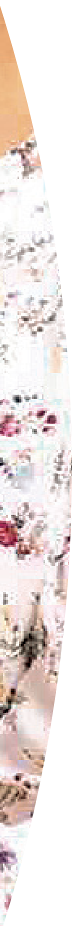
McBride plc
Annual Report and Accounts 2021

What's inside

Our highlights



Financial

For the year ending 30 June

Revenue	Adjusted operating profit[1]	Adjusted profit before tax[1]
£682.3m	£24.1m	£19.9m
(2020: £706.2m)	(2020: £28.3m)	(2020: £24.2m)

Adjusted EBITDA[1]	Operating profit	Profit before tax
£45.5m	£15.5m	£11.3m
(2020: £49.1m)	(2020: £15.4m)	(2020: £11.2m)

Adjusted ROCE[1]	Debt/adjusted EBITDA[1]	Free cash flow[1]
11.5%	2.6x	£33.1m
(2020: 12.8%)	(2020: 2.1x)	(2020: £64.9m)

Non-financial

Health and safety	Customer service level	Gender split – female
0.80%	90.8%	38.6%
(2020: 0.67%)	(2020: 90.8%)	(2020: 38.5%)

Alternative performance measures

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

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

The definitions of the APMs used are listed below:

- adjusted operating profit is operating profit before the amortisation of intangible assets and exceptional items;
- adjusted EBITDA means adjusted operating profit before depreciation;
- adjusted finance costs refers to figures excluding the unwind of the discount on environmental remediation provision;
- adjusted profit before tax is based on adjusted operating profit less adjusted finance costs;
- 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 and the tax relating to those items;
- free cash flow is defined as cash generated from continuing operations before exceptional items and cash conversion % is defined as free cash flow as a percentage of adjusted EBITDA;
- adjusted return on capital employed is defined as total adjusted operating profit from continuing operations divided by average period-end capital employed. Capital employed is defined as the total of goodwill and other intangible assets, property, plant and equipment, right-of-use assets, inventories, trade and other receivables less trade and other payables; and
- net debt consists of cash and cash equivalents, overdrafts, bank and other loans and lease liabilities.

(1) Further details on APMs can be found in note 2 to the consolidated financial statements on page 136.

McBride at a glance

With trading roots dating back to 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.

74% of revenues from top five European economies

>90% top European retailers supplied

962m units sold

3,331 employees globally

Group sales
£682.3m

Group functions maximising synergy benefits:
- Purchasing
- Logistics
- Finance
- IT
- HR

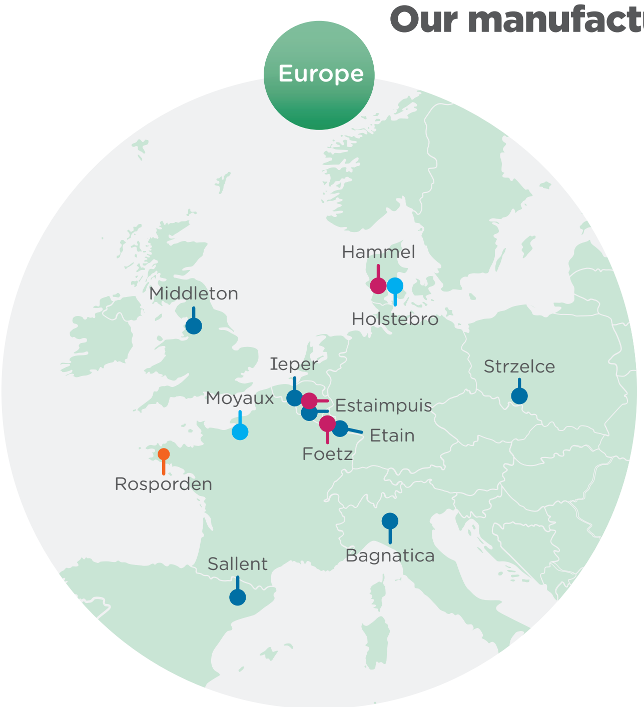
Group sales
55.1%

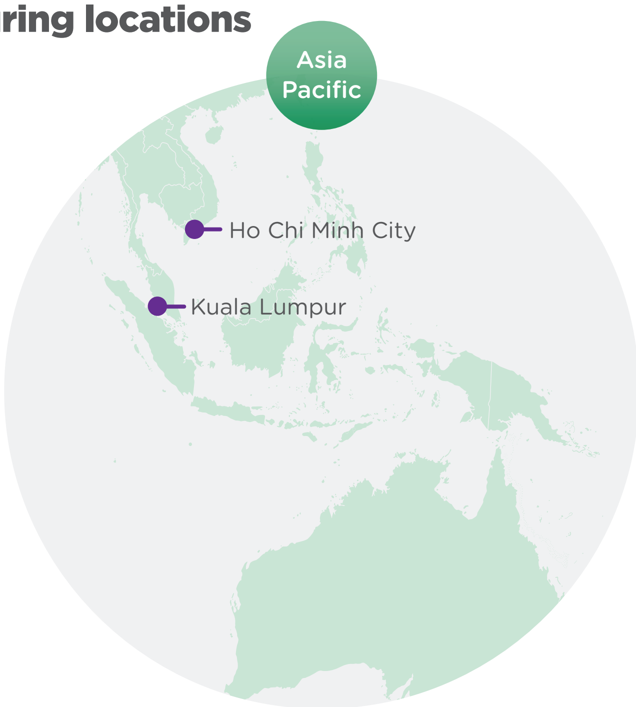
Products:
- Laundry
- Washing up liquid
- Surface cleaners
- Bleach

Group sales
26.6%

Products:
- Auto dishwasher tablets
- Laundry capsules
- Water softener

Our manufacturing locations





Powders	Aerosols	Asia Pacific
Group sales 9.7%	Group sales 5.0%	Group sales 3.6%

Products:
- Laundry
- Auto dishwash
- Stain remover
- Water softener

Products:
- Household
- Personal care
- Insecticides
- Sanitisers

Products:
- Shampoo
- Liquid soap
- Auto dishwasher tablets
- Washing up liquid

Chairman's statement

We have made great progress with our Compass strategy; fully transitioning our business from a centralised to a divisional model that will drive revenue growth and improved financial performance.

Jeffrey Nodland
Chairman

Dear shareholder

Welcome to the McBride plc 2021 Annual Report and Accounts. The past year has been one of both immense challenge and substantial progress for the Group. The trading environment experienced volatile demand, raw material and packaging supply shortages, rampant inflation for raw materials, packaging and transport shortages. We have also seen forced factory closures in Asia and new ways of working for many due to restrictions imposed by the pandemic. Against this difficult backdrop, the team has delivered a new strategy, Compass, and changed the way we operate into a divisional organisation that we believe will provide more ownership and accountability. We have also hired a number of key leadership positions that will execute and deliver on the strategy. I am extremely pleased with the way our team has responded to these challenges and delivered on the commitment to the reset of the Group under Compass.

Covid-19

As for many other businesses, the Covid-19 pandemic has presented both opportunities and challenges. Whilst the first half of the last financial year presented a favourable demand environment, the last six months has presented some of the most difficult trading challenges ever seen by the Group. The demand position has normalised in cleaners, yet laundry volumes have not yet recovered. Additionally, we have seen exceptional disruption to supply chains with availability of raw materials and transport putting pressure on production continuity and a rapid and exceptional escalation in pricing of plastics, surfactants and paper products.

This tough environment is clearly a challenge for our teams, especially after over twelve months of living with the pandemic and its restrictions. I am very pleased with the way the business has responded and continued operations in as normal a manner as possible, with strong commitment to ensuring we do our very best for our customers in the face of such an unprecedented supply situation.

Strategic progress

The past twelve months have been exceptionally busy with the development of the Compass strategy and then the execution of a significant reorganisation to the new divisional structures. I am delighted with the smooth transition to the new-look McBride and from the strong engagement and commitment of all the teams in the business. The divisional approach has been in place since 1 January 2021, led by a refreshed executive team including a new Group CFO and three new Divisional Managing Directors.

Despite the very major hit to short-term earnings, we remain confident in our strategy direction across the divisions.

The divisional teams are now deploying the key strategic initiatives developed during the strategy reset, but against a backdrop of very uncertain and volatile demand patterns and a major and significant challenge in raw material pricing and availability. Despite the very major hit to short-term earnings from these challenges, we remain confident in our strategic direction across the divisions, with our key focus at present to get all the businesses back on track with their strategic plans.

Environmental, social and governance (ESG) and sustainability

We are committed to maintaining a responsible business. As part of our Programme Compass strategy reset, we have established an enhanced approach to ESG, led directly by our CEO, which will build on the existing CSR agenda and separate sustainability programmes, to consolidate all the ambitions and activities in support of our ESG position. The next twelve months will focus on establishing baselines and ambitions, across the whole ESG agenda, ensuring we prioritise and commit in a cost-conscious way to the most impactful areas. On pages 41 to 53 we explain our new 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.

Payments to shareholders

On 2 November 2020, the Company announced that it would commence a share buy-back programme of up to £12 million or 18.3 million McBride plc ordinary shares, running through to the date of the Company's next Annual General Meeting (AGM), expected in October 2021. The Board believed that it was in the interests of all shareholders to commence this programme based on the Board's assessment that our share price did not reflect the value of the underlying business, which has resilient revenues, a strong balance sheet and highly visible cash flows. At 30 June 2021, the Group had purchased and cancelled 8,597,599 ordinary shares. The shares were acquired at an average price of 79.3 pence per share, with prices ranging from 61.0 pence per share to 90.0 pence per share.

As part of the Compass strategy review, the Board has reset our approach to shareholder distribution as part of its capital allocation priorities. The Group will now move to a single annual payment when appropriate and affordable, linked to the Group's level of net debt. When debt cover, defined as the ratio of net debt to adjusted EBITDA(1), is 2.0x or less, surplus funds will be allocated between investment priorities, share buy-backs or annual payments to shareholders.

At 30 June 2021, debt cover was 2.6x and hence for this financial year no distribution to shareholders is proposed.

Governance

The Board remains focused on ensuring that the UK Corporate Governance Code's principles are applied. My introduction to the Directors' report on pages 62 to 64 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 2021.

Board

At the October 2020 AGM, Sandra Turner stood down after nine years of service as a Non-Executive Director and Neil Harrington, Audit Committee Chair, will step down at the AGM in October 2021, by which time he will also have completed nine years as a Non-Executive Director. I would like to thank both Sandra and Neil for their valuable contribution and long service and wish them well for the future.

On 4 January 2021 we appointed Mark Strickland as Chief Financial Officer (CFO), who took over from Clive Jennings, Interim CFO since August 2020. In July 2021 we announced the appointment of Alastair Murray as a Non-Executive Director and future Chair of the Audit Committee. Alastair joined the Board on 2 August 2021.

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

Our people

The Board would like to thank all colleagues across the Group for their efforts during a year that saw major transformation and change. Whilst change can be unsettling and cause uncertainty, it also provides opportunity and this past twelve months has demonstrated many strong examples of the resilience and commitment of our teams. I look forward to the continued contribution of all our colleagues in achieving the ambitions of the 'Compass' strategy in the coming years.

Jeff Nodland
Chairman

(1) Please refer to APM in note 2.

Q&A with our CEO

The change to the new divisional structure was excellently planned, executed and delivered to schedule by our teams.

Chris Smith
Chief Executive Officer

Q How has the transition to the new divisional structure progressed?

A The change to the new divisional structure was excellently project managed and delivered to plan by our teams. We had strong alignment on what was needed, and by when, with the new structures and new roles clearly mapped. The new Divisional Managing Director positions have been successfully filled along with a number of other senior positions, bringing a new and fresh approach to the Group's leadership. I was especially pleased with the commitment and teamwork demonstrated across the business, whether that be the frequent and informative communications, or the transition support 'change champions' engaging with all colleagues across our locations.

Q Are you seeing the new divisional structure exhibiting the new focus and accountability you expected?

A Absolutely. Even though it has been only a few months since the transition, already you can see the new teams working in a more focused way on the key actions and decisions in their division. A couple of examples may help here: first, the impact and proposed actions in response to the exceptional input cost rises have been different across the various divisions; secondly, the speed with which critical innovation projects in Unit Dosing have now started to happen is a significant improvement from what the old structure would have been able to achieve.

Q What has been the response from customers to the new Compass strategy and divisional approach?

A For the majority of our customers, the change to the divisional structure and the approach of different strategies for each division has been understood and quickly accepted. For the limited number of customers who prefer a single point of contact, the divisions have an agreed set-up to make this possible.

Q How has the business coped with the various Covid-19 challenges during the year?

A As in the first lockdown in 2020, the McBride team has proved extremely resilient and have maintained our daily activities superbly. All our European plants have run throughout the period and only in the final quarter did we see national restrictions imposed in Malaysia which forced operations to stop for a number of weeks. The commercial teams have been challenged with managing the demand side of our activities which has proved to be volatile with inventory levels at customers and consumers impacting demand visibility. Our supply chain teams have been very busy with availability and pricing challenges for both raw materials and freight. I am delighted at how the business has responded and would like to express my thanks to all our committed and dedicated colleagues.

Q How is your new approach to ESG progressing?

A Combining our efforts on sustainability and corporate social responsibility (CSR) under a single environmental, social and governance (ESG) banner is well advanced. I am leading our new governance structure, with senior sponsors for each of the ESG components. The next year will be about establishing baselines, priorities, timelines and ambitions. For example, we have commissioned an external consultancy to work with us to calculate our corporate carbon footprint (CCF) and this work is already underway. Recognising that product sustainability will be a key component of the CCF, we are making good progress towards achieving the 2025 Product Sustainability targets that we set last year. Reviews of key areas in the societal and governance arenas are also underway, building on already well-established workforce and community engagement practices and governance standards.

Q In light of the recent impacts of raw material inflation and demand weakness, are you confident the Compass strategies are still suitable for the business?

A The challenging trading situation in the past five months has clearly set back our early year ambitions, however we consider that the individual strategies for each division remain appropriate and are guiding the key activities and priorities for the divisional management teams.

Our culture

Whilst we operate through five divisions and a number of Group functions, we are One McBride with common values and guiding principles.

Our purpose

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

Read more on pages 12 and 13

Our vision

McBride will extend its position as the

leading value producer of everyday consumer hygiene products,

taking

revenues to €1 billion in the next five years

through

focused and sustainable divisional strategies.

Read more on pages 14 and 15

With our new purpose, vision and values, our new focused divisional teams and decentralised structure will rekindle our specialist reputation in the market and permit our teams to better target opportunities.

Our values

Always committed

Working together

Aspire to be the best

Giving and taking accountability

Our guiding principles

Focused growth

Proud of our identity

Effective execution

Market context

By understanding our customers and markets, we are able to better align the business to our customers' needs.

Raw materials

Covid-19 related disruptions of supply markets since November 2020 have led to temporary shortage of materials and exceptional increases of material prices. Significant inflation has been experienced across a range of key feedstocks, with the main impacts being in packaging.

Response
The Group has moved swiftly to enact margin recovery measures, with targeted price increases and product engineering options in development. A number of cost initiatives are being accelerated, with these actions expected to deliver value in the first half of next year. While the Group has made progress in the past few years to increase forward pricing cover for materials, we will look to extend this further.

Sustainability

Many of our customers, consumers and employees are placing more importance on reducing the negative impact on the environment of manufactured products.

Response
In 2020 we launched our programme to deliver challenging 2025 targets for reducing the environmental impact of the products we supply. This programme is based on three key pillars:

- reduction in the use of plastics;
- product compaction; and
- responsible sourcing.

Regulation

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.

Response
McBride embraces initiatives to improve safety for the consumer. We make significant investments in our factories and improvements to our product portfolio to ensure that we fully comply with consumer product legislation.

Sales channels

Shopping habits have become more dynamic with many shoppers now favouring more shopping trips to multiple different outlets, rather than one large weekly shop. Many of the countries in which we operate have a limited number of large supermarket retailers, resulting in fierce competition. Shopper habits changed due to the Covid-19 pandemic, with increased growth of online and convenience channels.

Response
McBride provides compelling product offerings in all retail channels, including discounter, bargain stores, online and convenience channels. We work with retailers to provide them with products that meet the needs of their customers.

Consumers

With our everyday essential products, overall demand patterns prior to the Covid-19 pandemic tended to be relatively stable. The Covid-19 pandemic has impacted consumers' demand for our products in different ways.

Response
We have managed our business to meet the increased demand for cleaning products, due to the increased importance of home hygiene, and for dishwashing products, as more food and drink have been consumed at home. Conversely, we reduced production of laundry products as demand reduced during Covid-19 lockdowns.

Brand owners

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

Response
McBride works closely with a number of major brand owners to contract manufacture their products. These can develop into longer-term more structural supply arrangements. Such contracts offer profitable growth opportunities and help drive operational efficiencies by increasing asset utilisation.

Business model

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

What we do

Our purpose

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

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

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

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

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

Our value engineering, quality and scale of operations permits more consumers the dignity afforded by living in a clean and hygienic home.

How we do it

Inputs:

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

Production process:

- We are end-to-end producers

From:

Resins

Base chemicals

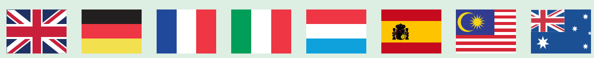
Packaging

To:

Shelf-ready finished products

How we make money

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



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

Distribution platform:

- Across Europe
- Consolidating the customer requirements via:

McBride warehouse network

Into:

Customer distribution hubs

Sustainable outputs:

- Strong commitment to:
  - Ethical trading
  - Further developing improved product and operational sustainability

79.7%
Retailers' private label

1.7%
Professional and cleaning suppliers

14.7%
International and regional branders

3.9%
McBride brands

What sets us apart

- Wide market coverage/knowledge from pan-European operations
- Manufacturing excellence
- Supply chain co-ordination and capabilities
- Customer diversification reduces risk
- Size to scale advantage: #1 volume leader
- Innovation – specialisation and focus
- Experienced management and dedicated employees
- Financial stability/blue-chip reputation

How we allocate capital

1. Reinvest for growth
2. Strategic investments
3. Dividends, share buy-backs
4. Special distribution to shareholders

Our strategy

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

One McBride

Five divisions

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

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

Separate, focused and accountable divisional teams will rekindle our specialist position and improve speed and agility in all our dealings.

We will drive scale advantage from central support services such as purchasing, logistics, finance, HR and IT.

McBride Liquids

- Large, stable market
- Commoditised product categories
- Quality and service important
- Cost competitiveness paramount

Strategy = Simplify to grow

- Simplified portfolio
- Lower costs
- Enhanced customer proposition
- European focus

Focus areas

- PL cleaners and laundry liquids
- Regional growth (Germany, UK, Southern Europe)
- Contract manufacturing development
- Selective value brands expansion

Cost leadership

Cash generation

Read more on pages 20 and 21

McBride Unit Dosing

- Fast-paced growing market
- Brander-led innovation
- Sustainability is a key driver
- E-commerce potential

Strategy = Accelerate to grow

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

Focus areas

- Soft auto dishwasher tablets and laundry capsules
- Sustainable packaging development
- Continued adaptation of core offering

Product leadership

Growth engine

Read more on pages 22 and 23

Support the success of the divisions by leveraging the scale of the Group through procurement, talent management and focused shared service provision.

McBride Powders

- Competitive market – asset heavy
- Market decline slowing
- Consumer transitioning
- Market consolidating

Strategy = Revitalise to grow

- Low cost
- Technical capability upgrade
- Asset utilisation
- Targeted markets/opportunities

Focus areas

- Cost optimisation
- Investing in technical team
- Reinvigorate market position
- Capitalise on environmental leadership

Cost leadership

Cash generation

Read more on pages 24 and 25

McBride Aerosols

- Well-established market
- Covid-19 has provided opportunity
- Niche player

Strategy = Develop to grow

- Beyond France
- Build on eco credentials
- Capitalise on sanitisers

Focus areas

- Cost optimisation
- Capture growth opportunities
- Best-in-class commercial and technical approach

Product leadership

Value optimisation

Read more on pages 26 and 27

McBride Asia Pacific

- Market growing rapidly
- Population and income growth
- Rapid urbanisation
- Maturing retail infrastructure

Strategy = Deliver to grow

- High quality and service
- Developing relationships
- Add growth capacity
- Cost focus

Focus areas

- Establish and exploit new Malaysia facility
- Expand into household
- Capture contract manufacturing opportunities
- Explore M&A opportunities

Cost and value leadership

Strategic upside

Read more on pages 28 and 29

CEO's report

Our current expectations are that the fourth quarter exit rates in the new financial year will be close to our strategic plan.

Chris Smith
Chief Executive Officer

Overall business performance

Full-year Group revenues at £682.3 million were 4.0% lower than the prior year at constant currency. The adverse impact on business performance from Covid-19 that many experienced in 2020 hit us mostly during 2021. In particular, following sales growth of 1.7% in the first half, second half demand slowdown saw revenues 9.5% lower compared to a 'Covid-inflated' second half of the previous year.

The Group has seen destocking at retailers, and we believe also at the consumer level, impacting order volumes. Laundry demand did not recover at any time in the period to pre-pandemic levels and was 14% lower over the year. Volumes of surface cleaner products slowed; having been 11% higher in the first six months, revenues in the second half were 11% lower. Dishwashing product revenues ended 6% higher across the year, but growth in the second half slowed to 1%, having been up 11% in the first half.

The bulk of the volume reductions came in private label, with good gains being made in contract manufacturing, which now represents 16% of Group revenues. Some branded top-up contract manufacturing business ceased in the second half, providing further confirmation of an overall slow-down in market demand.

Adjusted operating profit(1) for the year reduced by £4.2 million to £24.1 million (2020: £28.3m), with adjusted operating profit margin reducing to 3.5% (2020: 4.0%). Second half adjusted operating profits(1) were £11.6 million lower against a strong comparative last year, as a result of the weaker demand and significant increases to input costs.

Watch our Capital Markets Day video

www.mcbride.co.uk/capital-markets-day-2021/

Laundry demand did not recover in the period and was 14% lower over the year; dishwashing products ended 6% higher.

Divisional portfolio performance

All divisions saw sales lower year-on-year, despite the first half seeing all except Powders ahead.

Liquids was heavily impacted by lower cleaners and dishwash volumes in the second half, with full-year sales at constant currency ending 2.5% lower. Adjusted operating profits(1) for the twelve months to June 2021 were 26% lower at £11.7 million, with exit rate profitability very weak as a result of input cost rises.

Unit Dosing revenues for the full year were lower by 1.8%, mostly as a result of weak laundry activity, the lapping of the end of a major contract last year in capsules, balanced by strong auto dishwash volumes throughout the year, especially in the first half. Full-year adjusted operating profits(1) were broadly flat at £16.7 million, an adjusted operating profit margin of 9.2%.

Whilst Powders saw its top line fall by 16%, adjusted operating losses(1) reduced from £4.1 million to £2.3 million with ongoing cost actions and volume growth initiatives targeting to get this business back to at least break-even in the near term. Aerosols saw second half sales reduce as sanitiser orders failed to repeat and personal care revenues stayed weaker. Adjusted operating profits(1) were lower by £1.5 million, mostly in the second half, and the division back to break-even after the pandemic upside last year, more in line with the first six months of the previous financial year. Asia Pacific has suffered in 2021 due to government restrictions on factory operations; with sales 5% lower year-on-year having been 12% higher in the first half. Adjusted operating profit(1) followed the same pattern, with full-year profit of £1.9 million compared to £3.0 million last year. The business is well set for the re-opening of the Malaysian economy, with the new factory complete and fully operational but subject to current restrictions on manning levels.

Revenue	Year to 30 June 2021 £m	Year to 30 June 2020 £m	Reported change	Constant currency(2)
Liquids	376.1	383.2	(1.9%)	(2.5%)
Unit Dosing	181.5	183.5	(1.1%)	(1.8%)
Powders	66.3	78.2	(15.2%)	(15.9%)
Aerosols	34.0	35.2	(3.4%)	(4.2%)
Asia Pacific	24.4	26.1	(6.5%)	(5.4%)
Group	682.3	706.2	(3.4%)	(4.0%)

Adjusted operating profit(1)	Year to 30 June 2021 £m	Year to 30 June 2020 £m	Reported change	Constant currency(2)
Liquids	11.7	15.5	(24.5%)	(26.4%)
Unit Dosing	16.7	17.2	(2.9%)	(4.0%)
Powders	(2.3)	(4.1)	(43.9%)	(45.2%)
Aerosols	0.8	2.3	(65.2%)	(63.6%)
Asia Pacific	1.9	3.0	(36.7%)	(34.5%)
Corporate	(4.7)	(5.6)	(16.1%)	(16.1%)
Group	24.1	28.3	(14.8%)	(15.7%)

(1) Please refer to APM in note 2.

(2) Comparatives translated at 30 June 2021 exchange rates.

CEO's report continued

Input prices
The severe challenges seen across industries with supply chain shortages have heavily impacted McBride. We have experienced an exceptionally fast escalation in input costs since early spring. The size of cost increases in materials including plastics, cardboard and surfactants is unprecedented and is coupled with challenges with freight availability and costs adding further inflationary pressures. Compared to one year ago, cardboard is priced more than 50% higher, ethylene is 50% up impacting on plastics and surfactants and certain solvents over 300% higher. On average, the Group is predicted to see the peak of these raw materials in the autumn this year with the most impacted division, Liquids, seeing raw materials nearly 20% higher than one year ago. The whole industry is affected, whether branded or private label, and the size of the increases has warranted urgent pricing conversations with retailers alongside many branders publicly warning of price rises for their products. At the end of the financial year, these input cost rises have ultimately sealed the fate of two sizeable German competitors who have filed for insolvency.

Programme Compass
The Group has made good progress with transitioning to the new Compass strategies and operating model. Since January 2021, we have focused on stabilising the business model, establishing ways of working between divisions, especially the customer interface, and starting to action the strategic priorities for the divisions. So far, the customer response is favourable and as we move into the new financial year, customers will see further benefits of the divisional approach as our teams' confidence and focus further embed. There have been many positive examples of the impact of this new approach, such as the speed and agility in new product development and targeted growth in Unit Dosing, technical skills and innovation activity in Powders to recover ground lost in recent years and the focus and targeting of pricing actions in Liquids.

Despite the significant and unforeseen challenge thrown at the business from huge input cost rises and skewed demand, our divisional strategies remain sound and our focus is to get the business back on track as quickly as possible.

Covid-19
All of our European factories remained operational throughout the year with absenteeism levels only slightly higher than a usual year. The McBride team have yet again demonstrated fantastic commitment and teamwork to keep the business running against the backdrop of pandemic challenges and a major internal change programme. Supply disruption has led to inefficiencies and service impacts with more supplier 'force majeure' events in the first quarter of calendar year 2021, than the whole of calendar year 2020. The Asia Pacific division has had to deal with more disruption from national control orders in both Kuala Lumpur and Ho Chi Minh City, with both factories on restricted output. The stark input cost pressures seen in the last four months of the year are primarily a result of supply imbalances resulting from Covid-19 effects across the world. The impact on our colleagues, whether home working or working at our factories, has remained top of our agenda and we have an active wellbeing programme in place. As restrictions across the Group's locations lift, a 'flexible' working trial for office-based colleagues has been instigated aimed at understanding the right balance of flexible work arrangements for different teams before confirming the Group's approach to office working in due course.

Current trading and outlook

Order levels for products other than laundry are trading in line with fourth quarter 2021 activity levels. With lockdowns easing, there have been some early signs of improving laundry volumes, including into professional cleaning markets. Our Asia Pacific business is expected to operate at 50-60% of expected output levels due to Covid-19 restrictions for the next two to three months.

The effect of higher input costs is broadly in line overall with our most recent estimates, with some easing in some packaging items but increases in various chemicals. Freight and distribution continue to be challenging, both in availability and cost. At this stage, the outlook on input costs remains difficult to predict and our forecast continues to assume that input costs will peak mid first half year and then stabilise at lower levels than the peak, but not back to March 2021 levels.

The Liquids division continues to conclude pricing discussions with customers with the impact of agreed increases starting to deliver margin recovery. The success of our pricing actions and their timing will be a key determinant on the full-year results.

Our full-year expectations remain in line with our update of 19 August 2021 and we continue to anticipate a weak first half year, especially when compared to our strong first half last year. With limited visibility at this stage and such uncertainty around the ongoing impacts of the pandemic, our current expectations are that fourth quarter exit rates will be close to our strategic plan despite the weaker first half-year performance.

Chris Smith
Chief Executive Officer

The Strategic report was approved by the Board on 10 September 2021 and signed on its behalf by:

Chris Smith
Chief Executive Officer

Our divisions

McBride Liquids

Peter Ingelse
Managing Director Liquids

Watch our Capital Markets Day video

www.mcbride.co.uk/our-business/liquids/

Revenue	£376.1m
Adjusted operating profit[(1)]	£11.7m
Adjusted ROCE[(1)]	9.1%

Performance review

Liquids revenues were heavily impacted by lower cleaners and dishwash volumes in the second half, with full-year sales ending 2.5% lower on a constant currency basis. Adjusted operating profit[(1)] of £11.7 million was 26.4% lower at constant currency, with Q4 exit rate profitability very weak as a result of input cost rises.

Sales of laundry liquids declined by 10% versus prior year. The decline was due to Covid-19 related changes in daily life as consumers spent more time at home as a result of lockdowns, curfews and home working.

Sales of washing up liquids and cleaners were relatively stable year-on-year with stronger sales in the first half, due to more meals being consumed at home and a greater focus on hygiene, but significantly lower demand in the second half, when we also lapped a strong comparative due to Covid-19 demand impacts in the last four months of 2020.

Sales declined in our three major markets: UK, France and Germany, due to a decline in the sales of laundry and washing up liquids. Sales increased significantly in Spain, due to Covid-19 driven demand from a contract manufacturing customer, as well as contract wins with new retail customers.

(1) Please refer to APM in note 2.

Our adjusted operating profits(1) mainly decreased due to two factors: first, the decline in sales in the second half of the year, and secondly the unprecedented and unforeseen increases in input costs in the fourth quarter.

The significant input cost inflation is not specific to McBride, it is a global market issue. Covid-19 related disruptions of supply markets created material availability issues, unavailability of shipping containers and shortage of truck drivers, with the consequence of supply reliability issues and extreme increases of material and transport prices. The main drivers of the material cost rises were plastics and paper packaging, with surfactants and solvents also increasing. The size of the inflationary pressures in raw materials has warranted urgent pricing conversations with our customers.

Q

How are you progressing against your simplify to grow strategic priorities?

A A lot of work going on behind the scenes will deliver significant benefits in the coming years. In addition to our key priority of reducing complexity and costs within the organisation, by developing new standardised product ranges, we are preparing for renewed growth in regional private label markets like Germany, the UK and Southern Europe and continuing growth in contract manufacturing.

We are also working on a more sustainable product portfolio and will strengthen a selective value brand portfolio.

Q

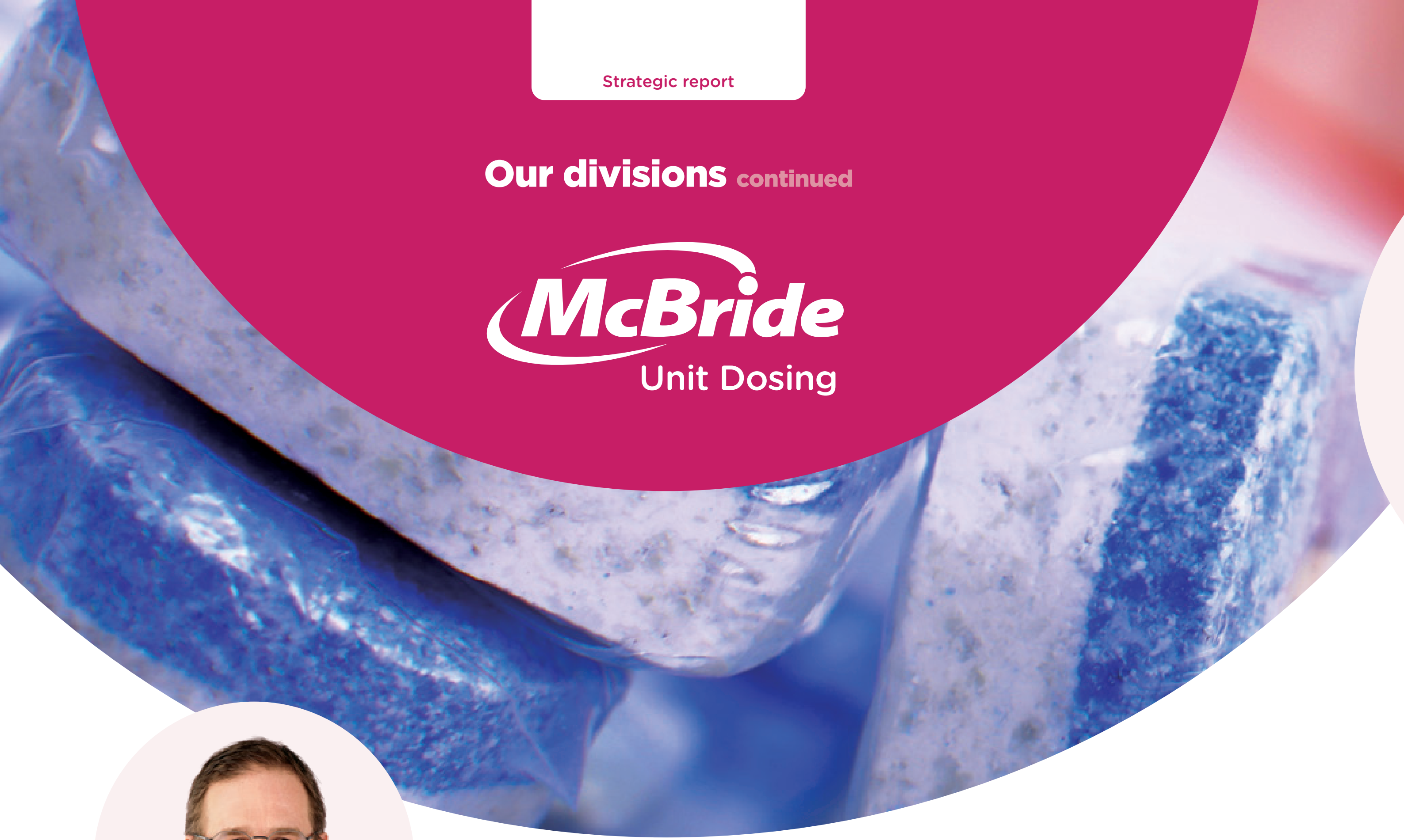
What plans do you have in place to achieve your cost optimisation strategy?

A Since January 2021 we have moved to a new organisation designed to deliver our strategy. We have aligned our key performance indicators (KPIs) to our divisional targets and have implemented clear roles and responsibilities, in order to drive greater accountability.

We have restructured our division to improve our cost base, but there are still significant opportunities to streamline and digitalise processes. To optimise costs we need to standardise processes and tools within the organisation, while removing non value-adding activities in all part of our business.

In the area of operations, we expect to realise cost optimisation from simplification; by driving out complexity we will produce more efficiently and will release capacity. Besides the simplification efforts, we will reduce costs through a renewed strong focus on continuous improvement projects, network/product allocation optimisation initiatives and efficiency projects.

Our divisions continued



McBride Unit Dosing

Lennard Markestein
Managing Director Unit Dosing

Watch our Capital Markets Day video
www.mcbride.co.uk/our-business/unit-dosing/

Revenue
£181.5m

Adjusted operating profit(1)
£16.7m

Adjusted ROCE(1)
31.5%

Performance review

Unit Dosing revenues for the full year were lower by 1.8% on a constant currency basis and full-year adjusted operating profits(1) were broadly flat at £16.7 million (2020: £17.2m), resulting in an adjusted operating profit margin of 9.2% (2020: 9.4%).

Following first half revenue growth of 1.0%, tougher trading conditions meant that revenues declined 4.6% in the second half.

The lower revenues in the second half were driven by unexpected weak demand in our final quarter, particularly in Germany.

For the full year, significant declines in laundry capsule and tablet revenues, due to known earlier contract losses and weak underlying demand, were only partially offset by sales of dishwasher tablets, where we gained new contracts and continued to see higher consumption due to Covid-19.

In aggregate, we realised growth in the year with 17 of our top 30 customers and are proud that our products have been awarded multiple 'Best Buy' ratings in recognition of their high quality.

While the division operated with good cost and working capital discipline throughout the year, profitability declined in the second half due to deterioration in category sales mix and raw material cost increases, particularly in the final quarter.

We are encouraged by the progress we have already made versus our Accelerate to Grow strategy. We have invested in capacity increases for dishwasher tablets with soluble shrink foil, improvements in our packaging flexibility and new equipment to support upcoming new product launches.

(1) Please refer to APM in note 2.

In the first half of 2022, two new capsule designs will be on retailer shelves, supported by new sustainable packaging, as well as the launch of our first soft hybrid powder/liquid dishwasher capsule. We will also accelerate the sales of in-bottle refill tablets which launched in the second half of 2021.

Our division has clear potential to further improve its cost competitiveness. We have programmes underway to improve our efficiency and will automate as long as this does not constrain our flexibility and responsiveness.

2022 will be the year where we will strive to place the division on a robust growth trajectory.

We are keen to serve our customer needs, and are confident that our customers will increasingly select McBride as their proactive partner of choice for Unit Dosing products.

Q

What new production launches will we see short term in support of your product leadership strategy?

A

Our dedicated team has embraced our product leadership strategy. As part of our strategic assessment we recognised we have a broad and strong portfolio, but that our innovation execution lacked speed. We are excited about the progress we have made thus far to improve our speed to market. In the first half of 2022, we will launch a new, smaller mono laundry capsule and a new premium triple capsule design. Capsule packaging in tubs and doy-packs will be completed by a premium offering in carton, SCIC compliant (Superior Child Impeding Closure) with a safe but customer-friendly opening/closing functionality (click to lock). For dishwash we have expanded capacity for our premium tab-in-tab format and will launch more compact skillets. As well, a brand-new three-chamber high performance powder liquid dishwasher product with a very appealing and compact design will be on the shelf towards the end of this calendar year.

Q

What role does sustainability play in your strategy?

A

Sustainability is at the heart of our strategy. All our product designs are fit for purpose with the right amounts of active ingredients, ensuring no over-dosing. We are improving the sustainability of our portfolio in multiple ways. Firstly, by using environmentally friendly ingredients in our formulations. Secondly, by compacting our products, allowing for smaller packing units and thus enabling for more effective transportation and less warehousing needs. Significant research and development (R&D) efforts are directed to packaging. When based on plastics, we offer tub options that maximise post-consumer recycle use and monolayer doy-packs. Increasing, we will employ carton, most recently represented by our consumer-friendly carton box for laundry capsules.

Our divisions continued

McBride Powders

Tim Perman
Managing Director Powders

Watch our Capital Markets Day video
www.mcbride.co.uk/our-business/powders/

Revenue	Adjusted operating profit(1)	Adjusted ROCE(1)
£66.3m	(£2.3m)	(9.3%)

Performance review

Powders revenues for the full year were 16% lower on a constant currency basis, but adjusted operating losses(1) reduced from £4.1 million to £2.3 million, with ongoing cost actions and volume growth targeting to get this business back to at least break-even in the near term.

The accelerated decline in demand for laundry products noted last year continued into 2021, with the Covid-19 impact being driven by people working from home and unable to socialise, with the knock-on effect of washing their clothes less frequently.

Private label sales were 19% lower due to the loss of one major contract, the reduction in sales of laundry powder tabs and consumer stockpiling in the second half of the fiscal year. Contract manufacturing sales were 9% lower as the industrial and hospitality sectors were also significantly impacted by restrictions in movement and travel.

These sales trends were reflected across the entire European region, although the two largest countries of the UK and Germany recorded higher than average declines.

It is worth noting that an improvement in rates of sale in both private label and contract manufacturing was witnessed as the division exited the financial year.

Gross margin performance improved significantly versus the previous year with a 270 basis points improvement, resulting from the closure of the UK Barrow site and a strong cost focus across the business. This was further aided by the move into a divisional structure, which enabled a reduction in the overheads cost base, significantly improving our operating margins.

Overall, the adjusted operating profit(1) of the Powders division improved by £1.7 million and a competitive cost base has now been established to aggressively target new business to better utilise the existing asset base and restore volumes. The improved profit performance was also complemented by progress in working capital and cash flow results.

(1) Please refer to APM in note 2.

With a renewed focus, the Powders division has strengthened the technical capability of its team in order to accelerate product development and a number of exciting initiatives are already under discussion with key customer partners. The cost leadership strategy and the product innovation plans mean that the division is well placed to progress in 2022.

Q

How do you see the laundry powders category for McBride?

A

The laundry powders market has been declining for several years, driven by consumers moving to formats like laundry capsules and laundry liquids, and due to reductions in dosage quantities. McBride is well positioned to benefit from market consolidation as more branders outsource their manufacturing, smaller competitors exit the category and private label supply concentrates to fewer suppliers. With the right cost and quality performance, McBride can operate a profitable business in this sector.

Q

What are the commercial priorities for Powders?

A

We have segmented our markets and customers and with a clear focus will target the right regions and products. We will reinvigorate our market positions, building further on our private label business, where our fluid-bed technology is key to cost-effective production of higher density powders. We will also actively target branders and professional cleaning customers, where our spray technology allows us to provide the right product offering. Additionally, we will move from being reactive to being proactive in promoting our eco credentials in our core markets.

Our divisions continued

McBride Aerosols

Marc Marot
Managing Director Aerosols

Watch our Capital Markets Day video
www.mcbride.co.uk/our-business/aerosols/

Revenue
£34.0m

Adjusted operating profit(1)
£0.8m

Adjusted ROCE(1)
8.4%

Performance review

Aerosols revenues of £34.0 million was down 4.2%, and full-year adjusted operating profit(1) of £0.8 million was down 64%, both on a constant currency basis. This resulted in an adjusted operating profit margin of 2.4% (2020: 6.5%).

With significantly different demand impacts in different product categories of our business, our revenues performance was 'a tale of two halves'. In the first half of 2021 revenues grew by 15% driven by the continuing success of the new sanitising products launched in the second half of 2020; in the second half, sales declined by 20% due to declining demand for sanitising products and due to lapping tough comparatives.

The Aerosols division's four main product categories are: household (air fresheners and cleaners), personal care (deodorants and shaving), insecticides and hydroalcoholic (hand and 'one-shot' sanitisers). While the household and insecticide ranges saw stable demand in the year, personal care and hydroalcoholic sanitiser categories suffered significantly from Covid-19 related volatility.

Our sanitiser products, which include gels and sprays for hands and surfaces, which saw exceptional demand in the early part of the pandemic, were expected to continue to grow strongly into the new financial year. While Q1 sales remained strong, the market was soon saturated by hand sanitising products and demand slowed. Additionally, the lockdown affected consumer behaviour and we experienced weak demand levels for personal care products for most of the year; for example, we were unable to sell our professional haircare products into hairdressing salons as these remained closed to mitigate the spread of Covid-19.

The operating profit impact of lower sales and adverse sales mix was mitigated to some extent by overhead cost control and managing raw material price increases. This meant that we delivered full-year adjusted operating profit(1) of £0.8 million, compared to £2.3 million in 2020, all of which was delivered in the last three months of the year following the successful launch of our sanitising products.

(1) Please refer to APM in note 2.

It is only two years ago that this business was loss-making. Whilst this year was weaker than expected, the division generated profits and continues to pursue its strategy of niche innovations supplied to a limited range of markets. The Aerosols division is keenly focused on meeting customers' needs in the most cost effective way. This approach has already secured new contracts for launch in 2022. Forward buying and hedging of raw materials will also allow the division to reduce the impact of global prices for the primary components of gas, aluminium and tin.

Q

With a changing Covid environment, how do you see future growth?

A

Sales of hand sanitiser products were boosted during Covid-19 lockdowns and ongoing interest in the aerosol versions will depend on both health advice as well as supply saturation. Being agile to respond to these situations and developing innovations like this quickly is part of our future growth plans.

We have a number of exciting initiatives in the new product pipeline, building on the success of hand sanitisers, with novel aerosol applications and targeting the categories of insecticides and personal care.

Q

What are the geographic priorities for Aerosols?

A

France remains the largest sales region for Aerosols with strong relationships at the main retailers for the personal care and household categories. In line with the Compass strategy, we have started our expansion to the key German market by strengthening our sales structure.

During the year we have expanded our product offering for insecticide products with the launch of new ranges and dispensing technology. This could allow us to explore export opportunities in certain international markets, particularly as our new anti-mosquito aerosol products could help fight against the risk of catching malaria.

Our divisions continued

McBride Asia Pacific

Adrian Gurney
Managing Director Asia Pacific

Watch our Capital Markets Day video
www.mcbride.co.uk/our-business/asia-pacific/

Revenue
£24.4m

Adjusted operating profit[1]
£1.9m

Adjusted ROCE[1]
15.7%

Performance review

Asia Pacific revenues of £24.4 million were lower by 5.4%, adjusted operating profit[1] of £1.9 million was lower by 34.5%, both on a constant currency basis. This resulted in an adjusted operating profit margin of 7.8%.

The sales decrease for the year was driven by a 21% reduction in the second half, following strong growth of 13% in the first half. This was principally due to the loss of a major dishwasher tablet contract in Australia, combined with lower personal care sales from Malaysia to export markets, due to lower consumer demand and impacts to the supply chain.

We continued to see strong rates of sales of dishwasher tablets to a major Australian customer due to consumers staying at home under restrictions. In addition, we won some major new contracts in private label within the personal care sector for two of our key customers.

The rush for multiple purchases of liquid hand wash and hand sanitisers, during the early stages of the Covid-19 pandemic, subsided once home stocks had increased and was followed by a dramatic increase in the number of brands launched into this market, further suppressing our sales as the year progressed.

Our business in Asia Pacific has been significantly impacted by government decisions on population movement controls and lockdowns for industry over the several phases of the Covid-19 pandemic, including a number of weeks of either enforced closure or restricted manpower at the Malaysia plant. Additionally, availability of shipping vessels and containers impacted export orders.

Despite this significant disruption in Malaysia, we completed the move to our new premises in March 2021, following an excellent team performance to transition the business to the brand-new facility. In line with our growth strategy, we have started to attract interest from branded companies for contract manufacturing opportunities in both household and personal care product categories.

We believe the business is well positioned, with additional spare capacity, to take advantage of the anticipated upturn in customer orders as the region comes out of the pandemic during the course of the second half of 2021.

(1) Please refer to APM in note 2.

Q

How will the new factory in Malaysia support growth ambitions in the region?

A

Our new factory is a clear statement of intent. The facility is a high-quality demonstration of our growth ambition in the region, with the potential to at least double our output from a single, integrated operation. It will facilitate the move into production of household liquid cleaning products, which is the core expertise of McBride.

Our key private label customers are looking to grow volumes of the products we supply, as they increase regional penetration through a programme of store expansions, aggressive marketing campaigns and new product launches. We are engaging with both regional and international branded companies who are seeking a high-quality, reliable and blue chip regional partner for contract manufacturing.

Our new factory gives us a unique platform to support this growth ambition, as we emerge from the impacts of the Covid-19 pandemic, with latent underlying demand for new, high-quality products and the capacity to deliver these higher orders.

Our colleagues are delighted with the new factory environment, and a single location for all our Malaysia operations will deliver efficiency benefits. It has also fostered a positive team spirit and better work ethic, as we improve our communications and problem solving based on easy access in one site location.

Q

What plans do you have in place to develop a household business in the region?

A

Our ambition is to fast track growth in this sector in Asia Pacific by leveraging our Group expertise and knowledge in household laundry, cleaners and dishwashing products.

We have set up a technology and technical expertise sharing platform to ensure that we provide a smart and efficient process to transfer knowledge to our local team. We also have access to our Group R&D sector specialists in our European Centres of Excellence, to work on key projects.

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

CFO's report

Despite the current challenging trading environment, we have the financial and operational discipline to execute on our Compass strategic plans, delivering value for our shareholders.

Mark Strickland
Chief Financial Officer

Group operating results

The full-year operating profit from continuing operations of £15.5 million was slightly higher than the prior year (2020: £15.4m).

Despite a strong first half of the year, full-year adjusted operating profit[1] of £24.1 million was lower than the prior year (2020: £28.3m) as rapid input price inflation hit the final quarter. Adjusted operating profit margin decreased from 4.0% to 3.5%.

Programme Compass is delivering an increased focus on cost optimisation and has meant that most overhead costs are now directly attributed within the respective divisions' income statements. The only costs now allocated out to the divisions are central overheads, with plc costs being retained at a Group level. In total, central and plc costs were £27.7 million, a fall of 9.2% from the prior year (2020: £30.5m).

Group EBITDA

Full-year adjusted EBITDA[1] of £45.5 million (2020: £49.1m) reflected the tough final quarter trading conditions.

Exceptional items

Total exceptional items of £6.2 million were recorded during the period in relation to continuing operations (2020: £10.8m). The charges primarily comprised the following:

- £0.4 million in respect of one-off legacy costs in relation to the former UK Aerosols site in Hull;
- £0.3 million relating to the closure costs for the Barrow production facility, which ceased operations in October 2020;
- £4.4 million relating to Programme Compass, including £2.5 million of redundancy costs, £0.8 million in consulting support, £0.3 million of fixed asset write offs, £0.3 million in professional fees and £0.2 million in other project expenses; and
- £1.1 million relating to the Group's logistics transformation, including £0.7 million of redundancy costs, £0.2 million of site clearance costs, £0.1 million of fixed asset write offs and £0.1 million in other project expenses.

Finance costs

At £4.2 million, adjusted finance costs[1] remained stable (2020: £4.1m).

(1) Please refer to APM in note 2.

	2021 £m	2020 £m
Operating profit	**14.8**	15.1
Add back operating loss from discontinued operations	**0.7**	0.3
Operating profit from continuing operations	**15.5**	15.4
Exceptional items	**6.2**	10.8
Amortisation	**2.4**	2.1
Adjusted operating profit[1]	**24.1**	28.3
Depreciation of property, plant and equipment	**17.6**	17.1
Depreciation of right-of-use assets	**3.8**	3.7
Adjusted EBITDA[1]	**45.5**	49.1

Profit before tax and taxation

Reported profit before taxation from continuing operations was £11.3 million (2020: £11.2m). Adjusted profit before taxation[1] from continuing operations reduced by £4.3 million to £19.9 million (2020: £24.2m). The tax credit on continuing adjusted profit before tax[1] for the year is £1.1 million (2020: £6.8m) charge) and the effective tax rate is a credit of 6% (2020: 28% charge). The tax credit is a result of a £5.9 million credit in respect of deferred tax asset recognition and a £1.8 million release from uncertain tax provisions in respect of a closed tax audit.

The statutory effective tax rate on continuing operations for the year is a credit of 24% (2020: 40% charge). The impact on the future effective tax rate for the Group as a result of the new divisional structure is currently being assessed, but is not expected to be significant.

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 re-assessed at each period end and the estimates refined as additional information becomes available.

At 30 June 2021, the Group estimated its maximum possible tax exposure for ongoing tax audits and uncertain tax treatments to be £18.9 million, against which a provision of £2.9 million has been made, in line with IFRIC 23 requirements.

Earnings per share

On an adjusted basis, diluted earnings per share[1] (EPS) from continuing operations was 11.7 pence (2020: 9.5p). Total adjusted diluted EPS[1] increased to 11.7 pence (2020: 9.5p), with basic EPS at 7.5 pence (2020: 3.6p). The 2021 EPS has been significantly affected by the year's tax credit referred to above.

Payments to shareholders

On 2 November 2020, the Company announced that it would commence a share buy-back programme of up to £12 million in McBride plc ordinary shares, running from 2 November 2020 through to the date of the Company's next AGM. The maximum number of shares that may be re-purchased by the Company under the programme is 18.3 million. Purchases may continue during any closed period to which the Company is subject. The purpose of the share buy-back programme is to reduce the share capital of the Company (any shares repurchased for this purpose will be cancelled). The Board believed that it was in the interests of all shareholders to commence this programme based on the Board's assessment that McBride's current share price did not reflect the value of the underlying business, which has resilient revenues, a strong balance sheet and highly visible cash flows.

During the year, the Group purchased and cancelled 8.6 million ordinary shares representing 4.7% of the issued ordinary share capital as at 2 November 2020. The shares were acquired at an average price of 79.3 pence per share, with prices ranging from 61.0 pence per share to 90.0 pence per share. The total cost of £6.8 million was deducted from equity. A transfer of £0.9 million was made from share capital to the capital redemption reserve. Post the year end, in the period up to 6 September 2021, the Group has purchased and cancelled a further 0.2 million ordinary shares. These shares were acquired at an average price of 77.0 pence per share, with prices ranging from 73.3 pence per share to 78.6 pence per share. Further to the preliminary results announcement on 7 September 2021, the Board has now ended the share buy-back programme announced on 2 November 2020.

Investing in the business to drive mid-term sustainable profitable growth is a key priority of the business. Therefore, as part of the Group's strategy reset, at its Capital Markets Day on 23 February 2021, the Company announced a new flexible policy, on payments to shareholders, making payouts when appropriate and affordable. More specifically, the business moved to annual payments, payable only when the net debt[1] to adjusted EBITDA[1] leverage ratio (on an accounting basis) is 2.0x or less.

CFO's report continued

Payments to shareholders continued

Once this ratio is 2.0x or less the Group has indicated a progressive dividend policy, as follows:

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

Since the ratio was over 2.0x at 30 June 2021, the Board believes that it is prudent not to propose a distribution to shareholders.

Cash flow and balance sheet

Free cash flow(1)	2021 £m	2020 £m
Adjusted EBITDA(1)	**45.5**	49.1
Working capital excluding provisions and pensions	**(9.4)**	20.1
Share-based payments and loss/profit on disposal of fixed assets	**0.7**	(0.3)
Non-exceptional impairment	**0.3**	–
Pension deficit reduction contributions	**(4.0)**	(4.0)
Free cash flow(1)	**33.1**	64.9
Exceptional items and tax paid	**(15.3)**	(9.9)
Capital expenditure including capital payments on lease liabilities less proceeds from sale of fixed assets	**(28.5)**	(20.2)
Interest on borrowings and lease liabilities less interest receivable	**(3.2)**	(3.3)
Debt financing and refinancing activities	**1.1**	(0.3)
Other items – settlement of derivatives	**3.8**	0.6
Free cash flow(1) to equity	**(9.0)**	31.8
Dividends paid/redemption of B shares	**(2.0)**	(3.4)
Share buy-back	**(6.8)**	–
Purchase of own shares held by Employee Benefit Trust	**(0.3)**	(0.1)
Net (decrease)/increase in cash and cash equivalents	**(18.1)**	28.3
Cash conversion(2) (%)	**73%**	132%

Cash generated from continuing operations before exceptional items was £33.1 million (2020: £64.9m) in the year to 30 June 2021.

As signposted at last year's results, working capital levels at 30 June 2020 benefited from a one-off upside. This related to the consequences of exceptionally high demand in March 2020, from which the rebuilding of inventory over the following three months saw higher creditor levels than usual at the year-end date. The June 2021 working capital ratio has returned to more normal levels. As a result, cash conversion reduced to 73%(2) (2020: 132%).

During the year, capital expenditure, including capital payments on lease liabilities less proceeds from the sale of fixed assets, increased to £28.5 million (2020: £20.2m) in cash terms. We continue to prioritise capital expenditure to underpin our strategy of focused investment in our growth categories.

As part of its share buy-back programme, the Group bought back shares for a total cash outflow of £6.8 million in the year. In addition, the Employee Benefit Trust purchased £0.3 million of McBride plc shares.

The Group's net assets increased to £69.8 million (2020: £66.9m). Gearing(3) improved to 66% (30 June 2020: 57%) and adjusted return on capital employed(1) of 11.5% was lower compared to the prior year (2020: 12.8%).

Bank facilities and net debt(1)

Net debt(1) at the year end increased to £118.4 million (30 June 2020: £101.5m). Of the increase in net debt(1), approximately £10 million were a result of the normalisation of trading working capital referred to above.

Net debt(1), excluding IFRS 16, increased by £14.3 million to £107.1 million (30 June 2020: £92.8m), again mainly due to the normalisation of working capital.

During the year, the Group signed a €175 million multi-currency 'Sustainability Linked Revolving Credit Facility' (RCF).

The RCF is initially for a five-year tenor, with the option to be extended to 30 September 2027, and is provided by a syndicate of supportive international bank lenders. It also includes a €75 million uncommitted accordion feature which could provide additional commitments for potential acquisitions in support of our Compass strategy.

(1) Please refer to APM in note 2.

(2) Free cash flow as a percentage of adjusted EBITDA.

(3) Gearing is defined as the ratio of net debt/average year-end capital.

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

1. Renewable energy: McBride strives to reduce its environmental impact by increasing the percentage of energy from renewable sources from 5.9% in 2020 to 70% in 2026.
2. Recycled content: As plastics are a significant element in many of the final products of McBride, the Company targets to significantly increase the post-consumer recycled content of polyethylene terephthalate (PET) plastic packaging sourced for manufacturing its products from 64% in 2020 to 94% in 2026.
3. Responsible sourcing: McBride targets to source all the paper and card components responsibly via FSC® approved suppliers, with the percentage of virgin carton sourced from FSC® approved suppliers increasing from 50% in 2020 to 100% in 2026.

Successful achievement of the annual targets will result in the earning of a discount on the margin of the RCF.

At 30 June 2021, the amount undrawn on the facility was €87.0 million (2020: €61.3m).

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 Group's invoice discounting facilities. As at 30 June 2021, the debt cover ratio under the RCF funding arrangements was 1.5x (2020: 1.4x) and the interest cover was 11.0x (2020: 12.2x). The Group remains well within these covenants.

At 30 June 2021, the Group had a number of facilities whereby it could borrow against certain of its trade receivables. In the UK, the Group had a £25 million facility that was committed until October 2021. In France and Belgium, the Group had an aggregate €30 million facility, which had a rolling notice period of six months for the French part and three months for the Belgian part. In Germany, the Group had a €26 million facility that is committed until December 2023. The Group can borrow from the provider of the relevant facility up to the lower of the facility limit and the value of the respective receivables. Since the close of the year, the Group has extended the UK facility to October 2022 reducing the commitment to £20 million. The Group has also increased the commitment on the German facility to €35 million.

The Group also has access to uncommitted working capital facilities amounting to £44.3 million at 30 June 2021 (2020: £32.8m). At 30 June 2021, £5.9 million (2020: £4.1m) was drawn against these facilities in the form of overdrafts and short-term borrowings.

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 2021, the Group recognised a deficit on its UK scheme of £29.3 million (30 June 2020: £28.4m). 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.

A cash flow driven investment (CDI) strategy was implemented during the first half of the financial year to 30 June 2020. Through the use of credit/bond investments, the CDI strategy delivers a stable, more certain expected return and reduced volatility in the reported accounting deficit as assets and liabilities are better matched.

The latest funding valuation for the UK scheme was performed as at 31 March 2021, which confirmed that, with the Company agreeing to continue annual deficit reduction contributions of £4 million, the deficit is on track to be neutralised by 2028.

The Group has other unfunded post-employment benefit obligations outside the UK that amounted to £2.6 million (30 June 2020: £3.1m).

Brexit

The Group experienced minimal disruption following the end of the transition period with the EU on 31 December 2020, largely as a result of the steps taken to address those areas identified from the Government's guidance of the new rules that apply. Whilst most product ranges produced in the UK are manufactured for UK customers, importation of product ranges from the EU have a well-established and prepared supply route which has operated effectively since the end of December. We experienced some limited disruption during December 2020 as a result of the closure of the French border resulting from Covid-19 concerns. We are currently experiencing additional costs and increased freight rates from a combination of Covid-19 restrictions, haulage supply difficulties and changes to administrative procedures related to Brexit.

Mark Strickland
Chief Financial Officer

Key performance indicators

Financial

Continuing revenue (£m)

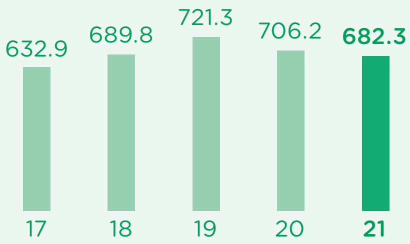
Definition and why we measure

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

It is a key performance indicator of our commercial performance, and in particular the progress that we are making towards our strategic objective of growing to €1 billion revenues.

How we've performed

Group revenues declined by £23.9 million, with the largest drivers being: Powders (loss of major contract) and Liquids (lower laundry sales post-Covid and lapping high Covid sales of cleaners in 2020).



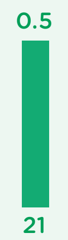
Cost savings (£m)

Definition and why we measure

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

How we've performed

In 2021 £0.5 million cost savings have been achieved, largely as a result of organisation redesign. Our new organisation structure took effect from 1 January 2021, so this was just a half-year effect.



Adjusted EBITDA[1] margin advances (%)

Definition and why we measure

The calculation of adjusted EBITDA[1], which when divided by revenues gives this EBITDA margin, is defined in the adjusted measures section of note 2 to the accounts.

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

How we've performed

Our EBITDA margin declined 0.3% in 2021 as we have not been able to immediately recover through pricing the unexpected increase in input costs in the second half of the year.

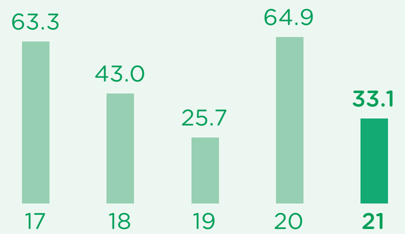
Free cash flow[1] increase (£m)

Definition and why we measure

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

How we've performed

Free cash flow[1] declined £31.8 million, with the reduction being fully explainable by the movement in payables. In 2020, payables increased by £12.8 million, with Q4 high as we rebuilt inventories to normal levels following panic buying in the early stages of the Covid-19 pandemic. In 2021, payables reduced by £22.2 million as payables returned to more normal levels.



Adjusted ROCE[1] improvement (%)

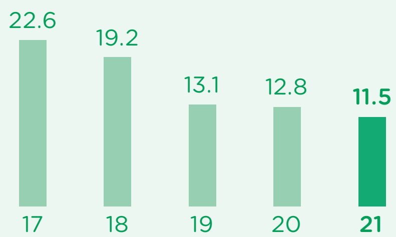
Definition and why we measure

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

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

How we've performed

Adjusted ROCE[1] has reduced from 12.8% to 11.5%. Capital employed has only increased marginally to £209.3 million (2020: £208.1m). The key driver of the decrease is the decline in adjusted operating profit[1] to £24.1 million (2020: £28.3m).



Non-financial

Health and safety

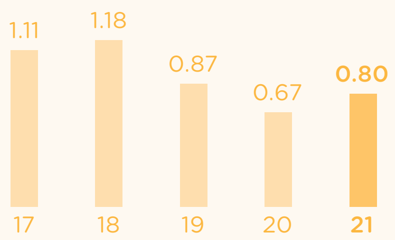
Definition and why we measure

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

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

How we've performed

Our lost time frequency rate has improved in the last three years versus the levels seen in 2017 and 2018. In 2021 the metric was 0.80.



Customer service level
(%)

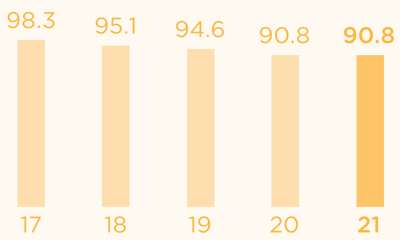
Definition and why we measure

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

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

How we've performed

Both 2020 and 2021 were impacted by Covid-19-related inventory shortages. Our service level was back to 93.6% in Q4 2021.



Gender split – female
(%)

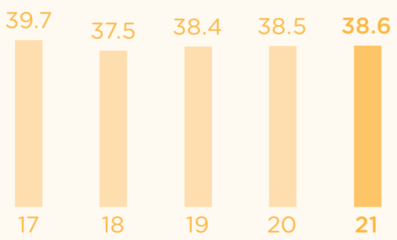
Definition and why we measure

We define gender split as the proportion of our total workforce that is female.

We value diversity and inclusion in all forms, with gender split just one measure of this. We endeavour to promote diversity in our workplace to enhance the success of our business.

How we've performed

Our proportion of female colleagues has remained broadly stable in the past few years at between 37.5% and 40.0%. In 2021 it was up slightly on the prior year at 38.6%.



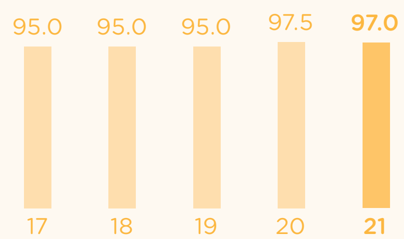
Customer quality
(%)

Definition and why we measure

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

How we've performed

We performed well in 2021 with capex and rigorous hygiene measures put in place to mitigate increased microbiological contamination risks following legislative changes restricting the use of the preservative MIT.



Research & development expenditure
(%)

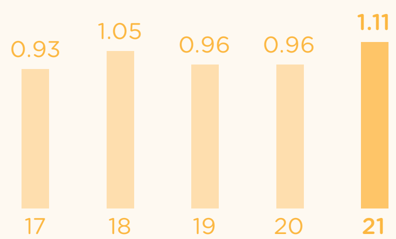
Definition and why we measure

We define as total research and development expenditure as a percentage of Group revenue.

We measure this to ensure that we are investing at the required levels to ensure that we meet our product innovation and sustainability objectives.

How we've performed

Our research and development expenditure as a percentage of Group revenues has increased to 1.11%; up from 0.96% in the two previous years.



(1) Please refer to APM in note 2.

Our stakeholders

Section 172(1) statement

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

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

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

- likely consequences of any decisions in the long term;
- 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

The 3,331 colleagues employed by the Group in twelve countries are critical to the attainment of our Group's strategic objectives.

How we engage

A key principle of our business success is creating a culture whereby we nurture and develop our colleagues to achieve their full potential. Creating an inclusive and supportive culture is not only the right thing to do, but is also what is best for our business. It creates a sense of belonging and value and enables colleagues to perform at their best.

2021 highlights

Our colleagues have demonstrated extraordinary levels of agility, commitment and resilience through challenging circumstances to do the right thing by each other, for our customers, our shareholders and our communities.

As part of our Compass strategy, during the first quarter of 2021 we refreshed and relaunched our cultural ambition through our Discovering McBride culture workshops. This allowed all colleagues in all countries to truly explore what our vision, purpose and values mean to them and how they can contribute to the overall success of McBride.

Consultations with the European Works Council have continued despite Covid-19 challenges during the last year.

Outcomes and impact of key decisions

Due to the Covid-19 pandemic, the health, safety and wellbeing of our colleagues has never been more important. Creating a supportive, safe and rewarding work environment enables colleagues to continue to deliver our goals and develop their careers.

- In June 2021 we committed to extend our McBride Cares Employee Assistance Programme for the next twelve months, which provides a confidential telephone counselling support line 24/7/365 for colleagues and their direct families.
- We launched our own internal McBride Wellbeing Matters self-paced learning module for colleagues to access.
- Our focus on developing and growing our colleagues through our Let's Grow development framework has been a key initiative and since September 2021, we have facilitated ten cohorts of Investing in ME with 113 participants and two cohorts of Learning 2 Lead with 23 participants.

To support our colleagues post Covid-19, we have introduced an Interim SMART home working programme for 2021 for eligible colleagues to have a blend of working from home and the office.

Our stakeholders continued

Customers

Why significant
Good relationships with our customers are the fundamental bedrock of our business as they help us to achieve our purpose of supplying everyday value cleaning products so that every home can be clean and hygienic.

How we engage
We aim to deliver industry-leading value, service and quality for our customers. Additionally, in the current Covid-19 era, listening to our customers has never been more important, especially as every household has been impacted in some way and consumer behaviour has changed everywhere, often creating short-term surges in demand for certain products. Reacting quickly and effectively to these demands is core to our customer proposition.

2021 highlights
With the supply chain under pressure, often in unexpected and challenging ways, we have managed to maximise the availability of our products to our customers, which in turn has helped consumers and their families with their hygiene and cleaning needs, which in recent times have never been greater.

Outcomes and impact of key decisions
We have continued to operate safely throughout these challenging times, and remain the trusted supplier of choice to the majority of Europe's major retailers.

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

How we engage
Our Supplier Code of Conduct, which is visible on our website, sets out the standards of behaviour we expect from all of our suppliers. We continually seek to establish mutually beneficial relationships with each of our suppliers and encourage them to match our high standards. Our 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.

2021 highlights
Global supply chains have been severely disrupted in the last twelve months, driven by both Covid and non-Covid related factors. Throughout this period we have worked more closely than ever with our supplier base to ensure we can secure the materials to produce the products that our customers and consumers need.

Outcomes and impact of key decisions
The central procurement team have leveraged our relationships across our vast network of suppliers in order to ensure that we maintain supply of raw materials at all times despite the many challenges we faced as an industry over the last twelve months. Working closely in collaboration with the divisional research and development teams has been a key factor in this success.

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 last year has demonstrated that the Group is not overly reliant on any one supplier, and continual alternative supplier scenario planning is a key part of our procurement strategy.

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 Ltd.

Shareholders

Why significant
A key objective of the Board is to create value for shareholders and deliver long-term, sustainable growth. By continuing to engage with our shareholders we 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 Directors are available at the AGM to answer questions.

2021 highlights
During the year, McBride undertook its regular programme of engagement with shareholders, which included: the financial reporting cycle comprising full-year and half-year results, in addition to two quarterly trading statements; a Capital Markets Day; and the AGM.

Igor Kuzniar continues to represent McBride's largest shareholder, Teleios Capital Partners, on the Board.

Following the 2019 AGM, the Chairman engaged with a major shareholder regarding its vote against the resolution giving Directors authority to allot shares. At the 2020 AGM, the resolution giving Directors authority to allot shares was passed with 96.27% of votes cast in favour.

Outcomes and impact of key decisions
Shareholder views consistently inform McBride's strategic decision-making and shareholder opinion was central to McBride's new strategy, Programme Compass.

The 2020 AGM was a closed meeting due to the UK Government's stay-at-home measures. However, all resolutions put forward at the 2020 AGM were passed with at least 86.87% of shareholder votes cast in favour. Following the lifting of Covid-19 restrictions in the UK, shareholders will be able to attend the AGM once again. This year's AGM will take place at 2.00pm on 19 October 2021 at Building C, Central Park, Northampton Road, Manchester M40 5BP.

Communities

Why significant
Our relationships with the wider society, whether local, national or international, are important to us. We are proud to be part of local communities, providing employment and investment, and of the work that our colleagues do in community engagement and charitable giving.

How we engage
Supporting and making a contribution to our local communities where we do business is important to us all. In response to the challenging circumstances presented by Covid-19, our colleagues have gone above and beyond normal levels in supporting our local communities during the last year.

2021 highlights
We were delighted to support a number of charitable activities that directly benefited the communities in which we operate:

- Supporting the children of McBride colleagues with educational grants.
- Donating products to a range of local organisations including schools, hospitals, aid organisations, churches, shelters and foundations in the countries in which we operate.
- Continuing to support In Kind Direct with product and cash donations.
- Through our charitable trust, 500 colleagues participated in a new initiative 'Spring into Action' which was a walking event during the months of April and May 2021, raising £20,000 for ten different cancer/children's charities chosen by our colleagues.

Outcomes and impact of key decisions
The Company has supported colleagues from across the Group, encouraging them to come together to support local initiatives, organise product donations, raise funds for chosen charities and volunteer for local organisations.

Group non-financial information statement

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

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

Reporting requirement and our material areas of impact	Relevant Group principal risks	Relevant Group policies	Policy embedding, due diligence, outcomes and key performance indicators – page reference
Environmental matters • Responsible approach to product design and production	Consumer and customer trends	• Group ESG Policy	Environmental, social and governance, pages 41 to 53
Employees • Responsible for the health and safety of our workforce	Legislation	• Group Quality, Health, Safety and Environment Policy	Environmental, social and governance, pages 48 to 51 Workforce engagement, page 69 Our stakeholders, workforce, page 37 Covid-19, page 18 Employee engagement, page 113
Social matters • Responsible approach to taxation	Financial risks	• Tax Strategy Statement • Business Ethics Policy	Environmental, social and governance, pages 51 and 52
Respect for human rights, anti-bribery and corruption • Reinforcing an ethical business culture	Legislation	• Business Ethics Policy • Supplier Code of Conduct • Anti-Bribery and Corruption Policy • Gifts and Hospitality Policy • Policy on the use of independent auditor for non-audit services • Whistleblowing Policy • Anti-slavery and Human Trafficking Statement	Environmental, social and governance, page 53 and policies, page 74
Business model	All risks		Pages 12 and 13
Non-financial key performance indicators			Page 35
Description of principal risks			Pages 54 to 59

Environmental, social and governance

Introduction

Our new ESG agenda will bring together our CSR programme and sustainability work to a single, joined-up, cost-conscious approach that will have clear ambitions on the key impactful areas of our responsibilities as a good corporate citizen.

Environment

- **Our impact on the world**

Climate change
- Operations
- Products
- Transport (goods, people)
- Waste to landfill, incineration etc

Water availability
Innovation of better products

Societal

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

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

Governance

- **How we conduct ourselves**

Governing purpose
Governance body quality
Stakeholder engagement
Ethical behaviour
Risk and opportunity oversight

Environmental, social and governance continued

In light of the internal reorganisation under Compass, a new governance platform has been established, led directly by the CEO, with three sub-teams with cross-Group representation to drive initiatives and sources of ideas and priorities.

The ESG agenda is rightly high profile with all stakeholders and over the past six months we have reviewed and compared the wide range of options used to assess and benchmark the organisation's ESG position. As a predominantly private label supplier, committing to a single 'accreditation' agency at this stage is not appropriate in our view as it would not give us sufficient coverage for all markets, customers and investors.

Hence we have established a framework for McBride's ESG programme, using the appropriate components from a variety of the global agencies, to steer our approach. The next year is about establishing this framework internally, our new governance routines and establishing our baselines. From these baselines we can then set our ambitions for the coming years and thus the priorities for our teams.

The sub-group covering **Environmental – our impact on the world** already has 2025 product sustainability targets and outline ambitions on energy and waste. As part of our targeting and prioritising, we have started an external assessment of our corporate carbon footprint (CCF) to pinpoint relative carbon impacts from operations, products, transportation and travel. We know our existing targets will feature as key components, but extending our understanding of our controllable carbon impact is crucial to ensuring we target effectively. Our technical teams have the ethos that each new product development should be more sustainable than the product it replaces and we will have tools that can demonstrate this impact in carbon terms to support initiatives with customers.

For our **Societal** team, we have many great examples of strong achievement, but they are not as dispersed across the business as we are likely to aspire to, hence much of our initial effort will be about building on the existing platforms that today cover health and wellbeing, charitable and community engagement, dignity and equality, training and employment practices.

As a plc, we consider that many of the best practice areas covered by the **Governance** team are part of the way McBride operates today, with much of this on display in the governance section of this Annual Report. There are, however, always gaps and improvements and this team will focus on the priority areas to ensure our stakeholders can be sure all our activities meet the appropriate level of good governance to be expected of McBride.

On the following pages, there is further detail on each of the ESG areas, highlighting 2021 activities but also the directions from each sub-group.

Environmental

This element of the ESG agenda is understandably a highly visible and crucial element of our business model.

Our impact on the world

Climate change – Operations

Energy consumption

The impact of energy consumption in our overall CCF will be clarified in the coming months from the CCF work now underway with an external consultant.

We will continue to reduce our environmental impact through efficient and effective process design, production and operational sustainability. We continue to work on initiatives that focus on energy efficiency within operations and increasing the use of green energy to power our plants.

We continue to target improvements in eco-efficiency, measured in output volume per Gigajoule of energy consumed across our plants compared to a baseline of 2019. Whilst we delivered a 3% improvement in energy efficiency in 2020, this reduced slightly to 2% in the last financial year. This reduced performance is attributed to the disruption experienced across our operations resulting from the Covid-19 pandemic and a swing in the year in demand mix of products. The new 'E' group will lead a robust review in 2021 to define action plans by site to focus on our energy efficiency targets.

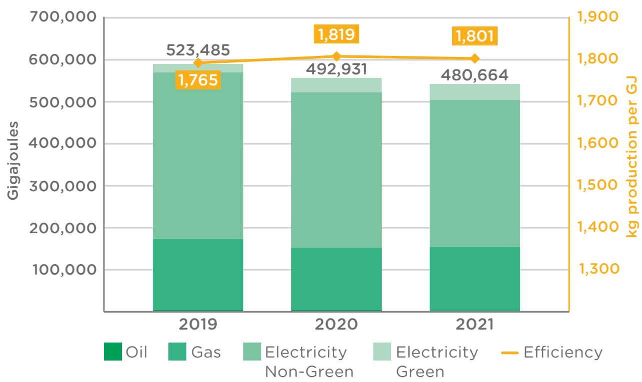
In 2021, green energy represented 7.0% (2020: 5.9%) of total energy consumption across our business. Our latest view on progress in the coming years now expects this to rise to at least 30% by 2023 as energy contracts are renewed.

Greenhouse gases (GHG)

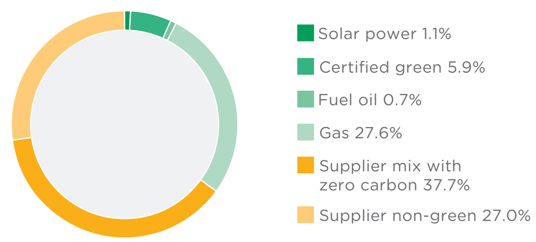
We have been calculating our Scope 1 and Scope 2 GHG emissions since 2008 in accordance with the relevant GHG Protocol Corporate Accounting and Reporting Standards and latest emissions factors from recognised sources, based upon market values.

The overall impact on our operations for Scope 1 and Scope 2 emissions over the last four years are shown opposite.

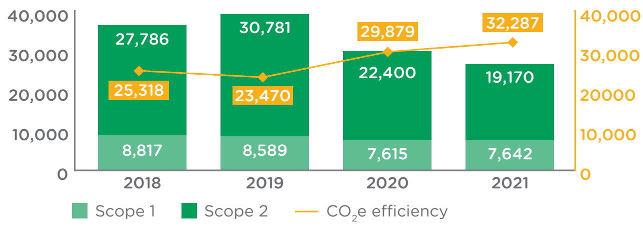
McBride plc total energy consumption



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



Net Scope 1 and 2 CO_2e emissions (tonnes CO_2e)



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.

Environmental, social and governance continued

We continue to encourage customers to engage with design options for their packaging portfolio, offering more recyclable options and moving away from non-recyclable materials, using our sustainable packaging design guidelines.

Our impact on the world continued

Climate change – Products

Our product objective is to design, create and supply value products, which are safe to use, whilst minimising environmental impact. Our ambition is to ensure that every new product designed by our technical teams results in a more sustainable footprint than the product it replaces.

The main design pillars remain as:

1. Plastic recyclability
2. Plastic reduction
3. Product compaction
4. Responsible sourcing

In September 2020, knowing that product design will be a big contributor to our overall CCF, we set certain high impact product sustainability targets for 2025. Our measurement systems for these important targets are now in place and the figures shown are our first full-year reporting of our progress.

We continue to encourage customers to engage with design options for their packaging portfolio, offering more recyclable options and moving away from non-recyclable materials, using our sustainable packaging design guidelines.

We are currently investing in new packaging filling equipment to eliminate the use of PVC in our refill format bleach packaging.

Area of focus	2021	2025 target
All paper and board sourced will be FSC® compliant	**90.6%** % FSC® sourced	100%
All our packaging will be 100% fully recyclable, compostable or re-usable	**98.5%** % recyclable	100%
On average, all our plastic packaging will contain at least 50% recycled content	**15.6%** overall PET 47% PE 4.7%	50%
We will exit all multi-layered flexible plastic packaging	**79%** single-layered	100%
We will remove all REACH defined microplastics from our formulations	Processes being put in place to report from 2022	100%

This will almost completely stop our use of PVC, which is a hard-to-recycle plastic material, and replace this with a recyclable mono material PE laminate that is recyclable. This change will also result in a plastic weight reduction of 50%, with an overall saving of 30 tonnes of plastic by weight per year.

We have made good progress with early initiatives to improve our performance in the field of responsible sourcing. Our percentage of FSC® approved paper and board supply reached over 90% this year. Responsible sourcing of palm oil derived surfactants saw 53% purchases in respect to RSPO® mass balance.

We are working hard on increasing the percentage of post-consumer recycled content in our plastic packaging. The main plastic packaging used is PE and PET. With PET bottles, we have reached an average 47% PCR content in the year to June 2021. In terms of PET bottles that include PCR content, 73% of our bottles now contain part PCR.

Other plastics, such as PE and PP, are lagging behind the progress we have made with PET, partly due to availability, and this will be a focus area for the coming years.

During this year, as a result of our increased focus on sustainability, we have invested further in our laundry portfolio from both product compaction and improved packaging options. See the following case study for laundry powder.

Environmental, social and governance continued

Our impact on the world continued

Case study

Reinventing laundry powder packaging

Laundry powder is often a preferred choice for eco-sensitive consumers, with product and packaging formats typically more cost efficient and environmental friendly when compared to other laundry alternatives.

McBride has been supplying our customers across different markets with eco-certified products for decades with certifications from Nordic Swan, Eco-label and Blue Angel.

Improved transport efficiency

Improved environmental impact

+25%
More loads per pallet

+25%
More boxes per pallet

32%
Lighter boxes

With laundry powders we have possibilities to improve the environmental aspect even further. More compact formulations and plastic-free packaging solutions can provide a double improvement opportunity.

Compacted formulas provide a variety of environmental benefits; besides a reduction in energy consumption, compacted formulas have enabled us to use smaller format packaging, reduce the impact of bulky transportation and see less transport mileage for both inbound and outbound logistics per wash.

Recently, in collaboration with our carton suppliers, we have developed a special board grade that allows us to remove the polyethylene coating on our carton boxes without any compromise in the quality or protection of our products. This development will yield a saving of 7 tonnes for every million units sold.

In certain markets the usual packaging format is plastic laundry powders bags. We have developed a sustainable packaging solution that can replace these plastic bags. We have commissioned all the required tests and following successful trials we are ready to offer this solution to our key customer partners, supporting their search for more sustainable packaging.

This packaging will be fully recyclable as it can be disposed as mixed paper in the different recycling streams across all our markets.

Climate change – Transport (Products, People)

We expect that a high percentage of our carbon footprint will be from our supply chain and the movement of goods and products. To address this, we are committed to measuring our corporate environmental footprint in 2021 with an external consultancy, Climate Partners, which will provide robust data to use in our future transport action plans. The impact of company cars and mileage travelled are included in our GHG emissions figures shown on page 44.

Climate change – Waste management

Our current processes currently measure how much waste we produce in total and, of this, what tonnage goes to landfill and how much is incinerated either with or without energy recovery. Our current ambition is to continually reduce the percentage of overall waste and to target zero waste going to landfill by 2025.

In the past twelve months we have sent 507 tonnes to landfill, 17% of the total waste. This is a 16% year-on-year reduction in the amount of waste going to landfill.

Water management

Water is a key raw material for many of our products; we will focus on reducing water by compacting our formulations and water from our overall operations. Our level of waste water is considered low and all our operations are not in areas of water shortage. We will develop our thinking on further improvements in the use of this important commodity, including the link to the transport impact of product distribution.

Sustainable product development

This element of the framework is focused on improving and further developing our product portfolio that carries an eco accreditation. McBride offers a huge range of accredited products, to three major eco schemes; by offering these type of products, our customers and consumers can make more sustainable choices.

Our portfolio contains over 280 products approved under one of these schemes; furthermore, 81 of these approvals have been granted in the last twelve months alone. This 29% increase shows the importance to customers and consumers for this type of product that meets high environmental standards. Currently, McBride supports the eco scheme registrations for approximately 60 retail/contract customers, helping these organisations increase the sustainability profile of the products that they place on the market.

McBride produces eco scheme products across all three of our household divisions at six manufacturing sites (Ieper, Estaimpuis, Bagnatica, Sallent, Hammel and Holstebro). Product groups covered include laundry detergents and stain removers, dishwasher detergents and rinse aids, hand dishwashing detergents, cleaning products and hard surface cleaners.

Environmental, social and governance continued

Social

A key principle of our new Compass strategy is around resetting our culture by clearly articulating our purpose, vision and values; thus encouraging a greater sense of belonging.

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

We recognise that the success of our business is dependent upon the health, safety and wellbeing of our colleagues. A key principle of our new Compass strategy is around resetting our culture by clearly articulating our purpose, vision and values; thus encouraging a greater sense of belonging. We are working to build a more open, diverse, inclusive and engaging culture at all levels, by embedding our core and aspirational values in everything we do.

In December 2020, to support the cultural transition to a divisional operating model, we launched and appointed Change & Culture Champions across all of our McBride locations. This initiative has been instrumental in providing colleagues across the business with the opportunity to explore the new McBride culture through the facilitation of our culture infographic workshops.

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

Read more about our Gender Pay Gap

www.mcbride.co.uk/about-us/corporate-policies/gender-pay-gap/

Dignity and equality

Creating an inclusive and supportive culture is not only the right thing to do, but also the best for our business. It creates a sense of belonging and value, enabling colleagues to perform at their best. Our aim across the business is to ensure that we recruit, develop and reward our colleagues based on the role they perform and their performance in that role, regardless of identity, background or circumstance.

We report annually our Gender Pay Gap to meet our UK legal obligations on the Government website and our corporate website. At 30 June 2021, female membership of the Board was 14.3% and of the Executive Committee was 28.6%. Our published ambition for Board diversity can be found on page 79.

As at 30 June 2021

14.3% (1/7)
Female Directors

28.6% (2/7)
Female Executive Committee

27.3% (18/66)
Female senior management

38.6% (1,286/3,331)
Female total global workforce

Health and wellbeing

Under our new organisational model, our Group Health and Safety Lead reports into the office of the CEO, supported by dedicated health and safety professionals at a local site level. The dedicated local teams are responsible for implementation of Group standards, processes and procedures, to ensure site teams have clear roles and responsibilities and to drive prevention measures and programmes as well as investigations. The local teams also lead all communication and information across all levels, including information on near misses, incident reviews, KPI trends and general performance reporting.

Health, safety and wellbeing has remained a primary focus for us. We utilise a mixture of leading and lagging indicators to assess the health and safety performance of our operations. There have been no work-related fatalities in the business during the year (2020: nil). Lagging indicators include lost time accidents (see our non-financial KPIs on page 35), whilst our leading indicators include near misses reporting, corrective actions completed and safety observational walks undertaken. In the autumn of 2021, we will deliver behavioural safety training for all first line managers across the business to further our maturity in our health and safety approach, encouraging a culture of 'call outs' and colleague support.

Ensuring our teams feel safe and equipped to carry out their work has been imperative throughout the pandemic, for both our site operational teams and those working from home. We have implemented several new programmes:

- implementation of multiple layers of protection, using technology, work processes and individual protection;
- counselling through our McBride Cares Employee Assistance Programme, which is facilitated by ICAS, providing colleagues and their families with the confidential 24/7/365 counselling and advice helpline;
- the launch of our self-paced Wellbeing Matters programme which aims to raise awareness, highlighting the importance of focusing on our overall wellbeing and resilience, providing simple practical suggestions on the things we can all do to improve;
- the facilitation of mindfulness sessions for all have been organised by a McBride colleague; and
- a range of wellbeing information campaigns have taken place throughout the year.

Monitoring closely our absenteeism levels across the Group over the last year has been an essential part of maintaining our ability to continue to operate throughout the pandemic. Despite the challenges of Covid-19, our average short-term absence level (less than one month) was steady at 2.6% (2020: 2.6%) for last year, demonstrating the commitment of our colleagues to continue to operate and provide essential cleaning products to our customers, consumers and society.

Right use

Demonstrate positive behaviours

Core values			Aspirational value
Always committed	Working together	Aspire to be the best	Giving and taking accountability
• We deliver the expected quality/ results • We take ownership of our tasks • We welcome change • We have high motivation	• We work for the greater good 'One McBride' • We develop our people • We appreciate diversity and stay curious • We give and receive feedback	• We deliver the best result or outcome for our business at pace • We learn and improve every day • We challenge the status quo • We remain ethical in our practices	• I fully accept responsibility for my actions and decisions taken • I take ownership and pride in the work I do

Environmental, social and governance continued

Health, safety and wellbeing has remained a primary focus for us.

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

Skills for the future

We pride ourselves on being a first-class employer, working actively to develop capabilities through creating opportunities for progression of all colleagues. As a result, people tend to stay with the Group long term, building exciting careers. Whether this be through formal training or coaching, we support and encourage all to thrive.

Over the last year, as part of our commitment to grow internal capability and invest in our colleagues, we have launched our new 'Let's Grow' development framework. This new framework consists of four programmes that align to the leadership pipeline from individual contributor to strategic leader.

Despite Covid, we have over the last twelve months launched the first two programmes:

- **Investing in ME**, which is our individual contributor programme, designed to provide colleagues with the opportunity to identify their potential, raise self-awareness and develop skills to be personally effective. We have facilitated ten cohorts in six languages covering 136 colleagues from across the Group.
- **Learning 2 Lead** is our frontline leader programme, designed to support the transition of colleagues from being a great individual contributor to a frontline leader of others, developing critical people skills. We have facilitated two cohorts in English covering 23 colleagues from across the Group. The course will now be deployed in local languages across all locations this coming year.

We have adapted our annual performance review process to be by video conference, where necessary, to reflect the different working environment for most office colleagues who have been working from home during this period. Our annual process provides an opportunity for all colleagues to have a two-way conversation with their manager to jointly review performance and to plan for the future.

Developing our colleagues has remained a priority for us. We have achieved 15.93 hours per full-time equivalent of training and development hours versus our target of 16 hours. Our focus this year is to ensure we have a more balanced and consistent approach across the whole Group.

As part of our recent decision to invest in a new Human Capital Management system, we are exploring the right learning content providers. This will be introduced this coming year as part of our ongoing commitment to making learning more accessible for all.

Employment and wealth generation

Our staff turnover figures continue to be low. Details can be found in the non-financial KPIs on page 35.

During the pandemic no colleagues have been furloughed.

Consultations with the European Works Council have continued in spite of Covid-19 challenges, with meetings moving to a video conference platform.

Community and social vitality

We believe that community involvement and engagement programmes enhance our relationships with our communities and colleagues, which in turn strengthens our Company, benefiting our shareholders.

The McBride Charitable Trust aims to support colleagues, community and the wider society, through supporting:

- grants towards the further education of children of McBride colleagues;
- charitable bodies; and
- our colleagues with charitable activities in the interest of their health and wellbeing.

Supporting McBride children

The educational development of McBride colleagues' children has continued this past year. In the past twelve months we have awarded a total amount of £16,000 to 86 children, supporting their learning and further education. Supporting future talent is of great importance to us.

Supporting charitable bodies

This year, colleagues from across the Group participated in a new initiative 'Spring into Action' in the spirit of improving their wellbeing whilst working together to generate funding for charity. Over 500 colleagues from twelve sites across seven countries walked a total of 6,773 km, raising £20,000 for ten different children's and cancer charities, selected by our colleagues.

We have continued to support In Kind Direct through monetary and stock donations. This year we have donated £20,000 and 40 pallets of various homecare products.

Throughout the year colleagues across the Group have continued to support local charities through local initiatives:

Environmental, social and governance continued

We believe that community involvement and engagement programmes enhance our relationships with our communities and colleagues.

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

In **Belgium**, our teams have participated in a clean-up day 'Nettoyons la nature', alongside regularly donating products to local charity organisations.

The **Italian** team have supported; homeless people in need, health associations and parishes through product donations.

Our **Spanish** team organised a food collection with the support of the Sallent Town Hall, where they collect specific food for children.

Our **Polish** team have gone the extra mile this year in supporting local initiatives, through:

- donating products each month to schools, hospitals, aid, churches, shelters and foundations;
- an organised internal fundraiser raising 1,120 PLN for a national fund called The Great Orchestra of Christmas Charity (Wielka Orkiestra Świątecznej Pomocy). Their main objective is to support public healthcare in Poland; and
- the collection of necessities including food, clothes and toys for Oliwia Nowicka. Oliwia is a local eleven-year-old girl who has been through more than eight surgeries in her life due to multiple diseases.

Governance

How we conduct ourselves

As a public company, we consider that our governance processes are already well established but we recognise these can always improve, be better trained and monitored to ensure we maintain best practice standards. Our priorities and focal areas can be summarised under five headline topics:

Governing purpose

Our enterprise purpose, supported by our four values, are together set out on pages 8 and 9. Our purpose and values inform our strategy, decision making and our relationships with stakeholders. They also help shape our culture.

Governance body quality

The Board, supported by its committees, is responsible for how the Company is directed and controlled. Its responsibilities include the Company's long-term success, setting its strategic objectives, supporting management to put into effect the strategic aims, overseeing operational management, ensuring a framework of prudent and effective controls and reporting to stakeholders on the Board's stewardship. Further information on the Company's governance structure can be found in the Corporate governance statement on pages 68 to 74.

Stakeholder engagement

The Board is aware of its obligations to promote the success of the Company for the benefit of its stakeholders. Engagement with stakeholders allows the Board to make informed decisions taking account of the consequences of its decisions on different stakeholder groups. Details of engagement activities with key stakeholders are set out in our section 172(1) statement on pages 36 to 39 and in our Corporate governance statement on page 69.

Ethical behaviour

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

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.

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

McBride has zero tolerance of 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 Whistleblowing Policy encourages employees to report genuine concerns they may have about possible malpractice or wrongdoing by any employee, supplier, customer, competitor or contractor. McBride is in the process of implementing a single external Whistleblowing Reporting Line across the Group, enabling colleagues to report genuine concerns anonymously.

Risk and opportunity oversight

The Company's strategy takes into account risks, as well as opportunities, which need to be actively managed. Effective risk management is essential to executing our strategy, achieving sustainable shareholder value and ensuring good governance.

The Board is ultimately responsible for determining the nature and extent of the principal risks it is willing to take to achieve our strategic objectives. The Board reviews annually the Group's principal and emerging risks, details of which are set out on pages 54 to 59, and their potential impact on our strategic priorities.

The Audit Committee has delegated responsibility for reviewing the effectiveness of our internal controls and risk management systems. Our risk management activities are co-ordinated by the Risk Council reporting to the Chief Financial Officer. Risk management activities are reviewed by our internal audit function which provides assurance to the Audit Committee and ultimately to the Board. Further details of our risk management process can be found in the Audit Committee report on pages 80 to 86.

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.

The risk management process has been adapted and modified during the year, to reflect the change to a divisionalised structure as part of Programme Compass, with strategic and significant risks being monitored both at a Group as well as at a local divisional level.

Further detail on the risk management process can be found on page 85.

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.

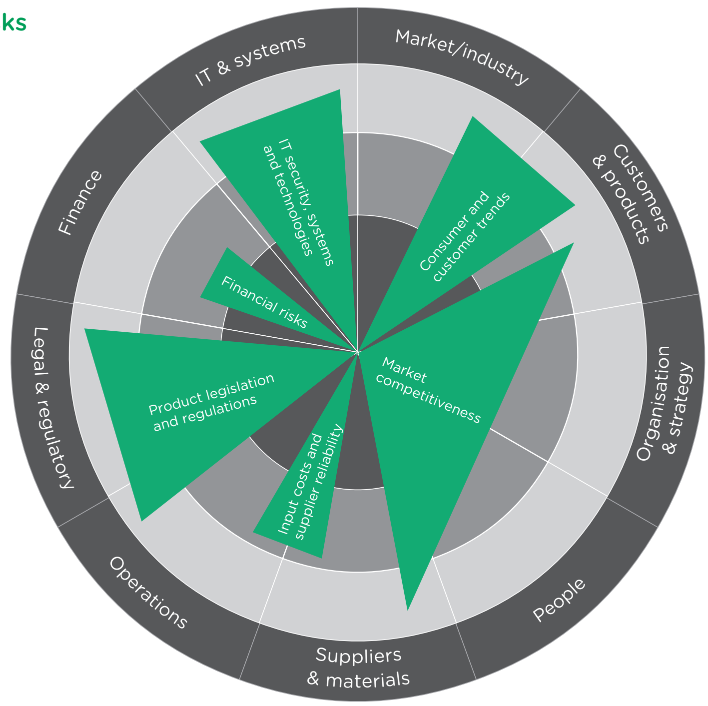
Whilst there have been no material changes from the prior year, the Group continues to review its overall risk framework within the context of a shifting and dynamic retailer and competitor environment, increasing sustainability pressures from both consumers and governments, a complex and changing set of legislative requirements across individual jurisdictions, as well as the increased risk to key and sensitive business data as a result of security breaches and cyber threats.

The Board also considered the specific risks and opportunities facing the business as a result of the continued effects of Covid-19 and the resultant impact on business strategy, decisions, activities and operations during the financial year. In most instances these continued to relate 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 arising from Covid-19 and its continued and pervasive effect on operations, activities and employees 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 2021

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



Emerging risks

Risk	Potential impact	Mitigation
Climate change and environmental concerns	Failing to adequately address this complex emerging risk and accordingly failing to adapt our business models and strategies could influence our ability to continue to produce goods and services. This could lead to reputational damage for the Company, whilst impacting our customers and consumers and ultimately affecting our growth, competitiveness and profitability. The increased incidence of extreme weather events, such as the Texas deep freeze, could impact our ability to sustainably source essential components for our products and services potentially leading to supply disruptions. Failing to be eligible as a preferred supplier by our customers due to lack of our commitment to measure our corporate carbon footprint and to set and realise appropriate targets.	The immediate focus of our mitigation activities is on our preparedness for both supply disruptions and the ongoing reduction of our operational carbon footprint. Putting flexible sourcing policies in place to ensure a secure supply chain to limit disruptions. Ensuring that we understand our customers' needs to mitigate their overall carbon footprint through our climate change action planning. Measurement of our corporate carbon footprint with external consultants, driving action plans to reduce our carbon-intense production areas. A focused cross-functional ESG forum established, leading the Company's environmental, social and governance activities and specifically driving our response to climate change and environmental concerns.
Increased regulatory and reporting requirements	Heightened regulatory environment with increased monitoring, governance and reporting requirements arising from a number of different regulatory developments. Some examples include: • climate regulation (incl TCFD); • plastic taxes; • post-Brexit increased intra-European regulatory requirements; and • UK Corporate Governance and audit reform (UK SOX). A significant cost and reporting burden over the short to medium term, as management oversight and monitoring mechanisms are developed and reporting obligations fulfilled. Lack of available resources within the organisation to manage the increasing complex regulatory requirements and reporting obligations.	Commitment and sponsorship from the Board and from senior executives to implement improved monitoring and oversight systems, processes and activities in order to respond to increased emerging regulatory compliance and reporting obligations. A number of cross-functional focus groups and project teams have been set up with the intention to engage appropriate specialist external support, to identify and respond to specific regulatory challenges and requirements. Specific systems and process rationalisation and standardisation projects have been commenced as an essential step to leverage technology, improve automation and increase uniformity of processes. This is expected to help drive regulatory compliance, while optimising the resilience, efficiency, performance and costs of underlying processes and controls.

Principal risks and uncertainties continued

Consumer and customer trends

Lack of insight and/or understanding of sustainability trends and changes in product technology, formats and usage demanded and expected by our customers and by the end consumers could result in loss of key product categories and customer positions

Change ↑

Risk impact

- Continued growing 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 could ultimately lead to a loss of business due to supplying a non-relevant offer that does not address shifting customer and consumer trends, preferences and requirements.
- Failure to identify and respond to any long-term shifts in consumer and customer trends driven by Covid-19.

Mitigation

- Integrated five-year business plan linking targeted customer/channel growth to our programme of 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.
- Continued 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.
- ESG forum established where sustainability insights are monitored to drive actions and monitor Group-wide ESG targets set.

Key developments

- Changing to a divisional structure under Programme Compass has promoted category specialisms within our divisions, allowing us to build more tailored relationships with our customer partners.
- Our product development plans continue to be focused on improving sustainability through: reduction in the use of plastics, responsible sourcing and product compaction.
- Consolidation of market data and ongoing legislative horizon scanning coupled with competitor intelligence via the office of the CEO is driving an enhanced understanding of market dynamics and early insight.
- In response to long-term shifts driven by Covid-19, an enhanced development programme is underway on hygiene products to meet ongoing consumer needs in the home.

Input costs and supplier reliability

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

Change ↔

Risk impact

- A time lag between raw material price increases and recovery through pricing initiatives, with potential negative impact on profits.
- Global supply chains severely disrupted with the Texas deep freeze, ocean freight delays exacerbated by the Suez canal blockage and the Amazon effect on corrugated demand, all coming together to create supply disruption on a never-seen-before scale, driving up costs in the process.

Mitigation

- An appropriately resourced Group purchasing function with appropriate local and specialist knowledge and an understanding of key markets.
- Timely and accurate forecasting models and approaches, in order to provide better visibility of volume requirements over time.
- Strong, well established supplier relationships allowing McBride demand to be prioritised when availability is tight.
- No over-reliance on any one supplier, with continual alternative supplier scenario planning taking place, thereby helping to effectively manage the heightened risk of supply interruption.
- Pricing surcharge has been negotiated with customers to pass on the exceptional input costs. Contract renewals and new tenders are priced to ensure that we take into account the latest view of input costs.

Key developments

- Creation of a high-level early warning tool to allow greater visibility of material inflation and ability to play out different cost base scenarios has allowed the business to set in motion price recovery plans when much of the market was still unaware of the scale of the disruption.
- A focus on contractual cover to further protect the business against supply disruption.
- Continuous and ongoing improvements in our integrated business planning process to ensure input volumes and costs are optimised over time.
- Sales teams are negotiating with customers to build input cost indexation into our contracts.

Market competitiveness

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

Change ↑

Risk impact

- Lack of investment to maintain cost leadership.
- Lack of a focused and integrated business planning process, potentially resulting in sub-optimal strategies, product sets and initiatives to drive business growth and secure competitive advantage.
- Growing international ambition and capability of key competitors, including emerging European players.
- Increased incidence of mergers and buying collaborations, resulting in changing customer dynamics, and an increased strengthening of major retailers' leverage over suppliers on pricing and specification.
- Significant changes in market trends, resulting in net winners and losers in the retail industry, as a result of Covid-19. This has resulted in retailers trying to improve their market position using price and promotions to attract end consumers, which in turn has resulted in increased price pressure on manufacturers and suppliers.
- Failure to deliver targeted projects aimed at generating improvements in strategic assets and distribution activities, leading to uncompetitive costs.
- Failure to deliver swift and effective innovation solutions, eroding competitive advantage.
- The Covid-19 pandemic has significantly changed the workplace environment, colleague expectations and working practices. The Company will need to adapt to these changes to remain a relevant employer in a post-Covid world.

Mitigation

- Clearly defined divisional strategies facilitating targeted investments and appropriate resource dedication.
- An integrated, cross-functional business planning process to ensure alignment and consistency in budgets, targets and performance/growth expectations across the Group.
- Continued use of the product development prioritisation tool implemented during 2020, driving optimum value from competing product technology options.
- Capital expenditure is controlled through robust planning, budgeting and monitoring controls at local, divisional and Group levels to ensure successful project results and an effective, appropriate and competitive capital investment footprint.
- The Group's divisional and functional matrix structure enables effective change management throughout the business, using the new divisional approach.
- Strengthened partnerships with key retailers to avoid one-dimensional discussions solely focused on price.
- An accelerated innovation rate to differentiate our product offerings from those of our competitors, ultimately to drive competitive advantage in the market.

Key developments

- The new divisional structure introduced by Programme Compass earlier during the year has been instrumental in driving market competitiveness through a clear focus on key initiatives at a more localised level, whilst maintaining the leverage of scale through key Group-level functions.
- Each division has identified improved cost competitiveness as one of the key pillars underpinning their strategic plans, with a number of targeted projects in place to drive cost competitiveness as part of the implementation of divisional strategies.
- Continued focus on critical capital expenditure projects, principally in the strategic formats, to accelerate the delivery of the growth strategy across each division and Group-wide.
- New product development process in place across each division to improve the speed and pace of innovation with a more focused approach facilitated by divisional structures to guarantee a more effective commercial impact.
- Key SMART working policies and arrangements have been developed, with a view to making McBride an employer of choice.

Principal risks and uncertainties continued

Product legislation and regulations

Our products are manufactured and sold in highly regulated markets, which are subject to regular change in terms of their legislative frameworks and regulatory environments and practices

Change ↑

Risk impact

- The Group is subject to laws and regulations covering areas such as product safety, the environment, labelling, health and safety and intellectual property.
- A rapidly changing legislative landscape creates a complex regulatory framework for McBride.
- A number of emerging regulations across a number of different areas will also impact McBride operations. Some of these emerging regulations include:
  - EU chemical strategy for sustainability;
  - EU and UK plastic tax; and
  - UK extended producer responsibility.

Mitigation

- The Group is an active member of relevant trade associations and industry bodies, which allows for the monitoring and implementation of impending and/or any updated legislation.
- Where appropriate, we will provide input into government consultations which affect our products or industry.
- Experienced in-house team of regulatory specialists and product safety professionals support divisional teams to identify, monitor and ensure successful implementation of regulatory changes and product safety requirements whilst minimising cost and disruption to the divisions and their customers.

Key developments

- Continued improvements to strengthen the expertise, processes and systems in this area, including:
  - collaboration with relevant external specialists to gain consensus opinions on specific areas of legislation;
  - effective processes and systems to identify, monitor and report compliance activities and any potential breaches;
  - updates made to McBride policies and procedures to include updated and new regulatory requirements; and
  - enhanced tracking of the legislative landscape and any potential impact on the divisions, delivered via a network of professionals, trade association memberships and supply chain collaborations.
- Currently, the impact of emerging regulations, e.g. the EU chemical strategy on sustainability, etc are being assessed by McBride in conjunction with our European trade association AISE.

Financial risks

Multinational operations are potentially exposed to a variety of financial risks that could threaten the ongoing operation and financial viability of the Company

Change ↔

Risk impact

- Risks associated with foreign currency exchange rates, interest rates, commodity prices, credit and taxation have increased as a result of Covid-19 and how it has affected companies. This could impact profitability and cash flows, ultimately affecting the long-term viability of the Company.

Mitigation

- A comprehensive monthly governance process is in place to monitor key risks versus our financial targets and develop actions to effectively mitigate against them.
- Robust framework established to ensure compliance with all international tax legislation, including publication of an appropriate tax strategy, and with adequate tax provisioning arrangements in place.
- Foreign exchange transaction risk managed by an effective Treasury Policy, hedging for all committed transactions and a range of forecasted transactions, thereby mitigating the effects on UK import costs.
- Overseas net assets also hedged through a combination of foreign currency borrowings, swaps and other derivatives that help mitigate any translation risks associated with Euro profits.

Key developments

- In May 2021 the Company announced the signing of a €175 million multi-currency 'Sustainability Linked Revolving Credit Facility'. This facility is initially for a five-year tenor with the option to be extended to 30 September 2027 and is provided by a syndicate of supportive international bank lenders. The facility also includes a €75 million uncommitted accordion feature which could provide additional commitments for potential acquisitions in support of our Compass strategy.

IT security, systems and technologies		Change
System security breach could result in loss of sensitive data and/or business disruption. This risk has increased in potential severity given the unprecedented levels of home working experienced as a result of the Covid-19 pandemic during 2020, that has continued during 2021 and is expected to continue as a general trend for the immediate future		↑
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 2020 and that continues to be experienced across the Group at present.
• Risk of being subject to a ransomware attack whereby all systems are lost pending the payment of a release fee.
	• Continual review and investment in security policies, controls and technologies to protect commercial and sensitive data.
	• Ongoing hardware and software refresh and upgrade programmes to ensure performance can be monitored and systems and technologies adequately supported to combat against any potential cyber-attacks.
	• Completion of two successful disaster recovery tests at the McBride UK and EU data centres.
	• Continued monitoring of developments in cyber security including engaging with third-party penetration testers and other specialists where appropriate.
	• Alignment to changes in legislation assessed and implemented, including GDPR.
	• An evergreen roll-out of IT best practice processes, coupled with robust and effective IT security policies and monitoring activities to remain vigilant of key data and technology risks, whilst taking prompt, proactive and effective remedial action, where necessary.
	• The IT team has continued to support the business during the transition from office-based to home working experienced during the year, by continuing to roll out processes and solutions that maintain strong access controls to our systems.
		• 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 continuing to complete a number of key projects as part of 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. Some specific developments during the year include:
		  • completing the roll-out and installation of a specific programme allowing McBride to remotely deploy software upgrades and anti-virus and security patches/upgrades; and
		  • installing a new email filtering product and new firewalls that offer improved security and protection from external web threats.
		• Specific systems rationalisation and standardisation projects have been commenced as an essential initial step to leverage technology to drive resilience, effectiveness and efficiency.

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

Going concern and viability statement

In accordance with the UK Corporate Governance Code 2018, the Board has taken into consideration 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 reports of the CEO, Divisional Managing Directors and CFO on pages 16 to 33. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risks. The Group meets its funding requirements through internal cash generation and bank credit facilities. At 30 June 2021, committed undrawn facilities and net cash position amounted to £92.2 million.

The Group's base case forecasts are based on the Board-approved budget and five-year plan and indicate continued compliance with its banking covenants and sufficient liquidity throughout the going concern review period. The Group's base case scenario assumes revenue growth of 3.5%, raw material prices reducing from current very high levels, but stabilising at a higher level than pre-Covid-19 pandemic levels, interest rates remaining stable, and Sterling:Euro exchange rate of £1:€1.15.

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

- zero revenue growth;
- divisional gross profit margins 10% lower than budgeted to reflect the risk of further Covid-19 supply chain disruption/raw material input costs not reducing as currently projected;
- interest rates increasing by 100 basis points; and
- Sterling weakening significantly against the Euro to £1:€1.10.

In the event that such a severe but plausible downside scenario occurs, the Group would need to negotiate a covenant waiver to ensure the business meets its obligations for the next twelve months. The Group has also taken into consideration the mitigating actions available to it, including reducing overhead and capital expenditure over the period.

After reviewing the current liquidity position, financial forecasts, stress testing of potential risks and considering the uncertainties described above, and based on the current funding facilities, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. For these reasons the Directors continue to adopt the going concern basis of accounting in preparing the Group financial statements. However, the occurrence of multiple downside potential risks represent a material uncertainty at 10 September 2021 that could cast significant doubt upon the Group's ability to continue as a going concern.

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

Viability statement

In accordance with the requirements of the UK Corporate Governance Code ('the Code'), the Directors have performed a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board has determined that a five-year period to 30 June 2026 constitutes an appropriate period over which to provide its viability statement.

In assessing the Group's viability, the Directors have considered the current financial position of the Group and its principal risks and uncertainties. The analysis considers 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 five-year period. The Group's global footprint, product diversification and access to external financing all provide resilience against these factors and the other principal risks that the Group is exposed to.

After conducting their viability review, the Directors confirm that subject to the material uncertainty noted in the basis of preparation in note 2 of the financial statements they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment to 30 June 2026.

Directors' report

Pages 62 to 114

Contents

Chairman's introduction to the Directors' report

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

Jeffrey Nodland
Chairman

Dear shareholder

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

Board leadership

As Chair, I am responsible for leading and ensuring an effective Board. Covid-19 impacted the way the Board and Board Committees worked throughout 2020/21. We adapted our processes to ensure that we could continue to operate effectively. All of our meetings were held virtually and we made changes to the timing and length of meetings to accommodate the various time zones of our Board members globally. In addition to our formal Board and Committee meetings, the Board was updated regularly by management on the Group's dynamic and agile response to the pandemic. I would like to pay tribute to my Board colleagues for their flexibility and outstanding support throughout the year.

Governance

The Annual Report for the year ended 30 June 2021 is the second 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. The table on page 65 provides details of our compliance for the financial year 2020/21.

Board leadership succession planning

A key focus of our governance work this year has been reviewing the Board's succession plans to ensure adequate short and medium-term plans are in place for all roles. The succession plans aim to ensure that appointments are made of individuals who have the appropriate skills, experience and personal characteristics. I firmly believe that fostering diversity and inclusion on the Board and in the workplace is essential to fulfilling our purpose. Going forward, the Board will continue to monitor and adapt its succession plan to ensure it continues to support the development of a diverse pipeline.

Board changes

In October 2020, Sandra Turner retired from the Board at the conclusion of the 2020 AGM following nine years' service. During her tenure, Sandra was Chair of the Remuneration Committee and her contribution and insights were valued greatly. As previously disclosed, Elizabeth McMeikan become Chair of the Remuneration Committee in May 2020 and the transition has been seamless.

Following a recruitment process led by the Nomination Committee, we were delighted to appoint Mark Strickland to the Board as Chief Financial Officer on 4 January 2021. Mark has a strong understanding and deep experience in financial and performance management of multi-site operating businesses which is hugely valuable to the Board. Mark was previously Finance Director at The AA plc and, prior to the AA, held CFO roles in food production, logistics and chemicals industries. Information on his induction process can be found within the Nomination Committee report on page 77.

In line with our succession plans and in anticipation of Neil Harrington not seeking re-election at the 2021 AGM since he has served nine years on the Board, we announced on 9 July 2021 that Alastair Murray would join the Board on 2 August 2021. Alastair brings to the Board extensive financial experience as well as experience in corporate strategy, restructuring and M&A. His appointment to the Board enhances the mix of skills, experience and knowledge required. In accordance with the Board's succession plan, it is intended that Alastair will be appointed as Chair of the Audit Committee when Neil steps down at the 2021 AGM.

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

During the course of the year, we also saw changes to our Executive Committee. Following the move to a divisional structure and appointment of Divisional Managing Directors, the Managing Directors of the three largest divisions, Liquids, Unit Dosing and Powders/Aerosols/Asia Pacific, joined the CEO, CFO, Chief Legal Officer & Company Secretary and Chief HR Officer on the Executive Committee.

Dividend

As set out in the Half-Year Report, the Company is targeting an accounting basis net debt/adjusted EBITDA ratio of 2.0x or less. As the ratio at the end of December 2020 was over 2.0x, an interim payment to shareholders was not made (2019: £nil). In line with its revised distribution policy set out on pages 31 and 32, the Board is not recommending a final dividend in 2021. It is the Board's intention that any future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares. Consequently, the Board is not seeking shareholder approval at the 2021 AGM to capitalise reserves for the purposes of issuing B Shares or to grant Directors authority to allot such shares. Existing B Shares will continue to be redeemable but limited to one redemption date per annum in November of each year. Further details are provided in the Notice of AGM.

S172 of the Companies Act 2006

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

Further information on our stakeholders, how we have considered them in decisions during the year and our engagement with these stakeholders is set out on pages 36 to 39.

Chairman's introduction to the Directors' report continued

Board effectiveness

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

The internally led Board evaluation undertaken at the end of the financial 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 in the Nomination Committee report on page 77.

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

Annual General Meeting

Like many companies, McBride's AGM in 2020 was impacted by Covid-19 and the UK Government's Stay at Home measures. The health, safety and wellbeing of McBride's stakeholders had to be the Board's priority and therefore a closed meeting was held.

In 2021, McBride is delighted to welcome stakeholders to the AGM once again. The meeting will be held at Building C, Central Park, Northampton Road, Manchester M40 5BP on 19 October 2021 at 2.00pm.

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

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

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

Jeff Nodland
Chairman

Compliance with the UK Corporate Governance Code 2018

The Board is pleased to report that the Company has applied the Principles and complied with the Provisions of the UK Corporate Governance Code 2018 for its financial year ended 30 June 2021, except in relation to Provision 6, which states 'there should be a means for the workforce to raise concerns in confidence and – if they wish – anonymously'. Although the Company's existing Whistleblowing Policy afforded an individual reporter confidentiality, it did not provide a mechanism for a concern to be raised directly and anonymously. Corrective action has been taken by management and a new externally supported Whistleblowing Reporting Line is being introduced across the Group. Implementation of the Whistleblowing Reporting Line will coincide with the adoption into national law of the EU Whistleblower Directive which must be incorporated by 17 December 2021.

Compliance with the UK Corporate Governance Code 2018

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

Board leadership and Company purpose	Page reference
A. An effective and entrepreneurial Board promotes the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.	pages 1 to 60, 66 to 67 and 70 to 74
B. Purpose, values and strategy are set and align with culture, which is promoted by the Board.	pages 8 and 9, 14 and 15, 48, 68, 71 to 73 and 90
C. Resources allow the Company to meet its objectives and measure performance. A framework of controls enables assessment and management of risk.	pages 53 to 59 and 85 to 86
D. Engagement with shareholders and stakeholders is effective and encourages their participation.	pages 36 to 39 and 69
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 18, 37, 48 to 53, 68 and 69 and 74

Division of responsibilities	Page reference
F. The Chair is objective and leads an effective Board with constructive relations.	pages 64, 66 and 67 and 71 to 74
G. The Board comprises an appropriate combination of Non-Executive and Executive Directors, with a clear division of responsibilities.	pages 62 to 63, 66 and 67 and 72
H. Non-Executive Directors commit appropriate time in line with their role.	pages 74, 75, 80 and 87
I. The Company Secretary and the correct policies, processes, information, time and resources support Board functioning.	pages 71 to 72, 74 and 77

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 63, 68 and 75 to 79
K. There is a combination of skills, experience and knowledge across the Board and its Committees. Tenure and membership are regularly considered.	pages 66 and 67, 71, 73 and 75 to 79
L. Annual evaluation of the Board and Directors considers overall composition, diversity, effectiveness and contribution.	pages 64 and 77 and 78

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 80 to 86
N. A fair, balanced and understandable assessment of the Company's position and prospects is presented.	pages 1 to 60, 86 and 114 to 181
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 54 to 59, 70 and 80 to 86

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 88 and 90 to 97
Q. A transparent and formal procedure is used to develop policy and agree executive and senior management remuneration.	pages 88 and 90
R. Independent judgement and discretion is exercised over remuneration outcomes taking account of the relevant wider context.	pages 88, 90, 92 to 95 and 97

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

Board of Directors

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

Jeff Nodland
Chairman

Appointed to Board:
June 2019

Skills and experience:
Jeff has eleven years' experience in consumer chemicals manufacturing businesses, including both private label and contract manufacturing activities. He was most recently President and CEO of 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

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

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

Mark Strickland
Chief Financial Officer

Appointed to Board:
January 2021

Skills and experience:
Mark has operated at the C-Suite level for more than 25 years, possessing extensive and hands-on finance experience across chemicals, logistics, retail/own label food businesses (both meat and dairy), B2B/B2C services, insurance and financial services. He has strong understanding and experience in financial and performance management of multi-site operating businesses, which is hugely valuable to the Board.

More recently, Mark has been involved in a number of business turnarounds/transformations and has delivered a number of successful private equity exits (having worked with CBPE, Apollo and Promethean). Immediately prior to joining McBride plc, he was Interim Chief Financial Officer at The AA plc.

Mark has an MBA from the University of Manchester Alliance Manchester Business School and is a Fellow member of CIMA.

Steve Hannam
Senior Independent Non-Executive Director

Appointed to Board:
February 2013

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

Skills and experience:
Elizabeth 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. Elizabeth is currently Senior Independent Director and Remuneration Committee Chair at Unite Group plc, Non-Executive Director and ESG Committee Chair at Dalata Hotel Group plc, Senior Independent Director at Custodian REIT 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, Senior Independent Director at Custodian REIT 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

Skills and experience:
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 including acquisitions, disposals and corporate restructures, where his wealth of knowledge in debt structuring, financing, investment and banking facilities has been invaluable. Neil has held senior finance roles in a number of global listed companies, including ASDA/Walmart Stores Inc., Barclays Bank plc, French Connection Group plc and Mothercare plc. In his previous role, Neil was CFO of Cath Kidston Group Limited. Neil is currently CFO at Medivet Group Holdings 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 Group Holdings Limited.

Committees:
A* N R

Igor Kuzniar

Non-Executive Director

Appointed to Board:
June 2019

Skills and experience:
Igor brings a strong background in finance, operational efficiency and strategy. He has almost 15 years' experience as an investor in mid-sized European companies. He also has experience as a management consultant advising multinational corporations across various industries. In 2013, Igor co-founded Teleios Capital Partners. Teleios is an investment firm that acquires ownership positions in European public companies, seeking to help them maximise their long-term potential by working constructively with management and other shareholders. Prior to Teleios, he was a Partner at the investment firm Octavian Advisors and a management consultant for McKinsey & Company.

Other roles:
Managing Partner of Teleios Capital Partners GmbH.

Committees:
N

Alastair Murray

Independent Non-Executive Director

Appointed:
2 August 2021 (was not a director during 2020/21)

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

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

Committees:
N R A

(Chair of the Audit Committee, replacing Neil Harrington, with effect from the conclusion of the 2021 AGM, subject to shareholder re-election).

A Audit Committee
N Nomination Committee
R Remuneration Committee
* Chair

Corporate governance statement
Board leadership and Company purpose

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 65.

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 promote the Group's long-term success; setting its strategic aims and values; supporting leadership to put them into effect; supervising and constructively challenging leadership on the operational running of the business; ensuring a framework of prudent and effective controls; and reporting to shareholders on the Board's stewardship. We trust that the Strategic and Directors' reports together enable our stakeholders to assess the effectiveness of those frameworks and the quality of their outcomes.

Business model, strategy and risks
Strategy
In last year's Annual Report, we announced that the Board had made the decision to embark on a new journey to reflect the current environment facing our business. Throughout the year, the Board has continued to monitor the implementation of McBride's new strategy, Programme Compass. I am delighted with the progress that has been made and the Board is continuing to support the CEO and senior managers throughout the remainder of the strategy implementation.

During 2020/21, 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 increase 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, efficiencies and raw material buying.

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

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

Following the review of corporate culture in 2019/20, McBride continues to encourage a greater sense of belonging and employee engagement to ensure a motivated and productive workforce. We are continuing to focus on the development of our people and our diversity and inclusion agenda. The measurements the Board uses to evaluate culture are evolving and include senior leaders' pulse surveys and monitoring HR statistics such as absenteeism, employee turnover, learning and development completion rates and safety incidents. Some of these are already part of our non-financial KPIs as set out in the Strategic report.

Stakeholder engagement

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

Workforce engagement

In accordance with Provision 5 of the 2018 UK Corporate Governance Code, the Board appointed Steve Hannam, Senior Independent Director, as the dedicated Non-Executive Director for workforce engagement. With a large global workforce, the Board has not achieved the level of workforce engagement it aspires to due to the Covid-19 pandemic and the inability to travel. However, Steve has been able to engage with the workforce through virtual attendance at the Group's European Works Council (EWC) two-day meeting in November 2020. Steve engaged in a questions and answers session covering a wide range of topics including governance, strategy, growth, product range and investment in the business. The Board very much appreciates the honest conversations, constructive feedback and valuable insights received from colleagues through the EWC.

The Board has agreed that as soon as travel restrictions relax, as well as Steve's engagement agenda, the Board will visit a number of the Group's manufacturing plants and spend time with our colleagues. Engaging with the workforce, both formally and informally, is a priority for the Board to ensure that we are aware of the views of the workforce and can address any concerns they may have.

Customer engagement

Engagement with customers is at operational level. The Board receives regular updates from the CEO and members of the senior management team on sales performance and customer metrics. Updates are also shared in relation to evolving relationships with customers as we respond to market conditions. During the course of the year, there have been global challenges with raw material price increases, availability of certain raw materials and packaging, together with distribution and wider macroeconomic supply chain issues. Engagement with our customers and developing a continuing dialogue at these times is important as we work to reduce delays as much as possible and to minimise the impact of these events on our customers' businesses. These updates assist the Board in developing and maintaining its understanding of any potential issues and how these could be addressed.

Supplier engagement

Further details on engagement with our suppliers can be found on page 38. The Board is supportive of the establishment of an ESG group chaired by the CEO with the purpose of driving the agenda for change and nurturing ethical trading relationships with our supply chain partners.

Communities

The Board is conscious of the need to positively impact the communities living and working around us by providing employment within our communities and by our increased focus on ESG initiatives. Further details of engagement within our communities can be found on page 39.

Shareholder engagement

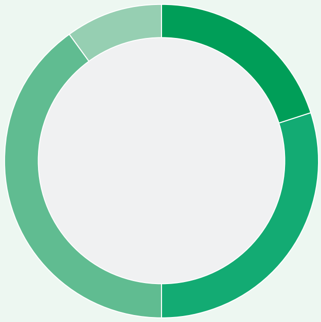
The Board recognises the importance of regular, open and constructive dialogue with shareholders throughout the year. The Board welcomes the opportunity to openly engage with shareholders and help them understand our business. This engagement included presentations to institutional shareholders and analysts following the release of the Group's half and full-year results, as well as conversations with the Group's largest investors from time to time.

Corporate governance statement continued

Division of responsibilities

Board activity in 2021

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
- 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 – appointment of Divisional Managing Directors and review of segmental reporting
- 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 a sustainability-linked revolving credit facility
- 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
- Considered the impact of raw material price increases on the business
- Reviewed and considered hedging of certain raw materials

Governance and risk

Matters considered

- Health and safety updates
- Insurance programme renewal
- Process for engaging with the workforce
- Corporate policies review and approval
- Approved the principal risks
- Approved the appointment of Mark Strickland as CFO
- Approved the appointment of Non-Executive Director, Alastair Murray
- Received updates from the Audit Committee on the internal audit plan
- Approved the 2021 Annual Report and Accounts
- Approved the business to be considered at the 2021 AGM
- Approved Committee Terms of Reference

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 2021, the Board of Directors comprised the Non-Executive Chair, three independent Non-Executive Directors, one non-independent Non-Executive Director, representing McBride's largest shareholder, and two Executive Directors. Additional responsibilities assigned to certain Non-Executive Directors are explained on page 72.

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 75 to 109.

The Audit Committee

The Board has established an Audit Committee of independent Non-Executive Directors. The Audit Committee is responsible for monitoring the integrity of the financial statements, reviewing the effectiveness of internal controls and risk management systems, and overseeing the relationship with the independent auditor. Details of its composition and work during the year are set out in the Audit Committee report on pages 80 to 86. The Board is satisfied that the Chair of the Audit Committee has recent and relevant financial experience including competence in accounting.

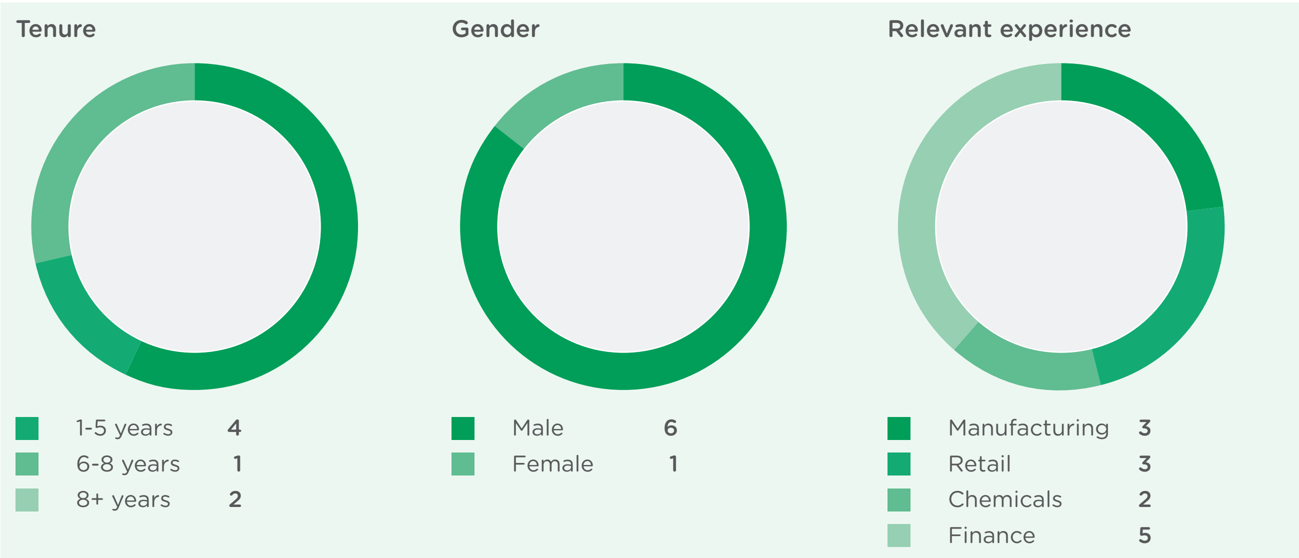
The Remuneration Committee

The Board has established a Remuneration Committee, the composition and role of which is set out in the Remuneration report. The Remuneration Committee ensures that the remuneration policies and practices are designed to support the Company's strategy and promote long-term sustainable success. Further details of the work of the Remuneration Committee throughout the year can be found on page 88.

The Nomination Committee

The Board has established a Nomination Committee. The Nomination Committee is responsible for setting out and monitoring the Board's succession plans, reviewing composition and diversity of the Board and proposing new appointments to the Board. Further detail of the composition of the Nomination Committee and its work during the year can be found on pages 76 and 77.

Board composition as at 30 June 2021



Corporate governance statement continued

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 2021, the membership of the Executive Committee comprised the Chief Executive Officer, the Chief Financial Officer, the Divisional Managing Directors of the three largest divisions, namely Liquids, Unit Dosing and Powders, the Chief HR Officer and the Chief Legal Officer and Company Secretary.

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[(1)];
- leading the Finance, Tax, Treasury and IT functions;
- leading on mergers and acquisitions; and
- overseeing the defined benefit pension scheme.

Company Secretary

Responsible for:

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

(1) Please refer to APM in note 2.

How the Board operates

Boardroom culture

The Board recognises the importance of establishing the right culture and values and communicating this message consistently throughout the organisation. It is important that the Board provides strong and effective leadership, constructive challenge and accepts collective accountability for the long-term sustainable success of the Group. In so doing, it will continue to drive and deliver our strategy in the best interests of all our stakeholders.

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

All Directors communicate with each other on a regular basis and contact with the Group's senior managers is sought and encouraged. Since March 2020 the Board has conducted its meetings, and those of its Committees, remotely through video calls, but will be moving to Board meetings in person for the 2021/22 Board agenda, which will be held at various site locations.

Independence

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

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

Despite the long tenure of Neil Harrington, the Board resolved that Neil remained independent and would continue to serve on the Board until the 2021 AGM to ensure an orderly succession with his successor, Alastair Murray.

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 2021, the Board authorised Igor Kuzniar's conflict of interest as an appointed representative of McBride plc's largest shareholder, Teleios Capital Partners GmbH.

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

Election and re-election of Directors

The Board is satisfied that all the Directors standing for re-election perform effectively and demonstrate commitment to their roles. This has been demonstrated during the year by the willingness of the Directors to attend additional 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 AGM, in line with the requirements of the 2018 Code, all Directors are subject to annual re-election at the AGM.

The biographies for each Director seeking re-election are set out on pages 66 and 67 of the 2021 notice of meeting. These provide details of the skills and experience which demonstrates why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

The Board, its Committees and the individual Directors participate in an annual performance evaluation. Further details of the performance evaluation process can be found in the Nomination Committee report on pages 77 and 78. 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.

Corporate governance statement continued

Division of responsibilities continued

Policies

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

Board and other meetings

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

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

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

Time commitment

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

There were seven scheduled meetings in the year to 30 June 2021. Details of Director attendance is set out in the table below. 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 2021

Number of scheduled Board meetings held: 7

Members of the Board	Number of scheduled meetings attended	Eligible to attend
Jeff Nodland		
Chairman	7	7
Chris Smith		
Chief Executive Officer	7	7
Mark Strickland(1)		
Chief Financial Officer	3	3
Steve Hannam		
Senior Independent Non-Executive Director	7	7
Neil Harrington		
Independent Non-Executive Director	7	7
Igor Kuzniar		
Non-Executive Director	7	7
Elizabeth McMeikan		
Independent Non-Executive Director	7	7
Sandra Turner(2)		
Independent Non-Executive Director	3	3

(1) From date of joining the Board.

(2) To date of resigning as a Director.

Nomination Committee report

Composition, succession and evaluation

In addition to its core duties, the Committee focused on the appointment of a new Chief Financial Officer and the search for a Chair of the Audit Committee.

Jeffrey Nodland
Chair of the Nomination Committee

Committee membership and meetings 2020/21

The Committee held two scheduled meetings during the year and one ad-hoc meeting. Details of attendance by all members at scheduled meetings can be found below:

Members	Number of meetings attended (quorum is three members)	Eligible to attend
Jeff Nodland (Chair)	3	3
Steve Hannam	3	3
Neil Harrington	3	3
Igor Kuzniar[(1)]	2	3
Elizabeth McMeikan	3	3

(1) Igor Kuzniar was unable to attend one ad-hoc meeting. However, he read the papers and shared his views with the Chairman ahead of the meeting. All scheduled meetings were attended.

Dear shareholder

On behalf of the Nomination Committee, I am pleased to present the Nomination Committee report for the year ended 30 June 2021.

The Committee's key objective is to ensure that the Board comprises individuals with the appropriate skills, knowledge, experience and diversity to ensure that McBride can fulfil its purpose, achieve its vision and execute its strategy. In addition to our usual role of overseeing succession planning, talent management and diversity, we focused on the appointment of a new Chief Financial Officer and our search for a Chair of the Audit Committee.

As explained in the 2020 Annual Report and Accounts ('Annual Report'), the Committee agreed that Neil Harrington's term of appointment would be extended to a date after the appointment of his successor to ensure an orderly handover. Our search for a replacement was successful and Alastair Murray joined the Board on 2 August 2021. Subject to election at the AGM in October, Alastair will replace Neil Harrington as Chair of the Audit Committee when Neil steps down immediately following the AGM. On 4 January 2021, we were delighted to have Mark Strickland, Chief Financial Officer, join the Board and Executive Committee.

Key responsibilities of the Nomination Committee

Board composition

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

Succession planning and talent management

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

Diversity and inclusion

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

Governance

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

Nomination Committee report continued
Composition, succession and evaluation continued

Committee activities
Our principal activities during 2020/21 and up to the date of approval of this Annual Report were as follows:

Board composition	Discussed and recommended proposed changes to the Board of Directors.
Non-Executive Director recruitment	Oversaw the search and appointment for a new Chair of the Audit Committee.
Executive Director recruitment	Undertook a recruitment process for a Chief Financial Officer to replace Interim Chief Financial Officer, Clive Jennings. This resulted in the appointment of Mark Strickland, who joined the business on 4 January 2021.
Election and re-election of Directors	After considering the individual contributions made by the Directors, recommended to the Board that all Directors be proposed for re-election at the 2021 AGM, other than Neil Harrington who is not standing for re-election.
Review of performance and effectiveness during 2020/21	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. Reviewed the independence of all independent Non-Executive Directors. The Committee considered the following when assessing the independence of Neil Harrington, who has now served over nine years on the Board: • Continuing to provide challenge to the Board and Committees. • Up to date knowledge and experience. • Continuing to provide robust challenge of internal systems and controls and holding management to account. • Effective chairmanship of the Audit Committee. • Remaining objective despite deep understanding of the business. It was agreed that Neil Harrington remained independent, despite serving over nine years, and would continue to serve on the Board until the 2021 AGM to ensure an orderly handover with his successor, Alastair Murray. All other Directors were considered to have maintained independence throughout the year.
External commitments review	During the year, Elizabeth McMeikan was appointed to the board of Custodian REIT plc with effect from 1 April 2021. The Committee carefully considered the additional external commitment, taking into account Elizabeth's other commitments and the time commitment that each appointment afforded. The Committee also took into consideration Elizabeth's level of contribution at Board and Committee meetings. Having carefully considered the appointment, the Board agreed that Elizabeth continued to be effective as Chair of the Remuneration Committee and as a Non-Executive Director and that an additional appointment would not affect this. The Committee will continue to review the external commitments of each Director on an annual basis. Details of the Board's external commitments can be found at pages 66 and 67. There have been no changes to the Chair's external commitments within the year.
Role descriptions	Reviewed and approved role descriptions for the Chair, Chief Executive Officer, Senior Independent Director, Executive Directors, Non-Executive Directors and Committee Chairs.
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 of the Nomination Committee

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

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

Induction, development and support

On appointment, all new Directors undergo formal and in-depth induction programmes to provide them with an appropriate understanding of the business and what is expected of them in their role as a Director. This involves site visits, meetings with senior management and provision of access to key documents relating to their role. External training may also be provided by independent legal advisers in relation to the key duties of Directors and required governance principles. Mark Strickland and Alastair Murray have not yet had the opportunity to visit our sites but will do so when travel restrictions are fully relaxed.

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 2021, the Board conducted an online evaluation, led by the Chair. The evaluation used Independent Audit Limited'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 Senior Independent Director, Steve Hannam, led a meeting of the Non-Executive Directors (without the Chair being present) to appraise the Chair's performance. Steve discussed the feedback and any areas of development with the Chair.

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;
- Director contribution to the formation of strategy;
- a strong emphasis on compliance;
- the Board's response to the pandemic;
- making a contribution to the organisation;
- the effectiveness of the Committees; and
- a strong awareness of the Company's financial health.

Nomination Committee report continued
Composition, succession and evaluation continued

Board evaluation continued

Key areas of focus from our 2020/21 evaluation	Progress and actions to be implemented during 2021/22
Oversight of culture	A programme of site visits has been set up for Non-Executive Directors to interact with staff, as well as dinners with the Board to allow for more informal interaction. The development of a culture dashboard will be discussed with a view to being presented to the Board on a regular basis.
Board and senior management succession planning, diversity and talent management	More visibility of the measures in place to identify and nurture internal talent to be provided to the Board to ensure a diverse and robust executive pipeline.
Risk management, particularly in relation to cyber risks and crisis preparation	Information on cyber risk and the degree to which McBride is prepared to respond to a crisis to be presented to the Board. Training sessions on cyber risk to be considered by the Board and management along with crisis simulation.
ESG oversight	More visibility of ESG targets and key performance indicators to be provided to the Board to ensure greater oversight of the ESG agenda.
Strategic reviews	Significant effort was expended into the development of Programme Compass, which reset the Group's strategic direction. The Board will keep under review progress towards fulfilment of the corporate plan.

Succession planning

During the year, the Committee undertook steps to develop and agree a formal succession plan for all roles to ensure that appointments are made of individuals who have the appropriate skills, experience and personal characteristics. The steps below set out the stages of designing our succession plan.

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

In light of the Group's new strategy and structure, the Committee reviewed the size and composition of the Board. The Committee also took into consideration the planned succession for the Chair of the Audit Committee, Neil Harrington, this year and the Senior Independent Director, Steve Hannam, next year. In doing so, the Committee has taken into account the skills and expertise that McBride will need going forward and approved a formal succession plan. Short-term and medium-term plans were put in place for all roles subject to formal succession planning. Where internal candidates were identified, ongoing development will be put in place to ensure that they are prepared for the role.

The Committee will continue to monitor and adapt its succession plan to ensure it continues to support the development of a diverse pipeline.

Board appointments

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

The Board engaged Warren Partners to assist with the recruitment process. Warren Partners has no other connection with the Company or its individual Directors. Candidate specifications were drawn up and agreed with our external search partners, Warren Partners, for both appointments. Besides focusing on specific knowledge and experience, both briefs also welcomed and indeed highlighted the benefit of all types of diversity, including gender.

The search was led by the Committee and coordinated by the Chief HR Officer. Warren Partners conducted an extensive search to identify and engage with a diverse and broad pool of candidates across sectors linked to that of McBride plc. In order to attract candidates from minority ethnic backgrounds, a range of talent engagement strategies were used, including leveraging professional diversity networks, Chief Financial Officer and Chair of Audit Committee communities, and low-margin manufacturing sectors. Warren Partners also uncovered ethnically diverse talent using technology such as LinkedIn and other online search engines, identifying potential candidates across a list of target companies as well as assessing 'first time' Non-Executive Directors or candidates operating below board level. The thorough search led to a list of ten candidates for the Chair of the Audit Committee, which included three female candidates and two ethnic minority candidates.

On 9 July 2021, we announced the appointment of Alastair Murray as a Non-Executive Director with effect from 2 August 2021. As part of the Company's succession plans, it was agreed that Alastair will be appointed as Chair of the Audit Committee immediately following the AGM, subject to shareholder approval of his appointment as a Director. Alastair has recent and relevant financial experience across a number of listed companies. Alastair is a member of the Nomination, Remuneration and Audit Committees.

Diversity and inclusion

In 2021, the Committee approved a Board Diversity Policy, which sets out a commitment to encourage diversity and inclusion in the Boardroom. The policy sets out to ensure that appointments are based on the best individual for the role and that the Board's composition should have an appropriate balance of skills and diversity to meet the requirements of the business. The Committee considers that it has successfully achieved diversity in terms of differing experience, education, background, thinking styles and gender both on the Board and Executive Committee. However, the Committee acknowledges it must continue to move forward to embrace all aspects of diversity. As a global company with manufacturing sites in the EU and Asia, with two non-UK nationals on the Board and Executive Committee, the Company is well placed to continue on this journey.

At the date of this report, one member of the Board is female (12.5%), two out of seven members (29%) of the Executive Committee are female and 30% of the direct reports to the Executive Committee are female.

The objectives of the Board Diversity Policy are reviewed and recommended to the Board for adoption annually by the Committee. The Board's current objectives are:

Objective	Implementation and progress
To ensure so far as possible that the proportion of women on the Board is not less than 28% by the end of 2022 and 30% by the end of 2025.	McBride continues to work towards its diversity target of 28% female representation by 2022. The Committee is hopeful that succession planning and recruitment will allow the Board to achieve the 28% target by 2022. The Committee will continue to make recommendations for new appointments to the Board based on the best individual for the role, whilst ensuring that the Board's composition has an appropriate balance of skills and diversity to meet the requirements of the business.
To ensure so far as possible that the proportion of women within the Executive Committee and their direct reports is not less than 25%.	The minimum target for female representation within the Executive Committee and their direct reports has been achieved and maintained throughout the year. The Company will continue to ensure that there are no barriers for women rising to senior positions within McBride.
To ensure so far as possible that candidates from an ethnic minority or mixed race background are within the candidate pool and interviewed for future positions on the Board.	During the search for our new Chair of the Audit Committee, our search partner, Warren Partners, uncovered ethnically diverse talent using technology such as LinkedIn and other online search engines, identifying potential candidates across a list of target companies as well as assessing 'first time' Non-Executive Directors or candidates operating below board level.

2021/22 objectives

The Committee will continue to monitor succession planning, adapting where necessary to ensure that it supports McBride's strategy. The Committee will also consider talent management, ensuring that this supports a diverse pipeline.

Jeff Nodland
Chair of the Nomination Committee

Audit Committee report

Audit, risk and internal control

Over the course of 2021, we gave special consideration to segmental reporting changes following Programme Compass and the impact of macroeconomic conditions in our key markets.

Neil Harrington
Chair of the Audit Committee

Committee membership and meetings 2020/21

The Committee met four times in the year ended 30 June 2021, at appropriate times in the financial reporting and audit cycle. Details of attendance can be found below:

Members	Number of meetings attended (quorum is three members)	Eligible to attend
Neil Harrington (Chair)	4	4
Steve Hannam	4	4
Elizabeth McMeikan	4	4
Sandra Turner(1)	2	2

(1) Sandra Turner stepped down as a Director on 20 October 2020.

Dear shareholder

On behalf of the Audit Committee, I am pleased to present our report for the year ended 30 June 2021.

The purpose of this report is to describe how we carried out our responsibilities during the year. The role of the Audit Committee is to monitor and review the integrity of financial information and to provide assurance to the Board that the Group's internal controls and risk management processes are appropriate and regularly reviewed. We also oversee the work of the independent auditor, approve their remuneration and recommend their appointment. In addition to the disclosure requirements relating to Audit Committees under the Code, the Committee's report sets out areas of significant and particular focus for the Committee.

Over the course of 2020/21, we carried out our usual work as set out on page 84 with a particular focus on segmental reporting changes following the creation of a new divisional structure under Programme Compass. In the final two months of the year, we gave special consideration to the impact of the macroeconomic conditions on the outlook for commodity prices and the resulting effect arising in our key markets.

In March 2021, the Group received a letter from the Conduct Committee of the FRC, relating to their review of the Group's 2019/20 Annual Report. The letter did not raise any questions or queries but did note some suggestions for improvement to disclosures, for future reporting. The Directors and the Committee have considered the suggestions made in the letter and have made enhancements to disclosures in this year's Annual Report in all the areas suggested. The review of the 2019/20 Annual Report by the FRC does not provide any additional assurance regarding its accuracy and the FRC does not accept any liability in relation to their review.

During the year, we conducted an independent audit tender in accordance with the Companies Act 2006 and the UK's implementation of the EU's mandatory firm rotation requirements. Details of the tender process are set out on page 82. After reviewing written proposals and hearing presentations from the participating firms, the Committee recommended to the Board that PricewaterhouseCoopers LLP (PwC) be re-appointed as independent auditor.

In March 2021, the Department for Business, Energy and Industrial Strategy (BEIS) published a consultation paper on its proposals for significant reform to UK audit and corporate governance. The Committee discussed the early proposals and will review the implications for the Group and the way in which the Committee operates when the outcome of the consultation is known. Ahead of the Committee discussions, the Group had recognised the likely requirement for a review of its control environment and the implementation of a plan for enhancing, where required, its processes and controls. The Committee will continue to monitor progress in this regard. Recognising the Audit Committee's responsibility for oversight of risk and internal controls, the Audit Committee will in future be designated the Audit and Risk Committee.

This is my final Audit Committee report as I will not be seeking re-election to the Board at the AGM. The Committee enjoys an open and constructive relationship with management and I would like to thank the management team for its assistance throughout my nine-year tenure on the Board. I am confident that the Committee has carried out its duties in the year effectively and to a high standard. Looking ahead, I have no doubt that the Committee will continue to make decisions and take actions that are aligned with the requirements of section 172, in keeping with the spirit of the UK Corporate Governance Code 2018.

Composition of the Audit Committee

Myself, Steve Hannam and Elizabeth McMeikan served on the Committee throughout the year. Sandra Turner stepped down part way through the financial year, immediately after the 2020 AGM. For the purposes of the UK Corporate Governance Code, I qualify as a person with 'recent and relevant financial experience' being a member of the Institute of Chartered Accountants in England and Wales and the current Chief Financial Officer of Medivet Group Limited. I have previously held other senior finance roles, the most recent being Chief Financial Officer of Cath Kidston Limited and Group Finance Director of Mothercare plc.

The Board Chair, Chief Executive Officer, Chief Financial Officer, Igor Kuzniar (a Non-Executive Director), Group Financial Controller, Head of Internal Audit and the Company's independent auditor, PricewaterhouseCoopers LLP (PwC), attend meetings of the Audit Committee by invitation. During the year, PwC attended all four meetings.

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

Effectiveness of the Audit Committee

As part of the annual Board evaluation, the effectiveness of the Committee was reviewed by questionnaire. It was determined that the Committee continues to be effective in its role. More details on how the annual Board evaluation was conducted can be found on page 77 and 78 of the Nomination Committee report.

The Board is satisfied that each of the Committee members is independent and that the Committee as a whole has the necessary commercial, financial and audit expertise required to fulfil its responsibilities. The members of the Committee have a wide range of business, international and governance expertise both within the sector and elsewhere, as shown in their biographies on pages 66 and 67. The Board has determined that the Committee, as a whole, has competence relevant to the sector in which the Group operates.

Independent auditor

The Audit Committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the independent auditor. This is submitted to shareholders for their approval at the Company's AGM. Following the audit tender detailed on page 82, the Committee recommends that a resolution for the re-appointment of PwC as independent auditor for the Company should be proposed at the forthcoming AGM in October 2021.

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

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

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

The Committee has considered and approved the terms of engagement and fees of PwC for the year ended 30 June 2021. Fees payable by the Group to PwC totalled £0.9 million (2020: £0.9m) in respect of audit services. There were no contingent fee arrangements with PwC.

Audit Committee report continued

Audit, risk and internal control continued

Audit tenure

PwC was appointed as the Group's auditor on 14 November 2011 and has now served ten years. Consequently, in accordance with the Companies Act 2006 and the EU Audit Regulation forming part of UK law (as amended by the EU Exit Regulations), a full tender for the appointment of the independent audit firm was undertaken during 2021, which resulted in the recommendation of the re-appointment of PwC as our independent auditor. The independent auditor is required to rotate the audit engagement partner every five years. The current audit engagement partner, Graham Parsons, began his appointment in September 2018, so this is his third audit cycle.

Independent audit tender process

The Audit Committee commenced a tendering process in 2021. The process was overseen by the Audit Committee Chair on behalf of the Committee and was managed by a steering group chaired by the Chief Financial Officer with support from the Head of Risk Management and Internal Audit, the Group Financial Controller and Group Financial Accounting Manager. An overview of the tender process is set out below.

January 2021

- Steering group established to manage the audit tender process overseen by the Committee
- Tender and presentation guidelines defined
- Selection criteria defined
- Potential bidders identified
- Tender process approved by the Audit Committee
- Confirmations of independence and willingness to participate in the tender received from bidders
- Bidder shortlist agreed

February 2021

- Invitation to tender issued to shortlisted bidders by the Chair of the Committee
- NDAs signed
- Data room populated
- Status update provided to the Audit Committee

March 2021

- Data room opened to bidders
- Meetings with bidders, Chair of the Audit Committee, Chief GIS Officer and the steering group
- Proposed submissions received and reviewed by the Chair of the Audit Committee and steering group

April to May 2021

- Submission of tender documents by the firms
- Individual panel presentations by each bidder to the Audit Committee, Chief Executive Officer and the steering group
- Audit firms reviewed against the selection criteria
- Selection decision and recommendation made by the Audit Committee to the Board
- Agreement of commercial terms and fees

Selection criteria

Selection criteria were defined by the steering group in conjunction with the Chair of the Audit Committee. Key elements included sector and listed company experience, geographical coverage, audit approach, quality and service and strength of team. The evaluation was based on the interactions between the Company and the firms throughout the process.

Invitation to tender

Four firms were invited to tender; two tier 1 firms and two tier 2 firms. Two tier 1 firms, who provide non-audit services to the Group and therefore lack independence, were unable to participate in the tender. One of the second-tier firms declined to participate. Each firm submitted a detailed tender document, and presented their proposals to the Audit Committee Chair and members of the steering group.

Final selection

Following the presentations, the Audit Committee, Chief Executive Officer and Chief Financial Officer discussed the relative strengths and weaknesses of the firms. The Committee agreed that all three firms were credible candidates and had submitted and presented high-quality proposals. On balance, the Committee members identified PwC as the preferred candidate (with Ernst & Young as a second choice) and recommended to the Board their re-appointment as independent auditor from 2020/21, subject to shareholder approval at the AGM in 2021.

Non-audit services

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

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

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

Fees payable by the Group to PwC totalled £23k (2020: £20k) in respect of non-audit services, equating to 3% of audit fees received by PwC during the same period (2020: 2%).

Responsibilities of the Audit Committee

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

Additional responsibilities of the Committee are:

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

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

Committee activities

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

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

The Committee concluded that there were no major concerns, that there was no evidence of systemic control weaknesses and that the overall control environment was acceptable for a group of McBride's size and nature.

Going concern and viability

The Code requires the Board to state whether it considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements and identify any material uncertainties to the Company's ability to do so over a period of at least twelve months from the date of approval of the financial statements. Details of the Group's going concern statement are on page 60.

The Committee reviewed the assumptions underlying the going concern and viability statements presented by management, including expected future profitability, capital position and liquidity. The Committee assessed the prospects of the Company over a five-year period following a robust assessment of principal and emerging risks affecting the Company, the business model, forecasts and strategic plans. It also reviewed stress test scenarios. Details of the assessment and the viability statement are set out on page 60.

Audit Committee report continued
Audit, risk and internal control continued

Significant judgements and estimates

Matters considered	Committee review and conclusions
Segmental reporting	To fully comply with the IFRS 8 requirement that companies should provide segmental reporting to disclose financial information on the same basis that key decision-makers review business performance each month, we agreed with management's recommendation to report results on the new divisional basis effective from the year ending 30 June 2021.
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, following the move in January 2021 to the new Programme Compass structure, we assessed the need to take impairment charges based on the new divisional CGU structure. Details of the impairment reviews performed are outlined in note 12 to the financial statements. The reviews concluded that no impairment was required.
Going concern status and longer-term viability statements	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 2024. 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 60 be approved.
Exceptional items	The Committee reviewed the accounting treatment of exceptional items and agreed that the items listed in note 4 are exceptional in size and nature in relation to the Group and therefore it is appropriate to disclose them separately.
Quality of earnings	Reviews of the quality of the earnings (material items of income or expense) and one-off items included in cash flow were carried out by the Committee both at the half and full-year period ends. The Committee agreed that sufficient disclosure has been made in the financial statements.
Tax and treasury matters	The Committee continued to review the Group's tax strategy and monitor tax governance and compliance with global transfer pricing. The Committee approved the Group's tax strategy for 2021; this can be found in the Corporate Policies section of the Group's website at **www.mcbride.co.uk**. In accordance with the terms of the Group's debt facilities, the Committee continued to monitor compliance with all relevant covenants to ensure the Group could continue to have sufficient funding capacity to deliver its strategy. The Committee also reviewed the Group's debt funding strategy and policies on currency, interest rate and commodity hedging transactions.
Pensions	The Committee reviewed the performance of the Robert McBride Pension Fund ('the Fund'), a defined benefit pension scheme, closed to new members and future accrual, operated in the UK. The Cash flow Driven Investment (CDI) strategy, implemented during the first half of 2021, continues to operate in line with expectations, reducing volatility in the reported accounting deficit as the assets and liabilities of the Fund are better matched.
Covid-19	The Committee reviewed the impact of Covid-19 on the Group's financial performance and the steps taken by management to mitigate supply risks as well as other risk considerations relating to the pandemic. This has resulted in a number of short-term operational issues, requiring tactical responses from the business, as well as long-term strategic matters and emerging risk considerations, incorporated into the significant and strategic risk topics identified by the Group's risk management process.

Risk management framework

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 were deemed appropriate to be classified as significant, and sought comfort from management on any specific and underlying mitigating factors being used to manage, monitor and address these. The current principal risks and uncertainties affecting the Group can be found on pages 54 to 59.

The Committee ratifies the Group 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 Group Risk Council can be found on page 54.

Risk management framework

Group Risk Council	Executive Committee	Audit Committee	The Board
• Provides a Group-wide 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 • Supported by various risk forums within individual functions and divisions, focusing on the identification, assessment and monitoring of risks and controls within each division and function	• Reviews the Group's risk register and ratifies the assessment and evaluation of risks conducted by the Group 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 independent 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

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 Group's financial performance.

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.

Audit Committee report continued

Audit, risk and internal control continued

Risk management framework continued

Risk management and internal control environment continued

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 included:

- 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 below.

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

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.

Internal Audit

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

Regular meetings are held between the Head of Internal Audit and the Chair of the Audit 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.

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, key current and emerging risk management outputs and compliance control monitoring requirements. There are inbuilt mechanisms to ensure the Internal Audit Plan remains flexible and agile in order to address any new and emerging risks that may arise throughout the year.

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

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 10 September 2021 and signed on its behalf by:

Neil Harrington
Chair of the Audit Committee

Remuneration Committee report

Annual statement

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

Elizabeth McMeikan
Chair of the Remuneration Committee

Committee membership and meetings 2020/21

The Committee met five times in the year ended 30 June 2021. Details of attendance can be found below:

Members	Number of meetings attended (quorum is three members)	Eligible to attend
Elizabeth McMeikan	5	5
Sandra Turner(1)	2	2
Steve Hannam	5	5
Neil Harrington	5	5
Jeff Nodland	5	5

(1) Sandra Turner stepped down from the Board on 20 October 2020.

Dear shareholder

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report (the "Report") for the year ended 30 June 2021.

This Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended ('the Regulations'), the UK Corporate Governance Code 2018 and the Financial Conduct Authority's Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant policies of the shareholder representative bodies. The report is split into three sections: the Remuneration Committee Chair's annual statement; Annual Report on Remuneration and the Remuneration Policy.

At the 2021 AGM, we will be asking shareholders to vote on a single resolution: an advisory vote on the Annual Report on Remuneration, which provides details of how we have operated the approved policy, the remuneration earned by Directors for performance in the year ended 30 June 2021 and how the approved Remuneration Policy will be implemented for the coming year.

Performance of the business

Programme Compass went live in January 2021 and the business has already started to see the benefits of the new, highly focused divisional structure, with its clear accountability. The pandemic, however, has continued to have an impact on volatility of revenue, which has been a challenge during the past year in most of our markets, particularly so during the final quarter of the financial year. There has also been a rapid, significant and sustained price escalation of a number of our core raw materials in the final quarter of the financial year, resulting in marked challenges within the commercial environment. As a consequence, the final quarter's trading was significantly weaker than the first nine months of the financial year.

Remuneration Committee report continued
Annual statement continued

2020/21 remuneration outcomes
All awards in relation to the financial year 2020/21 were made in accordance with our Remuneration Policy. The key decisions made by the Committee were as follows:

- annual bonus (Executive Directors) – The outcomes for the CEO and CFO were determined by reference to performance against the agreed financial measure of Group adjusted EBITA(1) and the Committee's assessment of their individual performance during a challenging year. The methodology used to calculate the financial performance determined that there would be no pay out this year. The Committee considered the progress against each Executive Director's personal objectives for the year across all aspects of the Company's strategy, cost reduction and customer service level. Despite the progress made against these objectives, pay out being contingent upon attainment of threshold performance of the financial measure, no payment against these objectives was made;
- annual bonus (Senior Managers) – In relation to the 2020/21 Short Term Incentive Scheme, notwithstanding partial attainment of Company objectives, the Committee determined that no bonus would be payable to members of the Executive Committee as the Group adjusted EBITA(1) was below the lower threshold;
- discretionary bonus (Executive Committee) – Three out of seven members of the Executive Committee were awarded a discretionary bonus by the Committee for their exceptional performance during 2020/21 (£21.5k in aggregate);
- vesting of 2018 LTIP Awards – Following a careful review of the last three years' performance against the pre-agreed measures, the Committee determined that the 2018 LTIP awards would not vest, as the performance measures had not been satisfied. Further detail can be found on page 101; and
- taken as a whole, the Committee is satisfied that the overall pay outcomes for the year ended 30 June 2021 are appropriate and, accordingly, we have not applied any discretion to this year's outturns.

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

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

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

These principles apply equally to those of senior management.

Remuneration matters considered during and in respect of 2020/21
A summary of the key matters considered by the Committee during the year and since the year end in respect of 2020/21 is as follows:

- in relation to the annual bonus, the Committee determined after the year end that no bonus would be payable to Executive Directors covering this period. No discretion was applied in reaching this decision. Further details can be found on page 100;
- in relation to the 2020/21 Short Term Incentive Scheme, that notwithstanding partial attainment of company objectives, the Committee determined that no bonus would be payable to members of the Executive Committee as the Group adjusted EBITA(1) was below the lower threshold;
- the Committee determined that three out of seven members of the Executive Committee would be awarded a discretionary bonus by the Committee for their exceptional performance during 2020/21 (£21.5k in aggregate);
- in relation to the LTIP awards granted in September 2018, 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;

(1) Please refer to APM in note 2.

- the Committee agreed the remuneration arrangements for the Chief Financial Officer, Mark Strickland;
- the Committee approved the grant of the 2020 LTIP, DBP and RSU awards;
- the Committee reviewed and approved the Chief Executive Officer's and Chief Financial Officer's personal objectives under the annual bonus scheme;
- the Committee reviewed and approved the UK Gender Pay Gap report;
- the Committee approved the remuneration of senior managers joining during the year;
- the Committee approved the review and design of the 2022 EIS for below Executive Director level. The design is consistent with best practice and will ensure that individual incentives drive behaviours that are aligned with the Programme Compass strategy, values and structure; and
- the Committee agreed the integration of ESG measures into future personal objectives under the annual bonus scheme.

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.

Committee membership and attendance at meetings year ended 30 June 2021

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

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

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

Mark Strickland joined the Group and the Board as Chief Financial Officer on 4 January 2021. Mark Strickland's remuneration arrangements on appointment were discussed and agreed by the Committee and are in line with our current Remuneration Policy.

Remuneration Policy and shareholder engagement

In the year to 30 June 2020, we conducted a detailed review of our Remuneration Policy, taking account of development in remuneration governance and best practice, our emerging business strategy and, importantly, our desire to increase Executive Directors' shareholding levels, in order to align better with the experience of our investors. In formulating the policy, we consulted with key shareholders, taking on board their feedback in the final design.

At last year's AGM, we were pleased to receive an 87.59% vote in favour of our Remuneration Policy and 88.86% in favour of our Remuneration Report. I would like to thank our shareholders for their engagement, constructive feedback and subsequent voting support.

Following renewal of the Remuneration Policy, the policy has operated as intended in year one. Further details on application of the policy can be found on pages 108 and 109.

Looking ahead

Looking to the future, the Committee intends to continue to seek to align Executive Director remuneration with the experience of our shareholders. We shall continue to review McBride's pay policies, ensuring appropriate alignment between executive pay arrangements and the wider workforce. We also look to continue to enhance our alignment of pay with McBride's new strategy, Programme Compass.

Elizabeth McMeikan
Chair of the Remuneration Committee

Remuneration Committee report continued

Remuneration Policy

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

Remuneration Policy principles

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

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

Clarity	The Committee is committed to being transparent in respect to the elements of remuneration, quantum, the rationale for targets set and performance outcomes. The Committee engages with shareholders and is keen to understand their views and priorities when considering key remuneration issues and any major changes.
Simplicity	The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. The Committee is confident that the remuneration structure and its operation is understood by participants and supports the overall strategic objectives.
Risk	Targets are reviewed to ensure they reflect the overall risk appetite set by the Board and do not encourage inappropriate behaviours or excessive risk-taking. Mitigation is provided through the clawback provisions (which are in line with current best practice expectations) and through the discretion the Committee has to override the vesting result in exceptional circumstances. In addition, holding periods are in place for awards under the RSU plan, the DBP and the LTIP.
Predictability	The Committee assesses the potential outcome of future reward by reference to potential payouts that can be received at a range of outcomes (minimum, mid-point and maximum). Individual caps apply to participation in our incentive plans.
Proportionality	The Committee seeks to ensure that targets for annual bonus and long-term incentives are aligned with the Group's strategy and the long-term sustainable development of the business. The focus of our remuneration strategy is on rewarding performance – the majority of executive remuneration is performance based and only payable if demanding performance targets are met. The majority of variable pay is delivered in the form of shares. When setting targets for variable elements of pay the Committee carefully considers the targets to minimise the risk of excessive reward by reference to the maximum potential award that could be achieved. When assessing performance against annual bonus and LTIP the Committee also considers: • the overall performance of the business; • the quality of earnings when assessing the achievement of financial targets; and • the market in which the Company operates. Both annual bonus and LTIP payments are at the ultimate discretion of the Committee. The Committee retains discretion to override formulaic outcomes produced by the assessment of performance against predetermined performance conditions and scale back awards where, in the Committee's view, the payout levels do not reflect the performance of the wider business over the period, individual performance or where events happen that cause the Committee to determine that the conditions are unable to fulfil their original intended role. Any exercise of discretion will be fully disclosed to shareholders. Notwithstanding that the RSUs, which are an element of our fixed pay, are not subject to performance conditions, the Committee is mindful of the potential for windfall gains when awards vest and downward discretion may also be applied to the actual number of shares to be granted and the vesting of RSU awards where exceptional circumstances exist.
Alignment to culture	The Committee believes that the overall design of the Group remuneration strategy is consistent with the Company's purpose, values and strategy and is aligned with the Group's culture. In particular, the Committee has taken steps to improve the alignment of interests between senior management and shareholders through the RSU plan and the matching awards under the DBP, both of which are designed to increase share ownership.

Remuneration Policy table

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

Element: Executive Director base salary	
Purpose and link to strategy	• To ensure the Group is able to recruit and retain high-calibre executives.
Operation	• Salaries are set by the Committee taking into account individual experience, performance, skills and responsibilities, prevailing market conditions (by reference to companies of a similar size and complexity and other companies in the same industry) and internal relativities. • Salaries are paid monthly in arrears by bank transfer and are normally reviewed annually with any changes effective from January.
Maximum	• Details of current salaries of the Executive Directors are detailed on page 100. • 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.

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.

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

Remuneration Committee report continued
Remuneration Policy continued

Remuneration Policy table continued

Element: 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.

Element: LTIP	
Purpose and link to strategy	• The objectives of the LTIP are to align the long-term interests of shareholders and management and reward achievement of long-term, stretching targets. • Awards are made to Executive Directors and to senior executives who have a significant influence over the Group's ability to meet its strategic objectives. Whilst it is not a requirement of the LTIP, senior executives are encouraged to use the scheme to increase their share ownership in the Company.
Operation	• Annual awards are granted, subject to individual performance and Committee discretion. The awards vest after three years subject to continued employment and the satisfaction of challenging performance conditions. A two-year post-vesting holding period applies to all shares (less any shares required to be sold to cover withholding tax) that vest. • LTIP awards are subject to malus and clawback(1). • The Committee will operate the LTIP according to its respective rules and in accordance with the Listing Rules and HMRC rules, where relevant.
Maximum	• 125% of salary for the Chief Executive Officer and 110% of salary for the Chief Financial Officer and any other Executive Director in any financial year. The Committee reviews the quantum of awards annually to ensure they are in line with market levels and appropriate given the performance of the individual and the Company. • Actual award levels to Executive Directors are set out in the Annual Report on Remuneration.
Performance measures	• Vesting of awards would normally be based on key financial measures of performance (such as, but not limited to, earnings per share (EPS), ROCE), selected by the Committee and measured over a period of no less than three financial years. EPS is a measure of the Company's overall financial success and ROCE is a key performance indicator for the Group. • Different performance measures and/or weightings may be used for future awards to help drive the strategy of the business. • Targets are set by the Committee for each award on a sliding scale basis. No more than 25% of awards will vest for threshold performance, with full vesting taking place for equalling or exceeding maximum performance conditions. • The Committee retains the ability in exceptional circumstances to adjust the targets and/or set different measures and alter weightings for the LTIP if events occur, such as a material divestment of a Group business, which cause it to determine they are no longer appropriate and a change is required to ensure that they achieve their original purpose and are not materially less difficult to satisfy.

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

Remuneration Committee report continued

Remuneration Policy continued

Remuneration Policy table continued

Element: Non-Executive Director fees	
Purpose and link to strategy	• To ensure the Group is able to attract and retain experienced and skilled Non-Executive Directors able to advise and assist with establishing and monitoring the strategic objectives of the Company.
Operation	• The remuneration of the Chairman and the Non-Executive Directors is payable in cash fees. • They are not eligible to participate in bonus or share incentive schemes. • Their services do not qualify for pension or other benefits. • Expenses incurred for advice in respect of UK tax returns for non-UK NEDs may be reimbursed. • Fees are paid monthly and reasonable expenses are reimbursed where appropriate. Tax may be reimbursed if these expenses are determined to be a taxable benefit. • Fee levels are determined by the full Board with reference to those paid by other companies of similar size and complexity, and to reflect the amount of time they are expected to devote to the Group's activities during the year (and may include additional ad-hoc payments to reflect increased time commitments over a short period). • A supplementary fee is also paid to Committee Chairs and to the Senior Independent Director to reflect their additional responsibilities. • An additional allowance of up £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 109. The aggregate annual sum for Non-Executive Director fees cannot exceed £600,000 p.a. The Company does not intend to seek shareholder approval for any increase to this maximum in the short to medium term.
Performance measures	• No element of the Chairman's nor Non-Executive Directors' fees is performance related.

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

Committee discretion in the operation of variable pay schemes

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

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

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

Any use of such discretion would, where relevant, be explained in the Annual Report on Remuneration.
Any proposed application of this discretion to make an upward adjustment would be the subject of consultation with shareholders.

Statement of consideration of shareholder views

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

Statement of consideration of employment conditions elsewhere in the Group

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

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

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

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

Remuneration Committee report continued
Remuneration Policy continued

Remuneration Policy table continued

Element: recruitment remuneration	
Purpose and link to strategy	• To ensure the Group is able to recruit and retain high-calibre Executive and Non-Executive Directors.
Operation	• New Director remuneration arrangements will be based upon and within the limits of the various elements as set out on pages 108 and 109. 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.

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 the normal vesting date or on cessation of employment.	Extent to which performance requirements are satisfied in year determines level of annual bonus. If within twelve months of a change of control the individual is given notice or there is a material change to their duties precipitating departure, there would be an additional payment due of 150% of target bonus for the CEO and 100% for the CFO and any other Executive Directors. Any unvested DBP awards will vest in full on the date of the relevant event.
LTIP	Unvested awards lapse. Vested awards may be subject to clawback in certain circumstances. Any vested awards will normally remain subject to the two-year post-vesting holding period.	Unvested awards may be pro-rated based upon the rules of the LTIP plan (at Committee discretion) and vest on either the normal vesting date or cessation of employment. Vested awards may be subject to clawback in certain circumstances. Any vested awards will normally remain subject to the two-year post-vesting holding period.	Unvested awards may be pro-rated based upon the rules of the LTIP plan (at Committee discretion) and vest on the date of the relevant event. Vested awards may be subject to clawback in certain circumstances and the two-year post-vesting holding period will end.

Remuneration Committee report continued

Remuneration Policy continued

Executive Directors' service contracts

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

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

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

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

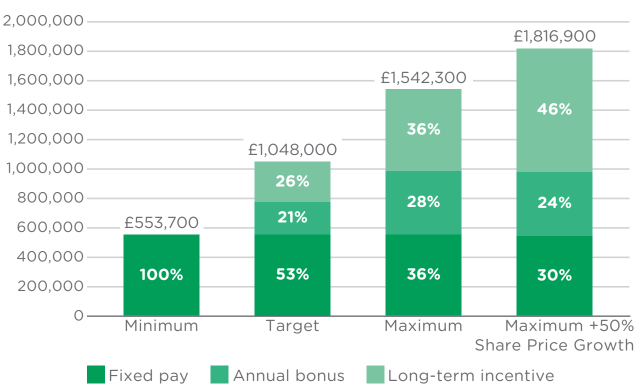
The contracts contain restrictive covenants for periods of up to six months post-employment relating to non-competition and non-solicitation of the Group's customers, suppliers and employees and indefinitely with respect to confidential information. In addition, they provide for the Group to own any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

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

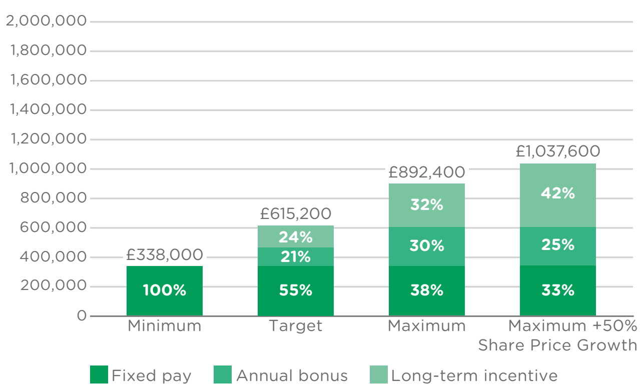
Remuneration performance scenarios 2021/22

The Executive Directors' remuneration packages comprise both core fixed elements (base salary, RSUs, pension and benefits) and performance-based variable pay. The charts below illustrate the composition of the Chief Executive Officer's and Chief Financial Officer's remuneration packages at minimum, target, maximum and maximum +50% share price growth for 2020/21 in line with policy.

CEO



CFO



(1) Fixed pay comprises salary for the financial year beginning 1 July 2021, 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 the Executive Directors to carry out non-executive duties, they will be required to disclose the fact that they retain any earnings and the amount of such remuneration. During the year ended 30 June 2021, neither Executive Director held any external non-executive directorships.

Non-Executive Directors' letters of appointment

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

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

Director(1)	Latest letter of appointment	Date first appointed to the Board	Notice period(2)
Jeff Nodland	21/06/2019	26/06/2019	3 months
Steve Hannam	03/09/2019	04/02/2013	3 months
Elizabeth McMeikan	14/11/2019	14/11/2019	3 months
Neil Harrington	03/09/2019	03/01/2012	3 months
Sandra Turner(3)	03/09/2019	01/08/2011	3 months
Igor Kuzniar	31/05/2019	03/06/2019	3 months
Alastair Murray	01/07/2021	02/08/2021	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) Sandra Turner stood down as a Non-Executive Director on 20 October 2020.

Any appointment for more than nine years in total will be subject to annual review by the Board, as well as shareholder approval. Consideration will be given to the importance of refreshing the membership of the Board and avoiding any undue reliance on any particular individual, whilst assessing the contribution made by that individual, together with the ongoing commitment required to the role and the benefit gained from any continuity of handover with newer members of the Board. Further information on the Board's assessment of independence and succession planning can be found in the Nomination Committee report on pages 75 to 79.

Remuneration Committee report continued

Annual Report on Remuneration

Application of the shareholder-approved 2020 Remuneration Policy for 2020/21

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 2020/21 financial year:

	Fixed remuneration					Performance-related remuneration			
	Base salary[3] £'000	RSU[4,5] £'000	Benefits[6] £'000	Pension[7] £'000	**Total fixed remuneration £'000**	Annual bonus[8] £'000	LTIPs £'000	**Total variable remuneration £'000**	**Total £'000**
Chris Smith[1]									
2020/21	437	65	14	35	**551**	—	—	**—**	**551**
2019/20	344	4	15	58	**421**	76	—	**76**	**497**
Mark Strickland[2]									
2020/21	134	20	7	10	**171**	—	—	**—**	**171**

(1) Chris Smith was appointed as CEO on 11 June 2020. In 2019/20 Chris Smith received additional salary as interim CEO paid in monthly instalments of £10,000 for the first four months of that year. This was not treated as salary for the purposes of pension, bonus or LTIP.

(2) Mark Strickland was appointed CFO on 4 January 2021.

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

(4) RSU grants have been included for Chris Smith: (i) using the closing share price for the day prior to the effective date of grant of 11 June 2020 for the initial award as this was effectively backdated to the date he was appointed as CEO with 20/365ths of this included in 2019/2020 (which has been restated) and 345/365ths of this included in 2020/21; and (ii) using the closing share for the day prior to the date of grant of 11 June 2021 for the second award with 20/365ths of this included in 2020/2021 with the remaining 345/365ths of this to be included in 2021/22.

(5) The RSU grant for Mark Strickland was structured to cover the eight-month period from January 2021 to August 2021 and therefore has been included using the closing share price for the day prior to the date of grant of 25 February 2021 with 6/8ths of this included in 2020/2021 with the remaining 2/8ths of this to be included in 2021/22.

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

(7) 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.

(8) The annual bonus is the cash value of the bonus in respect of the year, including any amount deferred and awarded as shares. A minimum of 30% of the bonus is deferred into conditional shares subject to a vesting period with no further performance conditions. No bonuses were paid for the year ending 30 June 2021.

Pension (audited)

Both Chris Smith and Mark Strickland receive a pension supplement in lieu of contributions to a pension scheme of 8% of salary, which is in line with that available to the majority of the UK general workforce. The Company has a contracted agreement with the Executive Directors that this payment relieves the Company of any liability for pension provision on their behalf.

Annual bonus (audited)

For the 2020/21 financial year, the maximum bonus opportunity for the Executive Directors was 100% of base salary. 80% of bonus was based upon financial performance and 20% for performance against demanding specific measurable personal objectives.

Financial element outcomes

	Performance targets[3] (£m)			Actual performance	Payout
	Threshold	Target	Stretch	£m	(% of salary)
Group adjusted EBITA[1,2]	29.5	32.0	34.3	24.1	—

(1) Please refer to APM in note 2.

(2) Excludes amortisation of intangibles and exceptional costs.

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

Personal element outcomes

Both Executive Directors were set three personal objectives to be measured as a whole, weighted at a maximum of 20% as follows:

1. Programme Compass strategy – Defined as the successful transition towards the new 'Divisional Operating Model' from 1 January 2021.
2. Overhead cost reduction – Identification and quantification of an overhead cost reduction programme to commence by the end of the financial year.
3. Customer service level (CSL) – Demonstrable improvement in the overall CSL KPI over the financial year, with evidence through the service level and reduction in customer penalties.

Notwithstanding Chris and Mark performed well against their personal objectives throughout the year, the Committee determined that no payment would be payable in respect of their personal objectives in line with the scheme rules, as the outcome of the financial element did not meet the threshold performance target.

LTIP (audited)

In the year under review, LTIP awards were granted to Chris Smith in September 2020 and to Mark Strickland in February 2021 under the McBride plc 2014 LTIP. These awards were granted in the form of conditional share awards.

Detailed assumptions used in calculating the fair value of the awards are outlined in note 24 to the consolidated financial statements on page 167.

Interests of Directors under the McBride plc 2014 LTIP at 1 July 2020 and 30 June 2021 are set out below:

Director	Date of award	Number of awards at 1 July 2020	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2021	Market price the day before the date of award (£)	Vesting date	Performance period
Chris Smith	11/09/2017	164,371	—	—	164,371	**—**	1.9675	12/09/2020	1 July 2017-30 June 2020
	10/09/2018	248,006(2)	—	—	—	**248,006(2)**	1.3040	11/09/2021	1 July 2018-30 June 2021
	07/10/2019	585,870	—	—	—	**585,870**	0.552	08/10/2022	1 July 2019-30 June 2022
	10/09/2020	—	877,016(1)	—	—	**877,016**	0.62	10/09/2023	1 July 2020-30 June 2023
Total		998,247	877,016	—	164,371	**1,710,892**			
Mark Strickland	25/02/2021	—	178,378(1)	—	—	**178,378**	0.8140	25/02/2024	1 July 2020-30 June 2023
Total		—	178,378	—	—	**178,378**			

(1) Awards were granted on the basis of 125% of salary for Chris Smith and 110% of salary for Mark Strickland. The face value of the awards are Chris Smith: £543,750 and Mark Strickland: £145,200. Threshold vesting under the ROCE condition would be 10% of that part of the award (5% of the total award). Threshold vesting under the EPS condition would be 10% of that part of the award (5% of the total award).

(2) The LTIP awards granted on 10 September 2018 were based on performance over the three years to 30 June 2021. On 1 September 2021, 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 1 September 2021.

The LTIP awards granted on 7 September 2019 are based on performance over the three years to 30 June 2022. The awards granted on 10 September 2020 and 25 February 2021 are based on performance over the three years to 30 June 2023. The performance conditions attaching to awards under the LTIP included in the preceding table are:

Grant September 2018 and Grant October 2019

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

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

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

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

b) 50% of the award is subject to a performance condition based on the compound annual growth rate in earnings per share (EPS) as set out in the table below. Awards subject to the EPS condition will lapse if below the stated minimum growth rate in each year.

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

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

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

Remuneration Committee report continued
Annual Report on Remuneration continued

LTIP (audited) continued

Grant September 2018 and Grant October 2019 continued

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 93. The Committee has noted the decrease in the issued share capital during 2020/21 due to the share buy-back. The Committee will review vesting levels at the end of the performance period and ensure that the vesting values reflect the underlying business performance and do not result in a windfall gain that is not in line with shareholder experience.

Grant September 2020 and Grant February 2021

a) 50% of the award is subject to a ROCE performance condition. ROCE is defined as the adjusted operating profit(1) as a percentage of average capital employed in the period. Operating profit is defined as EBITA adjusted for the amortisation of tangible assets and exceptional items. Capital employed is defined as tangible and intangible fixed assets, including goodwill plus inventories and current trade and other receivables less current trade and other payables.

ROCE Grant Sept 2020	% of total award vesting (max 50%)(2)
<14.8%	0
14.8%	10 (threshold)
17.2%	25 (target)
18.6%	50 (maximum)

(1) Please refer to APM in note 2.

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

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

EPS Compound Annual Growth Rate (CAGR)(2) Grant Sept 2020	% of total award vesting (max 50%)(1)
<7% p.a.	0
7% p.a.	10 (threshold)
14.3% p.a.	25 (target)
21.1% p.a.	50 (maximum)

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

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

ROCE and EPS performance are measured over the period of three consecutive financial years of the Company, beginning with the year of grant of the award. There will be no resetting or retesting of the performance conditions, other than in exceptional circumstances as set out on page 93.

Restricted Share Unit Plan (RSU) (audited)

The RSU was approved by shareholders at the 2020 AGM on 23 November 2020. In the year under review, RSU awards were granted to Chris Smith and Mark Strickland under the McBride plc 2020 RSU. These awards were granted in the form of conditional share awards.

Interests of Directors under the McBride plc 2020 RSU at 1 July 2020 and 30 June 2021 are set out below:

Director	Date of award	Number of awards at 1 July 2020	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2021	Market price the day before the date of award (£)	Vesting date
Chris Smith	23 December 2020(1)	—	98,864	—	—	98,864	0.66(1)	11 June 2023(1)
	11 June 2021(2)	—	74,382	—	—	74,382	0.886	11 June 2024
Total			173,246	—	—	173,246		
Mark Strickland	25 February 2021(3)	—	32,432	—	—	32,432	0.814	25 February 2024
Total			32,432	—	—	32,432		

(1) The RSU plan was approved by shareholders at the 2020 AGM on 23 November 2020. Following the approval of the RSU, McBride plc resolved to grant RSU awards on 23 December 2020, with a deemed grant date of 11 June 2021 being the date that Chris Smith was appointed as CEO. This led to two grants in the financial year 2020/21. This was because the award formed part of his CEO remuneration package from his date of appointment. The share price disclosed of £0.66 was the closing share price on 10 June 2021 which was used by the Committee to determine the number of shares subject to the award such that the total value would be 15% of his salary and has therefore been included above. Based on this price, the face value of the award was £65,250 being 15% of his base salary. The closing share price on the day prior to the actual date of grant was £0.886.

(2) The face value of the award granted to Chris Smith on 11 June 2021 was £65,902 being 15% of his base salary.

(3) The face value of the award granted to Mark Strickland on 25 February 2021 was £26,400 being 15% of 8/12ths of his base salary (as the RSU award was only meant to cover the period from January to August with future awards being made in September each year).

Deferred Annual Bonus Plan (DBP) (audited)

Interests of Directors under the McBride plc 2012 Deferred Annual Bonus Plan at 1 July 2020 and 30 June 2021 are shown in the table below.

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

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

No awards under the DBP were granted in the year 2020/21.

Director	Date of award	Number of awards at 1 July 2020	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2021	Market price at date of award (£)	Vesting date
Chris Smith	11/09/2017	1,064	—	1,064	—	—	1.9675	12/09/2020

(1) The number of shares transferred, including dividend equivalents, was 1,158 as set out in the regulatory news announcement on 16 September 2020.

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

	2020/21				2019/20			
	Base fee £'000	Committee Chair/ SID fee £'000	Benefits(4) £'000	Total £'000	Base fee £'000	Committee Chair/ SID fee £'000	Benefits(4) £'000	Total £'000
Jeff Nodland	200	—	1	201	123	—	33	156
Steve Hannam	49	8	—	57	45	7	3	55
Neil Harrington	49	9	—	58	45	7	—	52
Igor Kuzniar(1)	49	—	—	49	49	—	5	54
Sandra Turner(2)	15	2	—	17	45	7	1	53
Elizabeth McMeikan(3)	49	8	—	57	28	1	—	29

(1) Igor Kuzniar was appointed as a Non-Executive Director with effect from 3 June 2019 however his first payment did not occur until August 2019. As a consequence Igor received one month of fees relating to 2018/19 during the 2019/20 financial year.

(2) Sandra Turner stepped down as Chair of the Remuneration Committee on 1 May 2020 and stepped down from the Board on 20 October 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, Elizabeth McMeikan.

(3) Elizabeth 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.

(4) Benefits comprise reimbursement of expenses on a gross of tax basis incurred by Non-Executive Directors in the course of carrying out their roles which are considered by HMRC to be taxable.

Remuneration Committee report continued
Annual Report on Remuneration continued

Statement of Directors' shareholding and share interests (audited)

	At 30 June 2021						At 6 September 2021	At 1 July 2020	
	Total shares beneficially owned(1)	Value of shares £'000	% of annual base salary	Shareholding requirement/ guideline %(2)	Shareholding requirement/ guideline met(2)	Conditional share awards(3)	Share holding	Total shares beneficially owned(1)	Conditional share awards(3)
Jeff Nodland	464,600	423	212	100	Above guideline	N/A	464,600	290,600	–
Steve Hannam	75,126	68	136	100	Above guideline	N/A	75,126	12,000	–
Neil Harrington	64,395	58	116	100	Above guideline	N/A	64,395	47,463	–
Igor Kuzniar(4)	–	–	–	N/A	–	N/A	–	–	–
Elizabeth McMeikan	15,790	14	28	100	Below guideline	N/A	15,790	–	–
Sandra Turner(5)	10,000	9	–	N/A	N/A	N/A	N/A	10,000	–
Chris Smith	393,669	358	82	300	Below requirement	1,884,138	393,669	352,829	998,247
Mark Strickland	–	–	–	200	Below requirement	210,810	–	N/A(6)	N/A(6)

(1) Changes in the current Directors' interests in shares in the Company and those of their Connected Persons between the end of the financial year and 6 September 2021 are shown in the table above.

(2) Executive Directors have a shareholding requirement equal to a multiple of base salary; 300% in the case of the CEO and 200% in the case of the CFO which they are expected to reach within five years of their appointment. NEDs have a shareholding guideline equivalent to 100% of their annual base fee.

(3) The conditional share awards have been made under the McBride plc 2014 LTIP, 2020 Restricted Share Unit Plan and the 2020 Deferred Annual Bonus Plan. The conditions to which the share awards are subject are set out on pages 76 to 78.

(4) Igor Kuzniar is the appointed representative of McBride plc's largest shareholder Teleios Capital Partners GmbH and therefore the NED guidelines do not apply to him.

(5) Sandra Turner stepped down from the Board on 20 October 2020. This sets out her shareholding at the time of her stepping down from the Board.

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

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

Shareholder dilution

Awards under executive share plans are currently being satisfied by market purchase shares acquired by the Employee Benefit Trust (which as a result of purchases of 348,574 shares during the year ended 30 June 2021 held 587,159 shares at 30 June 2021 that were available to satisfy subsisting awards). However, newly issued shares may be used in future to satisfy these awards. There are no all-employee share plans. The Company monitors the number of shares issued under these schemes and their impact on dilution limits.

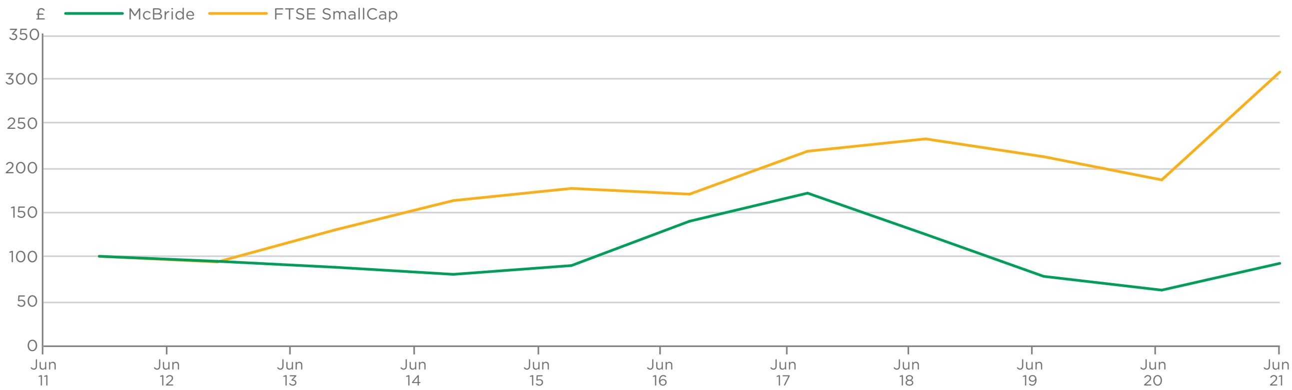
The Company's maximum usage of shares compared with the dilution limits set by the Investment Association in respect of executive share plans (5% in any rolling ten-year period) as at 30 June 2021 is as follows:

Executive share plans

However, this will reduce to 3.57% once the remaining 1,784,093 September 2018 LTIP awards (which will lapse in full) are taken into account.

Review of past performance

The graph below charts the TSR (share value movement plus reinvested dividends), over the ten years to 30 June 2021, 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 2021, of £100 invested in McBride plc on 30 June 2011, compared with the value of £100 invested in the FTSE SmallCap Index (excluding Investment Trusts) on the same date.

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

CEO/financial year	Total remuneration £'000	Annual bonus % of maximum	LTIP % of maximum vested(6)
Chris Smith(1)			
2020/21	551	–	–
2019/20(2)	497	24.8	–
Ludwig de Mot(3)			
2019/20(2)	368	–	–
Rik De Vos(4)			
2018/19	592	–	–
2017/18	890	–	62.5
2016/17	1,169	70.8	100.0
2015/16	893	98.5	–
2014/15	357	89.0	–
Chris Bull(5)			
2014/15	253	–	–
2013/14	512	–	–
2012/13	512	–	–
2011/12	704	48.0	–

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

(2) For 2019/20, the total remuneration has been adjusted to include the single figure calculation.

(3) Ludwig de Mot was appointed CEO with effect from 1 November 2019 and left the business on 10 June 2020.

(4) Rik De Vos was appointed CEO with effect from 2 February 2015 and left the business on 31 August 2019.

(5) Chris Bull was appointed CEO with effect from 4 May 2010 and left the business on 18 December 2014.

(6) The LTIP % of maximum is the percentage of shares vesting compared to the maximum that could have vested.

Remuneration Committee report continued
Annual Report on Remuneration continued

Annual percentage change in remuneration of Directors and employees

The table below shows the annual percentage change in remuneration of Directors and UK employees over the last two financial years. Although the Company has an international workforce, this group has been chosen as it continues to represent the most meaningful comparator group to compare to the UK-based Executive Directors. Where there are no prior years to compare to, the value is marked as not applicable.

	Salary/fees change		Benefits change		Bonus change	
	2020	**2021**	2020	**2021**	2020	**2021**
Executive Directors						
Chris Smith(1)	17.0%	**27.0%**	22.8%	**(6.6%)**	N/A	**(100.0%)**
Mark Strickland(2)	N/A	**N/A**	N/A	**N/A**	N/A	**N/A**
Non-Executive Directors(3)						
Steve Hannam	–	**8.7%**	89.9%	**(100.0%)**	N/A	**N/A**
Neil Harrington	–	**10.1%**	(100.0%)	**–**	N/A	**N/A**
Igor Kuzniar	N/A	**–**	N/A	**(100.0%)**	N/A	**N/A**
Elizabeth McMeikan(4)	N/A	**91.6%**	N/A	**–**	N/A	**N/A**
Jeff Nodland(5)	N/A	**62.9%**	N/A	**(95.9%)**	N/A	**N/A**
Sandra Turner(6)	–	**(65.7%)**	168.9%	**(100.0%)**	N/A	**N/A**
Comparator group						
Average for UK employees(7)	1.3%	**7.6%**	N/A	**(65.7%)**	9.5%	**417.4%**

(1) Chris Smith has been CEO for the duration of 2020/21. In the prior year, Chris was appointed Interim CEO during the period 22 July 2019 to 1 November 2019. Chris reverted to CFO from November 2019 to 11 June 2020, at which point Chris was appointed permanent CEO. The main contributing factor to the percentage change in salary is linked to the permanent appointment to CEO. There has been a marginal change in benefit values during 2020/21. No bonus was paid in 2018/19 or 2020/21.

(2) Mark Strickland was appointed CFO on 4 January 2021 so there is no basis for comparison to prior year.

(3) The Board decided to increase fees for NEDs from 1 October 2020. The increase reflects both changes in market data and consideration of time commitments. This is the first increase since 2017.

(4) Elizabeth McMeikan joined the Board on 14 November 2020 hence the comparison is with a partial year. If her fees for 2019/20 were annualised to enable a proper comparison to prior year there would have been an increase of 11.7% reflecting her appointment as Chair of the Remuneration Committee on 1 May 2020.

(5) The Chairman's base fee was increased with effect from 2 July 2020 to reflect increased time commitments.

(6) Sandra Turner stepped down as Chair of the Remuneration Committee on 1 May 2020 and stepped down from the Board on 20 October 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, Elizabeth McMeikan.

(7) The calculations for the comparator group are based upon the average values for UK-based employees (other than Directors) that were employed by Robert McBride Ltd on the last day of the financial year versus the same criteria for the previous financial year. Last financial year there were 621 employees in the comparator group versus 481 employees at the end of this financial year. The average salary for the UK-based employees (on a FTE basis) has increased over the last financial year. The average benefits and bonus change values show variance to prior year largely contributed to by the change in sample size of the comparator group. Pension benefits and long-term incentive awards are excluded from the calculation. The comparator group data is being reported in this way as all of the employees of McBride Plc are Directors and therefore the comparison required by the Regulations cannot be shown.

CEO pay ratio

Under Option B of The Companies (Miscellaneous Reporting) Regulations 2018, the latest available gender pay gap data was used to identify the best equivalent comparison for the three UK-based employees whose pay is at the 25th, 50th (median) and 75th percentiles of the comparator group. There were 463 UK-based employees in the comparator group. This calculation methodology was selected as it provides the most consistent company approach for identifying meaningful equivalents which are reasonably representative of the percentiles and are aligned to our approach to UK gender pay gap reporting.

The ratios shown in the table compare the total remuneration for the relevant UK-based employees to the current CEO single total remuneration figure. The ratio has reduced slightly from 2019/20 to 2020/21 primarily as a result of the fact that the CEO did not receive an annual bonus in respect of 2020/21. This means that in future years the pay ratio may increase if a bonus award is paid to the CEO. It is also worth noting that the CEO's single figure for 2019/20 was calculated using a cumulative pro-rata single figure to represent the pay of the three different CEOs that had been appointed throughout that year.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020/21(1)	**Option B**	**20.5:1**	**16.6:1**	**11.1:1**
2019/20(2)	Option B	23.1:1	19.7:1	14.2:1

The table below shows the total remuneration and salary for each quartile of UK employees as at 23 April 2020.

	25th percentile	Median	75th percentile
Salary	£24,970	£30,780	£46,310
Total remuneration	£26,850	£33,220	£49,510

(1) The pay ratio calculations for 2020/21 compare the CEO's single total remuneration figure to the pay and benefits figure of the UK-based employee who is on the 25th, 50th (median) and 75th percentile of the Company's UK employees.

(2) The pay ratio calculations for 2019/20 were calculated using a cumulative pro-rata single figure for the CEO 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) and Chris Smith (from June 2020)

(3) The ratios shown in the table compare total remuneration for the three relevant UK-based employees to a CEO single total remuneration figure that includes base salary, benefits and pension only as there were no incentive payments in 2020/21. Typically, a significant proportion of the CEO's pay is delivered through incentives where performance conditions are met. This means that in future years the pay ratio may increase if incentive awards are paid to the CEO.

Relative importance of spend on pay

The table below shows the total amounts of distributions to shareholders and the amount paid to buy back shares compared to the total payroll costs for the Group for the financial years ended 30 June 2020 and 30 June 2021.

	Year ended 30 June 2020 £m	**Year ended 30 June 2021 £m**	% change
Shareholder distribution[1]	2.0	**Nil**	N/A
Amounts paid to buy back shares	Nil	**6.8**	N/A
Total payroll costs[2] (of all group employees including Directors)	132.7	**128.9**	(2.9%)

(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.

(2) Total payroll costs excludes termination benefits.

Compliance with the UK Corporate Governance Code (the 'Code')

The table below summarises how we have complied with the Code during the year.

Remuneration provision of the Code	Alignment with Policy
Five-year period between the date of grant and realisation of equity incentives	The LTIP has a three-year performance period and a two-year post-vesting holding requirement.
Post-cessation shareholding requirement	There is a formal post-cessation holding policy, requiring Executive Directors to maintain their in-employment shareholding for a minimum of twelve months post-cessation.
Pension alignment	The pension contribution/allowance for all Executive Directors is aligned with the workforce level of 8% of salary. Only basic salary is pensionable.
Discretion to override formulaic outcomes	Discretion to override formulaic outcomes and scale back awards is included for the annual bonus and Long-Term Incentive Plan.
Extended malus and clawback	Malus and clawback triggers apply to the RSU, annual bonus (both cash and deferred) and Long-Term Incentive Plan in the event of an error in calculation, a material misstatement of the financial results, serious misconduct by a participant, corporate failure or reputational damage.
Notice periods should be a year or less	Executive Directors have a six-month notice period.

Remuneration Committee report continued

Annual Report on Remuneration continued

Application of the Remuneration Policy for the 2021/22 financial year

The table below sets out how the Remuneration Policy is intended to be applied for the 2021/22 financial year for Chris Smith and Mark Strickland. There is no change to the way the Remuneration Policy will be implemented in the current financial year compared to the previous financial year.

Element	Application of policy for 2021/22	Explanation
Executive Director base salary	Chris Smith received an increase of 1% to his base salary, increasing it from £435,000 to £439,350 effective 1 January 2021. Mark Strickland received a base salary on appointment to CFO of £264,000.	The Committee wished to increase Chris's base salary in line with inflation. This approach is aligned with that used for the majority of the UK general workforce. The Committee took into account the experience of Mark, the salary of the previous incumbents, together with market data and the introduction of an RSU award at 15% of salary when setting this salary.
RSUs	An award of £65,902.50 (15% of salary) was made to Chris Smith on 11 June 2021 in line with the RSU plan, in respect of the twelve-month period from 11 June 2021 to 10 June 2022. An award of £39,600 (15% of salary) will be made to Mark Strickland during September 2021 in line with the RSU plan, pending Committee approval, in respect of the twelve-month period from 9 September 2021 to 8 September 2022.	In line with the Remuneration Policy, the Committee wish to increase the rate at which Executive Directors acquire shares in the Company and hence continue to structure part of their fixed pay as RSUs.
Benefits	Pension contribution (or cash allowance in lieu of pension) of 8% of salary. Car allowance of £12,180 per annum and private medical coverage of £1,428 per annum.	Pension and private medical allowance is fully aligned with the majority of the UK general workforce. Car allowance is based on the Company Car Policy.
Annual bonus	The structure and operation of the annual bonus scheme will continue in line with the previous financial year. The maximum bonus opportunity continues to be 100% of salary. 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 2021/22 will be subject to EPS and ROCE performance conditions weighted equally. The intended Executive Director grant level for the LTIP is 125% of salary for the CEO and 110% for the CFO. ROCE will be defined as the adjusted operating profit[1] as a percentage of average capital employed in the period. Operating profit is defined as EBITA adjusted for the amortisation of tangible assets and exceptional items. Capital employed is defined as tangible and intangible fixed assets, including goodwill plus inventories and current trade and other receivables less current trade and other payables. EPS targets continue to align to the Company's three-year business targets and our plans for EPS growth.	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.

(1) Please refer to APM in note 2.

Element	Application of policy for 2021/22	Explanation
Non-Executive Director fees	The fee policy for the Chairman and Non-Executive Directors is as follows: • base Chairman fee: £200,000; • base Non-Executive Director fee: £50,000; • Chair of the Audit Committee: £9,000 (additional fee); • Chair of the Remuneration Committee: £8,000 (additional fee); • Senior Independent Director: £8,000 (additional fee); • 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 reviewed and increased in 2020. The current fee is considered to be commensurate with market rate and the time commitments of the role. The other NED fees were reviewed and increased in 2020. The fees are considered to reflect market rate and the time commitments of the NEDs, therefore no fee increases are proposed by the Board. The introduction of international travel allowances was to ensure that the Company could continue to appoint and retain overseas-based NEDs when appropriate without needing to pay higher base fees than are paid to UK-based NEDs. There is no current intention to provide an additional allowance for any Non-Executive Director other than the Chair.

Exit payments (audited)
No exit payments were made to Executive Directors in the financial year.

Payments to past Directors (audited)
Ludwig de Mot, who was appointed Chief Executive Officer on 1 November 2019, left the Group on 10 June 2020. An aggregate payment of £208,333.35 was made in accordance with his contractual entitlement of base salary, and payments in lieu of pension contributions and benefits in monthly instalments over his contractual notice period subject to him mitigating his loss during that period. Payments for the contractual notice period continued until November 2020 within the 2020/21 financial year.

Payments to third parties
No payments were made to third parties for making available the services of any of the Directors during 2021/22.

Remuneration Committee and advisers
At the time of this report, the members of the Remuneration Committee are Elizabeth McMeikan (Chair), Jeff Nodland, Steve Hannam, Neil Harrington and Alastair Murray. Alastair Murray was appointed to the Committee with effect from his appointment to the Board on 2 August 2021. Sandra Turner was a member of the Remuneration Committee until she stepped down from the Board on 20 October 2020. In determining the remuneration structure, the Committee appoints and receives advice from independent remuneration consultants on the latest developments in corporate governance and the pay and incentive arrangements prevailing in comparably sized manufacturing companies. Alvarez & Marsal (A&M) were appointed by the Committee in June 2020 when the lead adviser moved from Aon plc to A&M. A&M received £92,895 in respect of the services provided for the 2020/21 financial year. A&M is a member of the Remuneration Consultant Group and is a signatory to its Code of Conduct which sets out guidelines to ensure that any advice is independent and free of undue influence.

The Committee is satisfied that the advice provided by A&M was independent and objective. The Committee is also satisfied that the team who provided that advice do not have any connection to McBride that may impair their independence or objectivity.

Statement of shareholder voting
The table below shows the voting outcome at the November 2020 AGM for the approval of the Company's 2019/20 Remuneration report:

Resolution	Votes for	%	Votes against	%	Votes withheld
Approval of Remuneration report (advisory vote)	117,912,174	88.86	14,781,338	11.14	10,245
Approval of the Remuneration Policy	116,222,303	87.59	16,470,143	12.41	11,311

The Remuneration report was approved by the Board on 10 September 2021 and signed on its behalf by:

Elizabeth McMeikan
Chair of the Remuneration Committee

Statutory information

Reporting requirements

The Group is required to produce a Strategic report complying with the requirements of section 414A of the Companies Act 2006. The Strategic report is set out on pages 1 to 60.

As permitted by section 414C(11) of the Companies Act 2006, the below matters have been disclosed in the Strategic report.

An indication of likely future development in the business of the Company	pages 14 and 15
Particulars of important events affecting the Company since the financial year end	pages 153, 158 and 170
Greenhouse gas emissions	pages 43 and 44
Employee engagement and involvement	page 37
Engagement with suppliers, customers and others in a business relationship with the Company	pages 38 and 39
A summary of the principal risks facing the Company	pages 54 to 59

The Corporate Governance statement, as required by the Disclosure and Transparency Rules (DTR) 7.2.1, is set out on pages 68 to 74 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 101 and 102
13	Dividend waiver	Statutory information, page 110

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 122 and a discussion of the Group's financial performance and progress is set out in the Strategic report on pages 1 to 33.

Directors

The Directors who held office during the year were Jeff Nodland, Chris Smith, Mark Strickland, Steve Hannam, Sandra Turner, Neil Harrington, Elizabeth McMeikan and Igor Kuzniar. Sandra Turner stepped down from the Board on 20 October 2020.

Alastair Murray joined the Board on 2 August 2021 as an Independent Non-Executive Director. Further Information on his appointment can be found in the Nomination Committee Report. The biographical details of all Directors serving at 30 June 2021 appear on pages 66 and 67.

Dividends

The Group's results and performance highlights for the year are set out on pages 1 to 33. As set out in the Half-Year Report, the Group is targeting an accounting basis net debt/adjusted EBITDA ratio of 2.0x or less. As the ratio at half-year was over 2.0x, an interim payment to shareholders was not made (2019: £nil). In line with its revised Distribution Policy set out on pages 31 and 32, the Board is not recommending a final dividend in 2021. It is the Board's intention that any future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares. Consequently, the Board is not seeking shareholder approval at the 2021 AGM to capitalise reserves for the purposes of issuing B Shares or to grant Directors authority to allot such shares. Existing B Shares will continue to be redeemable but limited to one redemption date per annum in November of each year. Further details are provided in the Notice of AGM.

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 2021 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 104. The Remuneration report also sets out details of any changes in those interests between 30 June 2021 and 6 September 2021.

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' below.

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. Consequently, qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the year and remain in force at the date of this report.

During the financial year ended 30 June 2021 and up to the date of this Directors' report, the Company has appropriate Directors' and officers' liability insurance cover in place in respect of legal action against its Directors.

Directors' interests in contracts

Other than service contracts, no Director had any interest in any material contract with any Group company at any time during the year. There were no contracts of significance (as defined in the FCA's Listing Rules) during the year to which any Group undertaking was a party and in which a Director of the Company is, or was, materially interested.

Share capital

As at 6 September 2021, the issued share capital of the Company was 174,015,287 ordinary shares (18.9% of total year-end capital) of 10 pence each (excluding treasury shares), 42,041 treasury shares (0.0046% of total year-end capital) and 747,399,376 B Shares (81% of total year-end capital). There were no purchases, sales or transfers of treasury shares during the year. There were no allotments of ordinary shares during the year. Details of the issued share capital, together with details of movement in the issued share capital of the Company during the year, are shown in note 26 to the financial statements. This is incorporated by reference and deemed to be part of this report. The Company has one class of ordinary shares, which carries no right to fixed income. The ordinary shares are listed on the Official List and traded on the London Stock Exchange. All issued shares are fully paid.

The Company was authorised at the 2020 AGM to allot shares, or grant rights over shares, up to an aggregate nominal amount equal to £6,033,730 (representing 60,337,300 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 2021 AGM.

The Company was authorised at the 2020 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 2021 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 2020 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 2021 AGM.

On 2 November 2020, the Company announced that it would commence a share buy-back programme of up to £12 million in McBride plc ordinary shares, running from 2 November 2020 through to the date of the Company's next AGM, expected in October 2021. The maximum number of shares that may be repurchased by the Company under the programme is 18.3 million. The purpose of the share buy-back programme is to reduce the share capital of the Company (any shares repurchased for this purpose will be cancelled). The Board believed that it was in the interests of all shareholders to commence this programme based on the Board's assessment that McBride's current share price did not reflect the value of the underlying business, which has resilient revenues, a strong balance sheet and highly visible cash flows.

During the year, the Group had purchased and cancelled 8,597,599 ordinary shares representing 4.7% of the issued ordinary share capital as at 2 November 2020. The buy-back and cancellation was approved by shareholders at the 2020 AGM. The shares were acquired at an average price of 79.3 pence per share, with prices ranging from 61.0 pence per share to 90.0 pence per share. The total cost of £6.8 million was deducted from equity. A transfer of £0.9 million was made from share capital to the capital redemption reserve. Post the year end, in the period up to 6 September 2021, the Group has purchased and cancelled a further 0.2 million ordinary shares. These shares were acquired at an average price of 77.0 pence per share, with prices ranging from 73.3 pence per share to 78.6 pence per share. Further to the preliminary results announcement on 7 September 2021, the Board has now ended the share buy-back programme announced on 2 November 2020.

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 6 September 2021 (being the last practicable date prior to the date of this report).

	As at 6 September 2021		As at 30 June 2021	
Shareholder	Number of shares	%	Number of shares	%
Teleios Capital Partners	43,335,757	24.01	43,335,757	24.01
DUMAC, Inc.	30,716,748	16.80	30,716,748	16.80
Zama Capital	19,872,045	11.01	19,872,045	11.01
NN Investment Partners	9,085,000	4.97	9,085,000	4.97
Aberforth Partners LLP	9,072,968	5.21	9,072,968	5.21
Invesco Ltd.	8,952,597	4.89	8,952,597	4.89
Premier Miton Investors	8,347,899	4.76	8,347,899	4.76

No changes have been disclosed in the period since 6 September 2021.

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 155 to 162.

Political donations

It is the Group's policy not to make political donations or to incur political expenditure. During the year, no political donations were made by the Group to any EU or non-EU political party, political organisation or independent election candidate. During the year, no EU or non-EU political expenditure was incurred. In keeping with the Group's approach in prior years, shareholder approval is being sought at the forthcoming AGM, as a precautionary measure, for the Company and its subsidiaries to make donations and/or incur expenditure, which may be construed as political by the wide definition of that term included in the relevant legislation. Further details are provided in the Notice of AGM.

Research and development

The Group is involved in a range of activities in the field of research and development. A number of these activities are referred to in the Strategic report on page 47.

Employment of disabled people

Our people policies are designed to provide equal opportunities and create an inclusive culture in line with our values and in support of our long-term success. They also reflect relevant local employment law in our countries of operation.

We expect our colleagues to treat each other with dignity and respect, and do not tolerate discrimination, bullying, harassment or victimisation on any grounds. We are committed to recruiting, training and paying our people fairly and equitably relative to their role, skills, experience and performance – in a way that balances the needs of all our business.

It is our policy to give full and fair consideration to applications for employment received from people with disabilities, having regard to their particular aptitudes and abilities. Wherever possible we will continue the employment of, and arrange appropriate training for, colleagues who have become disabled during the period of their employment. We provide the same opportunities for training, career development and promotion for colleagues with disabilities as for other colleagues.

Creating an inclusive and supportive culture is not only the right thing to do, but also best for our business. It creates a sense of belonging and value and enables colleagues to perform at their best.

Colleague engagement

We recognise the importance of keeping all colleagues at all levels across the business up to date on the strategy, performance and progress of the divisions and Group through multi communication channels. This combines leader-led communication at a site, divisional and Group level supported by emails, intranet, announcements and bulletins.

Colleague engagement at all levels is a crucial element of embedding our core and aspirational values, allowing us to help colleagues see how their efforts contribute to their site, division or function's strategic objectives.

We also engage with our colleagues collectively through a strong and effective partnership with our European Works Council, which represents all colleagues within the European Union, which meet biannually in addition to other local works council forums.

Eligible employees participate in performance-related bonus schemes and some senior management participate in an LTIP.

Change of control

As at 30 June 2021 and at 6 September 2021, the nearest practicable date prior to approval of this report, the Company and its subsidiaries were party to a number of commercial contracts, contract manufacturing and brand licensing agreements that may allow the counterparties to alter or terminate the agreements on a change of control of the Company following a takeover bid. The Group has a syndicated multi-currency revolving loan facility for €175 million which may require prepayment if there is a change of control of the Company. The rules of the discretionary share schemes set out the consequences of a change of control of the Company on participants' rights under the schemes. Generally, the rights will vest and become exercisable on a change of control subject to the satisfaction of relevant performance conditions. There are no arrangements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs specifically because of a takeover, merger or amalgamation. For further information on the change of control provisions in the Company's share plans and service agreements, please refer to the Directors' Remuneration Policy, which is set out in full in the Directors' Remuneration report.

Branches

The Company has no overseas branches. The Company's subsidiaries are detailed in note 14 to the financial statements.

2021 Annual General Meeting

The Company's 2021 AGM will be held on 19 October 2021 at Central Park, Northampton Road, Manchester, M40 5BP at 2.00pm. Details of the resolutions to be proposed, how to vote and ask questions are set out in a separate Notice of Annual General Meeting which accompanies this report for shareholders receiving hard copy documents, and which is available on our website at **www.mcbride.co.uk** for those who have elected to receive documents electronically. The results will be announced as soon as possible and posted on our website.

Disclosure of information to the auditor

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

The Directors' report was approved by the Board on 10 September 2021 and signed on its behalf by:

Glenda MacGeekie
Chief Legal Officer and Company Secretary

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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). Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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

Directors' confirmations

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

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

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

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

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

Independent 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 2021 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 30 June 2021; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 6, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the group financial statements and note 2 to the company financial statements concerning the group's and the company's ability to continue as a going concern. The Group's base case forecasts and projections are based on the board approved budget and 5 year plan and indicate continued compliance with its banking covenants and sufficient liquidity throughout the going concern review period. However, in the event of a severe but plausible downside scenario, whereby revenue growth is zero, divisional gross profit margins are 10% lower than budgeted to reflect the risk of further Covid-19 supply chain disruption and raw material input costs not reducing as currently projected, LIBOR and EURIBOR interest rates increase by 100 basis points and Sterling weakens significantly against the Euro to £1:€1.10 or below, the Group would breach its net debt covenant and would need to negotiate a waiver with its lenders in order to avoid its borrowings becoming repayable immediately. These conditions, along with the other matters explained in those notes to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Report on the audit of the financial statements continued

Material uncertainty related to going concern continued

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern;
- We obtained management's severe but plausible downside scenario and discussed the assumptions that were applied in order to understand the rationale and the appropriateness of those assumptions;
- We corroborated the key assumptions to third party evidence and/or our knowledge of the business;
- We assessed the availability of liquid resources under different scenarios modelled by management, and the associated covenant tests applied; and.
- We checked the banking agreement for the new financing facilities which were put in place during the year.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, other than the material uncertainty identified in note 2 to the group financial statements and note 2 to the company financial statements, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting, or in respect of the directors' identification in the financial statements of any other material uncertainties to the group's and the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our audit approach

Overview

Audit scope

- Our work incorporated full scope audits of the Group's components in the UK, France, Belgium and Germany plus limited scope procedures in relation to some of the Group's other components.
- The territories where we conducted audit work, together with audit work performed at the group's shared service centre and at the consolidated level, accounted for approximately 80% of the group's revenue and 76% of the group's profit before tax.

Key audit matters

- Material uncertainty related to going concern (group and company)
- Valuation of goodwill, other intangible assets and property plant and equipment (group)
- Fraud in relation to rebates (group)
- Impact of COVID-19 (group and company)

Materiality

- Overall group materiality: £1.7m (2020: £1.4m) based on 0.25% of Revenue.
- Overall company materiality: £1.5m (2020: £1.2m) based on 1% of Total assets, capped at 90% of the group materiality.
- Performance materiality: £1.3m (group) and £1.125m (company).

The scope of our audit

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Valuation of investments in subsidiaries and valuation of amounts owed by subsidiary undertakings, which were key audit matters last year, are no longer included because of sufficient headroom in management's impairment assessments indicating that a potential material impairment of these balances is not considered to be likely to occur. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill, other intangible assets and property plant and equipment (group) Refer to notes 12, 13 and 14 to the Group financial statements. Goodwill of £19.7m (2020: £19.9m), Other intangible assets of £8.2m (2020: £8.5m) and Property, plant and equipment of £129.8m (2020: £134.7m) 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 of £0.3m has been recognised against Property, plant and equipment. No impairment has been recognised against Goodwill and Other intangible assets.	We evaluated and assessed the Group's future cash flow forecasts, the process by which they were drawn up and tested the underlying value in use calculations. We compared the Group's forecasts to the latest Board approved budget and 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. We challenged management to the extent of which climate change has been reflected within management's impairment assessment process.
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.
Impact of COVID-19 (group and parent) 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 subject to the material uncertainty identified in note 2 to the group financial statements and note 2 to the company financial statements, believe this assumption remains appropriate.	Our procedures in respect to the evaluation of management's assessment of the going concern basis of preparation are described in the Material uncertainty relating to going concern section above.

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

Report on the audit of the financial statements continued

Our audit approach continued

How we tailored the audit scope

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

The group is a manufacturer of private label household and personal care products. It operates across 15 manufacturing facilities in Europe and Asia. The group is structured in five operating segments: Liquids, Powders, Unit dosing, Aerosols and Asia as well as Corporate. The group financial statements are a consolidation of the Group's 22 reporting units within these segments comprising the group's operating businesses, holding entities and centralised functions. In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the reporting units by us, as the group engagement team, or component auditors operating under our instruction.

Where work was performed by component auditors, we determined the level of involvement we needed to have in this work to be able to conclude that sufficient appropriate audit evidence had been obtained. Our work incorporated full scope audits of the Group's components in the UK, France, Belgium and Germany plus limited scope procedures in relation to some of the Group's other components. The territories where we conducted audit work, together with audit work performed at the Group's shared service centre and at a consolidated level, accounted for approximately 80% of the group's revenue and 76% 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:

	Financial statements – group	Financial statements – company
Overall materiality	£1.7m (2020: £1.4m).	£1.5m (2020: £1.2m).
How we determined it	0.25% of Revenue	1% of Total assets, capped at 90% of the group materiality
Rationale for benchmark applied	The benchmark has changed from the prior year to revenue from average profit before tax excluding exceptional items over the past three years. We considered materiality in a number of different ways, and used our professional judgement having applied 'rule of thumb' percentages to a number of potential benchmarks. On the basis of this, we concluded that 0.25% of revenue is an appropriate level of materiality considering the overall scale of the business.	We believe that calculating statutory materiality based on 1% of total assets is a typical primary measure for users of the financial statements of holding companies, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £0.7m – £1.2m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1.3m for the group financial statements and £1.125m for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £85k (group audit) (2020: £66k) and £77k (company audit) (2020: £58k) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 June 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

In our opinion, the part of the Remuneration Committee Annual Statement to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and, except for the matters reported in the section headed 'Material uncertainty related to going concern', we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

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

Report on the audit of the financial statements continued

Corporate governance statement continued

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the listing rules, local and international tax laws as well as health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to improve financial performance, and management bias in accounting estimates and judgements. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- challenging assumptions and judgements made by management in their significant accounting estimates (because of the risk of management bias), in particular around the carrying value of goodwill, other intangible assets, and property plant and equipment (see related key audit matter above); defined benefit scheme liabilities and deferred tax assets;
- discussions with the audit committee, management, internal audit and the in-house legal team including consideration of known or suspected instances of non-compliance with laws and regulation or fraud;
- enquired with external legal counsel around actual and potential litigation and claims;
- reviewing minutes of meetings of those charged with governance;
- auditing the tax computations to ensure compliance with tax legislation; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Remuneration Committee Annual Statement 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 10 years, covering the years ended 30 June 2012 to 30 June 2021.

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

10 September 2021

Consolidated income statement
Year ended 30 June 2021

Continuing operations	Note	2021 Adjusted (note 2) £m	2021 Adjusting items (note 10) £m	2021 Total £m	2020 Adjusted (note 2) £m	2020 Adjusting items (note 10) £m	2020 Total £m
Revenue	3	682.3	–	682.3	706.2	–	706.2
Cost of sales		(445.3)	–	(445.3)	(462.0)	(1.0)	(463.0)
Gross profit/(loss)		237.0	–	237.0	244.2	(1.0)	243.2
Distribution costs		(56.0)	–	(56.0)	(57.3)	–	(57.3)
Administrative costs		(156.6)	(8.6)	(165.2)	(158.6)	(9.7)	(168.3)
Impairment of goodwill		–	–	–	–	(0.5)	(0.5)
Impairment of property, plant & equipment		(0.3)	–	(0.3)	–	(1.7)	(1.7)
Operating profit/(loss)	7	24.1	(8.6)	15.5	28.3	(12.9)	15.4
Finance costs	8	(4.2)	–	(4.2)	(4.1)	(0.1)	(4.2)
Profit/(loss) before taxation		19.9	(8.6)	11.3	24.2	(13.0)	11.2
Taxation	9	1.1	1.6	2.7	(6.8)	2.3	(4.5)
Profit/(loss) for the year from continuing operations		21.0	(7.0)	14.0	17.4	(10.7)	6.7
Discontinued operations							
Loss for the year from discontinued operations	4	–	(0.6)	(0.6)	–	(0.2)	(0.2)
Profit/(loss) for the year		21.0	(7.6)	13.4	17.4	(10.9)	6.5
Earnings/(loss) per ordinary share from continuing and discontinued operations attributable to the owners of the parent during the year	10						
Basic earnings/(loss) per share							
From continuing operations				7.8p			3.7p
From discontinued operations				(0.3p)			(0.1p)
From profit for the year				7.5p			3.6p
Diluted earnings/(loss) per share							
From continuing operations				7.8p			3.7p
From discontinued operations				(0.3p)			(0.1p)
From profit for the year				7.5p			3.6p

	Note	2021 £m	2020 £m
Operating profit		15.5	15.4
Adjusted for:			
Amortisation of intangible assets	13	2.4	2.1
Exceptional items	4	6.2	10.8
Adjusted operating profit (non-GAAP, note 2)	3	24.1	28.3

Consolidated statement of comprehensive income
Year ended 30 June 2021

	Note	2021 £m	2020 £m
Profit for the year		**13.4**	6.5
Other comprehensive (expense)/income			
Items that may be reclassified to profit or loss:			
Currency translation differences on foreign subsidiaries		**(4.6)**	–
Gain on net investment hedges		**3.7**	0.8
(Loss)/gain on cash flow hedges in the year		**(0.1)**	0.4
Cash flow hedges transferred to profit or loss		**(0.5)**	0.2
Taxation relating to items above	9	**–**	(0.1)
		(1.5)	1.3
Items that will not be reclassified to profit or loss:			
Net actuarial loss on post-employment benefits	23	**(4.2)**	(3.7)
Taxation relating to item above	9	**4.1**	1.8
		(0.1)	(1.9)
Total other comprehensive expense		**(1.6)**	(0.6)
Total comprehensive income		**11.8**	5.9
Total comprehensive income/(expense) attributable to equity shareholders arises from:			
Continuing operations		**12.4**	6.1
Discontinued operations		**(0.6)**	(0.2)
		11.8	5.9

Consolidated balance sheet
At 30 June 2021

	Note	2021 £m	2020 £m
Non-current assets			
Goodwill	12	**19.7**	19.9
Other intangible assets	13	**8.2**	8.5
Property, plant and equipment	14	**129.8**	134.7
Derivative financial instruments	21	**0.1**	—
Right-of-use assets	15	**10.0**	7.3
Deferred tax assets	9	**22.8**	13.8
		190.6	184.2
Current assets			
Inventories	16	**92.9**	97.5
Trade and other receivables	17	**117.9**	138.3
Current tax asset		**3.7**	6.2
Non-current assets classified as held for sale	18	**1.6**	—
Derivative financial instruments	21	**0.2**	1.4
Cash and cash equivalents		**24.9**	44.2
		241.2	287.6
Total assets		**431.8**	471.8
Current liabilities			
Trade and other payables	19	**169.2**	198.1
Borrowings	20	**53.7**	33.2
Lease liabilities	15, 20	**3.4**	3.5
Derivative financial instruments	21	**0.3**	0.4
Current tax liabilities		**4.2**	12.4
Provisions	25	**2.7**	6.3
		233.5	253.9
Non-current liabilities			
Borrowings	20	**78.3**	103.8
Lease liabilities	15, 20	**7.9**	5.2
Derivative financial instruments	21	**—**	0.3
Pensions and other post-employment benefits	23	**31.9**	31.5
Provisions	25	**3.7**	3.6
Deferred tax liabilities	9	**6.7**	6.6
		128.5	151.0
Total liabilities		**362.0**	404.9
Net assets		**69.8**	66.9
Equity			
Issued share capital	26	**17.4**	18.3
Share premium account	26	**68.6**	70.6
Other reserves	26	**76.0**	74.6
Accumulated losses		**(92.2)**	(96.6)
Total equity		**69.8**	66.9

The financial statements on pages 122 to 171 were approved by the Board of Directors on 10 September 2021 and were signed on its behalf by:

Chris Smith
Director

Consolidated cash flow statement
Year ended 30 June 2021

	Note	2021 £m	2020 £m
Operating activities			
Profit/(loss) before tax			
Continuing operations		11.3	11.2
Discontinued operations		(0.7)	(0.3)
Finance costs	8	4.2	4.2
Exceptional items	4	6.9	8.9
Share-based payments charge	5	0.3	0.4
Depreciation of property, plant and equipment	14	17.6	17.1
Depreciation of right-of-use assets	15	3.8	3.7
Loss/(profit) on disposal of fixed assets		0.4	(0.7)
Amortisation of intangible assets	13	2.4	2.1
Impairment of goodwill	12	—	0.5
Impairment of property, plant & equipment	14	0.3	1.7
Operating cash flow before changes in working capital before exceptional items		46.5	48.8
Decrease in receivables		13.2	8.6
Increase in inventories		(0.4)	(1.3)
(Decrease)/increase in payables		(22.2)	12.8
Operating cash flow after changes in working capital before exceptional items		37.1	68.9
Additional cash funding of pension schemes	23	(4.0)	(4.0)
Cash generated from operations before exceptional items		33.1	64.9
Cash outflow in respect of exceptional items		(8.0)	(5.2)
Cash generated from operations		25.1	59.7
Interest paid		(3.2)	(3.3)
Taxation paid		(7.3)	(4.7)
Net cash generated from operating activities		14.6	51.7
Investing activities			
Proceeds from sale of property, plant and equipment		0.2	3.3
Purchase of property, plant and equipment	14	(21.6)	(17.6)
Purchase of intangible assets	13	(2.2)	(1.6)
Settlement of derivatives used in net investment hedges		3.8	0.6
Net cash used in investing activities		(19.8)	(15.3)
Financing activities			
Redemption of B Shares	11	(2.0)	(3.4)
Drawdown/(repayment) of overdrafts		2.8	(10.2)
Drawdown of other loans		25.9	—
Drawdown of bank loans		76.2	9.9
Repayment of bank loans		(103.8)	—
Repayment of IFRS 16 lease obligations	15	(4.9)	(4.3)
Purchase of own shares		(6.8)	—
Purchase of own shares held by Employee Benefit Trust		(0.3)	(0.1)
Net cash used in financing activities		(12.9)	(8.1)
(Decrease)/increase in net cash and cash equivalents		(18.1)	28.3
Net cash and cash equivalents at the start of the year		44.2	14.4
Currency translation differences		(1.2)	1.5
Net cash and cash equivalents at the end of the year		24.9	44.2

Consolidated statement of changes in equity
Year ended 30 June 2021

	Note	Issued share capital £m	Share premium account £m	Other reserves: Cash flow hedge reserve £m	Other reserves: Currency translation reserve £m	Other reserves: Capital redemption reserve £m	Accumulated losses £m	Total equity £m
At 1 July 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	21	–	–	–	0.8	–	–	0.8
Gain on cash flow hedges in the year	21	–	–	0.4	–	–	–	0.4
Cash flow hedges transferred to profit or loss	21	–	–	0.2	–	–	–	0.2
Taxation relating to items above	9	–	–	(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	23	–	–	–	–	–	(3.7)	(3.7)
Taxation relating to items above	9	–	–	–	–	–	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	11	–	(3.3)	–	–	–	–	(3.3)
Redemption of B Shares	11	–	–	–	–	3.4	(3.4)	–
Share-based payments	24	–	–	–	–	–	0.4	0.4
Purchase of own shares held by Employee Benefit Trust	26	–	–	–	–	–	(0.1)	(0.1)
At 30 June 2020		18.3	70.6	0.5	(0.1)	74.2	(96.6)	66.9
Year ended 30 June 2021								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**13.4**	**13.4**
Other comprehensive (expense)/income								
Items that may be reclassified to profit or loss:								
Currency translation differences of foreign subsidiaries		**–**	**–**	**–**	**(4.6)**	**–**	**–**	**(4.6)**
Gain on net investment hedges	21	**–**	**–**	**–**	**3.7**	**–**	**–**	**3.7**
Loss on cash flow hedges in the year	21	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**(0.1)**
Cash flow hedges transferred to profit or loss	21	**–**	**–**	**(0.5)**	**–**	**–**	**–**	**(0.5)**
		–	**–**	**(0.6)**	**(0.9)**	**–**	**–**	**(1.5)**
Items that will not be reclassified to profit or loss:								
Net actuarial loss on post-employment benefits	23	**–**	**–**	**–**	**–**	**–**	**(4.2)**	**(4.2)**
Taxation relating to items above	9	**–**	**–**	**–**	**–**	**–**	**4.1**	**4.1**
		–	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Total other comprehensive expense		**–**	**–**	**(0.6)**	**(0.9)**	**–**	**(0.1)**	**(1.6)**
Total comprehensive (expense)/income		**–**	**–**	**(0.6)**	**(0.9)**	**–**	**13.3**	**11.8**
Transactions with owners of the parent								
Issue of B Shares	11	**–**	**(2.0)**	**–**	**–**	**–**	**–**	**(2.0)**
Redemption of B Shares	11	**–**	**–**	**–**	**–**	**2.0**	**(2.0)**	**–**
Share-based payments	24	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Purchase of own shares	26	**–**	**–**	**–**	**–**	**–**	**(6.8)**	**(6.8)**
Purchase of own shares held by Employee Benefit Trust	26	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Transfers between reserves		**(0.9)**	**–**	**–**	**–**	**0.9**	**–**	**–**
Taxation relating to items above	9	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
At 30 June 2021		**17.4**	**68.6**	**(0.1)**	**(1.0)**	**77.1**	**(92.2)**	**69.8**

At 30 June 2021, the accumulated losses include a deduction of £0.5 million (2020: £0.2m) 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 2021

1. Corporate information
McBride plc ('the Company') is a public company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales. The Company's ordinary shares are listed on the London Stock Exchange. The registered office of the Company is Middleton Way, Middleton, Manchester M24 4DP. For the purposes of DTR 6.4.2R, the Home State of McBride plc is the United Kingdom.

The Company and its subsidiaries (together, 'the Group') is Europe's leading provider of private label and contract manufactured products for the domestic household and professional cleaning/hygiene markets. The Company develops and manufactures products for the majority of retailers and major brand owners throughout the UK, Europe and Asia.

2. Accounting policies
Accounting period
The Group's annual financial statements are drawn up to 30 June. These financial statements cover the year ended 30 June 2021 ('2021') with comparative amounts for the year ended 30 June 2020 ('2020').

Basis of preparation
The consolidated financial statements on pages 122 to 171 have been prepared on the going concern basis in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The consolidated financial statements are also prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have been prepared under the historical cost convention, modified in respect of the revaluation to fair value of financial assets and liabilities (derivative financial instruments) at fair value through profit or loss, assets held for sale and defined benefit pension plan assets.

A summary of the significant accounting policies is set out below. The accounting policies that follow set out those policies that apply in preparing the financial statements for the year ended 30 June 2021 and the Group and Company have applied the same policies throughout the year.

Going concern
The Company and consolidated financial statements are prepared on a going concern basis. This assessment is consistent with the assessment of our viability, as set out on page 60, in estimating the financial impact for a severe but plausible outcome for each risk, both individually and in combination.

The Group's base case forecasts are based on the Board-approved budget and five-year plan and indicate continued compliance with its banking covenants and sufficient liquidity throughout the going concern review period. The Group's base case scenario assumes revenue growth of 3.5%, raw material prices reducing from current very high levels, but stabilising at a higher level than pre-Covid-19 pandemic levels, interest rates remaining stable, and Sterling:Euro exchange rate of £1:€1.15.

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

- zero revenue growth;
- divisional gross profit margins 10% lower than budgeted to reflect the risk of further Covid-19 supply chain disruption/raw material input costs not reducing as currently projected;
- interest rates increasing by 100 basis points; and
- Sterling weakening significantly against the Euro to £1:€1.10.

In the event that such a severe but plausible downside scenario occurs the Group would need to negotiate a covenant waiver to ensure the business meets its obligations for the next twelve months. The Group has also taken into consideration the mitigating actions available to it, including reducing overhead and capital expenditure over the period.

After reviewing the current liquidity position, financial forecasts, stress testing of potential risks and considering the uncertainties described above, and based on the current funding facilities, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. For these reasons the Directors continue to adopt the going concern basis of accounting in preparing the Group financial statements. However, the occurrence of multiple downside potential risks represent a material uncertainty at 10 September 2021 that could cast significant doubt upon the Group's ability to continue as a going concern.

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

Segmental reporting
Financial information is presented to the Board by product technology for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. During the year, the European Household business was restructured into three product technology-led and separately managed and accountable business divisions:

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

Our Asia Pacific and Aerosols businesses were already separately managed by standalone management teams and leadership.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

2. Accounting policies continued

Segmental reporting continued

Intra-Group revenue from the sales of products is agreed between the relevant customer-facing units and eliminated in the segmental presentation that is presented to the Board. Programme Compass is delivering an increased focus on cost optimisation and has meant that most overhead costs are now directly attributed within the respective divisions' income statements. The only costs now allocated out to the divisions are central overheads with corporate costs being retained at a Group level. Central overheads are allocated to a reportable segment proportionally using an appropriate cost driver. Corporate costs, which include the costs associated with the Board and the Executive Leadership Team, governance and listed company costs and certain central functions (mostly associated with financial disciplines such as treasury), are reported separately. Exceptional items are detailed in note 4 and are not allocated to the reportable segments as this reflects how they are reported to the Board. Finance expense and income are not allocated to the reportable segments, as the central treasury function manages this activity, together with the overall net debt position of the Group.

The Board uses adjusted operating profit to measure the profitability of the Group's businesses. Adjusted operating profit is, therefore, the measure of segment profit presented in the Group's segment disclosures. Adjusted operating profit represents operating profit before specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. During the years under review, the items excluded from operating profit in arriving at adjusted operating profit were the amortisation of intangible assets and exceptional items. Adjusted operating profit is not defined under IFRS and is therefore termed a non-GAAP measure. The rationale for using this measure, along with a reconciliation from the nearest measures prepared in accordance with IFRS, is discussed in alternative performance measures on page 136.

Segment information is presented in note 3.

Principal accounting policies

The Group and Company financial statements are presented in Pounds Sterling and all values are rounded to the nearest million Pounds (£m) except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of the Group and its subsidiaries. Details of the Group's subsidiaries at 30 June 2021 are set out on pages 180 and 181.

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.

For the financial year to 30 June 2021, the Company, a subsidiary of the UK Group subject to a parent undertaking guarantee, is exempt from the requirement for an audit of the Company financial statements under s479A of the Companies Act 2006.

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 2021, the carrying amount of accruals relating to rebates and discounts amounted to £2.4 million (2020: £3.1m). Rebates equate to less than 1% (2020: less than 1%) of revenue and are not considered to be a critical judgement. There is an element of judgement applied to the level of future achieved sales within volume-related rebates.

Payment is typically due 60 days after despatch. The Group has an obligation for returns due to damages and recognises a credit note provision and corresponding adjustment to revenue.

Exceptional items

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

Examples of exceptional items include, but are not limited to, the following:

- restructuring and other expenses relating to the integration of an acquired business and related expenses for reconfiguration of the Group's activities;
- impairment of current and non-current assets;
- gains/losses on disposals of businesses;
- acquisition-related costs, including adviser fees incurred for significant transactions, and adjustments to the fair values of assets and liabilities that result in non-recurring charges to the income statement; and
- costs arising because of material and non-recurring regulatory and litigation matters.

Borrowing costs

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

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

Goodwill

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

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

Goodwill is carried at cost less any recognised impairment losses. Impairment charges are recognised in administrative expenses.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss. Amortisation is recognised in administrative expenses.

(i) Assets acquired in business combinations

An intangible resource acquired in a business combination is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights. An acquired intangible asset with a definite useful life is amortised on a straight-line basis so as to charge its fair value at the date of acquisition to profit or loss over its expected useful life as follows:

Patents, brands and trademarks	– up to five years
Customer relationships	– up to eight years

Notes to the consolidated financial statements continued
Year ended 30 June 2021

2. Accounting policies continued

Principal accounting policies continued

Other intangible assets continued

(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

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

The Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, less any lease incentives receivable.

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.

Impairment of non-financial assets

Goodwill, other intangible assets and property, plant and equipment are tested for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. Additionally, goodwill is subject to an annual impairment test whether or not there are any indicators of impairment.

An asset is impaired to the extent that its carrying amount exceeds its recoverable amount, which represents the higher of the asset's value-in-use and its fair value less costs of disposal. An asset's value-in-use represents the present value of the future cash flows expected to be derived from the continued use of the asset. Fair value less costs of disposal is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. An asset's CGU is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill does not generate cash flows independently of other assets and is, therefore, tested for impairment at the level of the CGU or group of CGUs to which it is allocated.

Value-in-use is based on estimates of pre-tax cash flows discounted at a pre-tax discount rate that reflects the risks specific to the CGU to which the asset belongs.

Where necessary, impairment of non-financial assets other than goodwill is recognised before goodwill is tested for impairment. When goodwill is tested for impairment and the carrying amount of the CGU or group of CGUs to which it is allocated exceeds its recoverable amount, the impairment is allocated first to reduce the carrying amount of the goodwill and then to the other non-financial assets belonging to the CGU or group of CGUs pro-rata on the basis of their respective carrying amounts.

Impairment losses are recognised in profit or loss. Impairment losses recognised in previous periods for assets other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset does not exceed its carrying amount had no impairment been recognised in previous periods. Impairment losses recognised in respect of goodwill cannot be reversed.

Inventories

Inventories are stated at the lower of cost and net realisable value with due allowance for any excess, obsolete or slow-moving items. Cost represents the expenditure incurred in bringing each product to its present location and condition. The cost of raw materials is measured on a first-in, first-out (FIFO) basis. The cost of finished goods and work in progress comprises the cost of raw materials, direct labour and other direct costs, together with related production overheads based on normal operating capacity. Net realisable value is the estimated selling price less estimated costs of completion and estimated selling and distribution costs.

Financial instruments

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. The Group reclassifies debt instruments when, and only when, its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss. The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months (a twelve month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL);
- **fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss; and
- **fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

2. Accounting policies continued
Principal accounting policies continued

Financial instruments continued
(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under the Group's business model, trade and other receivables are held for collection of contractual cash flows and represent solely payments of principal and interest. A provision for impairment of trade receivables is established based on the expected credit loss.

For trade receivables and contract assets, the Group applies the IFRS 9 simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on shared credit risk characteristics, its historical credit loss experience and days past due, adjusted for forward-looking factors specific to the debtors and the economic environment. The amount of the provision is recognised in the balance sheet within trade receivables. Movements in the provision are recognised in the profit and loss account in administrative expenses.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term, highly liquid investments with a maturity on acquisition of three months or less and bank overdrafts. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset or intention to offset with cash balances.

(iii) Trade payables

Trade payables are initially recognised at fair value and subsequently held at amortised cost.

(iv) Bank and other loans

Bank and other loans are initially recognised at fair value, net of directly attributable transaction costs, if any, and are subsequently measured at amortised cost using the effective interest rate method.

(v) Net debt

Net debt comprises cash and cash equivalents, overdrafts, bank and other loans and lease liabilities.

(vi) Derivative financial instruments

The Group uses derivative financial instruments, principally forward currency contracts and interest rate swaps, to reduce its exposure to exchange rate and interest rate movements. The Group does not hold or issue derivatives for speculative purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. Changes in their fair values are recognised in profit or loss. Derivative financial instruments are, therefore, likely to cause volatility in profit or loss in situations where the hedged item is not recognised in the financial statements or is recognised but its carrying amount is not adjusted to reflect fair value changes arising from the hedged risk, or is so adjusted but that adjustment is not recognised in profit or loss. Provided the conditions specified by IFRS 9, 'Financial instruments' are met, hedge accounting may be used to mitigate this volatility in profit or loss.

Derivative financial instruments are classified as current assets or liabilities unless they are in a designated hedging relationship and the hedge item is classified as a non-current asset or liability. Derivative financial instruments that are not in a designated hedging relationship are classified as FVPL.

(vii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Hedge accounting
For a hedging relationship to qualify for hedge accounting, it must be documented on inception together with the Group's risk management objective and strategy for initiating the hedge, and it must both be expected to be highly effective in offsetting the changes in cash flows or fair value attributed to the hedged risk and actually be highly effective in doing so. When hedge accounting is used, the hedging relationship is classified as a cash flow hedge or a net investment hedge.

When forward contracts are used to hedge forecast transactions, the Group generally designates the change in the fair value of the forward contract related to both the spot component and forward element as the hedging instrument. For option contracts the change in the fair value of the option contract related to the intrinsic value is designated as the hedging instrument. The time value of money is treated as the cost of hedging.

(i) Cash flow hedge

Hedging relationships are classified as cash flow hedges where the hedging instrument hedges exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability (such as interest payments on variable rate debt), a highly probable forecast transaction (such as forecast revenue) or a firm commitment that could affect profit or loss.

Where a hedging relationship is classified as a cash flow hedge, to the extent that the hedge is effective, the change in the fair value of the hedging instrument is recognised in other comprehensive income rather than in profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss. When the hedged item affects profit or loss (for example, when a forecast sale that is hedged takes place), the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss. When a forecast transaction that has been hedged results in the recognition of a non-financial asset (for example, inventory), the cumulative gain or loss recognised in other comprehensive income is transferred from equity as an adjustment to the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(ii) Net investment hedge

A net investment hedge is the hedge of the currency exposure on the retranslation of the Group's net investment in a foreign operation. Net investment hedges are accounted for similarly to cash flow hedges. Changes in the fair value of the hedging instrument are, to the extent that the hedge is effective, recognised in other comprehensive income. In the event that the foreign operation is disposed of, the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss and included in the gain or loss on disposal of the foreign operation.

Pensions and other post-employment benefits

Post-employment benefits principally comprise pension benefits provided to employees in the UK and Continental Europe. The Group operates both defined benefit and defined contribution pension schemes.

(i) Defined contribution schemes

Under a defined contribution pension scheme, the Group makes fixed contributions to a separate pension fund. The amount of pension that the employee will receive on retirement is dependent entirely on the investment performance of the Fund and the Group has no obligation with regard to the future pension values received by employees.

Payments to defined contribution schemes are recognised in profit or loss in the period in which they fall due. To the extent defined contribution scheme contributions are due but unpaid, amounts outstanding are recognised in other payables.

(ii) Defined benefit schemes

Under a defined benefit pension scheme, the amount of pension that an employee will receive on retirement is fixed based on factors such as pensionable salary, years of service and age on retirement. In most cases, the schemes are funded by contributions from the Group and the participating employees. The Group is obliged to make additional contributions if the Fund has insufficient assets to meet its obligation to pay accrued pension benefits.

Actuarial valuations of the defined benefit schemes are carried out annually at the balance sheet date by independent qualified actuaries. Scheme assets are measured at their fair value at the balance sheet date. Benefit obligations are measured on an actuarial basis using the projected unit credit method and are discounted using the market yields on high-quality corporate bonds at the balance sheet date. The defined benefit liability or asset recognised in the balance sheet comprises the difference between the present value of the benefit obligations and the fair value of the scheme assets. Where a scheme is in surplus, the asset recognised is limited to the present value of any amounts that the Group expects to recover by way of refunds or a reduction in future contributions.

Defined benefit schemes are recognised in profit or loss by way of the service cost and the net interest cost on the benefit obligation. The service cost represents the increase in the present value of the benefit obligation relating to additional years of service accrued during the period, less employee contributions.

Gains or losses on curtailments or settlements are recognised in profit or loss in the period in which the curtailment or settlement occurs.

Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur.

Share-based payments

The Group operates share schemes under which it grants equity-settled and cash-settled awards over ordinary shares in the Company to certain of its employees. The Group recognises a compensation expense that is based on the fair value of the awards measured using the Black-Scholes option pricing formula or the Monte Carlo valuation model.

For equity-settled awards, the fair value reflects market performance conditions and all non-vesting conditions. Fair value is determined at the grant date and is not subsequently remeasured unless the relevant conditions are modified. Adjustments are made to the compensation expense to reflect actual and expected forfeitures due to failure to satisfy service conditions or non-market performance conditions. For cash-settled awards, the fair value reflects all the conditions on which the award is made and is remeasured at each reporting date and at the settlement date.

Generally, the compensation expense is recognised on a straight-line basis over the vesting period. For equity-settled awards, a corresponding credit is recognised in equity while for cash-settled awards a corresponding liability to settle is recognised in the balance sheet.

In the event of the cancellation of an equity-settled award, the compensation expense that would have been recognised over the remainder of the vesting period is recognised immediately in profit or loss.

Provisions

A provision is a liability of uncertain timing or amount and is generally recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that a payment will be required to settle the obligation and the payment can be estimated reliably.

Provision is made for restructuring costs when a detailed formal plan for the restructuring has been determined and the plan has been communicated to the parties that may be affected by it. Gains from the expected disposal of assets are not taken into account in measuring restructuring provisions and provision is not made for future operating losses.

At 30 June 2021, the Group held provisions amounting to £6.4 million (2020: £9.9m), 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.

Contingent liabilities

The Group recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated. There are a number of contingent liabilities that arise in the normal course of business which, if realised, are not expected to result in a material liability to the Group.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

2. Accounting policies continued
Principal accounting policies continued

Taxation
Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period. Taxable profit differs from accounting profit because it excludes income or expenses that are recognised in the period for accounting purposes but are either not taxable or not deductible for tax purposes or are taxable or deductible in earlier or subsequent periods. Current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is tax expected to be payable or recoverable on differences between the carrying amount of an asset or liability and its tax base used in calculating taxable profit. Deferred tax is accounted for using the liability method, whereby deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future against which the deductible temporary differences may be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction other than a business combination that affects neither accounting profit nor taxable profit.

Deferred tax is provided on temporary differences arising on investments in foreign subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is calculated using the enacted or substantively enacted tax rates that are expected to apply when the asset is recovered or the liability is settled.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the amounts and management intends to settle on a net basis. Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Current tax and deferred tax is recognised in profit or loss unless it relates to an item that is recognised in the same or a different period outside profit or loss, in which case it too is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Where there is uncertainty as to whether treatments in the tax return will be accepted by a taxation authority, the judgements and estimates made in recognising and measuring the uncertainty are based on information available at the time. The Group reassesses these judgements and estimates if the facts and circumstances change or new information becomes available. This may include, but is not restricted to, examination by a taxation authority, implicit or explicit acceptance by a taxation authority of a particular tax treatment, the expiry of the taxation authority's right to examine or re-examine a tax treatment and changes in legislation.

Payments to shareholders
Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

It is the Board's intention that any future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares. Consequently, the Board is not seeking shareholder approval at the 2021 AGM to capitalise reserves for the purposes of issuing B Shares or to grant Directors authority to allot such shares. Existing B Shares will continue to be redeemable but limited to one redemption date per annum in November of each year. B Shares issued but not redeemed are classified as current liabilities.

Own shares
Own shares represent the Company's ordinary shares that are held by the Company in treasury or by a sponsored Employee Share Ownership Plan (ESOP) trust in relation to the Group's employee share schemes. When own shares are acquired, the cost of purchase in the market is deducted from equity. Gains or losses on the subsequent transfer or sale of own shares are also recognised in equity.

New accounting standards and interpretations

The following standards and amendments were effective for periods beginning on or after 1 January 2020 and as such have been applied in these financial statements. The Group has not early adopted any other standard or interpretation that is issued but not yet effective.

The following standards and amendments had no impact on the financial statements of the Group:

- Amendments to IFRS 3: Definition of a Business;
- Amendments to IAS 1 and IAS 8 Definition of Material;
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform;
- Conceptual Framework for Financial Reporting issued on 29 March 2018; and
- Amendments to IFRS 16: Covid-19 Related Rent Concessions.

New accounting standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current – effective for annual reporting periods beginning on or after 1 January 2023;
- Reference to the Conceptual Framework – Amendments to IFRS 3 – effective for annual reporting periods beginning on or after 1 January 2022;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 – effective for annual reporting periods beginning on or after 1 January 2022;
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 – effective for annual reporting periods beginning on or after 1 January 2022; and
- IFRS 9 Financial Instruments – Fees in the '10%' test for derecognition of financial liabilities – effective for annual reporting periods beginning on or after 1 January 2022.

None of the amendments are expected to have a significant impact on the Group; however, the Group will continue to consider these and any additional amendments, interpretations and new standards to identity potential future impact.

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Critical judgements

Determination of cash-generating units (CGUs)

A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment testing requires management to determine the net discounted cash flows expected to arise from a CGU. Management are therefore required to determine the Group's CGUs and judgement is applied as to which groups of assets generate largely independent cash flows.

In the year, the CGUs have been determined as Liquids, Unit Dosing, Powders, Aerosols and Asia Pacific, these being based on product technologies and the separate Asia Pacific location. All CGUs are lower than, or equal to, operating segments.

Key sources of estimation uncertainty

(i) Impairment of goodwill, other intangible assets and property, plant and equipment

Impairment testing requires management to estimate the recoverable amount of an asset or group of assets. The recoverable amount represents the higher of value in use and fair value less costs of disposal. Where the recoverable amount is lower than the carrying amount, an impairment charge is recognised in profit and loss in the year in which the impairment is identified.

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

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

Cash flows are discounted using a discount rate that reflects current market assessments of the time value of money. The discount rate used in each CGU is adjusted for risks specific to the asset or group of assets. The weighted average cost of capital is affected by estimates of interest rates, equity returns and market and country-related risks.

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 £0.3 million were recognised (2020: £2.2m). At 30 June 2021, the carrying amount of goodwill, other intangible assets and property, plant and equipment was £157.7 million (2020: £163.1m).

Details of the assumptions applied and the sensitivity of the carrying amount of goodwill in relation to the business are presented in note 12.

(ii) Pensions and other post-employment benefits

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

At 30 June 2021, the present value of defined benefit obligations was £164.5 million (2020: £167.0m). 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 2021, the fair value of the scheme assets was £132.6 million (2020: £135.5m). The scheme assets consist largely of securities and managed funds whose values are subject to fluctuation in response to changes in market conditions. A portion of unquoted investments have valuations which precede the reporting date and where the valuations have been adjusted for cash movements between the last valuation date and 30 June 2021, using the valuation approach and inputs as at the last valuation date. Changes in the actuarial assumptions underlying the benefit obligation, changes in the discount rate applicable to the benefit obligation and effects of differences between the expected and actual return on the scheme's assets are classified as actuarial gains and losses and are recognised in other comprehensive income. During 2021, the Group recognised a net actuarial loss of £4.2 million (2020: loss of £3.7m).

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.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

2. Accounting policies continued
Critical accounting judgements and key sources of estimation uncertainty continued
Key sources of estimation uncertainty continued
(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 2021, the Group estimated its maximum possible tax exposure for ongoing tax audits and uncertain tax treatments to be £18.9 million, of which £2.9 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 2021, the Group recognised deferred tax assets of £22.8 million (2020: £13.8m), including £8.9 million (2020: £0.3m) in respect of tax losses. Deferred tax assets amounting to £7.7 million (2020: £11.4m) were not recognised in respect of tax losses and tax credits carried forward. The deferred tax asset which has been recognised has increased significantly from the previous year due to the increased profits which are forecast to arise in the UK under the new Compass strategy as highlighted in the CFO's report on page 31. The profit projections used to estimate deferred tax asset recoverability are the same as those used to assess the carrying value of goodwill and the estimate is therefore sensitive to the same factors as those set out in note 12. Management estimates that a reduction in the perpetual growth rate to 0.0% would not result in an impairment of the deferred tax asset. There is no significant risk of material adjustment to the carrying amount of the deferred tax asset within the next twelve months.

Alternative performance measures
Introduction
The performance of the Group is assessed using a variety of adjusted measures that are not defined under IFRS and are therefore termed non-GAAP measures. The non-GAAP measures used are: adjusted operating profit, adjusted EBITDA, adjusted finance costs, adjusted profit before tax, adjusted earnings per share, free cash flow and cash conversion %, adjusted return on capital employed and net debt. The rationale for using these measures, along with a reconciliation from the nearest measures prepared in accordance with IFRS, are presented below.

The alternative performance measures we use may not be directly comparable with similarly titled measures used by other companies.

Adjusted measures
Adjusted measures exclude specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and Executive Committee, and is used for internal performance analysis and in relation to employee incentive arrangements. The Directors present these measures in the financial statements in order to assist investors in their assessment of the trading performance of the Group. Directors do not regard these measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS.

During the years under review, the items excluded from operating profit in arriving at adjusted operating profit were the amortisation of intangible assets and exceptional items. Exceptional items and amortisation are excluded from adjusted operating profit because they are not considered to be representative of the trading performance of the Group's businesses during the year. Adjusted EBITDA means adjusted operating profit before depreciation. A reconciliation between adjusted operating profit, adjusted EBITDA and the Group's reported statutory operating profit is shown opposite.

	2021 £m	2020 £m
Operating profit	**14.8**	15.1
Add back: operating loss from discontinued operations	**0.7**	0.3
Operating profit from continuing operations	**15.5**	15.4
Exceptional items (note 4)	**6.2**	10.8
Amortisation of intangibles (note 13)	**2.4**	2.1
Adjusted operating profit from continuing operations	**24.1**	28.3
Depreciation of property, plant and equipment (note 14)	**17.6**	17.1
Depreciation of right-of-use assets (note 15)	**3.8**	3.7
Adjusted EBITDA	**45.5**	49.1

Adjusted finance costs refers to figures excluding the unwind of the discount on environmental remediation provision (note 8).

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.

	2021 £m	2020 £m
Profit before tax	**10.6**	10.9
Add back: loss before tax from discontinued operations	**0.7**	0.3
Profit before tax from continuing operations	**11.3**	11.2
Exceptional items (note 4)	**6.2**	10.8
Amortisation of intangibles (note 13)	**2.4**	2.1
Finance costs (note 8)	**—**	0.1
Adjusted profit before tax from continuing operations	**19.9**	24.2

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 and the tax relating to those items (note 10).

Free cash flow and cash conversion %

Free cash flow is one of the Group's key performance indicators by which our financial performance is measured. It is primarily a liquidity measure. However, we also believe that free cash flow and cash conversion % are important indicators of our overall operational performance as they reflect the cash we generate from operations. Free cash flow is defined as cash generated from continuing operations before exceptional items. Cash conversion % is defined as free cash flow as a percentage of adjusted EBITDA. A reconciliation from net cash generated from operating activities, the most directly comparable IFRS measure, to free cash flow, is set out as follows.

	2021 £m	2020 £m
Net cash generated from operating activities	**14.6**	51.7
Add back:		
Taxation paid	**7.3**	4.7
Interest paid	**3.2**	3.3
Cash outflow from exceptional items	**8.0**	5.2
Free cash flow	**33.1**	64.9
Adjusted EBITDA	**45.5**	49.1
Cash conversion %	**73%**	132%

Notes to the consolidated financial statements continued
Year ended 30 June 2021

2. Accounting policies continued

Alternative performance measures continued

Adjusted return on capital employed (ROCE)

Adjusted ROCE serves as an indicator of how efficiently we generate returns from the capital invested in the business. It is a Group KPI that is directly relatable to the outcome of investment decisions. Adjusted ROCE is defined as total adjusted operating profit from continuing operations divided by the average period-end capital employed. Capital employed is defined as the total of goodwill and other intangible assets, property, plant and equipment, right-of-use assets, inventories, trade and other receivables less trade and other payables. There is no equivalent statutory measure within IFRS.
Adjusted return on capital employed is calculated as follows:

	2021 £m	2020 £m	2019 £m
Goodwill (note 12)	**19.7**	19.9	20.4
Other intangible assets (note 13)	**8.2**	8.5	9.1
Property, plant and equipment (note 14)	**129.8**	134.7	136.0
Right-of-use assets (note 15)	**10.0**	7.3	9.9
Inventories (note 16)	**92.9**	97.5	95.0
Trade and other receivables (note 17)	**117.9**	138.3	145.9
Trade and other payables (note 19)	**(169.2)**	(198.1)	(182.3)
Capital employed	**209.3**	208.1	234.0
Average period-end capital employed	**208.7**	221.1	n/a
Adjusted operating profit from continuing operations	**24.1**	28.3	n/a
Adjusted return on capital employed %	**11.5%**	12.8%	n/a

Net debt

Net debt consists of cash and cash equivalents, overdrafts, bank and other loans and lease liabilities.

Net debt is a measure of the Group's net indebtedness that provides an indicator of overall balance sheet strength. It is a key indicator used by management to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net debt is considered to be an alternative performance measure as it is not defined in IFRS. A reconciliation from loans and other borrowings, lease liabilities and cash and cash equivalents, the most directly comparable IFRS measures to net debt, is set out below:

	2021 £m	2020 £m
Current assets		
Cash and cash equivalents	**24.9**	44.2
Current liabilities		
Borrowings (note 20)	**(53.7)**	(33.2)
Lease liabilities (note 15)	**(3.4)**	(3.5)
	(57.1)	(36.7)
Non-current liabilities		
Borrowings (note 20)	**(78.3)**	(103.8)
Lease liabilities (note 15)	**(7.9)**	(5.2)
	(86.2)	(109.0)
Net debt	**(118.4)**	(101.5)

3. Segment information
Background
Segmental reporting
Financial information is presented to the Board by product technology for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. From 1 January 2021, the European Household business was restructured into three product technology-led and separately managed and accountable business divisions:

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

Our Asia Pacific and Aerosols businesses were already separately managed by standalone management teams and leadership.

Intra-Group revenue from the sales of products is agreed between the relevant customer-facing units and eliminated in the segmental presentation that is presented to the Board. Programme Compass is delivering an increased focus on cost optimisation and has meant that most overhead costs are now directly attributed within the respective divisions' income statements. The only costs now allocated out to the divisions are central overheads, with corporate costs being retained at a Group level. Central overheads are allocated to a reportable segment proportionally using an appropriate cost driver. Corporate costs, which include the costs associated with the Board and the Executive Leadership Team, governance and listed company costs and certain central functions (mostly associated with financial disciplines such as treasury), are reported separately. Exceptional items are detailed in note 4 and are not allocated to the reportable segments as this reflects how they are reported to the Board. Finance expense and income are not allocated to the reportable segments, as the central treasury function manages this activity, together with the overall net debt position of the Group.

The Board uses adjusted operating profit to measure the profitability of the Group's businesses. Adjusted operating profit is, therefore, the measure of segment profit presented in the Group's segment disclosures. Adjusted operating profit represents operating profit before specific items that are considered to hinder comparison of the trading performance of the Group's businesses either 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.

Year ended 30 June 2021	Liquids £m	Unit Dosing £m	Powders £m	Aerosols £m	Asia Pacific £m	Corporate £m	Group £m
Continuing operations							
Segment revenue	**376.1**	**181.5**	**66.3**	**34.0**	**24.4**	**—**	**682.3**
Adjusted operating profit/(loss)	**11.7**	**16.7**	**(2.3)**	**0.8**	**1.9**	**(4.7)**	**24.1**
Amortisation of intangible assets							**(2.4)**
Exceptional items (note 4)							**(6.2)**
Operating profit							**15.5**
Finance costs							**(4.2)**
Profit before taxation							**11.3**
Inventories	**45.0**	**24.6**	**12.4**	**8.4**	**2.5**	**—**	**92.9**
Capital expenditure	**12.4**	**5.7**	**0.7**	**0.5**	**2.3**	**3.0**	**24.6**
Amortisation and depreciation	**13.0**	**6.3**	**1.5**	**0.5**	**1.0**	**1.5**	**23.8**

Year ended 30 June 2020	Liquids £m	Unit Dosing £m	Powders £m	Aerosols £m	Asia Pacific £m	Corporate £m	Group £m
Continuing operations							
Segment revenue	383.2	183.5	78.2	35.2	26.1	—	706.2
Adjusted operating profit/(loss)	15.5	17.2	(4.1)	2.3	3.0	(5.6)	28.3
Amortisation of intangible assets							(2.1)
Exceptional items (note 4)							(10.8)
Operating profit							15.4
Finance costs							(4.2)
Profit before taxation							11.2
Inventories	43.8	26.6	15.4	7.9	3.8	—	97.5
Capital expenditure	12.6	2.9	0.8	1.2	0.3	2.6	20.4
Amortisation and depreciation	12.6	6.3	1.6	0.3	0.8	1.3	22.9

Notes to the consolidated financial statements continued
Year ended 30 June 2021

3. Segment information continued
Geographical information

	Revenues from external customers		Non-current assets	
	2021 £m	2020 £m	2021 £m	2020 £m
United Kingdom	143.6	161.9	41.7	45.3
Germany	141.5	142.2	—	—
France	137.7	146.9	9.1	9.6
Other Europe	227.9	224.9	109.9	111.5
Australia	12.0	12.2	—	—
Other Asia Pacific	16.0	15.8	7.0	4.0
Rest of the World	3.6	2.3	—	—
Total	682.3	706.2	167.7	170.4

The geographical revenue information above is based on the location of the customer.

Non-current assets for this purpose consist of goodwill, other intangible assets, property, plant and equipment and right-of-use assets.

Revenue by major customer
In 2021 and 2020, no individual customer provided more than 10% of the Group's revenue.

During 2021, the top ten customers accounted for 47% of total Group revenue (2020: 50%).

4. Exceptional items
Analysis of exceptional items

	2021 £m	2020 £m
Continuing operations		
Reorganisation and restructuring costs:		
UK Aerosols closure	0.4	0.1
Factory footprint review	0.3	9.4
Review of strategy, organisation and operations	4.4	1.3
Logistics transformation programme	1.1	—
Total continuing operations	6.2	10.8
Discontinued operations		
Sale of PC Liquids business	0.7	0.3
Total discontinued operations	0.7	0.3
Total	6.9	11.1

Total exceptional items of £6.9 million were recorded during the year (2020: £11.1m). The charge primarily comprises the following:

Items relating to continuing operations
Total exceptional items incurred in relation to the continuing business of £6.2 million were recorded during the year (2020: £10.8m). The charges comprise the following:

- £0.4 million in respect of one-off legacy costs in relation to the former UK Aerosols site in Hull;
- £0.3 million relating to the closure costs for the Barrow production facility, which ceased operations in October 2020;
- £4.4 million relating to Programme Compass, including £2.5 million of redundancy costs, £0.8 million in consulting support, £0.3 million of fixed asset write offs, £0.3 million in professional fees and £0.2 million in other project expenses; and
- £1.1 million relating to the Group's logistics transformation programme, including £0.7 million of redundancy costs, £0.2 million of site clearance costs, £0.1 million of fixed asset write offs and £0.1 million in other project expenses.

Items relating to discontinued operations
An exceptional charge of £0.7 million was incurred in respect of the impairment of a leased asset relating to the closed St Helens site.

5. Employee information

The number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2021 Year end Number	2021 Average Number	2020 Year end Number	2020 Average Number
Manufacturing	**2,764**	**2,888**	2,834	2,794
Sales, general and administration	**556**	**581**	580	585
Total	**3,320**	**3,469**	3,414	3,379

Aggregate payroll costs were as follows:

	2021 £m	2020 £m
Wages and salaries	**105.5**	108.0
Social security costs	**19.9**	20.7
Share awards granted to Directors and employees	**0.3**	0.4
Other pension costs	**3.2**	3.6
Total	**128.9**	132.7

Pension costs comprise the payments made by the Group to defined contribution schemes (note 23).

Aggregate emoluments of the Directors of the Company were as follows:

	2021 £'000	2020 £'000
Wages and salaries	**1,031**	1,264
Share awards granted to Directors	**85**	4
Bonuses	**—**	76
Other pension costs(1)	**45**	101
Total	**1,161**	1,445

The remuneration for the highest paid Director was as follows:

	2021 £'000	2020 £'000
Wages and salaries	**451**	359
Share awards granted	**65**	4
Bonuses	**—**	76
Other pension costs(1)	**35**	58
Total	**551**	497

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

The number of share awards granted during the year for the highest paid Director under the LTIP was 877,016 (2020: 585,870) and under the Restricted Share Unit (RSU) plan was 173,246 (2020: nil). The number of share awards exercised by the highest paid Director during the year was 1,064 (2020: 42,857) in relation to the DBP.

Further information on Directors' emoluments included above is in the Directors' Remuneration report on pages 87 to 109.

Aggregate compensation for key management, being the Directors and members of the Executive Committee, is shown in note 29.

6. Auditor's remuneration

Fees payable by the Group to the Company's independent auditor, PricewaterhouseCoopers LLP (PwC), and its associates, were as follows:

	2021 £m	2020 £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**	0.8
Total fees	**0.9**	0.9

Fees for the audit of the Company's financial statements represent fees payable to PwC in respect of the audit of the Company's individual financial statements and the Group's consolidated financial statements. Non-audit fees payable to PwC in relation to other advisory services amounted to £23,000 (2020: £20,000).

Notes to the consolidated financial statements continued
Year ended 30 June 2021

7. Operating profit
Operating profit is stated after charging/(crediting):

	2021 £m	2020 £m
Cost of inventories (included in cost of sales)	397.4	412.7
Employee costs (note 5)	128.9	132.7
Amortisation of intangible assets (note 13)	2.4	2.1
Depreciation of property, plant and equipment (note 14)	17.6	17.1
Depreciation of right-of-use assets (note 15)	3.8	3.7
Impairment:		
Property, plant and equipment (note 14)	0.3	1.7
Right-of-use assets (note 15)	0.7	—
Inventories (note 16)	2.9	1.9
Trade receivables (note 17)	1.3	1.1
Expense relating to short-term leases (note 15)	1.0	0.6
Expense relating to low-value leases (note 15)	0.3	0.3
Research and development costs not capitalised	7.6	6.8
Net foreign exchange (gain)/loss	(0.4)	0.4

8. Finance costs

	2021 £m	2020 £m
Finance costs		
Interest on bank loans and overdrafts	2.7	2.6
Interest on lease liabilities	0.3	0.2
Net foreign exchange gain	(0.2)	(0.3)
Amortisation of facility fees	0.4	0.3
Non-utilisation fees	0.6	0.6
Premium on average rate currency options	—	0.1
	3.8	3.5
Post-employment benefits:		
Net interest cost on defined benefit obligation (note 23)	0.4	0.6
Adjusted finance costs	4.2	4.1
Unwind of discount on provisions (note 25)	—	0.1
Total finance costs	4.2	4.2

Interest rate swaps are used to manage the interest rate profile of the Group's borrowings. Accordingly, net interest payable or receivable on interest rate swaps is included in finance costs.

9. Taxation

Income tax expense/(credit)

From continuing operations	2021 UK £m	2021 Overseas £m	2021 Total £m	2020 UK £m	2020 Overseas £m	2020 Total £m
Current tax expense/(credit)						
Current year	–	4.1	4.1	–	8.0	8.0
Adjustment for prior years	–	(2.6)	(2.6)	(0.2)	(2.6)	(2.8)
	–	1.5	1.5	(0.2)	5.4	5.2
Deferred tax (credit)/expense						
Origination and reversal of temporary differences	(5.0)	0.6	(4.4)	(1.0)	0.4	(0.6)
Adjustment for prior years	0.1	0.1	0.2	0.4	(0.2)	0.2
Impact of change in tax rate	–	–	–	(0.3)	–	(0.3)
	(4.9)	0.7	(4.2)	(0.9)	0.2	(0.7)
Income tax (credit)/expense	(4.9)	2.2	(2.7)	(1.1)	5.6	4.5

From discontinued operations	2021 UK £m	2021 Overseas £m	2021 Total £m	2020 UK £m	2020 Overseas £m	2020 Total £m
Current tax credit						
Current year	–	–	–	–	–	–
	–	–	–	–	–	–
Deferred tax credit						
Origination and reversal of temporary differences	(0.1)	–	(0.1)	(0.1)	–	(0.1)
	(0.1)	–	(0.1)	(0.1)	–	(0.1)
Income tax credit	(0.1)	–	(0.1)	(0.1)	–	(0.1)

Total attributable to ordinary shareholders	2021 UK £m	2021 Overseas £m	2021 Total £m	2020 UK £m	2020 Overseas £m	2020 Total £m
Current tax expense/(credit)						
Current year	–	4.1	4.1	–	8.0	8.0
Adjustment for prior years	–	(2.6)	(2.6)	(0.2)	(2.6)	(2.8)
	–	1.5	1.5	(0.2)	5.4	5.2
Deferred tax (credit)/expense						
Origination and reversal of temporary differences	(5.1)	0.6	(4.5)	(1.1)	0.4	(0.7)
Adjustment for prior years	0.1	0.1	0.2	0.4	(0.2)	0.2
Impact of change in tax rate	–	–	–	(0.3)	–	(0.3)
	(5.0)	0.7	(4.3)	(1.0)	0.2	(0.8)
Income tax (credit)/expense	(5.0)	2.2	(2.8)	(1.2)	5.6	4.4

The current tax adjustment for the prior year includes £2.2 million credit for the release of provisions following the settlement of tax enquiries and £0.3 million credit relating to the release of provisions for uncertain tax treatments due to the expiry of statutes of limitation.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

9. Taxation continued
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	2021 £m	2020 £m
Profit before tax	**11.3**	11.2
Profit before tax multiplied by the UK corporation tax rate of 19.00% (2020: 19.00%)	**2.1**	2.2
Effect of tax rates in foreign jurisdictions	**1.0**	2.6
Non-deductible expenses	**1.4**	1.5
Tax incentives/non-taxable income	**(0.1)**	(0.6)
Tax losses and other temporary differences for which no deferred tax recognised	**(3.8)**	1.3
Change in tax rate	**(1.4)**	(0.3)
Other differences	**0.5**	0.4
Adjustment for prior years	**(2.4)**	(2.6)
Total tax (credit)/expense in profit or loss	**(2.7)**	4.5
Exclude adjusting items (note 2)	**1.6**	2.3
Total tax (credit)/expense in profit or loss before adjusting items	**(1.1)**	6.8

Taxation is provided at current rates on the profits earned for the year.

From discontinued operations	2021 £m	2020 £m
Loss before tax	**(0.7)**	(0.3)
Loss before tax multiplied by the UK corporation tax rate of 19.00% (2020: 19.00%)	**(0.1)**	(0.1)
Total tax credit in profit or loss	**(0.1)**	(0.1)
Exclude adjusting items (note 2)	**0.1**	0.1
Total tax expense in profit or loss before adjusting items	**—**	—

Taxation is provided at current rates on the profits earned for the year.

Total attributable to ordinary shareholders	2021 £m	2020 £m
Profit before tax	**10.6**	10.9
Profit before tax multiplied by the UK corporation tax rate of 19.00% (2020: 19.00%)	**2.0**	2.1
Effect of tax rates in foreign jurisdictions	**1.0**	2.6
Non-deductible expenses	**1.4**	1.5
Tax incentives/non-taxable income	**(0.1)**	(0.6)
Tax losses and other temporary differences for which no deferred tax recognised	**(3.8)**	1.3
Change in tax rate	**(1.4)**	(0.3)
Other differences	**0.5**	0.4
Adjustment for prior years	**(2.4)**	(2.6)
Total tax (credit)/expense in profit or loss	**(2.8)**	4.4
Exclude adjusting items (note 2)	**1.7**	2.4
Total tax (credit)/expense in profit or loss before adjusting items	**(1.1)**	6.8

The taxation is provided at current rates on the profits earned for the year.

The 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%.

Factors affecting future tax charges
On 24 May 2021, the increase in the UK tax rate from 19% to 25% with effect from 1 April 2023 was substantially enacted. Deferred tax has been calculated for the UK based on the expected reversal dates of the temporary differences.

Tax on items recognised in other comprehensive income

	2021 £m	2020 £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	(4.1)	(1.8)
Total tax credited in other comprehensive income	(4.1)	(1.7)

The £4.1 million deferred tax credit recognised in other comprehensive income includes £3.1 million credit arising from the increased UK corporation tax rate which will be effective from 1 April 2023.

Deferred tax

The movement in the net deferred tax balances during the year was:

	Accelerated capital allowance £m	Intangible assets £m	Share-based payments £m	Tax losses £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 July 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
(Charge)/credit to profit or loss	**(4.1)**	**0.2**	**0.2**	**7.8**	**(0.9)**	**1.1**	**4.3**
Credit to other comprehensive income	**–**	**–**	**–**	**–**	**4.1**	**–**	**4.1**
Charge to equity	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**(0.1)**
Effect of the change in tax rate	**1.3**	**(0.7)**	**–**	**0.8**	**(1.4)**	**–**	**–**
Exchange/other movements	**0.5**	**–**	**–**	**–**	**–**	**0.1**	**0.6**
At 30 June 2021	**(2.1)**	**(3.4)**	**0.3**	**8.9**	**7.9**	**4.5**	**16.1**

Deferred tax assets and liabilities are presented in the Group's balance sheet as follows:

	2021 £m	2020 £m
Deferred tax assets	**22.8**	13.8
Deferred tax liabilities	**(6.7)**	(6.6)
Total	**16.1**	7.2

Deferred income tax assets are recognised for deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. The deferred tax asset which has been recognised has increased significantly from the previous year due to the increased profits which are forecast to arise in the UK under the new Compass strategy as highlighted in the CFO's report on page 31.

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 £1.0 million at 30 June 2021 (2020: £1.1m).

Unrecognised deferred tax assets

At 30 June 2021, the Group had unused tax losses of £39.0 million (2020: £15.7m) available for offset against future profits. No deferred tax asset has been recognised in respect of £2.3 million (2020: £14.6m) of these losses due to restrictions over accessing these losses in the future. The majority of these tax losses arise in tax jurisdictions where they do not expire.

No deferred tax asset has been recognised in relation to the surplus Advanced Corporation Tax (ACT) of £7.0 million (2020: £7.0m) due to uncertainty as to future ACT capacity and taxable profits.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

10. 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 372,864 shares (2020: 123,162 shares), being the weighted average number of own shares held during the year in relation to employee share schemes (note 26).

	Reference	2021	2020
Weighted average number of ordinary shares in issue (million)	a	**179.1**	182.8
Effect of dilutive LTIP and RSU awards (million)		**0.3**	–
Weighted average number of ordinary shares for calculating diluted earnings per share (million)	b	**179.4**	182.8

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 and RSU 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	2021 £m	2020 £m
Earnings for calculating basic and diluted earnings per share	c	**14.0**	6.7
Adjusted for:			
Amortisation of intangible assets (note 13)		**2.4**	2.1
Exceptional items (note 4)		**6.2**	10.8
Unwind of discount on provisions (note 25)		**–**	0.1
Taxation relating to the above items		**(1.6)**	(2.3)
Earnings for calculating adjusted earnings per share	d	**21.0**	17.4

	Reference	2021 pence	2020 pence
Basic earnings per share	c/a	**7.8**	3.7
Diluted earnings per share	c/b	**7.8**	3.7
Adjusted basic earnings per share	d/a	**11.7**	9.5
Adjusted diluted earnings per share	d/b	**11.7**	9.5

From discontinued operations	Reference	2021 £m	2020 £m
Losses for calculating basic and diluted earnings per share	c	**(0.6)**	(0.2)
Adjusted for:			
Exceptional items (note 4)		**0.7**	0.3
Taxation relating to the above items		**(0.1)**	(0.1)
Losses for calculating adjusted earnings per share	d	**–**	–

	Reference	2021 pence	2020 pence
Basic loss per share	c/a	**(0.3)**	(0.1)
Diluted loss per share	c/b	**(0.3)**	(0.1)
Adjusted basic loss per share	d/a	**–**	–
Adjusted diluted loss per share	d/b	**–**	–

Total attributable to ordinary shareholders	Reference	2021 £m	2020 £m
Earnings for calculating basic and diluted earnings per share	c	**13.4**	6.5
Adjusted for:			
Amortisation of intangible assets (note 13)		**2.4**	2.1
Exceptional items (note 4)		**6.9**	11.1
Unwind of discount on provisions (note 25)		**–**	0.1
Taxation relating to the above items		**(1.7)**	(2.4)
Earnings for calculating adjusted earnings per share	d	**21.0**	17.4

	Reference	2021 pence	2020 pence
Basic earnings per share	c/a	**7.5**	3.6
Diluted earnings per share	c/b	**7.5**	3.6
Adjusted basic earnings per share	d/a	**11.7**	9.5
Adjusted diluted earnings per share	d/b	**11.7**	9.5

11. Payments to shareholders

Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

It is the Board's intention that any future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares. Consequently, the Board is not seeking shareholder approval at the 2021 AGM to capitalise reserves for the purposes of issuing B Shares or to grant Directors authority to allot such shares. Existing B Shares will continue to be redeemable but limited to one redemption date per annum in November of each year. B Shares issued but not redeemed are classified as current liabilities.

Payments to ordinary shareholders made or proposed in respect of the year were as follows:

	2021		2020	
	Pence per share	£m	Pence per share	£m
Interim	**–**	**–**	–	–
Final	**–**	**–**	1.1	2.0
Total for the year	**–**	**–**	1.1	2.0

As set out in the Half-Year Report, the Group is targeting an accounting basis of net debt/adjusted EBITDA of 2.0x or less. As the ratio at half year was over 2.0x, an interim payment to shareholders was not made. At 30 June 2021, the ratio was also over 2.0x and in line with its revised Distribution Policy set out on pages 31 and 32, the Board is not recommending a final dividend in 2021.

Movements in the number of B Shares outstanding were as follows:

	2021		2020	
	Number 000	Nominal value £m	Number 000	Nominal value £m
Issued and fully paid				
At 1 July	**713,130**	**0.7**	815,631	0.8
Issued	**2,010,780**	**2.0**	3,290,369	3.3
Redeemed	**(1,976,511)**	**(2.0)**	(3,392,870)	(3.4)
At 30 June	**747,399**	**0.7**	713,130	0.7

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.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

12. Goodwill

	£m
Cost	
At 1 July 2019, 30 June 2020 and 30 June 2021	36.0
Accumulated impairment	
At 1 July 2019	(15.6)
Impairment charge in the year	(0.5)
30 June 2020	(16.1)
Currency translation differences	**(0.2)**
At 30 June 2021	**(16.3)**
Net book value	
At 30 June 2021	**19.7**
At 30 June 2020	19.9

From 1 January 2021, the European Household business was restructured into three product technology-led and separately managed and accountable business divisions:

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

The Liquids, Unit Dosing and Powders divisions, plus our Asia Pacific and Aerosols businesses that already had separate management teams and leadership, represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Carrying amount of goodwill allocated to cash-generating units (CGUs):

	2021 £m	2020 £m
Liquids	**15.9**	16.1
Unit Dosing	**3.3**	3.3
Powders	**0.3**	0.3
Asia Pacific	**0.2**	0.2
At 30 June	**19.7**	19.9

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 2021, 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 2022 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 Liquids and Unit Dosing markets in Europe.

Management estimates the cost of material inputs and other direct and indirect costs based on current prices and market expectations of future price changes. Beyond the budget year, unless there are reasons to suggest otherwise, management assumes that future changes in material input prices are reflected in the price of the Group's products. General cost inflation is based on management's expectations of cost increases in the business.

To forecast growth beyond the detailed cash flows into perpetuity, long-term average growth rates of 1.5% in Liquids, 2.0% in Unit Dosing, 1.4% in Powders, 1.2% in Aerosols and 5.0% in Asia Pacific have been applied. In the prior year, before the restructure of the European Household business, the long-term growth rates used were Household Liquids 1.6%, Household Powders and Tablets 1.5%, Aerosols 1.5% and Asia 2.2%. These rates are based on a weighted average of country-specific rates that are not greater than the published International Monetary Fund average growth rates in gross domestic product in the territories in which the CGUs operate.

Discount rates applied to the cash flow projections were determined using a capital asset pricing model and reflected current market interest rates, relevant equity and size risk premiums and the risks specific to the CGU concerned. Pre-tax discount rates used in calculating the value-in-use of CGUs in the current year were as follows: Liquids 10.5%, Unit Dosing 8.7%, Powders 9.0%, Aerosols 9.7%; and Asia Pacific 15.9%. In the prior year, before the restructure of the European Household business, the pre-tax discount rates used were Household Liquids 13.3%, Household Powders and Tablets 10.9%, Aerosols 12.5% and Asia 18.4%.

Sensitivity analysis

A sensitivity analysis has been performed which focused on the change required in forecast revenue and margin assumptions that would give rise to an impairment.

In the case of the Liquids CGU, sensitivities that result in the recoverable amount equalling the carrying value were:

- a reduction in forecast revenues of 16.4%; and
- a reduction in forecast margins of 4.2ppts.

In the case of the Unit Dosing CGU, sensitivities that result in the recoverable amount equalling the carrying value were:

- a reduction in forecast revenues of 37.5%; and
- a reduction in forecast margins of 10.6ppts.

In the case of the Powders CGU, sensitivities that result in the recoverable amount equalling the carrying value were:

- a reduction in forecast revenues of 11.8%; and
- a reduction in forecast margins of 2.4ppts.

In the case of the Aerosols CGU, sensitivities that result in the recoverable amount equalling the carrying value were:

- a reduction in forecast revenues of 24.5%; and
- a reduction in forecast margins of 6.8ppts.

In the case of the Asia Pacific CGU, sensitivities that result in the recoverable amount equalling the carrying value were:

- a reduction in forecast revenues of 38.2%; and
- a reduction in forecast margins of 9.5ppts.

Additionally, for all CGUs:

- no reasonable movement in the discount rate applied to the CGUs would result in nil headroom or impairment; and
- management estimates that a reduction in the perpetual growth rate to 0.0% would not result in an impairment charge.

Based on the impairment reviews performed, no impairment has been identified.

13. Other intangible assets

	Patents, brands and trademarks £m	Computer software £m	Customer relationships £m	Other £m	Total £m
Cost					
At 1 July 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
Additions	**—**	**2.1**	**—**	**0.1**	**2.2**
Disposals	**—**	**(0.6)**	**—**	**—**	**(0.6)**
Currency translation differences	**(0.1)**	**—**	**(0.2)**	**(0.1)**	**(0.4)**
At 30 June 2021	**3.7**	**14.0**	**11.9**	**0.7**	**30.3**
Accumulated amortisation and impairment					
At 1 July 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)
Disposals	**—**	**0.6**	**—**	**—**	**0.6**
Charge for the year	**(0.4)**	**(1.5)**	**(0.5)**	**—**	**(2.4)**
Currency translation differences	**0.1**	**—**	**0.1**	**0.1**	**0.3**
At 30 June 2021	**(3.4)**	**(7.8)**	**(10.3)**	**(0.6)**	**(22.1)**
Net book value					
At 30 June 2021	**0.3**	**6.2**	**1.6**	**0.1**	**8.2**
At 30 June 2020	0.7	5.6	2.2	—	8.5

Customer relationships acquired upon the acquisition of McBride Denmark A/S have a carrying value of £1.6 million and a remaining amortisation period of 4.25 years. In addition, a brand name was also acquired on acquisition of McBride Denmark A/S that has a carrying value of £0.3 million and a remaining amortisation period of 1.25 years.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

14. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Payments on account and assets in the course of construction £m	Total £m
Cost				
At 1 July 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
Additions	**1.4**	**17.9**	**3.1**	**22.4**
Disposal of assets	**(0.6)**	**(60.6)**	**–**	**(61.2)**
Transfers to non-current assets held for sale (note 18)	**(2.4)**	**–**	**–**	**(2.4)**
Transfers	**–**	**2.2**	**(2.2)**	**–**
Currency translation differences	**(5.1)**	**(17.6)**	**(0.3)**	**(23.0)**
At 30 June 2021	**69.9**	**357.9**	**7.4**	**435.2**
Accumulated depreciation and impairment				
At 1 July 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)
Charge for the year	**(2.1)**	**(15.5)**	**–**	**(17.6)**
Disposals	**0.6**	**60.0**	**–**	**60.6**
Impairment	**–**	**(0.3)**	**–**	**(0.3)**
Transfers to non-current assets held for sale (note 18)	**0.8**	**–**	**–**	**0.8**
Currency translation differences	**2.6**	**13.2**	**–**	**15.8**
At 30 June 2021	**(31.2)**	**(274.2)**	**–**	**(305.4)**
Net book value				
At 30 June 2021	**38.7**	**83.7**	**7.4**	**129.8**
At 30 June 2020	43.5	84.4	6.8	134.7

15. Leases

Most of our leases are associated with our leased properties. We also lease a small proportion of our plant and machinery, for example forklift trucks, and vehicles.

The movements in the right-of-use assets were as follows:

	Land and buildings £m	Plant and machinery £m	Vehicles £m	Other £m	Total £m
Right-of-use assets					
Net book value at 1 July 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**
New leases recognised	**4.3**	**2.0**	**0.8**	**1.0**	**8.1**
Lease disposals	**(0.3)**	**–**	**(0.1)**	**–**	**(0.4)**
Impairment	**(0.7)**	**–**	**–**	**–**	**(0.7)**
Currency translation differences	**(0.3)**	**(0.1)**	**–**	**(0.1)**	**(0.5)**
Depreciation	**(1.6)**	**(0.9)**	**(1.0)**	**(0.3)**	**(3.8)**
Net book value at 30 June 2021	**4.3**	**2.7**	**1.9**	**1.1**	**10.0**

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)
Currency translation differences	0.1
Finance costs	0.2
Net book value at 30 June 2020	**8.7**
New leases recognised	**7.9**
Lease disposals	**(0.3)**
Lease payments	**(4.9)**
Currency translation differences	**(0.4)**
Finance costs	**0.3**
Net book value at 30 June 2021	**11.3**

	2021 £m	2020 £m
Analysed as:		
Amounts falling due within twelve months	**3.4**	3.5
Amounts falling due after one year	**7.9**	5.2
	11.3	8.7

Note 21 presents a maturity analysis of the payments due over the remaining lease term for those liabilities currently recognised on the balance sheet. This analysis only includes payments to be made over the reasonably certain lease term. Cash outflows may exceed these amounts as payments may be made in optional periods that we do not currently consider to be reasonably certain, and in respect of leases entered into in future periods.

For the year ended 30 June 2021, expenses for short-term and low-value leases were incurred as follows:

	2021 £m	2020 £m
Expenses relating to short-term leases	**(1.0)**	(0.6)
Expenses relating to leases of low-value assets not shown as short-term leases above	**(0.3)**	(0.3)
Total	**(1.3)**	(0.9)

At 30 June 2021 the Group was committed to future minimum lease payments of £3.0 million (2020: £nil) in respect of leases which have not yet commenced and for which no lease liability has been recognised.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

16. Inventories

	2021 £m	2020 £m
Raw materials, packaging and consumables	45.8	47.4
Finished goods and goods for resale	47.1	50.1
Total	**92.9**	97.5

Inventories are stated net of an allowance of £4.1 million (2020: £2.8m) in respect of excess, obsolete or slow-moving items. Movements in the allowance were as follows:

	2020/21 £m	2019/20 £m
At 1 July	(2.8)	(2.8)
Utilisation	1.5	1.9
Charged to profit or loss	(2.9)	(1.9)
Currency translation differences	0.1	—
At 30 June	**(4.1)**	(2.8)

The cost of inventories recognised in cost of sales as an expense amounted to £397.4 million (2020: £412.7m).

17. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	106.8	126.8
Less: provision for impairment of trade receivables	(0.9)	(0.9)
Trade receivables – net	105.9	125.9
Other receivables	8.9	9.1
Prepayments and accrued income	3.1	3.3
Total	**117.9**	138.3

Trade receivables amounting to £47.8 million (2020: £29.1m) 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 £1.3 million (2020: £1.1m 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 2021 or 30 June 2020, respectively, and the corresponding historical credit losses experienced within this period adjusted for forward-looking factors specific to the debtors and the economic environment.

On that basis, the credit loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows:

30 June 2021	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%	0.7%	0.9%	20.4%	
Gross carrying amount	104.0	0.7	0.8	0.4	0.9	106.8
Credit loss allowance	—	—	—	—	0.2	0.2

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

In addition to the credit loss allowance, the provision for impairment of trade receivables includes £0.7 million (2020: £0.4m) of credit note provisions.

Movements in the allowance for doubtful debts were as follows:

	2020/21 £m	2019/20 £m
At 1 July	(0.9)	(0.6)
Utilisation	1.3	0.8
Charged	(1.3)	(1.1)
At 30 June	**(0.9)**	(0.9)

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, or a failure to make contractual payments for a period greater than 365 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The carrying amounts of trade receivables are denominated in the following currencies:

	2021 £m	2020 £m
Sterling	15.0	20.3
Euro	86.3	99.0
Polish Zloty	0.7	0.8
Danish Krone	1.7	1.2
Malaysian Ringgit	1.5	3.7
Other	1.6	1.8
	106.8	126.8

Trade receivables are generally not interest bearing.

18. Non-current assets classified as held for sale

Non-current assets held for sale at 30 June 2021 amounting to £1.6 million (2020: £nil) relate to assets held in Malaysia and France.

During the year, the Group reached a preliminary agreement with a prospective purchaser for the sale of land and buildings at a former manufacturing site in Malaysia. It is expected that the sale of the site will complete within twelve months of the balance sheet date subject to local State Authority approval. The land and buildings are part of the Asia Pacific segment.

As part of the logistics transformation programme, a decision was made to exit and actively market for sale land and buildings at a former warehousing facility in Guesnain, France. It is expected that the sale of the site will complete within twelve months of the balance sheet date. The land and buildings are part of the Corporate segment.

On classification as held for sale, the assets were tested for impairment by reference to whether the carrying value of the assets was supported by the fair value less costs to sell. For the Malaysia assets, the indicated selling price agreed with the prospective purchaser was used as the fair value for the impairment test, which was classified as Level 2 on the fair value hierarchy. For the French assets, an independent third-party valuation was used as the fair value for the impairment test, which was classified as Level 2 on the fair value hierarchy. As a result, no impairment charges were recognised.

Events after the balance sheet date

During the year, the Barrow production facility closed. The former manufacturing site has undergone site clearance and related works to make good the site ready for sale. At 30 June 2021, the assets were not classified as held for sale on the balance sheet because the criteria to allow asset reclassification under IFRS 5, 'Non-current assets held for sale', were not met. Since 30 June 2021, work has continued at the site and in August 2021 the site became available for immediate sale. The Group has reached a preliminary sale agreement with a prospective purchaser and it is expected that the sale of the site will complete within the first half of the 2022 financial year. The assets held for sale are part of the Powders segment.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

19. Trade and other payables

	2021 £m	2020 £m
Current liabilities		
Trade payables	**130.8**	148.8
Taxation and social security	**3.5**	3.8
Other payables	**23.9**	30.5
Accrued expenses	**7.9**	11.2
Deferred income	**2.4**	3.1
B Shares (note 11)	**0.7**	0.7
Total	**169.2**	198.1

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:

	2021			2020		
	Current liabilities £m	Non-current liabilities £m	Total liabilities £m	Current liabilities £m	Non-current liabilities £m	Total liabilities £m
Overdrafts	**5.9**	**—**	**5.9**	4.1	—	4.1
Bank and other loans:						
Unsecured loans	**—**	**78.3**	**78.3**	—	103.8	103.8
Invoice discounting facilities (note 21)	**47.8**	**—**	**47.8**	29.1	—	29.1
	47.8	**78.3**	**126.1**	29.1	103.8	132.9
Lease liabilities	**3.4**	**7.9**	**11.3**	3.5	5.2	8.7
Total	**57.1**	**86.2**	**143.3**	36.7	109.0	145.7

Bank and other loans are repayable as follows:

	2021 £m	2020 £m
Within one year	**47.8**	29.1
Between one and two years	**—**	103.8
Between two and five years	**78.3**	—
More than five years	**—**	—
Total	**126.1**	132.9

Details of the Group's bank facilities are presented in note 21. Amounts payable under leases are presented in notes 15 and 21.

21. Financial risk management

Risk management policies

The Group's Treasury function is responsible for procuring the Group's capital resources and maintaining an efficient capital structure, together with managing the Group's liquidity, foreign exchange and interest rate exposures.

All treasury operations are conducted within strict policies and guidelines that are approved by the Board. Compliance with those policies and guidelines is monitored by the regular reporting of treasury activities to the Board following regular Treasury Committee meetings.

Financial assets and financial liabilities

	Amortised cost £m	Fair value through profit or loss[1] £m	Total carrying amount £m	Fair value £m
At 30 June 2021				
Financial assets				
Trade receivables	105.9	–	105.9	105.9
Other receivables	8.9	–	8.9	8.9
Cash and cash equivalents	24.9	–	24.9	24.9
	139.7	–	139.7	139.7
Financial assets held at fair value				
Derivative financial instruments (Level 2)				
Forward currency contracts	–	0.1	0.1	0.1
Interest rate swaps	–	0.1	0.1	0.1
Contracts for Difference (HDPE)	–	0.1	0.1	0.1
	–	0.3	0.3	0.3
Total financial assets	139.7	0.3	140.0	140.0
Financial liabilities				
Trade and other payables	(169.2)	–	(169.2)	(169.2)
Bank overdrafts	(5.9)	–	(5.9)	(5.9)
Lease liabilities	(11.3)	–	(11.3)	(11.3)
Bank and other loans	(126.1)	–	(126.1)	(126.1)
	(312.5)	–	(312.5)	(312.5)
Financial liabilities held at fair value				
Derivative financial instruments (Level 2)				
Forward currency contracts	–	(0.2)	(0.2)	(0.2)
Interest rate swaps	–	(0.1)	(0.1)	(0.1)
	–	(0.3)	(0.3)	(0.3)
Total financial liabilities	(312.5)	(0.3)	(312.8)	(312.8)
Total	(172.8)	–	(172.8)	(172.8)

(1) Financial assets and financial liabilities classified as fair value through profit or loss are designated in hedge relationships as described within the interest risk and foreign exchange risk sections of this note.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

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 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 and other payables	(198.1)	—	(198.1)	(198.1)
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)
	(343.8)	—	(343.8)	(343.8)
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	(343.8)	(0.7)	(344.5)	(344.5)
Total	(164.6)	0.7	(163.9)	(163.9)

(1) Financial assets and financial liabilities classified as fair value through profit or loss are designated in hedge relationships as described within the interest risk and foreign exchange risk sections of this note.

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 17. While other receivables and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. The Group's cash balances are managed such that there is no significant concentration of credit risk in any one bank or other financial institution. Management regularly monitors the credit quality of the institutions with which it holds deposits. Similar considerations are given to the Group's portfolio of derivative financial instruments.

The Group uses judgement to determine that the credit risk of the financial assets has not significantly changed since initial recognition and regularly monitors the value of the instruments and determines that credit risk is not a significant factor in changes to these values, all of the financial derivatives are deemed to have low credit risk on initial recognition as they are predominantly hedges of foreign exchange risk and executed with a diverse and strong portfolio of counterparties.

Before accepting a new customer, management assesses the customer's credit quality and establishes a credit limit. Credit quality is assessed using data maintained by reputable credit rating agencies, by the checking of references included in credit applications and, where they are available, by reviewing the customer's recent financial statements. Credit limits are subject to multiple levels of authorisation and are reviewed on a regular basis. Credit insurance is employed where it is considered to be cost effective. At 30 June 2021, the majority of trade receivables were due from major retailers in the UK and Europe.

At 30 June 2021, the Group's maximum exposure to credit risk was as follows (there was no significant concentration of credit risk):

	2021 £m	2020 £m
Trade and other receivables:		
Trade receivables	**105.9**	125.9
Other receivables	**8.9**	9.1
Derivative financial instruments	**0.3**	1.4
	115.1	136.4
Cash and cash equivalents	**24.9**	44.2
Total	**140.0**	180.6

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.

During the year, the Group signed a €175 million multi-currency 'Sustainability Linked Revolving Credit Facility' (RCF). The facility is initially for a five-year tenor with the option to be extended to 30 September 2027 and is provided by a syndicate of supportive international bank lenders. The facility also includes a €75 million uncommitted accordion feature which could provide additional commitments for potential acquisitions in support of our Programme Compass strategy.

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

1. Renewable energy: McBride strives to reduce its environmental impact by increasing the percentage of energy from renewable sources from 5.9% in 2020 to 70% in 2026;
2. Recycled content: As plastics are a significant element in many of the final products of McBride, the Company targets to significantly increase the post-consumer recycled content of polyethylene terephthalate (PET) plastic packaging sourced for manufacturing its products from 64% in 2020 to 94% in 2026; and
3. Responsible sourcing: McBride targets to source all the paper and card components responsibly via FSC® approved suppliers, with the percentage of virgin carton sourced from FSC® approved suppliers increasing from 50% in 2020 to 100% in 2026.

Successful achievement of the annual targets will result in the earning of a discount on the margin of the facility.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

21. Financial risk management continued

Liquidity risk continued

At 30 June 2021, the amount undrawn on the facility was €87.0 million (2020: €61.3m). 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.

At 30 June 2021, the Group had a number of facilities whereby it can borrow against certain of its trade receivables. In the UK, the Group had a £25 million facility that was committed until October 2021. In France and Belgium, the Group had 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. In Germany, the Group had a €26 million facility that is committed until December 2023. The Group can borrow from the provider of the relevant facility up to the lower of the facility limit and the value of the respective receivables. The Group does not derecognise the receivables transferred because it continues to be exposed to the credit risk associated with them. Since the close of the year the Group has extended the UK facility to October 2022 reducing the commitment to £20 million. The Group has also increased the commitment on the German facility to €35 million.

At 30 June 2021, the carrying amount of trade receivables eligible for transfer and the amounts borrowed under the facility were as follows:

	2021 £m	2020 £m
Trade receivables available	47.8	29.1
Amount borrowed	(47.8)	(29.1)
Amount undrawn	–	–

The Group also has access to uncommitted working capital facilities amounting to £44.3 million (2020: £32.8m). At 30 June 2021, £5.9 million (2020: £4.1m) 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 2021							
Bank overdrafts	(5.9)	–	–	–	–	–	(5.9)
Bank and other loans:							
Principal	(47.8)	(2.1)	–	–	(76.8)	–	(126.7)
Interest payments	(0.3)	–	–	–	–	–	(0.3)
Lease liabilities	(3.9)	(3.1)	(2.3)	(1.5)	(1.2)	(0.4)	(12.4)
Other liabilities	(169.2)	–	–	–	–	–	(169.2)
Cash flows on non-derivative liabilities	(227.1)	(5.2)	(2.3)	(1.5)	(78.0)	(0.4)	(314.5)
Cash flows on derivative liabilities							
Payments	(66.2)	(0.9)	–	–	–	–	(67.1)
Cash flows on financial liabilities	(293.3)	(6.1)	(2.3)	(1.5)	(78.0)	(0.4)	(381.6)
Cash flows on derivative assets							
Receipts	66.1	0.9	–	–	–	–	67.0
	(227.2)	(5.2)	(2.3)	(1.5)	(78.0)	(0.4)	(314.6)

	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	(198.1)	–	–	–	–	–	(198.1)
Cash flows on non-derivative liabilities	(235.5)	(106.7)	(1.5)	(0.8)	(0.1)	(0.4)	(345.0)
Cash flows on derivative liabilities							
Payments	(73.5)	(0.5)	–	–	–	–	(74.0)
Cash flows on financial liabilities	(309.0)	(107.2)	(1.5)	(0.8)	(0.1)	(0.4)	(419.0)
Cash flows on derivative assets							
Receipts	74.3	0.3	–	–	–	–	74.6
	(234.7)	(106.9)	(1.5)	(0.8)	(0.1)	(0.4)	(344.4)

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:

	2021						2020					
	Euro £m	**Sterling £m**	**Danish Krone £m**	**Polish Zloty £m**	**Other currencies £m**	**Total £m**	Euro £m	Sterling £m	Danish Krone £m	Polish Zloty £m	Other currencies £m	Total £m
Floating rate												
Bank overdrafts	**(5.9)**	**–**	**–**	**–**	**–**	**(5.9)**	(3.7)	–	–	–	(0.4)	(4.1)
Bank and other loans	**(6.2)**	**(19.6)**	**(8.7)**	**(3.8)**	**(2.1)**	**(40.4)**	(38.3)	(23.5)	(12.2)	(4.1)	–	(78.1)
Cash and cash equivalents	**13.6**	**2.2**	**2.6**	**2.1**	**4.4**	**24.9**	24.5	1.4	8.4	8.4	1.5	44.2
	1.5	**(17.4)**	**(6.1)**	**(1.7)**	**2.3**	**(21.4)**	(17.5)	(22.1)	(3.8)	4.3	1.1	(38.0)
Fixed rate												
Bank and other loans	**(74.7)**	**–**	**(6.3)**	**(4.7)**	**–**	**(85.7)**	(41.1)	–	(8.6)	(5.1)	–	(54.8)
	(74.7)	**–**	**(6.3)**	**(4.7)**	**–**	**(85.7)**	(41.1)	–	(8.6)	(5.1)	–	(54.8)
Total	**(73.2)**	**(17.4)**	**(12.4)**	**(6.4)**	**2.3**	**(107.1)**	(58.6)	(22.1)	(12.4)	(0.8)	1.1	(92.8)

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 2021, the weighted average interest rate payable on bank and other loans was 1.8% (2020: 1.9%). At 30 June 2021, the weighted average interest rate receivable on cash and cash equivalents was 0.0% (2020: 0.0%).

At 30 June 2021, 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.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

21. Financial risk management continued
Interest rate risk continued

2021	Interest rate swaps £m	Interest rate caps £m
Carrying amount	(0.1)	0.1
Notional amount	27.8	57.9
Maturity date	June 2021-June 2022	June 2021-June 2024
Hedging ratio	1:1	1:1
Change in value of outstanding hedge instruments since 1 July	0.1	–
Change in value of hedged item used to determine hedge effectiveness	(0.1)	–
Weighted average hedged rate for the year	0.395%-0.531%	0.0%-0.5%

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 £0.2 million (2020: £0.8m).

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 2021, the notional principal amount of outstanding foreign currency contracts (net purchases) that are held to hedge the Group's transaction exposures was £14.8 million (2020: £18.7m). For accounting purposes, the Group has designated the foreign currency contracts as cash flow hedges. At 30 June 2021, the fair value of the contracts was £(0.2) million (2020: £1.2m). During 2021, a loss of £0.7 million (2020: gain of £0.5m) was recognised in other comprehensive income and a gain of £0.7 million (2020: loss of £0.1m) 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 2021, the fair value of the average rate options was a loss of £0.0 million (2020: loss of £0.4m).

At 30 June 2021, the Group had designated as net investment hedges £25.7 million (2020: £45.6m) of its Euro-denominated borrowings and three-month rolling foreign currency forward contracts with a notional principal amount of £52.3 million (2020: £54.6m). During 2021, a gain of £3.7 million (2020: gain of £0.8m) was recognised in other comprehensive income in relation to the net investment hedges. At 30 June 2021, the fair value of the net investment hedges was a gain of £0.1 million (2020: gain of £0.2m).

The currency profile of the Group's net assets (excluding non-controlling interests) before and after hedging currency translation exposures was as follows:

	2021			2020		
	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	9.5	52.2	61.7	(12.9)	54.6	41.7
Euro	39.2	(38.6)	0.6	58.8	(41.1)	17.7
Polish Zloty	5.1	(4.8)	0.3	5.6	(4.1)	1.5
Danish Krone	7.5	(5.8)	1.7	6.8	(6.1)	0.7
Malaysian Ringgit	3.7	(3.0)	0.7	4.8	(3.3)	1.5
Other	4.8	—	4.8	3.8	—	3.8
Total	**69.8**	**—**	**69.8**	66.9	—	66.9

The Group's exposure to a +/- 10% change in EUR/GBP exchange rate is as follows:

	2021		2020	
	EUR +10% £m	EUR -10% £m	EUR +10% £m	EUR -10% £m
Impact on equity	(1.3)	1.5	(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.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

21. Financial risk management continued

Foreign currency risk continued

Translation risk continued

In relation to the hedging activities as described above, the effects of foreign currency related hedging instruments on the Group's financial position and performance are as follows:

2021	Foreign currency forwards Transactional £m	Foreign currency forwards Translational £m
Carrying amount	(0.2)	0.1
Notional amount	17.0	52.3
Maturity date	July 2021-Sept 2022	September 2021
Hedging ratio	1:1	1:1
Change in value of outstanding hedge instruments since 1 July	0.9	(3.5)
Change in value of hedged item used to determine hedge effectiveness	(0.9)	3.5
Weighted average hedged rate for the year	€1.1510:£1	Various(1)

(1) The weighted average hedged rate for the year, by currency denomination, was €1.1037:£1, Zloty 5.0945:£1, Krone 8.3358: £1, Ringgit 5.4767:£1.

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.

Capital management

The Directors manage the Group's capital to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Directors aim to maintain an efficient capital structure with a relatively conservative level of debt-to-equity gearing 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 capital structure of the Group consists of debt, which includes borrowings disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

The Group may maintain or adjust its capital structure by adjusting the amount of dividend paid to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debt. We manage the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the Group. The Board regularly reviews the capital structure.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to borrowings. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any borrowings in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2021 and 30 June 2020.

The Group's capital was as follows:

	2021 £m	2020 £m	2019 £m
Total equity	**69.8**	66.9	64.2
Net debt	**118.4**	101.5	120.9
Capital	**188.2**	168.4	185.1

	2021 %	2020 %
Gearing(1)	**66**	57

(1) Gearing represents net debt/average year-end capital.

Movements in net debt were as follows:

	At 1 July 2020 £m	IFRS 16 non-cash movements(1) £m	Cash flows £m	Currency translation differences £m	At 30 June 2021 £m
Cash and cash equivalents	44.2	—	(18.1)	(1.2)	**24.9**
Overdrafts	(4.1)	—	(2.8)	1.0	**(5.9)**
Bank and other loans	(132.9)	—	1.7	5.1	**(126.1)**
Lease liabilities	(8.7)	(7.9)	4.9	0.4	**(11.3)**
Net debt	(101.5)	(7.9)	(14.3)	5.3	**(118.4)**

(1) IFRS 16 non-cash movements includes additions (£7.9 million), disposals (£0.3 million) and interest charged (£0.3 million).

	At 1 July 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 (£9.9 million), additions (£2.8 million) and interest charged (£0.2 million).

A reconciliation of the net cash flow to the movement in net debt is shown as follows:

	2021 £m	2020 £m
(Decrease)/increase in net cash and cash equivalents	**(18.1)**	28.3
Net repayment of bank loans and overdrafts	**(1.1)**	0.3
Change in net debt resulting from cash flows	**(19.2)**	28.6
Currency translation differences	**4.9**	(0.5)
Movement in net debt in the year	**(14.3)**	28.1
Net debt at the beginning of the year	**(92.8)**	(120.9)
Net debt at the end of the year excluding lease liabilities	**(107.1)**	(92.8)
Lease liabilities at 1 July	**(8.7)**	—
Lease liabilities non-cash movements	**(7.9)**	(12.9)
Repayment of IFRS 16 lease liabilities	**4.9**	4.3
Currency translation differences	**0.4**	(0.1)
Net debt at the end of the year	**(118.4)**	(101.5)

Notes to the consolidated financial statements continued
Year ended 30 June 2021

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 2021, the Group's post-employment benefit obligations outside the UK amounted to £2.6 million (2020: £3.1m).

Non-governmental collected post-employment benefits had the following effect on the Group's results and financial position:

	2021 £m	2020 £m
Profit or loss		
Operating profit		
Defined contribution schemes		
Contributions payable	(2.3)	(2.9)
Defined benefit schemes		
Service cost (net of employee contributions)	(0.9)	(0.7)
Net charge to operating profit	(3.2)	(3.6)
Finance costs		
Net interest cost on defined benefit obligation	(0.4)	(0.6)
Net charge to profit before taxation	(3.6)	(4.2)
Other comprehensive income		
Defined benefit schemes		
Net actuarial loss	(4.2)	(3.7)
Balance sheet		
Defined benefit obligations		
UK – funded	(161.9)	(163.9)
Other – unfunded	(2.6)	(3.1)
	(164.5)	(167.0)
Fair value of scheme assets	132.6	135.5
Deficit on the schemes	(31.9)	(31.5)
Related deferred tax asset	7.9	6.1

UK defined benefit pension scheme

(i) Background

In the UK, the Robert McBride Pension Fund ('the Fund') provides pension benefits based on the final pensionable salary and period of qualifying service of the participating employees. The UK defined benefit fund was closed to future service accrual from 29 February 2016. Staff affected by this change were offered a new defined contribution scheme from that date.

The Fund is administered and managed by Robert McBride Pension Fund Trustees Limited ('the Trustee'), in accordance with the terms of a governing Trust Deed and relevant legislation. Regular assessments of the Fund's benefit obligations are carried out by an independent actuary on behalf of the Trustee and long-term contribution rates are agreed between the Trustee and the Company on the basis of the actuary's recommendations. Following the triennial valuation at 31 March 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 2021 triennial actuarial valuation and by applying assumptions made by the Company on the advice of an independent actuary in accordance with IAS 19, 'Employee benefits', which differ in certain respects from the assumptions made by the Trustee for the purpose of the actuarial valuation.

The principal assumptions used in calculating the benefit obligation at the end of the year were as follows:

	2021	2020
Discount rate	1.85%	1.55%
Inflation rate:		
Retail Prices Index	3.20%	2.80%
Consumer Prices Index	2.35%	1.90%
Revaluation of deferred pensions (in excess of GMP)		
Accrued before 6 April 2009	2.35%	1.90%
Accrued on or after 6 April 2009	2.35%	1.90%
Increase in pensions in payment (in excess of GMP)		
Accrued before 1 April 2011	3.12%	2.74%
Accrued on or after 1 April 2011	2.20%	1.97%

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 2020: 102%) of the standard Self-Administered Pension Scheme (SAPS) S2 tables has been used for the IAS 19 disclosures as at 30 June 2021.

As at 30 June 2021, the future mortality improvement model has been updated to reflect the most recent Continuous Mortality Investigation (CMI) 2020 projections with an allowance for long-term rates of improvement of 1.00% p.a. for males and for females (previously, at 30 June 2020, this assumption had been CMI 2019 with a long-term rate of improvement of 1.00% p.a. for males and females). In line with the 2019 CMI model, the 2020 CMI model has a smoothing parameter for which we have adopted the default value of 7.0 (30 June 2020: 7.0). There is also an initial addition parameter for which we have again adopted the default value of 0.25% (2020: 0.0%). These assumptions are equivalent to a life expectancy at 65 of 21.6 years (30 June 2020: 21.3 years) for males and 23.6 years (30 June 2020: 23.2 years) for females.

Life expectancies at age 65 for:	2021 Years	2020 Years
Member retiring in the next year:		
Male	21.6	21.3
Female	23.6	23.2
Member retiring 20 years from now:		
Male	22.6	22.3
Female	24.8	24.5

At 30 June 2021, 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 £2.6m	Increase by £2.7m
Inflation rate[1]	+/- 0.1%	Increase by £2.5m	Decrease by £2.2m
Life expectancy	+1 year	Increase by £5.7m	–

(1) This includes the impact on deferred and in-payment pension increase assumptions.

The assumption sensitivities are reasonable expectations of potential changes in the assumptions.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

23. Pensions and other post-employment benefits continued

UK defined benefit pension scheme continued

(iii) Fund's assets

The Fund's assets are held separately from those of the Group and are managed by professional investment managers on behalf of the Trustee.

The Trustee and the Company review the investment strategy from time to time. The last review was carried out during 2018/19 and as part of the agreement, the 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 2021. Through the use of credit/bond investments, the CDI strategy delivers a stable, more certain expected return and will reduce volatility in the reported accounting deficit as assets and liabilities are better matched.

The Fund holds no investment in securities issued by, nor any property used by, McBride plc or any of its subsidiaries. The fair value of the Fund's assets at the end of the year was as follows:

	2021 £m	Asset classification	2020 £m	Asset classification
Private markets	19.3	Unquoted	13.6	Unquoted
Liability-driven investment	25.1	Quoted	35.4	Quoted
Credit	86.5	Unquoted	86.0	Unquoted
Cash and cash equivalents[1]	1.7	Quoted	0.5	Quoted
Total	132.6		135.5	

(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 £2.1 million (2020: £2.9m).

The actual return on the Fund's assets during the year was £0.2 million (2020: £14.3m).

(iv) Movements in the Fund's assets and liabilities

Movements in the fair value of the Fund's assets during the year were as follows:

	2020/21 £m	2019/20 £m
At 1 July	135.5	125.1
Expected return on plan assets	2.1	2.9
(Loss)/return on assets in excess of interest income on Fund assets	(1.9)	11.4
Employer's contributions	4.0	4.0
Benefits paid	(7.1)	(7.9)
At 30 June	132.6	135.5

Movements in the benefit obligation during the year were as follows:

	2020/21 £m	2019/20 £m
At 1 July	(163.9)	(153.2)
Current service cost	—	—
Interest cost	(2.5)	(3.5)
Remeasurement loss arising from changes in financial assumptions	(1.2)	(14.6)
Remeasurement loss arising from changes in demographic assumptions	(2.0)	(0.5)
Experience gains on liabilities	0.6	—
Benefits paid	7.1	7.9
Past service cost	—	—
At 30 June	(161.9)	(163.9)

(v) Experience gains and losses

Actuarial gains and losses recognised in other comprehensive income represent the effect of the differences between the assumptions and actual outcomes.

At 30 June 2021, the cumulative net actuarial loss in relation to the Fund that has been recognised in other comprehensive income amounted to £45.0 million (2020: £40.5m).

24. Employee share schemes

Share awards

The Group operates a performance-based Long-Term Incentive Plan (LTIP) for the Executive Directors and certain other senior executives. Awards made under the LTIP vest provided the participant remains in the Group's employment during the three-year vesting period and the Group achieves the related performance conditions. In the current year, 50% of the awards granted vest dependent on the growth in the Group's EPS (a vesting condition) and 50% of the awards granted vest dependent on the growth in the Group's adjusted ROCE (a vesting condition). In previous years, up to 50% of each award vests dependent on the TSR of the Company's ordinary shares compared with the TSR of the FTSE SmallCap Ex. Investment Companies Index (a market condition) and up to 50% of each award vests dependent on the growth in the Group's EPS (a vesting condition).

During the year Restricted Share Units (RSUs) were granted to Executive Directors and certain other senior executives. Awards made under the RSU vest provided the participant remains in the Group's employment during the three-year vesting period.

Vested awards are settled either in the form of the Company's ordinary shares (equity-settled) or by the payment of cash equivalent to the market value of the Company's ordinary shares on the vesting date (cash-settled). From 2017, all amounts are to be made on equity-settled amounts.

Further information on the LTIP and RSU awards is set out in the Remuneration report.

Movements in LTIP and RSU awards outstanding were as follows:

	2020/21			2019/20	
	LTIP Equity-settled Number	RSU Equity-settled Number	Cash-settled Number	Equity-settled Number	Cash-settled Number
Outstanding at 1 July	4,224,700	—	175,213	1,951,884	1,376,426
Granted	3,514,428	425,783	—	4,148,778	—
Vested	—	(7,872)	—	—	—
Forfeited	(1,064,215)	(80,096)	—	(1,733,105)	(122,857)
Lapsed	(542,874)	—	—	(142,857)	(1,078,356)
Outstanding at 30 June	**6,132,039**	**337,815**	**175,213**	4,224,700	175,213
Unvested at 30 June	**6,132,039**	**337,815**	**—**	4,224,700	—

Awards made under the LTIP and RSU have a £nil exercise price.

The maximum term of equity-settled awards granted in the year is three years. The weighted average remaining life of equity-settled awards at 30 June 2021 is 1.6 years (2020: 1.7 years). The weighted average remaining life of cash-settled awards at 30 June 2021 is 2.7 years (2020: 3.7 years).

During 2021, no cash LTIP awards vested (2020: £nil), no equity-settled LTIP vested (2020: £nil) and 7,872 RSU awards vested (2020: £nil).

The weighted average share price on the vesting date of equity-settled awards in the year was 60.0 pence (2020: 50.4p).

At 30 June 2021, the liability recognised in relation to cash-settled awards was £0.3 million (2020: £0.3m).

Notes to the consolidated financial statements continued
Year ended 30 June 2021

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 78.0 pence (2020: 50.0p). Fair value was measured using a variant of the Monte Carlo valuation model based on the following assumptions:

	February 2021 issue	October 2020 issue	September 2020 issue	November 2019 issue	October 2019 issue
Risk-free interest rate	**n/a**	**n/a**	**n/a**	0.3%	0.5%
Share price on grant date	**84.0p**	**84.0p**	**84.0p**	56.0p	69.0p
Dividend yield on the Company's shares	**n/a**	**n/a**	**n/a**	nil	nil
Volatility of the Company's shares	**n/a**	**n/a**	**n/a**	40.6%	41.9%
Expected life of LTIP awards	**3 years**	**3 years**	**3 years**	3 years	3 years

Risk-free rate and volatility have no impact on nil cost awards which are subject to non-market-based performance conditions. For the 2019 awards, expected volatility was determined based on weekly observations of the Company's share price and the FTSE SmallCap Ex. Investment Companies Index over the three-year period immediately preceding the grant date.

At the grant date, the weighted average fair value of RSU awards granted during the year was 59.0 pence. Fair value was based on the share price at the date of grant with the following assumptions:

	June 2021 issue	February 2021 issue	October 2020 issue	September 2020 issue	June 2020 issue
Risk-free interest rate	**n/a**	**n/a**	**n/a**	**n/a**	n/a
Share price on grant date	**84.0p**	**83.0p**	**59.0p**	**63.0p**	63.0p
Dividend yield on the Company's shares	**n/a**	**n/a**	**n/a**	**n/a**	n/a
Volatility of the Company's shares	**n/a**	**n/a**	**n/a**	**n/a**	n/a
Expected life of RSU awards	**3 years**	**3 years**	**3 years**	**3 years**	3 years

Risk-free rate and volatility have no impact on nil cost awards which are subject to non-market-based performance conditions.

Compensation expense recognised in profit or loss in relation to employee share schemes was as follows:

	2021 £m	2020 £m
LTIP:		
Equity-settled awards	**0.3**	0.4
Cash-settled awards	**—**	—
Total expense	**0.3**	0.4

Deferred Annual Bonus Plan

The Group has in force a Deferred Annual Bonus Plan for the main Executive Directors. There is no exercise price for the shares awarded under the plan, which are subject to a restricted period of three years and will normally vest on the expiry of this period and are normally only payable if the Director remains employed by the Group at the end of that period. Awards granted under the Deferred Annual Bonus Plan are eligible for dividend equivalent payments.

The total amount included in operating profit in relation to the Deferred Annual Bonus Plan was £nil (2020: £0.1m credit).

25. Provisions

	Reorganisation and restructuring £m	Leasehold dilapidations £m	Environmental remediation £m	Other £m	Total £m
At 1 July 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
Charged to profit or loss	**3.3**	**0.4**	**—**	**0.1**	**3.8**
Currency translation difference	**(0.1)**	**—**	**(0.1)**	**—**	**(0.2)**
Utilisation	**(6.7)**	**—**	**(0.4)**	**—**	**(7.1)**
At 30 June 2021	**2.1**	**1.5**	**2.4**	**0.4**	**6.4**

Analysis of provisions:

	2021 £m	2020 £m
Current	**2.7**	6.3
Non-current	**3.7**	3.6
Total	**6.4**	9.9

Reorganisation costs in the year of £3.3 million comprises £2.0 million of costs associated with Programme Compass, £1.0 million of costs associated with the Group's logistics transformation programme and £0.3 million of costs relating to the closure of the Barrow site.

Of the closing provision for reorganisation and restructuring projects, £1.2 million relates to Programme Compass, £0.6 million relates to the Group's logistics transformation programme and £0.3 million is in relation to the closure of the Barrow site. The provision is expected to be utilised in full 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.

Other provisions relate to one-off legacy costs concerning the former UK Aerosols site in Hull. The liability is expected to be settled within a period of approximately two years.

Notes to the consolidated financial statements continued
Year ended 30 June 2021

26. Share capital and reserves
Share capital

	Allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 1 July 2019 and 30 June 2020	182,840,301	18.3
Shares bought back on-market and cancelled	**(8,597,599)**	**(0.9)**
At 30 June 2021	**174,242,702**	**17.4**

Ordinary shares carry full voting rights and ordinary shareholders are entitled to attend Company meetings and to receive payments to shareholders.

McBride plc announced on 2 November 2020 that it would commence a share buy-back programme of up to £12 million in McBride plc ordinary shares, running from 2 November 2020 through to the date of the Company's next AGM. The maximum number of shares that may be repurchased by the Company under the programme is 18.3 million. The purpose of the share buy-back programme is to reduce the share capital of the Company (any shares repurchased for this purpose will be cancelled). The Board believed that it was in the interests of all shareholders to commence this programme based on the Board's assessment that McBride's current share price did not reflect the value of the underlying business, which has resilient revenues, a strong balance sheet and highly visible cash flows.

During the year, the Group purchased and cancelled 8,597,599 ordinary shares, representing 4.7% of the issued ordinary share capital as at 2 November 2020. The buy-back and cancellation was approved by shareholders at the 2020 AGM. The shares were acquired at an average price of 79.3 pence per share, with prices ranging from 61.0 pence per share to 90.0 pence per share. The total cost of £6.8 million was deducted from equity. A transfer of £0.9 million was made from share capital to the capital redemption reserve. Post the year end, in the period up to 6 September 2021, the Group has purchased and cancelled a further 0.2 million ordinary shares. These shares were acquired at an average price of 77.0 pence per share, with prices ranging from 73.3 pence per share to 78.6 pence per share. Further to the preliminary results announcement on 7 September 2021, the Board has now ended the share buy-back programme announced on 2 November 2020.

Reserves
(i) Share premium account
The share premium account records the difference between the nominal amount of shares issued and the fair value of the consideration received. The share premium account may be used for certain purposes specified by UK law, including to write off expenses incurred on any issue of shares or debentures and to pay up fully paid bonus shares. The share premium account is not distributable but may be reduced by special resolution of the Company's ordinary shareholders and with court approval.

(ii) Cash flow hedge reserve
The cash flow hedge reserve comprises the cumulative net change in the fair value of hedging instruments in designated cash flow hedging relationships recognised in other comprehensive income.

(iii) Currency translation reserve
The currency translation reserve comprises cumulative currency translation differences on the translation of the Group's net investment in foreign operations into Sterling together with the cumulative net change in the fair value of hedging instruments in designated net investment hedging relationships recognised in other comprehensive income.

(iv) Capital redemption reserve
The capital redemption reserve records the cost of shares purchased by the Company for cancellation or redeemed in excess of the proceeds of any fresh issue of shares made specifically to fund the purchase or redemption. The capital redemption reserve is not distributable but may be reduced by special resolution of the Company's ordinary shareholders and with court approval.

Own shares

	Treasury shares		Employee benefit trust		Total	
	Number	£m	Number	£m	Number	£m
At 1 July 2019	42,041	–	114,174	0.2	156,215	0.2
Own shares purchased	–	–	176,429	0.1	176,429	0.1
Shares paid out to employees	–	–	(42,857)	(0.1)	(42,857)	(0.1)
At 30 June 2020	42,041	–	247,746	0.2	289,787	0.2
Own shares purchased	**–**	**–**	**348,574**	**0.3**	**348,574**	**0.3**
Shares paid out to employees	**–**	**–**	**(9,161)**	**–**	**(9,161)**	**–**
At 30 June 2021	**42,041**	**–**	**587,159**	**0.5**	**629,200**	**0.5**

The treasury shares and the shares in trust represent the Company's ordinary shares that are acquired to satisfy the Group's expected obligations under employee share schemes.

The market value of own shares held at 30 June 2021 was £0.6 million (2020: £0.2m).

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 prior year.

PC Liquids sale

As part of the sale agreement with Royal Sanders, in the prior 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.

28. Capital commitments

Capital expenditure on property, plant and equipment

	2021 £m	2020 £m
Contracted but not provided	**1.8**	6.0

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 £6.3 million (2020: £6.9m) were payable by the Group to pension schemes established for the benefit of its employees. At 30 June 2021, £nil (2020: £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:

	2021 £m	2020 £m
Short-term employee benefits	**2.4**	1.9
Post-employment benefits	**0.1**	0.1
Share-based payments	**0.2**	0.1
Total	**2.7**	2.1

30. Exchange rates

The principal exchange rates used to translate the results, assets and liabilities and cash flows of the Group's foreign operations into Sterling were as follows:

	Average rate		Closing rate	
	2021	2020	**2021**	2020
Euro	**1.13**	1.14	**1.17**	1.10
US Dollar	**1.35**	1.26	**1.39**	1.23
Danish Krone	**8.40**	8.51	**8.67**	8.17
Polish Zloty	**5.09**	4.96	**5.27**	4.89
Czech Koruna	**29.59**	29.60	**29.70**	29.31
Hungarian Forint	**403.41**	384.57	**409.86**	390.80
Malaysian Ringgit	**5.55**	5.30	**5.75**	5.26
Australian Dollar	**1.80**	1.88	**1.85**	1.79

Company balance sheet
At 30 June 2021

	Note	2021 £m	2020 £m
Fixed assets			
Investments	5	**158.4**	158.2
Current assets			
Trade and other receivables	6	**149.8**	168.7
Cash and cash equivalents		**1.1**	1.3
Creditors: amounts falling due within one year	7	**(95.8)**	(76.9)
Net current assets		**55.1**	93.1
Total assets less current liabilities		**213.5**	251.3
Creditors: amounts falling due after more than one year	8	**(40.2)**	(66.1)
Net assets		**173.3**	185.2
Capital and reserves			
Called-up share capital	11	**17.4**	18.3
Share premium account		**68.6**	70.6
Capital redemption reserve		**77.1**	74.2
Cash flow hedge reserve		**0.3**	(0.3)
Retained earnings brought forward		**22.4**	29.9
Loss for the financial year		**(4.0)**	(4.4)
Other movements		**(8.5)**	(3.1)
Closing retained earnings		**9.9**	22.4
Total shareholders' funds		**173.3**	185.2

The financial statements on pages 172 to 181 were approved by the Board of Directors on 10 September 2021 and were signed on its behalf by:

Chris Smith
Director

McBride plc
Registered number: 02798634

Company statement of changes in equity
Year ended 30 June 2021

	Issued share capital £m	Share premium account £m	Capital redemption reserve £m	Cash flow hedge £m	Profit and loss £m	Total shareholders' funds £m
At 30 June 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	–	–	–	–	–	–
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
Year ended 30 June 2021						
Loss for the year	**–**	**–**	**–**	**–**	**(4.0)**	**(4.0)**
Other comprehensive income/(expense)						
Items that may be reclassified to profit or loss:						
Net changes in fair value	**–**	**–**	**–**	**0.4**	**–**	**0.4**
Cash flow hedges transferred to profit and loss	**–**	**–**	**–**	**0.2**	**–**	**0.2**
Total other comprehensive income/(expense)	**–**	**–**	**–**	**0.6**	**(4.0)**	**(3.4)**
Total comprehensive income/(expense)	**–**	**–**	**–**	**0.6**	**(4.0)**	**(3.4)**
Transactions with owners of the Parent						
Issue of B Shares	**–**	**(2.0)**	**–**	**–**	**–**	**(2.0)**
Redemption of B Shares	**–**	**–**	**2.0**	**–**	**(2.0)**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Purchase of own shares	**–**	**–**	**–**	**–**	**(6.6)**	**(6.6)**
Shares bought back on-market and cancelled	**(0.9)**	**–**	**0.9**	**–**	**–**	**–**
Taxation relating to the above	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
At 30 June 2021	**17.4**	**68.6**	**77.1**	**0.3**	**9.9**	**173.3**

Notes to the Company financial statements
Year ended 30 June 2021

1. Corporate information
McBride plc ('the Company') is the ultimate parent Company of a group of companies that together is Europe's leading provider of private label household products. The Company develops and manufactures products for the majority of retailers and major brand owners throughout the UK, Europe and Asia.

The Company is a public company limited by shares, with shares traded on the London Stock Exchange, incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of its registered office is McBride plc, Middleton Way, Middleton, Manchester M24 4DP.

2. Accounting policies
Accounting period
The Company's annual financial statements are drawn up to 30 June. These financial statements cover the year ended 30 June 2021 ('2021') with comparative amounts for the year ended 30 June 2020 ('2020').

Basis of preparation
The Company's financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 ('the Act') as applicable to companies using FRS 101. For further information on Going Concern, please see note 2 in the consolidated financial statements on page 127. 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 IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

These financial statements of the Company are prepared in accordance with FRS 101, under the historical cost convention, modified in respect of the revaluation to fair value of financial assets and liabilities (derivative financial instruments) at fair value through profit or loss.

FRS 101 sets out amendments to IFRS that are necessary to achieve compliance with the Act and related regulations.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, share-based payments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of McBride plc.

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income for the Company alone. A summary of the Company's significant accounting policies is set out below.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2020.

Principal accounting policies
Investments in subsidiaries
Investments in subsidiaries are held at cost, less provision for impairment. Any potential impairment is determined on a basis of the carrying value of the investment against the higher of net assets or discounted future cash flows.

Subsidiaries in the UK have taken advantage of an exemption from audit under section 479A of the Companies Act 2006. As the ultimate parent, McBride plc has provided a statutory guarantee for any outstanding liabilities of these businesses. These subsidiaries have been included in the consolidated financial statements of McBride plc as at 30 June 2021.

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 2021, the outstanding contracts all mature within twelve months (2020: twelve months) of the year end. The Company is committed to sell PLN and EUR and receive a fixed Sterling amount.

The Company also enters into interest rate swap contracts to mitigate against the floating interest rates on revolving credit facility debt. At 30 June 2021, there are eight outstanding contracts: four mature within twelve months of the year end with the remaining four maturing more than twelve months after the year end.

All contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing derivatives are the exchange rates for GBP:EUR and GBP:PLN as well as EUR and DKK interest rates.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date. Currency translation differences are recognised in the income statement.

Notes to the Company financial statements continued
Year ended 30 June 2021

2. Accounting policies continued

Principal accounting policies continued

Share-based payments

The Company operates incentive share schemes under which it grants equity-settled and cash-settled awards over its own ordinary shares to certain employees of its subsidiaries. The Company recognises a capital contribution to the subsidiaries concerned that is based on the fair value of the awards measured using the Black-Scholes option pricing formula or the Monte Carlo valuation model.

For equity-settled awards, the fair value reflects market performance conditions and all non-vesting conditions. Fair value is determined at the grant date and is not subsequently remeasured unless the relevant conditions are modified. Adjustments are made to the compensation expense to reflect actual and expected forfeitures due to failure to satisfy service conditions or non-market performance conditions. For cash-settled awards, the fair value reflects all the conditions on which the award is made and is remeasured at each reporting date and at the settlement date.

Generally, the capital contribution is recognised on a straight-line basis over the vesting period. For equity-settled awards, a corresponding credit is recognised directly in reserves, while for cash-settled awards a corresponding liability to settle is recognised in the balance sheet.

Taxation

Current tax is the amount of tax payable in respect of the taxable profit or loss for the period. Taxable profit differs from accounting profit because it excludes income or expenses that are recognised in the period for accounting purposes but are either not taxable or not deductible for tax purposes or are taxable or not deductible in earlier or subsequent periods.

Deferred tax is recognised on temporary differences between the recognition of items of income or expenses for accounting purposes and their recognition for tax purposes. A deferred tax asset in respect of a deductible temporary difference or a carried-forward tax loss is recognised only to the extent that it is considered more likely than not that sufficient taxable profits will be available against which the reversing temporary difference or the tax loss can be deducted. Deferred tax assets and liabilities are not discounted.

Current and deferred tax is measured using tax rates that have been enacted or substantively enacted at the balance sheet date.

Guarantees

From time to time, the Company provides guarantees to third parties in respect of the indebtedness of its subsidiaries. The Directors consider these guarantees to be insurance arrangements and, therefore, the Company recognises a liability in respect of such guarantees only in the event that it becomes probable that the guarantee will be called upon and the Company will be required to make a payment to the third party.

Payments to shareholders

Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

It is the Board's intention that any future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares. Consequently, the Board is not seeking shareholder approval at the 2021 AGM to capitalise reserves for the purposes of issuing B Shares or to grant Directors authority to allot such shares. Existing B Shares will continue to be redeemable but limited to one redemption date per annum in November of each year. B Shares issued but not redeemed are classified as current liabilities.

Own shares

Own shares represent the Company's ordinary shares that are held by the Company in treasury or by a sponsored ESOP trust to employee share schemes. When own shares are acquired, the cost of purchase in the market is deducted from the profit and loss account reserve. Gains and losses on the subsequent transfer or sale of own shares are recognised directly in the profit and loss account.

Cash flow statement

A cash flow statement is not presented in these financial statements on the grounds that the Company's cash flows are included in the consolidated financial statements of the Company and its subsidiaries.

Critical judgements and key sources of estimation uncertainty

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

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

The Directors consider that no critical judgements are made in preparing these financial statements.

The Directors consider the following to be the key sources of estimation uncertainty present in preparing these financial statements.

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 (2020: £nil). An impairment assessment of amounts owed by subsidiary undertakings as at 30 June 2021 was undertaken using the IFRS 9 simplified approach to measuring the expected credit loss. The Directors have judged that no impairment is required (2020: £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.

The auditor's remuneration for audit and other services is disclosed in note 6 of the Group's consolidated financial statements.

The Company's loss for the financial year was £4.0 million (2020: loss of £4.4m).

4. Employee information

The monthly average number of persons employed by the Company during the year was as follows:

	2021 Number	2020 Number
Directors	2	2
Non-Executive Directors	5	6
Finance	4	11
Administration	1	—
Total	12	19

Aggregate payroll costs were as follows:

	2021 £m	2020 £m
Wages and salaries	2.5	3.5
Social security costs	0.2	0.3
Other pension costs	0.1	0.2
Total	2.8	4.0

Executive Directors' emoluments, which are included in the above, are detailed further in the Directors' Remuneration report on pages 87 to 109.

5. Investments

	2021 £m	2020 £m
Carrying amount		
At 1 July	158.2	158.2
Additions	0.2	77.2
Disposals	—	(77.2)
At 30 June	158.4	158.2

The additions of £0.2 million in the year represent the value of share options issued to employees employed by McBride plc's subsidiaries.

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.

The following subsidiaries in the UK have taken advantage of an exemption from audit under section 479A of the Companies Act 2006. As the ultimate parent, McBride plc has provided a statutory guarantee for any outstanding liabilities of these businesses. These subsidiaries have been included in the consolidated financial statements of McBride plc as at 30 June 2021.

- Robert McBride Ltd
- McBride Holdings Limited
- McBride CE Holdings Limited

A full list of the Company's subsidiaries at 30 June 2021 is set out on pages 180 and 181.

Details of the share-based payments provided by the Company to employees of its subsidiaries are presented in note 24 to the consolidated financial statements.

Notes to the Company financial statements continued
Year ended 30 June 2021

6. Trade and other receivables

	2021 £m	2020 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	148.6	167.9
Derivative financial instruments	0.1	0.2
Deferred tax asset (note 10)	0.4	0.4
Other debtors	—	0.1
Prepayments and accrued income	0.7	0.1
	149.8	168.7

Amounts are unsecured and repayable on demand. Amounts owed by subsidiary undertakings include a loan receivable of £105.2 million (2020: £108.4m) 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.

7. Creditors: amounts falling due within one year

	2021 £m	2020 £m
Amounts owed to subsidiary undertakings	87.9	70.6
Derivative financial instruments	—	0.5
B Shares (note 9)	0.7	0.7
Accruals and deferred income	1.3	1.7
Bank overdrafts	5.9	3.4
Total	95.8	76.9

Amounts are unsecured and repayable on demand. Amounts owed to subsidiary undertakings include loans payable of £37.0 million (2020: £44.2m) 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

	2021 £m	2020 £m
Bank and other loans	40.1	65.9
Derivative financial instruments	0.1	0.2
Total	40.2	66.1

Bank and other loans represent amounts drawn down under a €175 million revolving credit facility which is committed until May 2026.

9. Payments to shareholders

Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

It is the Board's intention that any future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares. Consequently, the Board is not seeking shareholder approval at the 2021 AGM to capitalise reserves for the purposes of issuing B Shares or to grant Directors authority to allot such shares. Existing B Shares will continue to be redeemable but limited to one redemption date per annum in November of each year. B Shares issued but not redeemed are classified as current liabilities.

Payments to ordinary shareholders made or proposed in respect of the year were as follows:

	2021		2020	
	Pence per share	£m	Pence per share	£m
Interim	—	—	—	—
Final (2021: Proposed. 2020: Paid November 2020)	—	—	1.1	2.0
Total for the year	—	—	1.1	2.0

As set out in the Half-Year Report, the Group is targeting an accounting basis of net debt/adjusted EBITDA of 2.0x or less. As the ratio at half year was over 2.0x, an interim payment to shareholders was not made. At 30 June 2021, the ratio was also over 2.0x and in line with its revised Distribution Policy set out on pages 31 and 32, the Board is not recommending a final dividend in 2021.

Movements in the number of B Shares outstanding were as follows:

	2021		2020	
	Number 000	Nominal value £m	Number 000	Nominal value £m
Issued and fully paid				
At 1 July	**713,130**	**0.7**	815,631	0.8
Issued	**2,010,780**	**2.0**	3,290,369	3.3
Redeemed	**(1,976,511)**	**(2.0)**	(3,392,870)	(3.4)
At 30 June	**747,399**	**0.7**	713,130	0.7

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 2019	0.2	0.2	0.4
Credit/(charge) to income statement	—	—	—
At 30 June 2020	0.2	0.2	0.4
Credit to income statement	**0.2**	**—**	**0.2**
Charge to other comprehensive income	**—**	**(0.1)**	**(0.1)**
Charge to equity	**(0.1)**	**—**	**(0.1)**
At 30 June 2021	**0.3**	**0.1**	**0.4**

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 2020	182,840,301	18.3
Shares bought back on-market and cancelled	(8,597,599)	(0.9)
At 30 June 2021	**174,242,702**	**17.4**

Ordinary shares carry full voting rights and ordinary shareholders are entitled to attend Company meetings and to receive payments to shareholders.

McBride plc announced on 2 November 2020 that it would commence a share buy-back programme of up to £12 million in McBride plc ordinary shares, running from 2 November 2020 through to the date of the Company's next AGM. The maximum number of shares that may be repurchased by the Company under the programme is 18.3 million. The purpose of the share buy-back programme is to reduce the share capital of the Company (any shares repurchased for this purpose will be cancelled). The Board believed that it was in the interests of all shareholders to commence this programme based on the Board's assessment that McBride's current share price did not reflect the value of the underlying business, which has resilient revenues, a strong balance sheet and highly visible cash flows.

During the year, the Group purchased and cancelled 8,597,599 ordinary shares, representing 4.7% of the issued ordinary share capital as at 2 November 2020. The buy-back and cancellation was approved by shareholders at the 2020 AGM. The shares were acquired at an average price of 79.3 pence per share, with prices ranging from 61.0 pence per share to 90.0 pence per share. The total cost of £6.8 million was deducted from equity. A transfer of £0.9 million was made from share capital to the capital redemption reserve. Post the year end, in the period up to 6 September 2021, the Group has purchased and cancelled a further 0.2 million ordinary shares. These shares were acquired at an average price of 77.0 pence per share, with prices ranging from 73.3 pence per share to 78.6 pence per share. Further to the preliminary results announcement on 7 September 2021, the Board has now ended the share buy-back programme announced on 2 November 2020.

At 30 June 2021, awards were outstanding over 6,469,854 ordinary shares (2020: 4,224,700 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.

Notes to the Company financial statements continued
Year ended 30 June 2021

12. Guarantees
The Company has guaranteed the indebtedness of certain of its subsidiaries up to an aggregate amount of £4.9 million (2020: £4.7m).

13. Related party transactions
Other than payments made to Directors, which are set out in the Remuneration Committee report on pages 87 to 109 and note 5 of the consolidated financial statements, there are no other related party transactions to disclose. The Company has taken the exemption available under FRS 101 not to disclose transactions with wholly owned subsidiary companies.

14. Subsidiaries
Details of the Company's subsidiaries at 30 June 2021 are as follows. In each case, the Company's equity interest is in the form of ordinary shares which, unless stated otherwise, are indirectly owned.

The business activity of each of the Company's trading subsidiaries is the manufacture, distribution and sale of household and personal care products.

Subsidiaries	Equity interest and operation	Country of incorporation
Trading subsidiaries		
McBride Australia Pty Ltd[(a)]	100%	Australia
McBride S.A.[(b)]	100%	Belgium
McBride Denmark A/S[(c)]	100%	Denmark
Robert McBride Ltd[(d)]	100%	England
McBride S.A.S.[(e)]	100%	France
Problanc S.A.S.[(f)]	100%	France
Vitherm France S.A.S.[(g)]	100%	France
Chemolux Germany GmbH[(h)]	100%	Germany
McBride Hong Kong Limited[(i)]	100%	Hong Kong
McBride S.p.A.[(j)]	100%	Italy
Chemolux S.a.r.l.[(k)]	100%	Luxembourg
McBride Malaysia Sdn. Bhd[(l)]	100%	Malaysia
Fortune Organics (F.E.) Sdn. Bhd.[(l)]	100%	Malaysia
Intersilesia McBride Polska Sp. z o.o[(m)]	100%	Poland
McBride S.A.U.[(n)]	100%	Spain
Newlane Cosmetics Company Limited[(o)]	100%	Vietnam
McBride B.V.[(p)]	100%	Netherlands
Holding companies		
McBride Holdings Limited[(1),(d)]	100%	England
McBride CE Holdings Limited[(d)]	100%	England
McBride Asia Holdings Limited[(i)]	100%	Hong Kong
McBride Hong Kong Holdings Limited[(i)]	100%	Hong Kong
Fortlab Holdings Sdn. Bhd.[(l)]	100%	Malaysia
CNL Holdings Sdn. Bhd.[(l)]	100%	Malaysia

Subsidiaries	Equity interest and operation	Country of incorporation
Dormant[2]		
Breckland Mouldings Limited[d]	100%	England
Camille Simon Holdings Limited[d]	100%	England
Camille Simon Limited[d]	100%	England
Culmstock Limited[d]	100%	England
Darcy Bolton Limited[d]	100%	England
Darcy Bolton Property Limited[d]	100%	England
Darcy Limited[d]	100%	England
Detergent Information Limited[d]	100%	England
G.Garnett & Sons Limited[d]	100%	England
G.Garnett Estates Limited[d]	100%	England
Globol Properties (UK) Limited[d]	100%	England
H.H. Limited[d]	100%	England
HomePride Limited[d]	100%	England
Hugo Personal Care Limited[d]	100%	England
International Consumer Products Limited[d]	100%	England
Longthorne Laboratories Limited[d]	100%	England
McBride Aircare Limited[d]	100%	England
McBride UK Limited[d]	100%	England
McBrides Limited[d]	100%	England
Milstock Limited[d]	100%	England
RMG (Droylsden) Limited[d]	100%	England
Robert McBride (Aerosols) Limited[d]	100%	England
Robert McBride (Bradford) Limited[d]	100%	England
Robert McBride (Properties) Limited[d]	100%	England
Robert McBride Household Limited[d]	100%	England
Savident Limited[d]	100%	England
McBride Holdings S.L.[n]	100%	Spain
Other		
Robert McBride Pension Fund Trustees Limited[d]	100%	England

(1) McBride plc directly owns 100% of McBride Holdings Limited.

(2) Dormant companies listed here are exempt from filing with the registrar individual accounts by virtue of s448A of the Companies Act 2006.

Registered offices:

(a) Level 4, 147 Collins Street, Melbourne, Victoria 3000, Australia.
(b) 6 Rue Moulin Masure, 7730 Estaimpuis, Belgium.
(c) Lægårdvej 90-94, 7500 Holstebro, Denmark.
(d) Middleton Way, Middleton, Manchester M24 4DP, UK.
(e) 20 rue Gustave Flaubert 14590 Moyaux, France.
(f) ZAC of Saint René 45 boulevard Ambroise Croizat F-59287 Guesnain, France.
(g) Rue des Casernes, 55400 Etain, France.
(h) Heinrichstrasse 73, 40239 Düsseldorf, Germany.
(i) Unit 2001-02, 20th Floor, Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.
(j) Corso Garibaldi 49, 20121 Milan, Italy.
(k) Rue de l'industrie, Foetz, Luxembourg 3895.
(l) Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
(m) Ul. Matejki 2a, 47100 Strzelce Opolskie, Poland.
(n) Polígon Industrial I'lla, C/ Ramon Esteve 20-22, 08650 Sallent, Barcelona, Spain.
(o) 22 VSIP II, Street 1, Vietnam Singapore, Industrial Park II, Hoa Phu Ward, Thu Dau Mot City, Binh Duong Province, Vietnam.
(p) Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands.

Group five-year summary

	Year ended 30 June				
	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Total revenue	**682.3**	706.2	743.2	755.0	705.2
Continuing revenue	**682.3**	706.2	721.3	689.8	632.9
Adjusted operating profit	**24.1**	28.3	28.1	36.2	41.5
Amortisation of intangible assets	**(2.4)**	(2.1)	(1.9)	(1.4)	(0.7)
Exceptional items	**(6.9)**	(11.1)	(5.4)	(21.7)	(1.0)
Operating profit	**14.8**	15.1	20.8	13.1	39.8
Net finance costs	**(4.2)**	(4.2)	(4.6)	(5.3)	(20.6)
Profit before tax	**10.6**	10.9	16.2	7.8	19.2
Taxation	**2.8**	(4.4)	(8.1)	(4.4)	(10.3)
Profit after tax	**13.4**	6.5	8.1	3.4	8.9
Earnings per share					
Diluted	**7.5p**	3.6p	4.4p	1.9p	4.9p
Adjusted diluted	**11.7p**	9.5p	9.4p	12.1p	13.1p
Payments to shareholders (per ordinary share)	**—**	1.1p	3.3p	4.3p	4.3p

	At 30 June				
	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Non-current assets					
Property, plant and equipment	**129.8**	134.7	136.0	135.6	140.9
Goodwill and other intangible assets	**27.9**	28.4	29.5	29.9	21.7
Other assets	**32.9**	21.1	11.6	13.6	12.7
	190.6	184.2	177.1	179.1	175.3
Current assets	**241.2**	287.6	258.0	269.0	244.6
Current liabilities	**(233.5)**	(253.9)	(237.2)	(256.4)	(241.3)
Non-current liabilities	**(128.5)**	(151.0)	(133.7)	(124.1)	(114.4)
Net assets	**69.8**	66.9	64.2	67.6	64.2
Net debt(1)	**118.4**	101.5	120.9	114.3	75.7

(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 15 to the consolidated financial statements).

Useful information for shareholders

Financial calendar

Next key dates for shareholders in 2021 and 2022:

Record date for dividend payable on B Shares previously issued and not redeemed	22 October 2021
Latest date for receipt by registrar of completed election forms and submitting CREST elections	12 November 2021
Annual General Meeting	19 October 2021
Despatch of cheques in respect of B Shares which have been redeemed	26 November 2021
Payment into bank accounts in respect of B Shares which have been redeemed by certificated shareholders who have valid mandate instructions in place	26 November 2021
Payments on redeemed B Shares issued in CREST	26 November 2021
Dividend payments on B Shares issued and not previously redeemed	26 November 2021
2021/22 Half year end	December 2021
2021/22 Half-year trading statement	January 2022
Interim results announced	February 2022
2021/22 Year end	30 June 2022
2021/22 Year-end trading statement	July 2022
Full-year preliminary statement	September 2022

These dates are provisional and may be subject to change.

Payments to shareholders

At the Company's 2011 General Meeting, shareholders approved the issue of non-cumulative redeemable preference shares with a nominal value of 0.1 pence each ('the B Shares') as a method of making payments to shareholders. That shareholder approval has been renewed at each of the Company's subsequent Annual General Meetings. It is the Board's intention that any future dividends will be final dividends paid annually in cash, not by the allotment and issue of B Shares. Consequently, the Board is not seeking shareholder approval at the 2021 AGM to capitalise reserves for the purposes of issuing B Shares or to grant Directors authority to allot such shares.

In accordance with the terms of the scheme, any B Shares may be redeemed immediately for cash and such a redemption would result in a payment to the redeeming shareholder. Shareholders are able to redeem any number of their B Shares for cash. B Shares that are retained currently attract a dividend which is currently 75% of LIBOR on the 0.1 pence nominal value of each share, paid on a twice-yearly basis.

Previously, shareholders have been given the opportunity to redeem their B Shares in May and November each year. Going forward, it is proposed that B Share redemptions will take place in November of each year. Details of the scheme can be found in the booklet entitled 'Your Guide to B Shares' and on the Company's website at **www.mcbride.co.uk**.

Shareholders who have valid mandate instructions in place may choose to have payments made directly into their bank or building society account. Confirmation of payment is contained in a payment advice which is posted to shareholders' registered addresses at the time of payment. This payment advice should be kept safely for future reference.

Shareholders who wish to benefit from this service should complete the relevant section of the election form accompanying the Notice of Annual General Meeting. Alternatively, the required documentation can be obtained by contacting the Company's registrar using one of the methods outlined below.

Shareholder queries

Our share register is managed by Link Group (formerly Capita Asset Services), who can be contacted:

by telephone	0371 664 0300 or on +44 371 644 0300 if calling from overseas. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 and 17:30, Monday to Friday (excluding public holidays in England and Wales).
by email	shareholderenquiries@linkgroup.co.uk
by post	Link Group, Central Square, 10th Floor, 29 Wellington Street, Leeds, LS1 4DL

When writing, please indicate that you are a McBride 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.

Useful information for shareholders continued

Share price history

The following table sets out, for the five financial years to 30 June 2021, 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
2017	207	146	180	187
2018	232	121	177	132
2019	158	77	119	81
2020	89	49	66	62
2021	**94**	**58**	**74**	**91**

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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