees is performance related.

Element: share ownership guidelines/requirements	
Purpose and link to strategy	• Executive Directors and other senior executives are required to build and maintain a shareholding in the Company as this represents the best way to align their interests with those of shareholders. Levels are set in relation to earnings and according to the post held in the Company. • Non-Executive Directors are encouraged to build and maintain a shareholding.
Operation	• The expectation is that executives will build up to these levels over a period of time, through retaining shares received under the Company's incentive arrangements, net of sales to settle tax and/or shares purchased in their own right. • Vested but unexercised LTIP awards, unvested RSU awards and deferred shares will count towards this requirement, on a net of tax basis. • The Executive Directors are also required to maintain their shareholding requirement or the actual shareholding on departure, if lower, for a minimum of twelve months after cessation of employment. The post-cessation shareholding obligation will apply to shares acquired (net of tax) under awards granted under this and future policies. Shares purchased from the executives' own funds would not be included.
Maximum	• There is no maximum; however, Executive Directors are required to build and maintain a shareholding equivalent to 200% of salary, 300% for the CEO and 50% of salary for other senior executives. • Newly appointed Executive Directors would normally be required to achieve the required shareholding within a five-year period of appointment to the Board. • The guideline for NEDs is to hold shares equivalent to 100% of their annual fee.
Performance measures	• Not applicable.

Future 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 the major shareholders in the development of the proposed Policy. Two rounds of consultation were conducted with the Group's shareholders. Based on feedback received from the initial round of consultation, changes were made to the proposed Policy.

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

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

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

Element: recruitment remuneration	
Purpose and link to strategy	• To ensure the Group is able to recruit and retain high-calibre Executive and Non-Executive Directors.
Operation	• New Director remuneration arrangements will be based upon and within the limits of the various elements as set out on pages 85 and 86. In addition: • Executive Director buy-out payments may be made in exceptional circumstances, typically when these are considered to be in the best interests of the Company to facilitate the buy-out of value forfeited on joining the Company for an external appointment. These payments would typically be in the form of an enhanced LTIP award under the rules and maximums permitted under the Company's LTIP rules at that time or under the new Restricted Share Plan, if required, using Listing Rule 9.4.2. Such payment would take account of remuneration being relinquished, including the nature and time horizons attached to such remuneration and the impact of any performance conditions. In exceptional circumstances, payments could be made in the form of a cash payment which would normally be subject to clawback in certain situations, in line with other elements under the Company's Remuneration Policy. • Relocation packages, generally consisting of out-of-pocket expenses, together with any additional costs solely attributable to the relocation may be offered in situations deemed essential in order to carry out the relevant role successfully. Any package will be designed to ensure the new recruit becomes effective in their role as soon as possible, with minimal distractions from any relocation. • In respect of internal promotions, any remuneration commitments made before such promotion (whether or not they would fall within the principles of the Company's current Remuneration Policy) may form part of that Director's remuneration package, with the expectation that any such commitments would be phased out over time.
Maximum	• It is intended that the value of any element of normal remuneration will generally be on the same basis as the existing Directors (pro-rated where appropriate dependent on time of joining the Company) and elements such as buy-out payments being no higher than the expected value of the forfeited arrangements.

Element: Executive Director compensation on loss of office	
Purpose and link to strategy	• On termination of an Executive Director's service contract, the Committee will seek to provide the minimum compensation applicable to the individual's employment contract. • The Committee will take into account the departing Director's duty to mitigate their loss when determining the amount of compensation.
Operation	• In the event of an early termination, any compensation commitments will be within the principles of the Company's approved Remuneration Policy (or if an amendment to the Policy authorising the Company to make the payment has been approved by shareholders). • Directors' service contracts confirm that the Company may terminate the contract with immediate effect by making a payment equal to base salary for any unexpired period of notice. The Company also has the option to pay notice month by month that would reduce or cease if the departing Director obtained other employment. • There are no agreements between the Company and its Directors or employees providing for additional compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that may occur in the event of a takeover bid. It is also the Company's policy not to include liquidated damages clauses in service contracts, unless there is a clear explainable benefit for the Company in doing so. None of the Executive Director service contracts contain any such liquidated damages provision. • Statutory redundancy payments will be made as appropriate. • Costs attributable to outplacement and/or legal fees associated with the termination of an Executive Director's service contract may be paid by the Company, where appropriate. • Payments may be made by the Company where appropriate to settle claims brought against the Company, such as unfair dismissal.

Future 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	No entitlement for year of exit. Payments in earlier years may be subject to clawback in certain circumstances.	Annual bonus is pro-rated (based upon timing) and subject to performance for year of exit. Any DBP awards, which include compulsory and voluntary deferral and matching shares, (at Committee discretion) vest in full at either 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 date of the relevant event.
LTIP	Unvested awards lapse. Vested awards may be subject to clawback in certain circumstances. Any vested awards will normally remain subject to the two-year post-vesting holding period.	Unvested awards may be pro-rated based upon the rules of the LTIP plan (at Committee discretion) and vest on either the normal vesting date or cessation of employment. Vested awards may be subject to clawback in certain circumstances. Any vested awards will normally remain subject to the two-year post-vesting holding period.	Unvested awards may be pro-rated based upon the rules of the LTIP plan (at Committee discretion) and vest on the date of the relevant event. Vested awards may be subject to clawback in certain circumstances and the two-year post-vesting holding period will end.

Executive Directors' service contracts

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

Executive Director(1)	Date of service contract	Notice period(2)
Chris Smith	11 June 2020	6 months

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

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

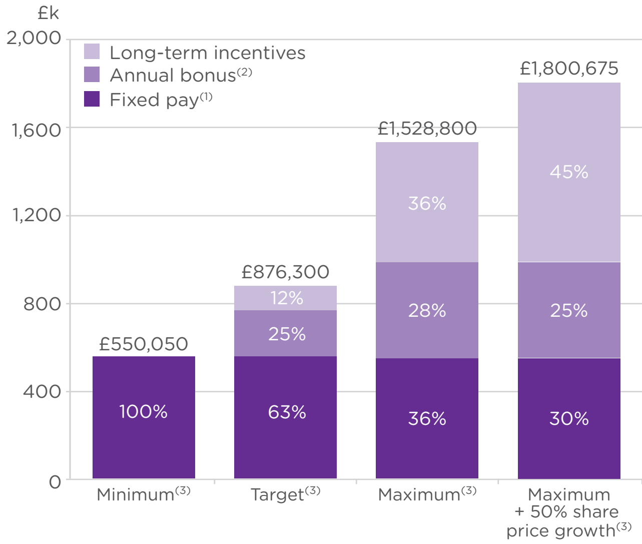
The contracts contain restrictive covenants for periods of up to six months post-employment relating to non-competition and non-solicitation of the Group's customers, suppliers and employees and indefinitely with respect to confidential information. In addition, they provide for the Group to own any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

The service contracts for the two previous Chief Executive Officers, Rik De Vos and Ludwig de Mot, both contained the above provisions and included a six-month notice period.

The employment contracts for Executive Directors in the proposed Policy will be 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 and 100% of target bonus.

Remuneration performance scenarios 2020/21

The remuneration package comprises both core fixed elements (base salary, RSUs, pension and benefits) and performance-based variable pay. The chart below illustrates the composition of the Chief Executive Officer's remuneration package at minimum, target, maximum and maximum +50% share price growth for 2020/21 in line with the proposed new Policy.



(1) Fixed pay comprises salary for the financial year beginning 1 July 2020, 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, 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.

External appointments

Executive Directors are permitted, where appropriate and with Board approval, to assume non-executive directorships of other organisations. Where the Company releases Executive Directors to carry out non-executive duties, they will be required to disclose the fact that they retain any earnings and the amount of such remuneration. During the year ended 30 June 2020, Ludwig de Mot held the position of Non-Executive Director for VPK Packaging, which is a supplier to the Group.

Non-Executive Directors' letters of appointment

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

Copies of the letters of appointment are available for inspection at the Company's registered office.

Director[1]	Latest letter of appointment	Date first appointed to the Board	Notice period[2]
Jeff Nodland	21/06/2019	26/06/2019	3 months
Steve Hannam	03/09/2019	04/02/2013	3 months
Liz McMeikan[3]	14/11/2019	14/11/2019	3 months
Neil Harrington	03/09/2019	03/01/2012	3 months
Sandra Turner[4]	03/09/2019	01/08/2011	3 months
Igor Kuzniar	31/05/2019	03/06/2019	3 months
John Coleman[5]	03/09/2019	22/04/2016	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) Liz McMeikan was appointed as a NED on 14 November 2019.

(4) Sandra Turner will not be seeking re-election at the AGM.

(5) John Coleman stood down as a Director and Chairman following the AGM on 22 October 2019.

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

Application of the Remuneration Policy for the 2020/21 financial year

The table below sets out how the Remuneration Policy, if approved, is intended to be applied for the 2020/21 financial year for Chris Smith. The Remuneration Policy will be applied to the CFO upon appointment; please see the recruitment section on page 81 for further detail.

Element	Application of policy for 2020/21	Explanation
Executive Director base salary	Base salary on appointment to CEO of £435,000.	The Committee took into account the experience of Chris, the salary of the two previous incumbents (£500,000 and £460,000 respectively) together with market data and the proposed introduction of an RSU award at 15% of salary when setting this salary.
RSUs	Award of £65,250 (15% of salary), subject to approval of the Policy and the RSU plan. If shareholders do not approve the Policy, base salary will be increased retrospectively to £460,000.	The Committee wished to increase the rate at which Executive Directors acquired shares in the Company and hence structured part of the fixed pay as RSUs.
Benefits and pension	Pension contribution (or cash allowance in lieu of pension) of 8% of salary.	Pension fully aligned with the majority of the UK general workforce, currently 8% of salary.
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. At least 80% of the award will be subject to a sliding scale of challenging operating profit targets and no more than 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 2020/21 will be subject to EPS and ROCE performance conditions. The intended Executive Director grant level for the LTIP is 125% of salary for the Chief Executive Officer. ROCE will be defined as 'adjusted EBITA, as a percentage of capital employed, where capital employed is total assets less current liabilities excluding any tax liabilities'. EPS targets continue to align to the Company's three-year business targets and our plans for EPS growth. The Committee will set the ROCE and EPS targets within six months of the grant of the awards once the five-year strategy has been agreed by the Board.	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 EPS performance measure has been selected as it is one of the KPIs used in the business and is a measure well understood by the senior executives. It is also something which they can influence directly. The combination of the impact of Covid-19 and the review of strategy that the Board is currently undertaking resulted in the Committee deciding that it was appropriate to delay the setting of the actual targets for the LTIP awards for a period of up to six months from when the awards are granted.

Application of the Remuneration Policy for the 2020/21 financial year continued

Element	Application of policy for 2020/21	Explanation
Non-Executive Director fees	The fee policy for the Chairman and Non-Executive Directors is as follows: • base Chairman fee: £200,000 with effect from 2 July 2020; • base Non-Executive Director fee: £45,000 and increasing to £50,000 with effect from 1 October 2020; • Chair of the Audit Committee: £7,000 (additional fee) increasing to £9,000 with effect from 1 October 2020; • Chair of the Remuneration Committee: £7,000 (additional fee) increasing to £8,000 with effect from 1 October 2020; • Senior Independent Director: £7,000 (additional fee) increasing to £8,000 with effect from 1 October 2020; • additional fees for the undertaking of services requiring additional time commitment beyond the normal expectations of the role; • international travel allowance for the Chair up to £50,000; and • international travel allowance for NEDs based overseas up to £15,000.	The Chair's fees were set on appointment at the same level as his predecessor. The time commitment of the current Chair is, and is expected to remain, significantly higher than his predecessor. The increase in fee level is commensurate with the increased time commitments. The other NED fees had not been reviewed since 2017. The Board decided to increase the base additional fees to reflect both changes in the market level of fees and consideration of the time commitment of the NEDs. The introduction of international travel allowances was done to ensure that the Company could continue to appoint and retain overseas-based NEDs when appropriate without needing to pay higher base fees than are paid to UK-based NEDs. There is no current intention to provide an additional allowance for any Non-Executive Director other than the Chair. As at the date of this report, due to travel restrictions as a consequence of the Covid-19 pandemic, no travel allowances have been paid.

Annual Report on Remuneration

Application of the shareholder-approved 2017 Remuneration Policy for 2019/20

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 2019/20 financial year:

	Fixed remuneration				Performance related			
	Base salary(4) £'000	Benefits(5) £'000	Pension(6) £'000	**Total fixed remuneration £'000**	Annual bonus(7) £'000	LTIPs £'000	**Total variable remuneration £'000**	**Total £'000**
Ludwig de Mot(1)								
2019/20	368	11	28	**407**	—	—	**—**	**407**
Chris Smith(2)								
2019/20	344	15	58	**417**	76	—	**76**	**493**
2018/19	294	13	59	**366**	—	—	**—**	**366**
Rik De Vos(3)								
2019/20	77	3	15	**95**	—	—	**—**	**95**
2018/19	460	40	92	**592**	—	—	**—**	**592**

(1) Ludwig de Mot was appointed a Director on 1 November 2019 and ceased to be a Director on 10 June 2020. No payments for loss of office were made to him (see exit payments section on page 94 for more detail).

(2) Chris Smith received additional salary as interim CEO paid in monthly instalments of £10,000 for the first four months of the year. This was not treated as salary for the purposes of pension, bonus or LTIP. Chris Smith was appointed as CEO on 11 June 2020.

(3) Rik De Vos resigned as a Director with effect from 19 July 2019 and ceased his employment on 31 August 2019. No payments for loss of office were made to him (see exit payments section on page 94 for more detail).

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

(5) Benefits consist of the provision of a company car and fuel (or cash equivalent), private healthcare, disability insurance and life cover.

(6) 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.

(7) The annual bonus is the cash value of the bonus in respect of the year ended 30 June 2020, including any deferred shares which must be held for a minimum three-year period.

Departures of Rik De Vos and Ludwig de Mot

Rik De Vos resigned as a Director, as announced on 2 May 2019, with effect from 19 July 2019 and left the Group on 31 August 2019. Payments in accordance with his contractual entitlement of base salary, and payments in lieu of pension contributions and benefits were made during his notice period of six months subject to him mitigating his loss during that period. Entitlement to bonus payments for the 2019/20 financial year and unvested shares under the Deferred Annual Bonus Plan lapsed on him leaving the Group. Entitlement to unvested LTIPs lapsed on resignation.

Ludwig de Mot, who was appointed Chief Executive Officer on 1 November 2019, left the Group on 10 June 2020. Payments in accordance with his contractual entitlement of base salary, and payments in lieu of pension contributions and benefits will be payable in monthly instalments over his contractual notice period subject to him mitigating his loss during that period. No annual bonus was payable in respect of the year. In addition, both the buy-out award and the normal LTIP award granted to him in November 2019 lapsed on 10 June 2020.

Pension (audited)

During the year, the Company paid the former Executive Directors a cash sum in lieu of a pension contribution at 20% of annual base salary. The Company has a contracted agreement with the Executive Directors that this payment relieves the Company of any liability for pension provision on their behalf. Chris Smith was appointed CEO on a pension supplement of 8% of salary, which is in line with that available to the majority of the UK general workforce.

Annual bonus (audited)

For the 2019/20 financial year, the maximum bonus opportunity for the Executive Directors was 100% of salary. 80% of bonus was based upon financial performance and 20% for performance against demanding specific measurable personal targets.

Financial element outcomes

	Performance targets[2] (£m)			Actual performance £m	Payout (% of salary)
	Threshold	Target	Stretch		
Group adjusted EBITA[1]	27.8	29.3	32.3	28.3	14.8

(1) Excludes amortisation of intangibles and exceptional costs.

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

Personal element outcomes

Executive Director	Measure	Weighting (% of salary)	Performance targets[2] (%) Threshold	Target	Stretch	Actual performance	Payout (% of salary)
Ludwig de Mot	Customer service level[1]	10	96.25	96.75	97.25	90.8%	—
Chris Smith	Customer service level[1]	10	96.25	96.75	97.25	90.8%	—

(1) Customer service level is the percentage of items ordered by the customer that were successfully delivered on time in line with the customer's usual and ad hoc requirements. The calculation is the total number of items successfully delivered divided by the total number of items ordered.

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

In addition, a proportion of both Executive Directors' personal objectives were linked to the Company's strategy review. The Committee determined this was fully achieved for Chris Smith (resulting in a bonus payout of 10% of salary) but no determination was required in respect of Ludwig de Mot as a result of him ceasing to be a Director on 10 June 2020.

Hence the total bonus payable to Chris Smith was 24.8% of salary, amounting to £76,433. Chris Smith's bonus was calculated according to his actual annual salary for the year which was principally paid while he was CFO. No bonus was payable to Rik De Vos or to Ludwig de Mot.

LTIP (audited)

In the year under review, LTIP awards were granted to Chris Smith in October 2019 and to Ludwig de Mot in November 2019 under the McBride plc 2014 LTIP.

Detailed assumptions used in calculating the fair value of the awards are outlined in note 24 to the consolidated financial statements on page 151.

Interests of Directors under the McBride plc 2014 LTIP at 1 July 2019 and 30 June 2020 are set out below:

Director	Date of award	Number of awards at 1 July 2019	Allocated in year	Awards vested in year	Allocations lapsed in year	**Number of awards at 30 June 2020**	Market price at date of award (£)	Vesting date
Ludwig de Mot	01/11/2019	—	882,145[1]	—	882,145[2]	**—**	0.7085	02/11/2022
			882,145		882,145	**—**		
Chris Smith	09/09/2016	142,857	—	—	142,857	**—**	1.7500	10/09/2019
	11/09/2017	164,371	—	—	—	**164,371[3]**	1.9675	12/09/2020
	10/09/2018	248,006	—	—	—	**248,006**	1.3040	11/09/2021
	07/10/2019	—	585,870[1]	—	—	**585,870**	0.552	08/10/2022
		555,234	585,870	—	142,857	**998,247**		

(1) Awards were granted on the basis of 125% of salary for Ludwig de Mot and 110% of salary for Chris Smith. The face value of the awards are Ludwig de Mot: £625,000 and Chris Smith: £323,400. Threshold vesting under the TSR condition would be 25% of that part of the award (12.5% of the total award). Threshold vesting under the EPS condition would be 20% of that part of the award (10% of the total award).

(2) Ludwig de Mot's LTIP award lapsed on cessation of his employment on 10 June 2020.

(3) The LTIP awards granted on 11 September 2017 are based on performance over the three years to 30 June 2020. On 2 September 2020, the Committee reviewed the related performance conditions (as detailed in the tables below) and determined that the Company had not achieved threshold performance in either element and all the awards therefore lapsed on 2 September 2020.

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

a) 50% of the awards are subject to a TSR performance condition measured against the FTSE SmallCap Ex. Investment Companies Index as the comparator group. If the Company's TSR performance is lower than the median of the comparator group, awards subject to the TSR condition will lapse.

The TSR measure is based upon the average of three months' share prices immediately preceding the relevant performance date and is independently calculated for the Committee.

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

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

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

	EPS Compound Annual Growth Rate (CAGR)[2]		
% of total award vesting (max 50%)[1]	Grant Sept 2017	Grant Sept 2018	Grant Oct 2019
0	<8% p.a.	<8% p.a.	<8% p.a.
10	8% p.a.	8% p.a.	8% p.a.
50	17% p.a.	17% p.a.	17% p.a.

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

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

TSR and EPS performance are measured over the period of three consecutive financial years of the Company, beginning with the year of grant of the award. There will be no resetting or retesting of the performance conditions, other than in exceptional circumstances as set out on page 78.

The LTIP awards granted on 9 September 2020 will be subject to ROCE and EPS targets (split 50:50) but, as explained above, the Committee will set the actual targets within six months of the date of grant of these awards. ROCE will be defined as being adjusted EBITA as a percentage of capital employed, where capital employed is total assets less current liabilities excluding any tax liabilities.

Buy-out awards

In line with the Policy, and announced on 4 October 2019, a one-off buy-out arrangement to compensate Ludwig de Mot for the forfeiture of incentive awards from his former employment was made on 1 November 2019 under Rule 9.4.2(2) of the FCA Listing Rules. The award could not be granted under the LTIP and was granted as a stand-alone arrangement which incorporated the same terms as are contained in the LTIP rules. The award (structured as a conditional award) was granted over 176,429 shares (grant value of £125,000) and was not subject to performance conditions and would ordinarily have vested on 2 November 2020 subject to Ludwig being in employment. The awards therefore lapsed on 10 June 2020 when he ceased to be a Director.

Director	Date of award	Number of awards at 1 July 2019	Allocated in year	Allocations lapsed in year	**Number of awards at 30 June 2020**	Market price at date of award (£)	Vesting date
Ludwig de Mot	01/11/2019	—	176,429	176,429	**—**	0.7085	02/11/2020

Deferred Annual Bonus Plan (DBP) (audited)

Interests of Directors under the McBride plc 2012 Deferred Annual Bonus Plan at 1 July 2019 and 30 June 2020 are shown in the table below.

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

There is no exercise price applicable to the awards, which are subject to a restricted period of three years and will normally vest on the expiry of this period. Awards granted under the DBP are eligible for dividend equivalent payments. Chris Smith therefore received a cash dividend equivalent of £5,465 in September 2019.

No awards under the DBP were granted in the year 2019/20.

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

(1) Rik De Vos resigned as a Director with effect from 19 July 2019 and ceased to be an employee on 31 August 2019, with all outstanding DBP awards lapsing on 31 August 2019.

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

	2019/20				2018/19		
	Base fee £'000	**Committee Chair/ SID fee £'000**	**Other fee £'000**	**Total £'000**	Base fee £'000	Committee Chair/ SID fee £'000	Total £'000
John Coleman(1)	**47**	**—**	**—**	**47**	150	—	150
Steve Hannam	**45**	**7**	**—**	**52**	45	7	52
Neil Harrington	**45**	**7**	**—**	**52**	45	7	52
Igor Kuzniar	**45**	**—**	**—**	**45**	4	—	4
Jeff Nodland	**123**	**—**	**—**	**123**	1	—	1
Sandra Turner(2)	**45**	**6**	**1**	**52**	45	7	52
Liz McMeikan(3)	**28**	**1**	**—**	**29**	—	—	—

(1) John Coleman stepped down as Director and Chairman and did not seek re-election at the AGM on 22 October 2019.

(2) Sandra Turner stepped down as Chair of the Remuneration Committee on 1 May 2020. Sandra Turner was paid additional fees in May and June 2020 for her work in completing the transition of Remuneration Committee business to the new Chair, Liz McMeikan.

(3) Liz McMeikan was appointed as a Non-Executive Director with effect from 14 November 2019 and appointed Chair of the Remuneration Committee on 1 May 2020.

Statement of Directors' shareholding and share interests (audited)

	At 30 June 2020						At 1 October 2020	At 1 July 2019	
	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)	Shareholding	Total shares beneficially owned(1)	Conditional share awards(3)
John Coleman(4)	N/A	N/A	N/A	N/A	N/A	—	N/A	40,000	—
Steve Hannam	12,000	7	17	33	Below guideline	—	75,126	12,000	—
Neil Harrington	47,463	30	66	33	Met	—	No change	30,000	—
Igor Kuzniar(5)	—	—	—	N/A	N/A	—	No change	—	—
Liz McMeikan(6)	—	—	—	33	Below guideline	—	15,790	—	—
Ludwig de Mot(4,7)	N/A	—	—	N/A	N/A	—	N/A	—	—
Jeff Nodland	290,600	181	147	33	Met	—	380,600	—	—
Chris Smith	352,829	220	64	200	Below requirement	998,247	393,669	283,857	599,235
Sandra Turner	10,000	6	14	33	Below guideline	—	No change	10,000	—
Rik De Vos(4,8)	N/A	N/A	N/A	N/A	N/A	—	N/A	314,041	—

(1) Changes in the current Non-Executive Directors' interests in shares in the Company and those of their Connected Persons between the end of the financial year and 1 October 2020 are shown in the table above.

(2) Executive Directors have a shareholding requirement. NEDs have a shareholding guideline.

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

(4) Not in employment at this date, therefore N/A.

(5) Igor Kuzniar is the appointed representative of McBride plc's largest shareholder Teleios Capital Partners GmbH and is not obliged to purchase shares under the NED guidelines.

(6) Liz McMeikan was appointed as a Non-Executive Director with effect from 14 November 2019.

(7) Ludwig de Mot ceased to be a Director with effect from 10 June 2020, at which time his LTIP award and his buy-out award lapsed.

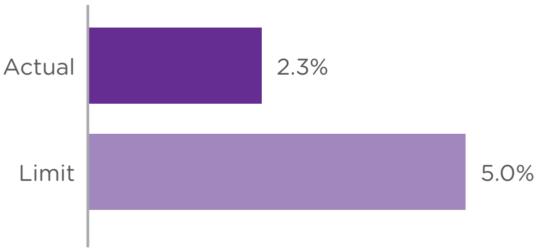
(8) Rik De Vos resigned as a Director with effect from 19 July 2019, with all LTIP awards lapsing as of that date and all awards under the DBP lapsing on 31 August 2019, being the date he ceased to be an employee.

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

Shareholder dilution

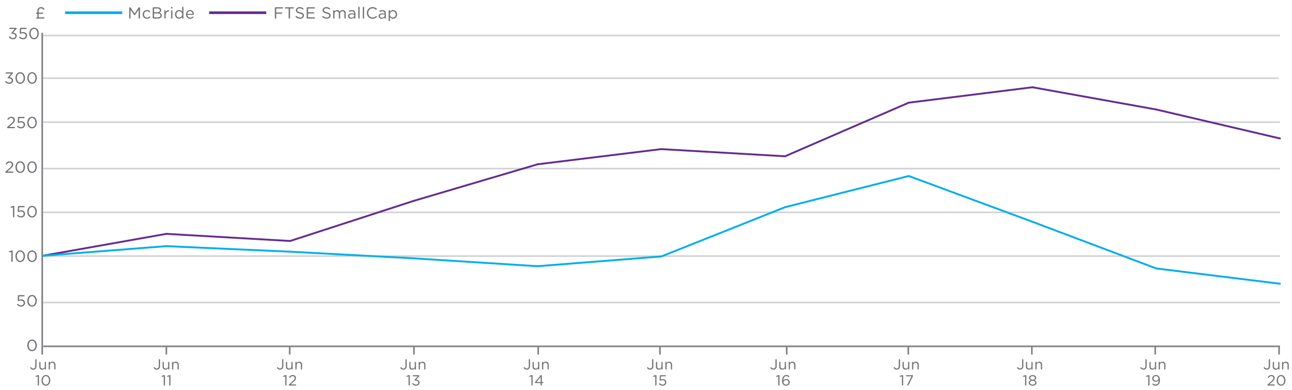
Executive share plans are currently met by market purchase shares. There are no all employee share plans. The Company monitors the number of shares issued under these schemes and their impact on dilution limits. The Company's usage of shares compared with the dilution limits set by the Investment Association in respect of all-employee share plans (10% in any rolling ten-year period) and executive share plans (5% in any rolling ten-year period) as at 30 June 2020 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 2020, 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 2020, of £100 invested in McBride on 30 June 2010, compared with the value of £100 invested in the FTSE Small Cap Index (excluding Investment Trusts) on the same date.

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

CEO/financial year	Total remuneration £'000	Annual bonus % of maximum	LTIP % of maximum
Chris Smith			
2019/20[(1)]	344	24.8	–
Ludwig de Mot			
2019/20[(2)]	368	–	–
Rik De Vos			
2018/19[(3)]	592	–	–
2017/18	890	–	62.5
2016/17	1,169	70.8	100.0
2015/16	893	98.5	–
2014/15[(4)]	357	89.0	–
Chris Bull			
2014/15[(4)]	253	–	–
2013/14	512	–	–
2012/13	512	–	–
2011/12	704	48.0	–
2010/11	531	5.0	–
2009/10[(5)]	83	–	–
Miles Roberts			
2009/10[(5)]	519	–	–

(1) Chris Smith was appointed CEO with effect from 11 June 2020.
(2) Ludwig de Mot was appointed on 1 November 2019 and left the business on 10 June 2020.
(3) Rik De Vos left the business on 31 August 2019.
(4) Chris Bull left the business on 18 December 2014, with Rik De Vos appointed with effect from 2 February 2015.
(5) Miles Roberts left the business on 30 April 2010, with Chris Bull appointed with effect from 4 May 2010.

Annual percentage change in remuneration of Directors and employees

The table below shows the annual percentage change in remuneration of Directors and UK employees (there was an average of 655 UK employees over the financial year). Although the Company has an international workforce, this group has been chosen as it continues to represent the most meaningful comparator group to the UK-based Chief Executive Officer.

	Salary/fees change	Benefits change	Bonus change
Executive Directors			
Chris Smith(1)	17.21%(2)	15.38%(3)	N/A(4)
Rik De Vos(5)	0.00%	(82.84%)(6)	N/A(7)
Ludwig de Mot(8)	N/A	N/A	N/A
Non-Executive Directors			
Steve Hannam	0.00%	N/A	N/A
Neil Harrington	0.00%	N/A	N/A
Sandra Turner	0.00%	N/A	N/A
Igor Kuzniar	0.00%	N/A	N/A(9)
Liz McMeikan	N/A	N/A	N/A(10)
John Coleman	N/A	N/A	N/A(11)
Jeff Nodland	N/A	N/A	N/A(12)
Comparator group			
Average for UK employees(13)	1.34%	N/A(14)	9.52%

(1) Chris Smith was CFO for the entirety of 2018/19. He was appointed Interim CEO during the period 22 July 2019 to 1 November 2019. Chris reverted to CFO during November 2019 to 11 June 2020 at which point Chris was appointed permanent CEO.

(2) The 17.21% increase stated is a consequence of a) an additional allowance that Chris received whilst appointed as interim CEO; b) an annual base salary increase that Chris received in January 2020 as CFO; and c) the change in salary that Chris received when appointed permanently as CEO on 11 June 2020.

(3) The value of benefits has increased due to an increase in car allowance value in accordance with the Company's car policy.

(4) It is not possible to produce a percentage change in bonus on the basis that no bonus was paid last financial year so the comparison is to zero.

(5) Rik De Vos was in his role as CEO for the entirety of the last financial year. This financial year Rik was CEO until 19 July 2019 and left the Company on 31 August 2019. For the purposes of this table Rik's total remuneration for this financial year has been annualised to enable a comparison between the two financial years.

(6) The negative change in value for benefits relates to: a) the value of a company car; b) the value of medical benefits; and c) payment of fees to Deloitte for personal tax advice in 2018/19 compared to the provision of medical benefit only in 2019/20.

(7) It is not possible to produce a percentage change in bonus on the basis that no bonus was paid last financial year so the comparison is to zero.

(8) Ludwig de Mot was not employed by the Company last financial year and was only employed for part of this financial year so it is not possible to produce any calculations in this instance.

(9) Igor Kuzniar joined the Board on 3 June 2019. For the purposes of this table, the fees paid last financial year have been annualised to enable a comparison between the two financial years.

(10) Liz McMeikan joined the Board on 14 November 2020.

(11) John Coleman stepped down on 23 October 2019.

(12) Jeff Nodland joined the Board on 26 June 2019 and was appointed Chairman on 23 October 2019. Due to the minimal duration of his appointment last financial year, it is not felt to be meaningful to produce a calculation in this instance.

(13) The calculations for the comparator group are based upon the average values for all of the UK-based employees that were employed by Robert McBride Ltd on the last day of the financial year versus the same cohort for the previous financial year. Last financial year there were 667 employees in the comparator group versus 621 employees at the end of this financial year. This data is being reported as it is believed to be a more representative comparison than that of McBride Plc because all of the employees of McBride Plc are Directors.

(14) It is not possible to perform a percentage change calculation for benefits due to a value of zero in one financial year.

CEO pay ratio

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019/20[1]	Option B[2]	23.1:1	19.7:1	14.2:1[3,4]

	25th percentile	Median	75th percentile
Salary[5,6]	£23,084.76	£30,959.88	£41,150.88
Total remuneration	£27,643.33	£32,363.28	£45,051.28

(1) The SFTR for the CEO this year has been prepared as a cumulative pro-rata figure to reflect the dates of employment in role across the financial year for Rik De Vos (July to August 2019), Chris Smith Interim (September to October 2019), Ludwig de Mot (November 2019 to June 2020), Chris Smith (from June 2020).

(2) 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 employees whose hourly rates of pay are at the 25th, 50th and 75th percentiles. This calculation methodology was selected as it provides the most consistent company approach for identifying the best equivalents which are reasonably representative of the percentiles and are aligned to our approach to the Gender Pay Gap.

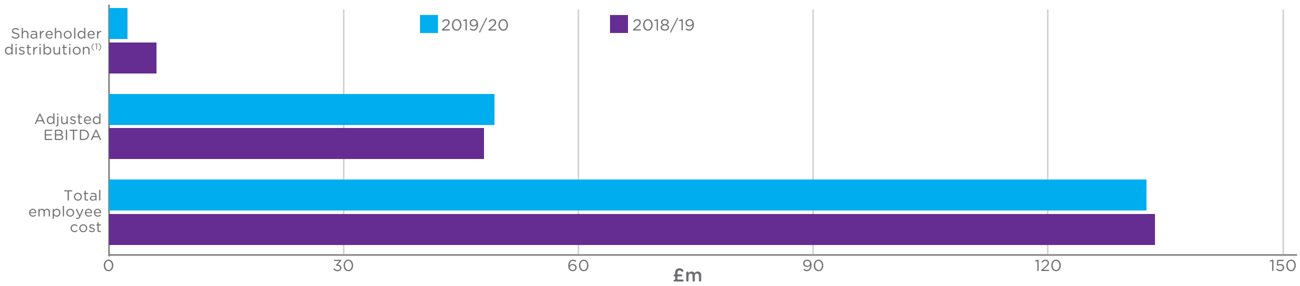
(3) The pay ratios outlined above have been calculated as the ratio of the CEO's single figure to the total remuneration figures of each of these employees confirmed at the 25th, 50th, and 75th percentiles.

(4) The current ratios are based on a CEO SFTR that includes bonus (payment below target) and zero LTIP payment. Typically, a significant proportion of the CEO's pay is delivered in LTIP awards which are linked to McBride's performance and share price movement.

(5) A full-time equivalent salary and total remuneration figure for the latest financial year has been calculated for each of those employees. The revised salary figure used is that taken at the last day of the financial year and any other elements of remuneration that contribute to the total remuneration figure are taken cumulatively across the twelve months up to that date.

(6) At the end of the latest financial year there were 621 UK employees (actual headcount) included in the most up-to-date comparator group and the employees identified at the 25th, 50th, and 75th percentiles of the latest gender pay report were assessed for their appropriateness for use in the CEO pay ratio calculation by sense checking their data against a sample of employees with hourly pay rates either side of the relevant percentiles to ensure that a truly representative employee had been selected.

Relative importance of spend on pay



(1) The Board cancelled the interim payment to shareholders of 0.8 pence per ordinary share declared in February 2020 as a result of uncertainty relating to Covid-19.

Exit payments (audited)

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

As previously reported, on 2 May 2019, Rik De Vos, the outgoing Chief Executive Officer, resigned from the Company, with the Committee determining that it would not exercise any discretion in relation to any bonus or LTIP awards and, accordingly, any entitlements lapsed on his resignation as a Director of the Company other than his awards under the DBP which lapsed on 31 August 2019 when he ceased to be an employee.

Ludwig de Mot, who was appointed as CEO on 1 November 2019, left the Group on 10 June 2020, with the Committee determining that it would not exercise any discretion in relation to any bonus or LTIP awards (including his buy-out award) and, accordingly, any entitlements lapsed on 10 June 2020.

Payments to past Directors (audited)
No other payments were made to former Directors during the year.

Payments to third parties
No payments were made to third parties for making available the services of any of the Directors during 2019/20.

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

Remuneration Committee advisers
Until 31 May 2020, the Committee continued to engage the services of the independent consultants, the Executive Compensation practice of Aon plc ('Aon'), for the purposes of providing professional advice to guide the Committee in its decision making. Following the lead adviser moving to Alvarez & Marsal (A&M) on 1 June 2020, the Committee appointed the UK Executive Compensation team at A&M as external advisers to the Committee. Aon received £80,150 in respect of the services provided for the 2019/20 financial year (2018/19: £23,639) and A&M received £19,516 in respect of the services provided for the 2019/20 financial year. Aon was and A&M is a signatory to the Remuneration Consultant Group's Code of Conduct which sets out guidelines to ensure that any advice is independent and free of undue influence. Aon UK Limited continues to act as the Group's insurance broker. Aon has confirmed that no conflict arises by these appointments. During the year consultancy work for the Group's supply chain footprint review was also provided by A&M, which the Committee considers in no way prejudices A&M's position as the Committee's independent advisers.

Statement of shareholder voting
The table below shows the voting outcome at the October 2019 AGM for the approval of the Company's 2018/19 Remuneration report:

Resolution	Votes for	%	Votes against	%	Votes withheld
Approval of Remuneration report (advisory vote)	142,268,915	99.88	169,923	0.12	23,600

The current Remuneration Policy was approved by shareholders with 99.88% votes in favour at the October 2017 AGM.

Unfortunately this year, the restrictions arising from the Covid-19 pandemic mean we are unable to hold our AGM on 23 November 2020 as a face-to-face meeting. We shall still provide, however, an opportunity for our shareholders to ask questions on the Committee's activities during the year. Details are given in the AGM Notice.

The Remuneration report was approved by the Board on 8 October 2020 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 Act'). The Strategic report is set out on pages 2 to 48.

As permitted by section 414C(11) of 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 8 to 13
Particulars of important events affecting the Company since the financial year end	N/A
Greenhouse gas emissions	pages 44 to 45
Employee engagement and involvement	pages 17, 36, 46 and 47
Engagement with suppliers, customers and others in a business relationship with the Company	pages 36 to 38 and 46 to 48
A summary of the principal risks facing the Company	pages 31 to 34

The Corporate governance statement, as required by the Disclosure and Transparency Rules (DTR) 7.2.1, is set out on pages 54 to 61 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, page 88
13	Dividend waiver	Statutory information, page 96

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 108 and a discussion of the Group's financial performance and progress is set out in the Strategic report on pages 2 to 29.

Directors

The Directors who held office during the year were Jeff Nodland, John Coleman, Chris Smith, Ludwig de Mot, Rik De Vos, Steve Hannam, Sandra Turner, Neil Harrington, Liz McMeikan and Igor Kuzniar. Ludwig de Mot, stepped down from the Board on 10 June 2020. John Coleman stepped down from the Board on 22 October 2019 immediately after the 2019 AGM. Rik De Vos stepped down from the Board on 19 July 2020. The biographical details of all Directors serving at 30 June 2020 appear on pages 52 to 53.

Dividends

The Group's results and performance highlights for the year are set out on pages 2 to 29. An interim payment to shareholders of 0.8 pence per ordinary share was cancelled for the reasons set out on page 5. The Directors propose a final payment to shareholders of 1.1 pence per ordinary share. Subject to approval at the 2020 AGM, the final payment to shareholders will be paid on 27 November 2020 to shareholders on the Register of Members at close of business on 23 October 2020. Elections for cash must be received by 1.00pm on 13 November 2020.

At the 2011 Company's 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. That shareholder approval has been renewed at each of the Company's subsequent Annual General Meetings (AGM).

In accordance with the terms of the scheme, any B Shares may be redeemed immediately for cash and such a redemption would result in a payment to the redeeming shareholder. Details of the scheme can be found in the booklet entitled 'Your Guide to B Shares' and on the Company's website at **www.mcbride.co.uk**.

Sanne Fiduciary Services Limited, in its capacity as trustee of the McBride Employee Benefit Trust, has waived its entitlement to dividends on ordinary shares in the Company comprised in the trust fund where no beneficial interest in the shares has vested in a beneficiary. This waiver will continue unless and until the Company directs the trustee otherwise.

Directors' interests in the Company's shares

The interests of persons who were Directors of the Company (and of their Connected Persons) at 30 June 2020 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 91. The Remuneration report also sets out details of any changes in those interests between 30 June 2020 and 1 October 2020.

Powers of Directors

The powers of the Directors are determined by the Articles of Association ('Articles'), which are available on our website, UK legislation, including the Companies Act 2006, and any directions given by the Company in a General Meeting. The Directors are authorised by the Company's Articles to issue and allot ordinary shares and to make market purchases of its own shares. These powers are referred to shareholders for renewal at each AGM. Further information is set out under the heading 'Purchase by the Company of its own shares' on page 97.

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

Any amendments to the Articles can only be made by special resolution at a General Meeting of shareholders.

Indemnification of Directors

The Directors have the benefit of an indemnity provision contained in the Articles. 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. The Company has 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 1 October 2020, the issued share capital of the Company was 182,840,301 ordinary shares of 10 pence each (excluding treasury shares), 42,041 treasury shares and 713,128,907 B Shares. There were no purchases, sales or transfers of treasury shares during the year. There were no share allotments during the year.

The Company was authorised at the 2019 AGM to allot shares, or grant rights over shares, up to an aggregate nominal amount equal to £6 million (representing 60 million ordinary shares of 10 pence each excluding treasury shares) representing approximately one-third of its issued share capital. A renewal of this authority will be proposed at the 2020 AGM.

The Company was authorised at the 2019 AGM to allot up to an aggregate nominal amount of £913,991 (representing 9,139,910 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 2020 AGM.

There are no restrictions on the transfer of ordinary shares or B Shares in the Company, other than certain restrictions that may from time to time be imposed by law. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

Purchase by the Company of its own shares

At the 2019 AGM shareholders authorised the Company to make market purchases of up to 18,279,826 ordinary shares of 10 pence each, representing 10% of the issued share capital of the Company (excluding treasury shares). Any shares so purchased by the Company may be cancelled or held as treasury shares. This authority will cease at the date of the 2020 AGM.

During the year and up until 1 October 2020, the Company did not make any purchases of its own shares, propose to, or enter into any options or contracts to purchase its own shares (either through the market or by an offer made to all shareholders or otherwise), nor did the Company acquire any of its own shares.

Voting

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.

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 1 October 2020 (being the last practicable date prior to the date of this report).

Shareholder	As at 1 October 2020 Number of shares	%	As at 30 June 2020 Number of shares	%
Teleios Capital Partners	43,335,757	23.71	43,335,757	23.71
Gilead Capital	22,787,399	12.47	22,037,752	12.06
Zama Capital	18,903,987	10.34	18,315,838	10.02
Blackwell Partners	8,934,731	4.89	8,934,731	4.89
Premier Miton Investors	8,808,520	4.82	8,808,520	4.82
NN Investment Partners	7,876,389	4.31	10,576,621	5.79

No changes have been disclosed in the period since 1 October 2020.

Accounting policies

Information on the Group's financial risk management objectives, policies and activities and on the exposure of the Group to relevant risks in respect of financial instruments is set out in note 21 to the consolidated financial statements on pages 141 to 147.

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.

Research and development

The Group is involved in a range of activities in the field of research and development. A number of these activities are referred to in the Strategic report on pages 24 to 25.

Employment of disabled people

It is the Company's policy that everyone, including those with disabilities and people of all backgrounds, are dealt with in an inclusive and fair way.

We recruit, train and develop employees who are best suited to the requirements of the job role, regardless of gender, ethnic origin, age, religion or belief, marriage or civil partnership, pregnancy or maternity, sexual orientation, gender identity or disability. Disabled people are afforded equal opportunities in recruitment and promotion and full and fair consideration is given to providing opportunities for training and development of people with disabilities according to their skills and capabilities.

We aim to provide a supportive working environment and to offer terms and conditions of service which allow disabled people with the necessary skills and qualifications to obtain employment with the Group. If current employees become disabled they will continue to be employed, wherever practicable in the same job. If this is not practicable, every effort will be made to find and provide appropriate retraining and redeployment.

As part of our culture ambition under Programme Compass, we will be working towards creating an environment where employees are recruited, recognised and rewarded for their contributions towards delivering our strategy.

Employee engagement

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

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

Change of control

As at 30 June 2020 and at 1 October 2020, the nearest practicable date prior to approval of this report, the Company and its subsidiaries were party to a number of commercial agreements that may allow the counterparties to alter or terminate the agreements on a change of control of the Company following a takeover bid. These are not deemed by the Company to be significant in terms of their potential effect on the Group as a whole. The Group also has borrowing facilities and has entered into financial instruments 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.

Branches

The registered offices of the Company and its subsidiaries are set out on pages 164 to 165.
The Company and its subsidiaries have established branches in a number of different countries in which they operate.

2020 Annual General Meeting

The Company's 2020 AGM will be held on 23 November 2020 at Central Park, Northampton Road, Manchester, M40 5BP at 3.00pm. In light of the Covid-19 pandemic and social distancing measures, this year's AGM will be held with only the minimum number of shareholders present as required to form a quorum under the Company's Articles, who will be officers or employees of the Company. To ensure safety, other shareholders will not be able to gain access to the AGM on the day. Details of the resolutions to be proposed, how to vote and ask questions are set out in a separate Notice of Annual General Meeting which accompanies this report for shareholders receiving hard copy documents, and which is available on our website at **www.mcbride.co.uk** for those who have elected to receive documents electronically. This year all resolutions at the AGM will be decided on a poll carried out by electronic means. The results will be announced as soon as possible and posted on our website.

Disclosure of information to the auditor

Each of the Directors who held office at the date of approval of this Directors' report confirms that, so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that ought to have been taken in his or her duty as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors' report was approved by the Board on 8 October 2020 and signed on its behalf by:

Glenda MacGeekie
General Counsel and Company Secretary

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and 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 and Company for that period. In preparing the financial statements, the Directors are required to:

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

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

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

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 and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent or detect fraud and other irregularities.

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

Directors' confirmations

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

Each of the Directors, whose names and functions are listed in the Board of Directors on pages 52 to 53, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with the applicable set of Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the undertakings included in the consolidation as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

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

Independent auditor's report to the members of McBride plc

Report on the audit of the financial statements

Opinion

In our opinion:

- McBride plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2020 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 30 June 2020; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated reconciliation of net cash flow to movement in net debt, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

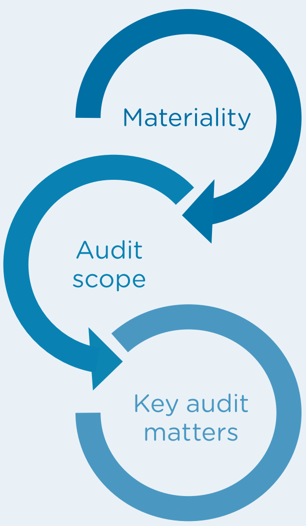
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

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

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 July 2019 to 30 June 2020.

Our audit approach

Overview



Materiality

- Overall group materiality: £1.4 million (2019: £3.0 million), based on 5% of three-year average profit before tax excluding exceptional items.
- Overall company materiality: £1.2 million (2019: £1.5 million), based on the lower of component and statutory materiality (statutory materiality based on 1% of total assets).

Audit scope

- We conducted our audit work in three key locations: UK, France and Belgium. Our work incorporated full scope audits of the Group's components in the UK, France, Belgium and Germany plus limited scope procedures in relation to some of the Group's other components.
- The territories where we conducted audit work, together with audit work performed at shared service centres and group level, accounted for approximately 91% of the group's revenue and 74% of the group's profit before tax.

Key audit matters

- Fraud in relation to rebates (Group).
- Valuation of Goodwill, Other intangible assets and Property, plant and equipment (Group).
- Valuation of Investments in subsidiaries (Company).
- Valuation of Amounts owed by subsidiary undertakings (Company).
- Impact of Covid-19 (Group and Company).

Independent auditor's report to the members of McBride plc continued

Report on the audit of the financial statements continued

Our audit approach continued

The scope of our audit

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

Capability of the audit in detecting irregularities, including fraud

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

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding and evaluation of the operation effectiveness of management's entity levels controls designed to prevent and detect irregularities;
- Incorporating unpredictability into the nature, timing and/or extent of our testing;
- Challenging assumptions and judgements made by management in their significant accounting estimates, particularly, in relation to goodwill and fixed asset impairment assessment, defined benefit assumptions and deferred tax asset recognition; and
- Identifying and testing a sample of journals that we considered to be potentially indicative of fraudulent activity.

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Fraud in relation to rebates (Group) ISAs (UK) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results. In the consumer products industry, rebate agreements with customers (typically retailers) are common. We identified this as an area where possible fraud in revenue recognition could occur, particularly in relation to the accruals at the year-end which had not been settled. Whilst rebates are relatively small in the context of the group's revenue, they are inherently complex, non-standardised and require management judgement to interpret contractual arrangements.	We agreed rebates recognised to supporting evidence, agreements with customers and underlying sales data to check they were appropriately calculated and accounted for. We focused on the period in which the rebate was recorded and in particular the appropriateness of the accrual at the year end. We assessed the utilisation of the opening accrual along with any releases to the profit and loss account in the year. Furthermore, we used computer assisted auditing techniques in order to test revenue and tested a selection of journals which impacted revenue and rebates.
Valuation of Goodwill, Other intangible assets and Property, plant and equipment (Group) Refer to notes 13, 14 and 15 to the Group financial statements. Goodwill of £19.9m (2019: £20.4m), Other intangible assets of £8.5m (2019: £9.1m) and Property, plant and equipment of £134.7m (2019: £136.0m) are material to the Group financial statements. The carrying values of the Group's cash generating units (CGUs) are considered annually for impairment with reference to a value in use model. This model incorporates a number of estimates, including: • Forecast cash flows for the five years subsequent to the balance sheet date; • Long-term growth rates; and • Discount rates. The Directors have sensitised the value in use model to assess the financial impact of several risks that the Directors believe have a reasonable likelihood of occurrence. Impairment charges of £1.7m of property, plant and equipment and £0.5m of attributed goodwill has been incurred in relation to the closure of the Barrow site during the current year.	We evaluated and assessed the Group's future cash flow forecasts, the process by which they were drawn up and tested the underlying value in use calculations. We compared the Group's forecasts to the latest Board approved budget and five-year plan and found them to be consistent. We discussed the cash flow forecasts with management and compared these to external market research in order to identify any inconsistencies. We compared the current period's actual results with previous forecasts to assess historical accuracy of the forecasts and incorporated the variances identified into the sensitivity analysis performed. We also assessed: • Management's key assumptions for long-term growth rates by comparing with external forecasts of long-term growth rates; and • The discount rates used by assessing the cost of capital calculations for the Group and comparing against comparable organisations. We have considered management's analysis of the potential impact of reasonably possible changes in key assumptions. This work included consideration of all key assumptions and changes that could be considered to be reasonably possible based on the related risks. We have also reviewed the disclosures made regarding the assumptions.

Independent auditor's report to the members of McBride plc continued

Report on the audit of the financial statements continued
Our audit approach continued
Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Valuation of Investments in subsidiaries (Company) Refer to note 5 to the Company financial statements. The Company financial statements include Investments in subsidiaries of £158.2m (2019: £158.2m). Investments in subsidiaries are valued at cost less provisions for impairment. The Directors have performed an impairment review in accordance with IAS 36 'Impairment of assets', comparing the carrying value of investments to their recoverable amount, determined using the value in use method. If an impairment charge were to be required it would impact the distributable reserves of the Company. The value in use model is based on the Group impairment review described in the key audit matter above related to the valuation of Goodwill, Other intangible assets and Property, plant and equipment. No impairment charges have been recorded in the current year.	In addition to the procedures described in the key audit matter above related to the valuation of Goodwill, Other intangible assets and Property, plant and equipment, we compared the value in use attributed to the Company's subsidiaries to the carrying values of the related investments.
Valuation of Amounts owed by subsidiary undertakings (Company) Refer to note 6 to the Company financial statements. The Company financial statements include Amounts owed by subsidiary undertakings of £167.9m (2019: £256.6m). The Directors have performed an impairment review of Amounts owed by subsidiary undertakings in accordance with IFRS 9 'Financial instruments', which was adopted for the first time in the year ended 30 June 2019. If an impairment charge were to be required it would impact the distributable reserves of the Company. The impairment review has involved assessing the terms of the agreements with counterparties and also the ability of the counterparty to repay in accordance with these terms which are either at a fixed point in time or on demand. Amounts owed by counterparties that are not able to repay immediately have been discounted, based on the contractual interest rates, over the period of time that management estimates it would take for the counterparty to access the required funds. Management's plan to access funds includes trading profits, dividends and drawing down on the Group's external debt. No impairment charges have been recorded in the current year.	We assessed the impairment review performed in order to confirm that it is consistent with the requirements of IFRS 9 'Financial instruments'. We traced the contractual terms of Amounts owed by subsidiary undertakings to the related borrowing agreements. We compared the financial position of the counterparties used in the impairment review to the financial information used in the Group consolidation to confirm that these were consistent. We evaluated the plans to access funds included in the impairment model to confirm that the judgements made were reasonable, for example: • We confirmed the availability of amounts that could be remitted by subsidiary entities as dividends; and • We confirmed that the subsidiary entities are able to draw down on the Group's external debt, that sufficient borrowing headroom existed at the year end and that the financial covenants would allow the required amount to be borrowed.
Impact of Covid-19 (Group and Company) The ongoing and evolving Covid-19 pandemic, and the related government response to this crisis, is having a significant impact on the economies of those countries in which the Group operates. There is a high level of uncertainty as to the duration of the pandemic and what its lasting impact will be on those economies. The Directors have considered the potential impact to the Group of the ongoing Covid-19 pandemic, including in their assessment of going concern and viability. Management has concluded that the Group and Company expect to trade solvently for at least 12 months from the date of this report and cash flow forecasts support management's viability conclusions. The Directors have therefore prepared the Group and Company financial statements on a going concern basis, and believe this assumption remains appropriate.	In assessing management's considerations of the potential impact of Covid-19, we have undertaken the following procedures: • We obtained management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern and viability; • We obtained management's severe downside cashflow scenarios and discussed the assumptions that have been applied in order to understand the rationale and the appropriateness of those assumptions. Management's going concern model supported the assumption; • We have audited the assumption by corroborating some of the key assumptions to third party evidence and our knowledge of the business; and • We assessed the availability of liquid resources under different scenarios modelled by management, and the associated covenant test applied. Our conclusion is in the going concern section noted below.

How we tailored the audit scope

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

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

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

The territories where we conducted audit work, together with audit work performed at shared service centres and group level, accounted for approximately 91% of the group's revenue and 74% of the group's profit before tax.

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£1.4 million (2019: £3.0 million).	£1.2 million (2019: £1.5 million).
How we determined it	Based on 5% of three-year average profit before tax excluding exceptional items.	Based on the lower of component and statutory materiality (statutory materiality based on 1% of total assets).
Rationale for benchmark applied	The benchmark has changed from the prior year from revenue to be based on average profit before tax excluding exceptional items over the past three years as profits have become more stable.	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 between £0.9 million and £1.2 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £66,400 (Group audit) (2019: £150,000) and £57,000 (Company audit) (2019: £150,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

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

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Report on the audit of the financial statements continued

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

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

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

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

- The directors' confirmation on page 35 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 35 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Other Code Provisions

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

- The statement given by the directors, on page 100, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on pages 66 to 68 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 14 November 2011 to audit the financial statements for the year ended 30 June 2012 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 30 June 2012 to 30 June 2020.

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

8 October 2020

Consolidated income statement

Year ended 30 June 2020

Continuing operations	Note	2020 Adjusted (see note 1) £m	2020 Adjusting items (see note 11) £m	2020 Total £m	2019 Adjusted (see note 1) £m	2019 Adjusting items (see note 11) £m	2019 Total £m
Revenue	4	**706.2**	**—**	**706.2**	721.3	—	721.3
Cost of sales		**(462.0)**	**(1.0)**	**(463.0)**	(480.9)	—	(480.9)
Gross profit		**244.2**	**(1.0)**	**243.2**	240.4	—	240.4
Distribution costs		**(57.3)**	**—**	**(57.3)**	(56.6)	—	(56.6)
Administrative costs		**(158.6)**	**(9.7)**	**(168.3)**	(154.9)	(3.8)	(158.7)
Impairment of goodwill		**—**	**(0.5)**	**(0.5)**	—	—	—
Impairment of fixed assets		**—**	**(1.7)**	**(1.7)**	—	1.5	1.5
Operating profit	8	**28.3**	**(12.9)**	**15.4**	28.9	(2.3)	26.6
Finance costs	9	**(4.1)**	**(0.1)**	**(4.2)**	(4.4)	(0.2)	(4.6)
Profit/(loss) before taxation		**24.2**	**(13.0)**	**11.2**	24.5	(2.5)	22.0
Taxation	10	**(6.8)**	**2.3**	**(4.5)**	(6.8)	(3.2)	(10.0)
Profit/(loss) for the year from continuing operations		**17.4**	**(10.7)**	**6.7**	17.7	(5.7)	12.0
Discontinued operations							
Loss for the year from discontinued operations	27	**—**	**(0.2)**	**(0.2)**	(0.6)	(3.3)	(3.9)
Profit for the year		**17.4**	**(10.9)**	**6.5**	17.1	(9.0)	8.1
Earnings/(loss) per ordinary share from continuing and discontinued operations attributable to the owners of the parent during the year	11						
Basic earnings/(loss) per share							
From continuing operations				**3.7p**			6.5p
From discontinued operations				**(0.1p)**			(2.1p)
From profit for the year				**3.6p**			4.4p
Diluted earnings/(loss) per share							
From continuing operations				**3.7p**			6.5p
From discontinued operations				**(0.1p)**			(2.1p)
From profit for the year				**3.6p**			4.4p

	Note	2020 £m	2019 £m
Operating profit		**15.4**	26.6
Adjusted for:			
Amortisation of intangible assets	14	**2.1**	1.9
Exceptional items	5	**10.8**	0.4
Adjusted operating profit (non-GAAP, see note 1)	4	**28.3**	28.9

Consolidated statement of comprehensive income
Year ended 30 June 2020

	Note	2020 £m	2019 £m
Profit for the year		**6.5**	8.1
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Currency translation differences on foreign subsidiaries		**–**	0.6
Gain/(loss) on net investment hedges		**0.8**	(0.9)
Gain/(loss) on cash flow hedges in the year		**0.4**	(0.2)
Cash flow hedges transferred to profit or loss		**0.2**	0.2
Taxation relating to items above	10	**(0.1)**	–
		1.3	(0.3)
Items that will not be reclassified to profit or loss:			
Net actuarial loss on post-employment benefits	23	**(3.7)**	(3.5)
Taxation relating to item above	10	**1.8**	0.5
		(1.9)	(3.0)
Total other comprehensive expense		**(0.6)**	(3.3)
Total comprehensive income		**5.9**	4.8
Total comprehensive income/(expense) attributable to equity shareholders arises from:			
Continuing operations		**6.1**	8.7
Discontinued operations		**(0.2)**	(3.9)
		5.9	4.8

Consolidated balance sheet
At 30 June 2020

	Note	2020 £m	2019 £m
Non-current assets			
Goodwill	13	19.9	20.4
Other intangible assets	14	8.5	9.1
Property, plant and equipment	15	134.7	136.0
Derivative financial instruments	21	—	0.1
Right-of-use assets	16	7.3	—
Deferred tax assets	10	13.8	10.9
Other non-current assets		—	0.6
		184.2	177.1
Current assets			
Inventories	17	97.5	95.0
Trade and other receivables	18	138.3	145.9
Current tax asset		6.2	2.1
Derivative financial instruments	21	1.4	0.6
Cash and cash equivalents		44.2	14.4
		287.6	258.0
Total assets		471.8	435.1
Current liabilities			
Trade and other payables	19	198.1	182.3
Borrowings	20	33.2	43.5
Lease liabilities	16, 20	3.5	—
Derivative financial instruments	21	0.4	0.3
Current tax liabilities		12.4	7.4
Provisions	25	6.3	3.7
		253.9	237.2
Non-current liabilities			
Borrowings	20	103.8	91.8
Lease liabilities	16, 20	5.2	—
Derivative financial instruments	21	0.3	0.4
Pensions and other post-employment benefits	23	31.5	31.1
Provisions	25	3.6	4.2
Deferred tax liabilities	10	6.6	6.2
		151.0	133.7
Total liabilities		404.9	370.9
Net assets		66.9	64.2
Equity			
Issued share capital	26	18.3	18.3
Share premium account	26	70.6	73.9
Other reserves	26	74.6	69.9
Accumulated losses		(96.6)	(97.9)
Total equity		66.9	64.2

The financial statements on pages 108 to 155 were approved by the Board of Directors on 8 October 2020 and were signed on its behalf by:

Chris Smith
Director

Consolidated cash flow statement
Year ended 30 June 2020

	Note	2020 £m	2019 £m
Operating activities			
Profit before tax			
Continuing operations		**11.2**	22.0
Discontinued operations		**(0.3)**	(5.8)
Finance costs	9	**4.2**	4.6
Exceptional items	5	**8.9**	6.9
Share-based payments charge/(credit)	6	**0.4**	(0.2)
Depreciation of property, plant and equipment	15	**17.1**	18.4
Depreciation of right-of-use assets	16	**3.7**	–
Profit on disposal of fixed assets		**(0.7)**	–
Amortisation of intangible assets	14	**2.1**	1.9
Impairment of goodwill	13	**0.5**	–
Impairment of fixed assets	15	**1.7**	(1.5)
Operating cash flow before changes in working capital before exceptional items		**48.8**	46.3
Decrease in receivables		**8.6**	8.1
Increase in inventories		**(1.3)**	(3.6)
Increase/(decrease) in payables		**12.8**	(20.9)
Operating cash flow after changes in working capital before exceptional items		**68.9**	29.9
Additional cash funding of pension schemes	23	**(4.0)**	(4.2)
Cash generated from operations before exceptional items		**64.9**	25.7
Cash outflow in respect of exceptional items		**(5.2)**	(6.9)
Cash generated from operations		**59.7**	18.8
Interest paid		**(3.3)**	(4.3)
Taxation paid		**(4.7)**	(7.2)
Net cash generated from operating activities		**51.7**	7.3
Investing activities			
Proceeds from sale of property, plant and equipment		**3.3**	14.9
Purchase of property, plant and equipment	15	**(17.6)**	(17.1)
Purchase of intangible assets	14	**(1.6)**	(1.6)
Settlement of derivatives used in net investment hedges		**0.6**	(0.8)
Net cash used in investing activities		**(15.3)**	(4.6)
Financing activities			
Redemption of B Shares	12	**(3.4)**	(8.6)
Net (repayment)/drawdown of overdrafts		**(10.2)**	9.3
Net drawdown/(repayment) of bank loans		**9.9**	(0.4)
Repayment of IFRS 16 lease obligations	16	**(4.3)**	–
Purchase of own shares		**(0.1)**	–
Capital element of finance lease rentals		**–**	(0.2)
Net cash (used in)/generated from financing activities		**(8.1)**	0.1
Increase in net cash and cash equivalents		**28.3**	2.8
Net cash and cash equivalents at the start of the year		**14.4**	11.7
Currency translation differences		**1.5**	(0.1)
Net cash and cash equivalents at the end of the year		**44.2**	14.4

Consolidated reconciliation of net cash flow to movement in net debt

Year ended 30 June 2020

	Note	2020 £m	2019 £m
Increase in net cash and cash equivalents		28.3	2.8
Net repayment/(drawdown) of bank loans and overdrafts		0.3	(8.9)
Capital element of finance lease rentals		—	0.2
Change in net debt resulting from cash flows		**28.6**	(5.9)
Currency translation differences		(0.5)	(0.7)
Movement in net debt in the year		**28.1**	(6.6)
Net debt at the beginning of the year		(120.9)	(114.3)
Net debt at the end of the year excluding lease liabilities	22	**(92.8)**	(120.9)
Lease liabilities	22	(12.9)	—
Repayment of IFRS 16 lease liabilities	22	4.3	—
Currency translation differences		(0.1)	—
Net debt at the end of the year	22	**(101.5)**	(120.9)

Consolidated statement of changes in equity
Year ended 30 June 2020

	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 2018	18.3	81.8	–	(0.6)	62.2	(94.5)	67.2
Year ended 30 June 2019							
Profit for the year	–	–	–	–	–	8.1	8.1
Other comprehensive income/(expense)							
Items that may be reclassified to profit or loss:							
Currency translation differences on foreign subsidiaries	–	–	–	0.6	–	–	0.6
Loss on net investment hedges	–	–	–	(0.9)	–	–	(0.9)
Loss on cash flow hedges in the year	–	–	(0.2)	–	–	–	(0.2)
Cash flow hedges transferred to profit or loss	–	–	0.2	–	–	–	0.2
Taxation relating to items above	–	–	–	–	–	–	–
	–	–	–	(0.3)	–	–	(0.3)
Items that will not be reclassified to profit or loss:							
Net actuarial loss on post-employment benefits	–	–	–	–	–	(3.5)	(3.5)
Taxation relating to items above	–	–	–	–	–	0.5	0.5
	–	–	–	–	–	(3.0)	(3.0)
Total other comprehensive expense	–	–	–	(0.3)	–	(3.0)	(3.3)
Total comprehensive (expense)/income	–	–	–	(0.3)	–	5.1	4.8
Transactions with owners of the parent							
Issue of B Shares	–	(7.9)	–	–	–	–	(7.9)
Redemption of B Shares	–	–	–	–	8.6	(8.6)	–
Share-based payments	–	–	–	–	–	0.1	0.1
At 30 June 2019	18.3	73.9	–	(0.9)	70.8	(97.9)	64.2
IFRS 16 transition (note 3)	–	–	–	–	–	0.7	0.7
IFRIC 23 transition (note 3)	–	–	–	–	–	(0.9)	(0.9)
At 1 July 2019	18.3	73.9	–	(0.9)	70.8	(98.1)	64.0
Year ended 30 June 2020							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**6.5**	**6.5**
Other comprehensive income/(expense)							
Items that may be reclassified to profit or loss:							
Gain on net investment hedges	**–**	**–**	**–**	**0.8**	**–**	**–**	**0.8**
Gain on cash flow hedges in the year	**–**	**–**	**0.4**	**–**	**–**	**–**	**0.4**
Cash flow hedges transferred to profit or loss	**–**	**–**	**0.2**	**–**	**–**	**–**	**0.2**
Taxation relating to items above	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**(0.1)**
	–	**–**	**0.5**	**0.8**	**–**	**–**	**1.3**
Items that will not be reclassified to profit or loss:							
Net actuarial loss on post-employment benefits	**–**	**–**	**–**	**–**	**–**	**(3.7)**	**(3.7)**
Taxation relating to items above	**–**	**–**	**–**	**–**	**–**	**1.8**	**1.8**
	–	**–**	**–**	**–**	**–**	**(1.9)**	**(1.9)**
Total other comprehensive income/(expense)	**–**	**–**	**0.5**	**0.8**	**–**	**(1.9)**	**(0.6)**
Total comprehensive income	**–**	**–**	**0.5**	**0.8**	**–**	**4.6**	**5.9**
Transactions with owners of the parent							
Issue of B Shares	**–**	**(3.3)**	**–**	**–**	**–**	**–**	**(3.3)**
Redemption of B Shares	**–**	**–**	**–**	**–**	**3.4**	**(3.4)**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**0.4**	**0.4**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
At 30 June 2020	**18.3**	**70.6**	**0.5**	**(0.1)**	**74.2**	**(96.6)**	**66.9**

At 30 June 2020, the accumulated losses include a deduction of £0.0 million (2019: £0.0m) for the cost of own shares held in relation to employee share schemes. Further information on own shares is presented in note 26.

Notes to the consolidated financial statements
Year ended 30 June 2020

1. Basis of preparation

Description of business
McBride plc ('the Company') is a public company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales. The Company's ordinary shares are listed on the London Stock Exchange. The registered office of the Company is Middleton Way, Middleton, Manchester M24 4DP. 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 Household products. The Company develops and manufactures products for the majority of retailers and major brand owners throughout the UK, Europe and Asia.

Accounting period
The Group's annual financial statements are drawn up to 30 June. These financial statements cover the year ended 30 June 2020 ('2020') with comparative amounts for the year ended 30 June 2019 ('2019').

Basis of accounting
The consolidated financial statements on pages 108 to 155 have been prepared on the going concern basis in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) as adopted for use in the European Union, and those parts of the Companies Act 2006 ('the Act') applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, modified in respect of the revaluation to fair value of financial assets and liabilities (derivative financial instruments) at fair value through profit or loss and defined benefit pension plan assets.

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

Going concern
For the reasons set out on page 35, the Directors have adopted the going concern basis in preparing the Company and the Group financial statements.

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

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

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

Segment information is presented in note 4.

Use of adjusted measures
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. 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 and are used for internal performance analysis and in relation to employee incentive arrangements. The Directors present these measures in the financial statements in order to assist investors in their assessment of the trading performance of the Group.

Adjusted measures as defined by the Group may not be comparable with similarly titled measures used by other companies. The Directors do not regard these measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS.

The adjusted measures used are: adjusted operating profit, adjusted EBITDA, adjusted finance costs, adjusted profit before tax and adjusted earnings per share.

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.

	2020 £m	2019 £m
Operating profit	**15.1**	20.8
Add back: operating loss from discontinued operations	**0.3**	5.8
Operating profit from continuing operations	**15.4**	26.6
Exceptional items	**10.8**	0.4
Amortisation of intangibles	**2.1**	1.9
Adjusted operating profit from continuing operations	**28.3**	28.9
Adjusted operating loss from discontinued operations	**—**	(0.8)
Adjusted operating profit	**28.3**	28.1
Depreciation of property, plant and equipment	**17.1**	18.4
Depreciation of right-of-use assets	**3.7**	—
Adjusted EBITDA	**49.1**	46.5

Adjusted finance costs refers to figures excluding the unwind of the discount on environmental remediation provision (see note 9).

Adjusted profit before tax is based on adjusted operating profit less adjusted finance costs. The table below reconciles adjusted profit before tax to the Group's reported profit before tax.

	2020 £m	2019 £m
Profit before tax	**10.9**	16.2
Add back: loss before tax from discontinued operations	**0.3**	5.8
Profit before tax from continuing operations	**11.2**	22.0
Exceptional items	**10.8**	0.4
Amortisation of intangibles	**2.1**	1.9
Finance costs	**0.1**	0.2
Adjusted profit before tax from continuing operations	**24.2**	24.5

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

The Group also uses the non-GAAP measure return on capital employed (ROCE). ROCE is defined as total adjusted operating profit divided by average year-end net assets excluding net debt (pre-IFRS 16). There is no equivalent statutory measure within IFRS.

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Critical judgements

Determination of cash-generating units (CGUs)

A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment testing requires management to determine the net discounted cash flows expected to arise from a CGU. Management are therefore required to determine the Group's CGUs and judgement is applied as to which groups of assets generate largely independent cash flows.

In the year, the CGUs have been determined as Household Liquids, Household Powders and Tablets, Aerosols and Asia, these being based on technologies and the separate Asia location. All CGUs are lower than, or equal to, operating segments.

Key sources of estimation uncertainty

(i) Impairment of goodwill, other intangible assets and property, plant and equipment

Impairment testing requires management to estimate the recoverable amount of an asset or group of assets. The recoverable amount represents the higher of value in use and fair value less costs of disposal. Where the recoverable amount is lower than the carrying amount, an impairment charge is recognised in profit and loss in the year in which the impairment is identified.

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

Cash flows are estimated by applying assumptions to budgeted sales, production costs and overheads over a five year forecast period and by applying a perpetuity growth rate to the forecast cash flow in the fifth year. Forecasts are reviewed and approved by the Board. The Covid-19 pandemic is not considered to have a significant impact on the assessment of impairment. Covid-19 has not had a significant adverse impact on the Group's financial performance to date, its impact on the Group is considered to be short term, and it is not anticipated to have a significant impact on the terminal year, which is a key driver of our value-in-use calculations.

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.

Whilst the impairment of goodwill, other intangible assets and property, plant and equipment are included as a key source of estimation uncertainty, the carrying values are not subject to a significant risk of material adjustment due to reasonably possible changes in assumptions in the next twelve months.

During the year, impairment charges of £2.2 million were recognised (2019: £nil) resulting from the decision to close our Barrow site, of which £0.5 million relates to the impairment of goodwill and £1.7 million relates to the impairment of plant and machinery.

At 30 June 2020, the carrying amount of goodwill, other intangible assets and property, plant and equipment was £163.1 million (2019: £165.5m).

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

Notes to the consolidated financial statements continued
Year ended 30 June 2020

1. Basis of preparation continued
Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

(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 2020, the present value of defined benefit obligations was £167.0 million (2019: £156.2m). It was calculated using a number of assumptions, including future Consumer Price Index rate changes, increases to pension benefits and mortality rates. The present value of the benefit obligation is calculated by discounting the benefit obligation using market yields on high-quality corporate bonds at the balance sheet date.

At 30 June 2020, the fair value of the scheme assets was £135.5 million (2019: £125.1m). The scheme assets consist largely of securities and managed funds whose values are subject to fluctuation in response to changes in market conditions. Changes in the actuarial assumptions underlying the benefit obligation, changes in the discount rate applicable to the benefit obligation and effects of differences between the expected and actual return on the scheme's assets are classified as actuarial gains and losses and are recognised in other comprehensive income. During 2020, the Group recognised a net actuarial loss of £3.7 million (2019: loss of £3.5m).

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

(iii) Taxation

Judgements and estimates are required in order to determine the appropriate amount of tax provided for issues under dispute with taxation authorities and for tax matters which are considered uncertain and on which it is probable that a future tax liability will arise. The amount provided is management's best estimate of the tax liability taking into consideration external advice, known outcomes on similar tax treatments and experience of tax authority custom and practice.

At 30 June 2020, the Group estimated its maximum possible tax exposure for ongoing tax audits and uncertain tax treatments to be £25.5 million, of which £5.0 million is provided against in current tax.

The Group operates across a number of jurisdictions and tax risk can arise in relation to the pricing of cross-border transactions, where a taxation authority's interpretation of the arm's length principle can diverge from the approach taken by the Group. Transfer pricing is inherently subjective and in determining the appropriate level of provision, the Group considers the probability of a range of outcomes, using a weighted average methodology to focus risk on the most likely outcomes in the event of an audit. The amount provided also takes account of international dispute resolution mechanisms, where available, to mitigate double taxation. This analysis is reassessed at each period end and the estimates refined as additional information becomes available.

The Group believes it has made adequate provision for the liabilities likely to arise from periods which are open and not yet agreed by tax authorities. The ultimate liability for such matters may vary from the amounts provided however and is dependent upon the outcome of agreements with relevant tax authorities, dispute resolution processes in the relevant jurisdictions or litigation where appropriate.

The Group has tax losses and other deductible temporary differences that have the potential to reduce future tax liabilities. Deferred tax assets are recognised to the extent that recovery is probable against the future reversal of taxable temporary differences and projected taxable income. At 30 June 2020, the Group recognised deferred tax assets of £13.8 million (2019: £10.9m), including £0.3 million (2019: £1.1m) in respect of tax losses. Deferred tax assets amounting to £11.4 million (2019: £10.0m) 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 13. Management estimates that a reduction in the perpetual growth rate to 0.0% would not result in an impairment of the deferred tax asset. There is no significant risk of material adjustment to the carrying amount of the deferred tax asset within the next twelve months.

2. Principal accounting policies
The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2019, except for:

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2019:

- IFRS 16, 'Leases'; and
- IFRIC 23, 'Uncertainty over Income Tax Treatments'.

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

Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of the Group and its subsidiaries. Details of the Group's subsidiaries at 30 June 2020 are set out on pages 164 and 165.

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The Group's results, cash flows and assets and liabilities include those of each of its subsidiaries from the date on which the Group obtains control until such time as the Group loses control.

Intra-Group balances and transactions, and any unrealised gains and losses arising from intra-Group transactions, are eliminated on consolidation. Consistent accounting policies are adopted across the Group.

Business combinations

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

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

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

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

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

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

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

Foreign currency translation

The Group's presentational currency is 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 Sterling at the average exchange rate for the period and their assets and liabilities are translated into Sterling at the exchange rate ruling at the balance sheet date. Currency translation differences arising on consolidation are recognised in other comprehensive income and taken to the currency translation reserve.

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

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

Revenue

Revenue from 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 2020, the carrying amount of accruals relating to rebates and discounts amounted to £3.1 million (2019: £3.7m). Rebates equate to less than 1% of revenue. There is an element of judgement applied to the level of future achieved sales within volume-related rebates.

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.

2. Principal accounting policies continued

Exceptional items

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

Examples of exceptional items include, but are not limited to, the following:

- restructuring and other expenses relating to the integration of an acquired business and related expenses for reconfiguration of the Group's activities;
- impairment of current and non-current assets;
- gains/losses on disposals of businesses;
- acquisition-related costs, including adviser fees incurred for significant transactions, and adjustments to the fair values of assets and liabilities that result in non-recurring charges to the Income Statement; and
- costs arising because of material and non-recurring regulatory and litigation matters.

Borrowing costs

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

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

Goodwill

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

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

Goodwill is carried at cost less any recognised impairment losses. Impairment charges are recognised in administrative expenses.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss. Amortisation is recognised in administrative expenses.

(i) Assets acquired in business combinations

An intangible resource acquired in a business combination is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights. An acquired intangible asset with a definite useful life is amortised on a straight-line basis so as to charge its fair value at the date of acquisition to profit or loss over its expected useful life as follows:

Patents, brands and trademarks	– up to five years
Customer relationships	– up to eight years

(ii) Product development costs

All research expenditure is charged to profit or loss in the period in which it is incurred.

Development expenditure is charged to profit or loss in the period in which it is incurred, unless it relates to the development of a new or significantly improved product or process whose technical and commercial feasibility is proven at the time of development and therefore capitalised.

(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 assets under construction are not depreciated. Otherwise, property, plant and equipment is depreciated on a straight-line basis so as to charge its cost, less any residual value, to profit or loss over the expected useful life of the asset as follows:

Freehold buildings	– fifty 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

From 1 July 2019, 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

From 1 July 2019, at the commencement date of the lease, 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.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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.

IAS 17 lease accounting policy applicable to the 2018/19 financial reporting period

Leases that confer rights and obligations similar to those that attach to owned assets are classified as finance leases. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets within property, plant and equipment, initially measured at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments, and a corresponding liability is recognised. Subsequently, the assets are depreciated over the shorter of the expected useful life of the asset or term of the lease. At inception of the lease, the lease payments are apportioned between an interest element and a capital element so as to achieve a constant periodic rate of interest on the outstanding liability. Thereafter, the interest element is recognised as an expense in profit or loss while the capital element is applied to reduce the outstanding liability.

Operating lease payments, and any incentives receivable, are recognised in profit or loss on a straight-line basis over the term of the lease.

Impairment of non-financial assets

Goodwill, other intangible assets and property, plant and equipment are tested for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. Additionally, goodwill is subject to an annual impairment test whether or not there are any indicators of impairment.

An asset is impaired to the extent that its carrying amount exceeds its recoverable amount, which represents the higher of the asset's value-in-use and its fair value less costs of disposal. An asset's value-in-use represents the present value of the future cash flows expected to be derived from the continued use of the asset. Fair value less costs of disposal is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. An asset's CGU is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill does not generate cash flows independently of other assets and is, therefore, tested for impairment at the level of the CGU or group of CGUs to which it is allocated.

Value-in-use is based on estimates of pre-tax cash flows discounted at a pre-tax discount rate that reflects the risks specific to the CGU to which the asset belongs.

Where necessary, impairment of non-financial assets other than goodwill is recognised before goodwill is tested for impairment. When goodwill is tested for impairment and the carrying amount of the CGU or group of CGUs to which it is allocated exceeds its recoverable amount, the impairment is allocated first to reduce the carrying amount of the goodwill and then to the other non-financial assets belonging to the CGU or group of CGUs pro-rata on the basis of their respective carrying amounts.

Impairment losses are recognised in profit or loss. Impairment losses recognised in previous periods for assets other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset does not exceed its carrying amount had no impairment been recognised in previous periods. Impairment losses recognised in respect of goodwill cannot be reversed.

2. Principal accounting policies continued

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;
- **fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss; and
- **fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under the Group's business model, trade and other receivables are held for collection of contractual cash flows and represent solely payments of principal and interest. A provision for impairment of trade receivables is established based on the expected credit loss (ECL). The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables, which are grouped based on shared credit risk characteristics and the days past due. The amount of the provision is recognised in the balance sheet within trade receivables. Movements in the provision are recognised in the profit and loss account in administrative expenses.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term, highly liquid investments with a maturity on acquisition of three months or less and bank overdrafts. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset 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.

Where a hedging relationship is classified as a cash flow hedge, to the extent that the hedge is effective, the change in the fair value of the hedging instrument is recognised in other comprehensive income rather than in profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss. When the hedged item affects profit or loss (for example, when a forecast sale that is hedged takes place), the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss. When a forecast transaction that has been hedged results in the recognition of a non-financial asset (for example, inventory), the cumulative gain or loss recognised in other comprehensive income is transferred from equity as an adjustment to the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(ii) Net investment hedge

A net investment hedge is the hedge of the currency exposure on the retranslation of the Group's net investment in a foreign operation. Net investment hedges are accounted for similarly to cash flow hedges. Changes in the fair value of the hedging instrument are, to the extent that the hedge is effective, recognised in other comprehensive income. In the event that the foreign operation is disposed of, the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss and included in the gain or loss on disposal of the foreign operation.

Pensions and other post-employment benefits

Post-employment benefits principally comprise pension benefits provided to employees in the UK and Continental Europe. The Group operates both defined benefit and defined contribution pension schemes.

(i) Defined contribution schemes

Under a defined contribution pension scheme, the Group makes fixed contributions to a separate pension fund. The amount of pension that the employee will receive on retirement is dependent entirely on the investment performance of the fund and the Group has no obligation with regard to the future pension values received by employees.

Payments to defined contribution schemes are recognised in profit or loss in the period in which they fall due. To the extent defined contribution scheme contributions are due but unpaid, amounts outstanding are recognised in other payables.

2. Principal accounting policies continued

Pensions and other post-employment benefits continued

(ii) Defined benefit schemes

Under a defined benefit pension scheme, the amount of pension that an employee will receive on retirement is fixed based on factors such as pensionable salary, years of service and age on retirement. In most cases, the schemes are funded by contributions from the Group and the participating employees. The Group is obliged to make additional contributions if the fund has insufficient assets to meet its obligation to pay accrued pension benefits.

Actuarial valuations of the defined benefit schemes are carried out annually at the balance sheet date by independent qualified actuaries. Scheme assets are measured at their fair value at the balance sheet date. Benefit obligations are measured on an actuarial basis using the projected unit credit method and are discounted using the market yields on high-quality corporate bonds at the balance sheet date. The defined benefit liability or asset recognised in the balance sheet comprises the difference between the present value of the benefit obligations and the fair value of the scheme assets. Where a scheme is in surplus, the asset recognised is limited to the present value of any amounts that the Group expects to recover by way of refunds or a reduction in future contributions.

Defined benefit schemes are recognised in profit or loss by way of the service cost and the net interest cost on the benefit obligation. The service cost represents the increase in the present value of the benefit obligation relating to additional years of service accrued during the period, less employee contributions.

Gains or losses on curtailments or settlements are recognised in profit or loss in the period in which the curtailment or settlement occurs.

Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur.

Share-based payments

The Group operates share schemes under which it grants equity-settled and cash-settled awards over ordinary shares in the Company to certain of its employees. The Group recognises a compensation expense that is based on the fair value of the awards measured using the Black-Scholes option pricing formula or the Monte Carlo valuation model.

For equity-settled awards, the fair value reflects market performance conditions and all non-vesting conditions. Fair value is determined at the grant date and is not subsequently remeasured unless the relevant conditions are modified. Adjustments are made to the compensation expense to reflect actual and expected forfeitures due to failure to satisfy service conditions or non-market performance conditions. For cash-settled awards, the fair value reflects all the conditions on which the award is made and is remeasured at each reporting date and at the settlement date.

Generally, the compensation expense is recognised on a straight-line basis over the vesting period. For equity-settled awards, a corresponding credit is recognised in equity while for cash-settled awards a corresponding liability to settle is recognised in the balance sheet.

In the event of the cancellation of an equity-settled award, the compensation expense that would have been recognised over the remainder of the vesting period is recognised immediately in profit or loss.

Provisions

A provision is a liability of uncertain timing or amount and is generally recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that a payment will be required to settle the obligation and the payment can be estimated reliably.

Provision is made for restructuring costs when a detailed formal plan for the restructuring has been determined and the plan has been communicated to the parties that may be affected by it. Gains from the expected disposal of assets are not taken into account in measuring restructuring provisions and provision is not made for future operating losses.

At 30 June 2020, the Group held provisions amounting to £9.9 million (2019: £7.9m), 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.

Taxation

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period. Taxable profit differs from accounting profit because it excludes income or expenses that are recognised in the period for accounting purposes but are either not taxable or not deductible for tax purposes or are taxable or deductible in earlier or subsequent periods. Current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is tax expected to be payable or recoverable on differences between the carrying amount of an asset or liability and its tax base used in calculating taxable profit. Deferred tax is accounted for using the liability method, whereby deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future against which the deductible temporary differences may be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction other than a business combination that affects neither accounting profit nor taxable profit.

Deferred tax is provided on temporary differences arising on investments in foreign subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is calculated using the enacted or substantively enacted tax rates that are expected to apply when the asset is recovered or the liability is settled.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the amounts and management intends to settle on a net basis. Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Current tax and deferred tax is recognised in profit or loss unless it relates to an item that is recognised in the same or a different period outside profit or loss, in which case it too is recognised outside profit or loss, either in other comprehensive income or directly in equity.

The Group has adopted IFRIC 23, 'Uncertainty over Income Tax Treatments' from 1 July 2019. The interpretation covers how the Group accounts for taxation, 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

Subject to shareholder approval at each Annual General Meeting (AGM), it is the Company's intention that, for the foreseeable future, all payments to shareholders will be made by the issue of non-cumulative redeemable preference shares ('B Shares'). B Shares issued but not redeemed are classified as current liabilities.

Own shares

Own shares represent the Company's ordinary shares that are held by the Company in treasury or by a sponsored Employee Sponsored 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.

Accounting standards issued but not yet adopted

The Group is currently assessing the impact of the following new standards and interpretations that are not yet effective, but they are not expected to have a material impact on the Group's consolidated financial statements.

International Accounting Standards (IAS/IFRS)		Effective date
IFRS 3	Definition of a business – Amendments to IFRS 3	1 January 2020
IFRS 9, IFRS 7, IAS 39	Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
IAS 1, IAS 8	Definition of Material – Amendments to IAS 1, IAS 8	1 January 2020
IFRS 16	Covid-19 Related Rent Concessions – Amendments to IFRS 16	1 June 2020

3. Adoption of new and revised standards

New and amended IFRS standards that are effective for the current year

Impact of initial application of IFRS 16, 'Leases'

The Group has adopted this new standard with the modified retrospective approach from 1 July 2019 with the cumulative net effect of initial application being an adjustment to the opening balance of accumulated losses as at 1 July 2019. Comparative information has not been restated and is presented, as previously reported, under IAS 17 and therefore may not be directly comparable.

The Group currently leases both properties and vehicles, comprising cars and commercial vehicles, which under IAS 17 were classified as a series of operating lease contracts with payments made (net of any incentives received from the lessor) charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, under IFRS 16, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

For leases, the liabilities were measured at the present value of the remaining lease payments, discounted, in the absence of a rate implicit in the lease, at the lessee's incremental borrowing rate on its current facility as of 1 July 2019, adjusted for risk weighting by country, currency, size of asset and credit risk. The discount rate applied therefore differs by lease and ranges from 1.6% to 4.9%.

The associated right-of-use assets were measured using the approach set out in IFRS 16.C8(b)(i), whereby right-of-use assets are equal to their carrying amount as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period using the effective interest method. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- in determining whether existing contracts meet the definition of a lease, the Group did not reassess those contracts previously identified as leases and did not apply the standard to those contracts not previously assessed as leases;
- leases with less than twelve months remaining as at the date of adoption of the new standard were not within the scope of IFRS 16;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to rely on its assessment of whether leases were onerous by applying IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' rather than performing an impairment review; and
- to use hindsight to determine whether an option to extend or terminate a lease would be exercised at inception.

3. Adoption of new and revised standards continued

New and amended IFRS standards that are effective for the current year continued

Impact of initial application of IFRS 16, 'Leases' continued

In addition, the Group has elected to make use of the following exemptions in IFRS 16:

- short-term leases (twelve months or less from commencement) will not be within the scope of IFRS 16; and
- leases for which the asset is of low value (IT equipment and small items of office equipment) will not be within the scope of IFRS 16.

The effect of IFRS 16 adoption is as follows:

Impact on the statement of financial position as at 1 July 2019:

	As at 30 June 2019 £m	IFRS 16 adjustment £m	As at 1 July 2019 £m
Non-current assets			
Right-of-use assets	–	8.2	8.2
Current liabilities			
Lease liabilities	–	3.8	3.8
Provisions	3.7	(0.5)	3.2
Non-current liabilities			
Lease liabilities	–	6.1	6.1
Provisions	4.2	(1.9)	2.3
Net assets	64.2	0.7	64.9
Equity			
Accumulated losses	(97.9)	0.7	(97.2)
Total equity	64.2	0.7	64.9

£2.4 million (£0.5m current and £1.9m non-current) of provisions held on the balance sheet for onerous leases at 30 June 2019 have been reversed under the transitional practical expedient and offset to impair the respective right-of-use asset.

A reconciliation of the revised operating lease commitments as disclosed at 30 June 2019 under IAS 17 to the lease liabilities at 1 July 2019 under IFRS 16 is as follows:

	£m
Operating lease commitments under IAS 17 at 30 June 2019	8.5
Additional contract leases identified as part of IFRS 16 assessment	2.8
Adjusted operating lease commitments under IAS 17 at 30 June 2019	11.3
Discounted using the Group's incremental borrowing rate at 1 July 2019	(0.5)
Less: Short-term leases recognised as an expense on a straight-line basis	(0.4)
Less: Low-value leases recognised as an expense on a straight-line basis	(0.5)
Lease liabilities at 1 July 2019	9.9

IFRIC 23, 'Uncertainty over Income Tax Treatments'

IFRIC 23 changes the method of calculating provisions for uncertain tax positions. The Group previously recognised provisions based on the most likely amount of the liability, if any, for each separate uncertain tax position. The interpretation requires a probability weighted average approach to be taken in situations where there is a wide range of possible outcomes. For tax issues with a binary outcome, the most likely amount method remains in use.

The Group has implemented the interpretation using the modified retrospective approach, with the cumulative impact of application recognised at 1 July 2019 without restatement of comparatives. The effect of this was an increase to the provision for uncertain tax positions of £0.9 million. The Group has updated its accounting policy to reflect the requirements of the interpretation.

4. Segment information

Background

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

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

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

Following the disposal of the Group's PC Liquids assets in the prior period, the respective results of this division are disclosed as a discontinued operation.

Analysis by reportable segment

	Household – Regions						Operating segments				
2020	UK £m	France £m	North(1) £m	South(2) £m	East(3) £m	Asia £m	Total Household £m	Personal Care & Aerosols(4) £m	Total segments £m	Corporate(5) £m	Total Group £m
Continuing operations											
Segment revenue	159.8	118.5	110.7	88.4	167.5	26.1	671.0	35.2	706.2	–	706.2
Adjusted operating profit/(loss)							33.1	2.2	35.3	(7.0)	28.3
Amortisation of intangible assets											(2.1)
Exceptional items (see note 5)											(10.8)
Operating profit											15.4
Finance costs											(4.2)
Profit before taxation											11.2
Discontinued operations											
Segment revenue	–	–	–	–	–	–	–	–	–	–	–
Adjusted operating result							–	–	–	–	–
Inventories							90.2	7.3	97.5	–	97.5
Capital expenditure							19.2	1.2	20.4	–	20.4
Amortisation and depreciation(6)							22.6	0.3	22.9	–	22.9

(1) Belgium, Holland and Scandinavia.

(2) Italy and Spain.

(3) Germany, Poland, Luxembourg and other Eastern Europe.

(4) Continuing operations relates to Aerosols activity only.

(5) Corporate represents costs related to the Board, the Executive Leadership Team and key supporting functions.

(6) Depreciation includes £3.7 million of depreciation from IFRS 16 right-of-use assets in the 2020 financial year.

4. Segment information continued

Analysis by reportable segment continued

2019	UK £m	France £m	North[1] £m	South[2] £m	East[3] £m	Asia £m	Total Household £m	Personal Care & Aerosols[4] £m	Total segments £m	Corporate[5] £m	Total Group £m
	Household – Regions						Operating segments				
Continuing operations											
Segment revenue	173.1	122.0	111.3	79.4	166.4	21.4	673.6	47.7	721.3	—	721.3
Adjusted operating profit/(loss)							39.9	(4.0)	35.9	(7.0)	28.9
Amortisation of intangible assets											(1.9)
Exceptional items (see note 5)											(0.4)
Operating profit											26.6
Finance costs											(4.6)
Profit before taxation											22.0
Discontinued operations											
Segment revenue	—	—	—	—	—	—	—	21.9	21.9	—	21.9
Adjusted operating loss							—	(0.8)	(0.8)	—	(0.8)
Inventories							90.3	4.7	95.0	—	95.0
Capital expenditure							17.1	1.6	18.7	—	18.7
Amortisation and depreciation							20.1	0.2	20.3	—	20.3

(1) Belgium, Holland and Scandinavia.
(2) Italy and Spain.
(3) Germany, Poland, Luxembourg and other Eastern Europe.
(4) Continuing operations relates to Aerosols activity only.
(5) Corporate represents costs related to the Board, the Executive Leadership Team and key supporting functions.

Revenue by major customer

In 2020 and 2019, no individual customer provided more than 10% of the Group's revenue.

During 2020, the top ten customers accounted for 50% of total Group revenue (2019: 50%).

5. Exceptional items

Analysis of exceptional items

	2020 £m	2019 £m
Continuing operations		
Reorganisation and restructuring costs:		
Acquisition of Danlind	—	0.7
UK Aerosols closure	0.1	(1.2)
Factory footprint review	9.4	0.9
Review of strategy, organisation and operations	1.3	—
Total charged to operating profit	**10.8**	**0.4**
Group tax:		
Reduction of ACT deferred tax asset	—	4.1
Total charged to taxation	**—**	**4.1**
Total continuing operations	**10.8**	**4.5**
Discontinued operations		
Sale of PC Liquids business	0.3	5.0
Total discontinued operations	**0.3**	**5.0**
Total	**11.1**	**9.5**

Total exceptional items of £11.1 million were recorded during the year (2019: £9.5m). The charge primarily comprises the following:

Items relating to continuing operations

Total exceptional items incurred in relation to the continuing business of £10.8 million were recorded during the year (2019: £4.5m). The charge comprises the following:

- included within the exceptional charge of £9.4 million is £8.7 million related to the expected closure costs for the Barrow production facility, scheduled for October 2020. Of this, non-cash costs of £3.2 million include £0.5 million related to the write down of goodwill that was attributed to the site, £1.7 million relating to plant and machinery assets written down and £1.0 million relates to the write down of inventory. Additionally, £2.7 million has been reserved for redundancy costs and £2.8 million was incurred in relation to legal and professional fees for consultancy around factory footprint and site closure. The remaining charges relate to restructuring activities to reduce the operational cost base in the UK;
- exceptional charge of £1.3 million relating to consulting support to the Group's ongoing review of strategy, organisation and operations (Programme Compass); and
- UK Aerosols closure relates to the residual items from the Aerosols reorganisation of 2019. This comprises a gain of £0.8 million following the sale of the land and buildings at the former UK Aerosols site in Hull, offset by an exceptional charge of £0.9 million following the termination of a third-party contract for the Hull warehouse and other site closure costs.

Items relating to discontinued operations

As part of the sale agreement with Royal Sanders, the Group has incurred an additional £0.3 million of redundancy costs following the sale of the Group's PC Liquids activities in 2019.

6. Employee information

The monthly average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2020			2019		
	Continuing operations Number	Discontinued operations Number	Total Number	Continuing operations Number	Discontinued operations Number	Total Number
Manufacturing	2,794	–	2,794	2,961	120	3,081
Sales, general and administration	585	–	585	643	13	656
Total	3,379	–	3,379	3,604	133	3,737

Headcount for discontinued operations in the prior year relates only to the period to 16 November 2018.

Aggregate payroll costs were as follows:

	2020			2019		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Wages and salaries	108.0	–	108.0	108.0	1.8	109.8
Social security costs	20.7	–	20.7	21.1	0.4	21.5
Share options granted to Directors and employees	0.4	–	0.4	(0.2)	–	(0.2)
Other pension costs	3.6	–	3.6	3.7	0.1	3.8
Total	132.7	–	132.7	132.6	2.3	134.9

Pension costs comprise the payments made by the Group to defined contribution schemes (see note 23).

Directors' emoluments are included in the above and are detailed further in the Directors' remuneration report on pages 70 to 95.

7. Auditors' remuneration

Fees payable by the Group to the Company's independent auditors, PricewaterhouseCoopers LLP (PwC), and its associates, were as follows:

	2020 £m	2019 £m
Audit fees:		
Audit of the Company's financial statements	0.1	0.1
Other services:		
Audit of the financial statements of the Company's subsidiaries	0.8	0.6
Total fees	0.9	0.7

Fees for the audit of the Company's financial statements represent fees payable to PwC in respect of the audit of the Company's individual financial statements and the Group's consolidated financial statements. Non-audit fees payable to PwC in relation to other advisory services amounted to £20,000 (2019: £24,000).

8. Operating profit

Operating profit is stated after charging/(crediting):

	2020			2019		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Cost of inventories (included in cost of sales)	**412.7**	**—**	**412.7**	429.6	15.0	444.6
Employee costs (see note 6)	**132.7**	**—**	**132.7**	132.6	2.3	134.9
Amortisation of intangible assets (see note 14)	**2.1**	**—**	**2.1**	1.9	—	1.9
Depreciation of property, plant and equipment (see note 15)	**17.1**	**—**	**17.1**	18.4	—	18.4
Depreciation of right-of-use assets (see note 16)	**3.7**	**—**	**3.7**	—	—	—
Impairment/(writeback):						
Property, plant and equipment (see note 15)	**1.7**	**—**	**1.7**	(1.5)	—	(1.5)
Inventories (see note 17)	**1.9**	**—**	**1.9**	0.2	—	0.2
Trade receivables (see note 18)	**1.1**	**—**	**1.1**	0.1	—	0.1
Expense relating to short-term leases	**0.6**	**—**	**0.6**	—	—	—
Expense relating to low-value leases	**0.3**	**—**	**0.3**	—	—	—
Rentals payable under operating leases	**—**	**—**	**—**	4.0	0.2	4.2
Research and development costs not capitalised	**6.2**	**—**	**6.2**	6.5	0.1	6.6
Net foreign exchange losses	**0.4**	**—**	**0.4**	0.9	—	0.9

9. Finance costs

	2020 £m	2019 £m
Finance costs		
Interest on bank loans and overdrafts	**2.6**	2.5
Interest on lease liabilities	**0.2**	—
Net foreign exchange (gain)/loss	**(0.3)**	0.3
Amortisation of facility fees	**0.3**	0.3
Non-utilisation fees	**0.6**	0.5
Premium on average rate currency options	**0.1**	0.1
	3.5	3.7
Post-employment benefits:		
Net interest cost on defined benefit obligation (see note 23)	**0.6**	0.7
Adjusted finance costs	**4.1**	4.4
Unwind of discount on provisions (see note 25)	**0.1**	0.2
Total finance costs	**4.2**	4.6

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.

10. Taxation

Income tax expense/(credit)

From continuing operations	2020 UK £m	2020 Overseas £m	2020 Total £m	2019 UK £m	2019 Overseas £m	2019 Total £m
Current tax expense/(credit)						
Current year	—	8.0	8.0	—	7.8	7.8
Adjustment for prior years	(0.2)	(2.6)	(2.8)	(1.1)	(0.3)	(1.4)
	(0.2)	5.4	5.2	(1.1)	7.5	6.4
Deferred tax expense/(credit)						
Origination and reversal of temporary differences	(1.0)	0.4	(0.6)	4.3	1.4	5.7
Adjustment for prior years	0.4	(0.2)	0.2	(0.6)	(1.5)	(2.1)
Impact of change in tax rate	(0.3)	—	(0.3)	—	—	—
	(0.9)	0.2	(0.7)	3.7	(0.1)	3.6
Income tax expense/(credit)	(1.1)	5.6	4.5	2.6	7.4	10.0

From discontinued operations	2020 UK £m	2020 Overseas £m	2020 Total £m	2019 UK £m	2019 Overseas £m	2019 Total £m
Current tax credit						
Current year	—	—	—	—	(0.4)	(0.4)
	—	—	—	—	(0.4)	(0.4)
Deferred tax expense/(credit)						
Origination and reversal of temporary differences	(0.1)	—	(0.1)	(0.9)	0.1	(0.8)
Adjustment for prior years	—	—	—	(0.7)	—	(0.7)
Impact of change in tax rate	—	—	—	—	—	—
	(0.1)	—	(0.1)	(1.6)	0.1	(1.5)
Income tax credit	(0.1)	—	(0.1)	(1.6)	(0.3)	(1.9)

Total attributable to ordinary shareholders	2020 UK £m	2020 Overseas £m	2020 Total £m	2019 UK £m	2019 Overseas £m	2019 Total £m
Current tax expense/(credit)						
Current year	—	8.0	8.0	—	7.4	7.4
Adjustment for prior years	(0.2)	(2.6)	(2.8)	(1.1)	(0.3)	(1.4)
	(0.2)	5.4	5.2	(1.1)	7.1	6.0
Deferred tax expense/(credit)						
Origination and reversal of temporary differences	(1.1)	0.4	(0.7)	3.4	1.5	4.9
Adjustment for prior years	0.4	(0.2)	0.2	(1.3)	(1.5)	(2.8)
Impact of change in tax rate	(0.3)	—	(0.3)	—	—	—
	(1.0)	0.2	(0.8)	2.1	—	2.1
Income tax expense/(credit)	(1.2)	5.6	4.4	1.0	7.1	8.1

The current tax adjustment for the prior year includes £1.3 million credit for the release of a provision following settlement of a tax enquiry and £0.9 million credit relating to the release of provisions for uncertain tax treatments due to the expiry of statutes of limitation.

Reconciliation to UK statutory tax rate

The total tax charge on the Group's profit before tax for the year differs from the theoretical amount that would be charged at the UK standard rate of corporation tax for the following reasons:

From continuing operations	2020 £m	2019 £m
Profit before tax	11.2	22.0
Profit before tax multiplied by the UK corporation tax rate of 19.00% (2019: 19.00%)	2.2	4.2
Effect of tax rates in foreign jurisdictions	2.6	2.2
Non-deductible expenses	1.5	2.4
Tax incentives/non-taxable income	(0.6)	(0.6)
Tax losses for which no deferred tax recognised	1.3	0.9
Change in tax rate	(0.3)	–
Reduction of ACT asset	–	4.1
Other differences	0.4	0.3
Adjustment for prior years	(2.6)	(3.5)
Total tax expense in profit or loss	**4.5**	**10.0**

Taxation is provided at current rates on the profits earned for the year.

From discontinued operations	2020 £m	2019 £m
Loss before tax	(0.3)	(5.8)
Loss before tax multiplied by the UK corporation tax rate of 19.00% (2019: 19.00%)	(0.1)	(1.1)
Non-deductible expenses	–	0.4
Tax incentives/non-taxable income	–	(0.5)
Adjustment for prior years	–	(0.7)
Total tax credit in profit or loss	**(0.1)**	**(1.9)**

Taxation is provided at current rates on the profits earned for the year.

Total attributable to ordinary shareholders	2020 £m	2019 £m
Profit before tax	10.9	16.2
Profit before tax multiplied by the UK corporation tax rate of 19.00% (2019: 19.00%)	2.1	3.1
Effect of tax rates in foreign jurisdictions	2.6	2.2
Non-deductible expenses	1.5	2.8
Tax incentives/non-taxable income	(0.6)	(1.1)
Tax losses for which no deferred tax recognised	1.3	0.9
Change in tax rate	(0.3)	–
Reduction of ACT asset	–	4.1
Other differences	0.4	0.3
Adjustment for prior years	(2.6)	(4.2)
Total tax expense in profit or loss	**4.4**	**8.1**

The taxation is provided at current rates on the profits earned for the year.

Finance Act 2016, published on 15 September 2016, included legislation reducing the main rate of UK corporation tax to 17.00% with effect from 1 April 2020. This legislation was repealed with effect from 17 March 2020. The main rate of UK corporation tax applicable from 1 April 2020 remains at 19.00%.

10. Taxation continued

Factors affecting future tax charges

On 26 July 2017, the Belgian Government announced the reduction in the corporation tax rate in Belgium from 33.99% to 29.58% for financial years beginning in 2018 and to 25.00% for financial years beginning in 2020 and onwards.

Tax on items recognised in other comprehensive income

	2020 £m	2019 £m
Items that may be reclassified to profit or loss:		
Cash flow hedges in the year	**0.1**	—
	0.1	—
Items that will not be transferred to profit or loss:		
Net actuarial loss on post-employment benefits:		
Deferred tax	**(1.8)**	(0.5)
Total tax credited in other comprehensive income	**(1.7)**	(0.5)

The £1.8 million deferred tax credit recognised in other comprehensive income includes £1.4 million credit arising from the repeal of the enacted change in the UK corporation tax rate to 17%.

Deferred tax

The movement in the net deferred tax balances during the year was:

	Accelerated tax depreciation £m	Intangible assets £m	Share-based payments £m	Tax losses £m	Retirement benefit obligations £m	Surplus ACT £m	Other £m	Total £m
At 1 July 2018	(2.1)	(3.1)	0.3	0.7	4.8	4.1	1.8	6.5
Credit/(charge) to profit or loss	2.3	0.4	—	0.4	(0.6)	(4.1)	(0.5)	(2.1)
Credit to other comprehensive income	—	—	—	—	0.5	—	—	0.5
Charge to equity	—	—	(0.1)	—	—	—	—	(0.1)
Effect of the change in tax rate	0.1	—	—	—	—	—	—	0.1
Exchange movements	(0.1)	—	—	—	—	—	(0.1)	(0.2)
At 30 June 2019	0.2	(2.7)	0.2	1.1	4.7	—	1.2	4.7
(Charge)/credit to profit or loss	**(0.3)**	**—**	**—**	**(0.8)**	**(0.1)**	**—**	**1.7**	**0.5**
Credit/(charge) to other comprehensive income	**—**	**—**	**—**	**—**	**1.8**	**—**	**(0.1)**	**1.7**
Effect of the change in tax rate	**0.8**	**(0.2)**	**—**	**—**	**(0.4)**	**—**	**0.1**	**0.3**
Exchange/other movements	**(0.5)**	**—**	**—**	**—**	**0.1**	**—**	**0.4**	**—**
At 30 June 2020	**0.2**	**(2.9)**	**0.2**	**0.3**	**6.1**	**—**	**3.3**	**7.2**

Deferred tax assets and liabilities are presented in the Group's balance sheet as follows:

	2020 £m	2019 £m
Deferred tax assets	**13.8**	10.9
Deferred tax liabilities	**(6.6)**	(6.2)
Total	**7.2**	4.7

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.

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 £1.1 million at 30 June 2020 (2019: £1.1m).

Unrecognised deferred tax assets

At 30 June 2020, the Group had unused tax losses of £15.7 million (2019: £13.2m) available for offset against future profits. No deferred tax asset has been recognised in respect of £14.6 million (2019: £8.5m) of these losses due to the uncertainty of future profit streams. The majority of these tax losses arise in tax jurisdictions where they do not expire.

No deferred tax asset has been recognised in relation to the surplus Advanced Corporation Tax (ACT) of £7.0 million (2019: £7.0m) due to uncertainty as to future ACT capacity and taxable profits.

11. Earnings/(loss) per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of the Company's ordinary shares in issue during the financial year. The weighted average number of the Company's ordinary shares in issue excludes 42,041 shares (2019: 42,041 shares), being the weighted average number of own shares held during the year in relation to employee share schemes.

	Reference	2020	2019
Weighted average number of ordinary shares in issue (million)	a	182.8	182.8
Effect of dilutive LTIP awards (million)		–	0.1
Weighted average number of ordinary shares for calculating diluted earnings per share (million)	b	182.8	182.9

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue assuming the conversion of all potentially dilutive ordinary shares.

During the year, the Company had equity-settled LTIP awards with a nil exercise price that are potentially dilutive ordinary shares.

Adjusted earnings per share measures are calculated based on profit for the year attributable to owners of the Company before adjusting items as follows:

From continuing operations	Reference	2020 £m	2019 £m
Earnings for calculating basic and diluted earnings per share	c	6.7	12.0
Adjusted for:			
Amortisation of intangible assets (see note 14)		2.1	1.9
Exceptional items (see note 5)		10.8	0.4
Unwind of discount on provisions (see note 25)		0.1	0.2
Taxation relating to the above items		(2.3)	(0.9)
Exceptional items – taxation (see note 5)		–	4.1
Earnings for calculating adjusted earnings per share	d	17.4	17.7

	Reference	2020 pence	2019 pence
Basic earnings per share	c/a	3.7	6.5
Diluted earnings per share	c/b	3.7	6.5
Adjusted basic earnings per share	d/a	9.5	9.7
Adjusted diluted earnings per share	d/b	9.5	9.7

From discontinued operations	Reference	2020 £m	2019 £m
Losses for calculating basic and diluted earnings per share	c	(0.2)	(3.9)
Adjusted for:			
Exceptional items (see note 5)		0.3	5.0
Taxation relating to the above items		(0.1)	(1.7)
Losses for calculating adjusted earnings per share	d	–	(0.6)

	Reference	2020 pence	2019 pence
Basic loss per share	c/a	(0.1)	(2.1)
Diluted loss per share	c/b	(0.1)	(2.1)
Adjusted basic loss per share	d/a	–	(0.3)
Adjusted diluted loss per share	d/b	–	(0.3)

11. Earnings/(loss) per ordinary share continued

Total attributable to ordinary shareholders	Reference	2020 £m	2019 £m
Earnings for calculating basic and diluted earnings per share	c	**6.5**	8.1
Adjusted for:			
Amortisation of intangible assets (see note 14)		**2.1**	1.9
Exceptional items (see note 5)		**11.1**	5.4
Unwind of discount on provisions (see note 25)		**0.1**	0.2
Taxation relating to the above items		**(2.4)**	(2.6)
Exceptional items – taxation (see note 5)		**—**	4.1
Earnings for calculating adjusted earnings per share	d	**17.4**	17.1

	Reference	2020 pence	2019 pence
Basic earnings per share	c/a	**3.6**	4.4
Diluted earnings per share	c/b	**3.6**	4.4
Adjusted basic earnings per share	d/a	**9.5**	9.4
Adjusted diluted earnings per share	d/b	**9.5**	9.4

12. Payments to shareholders

Payments to ordinary shareholders are made by way of the issue of B Shares in place of income distributions. Ordinary shareholders are able to redeem any number of the B Shares issued to them for cash. Any B Shares that they retain attract a dividend of 75% of LIBOR on the 0.1 pence nominal value of each share, paid on a twice-yearly basis.

Payments to ordinary shareholders made or proposed in respect of the year were as follows:

	2020		2019	
	Pence per share	£m	Pence per share	£m
Interim	**—**	**—**	1.5	2.7
Final	**1.1**	**2.0**	1.8	3.3
Total for the year	**1.1**	**2.0**	3.3	6.0

On 20 February 2020, the Group announced an interim payment to shareholders of 0.8 pence per ordinary share. On 25 March 2020, in light of the Covid-19 pandemic and as part of its prudent management of cash resources, the Group cancelled the interim payment to shareholders. This announcement did not impact shareholders' ability to redeem B Shares for cash.

The proposed final payment in respect of 2020 of 1.1 pence per ordinary share is subject to approval by shareholders at the Company's 2020 AGM and has therefore not been recognised in these financial statements.

Movements in the number of B Shares outstanding were as follows:

	2020		2019	
	Number 000	Nominal value £m	Number 000	Nominal value £m
Issued and fully paid				
At 1 July	**815,631**	**0.8**	1,560,374	1.5
Issued	**3,290,369**	**3.3**	7,860,325	7.9
Redeemed	**(3,392,870)**	**(3.4)**	(8,605,068)	(8.6)
At 30 June	**713,130**	**0.7**	815,631	0.8

B Shares carry no rights to attend, speak or vote at Company meetings, except on a resolution relating to the winding up of the Company.

13. Goodwill

	£m
Cost	
At 1 July 2018, 30 June 2019 and 30 June 2020	36.0
Accumulated impairment	
At 1 July 2018 and 30 June 2019	15.6
Impairment charge in year	**0.5**
At 30 June 2020	**16.1**
Net book value	
At 30 June 2020	**19.9**
At 30 June 2019	20.4

Goodwill is allocated to cash-generating units (CGUs) as follows:

	2020 £m	2019 £m
Household Liquids	**16.1**	16.1
Household Powders and Tablets	**3.6**	4.1
Asia	**0.2**	0.2
At 30 June	**19.9**	20.4

Impairment of Powders CGU goodwill in relation to Barrow
Following the decision to close the Barrow site, management fully impaired the goodwill relating to the site (£0.5 million). This was recognised as an exceptional item (see note 5).

Impairment tests carried out during the year
Goodwill is tested for impairment annually at the level of the CGU to which it is allocated. In each of the tests carried out during 2020, the recoverable amount of the CGUs concerned was measured on a value-in-use basis.

Value-in-use represents the present value of the future cash flows that are expected to be generated by the CGU to which the goodwill is allocated. Management based its cash flow estimates on the Group's Board-approved budget for the 2021 financial year. Cash flows in the following four years were forecast by applying assumptions to budgeted sales, production costs and overheads. Aggregate cash flows beyond the fifth year were estimated by applying a perpetuity growth rate to the forecast cash flow in the fifth year that was based on long-term growth rates for the CGU's products in its end markets.

Management estimates sales growth for each CGU based on forecasts of the future volume of the end markets for the CGU's products. CGUs to which significant goodwill is allocated supply the Household Liquids market and the Household Powders and Tablets market in the UK and 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.

To forecast growth beyond the detailed cash flows into perpetuity, long-term average growth rates of 1.6% in Household Liquids, 1.7% in Household Powders and Tablets, 1.5% in Aerosols and 2.2% in Asia have been applied. These rates are based on a weighted average of country-specific rates that are not greater than the published International Monetary Fund average growth rates in gross domestic product in the territories in which the CGUs operate. Management estimates that, in the case of Household Liquids, Household Powders and Tablets, Aerosols and Asia, a reduction in the perpetual growth rate to 0.0% would not result in an impairment charge.

Discount rates applied to the cash flow projections were determined using a capital asset pricing model and reflected current market interest rates, relevant equity and size risk premiums and the risks specific to the CGU concerned. Pre-tax discount rates used in calculating the value-in-use of CGUs in the current year were as follows: Household Liquids 13.3%; Household Powders and Tablets 10.9%; Aerosols 12.5%; Asia 18.4%. No reasonable movement in the discount rate applied to the CGUs would result in nil headroom or impairment.

Having performed the annual impairment tests, no further impairment (other than that noted in relation to Barrow above) has been recognised for the year ended 30 June 2020 (30 June 2019: £nil). As part of forming this conclusion a sensitivity analysis has been performed which focused on the change required in key assumptions (cash flows, long-term growth and the pre-tax discount rate), both individually and collectively, to give rise to an impairment. The Directors believe that any reasonably possible changes in the key assumptions on which the recoverable amount of Household Liquids, Household Powders and Tablets, Aerosols and Asia have been based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

14. Other intangible assets

	Patents, brands and trademarks £m	Computer software £m	Customer relationships £m	Other £m	Total £m
Cost					
At 1 July 2018	3.8	9.3	12.1	0.7	25.9
Additions	—	1.6	—	—	1.6
At 30 June 2019	3.8	10.9	12.1	0.7	27.5
Additions	**—**	**1.6**	**—**	**—**	**1.6**
At 30 June 2020	**3.8**	**12.5**	**12.1**	**0.7**	**29.1**
Accumulated amortisation and impairment					
At 1 July 2018	(2.3)	(4.6)	(8.8)	(0.7)	(16.4)
Charge for the year	(0.4)	(1.1)	(0.4)	—	(1.9)
Currency translation differences	—	—	(0.1)	—	(0.1)
At 30 June 2019	(2.7)	(5.7)	(9.3)	(0.7)	(18.4)
Charge for the year	**(0.4)**	**(1.2)**	**(0.5)**	**—**	**(2.1)**
Currency translation differences	**—**	**—**	**(0.1)**	**—**	**(0.1)**
At 30 June 2020	**(3.1)**	**(6.9)**	**(9.9)**	**(0.7)**	**(20.6)**
Net book value					
At 30 June 2020	**0.7**	**5.6**	**2.2**	**—**	**8.5**
At 30 June 2019	1.1	5.2	2.8	—	9.1

Customer relationships acquired upon the acquisition of Danlind a/s have a carrying value of £2.2 million and a remaining amortisation period of 5.25 years. In addition, a brand name was also acquired on acquisition of Danlind a/s that has a carrying value of £0.7 million and a remaining amortisation period of 2.25 years.

15. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Payments on account and assets in the course of construction £m	Total £m
Cost				
At 1 July 2018	84.8	436.6	5.4	526.8
Additions	0.6	14.7	1.8	17.1
Disposal of assets	(6.6)	(14.7)	(1.0)	(22.3)
Transfers	—	0.4	(0.4)	—
Currency translation differences	1.1	3.9	0.1	5.1
At 30 June 2019	79.9	440.9	5.9	526.7
Additions	**1.9**	**15.9**	**1.0**	**18.8**
Disposal of assets	**(6.5)**	**(44.8)**	**—**	**(51.3)**
Transfers	**0.2**	**(0.1)**	**(0.1)**	**—**
Currency translation differences	**1.1**	**4.1**	**—**	**5.2**
At 30 June 2020	**76.6**	**416.0**	**6.8**	**499.4**
Accumulated depreciation and impairment				
At 1 July 2018	(38.8)	(352.4)	—	(391.2)
Charge for the year	(2.3)	(16.1)	—	(18.4)
Disposals	4.9	15.8	—	20.7
Impairment	—	(0.7)	—	(0.7)
Impairment reversal of Hull site	2.2	—	—	2.2
Currency translation differences	(0.5)	(2.8)	—	(3.3)
At 30 June 2019	(34.5)	(356.2)	—	(390.7)
Charge for the year	**(2.1)**	**(15.0)**	**—**	**(17.1)**
Disposals	**4.3**	**44.5**	**—**	**48.8**
Impairment	**—**	**(1.7)**	**—**	**(1.7)**
Currency translation differences	**(0.8)**	**(3.2)**	**—**	**(4.0)**
At 30 June 2020	**(33.1)**	**(331.6)**	**—**	**(364.7)**
Net book value				
At 30 June 2020	**43.5**	**84.4**	**6.8**	**134.7**
At 30 June 2019	45.4	84.7	5.9	136.0

Following the adoption of IFRS 16, 'Leases' on 1 July 2019, finance leases are now accounted for as right-of-use assets (see note 16). In the prior year, the net book value of assets held under finance leases amounted to £0.3m, and is held under plant and equipment. Depreciation charged in the prior year on assets held under finance leases totalled £0.1m.

Impairment of Barrow site assets

Following the decision to close the Barrow site, some assets were relocated to other sites within the Group. For the remaining assets, an exceptional impairment charge of £1.7 million was recognised, reflecting the asset fair value (see note 5).

No impairment was recognised in respect of the land and buildings as management's estimate of the sales proceeds for the site exceeds the carrying value. Although it is management's intention to sell the site in the future, the assets have not been classified as held for sale as they do not meet the requirement to reclassify under IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations' at the reporting date.

16. Leases

For the year ended 30 June 2020 the application of IFRS 16 resulted in a £0.4 million increase in profit before tax. The table below shows a reconciliation of the impact on profit under IAS 17 and IFRS 16:

	2020 £m
Operating lease costs under IAS 17	**4.3**
Less: depreciation of right-of-use assets	(3.7)
Less: finance costs associated with IFRS 16 lease liabilities	(0.2)
Profit before tax	**0.4**

For the year ended 30 June 2020, expenses for short-term and low-value leases excluded from IFRS 16 transition were incurred as follows:

	2020 £m
Expenses relating to short-term leases	(0.6)
Expenses relating to leases of low-value assets not shown as short-term leases above	(0.3)

The above expenses are included in cost of goods sold and administration expenses.

During the year to 30 June 2020 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 2019	—	—	—	—	—
Adoption of IFRS 16	3.2	2.8	1.8	0.4	8.2
New leases recognised	1.1	0.2	1.3	0.2	2.8
Depreciation	(1.4)	(1.3)	(0.9)	(0.1)	(3.7)
Net book value at 30 June 2020	**2.9**	**1.7**	**2.2**	**0.5**	**7.3**

During the year to 30 June 2020 the movements in the lease liabilities were as follows:

	Total £m
Lease liabilities	
Net book value at 1 July 2019	—
Adoption of IFRS 16	9.9
New leases recognised	2.8
Lease payments	(4.3)
Exchange movements	0.1
Finance costs	0.2
Net book value at 30 June 2020	**8.7**

	2020 £m
Analysed as:	
Amounts falling due within twelve months	3.5
Amounts falling due after one year	5.2
	8.7

Note 21 presents a maturity analysis of the payments due over the remaining lease term for these liabilities.

At 30 June 2020 the Group was committed to future minimum lease payments of £nil in respect of leases which have not yet commenced and for which no lease liability has been recognised.

17. Inventories

	2020 £m	2019 £m
Raw materials, packaging and consumables	**47.4**	44.2
Finished goods and goods for resale	**50.1**	50.8
Total	**97.5**	95.0

Inventories are stated net of an allowance of £2.8 million (2019: £2.8m) in respect of excess, obsolete or slow-moving items. Movements in the allowance were as follows:

	2020 £m	2019 £m
At 1 July	**(2.8)**	(4.2)
Utilisation	**1.9**	1.6
Charged to profit or loss	**(1.9)**	(0.2)
At 30 June	**(2.8)**	(2.8)

The cost of inventories recognised in cost of sales as an expense amounted to £412.7 million (2019: £444.6m).

Impairment of Barrow site inventory

Following the decision to close the Barrow site, some inventory was relocated to other sites within the Group. For the remaining inventory, an exceptional impairment charge of £1.0 million was recognised, reflecting the asset fair value (see note 5).

18. Trade and other receivables

	2020 £m	2019 £m
Trade receivables	**126.8**	134.8
Less: provision for impairment of trade receivables	**(0.9)**	(0.6)
Trade receivables – net	**125.9**	134.2
Other receivables	**9.1**	9.3
Prepayments and accrued income	**3.3**	2.4
Total	**138.3**	145.9

Trade receivables amounting to £29.1 million (2019: £29.7m) are secured under the invoice discounting facilities described in note 21.

Trade terms are a maximum of 135 days' credit.

Due to their short-term nature, the fair value of trade and other receivables does not differ from the book value.

The impairment of trade receivables charged to the income statement was £1.1 million (2019: £0.1m charge). 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 2020 or 30 June 2019, respectively, and the corresponding historical credit losses experienced within this period as well as current economic conditions.

On that basis, the credit loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows:

30 June 2020	**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%**	**0.9%**	**17.6%**	**43.3%**	
Gross carrying amount	**124.3**	**1.0**	**0.2**	**0.2**	**1.1**	**126.8**
Credit loss allowance	**—**	**—**	**—**	**—**	**0.5**	**0.5**

30 June 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	—	—	—	20%	100%	
Gross carrying amount	127.0	5.8	1.3	0.5	0.2	134.8
Credit loss allowance	—	—	—	0.1	0.2	0.3

In addition to the credit loss allowance, the provision for impairment of trade receivables includes £0.4 million (2019: £0.3m) of credit note provisions.

18. Trade and other receivables continued

Movements in the allowance for doubtful debts were as follows:

	2020 £m	2019 £m
At 1 July	(0.6)	(0.5)
Utilisation	0.8	—
Charged	(1.1)	(0.1)
At 30 June	(0.9)	(0.6)

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:

	2020 £m	2019 £m
Sterling	20.3	25.2
Euro	99.0	103.8
Polish Zloty	0.8	1.0
Danish Krone	1.2	1.4
Malaysian Ringgit	3.7	1.8
Other	1.8	1.6
	126.8	134.8

Trade receivables are generally not interest bearing.

19. Trade and other payables

	2020 £m	2019 £m
Current liabilities		
Trade payables	148.8	137.4
Taxation and social security	3.8	2.7
Other payables	30.5	25.6
Accrued expenses	11.2	12.1
Deferred income	3.1	3.7
B Shares (see note 12)	0.7	0.8
Total	198.1	182.3

Trade payables are generally not interest bearing.

The Directors consider the carrying amount of trade and other payables to approximate their fair values.

20. Borrowings

Borrowings may be analysed as follows:

	2020			2019		
	Current liabilities £m	Non-current liabilities £m	Total liabilities £m	Current liabilities £m	Non-current liabilities £m	Total liabilities £m
Overdrafts	4.1	—	4.1	13.4	—	13.4
Bank and other loans:						
Unsecured loans	—	103.8	103.8	—	91.0	91.0
Secured loans	—	—	—	0.4	0.8	1.2
Invoice discounting facilities (see note 21)	29.1	—	29.1	29.7	—	29.7
	29.1	103.8	132.9	30.1	91.8	121.9
Lease liabilities	3.5	5.2	8.7	—	—	—
Total	36.7	109.0	145.7	43.5	91.8	135.3

Bank and other loans are repayable as follows:

	2020 £m	2019 £m
Within one year	29.1	30.1
Between one and two years	103.8	0.4
Between two and five years	–	91.4
More than five years	–	–
Total	132.9	121.9

Details of the Group's bank facilities are presented in note 21. Amounts payable under leases are presented in notes 16 and 21.

21. Financial risk management

Risk management policies

The Group's central treasury function is responsible for procuring the Group's capital resources and maintaining an efficient capital structure, together with managing the Group's liquidity, foreign exchange and interest rate exposures.

All treasury operations are conducted within strict policies and guidelines that are approved by the Board. Compliance with those policies and guidelines is monitored by the regular reporting of treasury activities to the Board following regular Treasury Committee meetings.

Financial assets and financial liabilities

	Amortised cost £m	Fair value through profit or loss[1] £m	Total carrying amount £m	Fair value £m
At 30 June 2020				
Financial assets				
Trade receivables	125.9	–	125.9	125.9
Other receivables	9.1	–	9.1	9.1
Cash and cash equivalents	44.2	–	44.2	44.2
	179.2	–	179.2	179.2
Financial assets held at fair value				
Derivative financial instruments (Level 2)				
Forward currency contracts	–	1.4	1.4	1.4
	–	1.4	1.4	1.4
Total financial assets	179.2	1.4	180.6	180.6
Financial liabilities				
Trade payables	(148.8)	–	(148.8)	(148.8)
Other payables	(30.5)	–	(30.5)	(30.5)
Accrued expenses	(11.2)	–	(11.2)	(11.2)
Unredeemed B Shares	(0.7)	–	(0.7)	(0.7)
Bank overdrafts	(4.1)	–	(4.1)	(4.1)
Lease liabilities	(8.7)	–	(8.7)	(8.7)
Bank and other loans	(132.9)	–	(132.9)	(132.9)
	(336.9)	–	(336.9)	(336.9)
Financial liabilities held at fair value				
Derivative financial instruments (Level 2)				
Forward currency contracts	–	(0.4)	(0.4)	(0.4)
Interest rate swaps	–	(0.3)	(0.3)	(0.3)
	–	(0.7)	(0.7)	(0.7)
Total financial liabilities	(336.9)	(0.7)	(337.6)	(337.6)
Total	(157.7)	0.7	(157.0)	(157.0)

(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.

21. Financial risk management continued

Financial assets and financial liabilities continued

	Amortised cost £m	Fair value through profit or loss[1] £m	Total carrying amount £m	Fair value £m
At 30 June 2019				
Financial assets				
Trade receivables	134.2	–	134.2	134.2
Other receivables	9.3	–	9.3	9.3
Cash and cash equivalents	14.4	–	14.4	14.4
	157.9	–	157.9	157.9
Financial assets held at fair value				
Derivative financial instruments (Level 2)				
Forward currency contracts	–	0.7	0.7	0.7
	–	0.7	0.7	0.7
Total financial assets	157.9	0.7	158.6	158.6
Financial liabilities				
Trade payables	(137.4)	–	(137.4)	(137.4)
Other payables	(25.6)	–	(25.6)	(25.6)
Accrued expenses	(12.1)	–	(12.1)	(12.1)
Unredeemed B Shares	(0.8)	–	(0.8)	(0.8)
Bank overdrafts	(13.4)	–	(13.4)	(13.4)
Bank and other loans	(121.9)	–	(121.9)	(121.9)
	(311.2)	–	(311.2)	(311.2)
Financial liabilities held at fair value				
Derivative financial instruments (Level 2)				
Forward currency contracts	–	(0.3)	(0.3)	(0.3)
Interest rate swaps	–	(0.4)	(0.4)	(0.4)
	–	(0.7)	(0.7)	(0.7)
Total financial liabilities	(311.2)	(0.7)	(311.9)	(311.9)
Total	(153.3)	–	(153.3)	(153.3)

(1) Financial assets and financial liabilities classified as fair value through profit or loss are designated in hedge relationships as described within the interest risk and foreign exchange risk sections of this note.

In the above tables, the financial assets and financial liabilities held by the Group are categorised according to the basis on which they are measured. Financial assets and liabilities that are held at fair value are further categorised according to the degree to which the principal inputs used in determining their fair value represent observable market data as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

Derivative financial instruments comprise the foreign currency derivatives, non-deliverable commodity derivatives and interest rate derivatives that are held by the Group in designated hedging relationships. Foreign currency forward contracts are measured by reference to prevailing forward exchange rates. Commodity forward contracts are measured by difference to prevailing market prices. Foreign currency options are measured using a variant of the Monte Carlo valuation model. Interest rate swaps and caps are measured by discounting the related cash flows using yield curves derived from prevailing market interest rates.

Cash and cash equivalents and bank and other loans largely attract floating interest rates. Accordingly, management considers that their carrying amount approximates to fair value.

Finance lease obligations attract fixed interest rates that are implicit in the lease rentals and their fair value has been assessed relative to prevailing market interest rates.

There were no transfers between levels during the year and no changes in valuation techniques.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables;
- other receivables; and
- cash and cash equivalents.

Disclosure regarding expected credit losses on trade receivables is given in note 18. While other receivables and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. The Group's cash balances are managed such that there is no significant concentration of credit risk in any one bank or other financial institution. Management monitors the credit quality of the institutions with which it holds deposits. Similar considerations are given to the Group's portfolio of derivative financial instruments.

Before accepting a new customer, management assesses the customer's credit quality and establishes a credit limit. Credit quality is assessed using data maintained by reputable credit rating agencies, by the checking of references included in credit applications and, where they are available, by reviewing the customer's recent financial statements. Credit limits are subject to multiple levels of authorisation and are reviewed on a regular basis. Credit insurance is employed where it is considered to be cost effective. At 30 June 2020, the majority of trade receivables were due from major retailers in the UK and Europe.

At 30 June 2020, the Group's maximum exposure to credit risk was as follows (there was no significant concentration of credit risk):

	2020 £m	2019 £m
Trade and other receivables:		
Trade receivables	125.9	134.2
Other receivables	9.1	9.3
Derivative financial instruments	1.4	0.7
	136.4	144.2
Cash and cash equivalents	44.2	14.4
Total	180.6	158.6

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

The Group's borrowing facilities are monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines.

The Group has an unsecured €175 million revolving credit facility (RCF) that is committed until June 2022. At 30 June 2020, the amount undrawn on the facility was €61.3 million (2019: €73.4m). The Group's RCF funding arrangements are subject to banking covenants, representations and warranties that are customary for unsecured borrowing facilities, including two financial covenants. Debt cover (the ratio of net debt to EBITDA) may not exceed 3:1 and interest cover (the ratio of EBITDA to net interest) may not be less than 4:1.

For the purpose of these calculations, net debt excludes IFRS 16 leases and amounts drawn under the invoice discounting facilities and net interest comprises interest payments and receipts on net debt. The Group remains well within these covenants. Any future non-compliance with the covenants could, if not waived, constitute an event of default and may, in certain circumstances, lead to an acceleration of the maturity of borrowings drawn down and an inability to access committed facilities.

The Group has a number of facilities whereby it can borrow against certain of its trade receivables. In the UK, the Group has a £25 million facility that is committed until October 2021. In France and Belgium, the Group has an aggregate €30 million facility, which has a rolling notice period of six months for the French part and three months for the Belgian part. 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 does not derecognise the receivables transferred because it continues to be exposed to the credit risk associated with them.

21. Financial risk management continued

Liquidity risk continued

At 30 June 2020, the carrying amount of trade receivables eligible for transfer and the amounts borrowed under the facility were as follows:

	2020 £m	2019 £m
Trade receivables available	29.1	29.7
Amount borrowed	(29.1)	(29.7)
Amount undrawn	—	—

The Group also has access to uncommitted working capital facilities amounting to £32.8 million (2019: £58.6m). At 30 June 2020, £4.1 million (2019: £13.4m) 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.

	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 2020							
Bank overdrafts	(4.1)	—	—	—	—	—	(4.1)
Bank and other loans:							
Principal	(29.1)	(104.3)	—	—	—	—	(133.4)
Interest payments	(0.5)	—	—	—	—	—	(0.5)
Lease liabilities	(3.7)	(2.4)	(1.5)	(0.8)	(0.1)	(0.4)	(8.9)
Other liabilities	(191.2)	—	—	—	—	—	(191.2)
Cash flows on non-derivative liabilities	(228.6)	(106.7)	(1.5)	(0.8)	(0.1)	(0.4)	(338.1)
Cash flows on derivative liabilities							
Payments	(73.5)	(0.5)	—	—	—	—	(74.0)
Cash flows on financial liabilities	(302.1)	(107.2)	(1.5)	(0.8)	(0.1)	(0.4)	(412.1)
Cash flows on derivative assets							
Receipts	74.3	0.3	—	—	—	—	74.6
	(227.8)	(106.9)	(1.5)	(0.8)	(0.1)	(0.4)	(337.5)

	Within 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	After 5 years £m	Total £m
At 30 June 2019							
Bank overdrafts	(13.4)	—	—	—	—	—	(13.4)
Bank and other loans:							
Principal	(30.1)	(0.4)	(91.4)	—	—	—	(121.9)
Interest payments	(0.4)	—	—	—	—	—	(0.4)
Other liabilities	(175.9)	—	—	—	—	—	(175.9)
Cash flows on non-derivative liabilities	(219.8)	(0.4)	(91.4)	—	—	—	(311.6)
Cash flows on derivative liabilities							
Payments	(74.6)	(0.6)	(0.2)	—	—	—	(75.4)
Cash flows on financial liabilities	(294.4)	(1.0)	(91.6)	—	—	—	(387.0)
Cash flows on derivative assets							
Receipts	74.8	0.4	—	—	—	—	75.2
	(219.6)	(0.6)	(91.6)	—	—	—	(311.8)

Interest rate risk

Interest rate risk is the risk that the fair value of, or future cash flows associated with, a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk on its floating rate borrowings, which it has mitigated using interest rate derivatives in the form of interest rate swaps and interest rate caps with maturities up to 2024.

The Group uses a combination of interest rate caps and swaps to hedge its exposure to interest rate risk. Under the Group's policy the critical terms of the derivatives must align with the hedged items.

The changes in the time value of the options that relate to hedged items are deferred in the cash flow hedge reserve and are treated as the cost of hedging.

After taking into account the Group's currency and interest rate hedging activities, the currency and interest rate profile of the Group's interest-bearing financial assets and financial liabilities was as follows:

	2020						2019				
	Euro £m	Sterling £m	Danish Krone £m	Polish Zloty £m	Other currencies £m	Total £m	Euro £m	Sterling £m	Danish Krone £m	Other currencies £m	Total £m
Floating rate											
Bank overdrafts	(3.7)	–	–	–	(0.4)	(4.1)	(8.8)	(4.2)	–	(0.4)	(13.4)
Bank and other loans	(38.3)	(23.5)	(12.2)	(4.1)	–	(78.1)	(43.3)	(23.2)	(17.4)	–	(83.9)
Cash and cash equivalents	24.5	1.4	8.4	8.4	1.5	44.2	3.8	0.5	8.8	1.3	14.4
	(17.5)	(22.1)	(3.8)	4.3	1.1	(38.0)	(48.3)	(26.9)	(8.6)	0.9	(82.9)
Fixed rate											
Bank and other loans	(41.1)	–	(8.6)	(5.1)	–	(54.8)	(23.6)	(5.2)	(10.2)	–	(39.0)
Finance lease obligations	–	–	–	–	–	–	–	–	–	–	–
	(41.1)	–	(8.6)	(5.1)	–	(54.8)	(23.6)	(5.2)	(10.2)	–	(39.0)
Total	(58.6)	(22.1)	(12.4)	(0.8)	1.1	(92.8)	(71.9)	(32.1)	(18.8)	0.9	(121.9)

Interest payable on bank overdrafts and floating rate loans is based on base rates and short-term interbank rates (predominantly LIBOR, EURIBOR and CIBOR). At 30 June 2020, the weighted average interest rate payable on bank and other loans was 1.9% (2019: 1.6%). At 30 June 2020, the weighted average interest rate receivable on cash and cash equivalents was 0.0% (2019: 0.1%).

At 30 June 2020, the Group held interest rate caps, which cap the maximum rate payable but allows the rate to float below this maximum, and interest rate swaps.

2020	Interest rate swaps £m	Interest rate caps £m
Carrying amount	(0.3)	–
Notional amount	38.7	44.4
Maturity date	June 2021-June 2022	June 2021-June 2024
Hedging ratio	1.1	1.1
Change in value of outstanding hedge instruments since 1 July	0.1	–
Change in value of hedged item used to determine hedge effectiveness	(0.1)	–
Weighted average hedged rate for the year	0.365%-0.52%	0.0%-0.5%

All interest rate derivatives held by the Group are indexed to three-month EURIBOR, LIBOR or CIBOR.

Fixed or capped interest rates shown in the above table do not include the margin over market interest rates payable on the Group's borrowings.

On the assumption that a change in market interest rates would be applied to the interest rate exposures that were in existence at the balance sheet date and that designated cash flow hedges are 100% effective, an increase/decrease of 100 basis points in market interest rates would have decreased/increased the Group's profit before tax by £0.8 million (2019: £0.8m).

21. Financial risk management continued

Foreign currency risk

Transaction risk

Foreign currency transaction risk arises on sales and purchases denominated in currencies other than the functional currency of the entity that enters into the transaction. While the magnitude of these exposures is relatively low, the Group's policy is to hedge committed transactions in full and to hedge a proportion of highly probable forecast transactions on a twelve-month rolling basis. Foreign currency transaction risk also arises on financial assets and liabilities denominated in foreign currencies and Group policy also allows for these exposures to be hedged using forward currency contracts.

At 30 June 2020, the notional principal amount of outstanding foreign currency contracts (net purchases) that are held to hedge the Group's transaction exposures was £18.7 million (2019: £24.2m). For accounting purposes, the Group has designated the foreign currency contracts as cash flow hedges. At 30 June 2020, the fair value of the contracts was £1.2 million (2019: £0.4m). During 2020, a gain of £0.5 million (2019: gain of £0.3m) was recognised in other comprehensive income and a loss of £0.1 million (2019: loss of £0.2m) was transferred from the cash flow reserve to the income statement in respect of these contracts.

Translation risk

Foreign currency translation risk arises on consolidation in relation to the translation into Sterling of the results and net assets of the Group's foreign subsidiaries. The Group's policy is to hedge a substantial proportion of overseas net assets using a combination of foreign currency borrowings and foreign currency swaps. The Group hedges part of the currency exposure on translating the results of its foreign subsidiaries into Sterling using average rate options. This exposure is also mitigated by the natural hedge provided by the interest payable on the Group's foreign currency borrowings. At 30 June 2020, the fair value of the average rate options was a loss of £0.4 million (2019: loss of £0.3m).

At 30 June 2020, the Group had designated as net investment hedges £45.6 million (2019: £53.8m) of its Euro denominated borrowings and three-month rolling foreign currency forward contracts with a notional principal amount of £54.6 million (2019: £50.5m). During 2020, a gain of £0.8 million (2019: loss of £0.9m) was recognised in other comprehensive income in relation to the net investment hedges. At 30 June 2020, the fair value of the net investment hedges was a gain of £0.2 million (2019: £nil).

The currency profile of the Group's net assets (excluding non-controlling interests) before and after hedging currency translation exposures was as follows:

	2020			2019		
	Net assets before hedging £m	Currency forward contracts £m	Net assets after hedging £m	Net assets before hedging £m	Currency forward contracts £m	Net assets after hedging £m
Sterling	(12.9)	54.6	41.7	(4.0)	50.5	46.5
Euro	58.8	(41.1)	17.7	29.3	(22.4)	6.9
Polish Zloty	5.6	(4.1)	1.5	20.2	(15.2)	5.0
Danish Krone	6.8	(6.1)	0.7	10.2	(8.4)	1.8
Czech Koruna	—	—	—	1.7	(1.6)	0.1
Malaysian Ringgit	4.8	(3.3)	1.5	3.6	(2.9)	0.7
Other	3.8	—	3.8	3.2	—	3.2
Total	66.9	—	66.9	64.2	—	64.2

The Group's exposure to a +/- 10% change in EUR/GBP exchange rate is as follows:

	2020	
	EUR +10% £m	EUR -10% £m
Impact on equity	(0.8)	0.7

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 the cost of hedging.

In relation to the hedging activities as described above, the effects of foreign currency related hedging instruments on the Group's financial position and performance are as follows:

2020	Foreign currency collars Transactional £m	Foreign currency forwards Transactional £m	Foreign currency forwards Translational £m
Carrying amount	(0.4)	1.2	0.2
Notional amount	(16.0)	18.7	54.6
Maturity date	September 2020 -June 2021	July 2020 -July 2021	September 2020
Hedging ratio	1:1	1:1	1:1
Change in value of outstanding hedge instruments since 1 July	(0.2)	0.5	0.7
Change in value of hedged item used to determine hedge effectiveness	0.2	(0.5)	(0.7)
Weighted average hedged rate for the year	€1.1396:£1	€1.1358:£1	Various(1)

(1) The weighted average hedged rate for the year, by currency denomination, was €1.1294:£1, Zloty 4.9089:£1, Krone 8.400:£1, Czech Krone 29.5082:£1, Ringgit 5.2383:£1.

22. Capital and net debt

The Group's capital comprises total equity and net debt.

The Directors manage the Group's capital to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Directors aim to maintain an efficient capital structure with a relatively conservative level of debt-to-equity gearing so as to ensure continued access to a broad range of financing sources in order to provide sufficient flexibility to pursue commercial opportunities as they arise.

The Group's capital was as follows:

	2020 £m	2019 £m	2018 £m
Total equity	66.9	64.2	67.2
Net debt	101.5	120.9	114.3
Capital	168.4	185.1	181.5

	2020 %	2019 %
Gearing(1)	57	66

(1) Gearing represents net debt/average year-end capital.

Movements in net debt were as follows:

	At 30 June 2019 £m	IFRS 16 non-cash movements(1) £m	Cash flows £m	Currency translation differences £m	At 30 June 2020 £m
Cash and cash equivalents	14.4	—	28.3	1.5	44.2
Overdrafts	(13.4)	—	10.2	(0.9)	(4.1)
Bank and other loans	(121.9)	—	(9.9)	(1.1)	(132.9)
Lease liabilities	—	(12.9)	4.3	(0.1)	(8.7)
Net debt	(120.9)	(12.9)	32.9	(0.6)	(101.5)

(1) IFRS 16 non-cash movements includes the initial liability at adoption of the new standard (£9.9m), additions (£2.8m) and interest charged (£0.2m).

	At 30 June 2018 £m	Other non-cash movements £m	Cash flows £m	Currency translation differences £m	At 30 June 2019 £m
Cash and cash equivalents	11.7	—	2.8	(0.1)	14.4
Overdrafts	(4.1)	—	(9.3)	—	(13.4)
Bank and other loans	(121.7)	—	0.4	(0.6)	(121.9)
Finance lease liabilities	(0.2)	—	0.2	—	—
Net debt	(114.3)	—	(5.9)	(0.7)	(120.9)

23. Pensions and other post-employment benefits

Overview

The Group provides a number of post-employment benefit arrangements. In the UK, the Group operates a closed defined benefit pension scheme and a defined contribution pension scheme. Elsewhere in Europe, the Group has a number of smaller unfunded post-employment benefit arrangements that are structured to accord with local conditions and practices in the countries concerned.

At 30 June 2020, the Group's post-employment benefit obligations outside the UK amounted to £3.1 million (2019: £3.0m).

Non-governmental collected post-employment benefits had the following effect on the Group's results and financial position:

	2020 £m	2019 £m
Profit or loss		
Operating profit		
Defined contribution schemes		
Contributions payable	**(2.9)**	(2.5)
Defined benefit schemes		
Service cost (net of employee contributions)	**(0.7)**	(1.3)
Net charge to operating profit	**(3.6)**	(3.8)
Finance costs		
Net interest cost on defined benefit obligation	**(0.6)**	(0.7)
Net charge to profit before taxation	**(4.2)**	(4.5)
Other comprehensive income		
Defined benefit schemes		
Net actuarial loss	**(3.7)**	(3.5)
Balance sheet		
Defined benefit obligations		
UK – funded	**(163.9)**	(153.2)
Other – unfunded	**(3.1)**	(3.0)
	(167.0)	(156.2)
Fair value of scheme assets	**135.5**	125.1
Deficit on the schemes	**(31.5)**	(31.1)
Related deferred tax asset	**6.1**	4.7

UK defined benefit pension scheme

(i) Background

In the UK, the Robert McBride Pension Fund ('the Fund') provides pension benefits based on the final pensionable salary and period of qualifying service of the participating employees. The UK defined benefit fund was closed to future service accrual from 29 February 2016. Staff affected by this change were offered a new defined contribution scheme from that date.

The Fund is administered and managed by Robert McBride Pension Fund Trustees Limited ('the Trustee'), in accordance with the terms of a governing Trust Deed and relevant legislation. Regular assessments of the Fund's benefit obligations are carried out by an independent actuary on behalf of the Trustee and long-term contribution rates are agreed between the Trustee and the Company on the basis of the actuary's recommendations. Following the last triennial valuation at 31 March 2018, the Company and Trustee agreed a new deficit reduction plan based on the scheme funding deficit of £47.0 million. The deficit cash funding requirement of £4.0 million per annum, payable until 31 March 2028, took effect from 1 April 2018.

(ii) Assumptions and sensitivities

For accounting purposes, the Fund's benefit obligation has been calculated based on data gathered for the 2018 triennial actuarial valuation and by applying assumptions made by the Company on the advice of an independent actuary in accordance with IAS 19, 'Employee benefits', which differ in certain respects from the assumptions made by the Trustee for the purpose of the actuarial valuation.

The principal assumptions used in calculating the benefit obligation at the end of the year were as follows:

	2020	2019
Discount rate	**1.55%**	2.40%
Inflation rate:		
Retail Prices Index	**2.80%**	3.15%
Consumer Prices Index	**1.90%**	2.25%
Revaluation of deferred pensions (in excess of GMP)		
Accrued before 6 April 2009	**1.90%**	2.25%
Accrued on or after 6 April 2009	**1.90%**	2.25%
Increase in pensions in payment (in excess of GMP)		
Accrued before 1 April 2011	**2.74%**	3.03%
Accrued on or after 1 April 2011	**1.97%**	2.09%

The duration of the Fund's liabilities is estimated to be 18 years, i.e. the average time until a payment is made is 18 years. In practice, the Fund's liabilities continue for upwards of 50 years.

The mortality assumptions are based on a medically underwritten mortality study which was carried out in 2017 to identify the current health of a sample group of Fund members, and a postcode analysis for the remainder of the membership. This was translated into mortality assumptions for use in calculating the IAS 19 scheme liabilities. Specifically, a rating of 102% (30 June 2019: 102%) of the standard Self-Administered Pension Scheme (SAPS) S2 tables has been used for the IAS 19 disclosures as at 30 June 2020.

As at 30 June 2020, the future mortality improvement model has been updated to reflect the most recent Continuous Mortality Investigation (CMI) 2019 projections with an allowance for long-term rates of improvement of 1.00% p.a. for males and for females (previously, at 30 June 2019, this assumption had been CMI 2018 with a long-term rate of improvement of 1.00% p.a. for males and females). In line with the 2018 CMI model, the 2019 CMI model has a smoothing parameter for which we have adopted the default value of 7.0 (30 June 2019: 7.5). There is also an initial addition parameter for which we have again adopted the default value of 0%. These assumptions are equivalent to a life expectancy at 65 of 21.3 years (30 June 2019: 21.2 years) for males and 23.2 years (30 June 2019: 23.0 years) for females.

Life expectancies at age 65 for:	2020 Years	2019 Years
Member retiring in the next year:		
Male	**21.3**	21.2
Female	**23.2**	23.0
Member retiring 20 years from now:		
Male	**22.3**	22.2
Female	**24.5**	24.3

At 30 June 2020, the sensitivity of the benefit obligation to changes in the principal assumptions was as follows (assuming in each case that the other assumptions are unchanged):

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 0.1%	Decrease by £2.7m	Increase by £2.7m
Inflation rate(1)	+/- 0.1%	Increase by £2.3m	Decrease by £2.0m
Life expectancy	+/- 1 year	Increase by £5.4m	Decrease by £5.4m

(1) This includes the impact on deferred and in payment pension increase assumptions.

The assumption sensitivities are reasonable expectations of potential changes in the assumptions.

23. Pensions and other post-employment benefits continued

UK defined benefit pension scheme continued

(iii) Fund's assets

The Fund's assets are held separately from those of the Group and are managed by professional investment managers on behalf of the Trustee.

The Trustee and the Company review the investment strategy from time to time. The last review was carried out during 2018/2019 and as part of the agreement, the trustees have amended the Fund's investment strategy with the aim of de-risking the scheme's assets to better match the cash inflows from the Fund's assets with the cash flow requirements of the Fund. This Cash flow Driven Investment (CDI) strategy was implemented during the first half of the financial year ending 30 June 2020. Through the use of credit/bond investments, the CDI strategy delivers a stable, more certain expected return and will reduce volatility in the reported accounting deficit as assets and liabilities are better matched.

The Fund holds no investment in securities issued by, nor any property used by, McBride plc or any of its subsidiaries. The fair value of the Fund's assets at the end of the year was as follows:

	2020 £m	Asset classification	2019 £m	Asset classification
Private markets	13.6	Unquoted	31.8	Unquoted
Liability-driven investment	35.4	Quoted	85.8	Quoted
Credit	86.0	Unquoted	6.2	Unquoted
Cash and cash equivalents[1]	0.5	Quoted	1.3	Quoted
Total	135.5		125.1	

(1) Cash equivalents includes the net position of the Credit Default Swap held by the scheme.

Bar the liability-driven investment (LDI) assets and the Credit Default Swaps (CDS), all of the Fund's assets are held in pooled funds. The liability-driven investment, cash and credit assets are classified as Level 2 instruments, as they are not quoted on any stock exchange, although their value is directly related to the value of the underlying holdings. The private market credit assets are Level 3 instruments, with no daily quoted price available.

The expected return on the Fund's assets must be set to be in line with the discount rate used to value the Fund's liabilities. This equates to an expected return over the year of £2.9 million (2019: £3.2m).

The actual return on the Fund's assets during the year was £14.3 million (2019: £12.5m).

(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:

	2020 £m	2019 £m
At 1 July	125.1	113.5
Expected return on plan assets	2.9	3.2
Return on assets in excess of interest income on fund assets	11.4	9.3
Employer's contributions	4.0	4.2
Benefits paid	(7.9)	(5.1)
At 30 June	135.5	125.1

Movements in the benefit obligation during the year were as follows:

	2020 £m	2019 £m
At 1 July	(153.2)	(142.0)
Current service cost	—	—
Interest cost	(3.5)	(4.0)
Remeasurement loss arising from changes in financial assumptions	(14.6)	(13.1)
Remeasurement (loss)/gain arising from changes in demographic assumptions	(0.5)	1.0
Experience gains on liabilities	—	—
Benefits paid	7.9	5.1
Past service cost	—	(0.2)
At 30 June	(163.9)	(153.2)

(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 2020, the cumulative net actuarial loss in relation to the Fund that has been recognised in other comprehensive income amounted to £40.5 million (2019: £36.8m).

24. Employee share schemes

Share awards

The Group operates a performance-based Long-Term Incentive Plan (LTIP) for the Executive Directors and certain other senior executives. Awards made under the LTIP vest provided the participant remains in the Group's employment during the three-year vesting period and the Group achieves relative total shareholder return (TSR) and earnings per share (EPS) targets. Up to 50% of each award vests dependent on the TSR of the Company's ordinary shares compared with the TSR of the FTSE SmallCap Ex. Investment Companies Index (a market condition). Up to 50% of each award vests dependent on the growth in the Group's EPS (a vesting condition).

Vested awards are settled either in the form of the Company's ordinary shares (equity-settled) or by the payment of cash equivalent to the market value of the Company's ordinary shares on the vesting date (cash-settled). From 2017, all amounts are to be made on equity-settled amounts.

Further information on the LTIP is set out in the Remuneration report.

Movements in LTIP awards outstanding were as follows:

	2020		2019	
	Equity-settled Number	Cash-settled Number	Equity-settled Number	Cash-settled Number
Outstanding at 1 July	1,951,884	1,376,426	1,964,953	2,216,104
Granted	4,148,778	–	1,784,111	–
Vested	–	–	(335,158)	(408,649)
Forfeited	(1,733,105)	(122,857)	(1,462,022)	(431,029)
Lapsed	(142,857)	(1,078,356)	–	–
Outstanding at 30 June	**4,224,700**	**175,213**	1,951,884	1,376,426
Unvested at 30 June	**4,224,700**	**–**	1,951,884	1,201,213

Awards made under the LTIP have a £nil exercise price.

The maximum term of equity-settled awards granted in the year is three years. The weighted average remaining life of equity-settled awards at 30 June 2020 is 1.7 years (2019: 1.7 years). The weighted average remaining life of cash-settled awards at 30 June 2020 is 3.7 years (2019: 6.9 years).

During 2020, £0.0 million of cash LTIP awards vested (2019: £0.3m) and £0.0 million of equity-settled LTIP awards vested (2019: £0.3m). Cash-settled awards vested in the prior year with a weighted average share price of 119.3 pence.

The weighted average share price on the vesting date of equity-settled awards in the year was 50.4 pence (2019: 130.4p).

At 30 June 2020, the liability recognised in relation to cash-settled awards was £0.3 million (2019: £0.3m).

24. Employee share schemes continued

Share awards continued

At the grant date, the weighted average fair value of LTIP awards granted during the year was 50.0 pence (2019: 88.0p). Fair value was measured using a variant of the Monte Carlo valuation model based on the following assumptions:

	November 2019 issue	October 2019 issue	September 2018 issue	September 2017 issue	September 2016 issue
Risk-free interest rate	0.3%	0.5%	0.8%	0.3%	0.1%
Share price on grant date	0.56p	0.69p	125.0p	198.0p	176.0p
Dividend yield on the Company's shares	nil	nil	3.96%	2.8%	2.3%
Volatility of the Company's shares	40.6%	41.9%	30.1%	28.3%	28.2%
Expected life of LTIP awards	3 years	3 years	3 years	3 years	3 years

Expected volatility was determined based on weekly observations of the Company's share price and the FTSE SmallCap Ex. Investment Companies Index over the three-year period immediately preceding the grant date.

Compensation expense recognised in profit or loss in relation to employee share schemes was as follows:

	2020 £m	2019 £m
LTIP:		
Equity-settled awards	0.4	—
Cash-settled awards	—	(0.2)
Total expense	**0.4**	(0.2)

Deferred Annual Bonus Plan

The Group has in force a Deferred Annual Bonus Plan for the main Executive Directors. The shares awarded under the plan vest after three years and are normally only payable if the Director remains employed by the Group at the end of that period.

The total credit included in operating profit in relation to the Deferred Annual Bonus Plan was £0.1 million (2019: £0.2m credit).

25. Provisions

	Reorganisation and restructuring £m	Leasehold dilapidations £m	Environmental remediation £m	Other £m	Total £m
At 1 July 2018	3.2	0.8	3.2	—	7.2
Charged to profit or loss	6.9	—	—	0.6	7.5
Unwind of discount	—	0.1	0.1	—	0.2
Non-cash movement	(3.7)	—	—	—	(3.7)
Utilisation	(2.9)	(0.1)	(0.3)	—	(3.3)
At 30 June 2019	3.5	0.8	3.0	0.6	7.9
Charged to profit or loss	7.4	0.2	0.1	(0.3)	7.4
Unwind of discount	—	0.1	—	—	0.1
Non-cash movement	(2.4)	—	—	—	(2.4)
Utilisation	(2.9)	—	(0.2)	—	(3.1)
At 30 June 2020	**5.6**	**1.1**	**2.9**	**0.3**	**9.9**

Analysis of provisions:

	2020 £m	2019 £m
Current	**6.3**	3.7
Non-current	**3.6**	4.2
Total	**9.9**	7.9

Reorganisation costs in the year of £7.4 million comprise £5.3 million of redundancies and associated costs following the Board's decision to close the Barrow site, £0.7 million of costs associated with the ongoing review of strategy, organisation and operations and £1.4 million of other reorganisation costs.

The closing provision for reorganisation and restructuring projects primarily relates to the closure of the Barrow site and is expected to be utilised within twelve months of the balance sheet date.

Environmental remediation provision relates to historical environmental contamination at a site in Belgium and will be utilised as the land is restored within a period of approximately ten years.

Leasehold dilapidations provision relates to costs expected to be incurred to restore leased properties to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to undertake restoration works. Amounts will be utilised as the respective leases end and restoration works are carried out, within a period of approximately four years.

Non-cash movement relates to the reclassification of an onerous lease provision, to impair the corresponding right-of-use asset under the IFRS 16 transition expedient.

26. Share capital and reserves

Share capital

	Allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 1 July 2018, 30 June 2019, 30 June 2020	182,840,301	18.3

Ordinary shares carry full voting rights and ordinary shareholders are entitled to attend Company meetings and to receive payments to shareholders.

Reserves

(i) Share premium account

The share premium account records the difference between the nominal amount of shares issued and the fair value of the consideration received. The share premium account may be used for certain purposes specified by UK law, including to write off expenses incurred on any issue of shares or debentures and to pay up fully paid bonus shares. The share premium account is not distributable but may be reduced by special resolution of the Company's ordinary shareholders and with court approval.

(ii) Cash flow hedge reserve

The cash flow hedge reserve comprises the cumulative net change in the fair value of hedging instruments in designated cash flow hedging relationships recognised in other comprehensive income.

(iii) Currency translation reserve

The currency translation reserve comprises cumulative currency translation differences on the translation of the Group's net investment in foreign operations into Sterling together with the cumulative net change in the fair value of hedging instruments in designated net investment hedging relationships recognised in other comprehensive income.

(iv) Capital redemption reserve

The capital redemption reserve records the cost of shares purchased by the Company for cancellation or redeemed in excess of the proceeds of any fresh issue of shares made specifically to fund the purchase or redemption. The capital redemption reserve is not distributable but may be reduced by special resolution of the Company's ordinary shareholders and with court approval.

Own shares

	2020		2019	
	Number	£m	Number	£m
At cost				
At 1 July	**42,041**	**—**	270,398	0.4
Shares paid out to employees	**—**	**—**	(228,357)	(0.4)
At 30 June	**42,041**	**—**	42,041	—

Own shares represent the Company's ordinary shares that are acquired to meet the Group's expected obligations under employee share schemes.

At 30 June 2020, 42,041 (2019: 42,041) of these ordinary shares were held in treasury.

The market value of own shares held at 30 June 2020 was £0.0 million (2019: £0.0m).

27. Acquisitions and disposals

Sale of Hull site

On 2 December 2019, the Group completed the sale of the UK Aerosols site at Hull (held on the balance sheet at £2.1 million). Cash consideration of £3.0 million was received in respect of this sale. After accounting for costs of disposal of £0.1 million, an exceptional gain of £0.8 million has been recognised in the year.

PC Liquids sale

As part of the sale agreement with Royal Sanders, in the current financial year the Group incurred an additional £0.3 million of redundancy costs following the sale of the Group's PC Liquids activities in 2019, resulting in a loss after tax of £0.2 million.

In the prior year, the Group completed the disposal of its PC Liquids activities on 16 November 2018. The transaction comprised the disposal of the trade and assets of the Group's PC Liquids business for a cash consideration of £12.5 million. In the prior year, the PC Liquids business generated revenues of £21.9 million and had an adjusted trading loss of £0.8 million.

(i) Analysis of results of discontinued operations

Analysis of the results of the discontinued operations, and the result recognised on the remeasurement of assets of the disposal group, is as follows:

	2019 £m
Revenue	21.9
Expenses	(27.1)[1]
Loss before tax of discontinued operations	(5.2)
Tax credit	1.2
Loss after tax of discontinued operations	(4.0)
Pre-tax loss recognised on the remeasurement of assets of disposal group	–
Loss on disposal	(0.6)
Tax credit	0.7
After-tax loss recognised on the remeasurement of assets of disposal group	0.1
Loss for the year from discontinued operations	(3.9)

(1) Includes exceptional charges in 2019 of £4.4 million, including £1.8 million for termination, legal and consultancy costs and £2.6 million for the onerous lease provision.

(ii) Cash flow

	2019 £m
Operating cash flows	(0.7)
Investing cash flows	(0.8)
Financing cash flows	–
Total cash flows	(1.5)

Former manufacturing site in Italy

On 25 July 2018, the Group completed the sale of the Solaro site in Italy (held on the balance sheet at £1.3 million). Cash consideration of £1.6 million was received with respect to this sale. After accounting for costs of disposal, an exceptional gain of £0.1 million was recognised in the prior year.

28. Commitments

Operating leases

Following the adoption of IFRS 16, which resulted in the balance sheet recognition of lease liabilities for all operating leases meeting the IFRS 16 definition, operating lease commitments will no longer be disclosed and the following table is shown for comparative purposes only. Note 3 provides a reconciliation of operating lease commitments disclosed at 30 June 2019 to lease liabilities recognised at 1 July 2019.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2020 £m	2019 £m
Rentals payable:		
Within one year	–	3.1
In the second to fifth years inclusive	–	5.4
After more than five years	–	–
Total	–	8.5

Capital expenditure on property, plant and equipment

	2020 £m	2019 £m
Contracted but not provided	**6.0**	4.3

29. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and, therefore, are not required to be disclosed in these financial statements. Details of transactions between the Group and other related parties are disclosed below.

Post-employment benefit plans

As shown in note 23, contributions amounting to £6.9 million (2019: £6.7m) were payable by the Group to pension schemes established for the benefit of its employees. At 30 June 2020, £nil (2019: £nil) in respect of contributions due was included in other payables.

Compensation of key management personnel

For the purposes of these disclosures, the Group regards its key management personnel as the Directors and certain members of the senior executive team.

Compensation payable to key management personnel in respect of their services to the Group was as follows:

	2020 £m	2019 £m
Short-term employee benefits	**1.9**	1.4
Post-employment benefits	**0.1**	0.2
Share-based payments	**0.1**	0.1
Total	**2.1**	1.7

30. Contingent liabilities

There are a number of contingent liabilities that arise in the normal course of business which, if realised, are not expected to result in a material liability to the Group. The Group recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated.

31. Exchange rates

The principal exchange rates used to translate the results, assets and liabilities and cash flows of the Group's foreign operations into Sterling were as follows:

	Average rate		Closing rate	
	2020	2019	**2020**	2019
Euro	**1.14**	1.14	**1.10**	1.12
US Dollar	**1.26**	1.30	**1.23**	1.27
Danish Krone	**8.51**	8.47	**8.17**	8.33
Polish Zloty	**4.96**	4.88	**4.89**	4.74
Czech Koruna	**29.60**	29.20	**29.31**	28.38
Hungarian Forint	**384.57**	365.28	**390.80**	360.71
Malaysian Ringgit	**5.30**	5.34	**5.26**	5.25
Australian Dollar	**1.88**	1.81	**1.79**	1.81

Company balance sheet
At 30 June 2020

	Note	2020 £m	2019 £m
Fixed assets			
Investments	5	**158.2**	158.2
Current assets			
Trade and other receivables	6	**168.7**	257.2
Cash and cash equivalents		**1.3**	0.5
Creditors: amounts falling due within one year	7	**(76.9)**	(142.2)
Net current assets		**93.1**	115.5
Total assets less current liabilities		**251.3**	273.7
Creditors: amounts falling due after more than one year	8	**(66.1)**	(81.1)
Net assets		**185.2**	192.6
Capital and reserves			
Called-up share capital	11	**18.3**	18.3
Share premium account		**70.6**	73.9
Capital redemption reserve		**74.2**	70.8
Cash flow hedge reserve		**(0.3)**	(0.3)
Retained earnings brought forward		**29.9**	40.6
Loss for the financial year		**(4.4)**	(2.2)
Other movements		**(3.1)**	(8.5)
Closing retained earnings		**22.4**	29.9
Total shareholders' funds		**185.2**	192.6

The financial statements on pages 156 to 165 were approved by the Board of Directors on 8 October 2020 and were signed on its behalf by:

Chris Smith
Director

McBride plc
Registered number: 2798634

Company statement of changes in equity
Year ended 30 June 2020

	Issued share capital £m	Share premium account £m	Capital redemption reserve £m	Cash flow hedge £m	Profit and loss £m	Total shareholders' funds £m
At 1 July 2018	18.3	81.8	62.2	(0.1)	40.6	202.8
Year ended 30 June 2019						
Loss for the year	–	–	–	–	(2.2)	(2.2)
Other comprehensive (expense)/income						
Items that may be reclassified to profit or loss:						
Net changes in fair value	–	–	–	(0.3)	0.3	–
Cash flow hedges transferred to profit and loss	–	–	–	0.1	(0.1)	–
Total other comprehensive (expense)/income	–	–	–	(0.2)	0.2	–
Total comprehensive expense	–	–	–	(0.2)	(2.0)	(2.2)
Transactions with owners of the Parent						
Issue of B Shares	–	(7.9)	–	–	–	(7.9)
Redemption of B Shares	–	–	8.6	–	(8.6)	–
Share-based payments	–	–	–	–	(0.1)	(0.1)
At 30 June 2019	18.3	73.9	70.8	(0.3)	29.9	192.6
Year ended 30 June 2020						
Loss for the year	**–**	**–**	**–**	**–**	**(4.4)**	**(4.4)**
Other comprehensive (expense)/income						
Items that may be reclassified to profit or loss:						
Net changes in fair value	**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Cash flow hedges transferred to profit and loss	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Total other comprehensive (expense)/income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive expense	**–**	**–**	**–**	**–**	**(4.4)**	**(4.4)**
Transactions with owners of the Parent						
Issue of B Shares	**–**	**(3.3)**	**–**	**–**	**–**	**(3.3)**
Redemption of B Shares	**–**	**–**	**3.4**	**–**	**(3.4)**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**0.4**	**0.4**
Purchase of own shares	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
At 30 June 2020	**18.3**	**70.6**	**74.2**	**(0.3)**	**22.4**	**185.2**

Notes to the Company financial statements
Year ended 30 June 2020

1. Principal accounting policies

Description of business

McBride plc ('the Company') is the ultimate parent Company of a group of companies that together is Europe's leading provider of Private Label Household products. The Company develops and manufactures products for the majority of retailers and major brand owners throughout the UK, Europe and Asia.

The Company is a public company limited by shares, with shares traded on the London Stock Exchange, incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of its registered office is McBride plc, Middleton Way, Middleton, Manchester M24 4DP.

Basis of preparation

The Company's financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 ('the Act') as applicable to companies using FRS 101. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

These financial statements of the Company are prepared in accordance with FRS 101, under the historical cost convention, modified in respect of the revaluation to fair value of financial assets and liabilities (derivative financial instruments) at fair value through profit or loss.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related regulations.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, share-based payments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of McBride plc.

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income for the Company alone. A summary of the Company's significant accounting policies is set out below.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2019, except for:

The Company has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2019:

- IFRS 16, 'Leases'; and
- IFRIC 23, 'Uncertainty over Income Tax Treatments'.

Further detail on the differences between the application of these standards and those previously applied is given in note 3 of the notes to the Group financial statements. In respect of the Company, on initial application of the above standards no impact on the net assets of the Company arose. Accordingly, no reconciliation of the impact on profit and loss, other comprehensive income, total comprehensive income, assets, liabilities or equity has been presented.

Investments in subsidiaries

Investments in subsidiaries are held at cost, less provision for impairment.

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;
- **fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss; and
- **fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under the Company's business model trade receivables are held for collection of contractual cash flows and represent solely payments of principal and interest.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term, highly liquid investments with a maturity on acquisition of three months or less and bank overdrafts. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset or intention to offset with cash balances.

(iii) Trade payables

Trade payables are initially recognised at fair value and subsequently held at amortised cost.

(iv) Bank and other loans

Bank and other loans are initially recognised at fair value, net of directly attributable transaction costs, if any, and are subsequently measured at amortised cost using the effective interest rate method.

(v) Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. The Company does not hold or issue derivative financial instruments for trading purpose; however, if derivatives do not qualify for hedge accounting they are accounted for as such.

Derivative financial instruments are recognised and stated at fair value. Where derivatives do not qualify for hedge accounting, any gains or losses on remeasurement are immediately recognised in the Company income statement. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the items being hedged. In order to qualify for hedge accounting, the Company is required to document, from inception, the relationship between the item being hedged and the hedging instrument.

The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is performed at each reporting date to ensure that the hedge remains highly effective.

Derivative financial instruments with maturity dates of more than one year from the balance sheet date are disclosed as non-current.

The Company has entered into a number of financial derivative contracts and each is discussed in turn.

The Company enters into forward foreign exchange contracts to mitigate the exchange risk for certain foreign currency receivables.

At 30 June 2020, the outstanding contracts all mature within twelve months (2019: 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 foreign exchange options contracts to mitigate the GBP:EUR exchange risk for currency sales. At 30 June 2020, the outstanding contracts all mature within twelve months (2019: twelve months) of the year end. These contracts are measured at fair value with movements reflected in the income statement.

The Company also enters into interest rate swap contracts to mitigate against the floating interest rates on revolving credit facility debt. At 30 June 2020, there are ten outstanding contracts: two mature within twelve months of the year end with the remaining eight maturing more than twelve months after the year end.

All contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing derivatives are the exchange rates for GBP:EUR and GBP:PLN as well as EUR and DKK interest rates.

1. Principal accounting policies continued

Foreign currency translation

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date. Currency translation differences are recognised in the income statement.

Share-based payments

The Company operates incentive share schemes under which it grants equity-settled and cash-settled awards over its own ordinary shares to certain employees of its subsidiaries. The Company recognises a capital contribution to the subsidiaries concerned that is based on the fair value of the awards measured using the Black-Scholes option pricing formula or the Monte Carlo valuation model.

For equity-settled awards, the fair value reflects market performance conditions and all non-vesting conditions. Fair value is determined at the grant date and is not subsequently remeasured unless the relevant conditions are modified. Adjustments are made to the compensation expense to reflect actual and expected forfeitures due to failure to satisfy service conditions or non-market performance conditions. For cash-settled awards, the fair value reflects all the conditions on which the award is made and is remeasured at each reporting date and at the settlement date.

Generally, the capital contribution is recognised on a straight-line basis over the vesting period. For equity-settled awards, a corresponding credit is recognised directly in reserves, while for cash-settled awards a corresponding liability to settle is recognised in the balance sheet.

Taxation

Current tax is the amount of tax payable in respect of the taxable profit or loss for the period. Taxable profit differs from accounting profit because it excludes income or expenses that are recognised in the period for accounting purposes but are either not taxable or not deductible for tax purposes or are taxable or not deductible in earlier or subsequent periods.

Deferred tax is recognised on temporary differences between the recognition of items of income or expenses for accounting purposes and their recognition for tax purposes. A deferred tax asset in respect of a deductible temporary difference or a carried-forward tax loss is recognised only to the extent that it is considered more likely than not that sufficient taxable profits will be available against which the reversing temporary difference or the tax loss can be deducted. Deferred tax assets and liabilities are not discounted.

Current and deferred tax is measured using tax rates that have been enacted or substantively enacted at the balance sheet date.

Guarantees

From time to time, the Company provides guarantees to third parties in respect of the indebtedness of its subsidiaries. The Directors consider these guarantees to be insurance arrangements and, therefore, the Company recognises a liability in respect of such guarantees only in the event that it becomes probable that the guarantee will be called upon and the Company will be required to make a payment to the third party.

Payments to shareholders

Subject to shareholder approval at each AGM, it is the Company's intention that, for the foreseeable future, all payments to shareholders will be made by the issue of non-cumulative redeemable preference shares ('B Shares'). B Shares issued but not redeemed are classified as current liabilities.

Own shares

Own shares represent the Company's ordinary shares that are held by the Company in treasury or by a sponsored ESOP trust to employee share schemes. When own shares are acquired, the cost of purchase in the market is deducted from the profit and loss account reserve. Gains and losses on the subsequent transfer or sale of own shares are recognised directly in the profit and loss account.

Cash flow statement

A cash flow statement is not presented in these financial statements on the grounds that the Company's cash flows are included in the consolidated financial statements of the Company and its subsidiaries.

2. Critical judgements and key sources of estimation uncertainty

In applying the Company's accounting policies as described in note 1, the Directors are required to make judgements, and estimates and assumptions, that affect the reported amounts of its assets, liabilities, income and expenses that are not readily identifiable from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes could differ from those estimates and affect the Company's results in future years.

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

The Directors consider that no critical judgements are made in preparing these financial statements.

The Directors consider the following to be the key sources of estimation uncertainty present in preparing these financial statements.

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 (2019: £nil). An impairment assessment of amounts owed by subsidiary undertakings as at 30 June 2020 was undertaken using the IFRS 9 simplified approach to measuring the expected credit loss. The Directors have judged that no impairment is required (2019: £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.

3. Profit for the financial year

As permitted by section 408(3) of the Act, the Company's income statement or a statement of comprehensive income are not presented in these financial statements.

Fees payable to the Company's auditor, PricewaterhouseCoopers LLP, in respect of the audit of the Company's financial statements were £0.1 million (2019: £0.1m).

The Company's loss for the financial year was £4.4 million (2019: loss of £2.2m).

4. Employee information

The monthly average number of persons employed by the Company during the year was as follows:

	2020 Number	2019 Number
Directors	2	2
Non-Executive Directors	6	4
Finance	11	12
Total	19	18

Aggregate payroll costs were as follows:

	2020 £m	2019 £m
Wages and salaries	3.5	2.1
Social security costs	0.3	0.3
Other pension costs	0.2	0.2
Total	4.0	2.6

Executive Directors' emoluments, which are included in the above, are detailed further in the Directors' remuneration report on pages 70 to 95.

5. Investments

	2020 £m	2019 £m
Carrying amount		
At 1 July	158.2	158.2
Additions	77.2	—
Disposals	(77.2)	—
At 30 June	158.2	158.2

During the year, the Company's £77.2 million shareholding in Robert McBride Ltd was transferred to McBride Holdings Limited, a wholly owned subsidiary of McBride plc. In exchange, the Company received shares in McBride Holdings Limited, thereby increasing the cost of its investment in this subsidiary by £77.2 million.

The Directors have reviewed the recoverability of the carrying amount of the Company's investments and have concluded that there is no impairment in their value.

Details of the Company's subsidiaries at 30 June 2020 are set out on pages 164 and 165.

Details of the share-based payments provided by the Company to employees of its subsidiaries are presented in note 24 to the consolidated financial statements.

6. Trade and other receivables

	2020 £m	2019 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	167.9	256.6
Derivative financial instruments	0.2	—
Deferred tax asset (see note 10)	0.4	0.4
Other debtors	0.1	—
Prepayments and accrued income	0.1	0.2
	168.7	257.2

Amounts are unsecured and repayable on demand. Amounts owed by subsidiary undertakings include a loan receivable of £108.4 million (2019: £180.3m) which is non-interest bearing with no fixed repayment date. All remaining amounts owed by subsidiary undertakings are interest bearing, based on external borrowing interest rates.

Notes to the Company financial statements continued
Year ended 30 June 2020

7. Creditors: amounts falling due within one year

	2020 £m	2019 £m
Amounts owed to subsidiary undertakings	**70.6**	128.8
Derivative financial instruments	**0.5**	0.3
B Shares (see note 9)	**0.7**	0.8
Accruals and deferred income	**1.7**	1.7
Bank overdrafts	**3.4**	10.6
Total	**76.9**	142.2

Amounts are unsecured and repayable on demand. Amounts owed to subsidiary undertakings include loans payable of £44.2 million (2019: £119.3m) which are non-interest bearing with no fixed repayment date. All remaining amounts owed to subsidiary undertakings are interest bearing, based on external borrowing interest rates.

8. Creditors: amounts falling due after more than one year

	2020 £m	2019 £m
Bank and other loans	**65.9**	80.7
Derivative financial instruments	**0.2**	0.4
Total	**66.1**	81.1

Bank and other loans represent amounts drawn down under a €175 million revolving credit facility which is committed until June 2022.

9. Payments to shareholders

Payments to ordinary shareholders are made by way of the issue of B Shares in place of income distributions. Ordinary shareholders are able to redeem any number of the B Shares issued to them for cash. Any B Shares that they retain attract a dividend of 75% of LIBOR on the 0.1 pence nominal value of each share, paid on a twice-yearly basis.

Payments to ordinary shareholders made or proposed in respect of the year were as follows:

	2020		2019	
	Pence per share	£m	Pence per share	£m
Interim (2019: Paid May 19)	—	—	1.5	2.7
Final (2020: Proposed. 2019: Paid Nov 19)	**1.1**	**2.0**	1.8	3.3
Total for the year	**1.1**	**2.0**	3.3	6.0

On 20 February 2020, the Group announced an interim payment to shareholders of 0.8 pence per ordinary share. On 25 March 2020, in light of the Covid-19 pandemic and as part of its prudent management of cash resources, the Group cancelled the interim payment to shareholders. This announcement did not impact shareholders' ability to redeem B Shares for cash.

The proposed final payment in respect of 2020 of 1.1 pence per ordinary share is subject to approval by shareholders at the Company's AGM and has therefore not been recognised in these financial statements.

Movements in the number of B Shares outstanding were as follows:

	2020		2019	
	Number 000	Nominal value £m	Number 000	Nominal value £m
Issued and fully paid				
At 1 July	**815,631**	**0.8**	1,560,374	1.5
Issued	**3,290,369**	**3.3**	7,860,325	7.9
Redeemed	**(3,392,870)**	**(3.4)**	(8,605,068)	(8.6)
At 30 June	**713,130**	**0.7**	815,631	0.8

B Shares carry no rights to attend, speak or vote at Company meetings, except on a resolution relating to the winding up of the Company.

10. Deferred tax

The elements and movements of deferred tax are as follows:

	Share-based payments £m	Other short-term differences £m	Total £m
At 1 July 2018	0.2	0.2	0.4
Credit/(charge) to income statement	—	—	—
At 30 June 2019	0.2	0.2	0.4
Credit/(charge) to income statement	—	—	—
At 30 June 2020	**0.2**	**0.2**	**0.4**

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.

11. Called-up share capital

	Allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 30 June 2019 and at 30 June 2020	182,840,301	18.3

Ordinary shares carry full voting rights and ordinary shareholders are entitled to attend Company meetings and to receive payments to shareholders.

At 30 June 2020, awards were outstanding over 4,224,700 ordinary shares (2019: 1,951,884 ordinary shares) in relation to the equity-settled employee share schemes that are operated by the Company. Further information on the employee share schemes is presented in note 24 to the consolidated financial statements.

12. Guarantees

The Company has guaranteed the indebtedness of certain of its subsidiaries up to an aggregate amount of £4.7 million (2019: £3.6m).

13. Related party transactions

As permitted by FRS 101, 'Related party disclosures', transactions between the Company and its wholly owned subsidiaries are not disclosed in these financial statements.

14. Subsidiaries

Details of the Company's subsidiaries at 30 June 2020 are as follows. In each case, the Company's equity interest is in the form of ordinary shares which, unless stated otherwise, are indirectly owned.

The business activity of each of the Company's trading subsidiaries is the manufacture, distribution and sale of Household and Personal Care products.

Subsidiaries	Equity interest and operation	Country of incorporation
Trading subsidiaries		
McBride Australia Pty Ltd[(a)]	100%	Australia
McBride S.A.[(b)]	100%	Belgium
Danlind a/s[(c)]	100%	Denmark
Robert McBride Ltd[(d)]	100%	England
McBride S.A.S.[(e)]	100%	France
Problanc S.A.S.[(f)]	100%	France
Vitherm France S.A.S.[(g)]	100%	France
Chemolux Germany GmbH[(h)]	100%	Germany
McBride Hong Kong Limited[(i)]	100%	Hong Kong
McBride S.p.A.[(j)]	100%	Italy
Chemolux S.a.r.l.[(k)]	100%	Luxembourg
McBride Malaysia Sdn. Bhd[(l)]	100%	Malaysia
Fortune Organics (F.E.) Sdn. Bhd.[(l)]	100%	Malaysia
Intersilesia McBride Polska Sp. z o.o[(m)]	100%	Poland
McBride S.A.U.[(n)]	100%	Spain
Newlane Cosmetics Company Limited[(o)]	100%	Vietnam
McBride B.V.[(p)]	100%	Netherlands
Holding companies		
McBride Holdings Limited[(1), (d)]	100%	England
McBride CE Holdings Limited[(d)]	100%	England
McBride spol. s r.o.[(q)]	100%	Czech Republic
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

(1) McBride plc directly owns 100% of McBride Holdings Limited.

Subsidiaries	Equity interest and operation	Country of incorporation
Dormant		
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
McBride Holdings S.L.(n)	100%	Spain
Other		
McBride Business Services Limited(d)	100%	England
Robert McBride Pension Fund Trustees Limited(d)	100%	England

Registered offices:

(a) Level 4, 147 Collins Street, Melbourne, Victoria 3000, Australia.
(b) 6 Rue Moulin Masure, 7730 Estaimpuis, Belgium.
(c) Lægårdvej 90-94, 7500 Holstebro, Denmark.
(d) Middleton Way, Middleton, Manchester M24 4DP, UK.
(e) 20 rue Gustave Flaubert 14590 Moyaux, France.
(f) ZAC of Saint René 45 boulevard Ambroise Croizat F-59287 Guesnain, France.
(g) Rue des Casernes, 55400 Etain, France.
(h) Heinrichstrasse 73, 40239 Düsseldorf, Germany.
(i) Unit 2001-02, 20th Floor, Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.
(j) Corso Garibaldi 49, 20121 Milan, Italy.
(k) Rue de l'industrie, Foetz, Luxembourg 3895.
(l) Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
(m) Ul. Matejki 2a, 47100 Strzelce Opolskie, Poland.
(n) Polígon Industrial l'Illa, C/ Ramon Esteve 20-22, 08650 Sallent, Barcelona, Spain.
(o) 22 VSIP II, Street 1, Vietnam Singapore, Industrial Park II, Hoa Phu Ward, Thu Dau Mot City, Binh Duong Province, Vietnam.
(p) Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands.
(q) V Olšinách 75/2300, Prague 10 – Strašnice 10097, Czech Republic.

Group five-year summary

	Year ended 30 June				
	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Revenue	**706.2**	743.2	755.0	705.2	680.9
Adjusted operating profit	**28.3**	28.1	36.2	41.5	36.2
Amortisation of intangible assets	**(2.1)**	(1.9)	(1.4)	(0.7)	(0.9)
Exceptional items	**(11.1)**	(5.4)	(21.7)	(1.0)	(2.4)
Operating profit	**15.1**	20.8	13.1	39.8	32.9
Net finance costs	**(4.2)**	(4.6)	(5.3)	(20.6)	(7.1)
Profit before tax	**10.9**	16.2	7.8	19.2	25.8
Taxation	**(4.4)**	(8.1)	(4.4)	(10.3)	(8.8)
Profit after tax	**6.5**	8.1	3.4	8.9	17.0
Earnings per share					
Diluted	**3.6p**	4.4p	1.9p	4.9p	9.3p
Adjusted diluted	**9.5p**	9.4p	12.1p	13.1p	11.1p
Payments to shareholders (per ordinary share)	**1.1p**	3.3p	4.3p	4.3p	3.6p

	At 30 June				
	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Non-current assets					
Property, plant and equipment	**134.7**	136.0	135.6	140.9	136.2
Goodwill and other intangible assets	**28.4**	29.5	29.9	21.7	20.0
Other assets	**21.1**	11.6	13.6	12.7	22.5
	184.2	177.1	179.1	175.3	178.7
Current assets	**287.6**	258.0	269.0	244.6	240.0
Current liabilities	**253.9**	(237.2)	(256.4)	(241.3)	(219.6)
Non-current liabilities	**151.0**	(133.7)	(124.1)	(114.4)	(130.0)
Net assets	**66.9**	64.2	67.6	64.2	69.1
Net debt[1]	**101.5**	120.9	114.3	75.7	90.9

(1) Following the adoption of IFRS 16, 'Leases' from 1 July 2019, leases are recognised as a right-of-use asset and a corresponding lease liability. The Group has 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 (see note 16 to the consolidated financial statements).

Useful information for shareholders

Financial calendar

Next key dates for shareholders in 2020 and 2021:

Record date for entitlement to B Shares	23 October 2020
Record date for dividend payable on B Shares previously issued and not redeemed	23 October 2020
Ex entitlement to B Shares date	26 October 2020
Credit CREST accounts with B Share entitlements	26 October 2020
Latest date for receipt by registrar of completed election forms and submitting CREST elections	13 November 2020
Annual General Meeting	23 November 2020
2020/21 Q1 Interim management statement	23 November 2020
Despatch of cheques in respect of B Shares which have been redeemed	27 November 2020
Payment into bank accounts in respect of B Shares which have been redeemed by certificated shareholders who have valid mandate instructions in place	27 November 2020
Despatch of share certificates for B Shares not being redeemed	27 November 2020
Payments on redeemed B Shares issued in CREST	27 November 2020
Dividend payments on B Shares issued and not previously redeemed	27 November 2020
2020/21 Half year end	31 December 2020
2020/21 Half-year trading statement	January 2021
Interim results announced	February 2021
2020/21 Year end	30 June 2021
2020/21 Year-end trading statement	July 2021
Full-year preliminary statement	September 2021

These dates are provisional and may be subject to change.

Payments to shareholders

On 24 March 2011 shareholders approved a proposal for the implementation of a B Share scheme as a mechanism for making payments to shareholders. This involves the issue of non-cumulative redeemable preference shares (B Shares) in place of income distributions. Shareholders are able to redeem any number of their B Shares for cash. B Shares that are retained attract a dividend of 75% of LIBOR on the 0.1 pence nominal value of each share, paid on a twice-yearly basis.

Shareholders who have valid mandate instructions in place may choose to have payments made directly into their bank or building society account. Confirmation of payment is contained in a payment advice which is posted to shareholders' registered addresses at the time of payment. This payment advice should be kept safely for future reference.

Shareholders who wish to benefit from this service should complete the relevant section of the election form accompanying the Notice of Annual General Meeting. Alternatively, the required documentation can be obtained by contacting the Company's registrar using one of the methods outlined below.

Shareholder queries

Our share register is managed by Link Asset Services (formerly Capita Asset Services), who can be contacted:

by telephone	0371 664 0300 (calls cost 12 pence per minute plus network extras; lines are open 9.00am to 5.30pm Monday to Friday), or on +44 371 644 0300 if calling from overseas.
by email	shareholderenquiries@linkgroup.co.uk
by post	Link Asset Services, The Registry, 34 Beckenham Road, Beckenham BR3 4TU

When writing, please indicate that you are a McBride shareholder.

Shareholders are also able to access and amend details of their shareholding (such as address and distribution payment instructions), via the registrar's website at **www.signalshares.com**. If you have not previously registered to use this facility you will need your investor code, which can be found on your proxy card, or on any share certificate issued by Link Asset Services.

ShareGift

McBride supports ShareGift, the share donation charity (registered charity no. 1052686). ShareGift was set up so that shareholders who have only a very small number of shares which might be considered uneconomic to sell are able to dispose of them by donating them for the benefit of UK charities. Donating shares to charity gives rise neither to a gain nor a loss for UK capital gains purposes and UK taxpayers may also be able to claim income tax relief on the value of the donation. Even if the share certificate has been lost or destroyed, the gift can be completed.

Further information about donating shares to ShareGift is available either from its website at **www.sharegift.org** or by contacting them on +44 (0)20 7930 3737.

Share price history

The following table sets out, for the five financial years to 30 June 2020, the reported high, low, average and financial year end (30 June or immediately preceding business day) closing middle market quotations of McBride's ordinary shares on the London Stock Exchange.

	Share price (pence)			
	High	Low	Average	Financial year end
2016	178	102	149	156
2017	207	146	180	187
2018	232	121	177	132
2019	158	77	119	81
2020	**89**	**49**	**66**	**62**

Useful information for shareholders continued

Shareholder security

The Company is required by law to make its share register publicly available. As a consequence, shareholders may receive unsolicited mail from organisations that use it as a mailing list. Shareholders wishing to limit the amount of such mail should either write to Mailing Preference Service, DMA House, 70 Margaret Street, London W1W 8SS, register online at **www.mpsonline.org.uk** or call the Mailing Preference Service (MPS) on 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 electronically. McBride encourages shareholders to elect to receive all communications electronically, to enable more secure and prompt communication which reduces cost and environmental impact through saving paper, mailing and transportation.

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

Online shareholder services

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

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

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.

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FTSE4Good

McBride plc has been accepted into the FTSE4Good Index Series of leading companies which meet globally recognised corporate responsibility standards.

McBride plc has been a leading contributor in the development of the A.I.S.E. Charter for sustainable cleaning and was the first Private Label company to achieve Charter status.

Our locations

Europe

- Bagnatica
- Barrow
  (expected closure late 2020)
- Estaimpuis
- Etain
- Foetz
- Hammel
- Holstebro
- Ieper
- Manchester[1]
- Middleton
- Moyaux
- Rosporden
- Sallent
- Strzelce

Asia Pacific

- Hong Kong[1]
- Ho Chi Minh City
- Kuala Lumpur
- Melbourne[1]

(1) Offices.