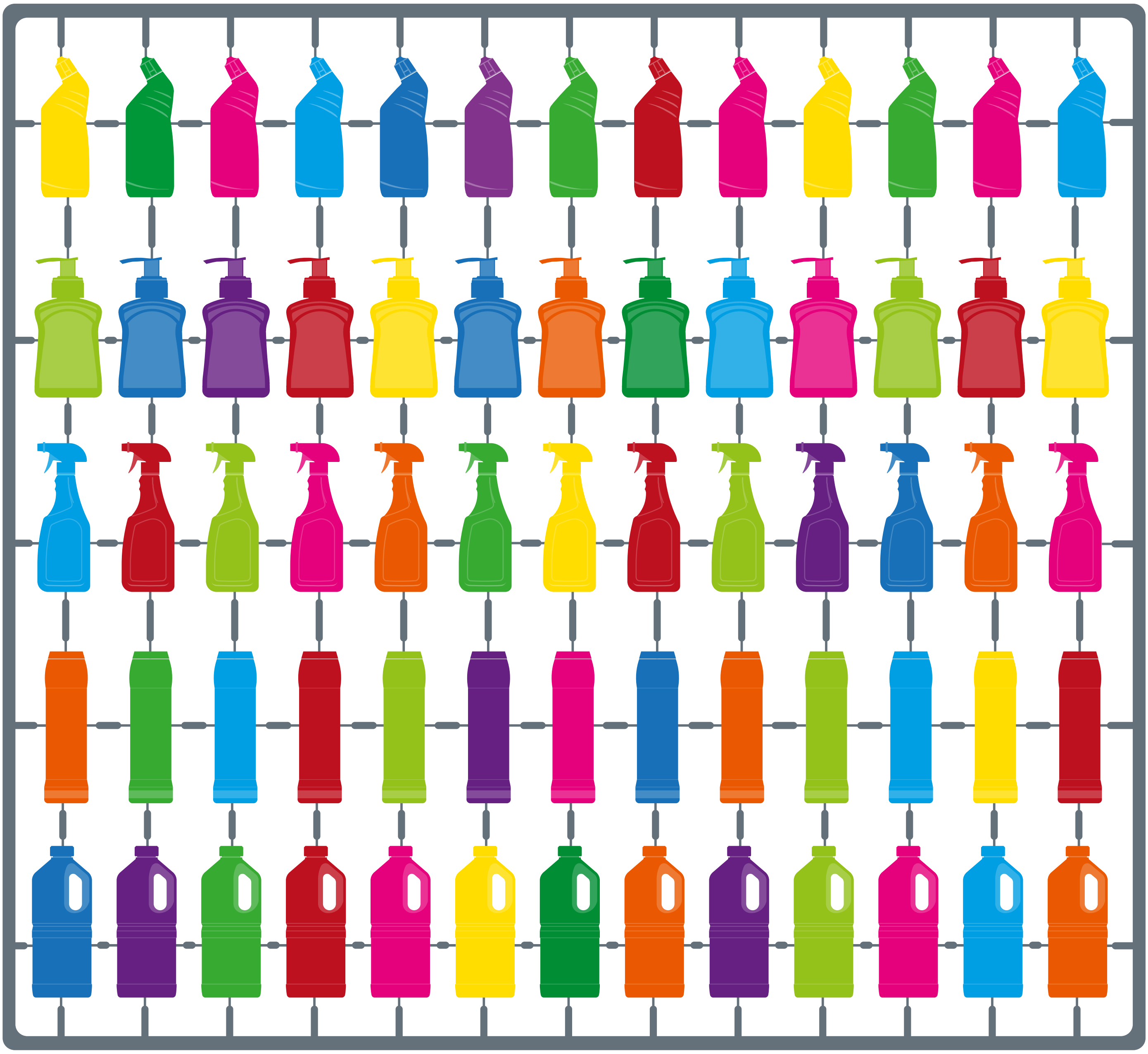
McBride
Manufacturing our future



Preparing for growth

McBride plc Annual Report and Accounts 2016

Welcome to the McBride plc Annual Report and Accounts

McBride plc is Europe's leading supplier of Private Label Household and Personal Care products. The Company develops, and manufactures products for the majority of retailers and major brand owners throughout Europe and Asia. Headquartered in Manchester, UK, McBride operates across 12 countries, with 17 manufacturing facilities producing over 1.2 billion units a year and employs 4,400 employees globally. For more information visit **www.mcbride.co.uk**

Our mission is to return to and then maintain McBride on a sustainable growth path focusing on selected markets and customers achieving high customer satisfaction through operational excellence and cost leadership.

Contents

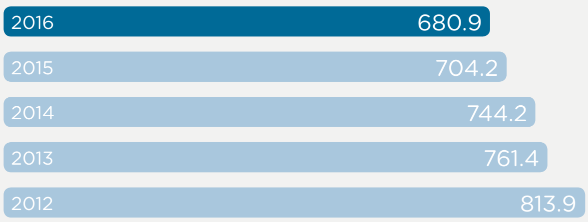
Headlines

Strategic highlights

- Significant progress on 'Repair' phase of our strategy
- Business now engaged in 'Prepare' activities
- Project to focus on the top 25% of our customers completed
- Strategic purchasing initiatives launched, over £5 million benefit realised in year
- Organisational change progressing well
- Platform for contract manufacturing established
- Underperforming business being addressed, with good traction in Asia and new dedicated team for Personal Care & Aerosols
- Overhead savings programmes executed in line with plans
- Key capital projects
  - Leading edge technology line installed in UK
  - Poland upgrade underway
  - Laundry sachet investment about to launch
- Profit levels for the year ahead of the three to five year plan ambition

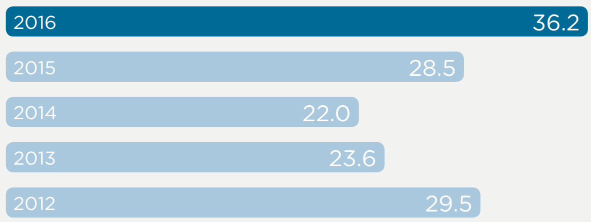
Financial highlights

Revenue
(£m)



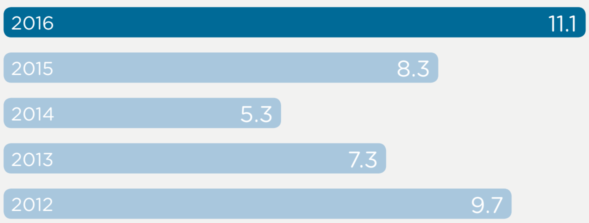
(£23.3m)
(3.3%)

Adjusted operating profit
(£m)



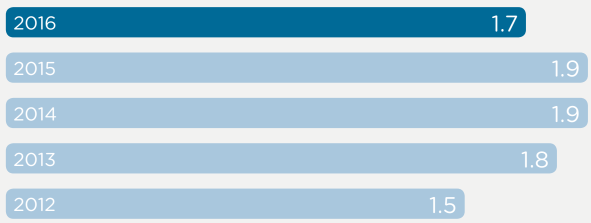
£7.7m
+27.0%

Adjusted diluted EPS
(pence)



2.8p
+33.7%

Debt/ adjusted EBITDA



(0.2x)
(10.5%)

- Revenues lower by 1.9% at constant currency; approximately half of this was due to the project to reduce our customer numbers
- Adjusted operating profits 27% higher, 29% at constant currency, operating margin up to 5.3% (2015: 4.0%)
- Adjusted diluted EPS up 33.7% to 11.1 pence (2015: 8.3p)
- Exceptional items reported of £2.4 million (2015: £17.8m)
- UK Defined Benefit Plan closed to future service accrual
- Cash generated from operations before exceptional items £52.5 million (2015: £44.2m) with underlying net cash inflow of £13.9 million, offset by adverse FX impact in last week of June
- Net debt reported at £90.9 million (2015: £92.4m) with debt cover ratio 1.7x (2015: 1.9x)
- Full year payment to shareholders 3.6 pence per share (2015: 3.6p)

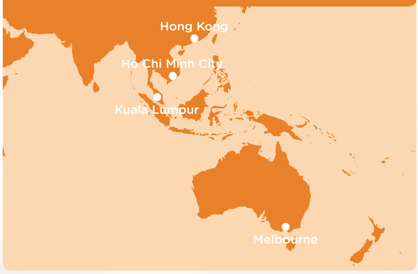
At a glance

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

United Kingdom

Continental Europe

Asia-Pacific



shipped to
90
different countries

over
1.2bn
units sold

we sell to
49/50
of the major European retailers

As the leading provider of Private Label Household and Personal Care products, we manufacture and supply Europe's major retailers for their private label offering and our extensive manufacturing platform provides contract manufacturing capacity to brand owners.

purchased over **3.4bn** items of components

4,400 employees globally

business activities outside the UK **70%**

17 manufacturing facilities

over **1m** tonnes of finished goods sold

our products are used over **1,000** times every second of each day

Chairman's statement

The business has advanced considerably in the past twelve months as a result of which we are able to report further significant progress in our financial performance.

Dear Shareholder

Welcome to our 2016 Annual Report. I am delighted to have joined the Board of McBride, in part because it feels a little like coming home. I started my career in Procter and Gamble and clearly remember training in various factories understanding how household cleaning products were made and distributed. Most of my career since then has been in retail, specifically in fashion, hard goods and DIY. I am sure that my experience, garnered over the years, will be useful to Rik and his team and will help them to understand even better how retailers think and why they do some of the things that they do.

This is a very exciting time to be joining McBride, we are one year into our transformation programme, 'Manufacturing our Future', and significant progress has been made. This report covers that progress in some detail and signposts our next steps in implementing our strategy. I have been fortunate enough to have been able to visit four of the Group's most important factories in the last few months. I can report that the leadership teams in those factories are enthused by the strategy that Rik and his team have developed and are passionate about delivering for the future. These are exciting times for McBride, the Executive Leadership Team have done an excellent job and the business has advanced considerably in the past twelve months as a result of which we are able to report further significant progress in our financial performance.

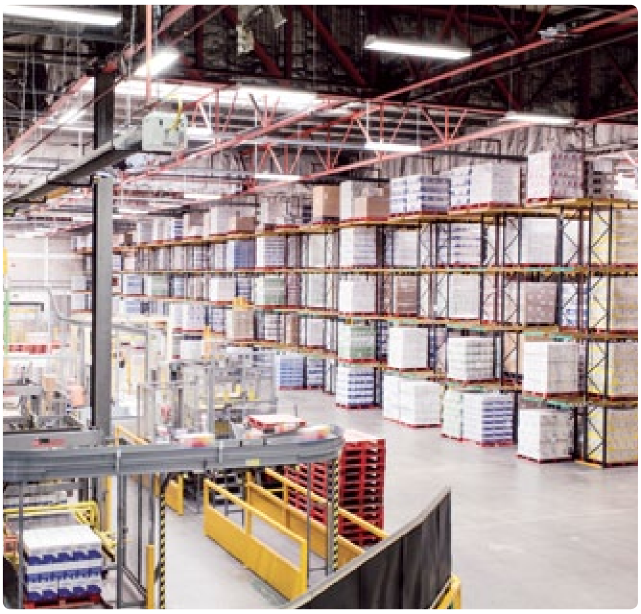
Results

I am pleased to report that the plan to improve the quality of the Group's profits is on track after this first year. Adjusted operating profit margins moved up to 5.3% from 4.0% in 2015 and 3.0% in 2014. Across this period, adjusted operating profits have risen from £22.0 million two years ago to end the last twelve months at £36.2 million (2015: £28.5m), an increase of 29% on last year at constant currency. Adjusted EPS rose to 11.1 pence (2015: 8.3p), a year-on-year increase of 34%.

The balance sheet strengthened further in the period with shareholder funds rising by £11.6 million to £69.1 million. Reported net debt of £90.9 million represented a debt cover ratio of 1.7x with the impact of volatile exchange rates at the end of the financial year, masking an underlying reduction in net debt of £13.9 million.

Payments to shareholders

In September 2015, the Board reset its policy concerning payments to shareholders. As part of the 'Repair, Prepare, Grow' implementation, the intention was to hold the dividend at the new level during the 'Repair' period – hence for the year to 30 June 2016, the Board will recommend a repeat of the payment level of last year of 3.6 pence. Going forward, in line with the new policy, the Group expects to distribute adjusted earnings to shareholders based on a dividend cover range of 2x-3x, progressive with earnings of the Group, taking into account funding availability.



Governance

The Board recognises that good corporate governance underpins the long-term prospects of the Group. We remain focused on ensuring that the principles of leadership and board effectiveness are applied in accordance with the UK Corporate Governance Code ('the Code'). My introduction to the Corporate governance report on page 29 of this report sets out how the Board has complied with the principles of the Code which applied throughout the financial year ended 30 June 2016 and includes explanations of our approach to risk management, Board performance evaluation, succession planning and diversity.

Board changes

During the year, Iain Napier, Chairman since 2007, informed the Board of his intention to retire.

On 22 April 2016 I was appointed as a Non-Executive Director and Chairman Elect, and subsequently became Chairman on 1 July 2016. I would like to thank Iain, on behalf of the Board, for his contribution and service to McBride during the past eight years and to wish him well in his retirement.

Our people

The Board would like to welcome new colleagues to the Group and to thank everyone for their contribution to a successful year in a working environment that continues to undergo major transformation and change. Whilst change can be unsettling and cause uncertainty for some individuals, it can also provide opportunities for others to make a significant contribution to the business. In the past year there have been many good examples that showcase this. Our colleagues have demonstrated outstanding efforts and commitment. I look forward to their continued contribution in achieving the ambitions of the 'Manufacturing our Future' strategy going forward.

Current trading and outlook

The first few months of the new financial year have started satisfactorily and show trading levels similar to the exit rates seen last financial year.

The Group is seeing strong indications of upward pressure on raw material pricing, especially from the second half of the year, compounding the imported inflation impact our UK operation is seeing following the recent weakening of Sterling. The business is actively mitigating any potential margin threats.

Delivery against the strategy plan remains on course and the Board remains confident of the long-term prospects for the Group.

John Coleman
Chairman

7 September 2016

Thoughts of the CEO

A year of change and difficult decisions, yet one in which a lot of progress has been made.

Rik De Vos
Chief Executive Officer

It is with great pleasure that I am writing my thoughts on the past twelve months. It has been a time of action and of change, doing things differently and implementing new ways of working.

A year ago, I presented the ‘Manufacturing Our Future’ strategy, with its three phases – ‘Repair, Prepare, Grow’, defining a clear roadmap to restore McBride to its core capability of manufacturing excellence.

We launched the first phase ‘Repair’ through a series of projects, each with a specific action plan in support of the change agenda that we had defined for the Company. As described in last year’s annual report, we set ourselves the task of delivering five key objectives. I am pleased to report that all ‘Repair’ projects are now embedded within the organisation and in some cases have been fully delivered. More detail on these ‘Repair’ projects is provided on pages 16 and 17.

Without doubt, the year has presented me with many difficult moments, with many decisions being made that had an impact on colleagues and the organisation. It was also a period which demanded substantial time commitment from our teams to drive the delivery of our new strategy.

That recognised, we have made important progress in simplifying our business. We have substantially reduced our customer base and product range, and taken concrete steps in addressing the underperforming parts of the Group. Several structural initiatives have been launched including driving our purchasing excellence, whilst within our supply chain significant improvements in efficiency have also been implemented.

A key expectation and outcome from these changes is that we make our people more accountable and empowered to drive the strategy implementation. For me, the human aspects of these changes have been a key focus, to encourage our teams to adapt and adopt the changes in their daily work. When I witness the shift in behaviours with our employees and experience how the “new McBride” is being embraced, I can only feel confident about the prospects for our Company.

At our half year results, we reported an improvement of our financial performance and this was above our earlier expectations. Whilst we anticipated seeing lower second half revenues in a market environment which continues to show strong, competitive volume and price pressures, I am pleased to report a continued improvement in our profitability.

The progress of our strategy and the consequential benefits are visible not only in the behavioural shift but also in the results. I believe that both of these elements are essential for a sustainable change in the Company’s future.

I do sincerely hope that you enjoy reading about our strategic progress in this Annual Report.

Rik De Vos
Chief Executive Officer

Executive review

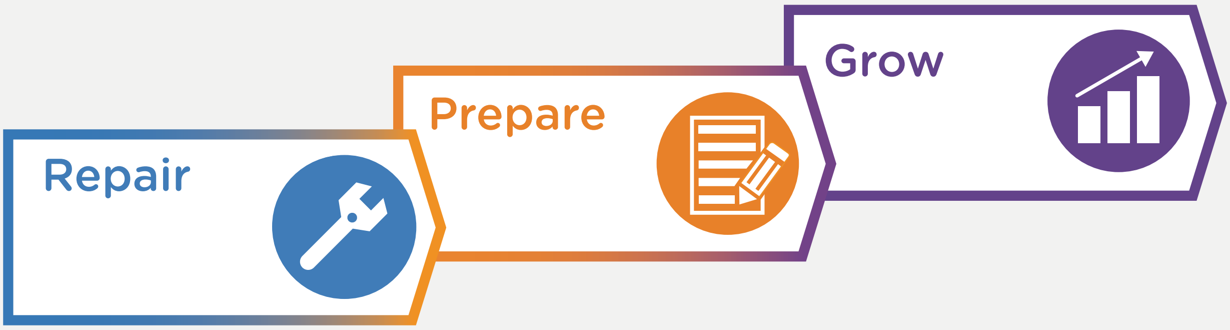
The efficiency initiatives from the 'Manufacturing our Future' strategy are already visible in our financial results.

Rik De Vos
Chief Executive Officer

Chris Smith
Chief Finance Officer

Executive review
continued

'Manufacturing our Future' strategy



'Manufacturing our Future' defines a clear roadmap to restore McBride to its competence of manufacturing and operational excellence.

Strategy progress

Group operating results

Full year Group revenues at £680.9 million were £23.3 million, 3.3% lower than the revenues reported for the prior year. The translation impact of a weak Euro for most of the financial year was responsible for approximately half of this headline reduction. On a constant currency basis, sales were lower by £13.5 million (-1.9%), with Household sales lower by 1.9% and Personal Care & Aerosols (PCA) lower by 2.1%.

A key objective of the 'Repair' phase of our strategy implementation was to reduce the levels of complexity in our customer and product portfolio. This action will see Group revenues on an annualised basis reduce by approximately £20.0 million. This initiative commenced in the second half year such that in the twelve months to 30 June 2016, the impact lowered revenues by £6.0 million, equating to approximately half of the year-on-year reduction in Group sales (at constant currency).

Overall volume levels were unchanged across the total Group but the impact of ongoing price pressures in most of the Group's markets continued to drive the revenue line lower. This was most evident in the UK business, which saw pricing lower overall by approximately 4%, offset by implemented efficiency and raw material changes.

Full year adjusted operating profit was £36.2 million (2015: £28.5m) with adjusted operating profit margin increasing to 5.3% (2015: 4.0%), slightly ahead of the projected 1% per annum improvement outlined in our three to five year progress towards our 7.5% ambition. Excluding the impact of translation exchange rates, adjusted operating profits improved by 29.3% or £8.2 million. Full year operating profit increased by £23.2 million to £32.9 million (2015: £9.7m). Based on adjusted operating profit, the improved profitability levels led to an improved return on capital employed ratio, with the measure rising to 23.4% (2015: 18.8%).

A significant proportion of the year-on-year profit improvement related to cost savings initiatives, either in overheads or from structural buying improvements.

During the year to 30 June 2016 all remaining actions under the UK restructuring project, announced in 2014 were completed. As anticipated, the project is delivering an annualised benefit of £12.0 million. In June 2015, we announced a cost savings project affecting our sales and finance administration with savings of £2.9 million delivered in the year. Additionally, a consequence of the initiative to decrease customer and product complexity has been to reduce the burden of managing these activities, facilitating further overhead reductions. In the past financial year, savings amounted to £2.2 million with the ongoing annualised benefit expected to amount to £4.7 million, more than balancing the margin lost from reducing customer and product ranges.

A further benefit of the business simplification actions is being generated through purchasing efficiency. Our purchasing teams are active in driving scale benefits in many aspects of our procurement activities. The significant effort to drive technically-led formulation simplification and thorough reviews of how and what we buy has led to a steep fall in the number of components and chemicals used by the Group, which realised a benefit of over £5 million in the year. These purchasing benefits and a range of efficiency initiatives in the factories have delivered improved gross margins, which rose by 1.2 percentage points to 35.8%. (2015: 34.6%) despite the effect of lower customer pricing.

The year was a strong one for cash management with cash generated from operations before exceptional items of £52.5 million (2015: £44.2m). Capital expenditure cash flow slowed to £12.8 million (2015: £21.9m) as the new investment strategy outlined in the 'Prepare' phase was under development for much of the year, impacting short-term investment decisions.

Cash outflow for exceptional items of £4.2 million (2015: £10.7m) primarily reflects the impact of the charge taken in June 2015 for central overhead restructuring and the remaining cash costs associated with the UK restructuring project announced in June 2014.

Net cash flow before payments to shareholders was £19.7 million (2015: £2.3m). Cash payments made to shareholders during the year amounted to £5.8 million (2015: £8.7m), the reduction a reflection of the reset of the dividend policy announced in September 2015. Reported year-end net debt reduced by £1.5 million to £90.9 million (2015: £92.4m), comprising a strong net cash flow of £13.9 million reduced by £12.4 million of translation impact as a result of the weaker Sterling exchange rates on Euro and USD-denominated borrowings. Financial instruments to hedge this exposure saw an equivalent rise, but are included in balance sheet but not recorded within net debt.

The Group's balance sheet strengthened through the year with net assets rising by £11.6 million to £69.1 million (2015: £57.5m). Gearing improved further to 59% (2015: 61%) and the debt cover ratio fell to 1:7 (2015: 1:9). The Group has significant borrowing capacity with headroom of £127.5 million (2015: £94.6m) on committed debt facilities. The Group traded throughout the period with ample headroom on its banking covenants.

Segmental performance

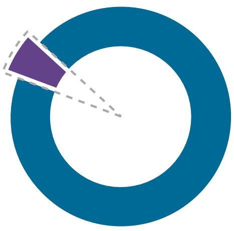
In line with our announcement at the interim stage, as a consequence of the decision to separately manage the Group's Household and PCA activities, our segmental reporting has been amended to accommodate this change. In addition, we separately report corporate costs, which include the costs associated 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.

Revenue by segment

Household
–UK £164.9m
–North £179.0m
–South £69.2m
–East £121.9m

PCA
£145.9m

Adjusted operating profit before corporate costs



Household £42.7m
PCA £2.7m
Corporate £(9.2)m

Household

The Household activities are managed by four regional teams, a key organisational responsibility that has been established as part of the redesign of the management structure and implemented in our 'Repair' phase. Whilst revenues for the four regions are split, trading profits are only measured and reported at the total segment level.

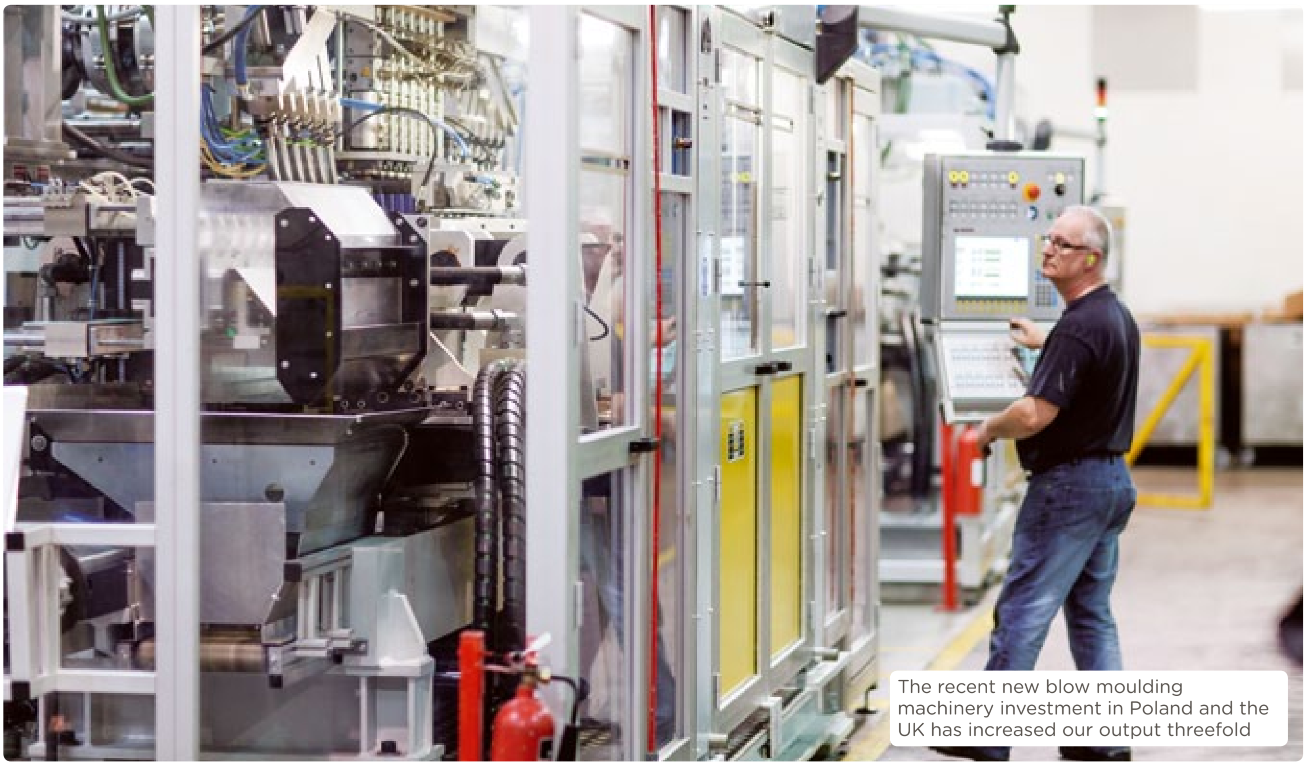
Reported revenues decreased by 3.1% to £535.0 million (2015: £552.4m) but at constant currency revenues were lower by only 1.9%. Of this sales decrease, £4.7 million related to the in-year effect of our "customer choice" project, the balance of the shortfall relating to the effect of pricing deflation with volumes broadly flat.

Headline profits increased in Household by 13.0% (13.9% at constant currency), broadly matching the improvements seen in the Group overall. In spite of slightly lower revenues, the benefits of improved buying of raw materials and the effect of the cost management initiatives resulted in trading profit margins in this sector rising from 6.8% to 8.0%.

In the UK, revenues of £164.9 million compared to £180.5 million in 2015, a decline of 8.6%. The decrease reflected lower volumes due to a number of UK retailers reducing their SKU ranges in store and the effect of the deflationary pricing environment as noted earlier. Lower contract manufacturing volumes were also a key contributor to the reduction in the UK as a two-year contract ended and was not replaced in the period.

In the North region, which covers France, Belgium, Netherlands and Scandinavia, overall sales benefited from improved contract volumes balanced by slightly lower Private Label sales. Like the UK, price deflation is also a feature in the revenue development although volumes are showing good growth, especially in Belgium and the Netherlands.

Executive review
continued



The recent new blow moulding machinery investment in Poland and the UK has increased our output threefold

Our South region which primarily represents Italy and Iberia reported underlying sales growth of 2.4% at constant currency. Volume growth was strong with both contract gains and growth in Private Label. Pricing pressures however held back overall growth in an ongoing competitive environment. Iberia in particular showed significant improvement with volumes up 11.4% following new business wins.

Our East region, covering Germany, Poland and other East European countries, saw growth continue in the German market with a range of key customer supply relationships expanding further in scope during the year. In Poland, sales were weaker as a result of certain key retailers shifting their business model towards higher levels of branded goods in store. Sales developed satisfactorily in the growing markets of Russia, Hungary and the Baltics.

Personal Care & Aerosols (PCA)

The PCA division comprises the Personal Care liquids, Skincare and Aerosols businesses of McBride's European operations and also the activities of McBride in Asia.

On a reported basis, revenues for this division fell by 3.9% to £145.9 million (2015: £151.8m). At constant currency, revenues were lower by only 2.1%. Within this segment revenues were significantly higher in both Asia and at our Skincare business in Europe, up 18.1% and 23% respectively at constant currency. Our European Aerosols and Personal Care Liquids businesses saw volumes lower by 4% overall at constant currency with the main markets for these products, UK and France, both seeing Private Label volumes under pressure from branders and high levels of in-store promotional activity.

Overall reported profitability for this segment improved significantly by £4.1 million to £2.7 million (2015: -£1.4m). In addition to the significantly improved performances of both our Asian and European Skincare businesses, our European Aerosols and Personal Care Liquids businesses, saw profits improve in spite of lower revenues as a result of improved margins, driven by better buying and improved factory efficiencies. The businesses also benefited from lower overall overheads costs, achieved in part from the Group's central cost saving initiatives.

The new management team for PCA in Europe, in position for over six months now, has provided focus and dedicated support to this segment, its customers and factory operations. Progress so far is pleasing and further progress on simplifying this segment will be required in the coming year to ensure this segment is achieving acceptable margins to support reinvestment.

In Asia, the local teams have successfully turned a break-even operation to one that now makes underlying profits close to the Group average. The closure of the loss-making Chinese operation was achieved to plan in December 2015. Revenues have seen promising growth in Australia, Vietnam and Malaysia with a range of new Private Label and contract business.

Corporate costs

Costs increased by £1.3 million compared to last year (2015: £7.9m). This increase relates primarily to incentive payments, especially LTIP costs, which as a result of the improved profits for the business are now considered more likely to vest, incurring charges for not just this year but also catch-up charges from prior years.

Case study

Investing into our assets:
Middleton facility, UK

The problem
The Middleton, UK site is a major producer of Washing Up Liquid (WUL). Our complex variety of product ranges and customer sizes meant we produced product on three sub-optimal filling lines with frequent changeovers. This equipment was not connected to bottle production and required much manual handling.

The solution
Supported by a rationalised range and longer production runs with fewer customers, we have taken advantage of technology progress such that we have replaced all previous equipment with a single line which can manufacture the PET bottles and fill them within the same filling line. This capability supports the objective of the 'Prepare' phase to develop our asset platform driving future cost and technology leadership. This also supports our sustainability agenda by further reducing waste in our production processes.

The benefit
We now have 15% more capacity for PET WUL from a significantly reduced floorspace area while the quality of this installation provides a more reliable and consistent quality product to our customers.

Other financial information

Exceptional items
Exceptional items of £2.4 million were recorded during the year (2015: £17.8m), comprising the following four components:

- as previously outlined, the Group has implemented a new strategy to lower complexity through the rationalisation of our customer base down to 25% of our previous customer portfolio. This strategy is substantially complete as at 30 June 2016 with reorganisation costs of £2.2 million charged to exceptional items;
- following our review of the contingent consideration payable arising from the acquisition of the Czech Republic-based skincare business at Brno an additional provision of £1.7 million has been recorded to reflect the increase in performance and our increased liability. This charge is materially offset by a reversal of the impairment charges previously made in relation to the assets at Brno of £1.7 million;
- exceptional provisions were made in the two prior financial years with regard to the UK restructuring project and the creation of a functional structure with centralised support services. Work is now substantially complete on both projects resulting in the release of unused provisions of £0.3 million and £0.7 million respectively; and
- in late June 2016, the Group's Italian business lost a long-running legal case surrounding costs of reparation to a property vacated by the Group in 2011. In consideration of the advised worst case position, an existing provision has been increased by £1.2 million as at 30 June 2016.

Net finance costs
Net finance costs amounted to £7.1 million (2015: £7.1m) with a small reduction in pensions interest costs offset by an increase in costs associated with net profit hedge instruments.

Profit before tax and tax rate
Reported profit before tax was £25.8 million (2015: £2.6m) with adjusted profit before tax totalling £29.4 million (2015: £21.7m). The tax charge on adjusted profit before tax for year of £9.2 million (2015: £6.5m) represents a 31% effective tax rate. This compares to the 30% effective tax rate for the year ended 30 June 2015, the increase being due to a change in the mix between jurisdictions in which Group profits arise.

Earnings per share
On an adjusted basis, diluted earnings per share (EPS) increased by 34% to 11.1 pence (2015: 8.3p) with basic EPS at 9.3 pence (2015: (0.4p)).

Payments to shareholders
In September 2015, the Board's policy on payments to shareholders was reset following its strategy review. As a consequence, the full year payment relating to the year ended 30 June 2015 was reset to 3.6 pence. For the year to 30 June 2016, the Board will recommend the same level as the prior year and hence a payment to shareholders of 3.6 pence. Going forward, in line with the new policy, the Group expects to distribute adjusted earnings to shareholders based on a dividend cover range of 2x-3x, progressive with earnings of the Group, taking into account funding availability.

Executive review
continued

Hence, following the interim payment of 1.2 pence declared in February 2016 (2015: 1.7p), the Board recommends a final payment to shareholders in November 2016 of 2.4 pence (2015: 1.9p) and it is intended this will be issued using the Company's B Share scheme.

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

Pensions
At 30 June 2016, the Group recognised a deficit on its UK Defined Benefit pension plan of £31.1 million (30 June 2015: £29.8m).

Following consultation with staff and the UK plan's Trustees, the UK Defined Benefit was closed to future service accrual from 29 February 2016.

Employees affected by this change were offered a new defined contribution scheme from that date. The closure of this plan is one of the actions in the 'Repair' phase to limit the growth of fund liabilities, reducing the risks and uncertainty over future cash costs associated with providing an active Defined Benefit pension scheme.

Following the March 2015 triennial valuation, the Company and Trustees agreed a new deficit reduction plan based on the scheme funding deficit of £44.2 million. This gave rise to an increase in the deficit cash funding requirements of £0.4 million to £3.0 million per annum which took effect from 31 March 2015.

Going concern
The Group meets its funding requirements through internal cash generation and bank credit facilities, most of which are committed until April 2019.

At 30 June 2016, committed undrawn facilities amounted to £127.5 million. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, including the possible effect of the UK's decision to withdraw from the EU, show that the Group will be able to operate comfortably within its current bank facilities.

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

Board changes
During the year, our Chairman, Iain Napier, advised the Board of his intention to retire. John Coleman was appointed as a Non-Executive Director and as Chairman Elect on 22 April 2016, and became Chairman on 1 July 2016.

UK Referendum on EU membership
As a European business, with 70% of the Group's activities outside the UK, the outcome of the British referendum on EU membership is clearly a significant issue for the Group to understand. With so little information on the likely shape of future relationships between the UK, the EU and beyond, we are engaged in developing a deeper understanding of the implications of changes as they emerge,

In the short term, currency volatility has been the most significant issue for the Group. Much of the Group's debt is USD or Euro-denominated, the former being hedged for its full term and the latter naturally hedged by Euro-denominated assets. The UK business imports significant quantities of raw materials used for manufacturing, for which the Group is hedged at rates consistent with prior year averages for part of the next financial year. Beyond this point, the UK business, along with our competitors, will face some imported inflation and will look to mitigate this from pricing to customers.

Current trading and outlook
Trading in the first few months of the new financial year has been in line with expectations. Our margin and cost initiatives, implemented as part of our strategy, continue to deliver the expected benefits to our profitability levels. Despite uncertainty in raw material pricing and foreign exchange rates, we look forward to delivering further good progress in our financial performance in the current year, consistent with our three to five year ambition.

Rik De Vos
Chief Executive Officer

Chris Smith
Chief Finance Officer

7 September 2016

Investment case

McBride is in the midst of a transformation programme with the ambition to become the leading European manufacturer and supplier of Co-manufactured and Private Label products for the Household and Personal Care market through selected channels and markets.

Leading market position

In 2015, after a number of years of disappointing returns, the Group entered a transformation phase with a new management team driving a fresh strategic direction. This transformation will optimise McBride's activities, maximising its market-leading position and size to deliver scale advantage for value creation and development of growth opportunities.

Market dynamics supporting McBride's growth ambition

A number of developments in McBride's markets means that McBride's scale and geographic spread will be ever more a key part of market supply and growth. These developments include consolidation of retailers in many parts of Europe, the emergence of the discounter retailers with their private label offer, the drive by many established retailers to simplify their product ranges and supplier base and, additionally, increased outsourcing activity by the brand owners. Our scale will allow us to maximise these opportunities for growth.

Broad customer and product base provides diversification of opportunity and risk

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

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

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

Cash generative business, providing annual dividend and capital growth opportunities

As a well invested manufacturing business, McBride has the capacity for significant cash generation as profits continue to improve. In spite of the ambition to outspend depreciation in the next four to five years, the business will generate good cash flows to provide the opportunity to return funds to shareholders, look for additional investment options and further reduce our borrowings.

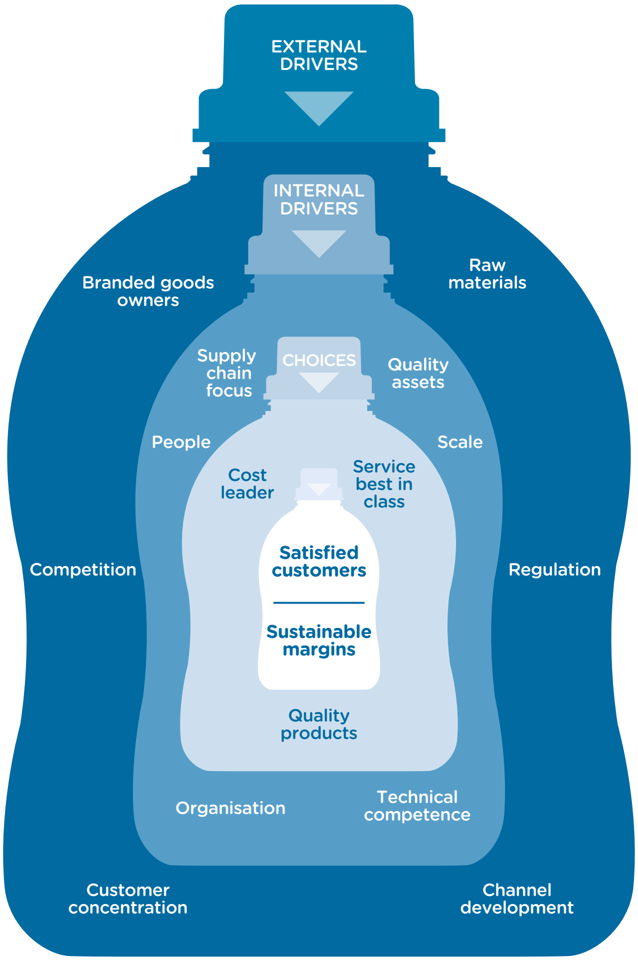
Business model

McBride will deliver sustainable profit streams to permit appropriate investment in assets to retain its leading position in the industry and deliver earnings growth to shareholders.

Our strategic positioning

Our ambition is for McBride to become the leading European manufacturer and supplier of Co-manufactured Private Label products for the Household and Personal Care markets through selected channels and markets.

We will offer tailored services aligned with specific customer and channel requirements, and will cement these relationships through a complete focus on improving our operational excellence and driving our cost competitiveness with the aim to fully lever our scale.



External drivers

The markets in which McBride is active are being challenged through a number of drivers impacting the overall market quality and opportunity:

- market research indicates that the European macroeconomic climate will not deliver a substantial growth in our key territories in the foreseeable future, with recent trends showing Private Label losing market share to brands;
- raw material input costs, a major part of our product cost, have been volatile for many years and the recent disconnect between the oil price and the derived material costing is not assisting with stable cost structures for our activities;
- the regulatory environment continues to develop with more stringent regulations concerning the production, use and application of our type of products. McBride embraces initiatives to improve safety for the consumer. While this often creates a cost increase in the development, production, distribution and use of products, this favours the larger suppliers over time;
- brand owners often use Private Label suppliers to co-manufacture their products, while this is not a new phenomenon, there is a noticeable recent increase in the demand for longer term, more structural arrangements. For McBride, the requirements, apart from scale, to serve this opportunity are not different from direct supply to major retail customers, while assisting in maximisation of asset utilisation;
- European consumers are becoming more dynamic and mobile in their shopping habits. Value and convenience are growing aspects of their shopping behaviour, and the response from the different channel players is diverse;
- the retail markets in many of the countries in which we operate, are highly concentrated, with a limited number of supermarket retailers resulting in fierce competition. Private label being a key part of the value chain, means that supermarket retailers rely on large, sophisticated private label manufacturers to assist them in gain a competitive advantage;
- discounters have experienced a steady increase in sales across Europe with their combined market share of the EU grocery market rising from 8.4% in 1999 to 15.2% by 2014;

- the discount format successfully competes on price, quality, consistency and simplicity rather than offering a wide choice, access to manufacturer brands or an unnecessary level of service. Because of the focus on price and quality, most products offered by discounters are either private label or other exclusive store brands developed by private label manufacturers; and
- other supermarket retailers are responding to the challenge from discounters in their national markets by reducing complexity in their on-shelf ranges, including both manufacturer brands and private label ranges, in order to drive economies of scale in their buying and distribution. This process favours private label manufacturers with the scale to supply large volumes of these new private label products.

Creating value through our business model

The dynamics as described above will favour market or industry leaders as they can fully utilise their scale in purchasing, innovation, manufacturing excellence, legal know-how and customer relationship management. In order to deliver further growth ambitions from these dynamics, the Group has needed to substantially simplify its previous approach. This simplification has included reviews and changes to our product range, customers served, processes and procedures, organisational set-up and our overall cost basis.

This simplification allows for a substantially lower cost base with more effective manufacturing and distribution. Clear priorities will be defined for our New Product Development (NPD) programmes that will enable our sales teams to drive sales and value growth.

Our three to five year ambition for adjusted operating profit margin (EBITA %) is 7.5% with ROCE targeted at 25%-30%. Our growth ambition and value creation is based upon four building blocks.

Customer-oriented service propositions aligned with channel requirements

We will have a tailored offering aligned with the respective channel characteristics and the supporting customer service levels and agreements clear on content and commitment.

Manufacturing excellence with customer integrated supply chain networks

An investment programme targeted at an optimised asset configuration supporting our market and growth ambitions. Continued investment in existing assets will further improve our operational cost and will be extended to additional investments, upgrading our five key assets, Middleton, Ieper, Estaimpuis, Foetz and Strzelce to world-class manufacturing sites. This will give us a combined cost and efficiency leadership. Through simplification, our supply and distribution capability will be further strengthened.

Focus on the development of our people, organisational capabilities and skills

Whatever we do, whatever organisation we build, we will not deliver upon our ambition and promise if our people are not engaged, developed and positively challenged. McBride has launched a series of structural initiatives further supporting the development of our people through a reinforced HR team and its activities.

Maximising our manufacturing efficiencies through structural supply agreements

Our strong asset base creates the opportunity to further develop manufacturing agreements with other industry players, as we have done in the past. There is a clear visible trend that demand for such agreements is increasing. By developing contracts of a longer and more structured nature, McBride will be able to generate further structural value by more effectively utilising our asset base.

Strategic progress

Repair

Good progress has been made in simplifying our business. Customers, products, organisation and business processes have all been addressed to drive better operational performance and improve our cost position.

The three key considerations for our actions in the past year have been clarity, simplification and focus. The 'Repair' phase has been established and translated into a number of specific and tangible projects, being a subset of 17 key projects in total, representing our action plan of the 'Repair, Prepare, Grow' strategy.

In last year's Annual Report, we set five clear objectives that were to be delivered upon during the first year.

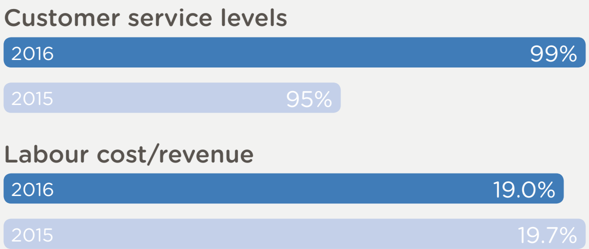
These were:

- delivery of the early overhead cost reduction plan;
- reduction in customer and SKU complexity;
- implementing the cost reduction resulting from customer and product simplification;
- identifying and addressing the underperforming segments of the Group; and
- accelerating purchasing efficiency initiatives.

In parallel to the UK restructuring project, a £3 million overhead, reduction plan was initiated in June 2015. This plan aimed to simplify the organisational structure, enhancing clarity of responsibility and to promote accelerated decision making. This plan has been fully implemented and delivered on an annualised basis the targeted savings.

Strategic report
Corporate governance
Financial statements
Additional information

Performance



Immediately after our strategy announcement in September last year, the Company embarked upon the implementation of the most critical part of the 'Repair' phase; a focus on the top 25% of our customers and the subsequent reduction in complexity of the products we sell, estimated to deliver a 30% reduction in SKUs. By the end of 2015, virtually all affected customers had been informed and responsible exit plans agreed, while by the end of June 2016, for the vast majority of these customers, business activities had been ended. The customer reduction target has already been fully met, while the SKU objective is ongoing as part of the plan is being achieved through rationalisation of product ranges with our retained customers. The impact on revenues is approximately £20 million per year, less than 3%, with £6 million exited in the year just ended.

This reduction in complexity is set to result in proportionally less resources needed to manage the simplified business. On an annualised basis the net impact of margin loss and cost reduction will contribute positively to our profitability. The majority of the financial impact of this project will materialise in the next financial year. Nevertheless, our labour cost to revenue ratio has further improved from 19.7% last year to 19.0% this year.

An additional impact from the simplification initiative is our improved customer service. This initiative, focusing on more effective production planning, combined with better balanced stock management has led to substantially improved customer service levels (CSL). Last year our CSL was 95%. This year our performance has improved to a constant level of 99% to date. We have seen positive feedback from our customers on this improvement and this has substantially reduced our exposure to customer claims.

We have completed the Asia project, which, through the closure of our loss making Chinese factory and an efficiency upgrade in both the operations and commercial activities in the region has seen the business deliver solid double digit growth at constant currency and profitability levels in line with the average of the Group. Further growth plans are now being defined.

During the year we completed the investigation concerning the financial performance of the Personal Care & Aerosols (PCA) business. As a result of poor profitability levels, we have separated the management of this division to provide focus and direction to drive more value from this part of the Group.

We recognised efficient and effective purchasing as a major early opportunity for value generation for the Company, independent from any raw material price volatility developments. The customer and product simplification initiative, supported by deeper integrated Operations and R&D teams, has driven more focused purchasing activities that allow for more structural deals to be developed with our key suppliers. This has become a key value generator as we institutionalised this approach through a new organisational design. Several initiatives were launched and have been delivered this year, including projects on chemicals, packaging materials, key additives and indirect spend.

Alongside these five key objectives, several other initiatives were launched, all being part of our 17 key projects, and further supporting our 'Repair' phase. These initiatives focused on reducing the cost or risk of our activities.

The UK Defined Benefit Plan was closed to future service accrual on 29 February 2016. The closure of this plan has substantially reduced the risks and uncertainty over future cash costs associated with providing such a Defined Benefit pension scheme. Additionally, new insurance policies have been negotiated providing improved levels of insurance cover at substantially lower costs.

Overall, progress in the delivery of our key 'Repair' objectives has been very satisfactory and has been a key contributor to our improved results along with promoting more clarity, simplification and focus in operational execution.

Strategic progress

Prepare

We are starting to prepare the Company for the future, by creating clarity on the markets and products we will sell in the future, identifying and approving investment programmes for our key assets, developing our new organisational structure and culture, and addressing the underperforming businesses.

The core building blocks for our 'Prepare' phase are four-fold:

- clarity on the segments, markets and products we will target to fulfil our growth ambitions;
- the organisational structure and skills to effectively implement the strategic elements of our 'Grow' phase;
- developing plans for value improvement from underperforming businesses; and
- developing the asset blueprint to support future cost and technology leadership, in the first instance to address and resolve the identified sub-optimal areas of activity within the Group.

Following finalisation of the Asia project, we announced in February 2016 that our Personal Care & Aerosols business (PCA) was performing substantially below the Group average and appointed a dedicated management team to produce an improvement plan. The team is defining the strategic options and roadmap for this business unit. The reported results for PCA show a substantial improvement compared with the previous year in addition to benefiting from Group wide initiatives. The structural projects supporting the PCA business strategy are expected to develop during the next financial year.

We continue to work on initiatives to drive further actions to optimise the overall financing cost of our activities, including our tax and interest cost structures.

During the year we launched several programmes to strengthen and align our organisational capability with our operational excellence and growth ambitions in mind. These included various internal appointments in several key functions, such as finance management, contract manufacturing, project management capability and operations management. This has been reinforced where necessary with further investment in hiring new people bringing in additional required skill sets, such as in Purchasing, Operations Planning, Human Resources and Commercial. Hence, just as much as we need to rework our cost base, new talent is required to support the delivery of our objectives.

Investments into our manufacturing assets have been launched whilst the warehousing and distribution blueprint redesign has started. We have successfully completed the commissioning of the high speed line in the UK and are further investing in these facilities to accelerate the efficiency improvements in the site. (See the case study on page 11). Furthermore, we have approved and launched a major redesign and investment programme into our Strzelce facility in Poland which, in three phases, will allow us to substantially upgrade the plant's efficiency and prepare the plant for substantial expansion, aimed at serving the surrounding geographies. We have invested in resources to support the identification and development of projects at our other key strategic sites to develop the manufacturing excellence concept in the coming years.

Strategic progress

Grow

We are making progress on deciding the direction we will take to develop the Company in the longer term through selected growth opportunities.

We have started working on the design of the future McBride. This work will translate the 'Repair, Prepare, Grow' phases into a clear roadmap and action plan to grow the Company. Focus on execution and delivery is a key aspect of this planning.

Our markets remain challenging, driven by uncertain growth prospects, price pressure, volatile raw materials and intensifying regulatory demands on some of our products.

That said, we expect these trends to favour market and industry leaders such as McBride, providing the right business model flexibility and suppliers who can further integrate activities with customers.

McBride will develop customer relationships beyond the pure transactional dimension through differentiated service and partnership options which we consider will provide several growth opportunities.

McBride supplies its markets mainly through the retail and discount channels and whilst we notice a converging trend, we have distinct opportunities to grow in both. Our strong service levels combined with a differentiated innovation proposition will allow us to gain market share in the retail environment facilitated by leading cost efficiency.

Conversely, our continued drive for operational excellence will deliver a leading cost proposition to the discount channel, allowing us to expand in this area beyond the growth levels seen in this channel. It will be essential to maintain our scale advantages to ensure sustainable margin and hence simplification will be key to achieving this ambition.

Contract Manufacturing is of increasing importance to our growth, and a dedicated team has been established with a clear remit to deliver this opportunity for McBride. Our leading cost competitiveness and manufacturing expertise, with a good geographical asset spread, increasingly allows us to seek out these contract opportunities. The success of growing this part of our business will drive further improvements in asset utilisation, creating additional efficiencies and thus supporting our overall leading cost and supply position.

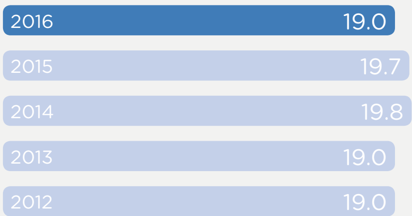
Additionally, we are investigating further opportunities beyond organic growth. Tactical acquisitions are always an option as uncompetitive capacity leaves the market. As we develop more clarity in our business ambitions, we will start to define areas of growth that can be accelerated by appropriate strategic acquisitions.

Our strategy – summary

Strategic priorities	During the year
Repair McBride will substantially simplify its activities, covering customers, products, processes and organisation. We will launch a broad range of purchasing driven saving initiatives, in further support of the simplification and rightsize the overhead base to reflect better the new way of working. See page 16	• Focus on the top 25% of our customers with all affected customers being informed and exit plans agreed • A 30% reduction in SKUs targeted, 20% already delivered • Substantially improved customer service levels (CSL) to a constant level of 99% • Asia profitability restored • Raw materials cost base improved from better purchasing activities • UK Defined Benefit Pension Plan closed to future service accrual • PCA Division identified as underperforming
Prepare McBride will invest into its manufacturing assets and optimise its warehousing and distribution network. We will align the new organisational set-up aiming to institutionalise our new way of working with our people. We will provide a clear way forward for identified sub-optimal customers/categories and products. See page 18	• Appointed a dedicated management team for PCA • Strengthened our organisational capability • Started warehousing and distribution blueprint redesign • Capital investment plans being developed • Upgrade of Strzelce facility in Poland launched • High speed line installation in Middleton completed • Developed sophisticated market database
Grow McBride will drive a sustainable and profitable growth path based upon a greatly improved cost position and more efficient manufacturing and distribution. This will focus on fewer markets, categories and customers. McBride will develop customer specific value propositions depending on their individual requirements and the channel in which they are active. See page 19	• Initiated the planning of our growth ambitions • Installed a new dedicated Contract Manufacturing team • Early work on acquisition and "white space" ideas

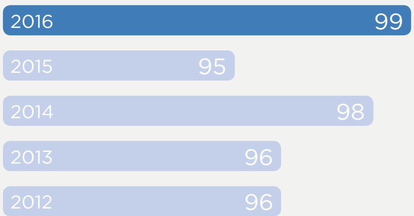
Performance

Labour cost/revenue (%)



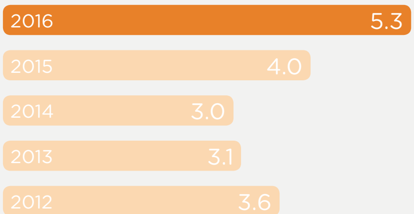
Labour cost as a percentage of revenue.

Customer service level (%)



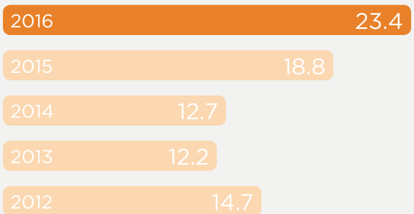
Volume of products delivered in the correct volumes and within agreed timescales as a percentage of total volumes ordered by customers.

Adjusted operating margin (%)



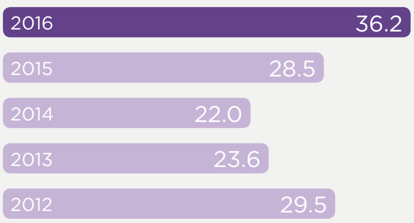
Adjusted operating profit as a percentage of revenue.

Return on capital employed (ROCE)



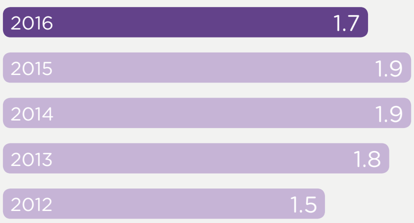
Adjusted operating profit as a percentage of average year-end net assets excluding net debt.

Adjusted operating profit (£m)



Operating profit before adjusting items.

Debt/EBITDA



Net debt divided by EBITDA.

Future plans

- Further purchasing initiatives as a key value generator including indirect spend
- Initiatives to reduce the overall financing cost of our activities
- Fully implement cost savings following complexity reduction project

- Deliver efficiency based projects at other major sites
- Implement business plans for underperforming businesses
- Complete resourcing of the new Project Management Office
- Further strengthening of the organisation

- Define clear value propositions to our selected and aligned customer groups, including branders
- Develop closer ties with branders, opening opportunities for central manufacturing
- Organisational set up and skills plan to match growth ambition

Principal risks and uncertainties

The identification and assessment of risks and the development of action plans to mitigate them is an integral part of management systems throughout the Group.

The Group's risk management process is detailed within the Corporate governance section on pages 38 and 39, confirming how key strategic and operational risks are continually reviewed and evaluated with reference to the achievement of the Group's strategic objectives and priorities.

Whilst the Group is prepared to accept risk as part of doing business, and which it ultimately believes will lead to an increase in shareholder value, it is critical these are identified and managed at the appropriate level, using a range of mitigation strategies.

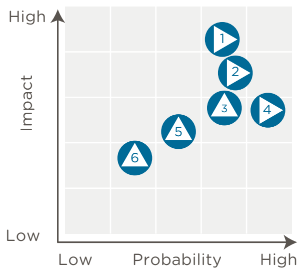
The Board has identified those risks which are deemed 'principal' to its business due to their potential severity and link to the Group's strategy, markets and operations. The current principal risks and uncertainties are shown in the tables on pages 23 and 24, which also details the Group's actions undertaken to minimise any potential impact.

This is not intended to be an exhaustive list. Additional risks not presently known to management, or risks currently deemed to be less material, may also have potential to cause an adverse impact on our business.

Whilst the medium to long-term impact connected with the UK's decision to exit the European Union has yet to be fully realised, specific short-term risks have been identified, with appropriate actions taken to minimise any associated volatility. Further information can be found under the Executive review on page 12.

In accordance with the UK Corporate Governance Code 2014, the Board has taken into consideration these principal risks and uncertainties when determining whether to adopt the going concern basis of accounting (further details on page 12) and when assessing the prospects of the Group when preparing its viability statement, which can be found on page 24.

Heatmap of principal risks and uncertainties 2016



1: Market competitiveness
2: Change agenda
3: Input costs
4: Legislative and consumer trends
5: Financial risk
6: Breach of IT security

Risk management structure and process

The ELT provides leadership and direction to the Group's overall risk management framework. The Audit Committee, and ultimately the Board, challenge the outputs and assessments from the exercise and ensure action plans to mitigate identified risks are in place, with appropriate ownership and timescales to ensure the Group's strategy can be delivered within the context of a risk managed framework.

BRIM process	→	Executive Leadership Team	→	Audit Committee	→	Board
Annual Group-wide risk identification and analysis exercise		Review risk register and agree actions to mitigate key risks		Monitor and review financial and key non-financial risks and internal controls, external audit process and reports		Overall responsibility for risk management and internal controls

Risk 1: Market competitiveness

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

Impact

- Principal competition comprises renowned international companies that have the ability to change markets through innovation and pricing structures such as promotional activity
- Strength of major retailers' leverage over suppliers on pricing and specification
- Failure to deliver targeted strategic asset and distribution improvement/exploitation projects leading to uncontrolled costs
- Loss of key strategic site with immediate and potential longer term impact on ability to deliver to customers

Mitigation

- Strengthening of business model and operational excellence through selective investment, improving cost base, simplification and adopting standardised best practice across the Group
- The use of strategic market intelligence and competitor analysis to support market activities and investment decisions
- Continue to drive New Product Development (NPD) to meet customer and end consumer needs for optimal quality and value products
- Develop sustainable long-term arrangements with customers
- Key projects prioritised and given resources required to support management
- Robust property risk management and business continuity planning processes in place

Change

Link to strategy

- Repair
- Prepare
- Grow

Key developments

- Customer simplification exercise has led to reduced customer and product complexity, enabling asset utilisation efficiencies to be realised
- UK restructure, announced in 2014 completed and has delivered planned savings, with other central overhead initiatives during 2015/16 also on track to deliver further cost benefits and ultimately improve market competitiveness
- Progressive improvement in purchasing activity driving value from scale buying

Risk 2: Change agenda

Continual adaptation required to remain competitive in a fast-moving and dynamic market environment

Impact

- Important that the Group remains structurally and operationally efficient during period of significant transformation in moving to a sustainable growth platform
- Failure to deliver targeted improvements/projects and/or underperforming capital expenditure projects could lead to reduced customer satisfaction and increased costs
- Loss of key personnel and experience in fast-moving consumer goods sector during period of rapid change

Mitigation

- The Group's new strategy will provide strengthened economies of scale, cost competitiveness and drive the turnaround in underperforming businesses.
- Dedicated Project Management Office to ensure key Group-wide projects prioritised and support management to drive projects to successful conclusion
- Strong package of HR management policies and tools to identify and foster training succession and talent within the Group
- Employee contracts contain strict confidentiality clauses

Change

Link to strategy

- Repair
- Prepare
- Grow

Key developments

- Clear and consistent communication with employees on the benefits of the change agenda undertaken to ensure all engaged to deliver strategy
- Key initiatives and projects to deliver strategy identified and initiated
- Project management office established, staffed and active in supporting key projects

Risk 3: Input costs

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

Impact

- Increased fluctuations in commodity prices resulting in a time lag between raw material price increases and recovery through pricing initiatives, with potential negative impact on profits
- Significant proportion of UK raw materials sourced from EU markets; with the UK Referendum on EU membership vote leading to potential volatility in raw material costs and foreign exchange exposure in the short to medium term

Mitigation

- A well resourced purchasing function with a developed forecasting capability
- Strong internal processes to cement raw material price increases quickly into recovery plans
- Group is not overly reliant on any one supplier and continual alternative supplier scenario planning taking place
- Robust supplier risk assessment process
- Operational excellence model to enable low cost competition to be resisted

Change

Link to strategy

- Prepare
- Grow

Key developments

- Key project initiated to drive significant savings by optimising/standardising raw material specifications and reducing unique materials
- We continue to explore and introduce hedging on targeted raw materials and currencies

Principal risks and uncertainties
continued

Risk 4: Legislation and consumer trends

Continuing high level of significant legislative requirements and emerging market trends, with greater impact on businesses from complex/diverse product ranges

Impact

- Ability of Group to keep ahead of regulatory changes leading to loss of sale opportunity
- Regulatory compliance, imposes a significant legislative burden and resource pressure on key Group functions
- Reduction in revenue and profitability from obsolete stock write downs and difficulty in recovering additional costs incurred

Mitigation

- Dedicated resource to monitor and evaluate compliance with current and future legislation at early stages
- Experienced cross-functional project teams, with dedicated resource, to ensure implementation within deadlines and minimising stock write downs
- Active participation in relevant industry bodies

Change

↔

Link to strategy

- Prepare
- Grow

Key developments

- Investment made in new software systems allowing access to information on legislative changes and new scientific data with minimum delay
- Strengthened communication processes to customers to aid better collaboration

Risk 5: Financial risks

Multinational operations expose business to a variety of financial risks

Impact

- Risks associated with foreign currency exchange rates, interest rates, commodity prices, credit risks and taxation could impact profitability and cash flows
- Potential financial risks from the UK Referendum on EU membership vote, given uncertainties about short term and medium-term economic forecasts and their potential impact on the Company's liquidity, funding, creditworthiness and share price valuation
- Failure to operate within financial framework could lead to inability to support long-term investment and/or raise capital to fund growth

Mitigation

- Strong and established financial framework monitoring and maintaining appropriate levels of liquidity and covenant commitments
- Foreign exchange risk managed by hedging mitigating effects on UK import costs and translation of Euro profits
- Detailed functional analysis to ensure compliance with all international tax legislation, including new BEPs developments
- Group banking facilities committed until April 2019 and long-term debt commitments to 2020 and 2022

Change

↑

Link to strategy

- Prepare
- Grow

Key developments

- Robust stress test scenario planning in relation to going concern, banking covenants and headroom undertaken during the year
- Closure of UK defined benefit pension scheme to future accrual provides a de-risking of the pension liability

Risk 6: Breach of IT security

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

Impact

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

Mitigation

- Continual review of security policies, controls and technologies in place in the Group
- Monitoring of developments in cyber security; engaging with third party specialists where appropriate
- Hardware and software security systems in place to protect commercial and sensitive data

Change

↑

Link to strategy

- Repair
- Prepare

Key developments

- External consultant engaged during the year to test the vulnerabilities of the Group's IT system, with key findings being actioned
- Group-wide engagement exercise to raise awareness of cyber risk

Viability statement

In accordance with the requirements the UK Corporate Governance Code ('the Code'), the Directors have performed a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board has determined that a three-year period to 30 June 2019 constitutes an appropriate period over which to provide its viability statement.

In assessing the Group's viability the Directors have considered the current financial position of the Group and its principal risks and uncertainties as described on pages 22 to 24. 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.

In light of recent exchange volatility following the UK Referendum on EU membership, the alternative scenarios assume sensitivity around exchange rates and interest rates, along with significant reductions in revenue, margins and cash flow over the three-year period. In all cases the business model remained robust, funding capacity sufficient and covenants fully complied with. The Group's global footprint, product diversification and access to external financing all provide resilience against these factors and the other principal risks that the Group is exposed to.

After conducting their viability review, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment to 30 June 2019.

Corporate responsibility

Further information can be found in our
Annual sustainability report
available on our website
mcbride.co.uk

5
sustainability core themes roadmap

Customer and consumer
Product and design
Production and operations
Our people
Community and society

McBride has been a leading contributor in the development of the A.I.S.E. Charter for sustainable cleaning and was the first Private Label company to achieve Charter status

90%
of waste generated recycled, reused and recovered sustainable waste
(2015: 90%)

Our commitment is to make a positive impact on society in the way in which our products are designed, manufactured and packaged in collaboration with our customers, suppliers and in the communities in which we operate. Sustainability considerations are therefore an important element in the execution of our strategy and decision making.

732
colleagues who have attended change leadership workshops during the year

4.3%
improvement in the Group's energy efficiency

Member of RSPO, with four sites certified for mass balance

LTIs down
Lost Time Incidents down 2.08% during the year

Gender split 2016

Female Directors
1/6 17%

Female senior management
12/49 24%

Female total workforce
1,758/4,396 40%

Diversity

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

£100k
value of donations that UK charities have benefited from under InKind Direct during 2015/16

FTSE4Good
We are proud to continue to be a constituent member of the FTSE4Good Index

Corporate responsibility
continued

Product and design

Objective: Design, create and supply value Household cleaning and Personal Care products, which are safe to use, whilst minimising environmental impact

Link to strategy

- **Grow** Sustainability capabilities become integral to product development and offer to customer

We continue towards our target of eliminating phosphates (used to soften water and assist in making detergents work more effectively) from all our laundry and dish washing products by 2017. This will lead to a more environmentally friendly product, but still maintaining the same performance.

During 2015 we also completed the phase out of all small plastic beads from our Personal Care products.

McBride is a leading international user of RSPO sustainable palm oil products offering sustainable palm oil solutions to some of its customers.

To date four of our major sites have received RSPO Accreditation. We continue to drive our supply base, as members of RSPO, to develop and supply sustainable ingredients, so we can use these materials in an increasing number of our products, for many of our largest retail customers.

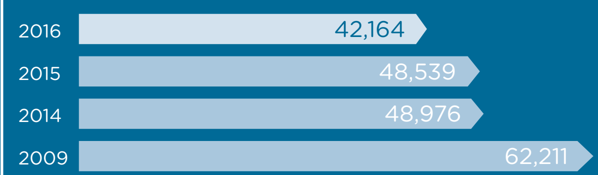
As part of our ongoing programme we purchase Green Palm certificates demonstrating our commitment and support to the cause of RSPO certified sustainable palm oil.

Greenhouse gas

We have been calculating our Scope 1 and 2 GHG emissions since 2008 in accordance with the relevant GHG Protocol Corporate Accounting and Reporting Standards and latest emissions factors from recognised sources. During the year we moved from location to market-based analysis with prior years also being recalculated on this basis. Market-based values have been lower for the Group than location data emissions over the last three years.

The overall impact on our operations for Scope 1 and Scope 2 emissions was 42,164 tonnes of CO_2e emissions (2015: 48,539 tCO_2e). In terms of eco-efficiency, energy usage was slightly up from the prior year to 1,702 kg per Gjoule (2015: 1,633 kg/Gj), with CO_2e efficiency also increasing to 23,955 kg product/tCO_2e (2015: 20,703 kg product tCO_2e).

Net Scope 1 and 2 CO_2e emissions tonnes CO_2e

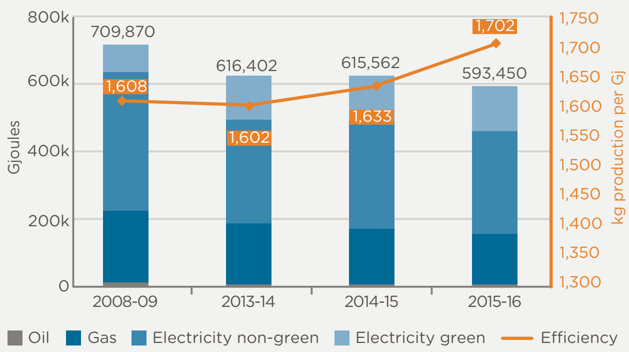


Human rights

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

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

We approved an Anti-Slavery and Human Trafficking Statement and made changes to our Business Ethics Policy to enshrine our obligations under the Modern Slavery Act 2015. We are committed to ensuring there is transparency in our own business and to our approach to tackling modern slavery in our supply chain. We expect the same high standards from our suppliers and will be introducing our Supplier Code of Conduct during 2017.



Production and operations

Objective: Maximise operational efficiency and value through the pursuit of operational excellence to minimise our environmental impact and reduce emissions

Link to strategy

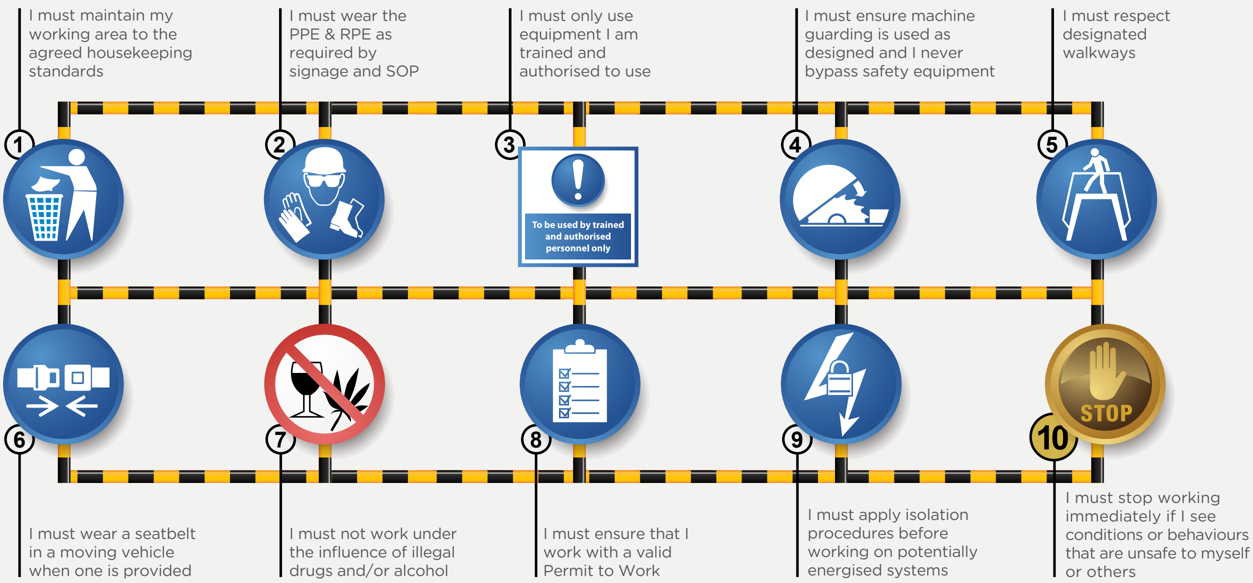
- **Grow** Further focus on improvement in managing wastage in manufacturing process

Total Group energy consumption reduced by 3.6% to 593,450 Gjoules (2015: 615,562 Gjoules) during the year. At the same time we achieved energy efficiency of 1,702 kg production/Gjoule (2015: 1,633 kg production/Gjoule), a 4.3% improvement.

We are pleased that our energy consumption is showing the benefits of our operational excellence focused strategy.

A number of initiatives were introduced during the second half of the year, to help drive a reduction in the rate of accident seriousness and accident frequency rate. These included a focus on the frequency and effectiveness of near miss reporting, and the Group-wide launch of the '10 Rules for Life' which saw the Group invest 10,000 hours of training to ensure all colleagues were briefed on this important evolution of the Group's Health and Safety strategy.

Our 10 Rules for Life



The 10 Rules for Life reinforce behaviours and introduce a concept of consequential management.

Welcome to Corporate governance

Corporate governance

Compliance statement

The Company complied with the provisions of the UK Corporate Governance Code published in September 2014, which applied throughout the financial year ended 30 June 2016.

Chairman's introduction

At a time of transformation and change, I am pleased to see that the Group has in place a robust governance framework with an effective Board and sub-committee structure underpinned by solid operating principles, policies and controls.

Dear Shareholder

As your new Chairman, I am delighted to be joining McBride at a time of transformation and change. In my view, it is critical to have in place a robust governance framework to support this and I am pleased to say this is the case for the Group which has an effective Board and sub-committee structure, underpinned by solid operating principles, policies and controls.

The following Corporate governance section, including sub-committee reports, set out how these levels of governance are achieved.

Code compliance

As a Board, we remain committed to maintaining high standards of corporate governance and we endorse the provisions set out in the UK Corporate Governance Code 2014 ('the Code').

During the year, we have assessed our level of compliance with the Code and the disclosures in this year's Corporate governance report describe how the main principles have been applied. The Board confirms that throughout the year the Company has complied with all of the Code's provisions, in so far as they apply to a FTSE SmallCap company.

Board responsibility and strategic direction

The Board acknowledges its collective responsibility for overseeing the success of the Group by demonstrating strong leadership and setting the Group's strategy and business model, reviewing management performance and ensuring the necessary resources are in place to achieve them.

As reported elsewhere in this Annual Report, work already undertaken under the guidance of the Executive Directors on the 'Repair' phase of our strategy has started to deliver benefits and improved results for the Group, for our colleagues and for our shareholders. The strategy continues to be developed as we move through our Transformation Programme into the 'Prepare' and 'Grow' phases to ensure that sustainable value growth can be delivered to all stakeholders.

Both I and the Non-Executive Directors are fully supportive of the strategic direction being taken by the executive team. The future direction is reported in our Strategic report on pages 1 to 27 and more information about Board activities in general is shown on page 36 of this Corporate governance section.

Board evaluation

We have once again undertaken a Board performance evaluation exercise during the year. As a FTSE SmallCap company, it was felt to be more appropriate, as well as cost effective and pragmatic, to carry out a further internal evaluation exercise this year. A report on the exercise is set out on page 37.

Sub-committees

The performance of the sub-committees of the Board was also reviewed as part of the performance evaluation exercise. It was concluded that all committees continue to exercise their duties in compliance with all relevant legislation, regulation and guidance. The Nomination Committee was particularly active during the year in the search for and subsequent appointment of a new Chairman following Iain Napier's indication of his intention to retire from the Board at the end of the financial year ended 30 June 2016. All sub-committees continue to be supported by both internal and, where relevant, external advisers to ensure their duties are satisfactorily and professionally fulfilled. Further information on their activities is reported on pages 32 and 33.

Diversity

Our policy on diversity is available on our website at **www.mcbride.co.uk** and our statement on how we approach diversity is reported on page 34.

Shareholder engagement

The Board is keen to ensure ongoing and effective communication with shareholders. The Executive Directors continue to be involved in a programme of engaging pro-actively with investors and remain committed to doing so. I, Steve Hannam as our Senior Independent Director, and the other Non-Executive Directors are available to discuss matters with key shareholders as and when required.

John Coleman
Chairman

7 September 2016

Board of Directors

John Coleman
Chairman

Appointed: July 2016

John brings considerable experience holding office as a Non-Executive Director in various companies across multiple market sectors, including retail and construction. He was Senior Independent Director whilst at Travis Perkins between 2005 and 2014 and was Chairman of Aga Rangemaster Group plc between 2008 and 2015.

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

Other roles: Chairman of Bonmarché Holdings plc and PJSC M Video, as well as private company Barchester Healthcare Ltd.

Committees: Nomination (Chair), Remuneration

Rik De Vos
Chief Executive Officer

Appointed: February 2015

Rik has over 27 years' experience working within the chemical and manufacturing sectors, providing technical products to a wide variety of international markets, customers and consumers. He also brings extensive general management experience internationally as well as having proven success in completing several strategic turnaround projects where businesses have been restored to profitable growth.

Rik was previously Global General Manager for the Flexible Foam division of Recticel, the quoted Belgian company. Prior to this, his career has included roles with ICI, Huntsman, Rohm & Haas and BorsodChem.

Committees: Nomination

Chris Smith
Chief Finance Officer

Appointed: January 2015

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

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.

Carole Barnet
Company Secretary

Appointed: October 2010

Carole joined McBride in 1981. She has held the role of Company Secretary of the UK subsidiary companies since 1988 and became Company Secretary of Robert McBride Ltd in 1996. She was appointed Company Secretary of McBride plc in 2010, having held the position of Deputy Company Secretary since 2002. Carole has a degree in German and is a Fellow of the Institute of Chartered Secretaries and Administrators.

Steve Hannam
Senior Independent Non-Executive Director

Appointed: February 2013

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

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

Other roles: Senior Independent Director of Low & Bonar plc.

Committees: Audit, Nomination, Remuneration

Sandra Turner
Independent Non-Executive Director

Appointed: August 2011

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

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

Other roles: Non-Executive Director of Huhtamäki Oyj, Non-Executive Director and Chair of Remuneration Committee of Carpetright plc, Senior Independent Director and Remuneration Committee Chair of Greggs plc. Also, the Vice-Chair of a large independent school.

Committees: Audit, Nomination, Remuneration (Chair)

Neil Harrington
Independent Non-Executive Director

Appointed: January 2012

Neil, a chartered accountant, brings a strong financial background as a highly experienced Executive Finance Director. In particular his wealth of knowledge, understanding and awareness of investment and banking facilities is invaluable. Neil has held senior finance roles in a number of UK-listed companies, including Barclays Bank plc, French Connection Group plc and, more recently, Group Finance Director at Mothercare Plc.

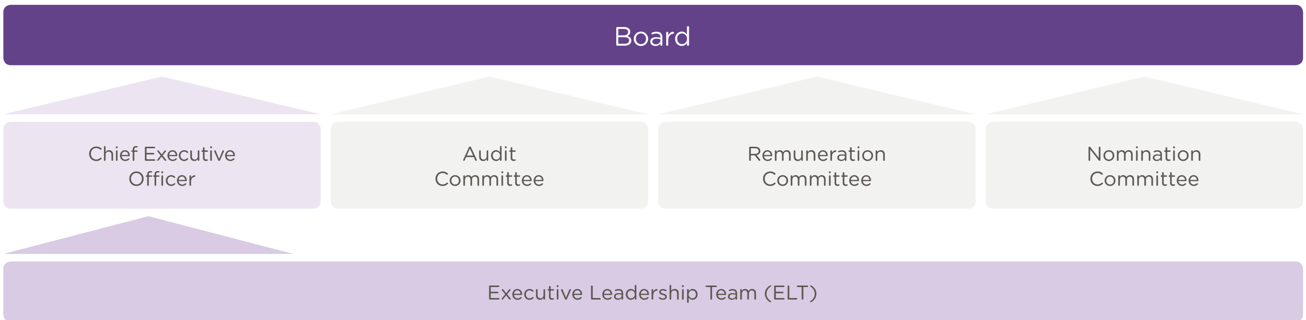
Neil's financial background and expertise leave him eminently suitable to hold the role of Audit Committee Chair.

Other roles: Chief Finance Officer of Cath Kidston Limited.

Committees: Audit (Chair), Nomination, Remuneration

Corporate governance report

Board and sub-committee structure



Board composition

At 30 June 2016, the Board comprised six members: two Executive Directors, the Chairman and three Non-Executive Directors. John Coleman was appointed as Chairman Elect and Non-Executive Director with effect from 22 April 2016, becoming Chairman upon Iain Napier's resignation from the Board with effect from 1 July 2016.

Director election and re-elections

We are satisfied that all the Directors standing for election or re-election perform effectively and demonstrate commitment to their roles, including attendance at Board and sub-committee meetings as well as any other duties which may be undertaken by them from time to time. This has been demonstrated during the year by the willingness of the Directors to attend additional informal meetings and from the support they have given to the executive management of the Group. When applicable, any changes to the commitments of any Director are considered in advance by the Board to ensure they are still able to fulfil their duties satisfactorily.

Although the Articles of Association ('Articles') require the Directors to submit themselves for re-election at every third Annual General Meeting (AGM), all eligible Directors have agreed to submit themselves for annual re-election. Accordingly, Rik De Vos, Chris Smith, Steve Hannam, Neil Harrington and Sandra Turner will retire at the 2016 AGM and offer themselves for re-election.

John Coleman, having been appointed by the Board during the year, offers himself for election at the 2016 AGM.

The biographies for each Director, set out on pages 30 and 31, illustrate the range of skills and experience they offer to the Company. Voting at the 2015 AGM demonstrated continued support for all Directors who held office at that time.

Attendance at meetings year ended 30 June 2016

Number of Board meetings held			7
Members	**Number of meetings attended**	**Member since**	**AGM**
John Coleman[1] Chairman	1	22/04/2016	n/a
Rik De Vos Chief Executive Officer	7	02/02/2015	1
Chris Smith Chief Finance Officer	7	07/01/2015	1
Steve Hannam Senior Independent Non-Executive Director	7	04/02/2013	1
Neil Harrington Independent Non-Executive Director	7	03/01/2012	1
Sandra Turner Independent Non-Executive Director	7	01/08/2011	1
Iain Napier[2] Chairman	7	01/07/2011	1

(1) From date of joining the Company.

(2) To date of leaving the Company.

Leadership and responsibilities

We recognise the importance of establishing the right culture and communicating this message throughout the organisation. It is important that we provide strong and effective leadership, constructive challenge and, along with the ELT, accept collective accountability for the performance of the Group. In so doing, we can drive and deliver our strategy in the best interests of all our stakeholders.

In carrying out our work, the Board focuses on key tasks which include active reviews of the Group's long-term strategy, monitoring the decisions and actions of the Chief Executive Officer and the ELT, and reviewing the Group's trading performance and critical business risks. Further information on the matters we have considered during the year is set out on page 36.

Chairman, Chief Executive Officer and Senior Independent Director roles

The role of Chairman and Chief Executive Officer are separate and clearly differentiated. No one individual has unfettered powers of decision-making.

John Coleman, as Chairman, is primarily responsible for:

- overall leadership and governance of the Board, ensuring it operates effectively in terms of agenda setting, information management, induction, development and performance evaluation;
- promoting a healthy culture of challenge and debate at Board and sub-committee meetings;
- fostering effective relationships and open communication between the Executive and Non-Executive Directors;
- ensuring both Board and shareholder meetings are properly conducted and that the views of shareholders are communicated to the Board; and
- promoting effective decision-making.

Rik De Vos, as Chief Executive Officer, is primarily responsible for:

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

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

- providing a sounding board for the Chairman and acting as an intermediary between other Directors when necessary;
- leading the succession process for a new Chairman when required; and
- being an available communication channel for shareholders, where contact through the Chairman or Executive Directors is not appropriate.

Non-Executive Directors

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

The key responsibilities of the Non-Executive Directors are:

- developing and agreeing the Group's business model and strategy with the Executive Directors;
- scrutinising the performance of the Company and the Executive Directors;
- providing challenge and advice to the Executive Directors;
- overseeing the Company's risks and internal controls;
- approving remuneration and succession planning for Board Directors and other senior executives; and
- monitoring and enhancing the Company's corporate governance and compliance activities.

During the year, each Director confirmed that they had no relationship or circumstance that could affect their judgement and the Board has satisfied itself that there is no compromise to the independence of those Directors who have appointments with external entities. We believe that the balance between non-executive and executive representation encourages healthy independent challenge to the Executive Directors and to senior management.

Items reserved for the Board

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

Board sub-committees

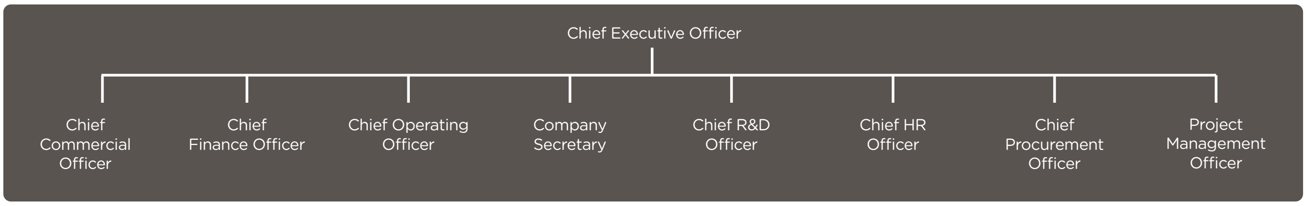
Certain activities of the Board are delegated to various sub-committees (Audit, Remuneration and Nomination). Each sub-committee is chaired by a member of the Board which, in turn, enables the Non-Executive Directors to take active roles in influencing and challenging the work, performance and recommendations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

Each sub-committee has been established under its own Charter which sets out its Terms of Reference, authority, composition, activities and duties. The Charters are reviewed and updated as necessary to ensure ongoing compliance with the provisions of the Code and other best practice guidelines. They were last reviewed in June 2016.

Reports for each of the sub-committees are incorporated within this Corporate governance report and detail their membership, roles and activities.

Corporate governance report
continued

Executive Leadership Team



Operational management of the Group

The management of the Group's business activities is delegated to the Chief Executive Officer, who is ultimately responsible for establishing objectives and monitoring executive actions and performance through the ELT.

The Chief Executive Officer chairs monthly meetings of the ELT, which regularly visit business locations to engage with the general workforce and provide the opportunity for site-based colleagues to interact with them and to ask questions concerning the business.

The key responsibilities of the ELT, led by the Chief Executive Officer, are to:

- rigorously assess the Group's trading performance;
- identify and develop to a successful conclusion, those large-scale cross-Group projects which are critical to delivering the Group's strategy;
- facilitate the interface between the Group's functions to ensure decisions are taken in a manner that both optimises delivery of the strategy and maximises shareholder value;
- encourage and foster talent development and succession planning processes; and
- provide a cross-functional forum for the discussion of opportunities, risks and controls arising from business activities, as well as to communicate business performance.

The Chief Executive Officer is responsible for the day-to-day management of the business. In turn, these responsibilities are delegated via the various ELT members to senior management on a structured functional basis. Specifically, health, safety and environmental and quality matters are delegated to the Chief Operating Officer and social and community matters are delegated to the Chief HR Officer.

Whilst the Board takes overall responsibility for approving Group policies, including those relating to social responsibility, business ethics, health, safety, sustainability, environmental matters and anti-bribery and corruption, the implementation of these policies is delegated to the Chief Executive Officer and then cascaded throughout the organisation via the ELT and the various functional teams. Copies of our policies are available on the Group's website at **www.mcbride.co.uk**.

Effectiveness

Board style

A strong feature of the Board's effectiveness in delivering the strategy is our inclusive and open style of management and a free flow of information between the Executive and Non-Executive Directors. The size of our Board encourages individuals to discuss matters openly and freely and to make a personal contribution through the exercise of their personal skills and experience. No single Director is dominant in the decision-making process.

All Directors communicate with each other on a regular basis and contact with senior executives within the Group is sought and encouraged.

Diversity

We recognise the recommendations regarding Board diversity and acknowledge that gender diversity is a key element to broaden the contribution made to Board deliberations. However, as the Board is small, comprising only six members, we continue to believe that quotas are not appropriate. We also accept that there are many different aspects to diversity, including professional and industry-specific experience, understanding of geographical markets, different cultures as well as gender, all of which can be an aid to the Board's effectiveness. Board appointments will ultimately continue to be made based on merit and calibre.

We have a good record of appointing women to Board positions, having had at least one female Non-Executive Director since 2003 and we continue to ensure that potential female candidates are included in the search for new Board appointments. During this year's search for the new Chairman, female candidates were included on the shortlist. Furthermore, three members of the ELT are females. This team also includes a number of nationalities: British, Belgian, French and German.

The Board recognises the importance of developing internal talent across its global workforce. To support this, we are committed to ensuring that colleagues of all diversities have an equal chance of developing their careers within our business. We have policies and processes in place which are designed to encourage and support diversity in employee recruitment, as well as providing opportunities for development and promotion.

Succession planning

The Group is in the course of developing a more robust approach to its succession planning process. This will include identification of key talent within the business and offering leadership training to those selected as having the potential to assume ELT and/or Board positions in the future. The outputs and proposals will be overseen by the Board.

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. This involves site visits, face-to-face meetings with senior executives and the issue of an induction manual containing key documents relating to the new appointee's role on the Board. Independent external training may also provided by legal advisers who have no other connection with the Company.

John Coleman has undertaken a formal and comprehensive induction since joining the Company. This has involved a combination of presentations, reading materials and meetings with the ELT and Company advisers. He has visited a number of the Group's business locations, and has been provided with an understanding of the Group's principal risks and strategic opportunities.

We recognise 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 as well as on regulatory/legislative developments and other topics of specific relevance to ensure that the Directors continually update their skills, knowledge and familiarity with the Group's business and the markets in which we operate.

Additionally, all Directors are entitled to undertake external training relevant to their particular duties.

During the year, Sandra Turner has attended various forums which have benefited her in the role as Chair of the Remuneration Committee. Neil Harrington has continued to maintain his professional status as a Chartered Accountant and the Executive Directors have attended industry briefings relevant to their roles to ensure they are up-to-date on developing themes.

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.

Conflicts of interest

In line with the Companies Act 2006 and the Company's Articles, we have strict procedures in place to capture the disclosure and subsequent consideration and potential authorisation of any Director direct or indirect interest which may conflict with those of the Group. Any such disclosures are recorded and compliance is reviewed at each Board meeting. Our procedures allow for the imposition of limits or conditions by the Board when authorising any conflict, if it is thought appropriate.

Operation of the Board

Board papers are prepared and issued at least one week prior to each Board meeting to enable Directors to give due consideration to all matters in advance of the meeting. Directors are able to take independent professional advice, if necessary, at the Company's expense.

The Board holds at least six meetings a year at approximate bi-monthly intervals. Additional meetings are held as necessary to consider specific matters where a decision is required before the next meeting. From time to time, the Board authorises the establishment of a sub-committee to consider and, if thought fit, to approve certain items of business. On such occasions input is sought from all Board members before the business is considered.

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

Corporate governance report
continued

Board activity year ended 30 June 2016

The graphic below illustrates those matters which formed the key areas of challenge and discussion by the Board during the year.

The Board

John Coleman	Rik De Vos	Chris Smith	Steve Hannam	Sandra Turner	Neil Harrington
Chairman	Chief Executive Officer	Chief Finance Officer	Senior Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director

Market and economic environment

Matters considered

- Market and customer development updates
- Competitor activity analysis
- Sales and marketing activity reviews
- Customer contracts updates
- Contract manufacturing opportunity analyses
- Economic and currency market forecasts

Strategic development opportunities

Matters considered

- Organisation and strategic project updates and reviews
- Consideration of major capital investment projects
- Purchasing performance
- Monitoring future product safety legislative compliance requirements
- Development of the business plan model

Trading, financial and operational performance

Matters considered

- Trading performance updates
- Approval of budget
- Treasury strategy, including banking activity and policy reviews
- Cash flow and net debt monitoring
- Approval of full year and half-year announcements and other trading updates
- Annual Report and Accounts review and approval
- Customer service and operational reports
- Analyst expectations
- Investor presentations
- Payments to shareholders, policy and proposals
- Segmental analysis reporting

Governance and risk

Matters considered

- Health and safety updates
- Business risk analysis exercise
- Insurance programme renewal
- Share register analysis reports
- Stakeholder feedback
- Board self-evaluation exercise
- Code and legislation compliance reviews
- Corporate policies reviews and approval
- Sub-committee and reserved Board matter Terms of Reference updates
- Talent and succession planning reviews
- Board Chairman appointment

Board evaluation

We last undertook an externally facilitated evaluation of the performance of the Board, its members and its sub-committees in the 2011/12 financial year. Since then, the composition of the Board has changed with the appointment of the new executive team and, during the course of the 2015/16 year, the appointment of a new Chairman. Furthermore, as a constituent of the FTSE SmallCap, the Board did not deem it necessary for a further external evaluation to be undertaken for the 2015/16 financial year. This will be considered further during the course of the 2016/17 financial year.

As in previous years, the exercise was designed and led by the Company Secretary, working closely with the Chairman of the Board. A questionnaire was developed to evaluate the effectiveness and skill sets of both the individual Directors, as well as the Board as a whole. Consideration of progress in terms of succession planning and talent management was specifically explored. A top-line evaluation of the operation of each of the sub-committees of the Board was also covered.

The key findings identified that:

- the new Executive Directors are a cohesive team and interface well with the Board by welcoming open, frequent and constructive dialogue with the Non-Executive members;
- focus on and monitoring of quality, as well as health, safety and environmental (HSE) matters has improved significantly during the year with regular reports being tabled as a key agenda item at each Board meeting;
- the sub-committees continue to be well established, organised, chaired and comply with best practice. In particular, the Nomination Committee was successful in overseeing the appointment of a new Chairman; and
- a strong governance culture exists within the Company supported by all members of the Board.

Areas for improvement included:

- the need to develop succession planning further to provide the Board with visibility of talent available to assume roles at ELT and Board level positions in the future. This work has commenced and is in the course of being developed into a formal process; and
- a desire for more interaction with senior managers below Board level. This has already commenced with members of the ELT attending Board meetings to present matters relating to their own particular functions or associated with evolution of the Group's strategy. Exposure to people below ELT level has also commenced and will be enhanced further during the 2016/17 financial year.

Following completion of the exercise and his appointment, the new Chairman met with individual respondents to discuss the findings.

Accountability

Business risk

The Board considers that the Group operates a risk-aware culture with an open style of communication. This facilitates the early identification of problems and issues, so that appropriate action is taken quickly to minimise the impact on the business.

The Group's internal control and risk management activities are managed through various activities including:

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

The Internal Audit function serves to provide assurances to the Audit Committee that relevant controls and actions are in place. Its plan of works is guided by the Group's risk assessment process and agreed with the Audit Committee at the start of each year, although it remains flexible to address new and emerging risks. Further information on our Internal Audit function and process can be found in the Audit Committee report on page 43.

Whistleblowing procedures are in place for individuals to report suspected breaches of law or regulations or other serious malpractices. The Group has an Anti-Bribery and Corruption Policy which extends to all business dealings and transactions in all countries in which it, or its subsidiaries, operate.

Corporate governance report
continued

Group business risk management process

We have continued to apply our Business Risk Identification and Management process (BRIM) across the Group. The outputs from the process are owned by the individual functional leadership teams, reviewed and assessed by the ELT and considered and challenged by the Audit Committee. Further risk mitigating actions are considered as part of this process for any significant risks faced by the Group, thereby reflecting the ongoing commitment towards managing and addressing key risks in a responsive and proactive way. The exercise is used to derive the principal risks and uncertainties faced by the Group, as reported on pages 22 to 24.

Internal control systems and risk management procedures

The Board recognises its responsibility for reviewing the effectiveness of the Group's systems of internal control and risk management procedures during the year. This responsibility is delegated to members of the ELT to consider and reassess the effectiveness of the existing controls and to identify whether any new risks have arisen as a result of any control weaknesses. Further information about these processes and procedures and how their effectiveness has been assessed as reported on page 43.

Such systems are designed to manage, rather than eliminate, the risk of failure to achieve the business objectives and can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is satisfied that there is an ongoing process for identifying, evaluating and managing risks faced by the Group. This process has been in place for the year under review and also up to the date of approval of this Annual Report. The table on page 39 summarises the key control procedures undertaken by the Group and links these to the business model, strategy and principal risks and uncertainties detailed in the Strategic report.

Investor relations

Relations with shareholders

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

The Executive Directors continue to pro-actively engage with both existing and potential new shareholders with the purpose of understanding their appetite to invest in the Company.

In addition, formal presentations of full year and half-year results are made by the Chief Executive Officer and Chief Finance Officer. These presentations include regular face-to-face meetings with analysts, brokers and fund managers and provide the opportunity for shareholders to assess the Group's performance and promote a better understanding of the business and its strategic development, as well as to explore the Group's approach to corporate governance matters.

The Board is kept informed of investors' views through the distribution and regular discussion of analysts' and brokers' briefings and through summaries of investor opinion feedback. The Board also receives reports on the output from surveys carried out by various investor research bodies. The Chairman, Senior Independent Director and Chair of the Remuneration Committee are available to discuss governance, strategy and overall remuneration policies and plans with major shareholders and are prepared to contact individual shareholders should any specific areas of concern or enquiry be raised. Where applicable, the views of major shareholders are sought on certain issues.

The principal communication method with private investors is via our website at **www.mcbride.co.uk/investors**, which has a section dedicated to shareholders.

All the Directors attend the AGM and shareholders have an opportunity to raise questions, both formally during the meeting and informally after the meeting has closed. A summary presentation of the Group's trading position is given at the AGM before the Chairman deals with the formal business of the meeting. The proxy votes cast in relation to all resolutions, including details of votes withheld, are disclosed during the meeting and the results made available on our website and announced via the Regulatory News Service.

Information on share capital

Information about share capital can be found in the Other statutory information section on page 62.

Control procedure	Link to business model, strategy and principal risks
Management responsibility and accountability	• Clearly defined management responsibility and reporting lines. • Chief Executive Officer and Chief Finance Officer meet regularly with ELT to review progress on financial, commercial, supply chain, HR, safety and environmental issues and regulatory/legal compliance matters.
Strategic planning process	• Strategy developed and approved by the Board. • Strengths, weaknesses, risks and opportunities highlighted on a Group strategic and functional level. • Focus on the market environment, develop associated objectives and actions to achieve them. • Implementation of the plans monitored by ELT reporting system which provides early warning of any failure to meet targets.
Budgeting and financial reporting	• Comprehensive annual budgeting process ultimately approved by the Board. • Detailed consolidated management accounts prepared each month and reviewed by the ELT. • Financial performance against budget monitored and challenged centrally, with full year forecasts updated each quarter. • Board regularly updated on the Group's financial performance and position against targets. • Finance function encouraged to act independently of management in the course of its preparation of monthly accounts and exercising of control procedures.
Key performance indicators (KPIs)	• Comprehensive set of commercial, operational, financial and non-financial KPIs reported monthly. • Performance against targets and sharing of best practice discussed regularly at both functional and Group levels. • Adequacy and suitability of current KPIs reviewed regularly.
Expenditure approval	• Authorisation and control procedures in place for capital expenditure and other major projects. • Process to review capital expenditure projects post-completion to highlight issues, motivate management to achieve forecast benefits and improve future projects performance and delivery.
Documented policies	• Formalised and documented policies for a range of areas including HR matters, expenditure, treasury and financial reporting. • Group finance manual incorporates accounting, tax and treasury policies, as well as reporting responsibilities and capital expenditure approval procedures. • Group authority levels in place detailing matters reserved for the Board, its sub-committees, members of the ELT and other senior management across the Group.
Site property surveys	• Meetings held with insurance and risk advisers covering the Group. • Risk assessments, safety audits and regular reviews of progress against objectives established by each site.
Internal Audit	• Detailed Internal Control Questionnaire (ICQ) completed and signed by relevant executives to confirm their compliance with core control procedures in operation across the Group. • Individual businesses, functions and significant strategic and operational projects, processes and procedures periodically reviewed by Internal Audit function, and recommendations made to improve controls (further information to be found in the Audit Committee report).
Cash	• Cash and debt position monitored daily and variances from forecast levels investigated. • Working capital balances reviewed on a monthly basis at Group level and significant variances analysed and investigated.
External auditor	• The audit includes the review and test of the system of internal financial control and the data contained in the financial statements to the extent necessary for expressing an audit opinion on the truth and fairness of the financial statements (further information to be found in the Audit Committee report).

Audit Committee report

The Committee is responsible for making recommendations to the Board on the financial reporting, internal control and risk management functions and duties of the Group and to provide independent oversight and challenge to management.

The Committee is authorised by the Board to investigate any matters within its Terms of Reference to ensure continuing compliance with evolving best practice guidelines.

On behalf of the Audit Committee, I am pleased to present the Audit Committee report for the year ended 30 June 2016.

Effectiveness of the Audit Committee

The Board is satisfied that Committee members are sufficiently competent in financial matters, in addition to having a wide range of business experience. As Committee Chair, I have relevant financial experience and up-to-date knowledge of financial matters, being a member of the Institute of Chartered Accountants and the current Chief Finance Officer of Cath Kidston Limited. I was previously Group Finance Director at Mothercare plc for seven years.

Committee meetings may be attended by the Board Chairman, Chief Executive Officer, Chief Finance Officer and Head of Internal Audit by invitation. Support is provided by the Company Secretary who serves as Secretary to the Committee. The Company's external auditor, PricewaterhouseCoopers LLP (PwC), also attend meetings by invitation. During the year, PwC attended four meetings.

Independent meetings were also held regularly between the Committee members and the external auditor, in the absence of the Executive Directors. The Chairman of the Committee also had regular meetings with the Head of Internal Audit.

As the Group continues to deliver upon its strategic plans, the Board recognise that this must be achieved within its established system of risk management and internal controls framework, which will ensure that the transformational change and growth realised is supported by an embedded risk management culture.

Key actions and decisions taken during 2015/16:

- as in previous years, the Committee's focus and discussion primarily centred upon the integrity of the Group's accounting and financial reporting processes, including reviewing key policies and reporting issues, together with related risk mitigation and internal control activities;
- the appointment, independence, remuneration and effectiveness of the external auditor was also assessed, taking into account the requirements of the Statutory Audit Services Order 2014. The Committee has considered the issue of external auditor rotation and, whilst continuing to keep under review, currently intends to next tender the Company's audit in line with relevant regulation and guidance;
- the Committee was requested by the Board to review the Company's going concern and longer-term viability statements in reference to the new UK Corporate Governance Code requirements. These statements can be found on pages 12 and 24 respectively;
- the Committee received regular reports on treasury and taxation matters, including consideration of the Group's funding strategy, its foreign currency management policy and banking facilities; and
- after a tender process, the Committee appointed PwC to conduct an assessment of the Group's cyber security risk and to assist in establishing a roadmap to develop and improve any gaps identified.

Neil Harrington
Chairman of the Audit Committee
7 September 2016

Main duties:

- to monitor the integrity of the financial and regulatory reporting process of the Group;
- to review the Group's accounting policies, financial reporting standards and disclosure practices;
- to review and recommend the Board to approve all financial statements and announcements;
- to review and monitor the effectiveness of the Group's internal controls and risk management systems as well as the Internal Audit function;
- to oversee relations with and actively consider the objectivity, independence and effectiveness of the external auditor; and
- oversee the Group's policy on the supply of non-audit services by the Group's auditor.

A copy of the Committee's Terms of Reference is available on the Group's website **www.mcbride.co.uk**

Attendance at meetings year ended 30 June 2016

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

Number of meetings held (minimum two per year)	4

Members	**Number of meetings attended** (quorum is two members)	Member since
Neil Harrington Chairman	4	03/01/2012
Steve Hannam	4	04/02/2013
Sandra Turner	4	01/08/2011

Accounting and reporting issues

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

The significant areas of judgement undertaken during the 2015/16 financial year are set out below. The Committee is satisfied that the presentation of the financial statements is appropriate and in accordance with the Group's accounting policies.

Matters considered	Actions
Impairment reviews	Management's judgement on the need (or otherwise) to take impairment charges for goodwill or fixed assets at certain sites was reviewed, taking into account the trading performance of and the prospects for each location. Recommendations were discussed and agreed with the external auditor. Refer to note 13 to the financial statements.
Tax and treasury matters	The Committee considered and approved the Group's tax policies and reviewed opportunities to improve the Group legal structure to ensure efficient access to subsidiary distributable reserves. In accordance with the terms of the Group's debt facilities, the Committee continued to monitor compliance with all relevant covenants to ensure the Group could continue to have sufficient funding capacity to deliver its strategy. The Committee also reviewed the Group's debt funding strategy and policies on currency and interest rate hedging transactions.
UK pension scheme	The actuarial assumptions used for the half year and full year accounting valuation of the UK defined benefit scheme were reviewed, with views from the external auditor also sought. The key measurements including discount rate, inflation and mortality assumptions were found to be appropriate. Refer to note 23 to the financial statements.
Going concern status and longer-term viability statement	In-depth reviews of the Group's going concern status were carried out by the Committee both at the half and full year period ends. Detailed papers setting out all the relevant considerations were tabled by management and discussed by the Committee together with the external auditor who confirmed that their independent tests continued to support the position that adequate facilities were in place for the period to September 2017 to enable the Group to continue as a going concern. Refer to page 12 of the Executive review. The Committee also considered the modelling and assessments undertaken by management relating to the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Assessments also took place including assumptions based upon the UK's decision to exit the European Union. After conducting their viability review, the Committee has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment to 30 June 2019.

Audit Committee report
continued

Accounting and reporting issues continued

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

Effectiveness of the external auditor

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

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

Auditor objectivity and independence

Committee review	Auditor assurance	Auditor tenure	Non-audit fees
The Committee has undertaken its annual assessment of the external auditor. This included their own evaluation of the reports and services received, such as the scope, strategy and outcome of the interim and year end audits. Discussion with the Company's management also took place; including feedback on the types of value-add services received from PwC in respect of control and accounting developments. The Financial Reporting Council conducted an Audit Quality Inspection of PwC's 2014 audit of the Group, which received the grade of 2A and provided the Committee with external verification that they were receiving a good standard of audit. In 2015, audit fees were benchmarked and the agreed fees for 2016 are considered to be consistent with comparable companies.	The Committee has sought assurance from the external auditor of their compliance with applicable ethical guidance and, in addition, has taken account of the appropriate independence and objectivity guidelines. The Committee considers the risk of PwC withdrawing from the market as remote since they are one of the top four accounting firms in the UK. The Committee has considered and approved the terms of engagement and fees of the external auditor for the year ended 30 June 2016. Fees payable by the Group to PwC totalled £0.4 million (2015: £0.4m) in respect of audit services. There were no contingent fee arrangements with PwC.	The Committee considered its external audit services, taking into account the UK Corporate Governance Code and Statutory Audit Services Order 2014. A full tender for the appointment of the external audit firm took place in 2011, as a result of which PwC was appointed as external auditor with effect from November 2011. The Committee is of the current view that it is more effective to align the tender of the external auditor with rotation of the incumbent's lead partner.	The Company maintains a detailed policy on the engagement of external auditor for non-audit services, designed to preserve their independence when performing the statutory audit. This policy aims to avoid any conflict of interest by specifying the type of non-audit work: • for which the auditor can be engaged without referral to the Audit Committee; • for which a case-by-case decision is necessary; and • from which the external auditor is excluded. In accordance with this policy, other providers are considered for non-audit work and such work is awarded on the basis of service and cost. This policy is regularly reviewed and a copy is available from the Group's website at **www.mcbride.co.uk**. Fees payable by the Group to PwC totalled £123k (2015: £10k) in respect of non-audit services, equating to 30% of audit fees received by PwC during the same period (2015: 2%).

The Committee and the Board remain satisfied with the level of independence, objectivity, expertise, fees, resources and general effectiveness of PwC and, accordingly, recommends that a resolution for the re-appointment of PwC as external auditor for the Company should be proposed at the forthcoming AGM in October 2016.

Assurance and internal control environment

The Committee is delegated the responsibility for reviewing the effectiveness of the Group's systems of internal control, including all material financial, operational and compliance controls, as well as risk management systems and key corporate policies. The Committee is supported by the Group's Internal Audit function in order to complete these reviews.

The Internal Audit function provides independent assurance to the ELT and the Board on the strength and effectiveness of the Group's risk management framework and is responsible for overseeing internal control processes for the Group. The Committee continues to be satisfied that the Internal Audit function has sufficient resource and provides an important and effective role.

Internal controls

The Internal Audit function is actively engaged to understand and consider the extent to which the internal control environment can be improved.

The Committee received specific audit reports, and detailed papers on both the annual Internal Control Questionnaire (ICQ) and UK taxation control effectiveness questionnaire to comply with the Senior Accounting Officer (SAO) requirements, and concluded that the overall approach to internal control and risk management continues to be effective. More information is reported on pages 38 and 39.

During the year, 14 audits were undertaken by Internal Audit in conjunction with a quarterly process of monitoring outstanding actions using our automated follow-up software tool. High completion rates against identified audit actions show clear evidence of management commitment to improving any potential weaknesses.

The recommendations arising from the external auditor's internal controls report have also been reviewed and actions agreed, which have included a Group-wide policies consolidation exercise and harmonised reporting tool.

The Committee's conclusion continues to be that a generally robust and effective control environment exists and that no failings or weaknesses have been identified which had a material effect on the Company's financial performance.

Risk management

The Internal Audit function facilitates the Group's risk management process known as BRIM, which seeks to encourage a robust assessment of potential threats to the business, its performance and its stability both at a strategic and functional/ operational level. BRIM provides a monitoring process for the Group's key business risks and controls, as well as driving a more risk-accountable culture across the business.

The Committee was provided with regular reports on the progress and key results from this process. On behalf of the Board, the Committee considered specifically those risks and uncertainties facing the business which should be classified as significant and sought comfort from the executive about relevant and necessary mitigating factors. See the Principal risks and uncertainties section on pages 22 to 24 for further details.

During the year the Committee approved the ELT's decision to review and refresh the BRIM process and ensure it continues to be effective for its purpose. This work is to be carried out during the 2016/17 financial year.

The Committee reviewed and agreed the Annual Internal Audit Plan confirming its alignment with the Group's strategic priorities, as well as the key risks identified from the output of the BRIM exercise.

Corporate policies

The Committee undertook its annual review of corporate policies on anti-bribery and corruption and whistleblowing. The Committee continues to believe that appropriate key policies are in place to ensure reasonable steps have been taken to prevent fraud and to allow any improprieties to be reported. Copies of the policies are available from the Group's website at **www.mcbride.co.uk**.

Fair, balanced and understandable

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

As a result of its work during the year, the Committee has concluded that it has acted in accordance with its Terms of Reference and has ensured the independence and objectivity of its external auditor.

Neil Harrington
Chairman of the Audit Committee

7 September 2016

Remuneration report

The Committee is responsible for determining the remuneration policy for the Executive Directors and, in conjunction with the Chief Executive Officer, remuneration packages for the Executive Leadership Team (ELT). The Committee is authorised by the Board to consider all matters within its Terms of Reference. The Committee's Terms of Reference is available from the Group's website at www.mcbride.co.uk.

Dear Shareholder

On behalf of the Remuneration Committee, I am pleased to present the Remuneration report for the year ended 30 June 2016.

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

At this year's AGM in October 2016, there will be an advisory vote on the Annual Report on Remuneration.

The Company's Remuneration Policy, approved by shareholders at the 2014 AGM, is again reproduced in full to ensure shareholders have access to all information available on executive remuneration. No changes are proposed for the 2016/17 financial year. In line with the relevant regulations, the Committee will therefore next put the Remuneration Policy to shareholder vote at the Company's 2017 AGM.

Remuneration Policy – payment for performance

As the Company continues to implement its strategy across the three phases of: 'Repair, Prepare, Grow'; the Committee is tasked with providing an executive remuneration framework and set of stretching targets which supports the successful delivery of the strategy and encourages the behaviours and values required for successful and sustained long-term performance.

The Committee welcomes feedback from shareholders and monitors the remuneration landscape to ensure the Company's Remuneration Policy remains fit for purpose and is appropriately aligned with shareholder expectations. During the coming year the Committee will be undertaking a comprehensive review of the Remuneration Policy, ahead of the 2017 AGM, and I will be pleased to discuss with shareholders any proposed changes to the structure and design of the Remuneration Policy.

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; and
- to review the implementation and operation of any Company share option schemes, bonus schemes and long-term incentive plans (LTIP).

Attendance at meetings year ended 30 June 2016

The Board is satisfied all members are independent Non-Executive Directors, with the exception of Iain Napier and John Coleman who satisfied the independence condition on their appointment as Non-Executive Director in 2007 and 2016 respectively.

Number of meetings held (minimum two per year)	6

Members	Number of meetings attended (quorum is two members)	Member since
Sandra Turner Chair	6	01/08/2011
Steve Hannam	6	04/02/2013
Neil Harrington	6	03/01/2012
John Coleman(1)	1	22/04/2016
Iain Napier(2)(3)	5	19/07/2007

(1) From date of joining Company.
(2) Apologies tendered for one meeting but matters for consideration shared prior to meeting.
(3) To date of leaving Company.

Key actions and decisions taken during 2015/16

The Committee has considered:

- as part of the strategic 'Repair' phase, the Company took the decision to harmonise the annual salary review date to January of each year, beginning in 2017. As a result no salary reviews, including for the Executive Directors, took place in 2016. The base salaries for both Rik De Vos, Chief Executive Officer, and Chris Smith, Chief Finance Officer, therefore remain at the levels received upon appointment in 2015;
- in September 2015 the Committee agreed to the granting of LTIP awards for the year 2015/16 to Rik De Vos and Chris Smith. Details of these awards can be found on page 55;
- for the 2015/16 Annual bonus the Committee determined the Group financial target had been met in full. Personal objectives for both Executive Directors had been partially achieved, giving a total 98.5% payout of the maximum annual bonus available to both Executive Directors. Further details can be found on page 54;
- the Committee reviewed performance targets and objectives in relation to the Executive Director 2016/17 Annual bonus and LTIP awards and determined they would continue to be based on similar measures used in the previous year. Further details can be found on page 52; and
- the Committee reviewed the fee for the new Chairman and agreed it would remain at £150,000 p.a. to ensure the right calibre and experience of individual would be attracted to the role to provide high quality and effective Board leadership and governance.

Recommendation

A positive vote of 92.46% in favour of the Annual Report on Remuneration was received from shareholders at the 2015 AGM providing a strong endorsement for our remuneration strategy and the Committee hopes to continue to receive this support at our AGM in October 2016.

Sandra Turner
Chair of the Remuneration Committee
7 September 2016

Remuneration report
continued

Remuneration Policy report

This report provides details of the Remuneration Policy for the Executive and Non-Executive Directors as adopted by the Company following approval by shareholders at the 2014 AGM.

Remuneration Policy principles

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

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

Remuneration principle	Component
Remuneration links to business strategy and long-term investor interests	• Both short and long-term rewards are linked to performance and Company strategy to maximise long-term shareholder value. • The Policy provides an appropriate balance between fixed remuneration, short-term bonus and long-term incentives. • Executives are encouraged to build and maintain a targeted shareholding as this represents the best way to align their interests with those of shareholders.
Fair reward to individuals for successful contribution made to the business	• The annual bonus targets are split between Company financial performance and personal objectives which align with key business objectives in a given year. • Long-term incentives are targeted against metrics which align with shareholder interests. • Environmental, safety, sustainability, social and governance issues are taken into account.
Performance targets are appropriate and sufficiently demanding	• Performance conditions for the variable elements of executive pay are set independently by the Committee at the outset of each year and assessed by the Committee, both quantitatively and qualitatively, at the end of each performance period. • The personal objectives reward in annual bonus plans for senior executives are specific and are reviewed by the Committee to ensure they adequately reflect the business objectives of the Group and are only paid on measurable success.
In line with best practice where appropriate	• General pay and employment conditions across the Group are taken into account when setting executive remuneration. The Committee is kept informed of such matters via regular interaction with the Group's HR function. • The Committee consults with the Chief Executive Officer and pays due regard to his recommendations for other senior executives. Individual Directors are not involved in decisions concerning their own remuneration. • The Committee is committed to keeping its Policy under regular review, taking into account changes in the competitive environment, remuneration practices and guidelines set by the key institutional shareholder bodies.

Consideration of conditions elsewhere in the Group

The Committee does not consult with employees specifically on its policy for Executive Director remuneration, but takes into account salary increases and benefits applying across the Group as a whole when considering the salaries and other elements of Executive Director remuneration packages.

Consideration of shareholder views

The Committee will continue to take into account the views of our major shareholders to ensure the Remuneration Policy reflects as far as practicable latest trends in evolving good practice in the UK. The Committee considers any feedback received from shareholders when making decisions on the Remuneration Policy.

Future policy table

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

Element: Executive Director base salary	
Purpose and link to strategy	• To ensure the Group is able to recruit and retain high calibre executives.
Operation	• Salaries are set by the Committee taking into account individual experience, performance, skills and responsibilities, prevailing market conditions (by reference to companies of a similar size and complexity and other companies in the same industry) and internal relativities. • Salaries are paid monthly in arrears by bank transfer and are normally reviewed annually with any changes effective from January.
Maximum	• Details of current salaries of the Executive Directors are detailed on page 53. • Salaries are reviewed annually and may be increased each year. Increases will generally be in line with those awarded to the UK-based 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	—

Element: benefits	
Purpose and link to strategy	• To provide market competitive benefits, and be in line with those provided to other Group employees.
Operation	• Benefits include private medical insurance, sick pay, a fully expensed car (or equivalent cash allowance), disability and life assurance cover.
Maximum	• The benefit provision is reviewed periodically. No maximum level is set on the value or cost of benefits provided.
Performance measures	—

Element: pension	
Purpose and link to strategy	• Retirement benefits are regarded as an imported element of the Group's basic benefits package to attract and retain talent.
Operation	• Membership of the Company's defined contribution, or similar pension scheme, or in agreed circumstances, a cash allowance in lieu of pension.
Maximum	• Up to 25% of base salary.
Performance measures	—

Element: annual bonus	
Purpose and link to strategy	• The purpose of the annual bonus is to incentivise delivery of the Group's financial and non-financial objectives and to ensure that Executive Directors and senior executives are fairly rewarded for their contribution to the success of the Group.
Operation	• Performance conditions are set independently by the Committee at the start of each year. • Performance criteria include the financial targets of the Group as agreed by the Board and specific annual targets based on clear and measurable objectives that underpin, and are key to achievement of the Group's strategy. • Personal objectives are reviewed by the Committee to ensure they contribute to the strategic aims of the Group. • To further align the interests of Directors with shareholders, a portion of the bonus is paid in deferred shares. Shares awarded under the Deferred Annual bonus Plan (DBP) vest after three years and are normally only payable if the Director remains employed by the Group at the end of that period. The deferred shares awarded are held by an Employee Benefit Trust until vesting. • Both the cash and deferred share elements of the annual bonus are subject to clawback in the event of a material misstatement of the financial results, serious misconduct by a participant or other defined reasons.

Remuneration report
continued

Element: annual bonus continued	
Maximum	• 100% of base salary.
Performance measures	• A bonus of 80% of salary is based against a sliding scale of challenging and stretching financial performance targets, of which the first 50% of salary is payable in cash and the remaining 30% of salary in deferred shares under the DBP. A bonus of up to 20% of salary, which is payable in cash, is based on the achievement of specific and measurable personal targets. Irrespective of achievement against the personal targets, no bonus is payable unless a minimum level of financial performance is achieved. • The Committee retains the ability in exceptional circumstances to adjust the targets and/or set different measures and alter weightings for the annual bonus if 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. • LTIP awards are subject to clawback in the event of a material misstatement of the financial results, serious misconduct by a participant or other defined reasons. • A 'dividend equivalent' provision is also available at the discretion of the Committee enabling dividend or dividend equivalent payments to be paid, in cash or shares, on any shares that vest under the LTIP. • The Committee will operate the LTIP according to its respective rules and in accordance with the Listing Rules and HMRC rules, where relevant. The Committee retains discretion, consistent with market practice in regard to the operation and administration of the LTIP, including the option to provide different types of awards; settling any vesting awards in cash; when dealing with a change of control (e.g. the timing of testing performance conditions) or restructuring of the Group; determination of a good/bad leaver based on the rules of each plan and the appropriate treatment chosen; and adjustments in certain circumstances, such as rights issues, corporate restructuring, events and special dividends.
Maximum	• Typically 100% of salary for Executive Directors, but with the flexibility to increase to 150% of salary in relevant circumstances.
Performance measures	• 50% of the awards are subject to an EPS performance condition and 50% of the awards are subject to a relative TSR performance condition. • EPS is a measure of the Company's overall financial success and TSR provides an external assessment of the Company's performance against comparable companies on the Stock Exchange. It also aligns the rewards received by executives with the returns received by shareholders. • Targets are set by the Committee for each award on a sliding scale basis. The Committee may set different EPS target ranges for each award providing they are equivalently challenging in the circumstances. No more than 25% of awards will vest for threshold performance, with full vesting taking place for equalling or exceeding maximum performance conditions. • Details of the performance conditions applied to awards granted in the year under review and for the awards to be granted in the forthcoming year are set out on pages 55 and 52 respectively. • Different performance measures and/or weightings may be used for future awards to help drive the strategy of the business. • The Committee retains the ability in exceptional circumstances to adjust the targets and/or set different measures and alter weightings for the LTIP if events occur, such as a material divestment of a Group business, which cause it to determine they are no longer appropriate and a change is required to ensure that they achieve their original purpose and are not materially less difficult to satisfy.

Element: Non-Executive Director fees	
Purpose and link to strategy	• To ensure the Group is able to attract and retain experienced and skilled Non-Executive Directors able to advise and assist with establishing and monitoring the strategic objectives of the Company.
Operation	• The remuneration of the Chairman and the Non-Executive Directors is payable in cash fees. They are not eligible to participate in bonus or share incentive schemes. Their services do not qualify for pension or other benefits. Fees are paid monthly and reasonable expenses are reimbursed where appropriate. • Fee levels are determined by the full Board with reference to those paid by other companies of similar size and complexity, and to reflect the amount of time they are expected to devote to the Group's activities during the year. A supplementary fee is also paid to Committee Chairs and to the Senior Independent Director to reflect their additional responsibilities.
Maximum	• Details of the current fees for the Chairman and Non-Executive Directors are set out on page 56. Under the Company's current Articles of Association, the aggregate annual sum for Non-Executive Director fees cannot exceed £400,000 p.a. The Company does not intend to seek shareholder approval for any increase to this maximum in the short to medium term.
Performance measures	• No element of the Chairman's or Non-Executive Directors' fees is performance related.

Element: share ownership guidelines	
Purpose and link to strategy	• Both the Executive and Non-Executive Directors and other senior executives are encouraged to build and maintain a shareholding in the Company as this represents the best way to align their interests with those of shareholders. Levels are set in relation to earnings and according to the post held in the Company.
Operation	• The expectation is that executives will build up to these levels over a period of time, through retaining shares received under the Company's incentive arrangements and/or purchased in their own right.
Maximum	• There is no maximum; however target levels are set at 150% of salary for Executive Directors, 33% of annual fees for Non-Executive Directors and 50% of salary for other senior executives.
Performance measures	—

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 47 and 48. In addition: • Executive Director buy-out payments may be made in exceptional circumstances; typically when these are considered to be in the best interests of the Company to facilitate the buy-out of value forfeited on joining the Company. These payments would typically be in the form of an enhanced LTIP award under the rules and maximums permitted under the Company's LTIP rules at that time and, in any event, would not be in excess of 200%. Such payment would take account of remuneration being relinquished, including the nature and time horizons attached to such remuneration and the impact of any performance conditions. In exceptional circumstances, payments could be made in the form of a cash payment or Restricted Share Award. When in the form of a cash payment, this would normally be subject to clawback in certain situations, in line with other elements under the Company's Remuneration Policy. • 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 recruitment 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.

Remuneration report
continued

External appointments

Executive Directors are permitted, where appropriate and with Board approval, to assume non-executive directorships of other organisations. Where the Company releases Executive Directors to carry out non-executive duties, they will be required to disclose the fact that they retain any earnings and the amount of such remuneration. Neither of the Executive Directors held any external directorships during the year ended 30 June 2016.

Executive Directors' service contracts and compensation for loss of office

Service contracts stipulate that the Executive Directors will provide services to the Company on a full time basis. The contracts contain, in addition to remuneration terms, details of holiday and sick pay entitlement, restrictions and disciplinary matters. The contract for the Chief Executive Officer was entered into on 17 December 2014 and for the Chief Finance Officer on 15 July 2014.

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 contracts for both the Chief Executive Officer and the Chief Finance Officer stipulate six months' notice by both the Company and the Director, although, in exceptional circumstances, notice periods for up to a maximum of twelve months may be offered to newly recruited Directors. All Directors' contracts are available for inspection at the AGM. The Committee recognises the provisions of the Code for compensation commitments to be stipulated in Directors' service contracts with regard to early termination. Further information on the Committee's Executive Director compensation approach can be found in the table below.

Element: Executive Director compensation on loss of office

Purpose and link to strategy	• On termination of an Executive Director's service contract, the Committee will seek to provide the minimum compensation applicable to the individual's employment contract.		
Operation	• Executive Director service contracts will stipulate the Company's compensation commitments to be honoured in an early termination event. Any commitments will be within the principles of the Company's Remuneration Policy, together with any specific contractual provisions agreed prior to 27 June 2012 where they do not fall within the principles, where applicable. • Directors' service contracts confirm that the Company 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.		
Maximum	• Any compensation arrangements will not be beyond those stipulated in the Directors' service contracts and will normally be limited to base salary, benefit and pension elements. Dependent upon the circumstances (and subject to the Committee's discretion) as shown below, a Director's performance related remuneration elements may also be included.		
	Normal exit (termination for reasons of resignation or dismissal).	**Good leaver** (termination for reasons of death, ill health, retirement, redundancy, or at the discretion of the Committee).	**Change of control** (excludes a reorganisation or reconstruction where ownership does not materially change).
Annual bonus	No entitlement for year of exit. Payments in earlier years may be subject to clawback in certain circumstances.	Pro-rated (based upon timing and performance) for year of exit. Any DBP awards (at Committee discretion) vest at either normal vesting date or on cessation of employment.	Extent to which performance requirements are satisfied in year determines level of annual bonus. Any unvested DBP awards will vest on date of the relevant event.
LTIP	Unvested awards lapse. Vested awards may be subject to clawback in certain circumstances.	Unvested awards pro-rated based upon rules of LTIP plan (at Committee discretion) and vest on either normal vesting date or cessation of employment.	Unvested awards are pro-rated based upon rules of LTIP plan (at Committee discretion) and vest on the date of the relevant event.

Non-Executive Directors' letters of appointment

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

Director	Date first appointed to the Board	Date of last election at AGM(1)	Notice period	Compensation upon early termination	Latest letter of appointment
John Coleman	22/04/2016	–	3 months	None	22/04/2016
Steve Hannam	04/02/2013	2015	3 months	None	20/06/2016
Neil Harrington	03/01/2012	2015	3 months	None	20/06/2016
Sandra Turner	01/08/2011	2015	3 months	None	20/06/2016

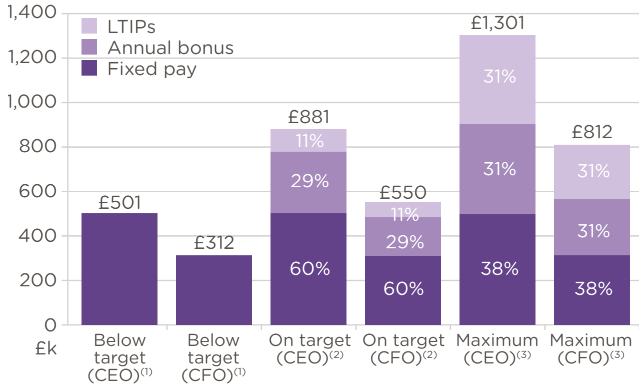
(1) All Directors are re-elected on an annual basis.

The Non-Executive Directors and Chairman serve on the basis of renewable letters of appointment which are terminable at the discretion of either party. In accordance with the principles of the Code, the Chairman, the Non-Executive Directors and the Executive Directors are subject to voluntary re-election by shareholders on an annual basis. Their appointments may be terminated without compensation in the event of them not being re-elected by shareholders or otherwise in accordance with the Articles.

Any appointment for more than nine years in total will be subject to annual review by the full 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.

Remuneration performance scenarios 2016/17

The chart below illustrates how the composition of the Chief Executive Officer's and Chief Finance Officer's remuneration packages could vary at different levels of performance under the Company's 2016/17 implementation of Remuneration Policy as a total value opportunity.



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

(2) On-target performance assumes a bonus award of 70% of salary and 25% vesting under the LTIP.

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

Remuneration report
continued

Annual Report on Remuneration

Application of the Remuneration Policy for the 2016/17 financial year

The table below sets out how the Remuneration Policy will be applied for the forthcoming financial year.

Element	Application of policy for 2016/17	Explanation
Executive Director base salary	The base salary for Rik De Vos, Chief Executive Officer, remains at £400,000. The base salary for Chris Smith, Chief Finance Officer, remains at £250,000.	Salaries will be subject to an annual review in January 2017.
Benefits and pension	Both the Executive Directors will continue to receive the Company's standard benefits package. Rik De Vos receives a pension contribution by the Company equivalent to 20% of annual base salary. 50% of this contribution is provided into an appropriate defined contribution pension scheme, with the other 50% received as a cash sum in lieu of pension. Chris Smith receives a cash sum in lieu of a pension contribution at 20% of annual base salary.	The current benefits are considered to be appropriate.
Annual bonus	The structure and operation of the annual bonus scheme will continue in line with the previous financial year. The maximum bonus opportunity for the Executive Directors continues to be 100% of salary: 80% of the award will be subject to a sliding scale of challenging operating profit targets and 20% will be subject to specific measurable personal targets.	The Committee considers that the forward-looking targets are commercially sensitive and has, therefore, chosen not to disclose them in advance. Details of the targets will be set out retrospectively in next year's Remuneration Report. However, the targets are considered to be demanding in the context of the Company's circumstances.
LTIP	The LTIP awards to be granted in 2016/17 will continue to be subject to EPS and relative TSR performance conditions. The intended Executive Director grant level for the LTIP is 100% of salary. The TSR schedule and comparator group is based upon the FTSE SmallCap Ex. Investment Companies Index with 25% of this element of the award vesting for median performance; with full vesting for upper quartile performance. EPS targets continue to align to the Company's three-year business targets and our plans for EPS growth. Awards subject to the EPS condition will lapse unless the Company's EPS Compound Annual Growth Rate (CAGR) (adjusted to exclude the effects of amortisation of intangible assets and exceptional items) is at least 8%, at which level 20% of this element will vest. For performance above this level, awards will vest on a rising scale, with full vesting only if EPS CAGR reaches 17%.	TSR provides an external assessment of the Company's performance against its competitors. It also aligns the rewards received by executives with the returns received by shareholders. The EPS performance measure has been selected as it is one of the KPIs used in the business and is a measure well understood by the senior executives. It is also something which they can influence directly.
Non-Executive fees	The fee policy for the Chairman and Non-Executives is as follows: Base Non-Executive Director fee: £40,000 Chair of the Audit and Remuneration Committees: £4,000 (additional fee) Senior Independent Director: £4,000 (additional fee) Chairman: £150,000	Non-Executive Director fees were last reviewed in July 2009.

Application of the Remuneration Policy for 2015/16

The following information has been audited by the Company's auditor:

- single total remuneration figure for the Executive and Non-Executive Directors;
- Executive Director pension benefits and interests in the LTIP and DBP schemes;
- Director shareholdings; and
- exit payments, payments to past Directors and payments to third parties.

Single total remuneration figure for the Executive Directors

The table below sets out a single total remuneration figure for the position of Chief Executive Officer and Chief Finance Officer for the 2015/16 financial year:

	Fixed remuneration				Performance related			Total remuneration
	Base salary[1] £000	Benefits[2] £000	Pension[3] £000	**Sub total £000**	Annual bonus[4] £000	LTIPs[5] £000	**Sub total £000**	**£000**
Rik De Vos								
2015/16	400	21	78	**499**	394	—	**394**	**893**
2014/15[6]	167	7	35	**209**	148	—	**148**	**357**
Chris Smith								
2015/16	250	11	50	**311**	246	—	**246**	**557**
2014/15[7]	121	6	24	**151**	107	—	**107**	**258**

(1) Full base salary paid during the year.

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

(3) The pension figure represents the cash value of payments in lieu of pension contribution.

(4) The annual bonus is the cash value of the bonus in respect of the year ended 30 June 2016, including any deferred shares which must be held for a minimum three-year period.

(5) The value of the LTIP award earned in respect of the performance period commencing 1 July 2013 to 30 June 2016. The value of the vested shares is the face value of the shares at the vesting date or estimate of the total market value if not yet vested.

(6) Rik De Vos was appointed as Chief Executive Officer with effect from 2 February 2015.

(7) Chris Smith was appointed as Chief Finance Officer with effect from 7 January 2015.

Base salary

In relation to the 2015/16 financial year:

- the annual base salary for Rik De Vos, Chief Executive Officer, was £400,000; and
- the annual base salary for Chris Smith, Chief Finance Officer, was £250,000.

Pension

The Company has agreed with Rik De Vos to pay his contractual pension entitlement (equivalent to 20% of annual base salary) 50% as a contribution to a defined contribution pension scheme and 50% as a cash sum in lieu of a pension contribution. For the latter cash contribution, Rik De Vos has confirmed in writing that this payment relieves the Company of any liability for pension provision for this proportion on his behalf.

In 2014/15 Rik De Vos received £40,000 Company contributions into a defined contribution pension scheme as well as £38,000 cash sum in lieu of pension contribution.

In accordance with his service contract, the Company paid Chris Smith a cash sum in lieu of a pension contribution at 20% of annual base salary. Chris Smith has a contracted agreement that this payment relieves the Company of any liability for pension provision on his behalf.

Remuneration report
continued

Annual bonus

For the 2015/16 financial year, the maximum bonus opportunity for the Executive Directors was 100% of salary. 80% of bonus was based upon financial performance and 20% for performance against demanding specific measurable personal targets.

Details of the bonuses paid are provided in the tables below:

Financial element outcomes

Measure	Weighting (% of salary)	Performance targets (£m)(2) Threshold	Target	Stretch	Actual performance	Payout (% of salary)
Group EBITA(1)	80	29.7	33.0	34.7	34.8	100

(1) Excludes amortisation of intangibles, exceptional costs at 2015/16 internal budgeted exchange rates.

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

Personal element outcomes

Executive Director	Measure	Weighting (% of salary)	Performance targets (£m)(5) Threshold	Target	Stretch	Actual performance	Payout (% of salary)
Rik De Vos	Net debt target(1)	5	97.0	95.8	93.8	82.3	5
	Net return on average capital employed (NROACE)(2)	10	11%	12%	13%	12.7%	8.5
	Group Purchasing Cost Savings Project(3)	5	1	2	3	4.6	5
Chris Smith	Net debt target(1)	5	97.0	95.8	93.8	82.3	5
	Net return on average capital employed (NROACE)(2)	10	11%	12%	13%	12.7%	8.5
	UK defined benefit pension scheme closure(4)	5	n/a	n/a	n/a	Scheme closed to future accrual with effect from March 2016	5

(1) Net debt to be calculated for both target and actual achievement at 2015/16 internal budget exchange rates.

(2) Net return means the adjusted net profit, as per the statutory financial statements. Average Capital Employed means the average capital employed calculated as the average of the twelve month end values. NROACE calculation based upon 2015/16 internal budget exchange rates.

(3) Target for structural buying benefits.

(4) To de-risk the impact and size of the deficit on the Company's future financing and cost base, seek agreement to close UK DB pension scheme.

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

Total Annual bonus outcome

Executive Director	Financial element bonus outcome (% of salary)	Personal element bonus outcome (% of salary)	Overall bonus outcome (% of salary)	% of overall Annual bonus in form of deferred shares
Rik De Vos	80.0	18.5	98.5	30.0
Chris Smith	80.0	18.5	98.5	30.0

LTIP

In the year under review LTIP awards were granted to the Chief Executive Officer and Chief Finance Officer in September 2015 under the McBride plc 2014 LTIP.

Detailed assumptions used in calculating the fair value of the awards are outlined in note 24 to the consolidated financial statements on pages 103 and 104.

Interests of Directors under the McBride plc 2014 LTIP at 1 July 2015 and 30 June 2016 are set out below:

Director	Date of award	Number of awards at 1 July 2015	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2016	Market price at date of award (£)	Vesting date
Rik De Vos	19/02/2015	192,123	—	—	—	192,123	0.8675	20/02/2018
	09/09/2015	—	329,896[(1)]	—	—	329,896	1.2125	10/09/2018
Chris Smith	19/02/2015	144,092	—	—	—	144,092	0.8675	20/02/2018
	09/09/2015	—	206,185[(1)]	—	—	206,185	1.2125	10/09/2018

(1) Awards were granted on the basis of 100% of salary. The face value of the awards are Rik De Vos: £400,000 and Chris Smith: £250,000. Threshold vesting under the TSR condition would be 25% of that part of the award (12.5% of the total award). Threshold vesting under the EPS condition would be 20% of that part of the award (10% of the total award).

The performance conditions attaching to awards under the LTIP are:

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

   The awards start to vest on a sliding scale if TSR performance is at or above the median (25% of the TSR element at median) of the comparator group, with full vesting only if the Company's TSR performance is in the upper quartile of the comparator group.

   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	% of total award vesting (max 50%)
Below the median	0
Equal to the median	12.5
Upper quartile	50
Intermediate performance	Straight-line vesting

b. 50% of the award is subject to an EPS performance condition.

   i. For the February 2015 LTIPs, awards subject to the EPS condition will lapse unless the Company's growth in EPS (adjusted to exclude the effects of amortisation of intangible assets and exceptional items) is at least 24% p.a. For performance above this level, awards will vest on a rising scale, with full vesting only if growth in EPS exceeds 29% p.a.

EPS growth	% of total award vesting (max 50%)
Less than 24% p.a.	0
24% p.a.	10
29% p.a.	50
Intermediate performance	Straight-line vesting

   ii. For the September 2015 LTIPs, awards subject to the EPS condition will lapse unless the Company's EPS Compound Annual Growth Rate (CAGR) (adjusted to exclude the effects of amortisation of intangible assets and exceptional items) is at least 13%. For performance above this level, awards will vest on a rising scale, with full vesting only if EPS CAGR reaches 19%.

EPS CAGR	% of total award vesting (max 50%)
Less than 13% p.a.	0
13% p.a.	10
19% p.a.	50
Intermediate performance	Straight-line vesting

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 48.

Remuneration report
continued

Deferred Annual bonus Plan (DBP)

Interests of Directors under the McBride plc 2012 Deferred Annual bonus Plan at 1 July 2015 and 30 June 2016 are:

Director	Date of award	Number of awards at 1 July 2015	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2016	Normal vesting date
Rik De Vos	10/09/2015	—	39,062	—	—	39,062	11/09/2018
Chris Smith	10/09/2015	—	28,170	—	—	28,170	11/09/2018

Rik De Vos and Chris Smith were granted awards under the DBP on 10 September 2015 as set out in the table above, reflecting the proportion of their annual bonus deferred in 2015 as agreed by the Remuneration Committee.

There was no exercise price applicable to the awards and the market price at the date of the awards was £1.28. The awards are subject to a restricted period of three years and will normally vest on the expiry of this period.

Rik De Vos and Chris Smith will be granted an award of shares under the DBP, reflecting a proportion of their 2015/16 Annual bonus payment as set out on page 54.

Awards granted under the DBP are eligible for dividend equivalent payments.

Single total remuneration figure for the Non-Executive Directors

	2015/16			2014/15		
	Base fee £000	Committee Chair/ SID fee £000	Total £000	Base fee £000	Committee Chair/ SID fee £000	Total £000
John Coleman[(1)]	28	—	28	—	—	—
Steve Hannam	40	4	44	40	4	44
Neil Harrington	40	4	44	40	4	44
Sandra Turner	40	4	44	40	4	44
Iain Napier[(2)]	150	—	150	150	—	150

(1) John Coleman was appointed to the Board with effect from 22 April 2016.

(2) Iain Napier resigned as a Director with effect from 30 June 2016.

Directors' interests

	At 30 June 2016		At 1 July 2015	
	Total shares	Conditional share awards[(3)]	Total shares	Conditional share awards[(3)]
John Coleman[(1)]	—	—	—	—
Rik De Vos	30,000	561,081	20,000	192,123
Chris Smith	31,011	378,447	25,657	144,092
Steve Hannam	12,000	—	12,000	—
Neil Harrington	20,000	—	20,000	—
Sandra Turner	10,000	—	10,000	—
Iain Napier[(2)]	—	—	74,807	—

(1) John Coleman was appointed to the Board with effect from 22 April 2016.

(2) Iain Napier resigned as a Director with effect from 30 June 2016.

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

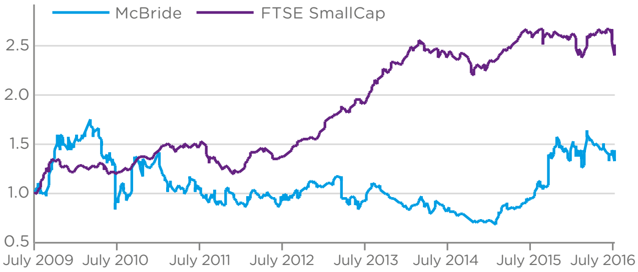
The beneficial interests of the Directors in the ordinary shares of the Company at 1 July 2015 and 30 June 2016 are set out opposite (there have been no changes from those detailed below between 30 June 2016 and the date of this Report).

As detailed on page 49, Executive Directors are expected to build and maintain personal shareholdings in the Company equivalent to 150% of salary over a period of time both through retaining shares received (net of tax) under the Company's incentive arrangements, or purchasing shares on the open market in their own right. As at 30 June 2016 the value of the Executive Directors' shareholdings were: Rik De Vos £46,725 (representing 11.68% of annual base salary) and Chris Smith £48,300 (representing 19.32% of annual base salary).

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

Review of past performance

The graph below charts the TSR (share value movement plus reinvested dividends), over the seven years to 30 June 2016, 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.



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

CEO/ Financial year	Total remuneration £000	Annual bonus % of maximum	LTIP % of maximum
Rik De Vos			
2015/16	893	98.5	—
2014/15(1)	357	89	—
Chris Bull			
2014/15(1)	253	—	—
2013/14	512	—	—
2012/13	512	—	—
2011/12	704	48	—
2010/11	531	5	—
2009/10(2)	83	—	—
Miles Roberts			
2009/10(2)	519	—	—

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

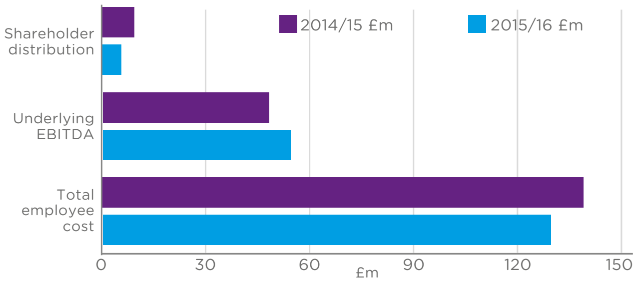
(2) Miles Roberts left the business on 30 April 2010, with Chris Bull appointed with effect from 4 May 2010.

Percentage change in Chief Executive Officer's remuneration

The table below shows the percentage change in Chief Executive Officer annual remuneration from the prior year compared to the average percentage in remuneration for all UK employees (1,312 employees). Although the Company has an international workforce, this group has been chosen as it continues to represent the most meaningful comparator group to the UK-based Chief Executive Officer.

	% change 2015/16		
	Base salary	Taxable benefits	Annual bonus
Chief Executive Officer	—	7	11
Comparator group	—	—	4

Relative importance of spend on pay



Exit payments

There were no Executive Director exit payments made during 2015/16.

Payments to third parties

No payments were made to third parties for making available the services of any of the Directors during 2015/16.

Remuneration Committee support

Meetings may be attended by the Chief Executive Officer on all matters except those relating to his own remuneration. Support is provided by the Chief HR Officer and the Company Secretary, who serves as Secretary to the Committee. No Director participates in any discussion relating to his or her own remuneration. The Company's independent remuneration consultants also attend meetings by invitation.

Remuneration Committee advisers

During the year, the Committee continued to engage the services of the independent consultants, New Bridge Street (NB) part of Aon Hewitt Limited for the purposes of providing professional advice to guide the Committee in its decision-making. NBS received £25,780 in respect of the services provided for the 2015/16 financial year (2014/15: £20,500). Neither NBS, nor any other part of the wider Aon Corporation, provided any other services to the Company during the year. NBS is a signatory to the Remuneration Consultant Group's Code of Conduct.

Statement of shareholder voting

The table below shows the voting outcome at the October 2015 AGM for the approval of the Company's 2014/15 Remuneration report:

Resolution	Votes for	%	Votes against	%	Votes withheld
Approval of Remuneration Report	121,794,083	92.46	9,933,173	7.54	116,729

The current Remuneration Policy was approved by shareholders with 93.46% vote 'for' at the October 2014 AGM.

The Remuneration Committee strongly welcome this continued shareholder support for the Company's Remuneration Policy.

The Remuneration report was approved by the Board on 7 September 2016.

On behalf of the Board

Sandra Turner
Chair of the Remuneration Committee
7 September 2016

Nomination Committee report

Our key objective is to ensure the Board comprises individuals with the requisite skills, knowledge and experience to ensure the Board is effective in discharging its responsibilities.

Activities of the Committee during the year

The Committee met twice during the year for the purposes of:

- appointing an appointment sub-committee (chaired by the Senior Independent Non-Executive) for the purposes of overseeing the search for a potential successor to the outgoing Chairman;
- discussing the appropriate role specification and skills required for the appointment of a new Chairman;
- considering and accepting the appointment of the Chairman (Elect)/Independent Non-Executive Director; and
- ensuring the provision of a tailored induction plan for the new Chairman.

A further meeting was held post year-end for the purposes of:

- considering the contributions made by the individual Directors prior to recommending their re-election at the AGM, taking account of the outputs from internal Board Performance Evaluation exercise carried out during the year;
- considering the re-appointment of the Senior Independent Director;
- proposing the election of the new Chairman by shareholders; and
- reviewing the composition and chairmanship of the Board sub-committees.

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

Main duties:

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

Terms of Reference

- These are governed by a Charter which was reviewed during the year. No substantive changes were recommended this year. A copy of the Terms of Reference is available on the Group's website at **www.mcbride.co.uk**.

Attendance at meetings year ended 30 June 2016

The Board is satisfied all members are independent Non-Executive Directors, with the exception of Iain Napier and John Coleman who satisfied the independence condition on their appointment as Non-Executive Director in 2007 and 2016 respectively.

Number of meetings held (minimum two per year)	2

Members	**Number of meetings attended** (quorum is two members)	**Member since**
John Coleman Chairman(1)	n/a	22/04/2016
Steve Hannam	2	04/02/2013
Neil Harrington	2	03/01/2013
Sandra Turner	2	01/08/2011
Rik De Vos	2	02/02/2015
Iain Napier(2)	2	19/07/2007

(1) From date of joining Company.
(2) To date of leaving Company.

New appointment

In considering the appointment of a new Chairman, the Committee, led by the Senior Independent Director, assessed the range and balance of skills, experience and knowledge required. The desired characteristics of the new appointee were built into the role specification and were taken into account to ensure that a cohesive balance on the Board would be maintained whilst also ensuring that the appropriate direction could be provided to the business. Active consideration was given to female appointees, with at least one candidate included on the final list as part of the appointment process. The proposed recruitment was also considered in the context of the Company's need to continue to develop and realise its strategic plans and objectives.

The appointment was ultimately made based on assessments against the agreed selection criteria.

The Committee used Korn Ferry as external consultants to assist in the appointment by identifying prospective candidates for the role. Korn Ferry are independent and have no other connection with the Company.

John Coleman
Chairman of the Nomination Committee
7 September 2016

Other statutory information

Reporting requirements

The Group is required to produce a Strategic report complying with the requirements of section 414A of the Companies Act 2006 ('the Act'). The Group has complied with this requirement and incorporates a detailed review of the Group's activities, its business performance and developments during the year and an indication of likely future developments on pages 1 to 27.

The corporate governance statement, as required by Rule 7.2.1 of the Financial Conduct Authority Disclosure and Transparency Rules, is set out on pages 32 to 63 of the Corporate governance report and forms part of the Directors' report.

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

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

Section	Topic	Location
(1)	Interest capitalised	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Remuneration report, page 48
(5)	Waiver of emoluments by a director	Not applicable
(6)	Waiver of future emoluments by a director	Not applicable
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Other statutory information section page 63
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling shareholders	Not applicable

Group results

The results for the year are set out in the Consolidated income statement on page 70 and a discussion of the Group's financial performance and progress are set out in the Strategic report.

Payments to shareholders

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

Subject to shareholder approval to renew the B Share scheme at the AGM, the Board is recommending the allotment of 24 B Shares (equivalent to 2.4 pence) per ordinary share held (2015: 1.9p), giving a total allotment for the year of 36 B Shares (equivalent to 3.6 pence) per ordinary share (2015: 3.6p). Further details of payments to shareholders are shown in note 12 to the consolidated financial statements on pages 88 and 89.

Directors

The Directors who held office during the year were:

Directors	Role
John Coleman	Chairman Elect (appointed 22 April 2016)
Rik J P D A De Vos	Chief Executive Officer
Chris I C Smith	Chief Finance Officer
Steve J Hannam	Senior Independent Non-Executive Director
Neil S Harrington	Independent Non-Executive Director
Sandra Turner	Independent Non-Executive Director
Iain J G Napier	Chairman (resigned 30 June 2016)

Biographical details of the Directors appear on pages 30 and 31. Information on the Directors' remuneration and service contracts is given in the Remuneration report on pages 44 to 57.

Directors and their interests

The beneficial interests of the Directors in the share capital of the Company are shown in the Remuneration report on page 56.

Related party transactions

Except for Directors' service contracts, the Company did not have any material transactions or transactions of an unusual nature with, and did not make loans to, related parties in the periods in which any Director, is or was, materially interested.

A director of a company who is in any way interested in a contract or proposed contract with the Company is to declare the nature of their interest at a meeting of the Directors of the Company. The definition of 'interest' includes the interests of spouses, children, companies and trusts. The Act also requires that a director must avoid a situation where a director has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Act allows directors of public companies to authorise such conflicts, where appropriate, if a company's articles of association so permit; the Company's Articles do permit such authorisation.

Indemnification of Directors

In accordance with the Articles, the Company has the power (at its discretion) to grant an indemnity to the Directors in respect of liabilities incurred as a result of their office. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the period.

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

There have been no qualifying indemnity provisions or qualifying pension scheme indemnity provisions in force either during the year or up to the date of approval of the Directors' report.

Employment policies/employees

The Group employed an average of 4,616 people during the year ended 30 June 2016.

Involvement of employees

Employees are key to the Company's success and we rely on a committed workforce to help us achieve our business objectives.

Employees are encouraged to operate in an open environment, embracing teamwork and aligning personal development with the strategy of the business. We are keen to engage our employees by providing an environment where they can contribute their own ideas and challenge those of others. We are committed to involving employees and we consider that good communication helps to achieve this. All sites have regular briefings, listening groups and newsletters which are designed to keep colleagues informed of, amongst other things, the financial and economic factors that affect the Company's performance. Members of the ELT regularly visit sites and attend our Management Development Programmes for open questioning from employees and to encourage two-way dialogue.

We recognise the importance of communication at, and across, all levels of the business and regular announcements from the Chief Executive Officer are published which update employees on the Group's performance and reports progress against key priorities and projects.

Most sites are actively engaged in involvement initiatives to allow all employees to understand and relate to our business goals. Many sites also hold open days to allow employees' families to see the environment in which their family members work.

Reward and recognition

Eligible employees participate in performance-related bonus schemes and some senior management participate in an LTIP. We respect the right of employees to join trade unions and appropriate representative bodies where they choose to do so. We have in place formal arrangements with recognised national unions where this is deemed appropriate and Partnerships or Works Councils (joint management/employee consultation groups) operate at all UK and other facilities in Europe. During the year a European Works Council was also established to provide a Group-wide platform for employee engagement and information sharing. Where these arrangements include nomination of employee representatives, they are not discriminated against and they are allowed reasonable time and facilities to carry out their representative duties.

Employment of disabled persons

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

Equal opportunities

It is our policy to ensure equal opportunity in recruitment, selection, promotion, employee development, training and reward policies and we have an equal opportunities and diversity policy in place which is monitored through the HR function. It is a key objective to ensure that successful candidates for appointment and promotion are selected taking account of individual ability, skills and competencies without regard to age, gender, race, religion, disability or sexual orientation.

Other statutory information
continued

Political donations
It is the Group's policy not to make political donations and no such donations were made during the year (2015: nil).

Environment and greenhouse gas emissions reporting
The Group recognises the importance of responsible environmental management and its obligations to protect the environment. The Group, therefore, gives high priority to all environmental matters relevant to its business. Further information appears in the Corporate responsibility section on pages 25 to 27 and in the separate Sustainability Report available from the Group's website at **www.mcbride.co.uk**.

The Group is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel and the operation of any facility. Details of our emissions during the year ended 30 June 2016 are set out in our in the Corporate responsibility section.

Research and development
The Group recognises the importance of investing in research and development which brings new product development support for its customers, research into new products and materials and further development of existing products. Research and development expenditure in the year was £8.1 million (2015: £6.5m).

Financial instruments
Information on the Group's financial risk management objectives, policies and activities and on the exposure of the Group to relevant risks in respect of financial instruments is set out in note 21 to the consolidated financial statements on pages 94 to 99.

Share capital
Details of the Company's share capital are shown in note 26 to the consolidated financial statements on page 105.

The ordinary shares of the Company carry equal rights to dividends, voting and return of capital on the winding up of the Company. There are no restrictions on the transfer of securities in the Company (other than following service of a notice under section 793 of the Act) and there are no restrictions on any voting rights or deadlines, other than those prescribed by law, nor is the Company aware of any arrangements between holders of its shares which may result in restrictions on the transfer of securities or on voting rights. Participants in employee share schemes have no voting or other rights in respect of the shares subject to those awards until the allocations are exercised, at which time the shares rank pari passu in all respects with shares already in issue. No such schemes have any rights with regard to control of the Company.

The holders of B Shares have equal rights to a preferential dividend and return of capital on the winding up of the Company, and are entitled to redeem such B Shares if the Directors believe it is appropriate. They are not entitled to attend, speak or vote at general meetings, except on a resolution relating to the winding up of the Company. The B Shares are not admitted to the Official List nor are they traded on the London Stock Exchange or any other recognised trading exchange.

Share repurchases
At the 2015 AGM, shareholder approval was granted to allow the Company to repurchase up to 18,221,000 ordinary shares. The existing authority will expire on the date of the 2016 AGM, when the Directors will be seeking authority from shareholders to buy back shares which will be cancelled or may be held as treasury shares for the purpose of meeting obligations under LTIP and employee share schemes.

At the beginning of the financial year, the Company held 630,992 ordinary shares as treasury shares and during the financial year no ordinary shares were repurchased. At the end of the year, 630,992 shares were held as treasury shares.

Substantial shareholdings
The Company had been notified of the following interests amounting to 3% or more of its issued share capital as at the end of the financial year and at 25 August 2016 (being the last practical date prior to the date of this report).

	As at 25 August 2016		As at 30 June 2016	
Shareholder	Number of shares	%	Number of shares	%
Delta Lloyd Asset Management	14,794,290	8.09	14,310,290	7.83
River & Mercantile Asset Management	12,538,418	6.86	13,238,418	7.24
BlackRock Investment Mgt (UK)	10,038,744	5.49	9,966,141	5.45
J O Hambro Capital Management	9,332,328	5.10	8,877,948	4.86
Copper Rock Capital Partners	9,052,477	4.95	7,021,445	3.84
Teleios Capital Partners GmbH	8,829,089	4.83	6,044,543	3.31
Henderson Global Investors	8,742,765	4.78	8,763,670	4.79
JP Morgan Asset Management	8,532,690	4.67	7,139,690	3.90
Fidelity Worldwide Investment	8,429,127	4.61	9,115,036	4.99
Schroder Investment Mgt	7,707,464	4.22	7,536,244	4.12
Miton Asset Management Limited	5,608,818	3.07	5,426,593	2.97
Brandes Investment Partners	1,640,000	0.90	7,518,764	4.11

All the above are institutional holders.

Significant agreements/takeovers directive

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

Articles of Association

The Articles give power to the Board to appoint Directors, but also require Directors to retire and submit themselves for election at the first AGM following their appointment. Specific information regarding the re-election of Directors is contained in the Corporate governance section on page 32.

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

The Board may exercise all the powers of the Company subject to the provisions of relevant statutes and the Articles. The Articles, for instance, contain specific provisions and restrictions regarding the Company's power to borrow money and to the issuing of shares. A copy of the Articles is available from the Group's website at **www.mcbride.co.uk**.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Executive review on page 12. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risks.

The Group meets its funding requirements through internal cash generation and bank credit facilities, most of which are committed until April 2019 as described in note 21 to the financial statements. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate comfortably within its current bank facilities.

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

Viability statement

The Viability statement can be found on page 24 of the Strategic report.

Directors' statement regarding disclosure of information to auditor

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

Annual General Meeting

The notice convening the Company's 2016 AGM at its Central Park office at Northampton Road, Manchester M40 5BP on 24 October 2016 at 2.30pm is set out in a separate document issued to shareholders.

The Annual Report and Accounts for the year ended 30 June 2016 is available from the Group's website at **www.mcbride.co.uk** or can be obtained free of charge from the Company's registered office.

Independent auditor

On the recommendation of the Audit Committee, in accordance with section 489 of the Act, resolutions are to be proposed at the AGM for the re-appointment of PricewaterhouseCoopers LLP as auditor of the Company and to authorise the Board to fix their remuneration. The remuneration of the auditor for the year ended 30 June 2016 is fully disclosed in note 7 to the consolidated financial statements on page 84.

Signed by order of the Board

Carole Barnet
Company Secretary
7 September 2016

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent Company and of the profit or loss of the Group and parent Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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 Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Other statutory information section of the Annual Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic report on pages 1 to 27 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Welcome to our financial statements

Group financial statements

Company financial statements

Independent auditors' report

to the members of McBride plc

Report on the group financial statements

Our opinion

In our opinion, McBride plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 30 June 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

- The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:
- the consolidated balance sheet as at 30 June 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

Our audit approach

Overview

- Overall group materiality: £3 million which represents 0.4% of total revenues as disclosed within the consolidated income statement.
- We conducted our audit work for both Household and PCA in two key locations. Audit work for Corporate was done in the UK.
- We performed specific audit work over accounts receivable in Italy.
- The territories where we conducted audit work, together with audit work performed at shared service centres and Group level, accounted for approximately 75% of the group's revenue.

Areas of focus

- Risk of impairment of goodwill and property plant and equipment.
- Fraud in revenue recognition (including trade allowances and discounts).

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Fraud in revenue recognition (including trade allowances and discounts) ISAs (UK & Ireland) 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 in cash. Whilst rebates are relatively small in the context of McBride's revenue, they are inherently complex, non standardised and require management judgement to interpret contractual arrangements.	We agreed rebates recognised to supporting evidence and underlying 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 noted no significant issues in our audit work. Furthermore we used computer assisted auditing techniques in order to test revenue and tested a selection of journals which impacted revenue. No significant issues were identified from this audit work.

Area of focus	How our audit addressed the area of focus
Risk of impairment of goodwill and property plant and equipment Goodwill of £17.5m primarily relates to the UK sites. This was a focus given the recent restructuring in the UK. We focused on this area because the determination of whether or not an impairment is necessary involves significant judgement. This judgement includes estimation about future results of the business and assessment of future plans for the Group. This is particularly judgemental at the current time, as the business is currently undergoing a strategic review. This introduces further uncertainty unpredictability into future forecasts which could impact the impairment assessment. The impairment assessment was performed at the Cash Generating Unit level, which was defined as an individual site.	We evaluated management's impairment calculations for all sites, assessing future cash flow forecasts used in the models, and the process by which they were drawn up, including comparing them to the latest budgets, and testing the underlying calculations and assumptions. We noted that management's assessments were generally prudent. We challenged: • long term growth rates in the forecasts by comparing them to historical results, future plans for the business and economic and industry forecasts; • forecast revenue, costs and margins estimated for the short term cash flows; • the discount rate by assessing the cost of capital for the Company and comparable organisations; and • other assumptions underpinning the forecasts, such as working capital movements. We found the long term growth rates in the forecasts to be prudent, and that forecasted revenue, costs and margins were appropriate based on historical trends, current market information, the strategic review and future plans for the business. We noted no significant issues in the discount rate applied or the other assumptions. We also performed sensitivity analysis around the key assumptions in the cash flow forecasts, including revenue growth and expected changes in margins. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill and property plant and equipment to be impaired, we considered the likelihood of such a movement in these key assumptions arising and determined that it was unlikely.

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 geographic structure of the group, the accounting processes and controls, and the industry in which the Group operates.

The Group is a European provider of private label household and personal care products. It has production capability in 11 countries plus a sourcing office in Hong Kong and a sales office in Australia.

The Group is structured in three segments – household, personal care and corporate. The Group financial statements are a consolidation of all reporting units within these segments comprising the Group's operating business 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 the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We conducted our audit work in two key locations: UK, and Belgium which covered elements across the UK, France, Belgium and Germany, whereby audit work over France, Belgium and Germany was performed in the UK and Belgium. We performed specific audit work over accounts receivable in Italy.

The territories where we conducted audit work, together with audit work performed at shared service centre and Group level, accounted for approximately 75% of total revenues as disclosed within the consolidated income statement.

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 on the financial statements as a whole.

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

Overall group materiality £3 million (2015: £3 million).

How we determined it 0.4% of total revenues as disclosed within the consolidated income statement.

Rationale for benchmark applied Consistent with last year, we applied this benchmark as we believe that revenue is the most relevant measure of recurring performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.15 million (2015: £0.15 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report continued

to the members of McBride plc

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 63, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 reporting

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

In our opinion, the information given in the Corporate Governance Statement set out in pages 32 to 63 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion: • information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 64, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on pages 40 to 43, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

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

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to: • the directors' confirmation on pages 22 to 24 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.

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

• the directors' explanation on page 24 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 64, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent 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.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the parent company financial statements of McBride plc for the year ended 30 June 2016 and on the information in the Directors' Remuneration Report that is described as having been audited.

David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

St Albans

7 September 2016

Consolidated income statement

for the year ended 30 June 2016

		2016			2015		
Continuing operations	Note	Adjusted £m	Adjusting items (see note 11) £m	Total £m	Adjusted £m	Adjusting items (see note 11) £m	Total £m
Revenue	4	**680.9**	**—**	**680.9**	704.2	—	704.2
Cost of sales		**(437.1)**	**—**	**(437.1)**	(460.5)	—	(460.5)
Gross profit		**243.8**	**—**	**243.8**	243.7	—	243.7
Distribution costs		**(46.5)**	**—**	**(46.5)**	(48.0)	—	(48.0)
Administrative costs		**(161.1)**	**(3.3)**	**(164.4)**	(167.2)	(18.8)	(186.0)
Operating profit	8	**36.2**	**(3.3)**	**32.9**	28.5	(18.8)	9.7
Finance costs	9	**(6.8)**	**(0.3)**	**(7.1)**	(6.8)	(0.3)	(7.1)
Profit before taxation		**29.4**	**(3.6)**	**25.8**	21.7	(19.1)	2.6
Taxation	10	**(9.2)**	**0.4**	**(8.8)**	(6.5)	3.2	(3.3)
Profit/(loss) for the year attributable to the owners of the Parent		**20.2**	**(3.2)**	**17.0**	15.2	(15.9)	(0.7)
Earnings per ordinary share	11						
Basic				**9.3p**			(0.4p)
Diluted				**9.3p**			(0.4p)

Operating profit		**32.9**	9.7
Adjusted for:			
Amortisation of intangible assets	14	**0.9**	1.0
Exceptional items	5	**2.4**	17.8
Adjusted operating profit	4	**36.2**	28.5

Consolidated statement of comprehensive income

for the year ended 30 June 2016

	Note	2016 £m	2015 £m
Profit/(loss) for the year attributable to owners of the Parent		**17.0**	(0.7)
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Currency translation differences on foreign subsidiaries		**12.0**	(17.6)
(Loss)/gain on net investment hedges		**(10.4)**	16.4
Gain on cash flow hedges in the year		**12.4**	11.2
Loss on cash flow hedges transferred to profit or loss		**(10.3)**	(6.7)
Taxation relating to items above	10	**(0.6)**	(3.0)
		3.1	0.3
Items that will not be reclassified to profit or loss:			
Net actuarial loss on post-employment benefits	23	**(2.6)**	(2.1)
Taxation relating to item above	10	**(0.4)**	0.4
		(3.0)	(1.7)
Total other comprehensive income/(expense)		**0.1**	(1.4)
Total comprehensive income/(expense)		**17.1**	(2.1)

Consolidated balance sheet

at 30 June 2016

	Note	2016 £m	2015 £m
Non-current assets			
Goodwill	13	**17.5**	17.7
Other intangible assets	14	**2.5**	2.0
Property, plant and equipment	15	**136.2**	129.8
Derivative financial instruments	21	**12.7**	9.9
Deferred tax assets	10	**9.3**	11.1
Other non-current assets		**0.5**	0.5
		178.7	171.0
Current assets			
Inventories	16	**75.7**	66.8
Trade and other receivables	17	**135.7**	132.5
Derivative financial instruments	21	**2.6**	1.7
Cash and cash equivalents		**24.8**	23.3
Assets classified as held for sale	18	**1.2**	1.1
		240.0	225.4
Total assets		**418.7**	396.4
Current liabilities			
Trade and other payables	19	**181.7**	172.6
Borrowings	20	**30.3**	35.1
Derivative financial instruments	21	**1.2**	1.8
Current tax liabilities		**2.9**	3.7
Provisions	25	**3.5**	4.8
		219.6	218.0
Non-current liabilities			
Trade and other payables	19	**2.3**	0.4
Borrowings	20	**85.4**	80.6
Derivative financial instruments	21	**–**	0.1
Pensions and other post-employment benefits	23	**32.9**	31.4
Provisions	25	**2.9**	3.2
Deferred tax liabilities	10	**6.5**	5.2
		130.0	120.9
Total liabilities		**349.6**	338.9
Net assets		**69.1**	57.5
Equity			
Issued share capital	26	**18.3**	18.3
Share premium account	26	**96.7**	102.4
Other reserves	26	**44.4**	35.5
Accumulated loss		**(90.9)**	(99.3)
Equity attributable to owners of the Parent		**68.5**	56.9
Non-controlling interests	26	**0.6**	0.6
Total equity		**69.1**	57.5

The financial statements on pages 70 to 106 were approved by the Board of Directors on 7 September 2016 and were signed on its behalf by:

Rik De Vos
Director

Chris Smith
Director

Consolidated cash flow statement
for the year ended 30 June 2016

	Note	2016 £m	2015 £m
Operating activities			
Profit before tax		**25.8**	2.6
Net finance costs	9	**7.1**	7.1
Exceptional items	5	**2.4**	17.8
Share-based payments charge		**1.8**	—
Depreciation of property, plant and equipment	15	**18.2**	19.6
Amortisation of intangible assets	14	**0.9**	1.0
Operating cash flow before changes in working capital		**56.2**	48.1
Decrease/(increase) in receivables		**11.0**	(3.6)
Increase in inventories		**(1.5)**	(5.5)
(Decrease)/increase in payables		**(10.1)**	7.8
Operating cash flow after changes in working capital		**55.6**	46.8
Additional cash funding of pension schemes		**(3.1)**	(2.6)
Cash generated from operations before exceptional items		**52.5**	44.2
Cash outflow in respect of exceptional items		**(4.2)**	(10.7)
Cash generated from operations		**48.3**	33.5
Interest paid		**(5.2)**	(5.7)
Taxation paid		**(8.2)**	(6.9)
Net cash generated from operating activities		**34.9**	20.9
Investing activities			
Proceeds from sale of non-current assets		**0.1**	0.2
Purchase of property, plant and equipment		**(11.5)**	(21.2)
Purchase of intangible assets	14	**(1.3)**	(0.7)
Settlement of derivatives used in net investment hedges		**(2.5)**	3.1
Net cash used in investing activities		**(15.2)**	(18.6)
Financing activities			
Redemption of B Shares	12	**(5.8)**	(8.7)
Drawdown of borrowings		**131.2**	103.4
Repayment of borrowings		**(145.3)**	(107.7)
Capital element of finance lease rentals		**(0.1)**	(0.1)
Net cash used in financing activities		**(20.0)**	(13.1)
Decrease in net cash and cash equivalents		**(0.3)**	(10.8)
Net cash and cash equivalents at the start of the year		**23.3**	35.3
Currency translation differences		**1.8**	(1.2)
Net cash and cash equivalents at the end of the year		**24.8**	23.3

Reconciliation of net cash flow to movement in net debt

for the year ended 30 June 2016

	Note	2016 £m	2015 £m
Decrease in net cash and cash equivalents		**(0.3)**	(10.8)
Net repayment of bank loans and overdrafts		**14.1**	4.3
Capital element of finance lease rentals		**0.1**	0.1
Change in net debt resulting from cash flows		**13.9**	(6.4)
Inception of finance lease rentals		**—**	(0.4)
Currency translation differences		**(12.4)**	(0.9)
Movement in net debt in the year		**1.5**	(7.7)
Net debt at the beginning of the year		**(92.4)**	(84.7)
Net debt at the end of the year	22	**(90.9)**	(92.4)

Consolidated statement of changes in equity

for the year ended 30 June 2016

			Other reserves						
	Issued share capital £m	Share premium account £m	Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m	Accumulated loss £m	Equity attributable to owners of the Parent £m	Non-controlling interests £m	Total equity £m
At 30 June 2014	18.3	111.5	(5.8)	(1.1)	33.4	(88.3)	68.0	0.6	68.6
Year ended 30 June 2015									
Loss for the year	—	—	—	—	—	(0.7)	(0.7)	—	(0.7)
Other comprehensive (expense)/income									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	—	—	—	(17.6)	—	—	(17.6)	—	(17.6)
Gain on net investment hedges	—	—	—	16.4	—	—	16.4	—	16.4
Gain on cash flow hedges in the year	—	—	11.2	—	—	—	11.2	—	11.2
Loss on cash flow hedges transferred to profit or loss	—	—	(6.7)	—	—	—	(6.7)	—	(6.7)
Taxation relating to items above	—	—	(0.7)	(2.3)	—	—	(3.0)	—	(3.0)
	—	—	3.8	(3.5)	—	—	0.3	—	0.3
Items that will not be reclassified to profit or loss:									
Net actuarial loss on post-employment benefits	—	—	—	—	—	(2.1)	(2.1)	—	(2.1)
Taxation relating to item above	—	—	—	—	—	0.4	0.4	—	0.4
	—	—	—	—	—	(1.7)	(1.7)	—	(1.7)
Total other comprehensive expense	—	—	3.8	(3.5)	—	(1.7)	(1.4)	—	(1.4)
Total comprehensive expense	—	—	3.8	(3.5)	—	(2.4)	(2.1)	—	(2.1)
Transactions with owners of the Parent									
Issue of B Shares	—	(9.1)	—	—	—	—	(9.1)	—	(9.1)
Redemption of B Shares	—	—	—	—	8.7	(8.7)	—	—	—
Share-based payments	—	—	—	—	—	0.1	0.1	—	0.1
At 30 June 2015	18.3	102.4	(2.0)	(4.6)	42.1	(99.3)	56.9	0.6	57.5
Year ended 30 June 2016									
Profit for the year	—	—	—	—	—	17.0	17.0	—	17.0
Other comprehensive (expense)/income									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	—	—	—	12.0	—	—	12.0	—	12.0
Loss on net investment hedges	—	—	—	(10.4)	—	—	(10.4)	—	(10.4)
Gain on cash flow hedges in the year	—	—	12.4	—	—	—	12.4	—	12.4
Loss on cash flow hedges transferred to profit or loss	—	—	(10.3)	—	—	—	(10.3)	—	(10.3)
Taxation relating to items above	—	—	(0.6)	—	—	—	(0.6)	—	(0.6)
	—	—	1.5	1.6	—	—	3.1	—	3.1
Items that will not be reclassified to profit or loss:									
Net actuarial loss on post-employment benefits	—	—	—	—	—	(2.6)	(2.6)	—	(2.6)
Taxation relating to item above	—	—	—	—	—	(0.4)	(0.4)	—	(0.4)
	—	—	—	—	—	(3.0)	(3.0)	—	(3.0)
Total other comprehensive expense	—	—	1.5	1.6	—	(3.0)	0.1	—	0.1
Total comprehensive expense	—	—	1.5	1.6	—	14.0	17.1	—	17.1
Transactions with owners of the Parent									
Issue of B Shares	—	(5.7)	—	—	—	—	(5.7)	—	(5.7)
Redemption of B Shares	—	—	—	—	5.8	(5.8)	—	—	—
Share-based payments	—	—	—	—	—	0.2	0.2	—	0.2
At 30 June 2016	18.3	96.7	(0.5)	(3.0)	47.9	(90.9)	68.5	0.6	69.1

At 30 June 2016, the accumulated loss included a deduction of £0.8 million (2015: £0.8m) for the cost of own shares held in relation to employee share schemes. Further information on own shares is presented in note 26.

Notes to the consolidated financial statements

for the year ended 30 June 2016

1. Basis of preparation

Description of business

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

The Company and its subsidiaries (together, 'the Group') is Europe's leading provider of Private Label Household and Personal Care products, developing, producing and supplying our products to major retailers throughout Europe and beyond.

Segmental reporting

The Executive Leadership Team has reviewed the implementation of the new strategy and what information should be provided to the Board (Chief Operating Decision Maker (CODM)). For the year ended June 2016, the financial information is now presented to the Board by product category for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses.

Accordingly, the Group's operating segments are determined on a category basis.

Segment information is presented in note 4.

Accounting period

The Group's annual financial statements are drawn up to 30 June. These financial statements cover the year ended 30 June 2016 ('2016') with comparative amounts for the year ended 30 June 2015 ('2015').

Basis of accounting

The consolidated financial statements on pages 70 to 106 have been prepared on the going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union, IFRS Interpretations Committee and those parts of the Companies Act 2006 ('the Act') applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, modified in respect of the revaluation to fair value of contingent consideration, financial assets and liabilities (derivative financial instruments) at fair value through profit or loss and assets held for sale.

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

Going concern

For the reasons set out on page 12, the Directors have adopted the going concern basis in preparing the Company's and the Group's financial statements.

Critical accounting judgements and estimates

(i) Background

In applying the Group's accounting policies, the Directors are required to make estimates and assumptions that affect the reported amounts of its assets, liabilities, income and expenses. Actual outcomes could differ from those estimates and affect the Group's results in future years. The Directors consider the following to be the key accounting judgements and estimates made in preparing these financial statements that, if not borne out in practice, may affect the Group's results during the next financial year.

(ii) Revenue

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

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

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

At 30 June 2016, the carrying amount of accruals relating to rebates and discounts amounted to £4.7 million (2015: £4.5m). Rebates equate to less than 3% of revenue. There is an element of judgement applied to the level of achieved sales within volume-related rebates.

(iii) Impairment of long-lived assets

Impairment testing requires management to estimate the recoverable amount of an asset or group of assets. Recoverable amount represents the higher of value in use and fair value less costs to sell.

Value in use represents the net present value of the 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 budget 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.

Cash flows are discounted using a discount rate based on the Group's weighted average cost of capital adjusted for risks specific to the asset or group of assets. The weighted average cost of capital is affected by estimates of interest rates, equity returns and market and country-related risks.

At 30 June 2016, the carrying amount of long-lived assets was £20.0 million (2015: £19.7m). If cash flow or discount rate assumptions were to change, further impairment losses may be recognised in the next financial year.

The sensitivity of the carrying amount of goodwill in relation to business is presented in note 13.

(iv) Contingent consideration

Contingent consideration payable in a business combination is generally remeasured at each balance sheet date and the change in its carrying amount recognised in profit or loss. Contingent consideration payable is typically dependent on performance conditions related to the future revenue or profitability of the acquired business. Considerable judgement is required in assessing the likely future performance of the acquired business against such performance conditions.

At 30 June 2016, the Group recognised contingent consideration payable of £2.3 million (2015: £0.4m) as described in note 3.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

1. Basis of preparation continued

Critical accounting judgements and estimates continued

(v) 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 2016, the present value of defined benefit obligations was £147.0 million (2015: £137.1m). It was calculated using a number of assumptions, including future CPI rate changes, increases to pension benefits and mortality rates. The present value of the benefit obligation is calculated by discounting the benefit obligation using market yields on high-quality corporate bonds at the balance sheet date.

At 30 June 2016, the fair value of the scheme assets was £114.1 million (2015: £105.7m). The scheme assets consist largely of securities and managed funds whose values are subject to fluctuation in response to changes in market conditions.

Changes in the actuarial assumptions underlying the benefit obligation, changes in the discount rate applicable to the benefit obligation and effects of differences between the expected and actual return on the scheme's assets are classified as actuarial gains and losses and are recognised in other comprehensive income. During 2016, the Group recognised a net actuarial loss of £2.6 million (2015: £2.1m).

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.

(vi) Provisions

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

At 30 June 2016, the Group held provisions amounting to £6.4 million (2015: £8.0m), which principally represented reorganisation and restructuring costs. 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.

(vii) Taxation

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

Estimation is required of taxable profit in order to determine the Group's current tax liability and judgement is required in situations where the Group's tax position is uncertain and may be subject to review and challenge by the tax authorities.

Estimation is also required of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax liabilities are recognised for all taxable temporary differences but, where there exist deductible temporary differences, judgement is required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits. At 30 June 2016, the Group recognised deferred tax assets of £9.3 million (2015: £11.1m), including £2.1 million (2015: £1.8m) in respect of tax losses and tax credits. Deferred tax assets amounting to £6.0 million (2015: £8.5m) were not recognised in respect of tax losses and tax credits carried forward. It is possible that the deferred tax assets actually recoverable may differ from the amounts recognised if actual taxable profits differ from estimates.

At 30 June 2016, deferred tax liabilities were not recognised on retained profits of foreign subsidiaries because the Group is able to control the remittance of those profits to the UK and it is probable that they will not be remitted in the foreseeable future. Income tax may be payable on those profits if circumstances change and their remittance to the UK can no longer be controlled by the Group or they are actually remitted to the UK.

Use of adjusted measures

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

During the periods 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 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 period.

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 the discount on contingent consideration arising on business combinations, unwind of discount on provisions and the tax relating to those items.

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

2. Principal accounting policies

Accounting standards adopted during the year

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2015, except for:

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19); and
- Annual Improvements Projects 2012.

All of the above changes to accounting policies had no financial effect on the consolidated financial statements for the year ended 30 June 2016.

Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of the Company and its subsidiaries. Details of the Company's subsidiaries at 30 June 2016 are set out on pages 116 and 117.

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

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

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

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

Business combinations

A business combination is a transaction or other event in which the Group obtains control of one or more businesses.

Business combinations are accounted for using the acquisition method.

Goodwill arising in a business combination represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired business and, in a business combination achieved in stages, the fair value at the acquisition date of the Group's previously held equity interest, over the net total of the identifiable assets and liabilities of the acquired business at the acquisition date. If the identifiable assets and liabilities of the acquired business exceed the aggregate of the consideration transferred, the amount of any non-controlling interest in the business and the fair value at the acquisition date of any previously held equity interest, the excess is recognised as a gain in profit or loss.

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

At 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.

The Group's presentation and functional currency is Sterling.

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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

2. Principal accounting policies continued

Revenue

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

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

Revenue is recognised on the transfer of the risks and rewards of ownership, which generally coincides with the delivery of the goods to the customer.

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

Interest income is accrued using the effective interest method.

Exceptional items

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

Borrowing costs

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

Costs attributable to the arrangement of term borrowing facilities are amortised over the life of those facilities.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Goodwill

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

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

Goodwill is carried at cost less any recognised impairment losses.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss.

(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 trade marks	— up to three years
Customer relationships	— up to five years

(ii) Product development costs

All research expenditure is charged to profit or loss in the period in which it is incurred.

Development expenditure is charged to profit or loss in the period in which it is incurred, unless it relates to the development of a new or significantly improved product or process whose technical and commercial feasibility is proven at the time of development.

(iii) Computer software

Computer software and software licences are recognised as intangible assets measured at cost and are amortised on a straight-line basis over their expected useful lives, which are in the range three to five years.

Directly attributable costs that are capitalised as part of the computer software product include the 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.

Freehold land and assets under construction are not depreciated. Otherwise, property, plant and equipment is depreciated on a straight-line basis so as to charge its cost, less any residual value, to profit or loss over the expected useful life of the asset as follows:

Freehold buildings	— 50 years
Leasehold building	— length of the lease
Plant and equipment	— three to ten years

Property, plant and equipment acquired in a business combination is depreciated on a straight-line basis so as to charge its fair value at the date of acquisition, less any residual value, to profit or loss over the remaining expected useful life of the asset.

Leased assets

Leases that confer rights and obligations similar to those that attach to owned assets are classified as finance leases. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets within property, plant and equipment, initially measured at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments, and a corresponding liability is recognised. Subsequently, the assets are depreciated over the shorter of the expected useful life of the asset or term of the lease. At inception of the lease, the lease payments are apportioned between an interest element and a capital element so as to achieve a constant periodic rate of interest on the outstanding liability. Thereafter, the interest element is recognised as an expense in profit or loss while the capital element is applied to reduce the outstanding liability.

Operating lease payments, and any incentives receivable, are recognised in profit or loss on a straight-line basis over the term of the lease.

Impairment of non-financial assets

Goodwill, other intangible assets and property, plant and equipment are tested for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. Additionally, goodwill is subject to an annual impairment test whether or not there are any indicators of impairment.

An asset is impaired to the extent that its carrying amount exceeds its recoverable amount, which represents the higher of the asset's value in use and its fair value less costs to sell. An asset's value in use represents the present value of the future cash flows expected to be derived from the continued use of the asset. Fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the CGU to which the asset belongs. An asset's CGU is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill does not generate cash flows independently of other assets and is, therefore, tested for impairment at the level of the CGU or group of CGUs to which it is allocated.

Value in use is based on estimates of pre-tax cash flows discounted at a pre-tax discount rate that reflects the risks specific to the CGU to which the asset belongs.

Where necessary, impairment of non-financial assets other than goodwill is recognised before goodwill is tested for impairment. When goodwill is tested for impairment and the carrying amount of the CGU or group of CGUs to which it is allocated exceeds its recoverable amount, the impairment is allocated first to reduce the carrying amount of the goodwill and then to the other non-financial assets belonging to the CGU or group of CGUs pro-rata on the basis of their respective carrying amounts.

Impairment losses are recognised in profit or loss. Impairment losses recognised in previous periods for assets other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset does not exceed its carrying amount had no impairment been recognised in previous periods. Impairment losses recognised in respect of goodwill cannot be reversed.

Assets held for sale

Non-current assets are classified as held for sale if it is expected that their carrying amount will be recovered by sale rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its current condition and the sale must be expected to be completed within twelve months. An extension of the period required to complete the sale does not preclude the asset from continuing to be classified as held for sale, provided the delay was for reasons beyond the Group's control and management remains committed to its plan to sell the asset.

An asset that is classified as held for sale is measured at the lower of its carrying amount when classified as held for sale and fair value less costs to sell.

Inventories

Inventories are stated at the lower of cost and net realisable value with due allowance for any excess, obsolete or slow-moving items. Cost represents the expenditure incurred in bringing each product to its present location and condition. The cost of raw materials is measured on a first-in, first-out (FIFO) basis. The cost of finished goods and work in progress comprises the cost of raw materials, direct labour and other direct costs, together with related production overheads based on normal operating capacity. Net realisable value is the estimated selling price less estimated costs of completion and estimated selling and distribution costs.

Financial instruments

(i) Trade receivables

Trade receivables represent the invoiced amount of sales of goods to customers for which payment has not been received (fair value), less an allowance for doubtful accounts that is estimated based on factors such as the period outstanding, the payment history of the customer, the current economic environment and other information.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term, highly liquid investments with a maturity on acquisition of three months or less and bank overdrafts. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

For cash flow purposes, cash and cash equivalents include bank overdrafts where right of set off exists.

(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 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 IAS 39, 'Financial Instruments: Recognition and Measurement' 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 held for trading.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

2. Principal accounting policies continued

Financial instruments continued

(vi) 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, a net investment hedge or a fair value hedge.

(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. 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.

(iii) Fair value hedge

Hedging relationships are classified as fair value hedges where the hedging instrument hedges the exposure to changes in fair value of a recognised asset or liability that is attributable to a particular risk and could affect profit or loss.

Where the hedging relationship is classified as a fair value hedge, the carrying amount of the hedged asset or liability is adjusted by the change in its fair value attributable to the hedged risk and the resulting gain or loss is recognised in profit or loss where, to the extent that the hedge is effective, it offsets the change in the fair value of the hedging instrument.

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.

(ii) Defined benefit schemes

Under a defined benefit pension scheme, the amount of pension that an employee will receive on retirement is fixed based on factors such as pensionable salary, years of service and age on retirement. In most cases, the schemes are funded by contributions from the Group and the participating employees. The Group is obliged to make additional contributions if the fund has insufficient assets to meet its obligation to pay accrued pension benefits.

Actuarial valuations of the defined benefit schemes are carried out annually at the balance sheet date by independent qualified actuaries. Scheme assets are measured at their fair value at the balance sheet date. Benefit obligations are measured on an actuarial basis using the projected unit credit method and are discounted using the market yields on high-quality corporate bonds at the balance sheet date. The defined benefit liability or asset recognised in the balance sheet comprises the difference between the present value of the benefit obligations and the fair value of the scheme assets. Where a scheme is in surplus, the asset recognised is limited to the present value of any amounts that the Group expects to recover by way of refunds or a reduction in future contributions.

Defined benefit schemes are recognised in profit or loss by way of the service cost and the net interest cost on the benefit obligation. The service cost represents the increase in the present value of the benefit obligation relating to additional years of service accrued during the period, less employee contributions.

Gains or losses on curtailments or settlements are recognised in profit or loss in the period in which the curtailment or settlement occurs.

Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur.

Share-based payments

The Group operates share schemes under which it grants equity-settled and cash-settled awards over ordinary shares in the Company to certain of its employees. The Group recognises a compensation expense that is based on the fair value of the awards measured using the Black-Scholes option pricing formula or the Monte Carlo valuation model.

For equity-settled awards, the fair value reflects market performance conditions and all non-vesting conditions. Fair value is determined at the grant date and is not subsequently remeasured unless the relevant conditions are modified. Adjustments are made to the compensation expense to reflect actual and expected forfeitures due to failure to satisfy service conditions or non-market performance conditions. For cash-settled awards, the fair value reflects all the conditions on which the award is made and is remeasured at each reporting date and at the settlement date.

Generally, the compensation expense is recognised on a straight-line basis over the vesting period. For equity-settled awards a corresponding credit is recognised in equity while for cash-settled awards a corresponding liability to settle is recognised in the balance sheet.

In the event of the cancellation of an equity-settled award, whether by the Group or by a participating employee, the compensation expense that would have been recognised over the remainder of the vesting period is recognised immediately in profit or loss.

Provisions

A provision is a liability of uncertain timing or amount and is generally recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that a payment will be required to settle the obligation and the payment can be estimated reliably.

Provision is made for restructuring costs when a detailed formal plan for the restructuring has been determined and the plan has been communicated to the parties that may be affected by it. Gains from the expected disposal of assets are not taken into account in measuring restructuring provisions and provision is not made for future operating losses.

Provisions are discounted where the effect of the time value of money is material.

Taxation

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period. Taxable profit differs from accounting profit because it excludes income or expenses that are recognised in the period for accounting purposes but are either not taxable or not deductible for tax purposes or are taxable or deductible in earlier or subsequent periods. Current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is tax expected to be payable or recoverable on differences between the carrying amount of an asset or liability and its tax base used in calculating taxable profit. Deferred tax is accounted for using the liability method, whereby deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the foreseeable future against which the deductible temporary differences may be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction other than a business combination that affects neither accounting profit nor taxable profit.

Deferred tax is provided on temporary differences arising on investments in foreign subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is calculated using the enacted or substantively enacted tax rates that are expected to apply when the asset is recovered or the liability is settled.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the amounts and management intends to settle on a net basis. Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Current tax and deferred tax is recognised in profit or loss unless it relates to an item that is recognised in the same or a different period outside profit or loss, in which case it too is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Payments to shareholders

Subject to shareholder approval at each Annual General Meeting (AGM), it is the Company's intention that, for the foreseeable future, all payments to shareholders will be made by the issue of non-cumulative redeemable preference shares (B Shares). B Shares issued but not redeemed are classified as current liabilities.

Own shares

Own shares represent the Company's ordinary shares that are held by the Company in treasury or by a sponsored ESOP trust in relation to the Group's employee share schemes. When own shares are acquired, the cost of purchase in the market is deducted from equity. Gains or losses on the subsequent transfer or sale of own shares are also recognised in equity.

Accounting standards issued but not yet adopted

Recently issued accounting standards that are relevant to the Group but have not yet been adopted are outlined below:

- Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' on depreciation and amortisation;
- Amendments to IAS 27, 'Separate financial statements' on the equity method;
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures';
- Annual Improvements 2014;
- Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative;
- IFRS 15, 'Revenue from contracts with customers'; and
- IFRS 9, 'Financial instruments'.

The Group does not currently believe adoption of these would have a material impact on the consolidated results or financial position of the Group.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

3. Acquisitions

Acquisitions in prior years

Contingent consideration is payable by the Group in relation to a prior year acquisition.

At each reporting date, the Directors estimate the contingent consideration payable in relation to the 70% interest acquired and the liability to acquire the remaining 30% interest.

Movements in the contingent consideration liability which is payable between one and two years were as follows:

	2016 £m	2015 £m
At 1 July	0.4	0.4
Charged to profit or loss:		
Unwind of discount (see note 9)	0.1	0.1
Change in estimate (see note 5)	1.7	—
Currency translation differences	0.1	(0.1)
At 30 June	**2.3**	0.4

4. Segment information

Background

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

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 intangibles assets and exceptional items.

Analysis by reportable segment

	Household								
2016	UK £m	North(1) £m	South(2) £m	East(3) £m	Total Household £m	Personal(4) Care & Aerosols £m	Total segments £m	Corporate(5) £m	Total Group £m
Segment revenue	164.9	179.0	69.2	121.9	535.0	145.9	680.9	—	680.9
Adjusted operating profit/(loss)					42.7	2.7	45.4	(9.2)	36.2
Amortisation of intangible assets									(0.9)
Exceptional items (see note 5)									(2.4)
Operating profit									32.9
Net finance costs									(7.1)
Profit before taxation									25.8
Inventories					56.9	18.8	75.7	—	75.7
Capital expenditure					10.6	2.2	12.8	—	12.8
Amortisation and depreciation					16.0	3.1	19.1	—	19.1

(1) France, Belgium, Holland and Scandinavia.
(2) Italy and Spain.
(3) Germany, Poland, Luxembourg and other Eastern Europe.
(4) Includes Asia.
(5) Corporate represents costs related to the Board, the Executive Leadership Team and key supporting functions.

2015	Household UK £m	North[1] £m	South[2] £m	East[3] £m	Total Household £m	Personal[4] Care & Aerosols £m	Total segments £m	Corporate[5] £m	Total Group £m
Segment revenue	180.5	183.9	68.7	119.3	552.4	151.8	704.2	—	704.2
Adjusted operating profit/(loss)					37.8	(1.4)	36.4	(7.9)	28.5
Amortisation of intangible assets									(1.0)
Exceptional items (see note 5)									(17.8)
Operating profit									9.7
Net finance costs									(7.1)
Profit before taxation									2.6
Inventories					50.9	15.9	66.8	—	66.8
Capital expenditure					18.9	3.0	21.9	—	21.9
Amortisation and depreciation					17.3	3.3	20.6	—	20.6

Revenue by major customer

In 2016 and 2015, no individual customer provided more than 10% of the Group's revenue.

During 2016, the top ten customers accounted for 47% of total Group revenue (2015: 46%).

5. Exceptional items

Analysis of exceptional items

	2016 £m	2015 £m
Reorganisation and restructuring costs:		
Functional reorganisation	–	0.4
UK restructuring	(0.3)	0.8
Group reorganisation	(0.7)	3.1
Customer choices	2.2	—
Legal case	1.2	—
	2.4	4.3
(Write back)/impairment of long-lived assets, property, plant and equipment and inventory:		
Brno, Czech Republic	(1.7)	—
Western Europe	–	9.7
Rest of the World	–	0.1
	(1.7)	9.8
Classification, Labelling and Packaging (CLP)	–	3.7
Change in contingent consideration (see note 3)	1.7	—
Total charged to operating profit	2.4	17.8

As previously outlined, the Group has implemented a new strategy to lower complexity through the rationalisation of our customer base down to 25% of our previous customer portfolio. This strategy is substantially complete as at 30 June 2016 with reorganisation costs of £2.2 million charged to exceptional items.

Following our review of the contingent consideration payable arising from the acquisition of the Czech Republic-based skincare business at Brno an additional provision of £1.7 million has been recorded to reflect the increase in performance and our increased liability. This charge is materially offset by a reversal of the impairment charges previously made in relation to the assets at Brno of £1.7 million.

Exceptional provisions were made in the two prior financial years with regard to the UK restructuring project and the creation of a functional structure with centralised support services. Work is now substantially complete on both projects resulting in the release of unused provisions of £0.3 million and £0.7 million respectively.

Notes to the consolidated financial statements continued
for the year ended 30 June 2016

5. Exceptional items continued
Analysis of exceptional items continued

In late June 2016, the Group's Italian business lost a long-running legal case surrounding costs of reparation to a property vacated by the Group in 2011. In consideration of the advised worst case position, an existing provision has been increased by £1.2 million as at 30 June 2016.

In the prior year, the following costs were charged:

- £5.6m impairment of goodwill allocated to its Italian Household liquids business;
- impairment of £4.2m in relation to fixed assets of its French and Chinese Aircare businesses;
- £3.1m of redundancy and consultancy costs in relation to Group reorganisation; and
- £3.7m incremental staff, artwork and packaging costs to comply with the EU's Classification, Labelling and Packaging directive (CLP).

6. Employee information
The monthly average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2016 Number	2015 Number
Manufacturing	**4,018**	4,078
Sales, general and administration	**598**	669
Total	**4,616**	4,747

Aggregate payroll costs were as follows:

	2016 £m	2015 £m
Wages and salaries	**111.0**	112.0
Social security costs	**22.5**	23.5
Other pension costs	**3.2**	3.3
Total	**136.7**	138.8

Pension costs comprise the current service cost for defined benefit schemes and payments made by the Group to defined contribution schemes (see note 23).

7. Auditor's remuneration
Fees payable by the Group to the Company's auditor, PricewaterhouseCoopers LLP (PwC), and its associates, were as follows:

	2016 £m	2015 £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	**0.3**	0.3
Total fees	**0.4**	0.4

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 £123k (2015: £10k).

8. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2016 £m	2015 £m
Cost of inventories (included in cost of sales)	**382.8**	415.5
Employee costs (see note 6)	**136.0**	138.8
Amortisation of intangible assets (see note 14)	**0.9**	1.0
Depreciation of property, plant and equipment (see note 15)	**18.2**	19.6
Impairment/(writeback):		
Goodwill (see note 13)	**—**	5.6
Property, plant and equipment (see note 15)	**(1.7)**	4.2
Inventories (see note 16)	**1.0**	1.5
Trade receivables (see note 17)	**0.4**	0.5
Rentals payable under operating leases	**4.4**	4.4
Research and development costs not capitalised	**8.1**	6.5
Net foreign exchange losses/(gains)	**0.4**	0.8

9. Finance costs

	2016 £m	2015 £m
Finance costs		
Interest on bank loans and overdrafts	**4.1**	3.8
Loss on interest rate swaps transferred to profit or loss	**0.4**	0.7
Interest differentials on net investment hedges	**0.1**	0.3
Unwind of discount on contingent consideration (see note 3)	**0.1**	0.1
Unwind of discount on provisions (see note 25)	**0.2**	0.2
Net foreign exchange gains	**(0.9)**	(0.6)
Amortisation of facility fees	**0.4**	0.3
Non-utilisation fees	**0.5**	0.4
Finance lease interest	**0.1**	0.1
Premium on average rate currency options	**1.0**	0.5
	6.0	5.8
Post-employment benefits:		
Net interest cost on defined benefit obligation (see note 23)	**1.1**	1.3
Total finance costs	**7.1**	7.1

Interest rate swaps are used to manage the interest rate profile of the Group's borrowings. Accordingly, net interest payable or receivable on interest rate swaps is included in finance costs.

Notes to the consolidated financial statements continued
for the year ended 30 June 2016

10. Taxation
Income tax expense

	2016 UK £m	2016 Overseas £m	2016 Total £m	2015 UK £m	2015 Overseas £m	2015 Total £m
Current tax expense:						
Current year	—	7.9	7.9	—	4.9	4.9
Adjustment for prior years	—	(0.7)	(0.7)	—	(0.2)	(0.2)
	—	7.2	7.2	—	4.7	4.7
Deferred tax expense:						
Origination and reversal of temporary differences	1.1	0.2	1.3	0.7	(2.7)	(2.0)
Adjustment for prior years	(0.1)	0.6	0.5	0.7	(0.3)	0.4
Impact of change in tax rate	(0.2)	—	(0.2)	—	0.2	0.2
	0.8	0.8	1.6	1.4	(2.8)	(1.4)
Income tax expense	0.8	8.0	8.8	1.4	1.9	3.3

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:

	2016 £m	2015 £m
Profit before tax	25.8	2.6
Profit before tax multiplied by the UK corporation tax rate of 20.0% (2015: 20.75%)	5.2	0.5
Effect of tax rates in foreign jurisdictions	3.1	0.6
Non-deductible expenses	1.7	1.9
Tax incentives/non-taxable income	(1.0)	(0.8)
Tax (gains)/losses for which no deferred tax recognised	(0.2)	0.1
Change in tax rate	(0.2)	0.2
Other differences	0.4	0.6
Adjustment for prior years	(0.2)	0.2
Total tax expense in profit or loss	8.8	3.3

Taxation is provided at current rates on the profits earned for the year.

To the extent that dividends remitted from overseas affiliates are expected to result in additional taxes, these amounts have been provided for. No deferred tax has been recognised in respect of timing differences associated with the unremitted earnings of overseas subsidiaries as these are considered permanently employed in the business of these companies. Unremitted earnings may be liable to overseas taxes and/or UK taxation (after allowing for double tax relief) if distributed as dividends. The aggregate amount of temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities have not been recognised totalled approximately £4.5 million at 30 June 2016 (2015: £4.1m).

The main rate of UK corporation tax was reduced from 23% to 21% with effect from 1 April 2014 and to 20% from 1 April 2015. The Group's effective UK corporation tax rate for the year was, therefore, 20.0% (2015: 20.75%).

Factors affecting future tax charges
The Finance (No. 2) Act 2015 which was published on 18 November 2015 includes legislation reducing the main rate of UK corporation tax from 20% to 19% with effect from 1 April 2017, with a further reduction to 18% with effect from 1 April 2020. These reductions have been enacted at the balance sheet date and have been reflected in the deferred tax recognised on the balance sheet. The Finance Bill 2016 announced a further reduction to 17% with effect from 1 April 2020. This reduction has not been substantially enacted at the balance sheet date and has not been reflected in the deferred tax recognised on the balance sheet.

Tax on items recognised in other comprehensive income

	2016 £m	2015 £m
Items that may be reclassified to profit or loss:		
Gain on cash flow hedges in the year	**0.6**	0.7
Result/gain on net investment hedges	**—**	2.3
	0.6	3.0
Items that will not be transferred to profit or loss:		
Net actuarial loss on post-employment benefits:		
Deferred tax	**0.4**	(0.4)
Total tax charge in other comprehensive income	**1.0**	2.6

Deferred tax

The movement in the net deferred tax balances during the year was:

	Accelerated tax depreciation £m	Intangible assets £m	Share-based payments £m	Tax losses £m	Retirement benefit obligations £m	Surplus ACT £m	Other £m	Total £m
At 30 June 2014	(7.1)	(1.8)	—	2.4	5.8	4.1	3.1	6.5
Charge to profit or loss	2.0	(0.2)	—	(0.3)	(0.2)	—	0.3	1.6
Credit/(charge) to other comprehensive income	—	—	—	—	0.4	—	(3.0)	(2.6)
Effect of the change in tax rate	(0.1)	—	—	(0.1)	—	—	—	(0.2)
Exchange movements	1.0	(0.1)	—	(0.2)	—	—	(0.1)	0.6
At 30 June 2015	(4.2)	(2.1)	—	1.8	6.0	4.1	0.3	5.9
Charge to profit or loss	**(0.5)**	**(0.1)**	**—**	**—**	**(0.2)**	**—**	**(0.9)**	**(1.7)**
Charge to other comprehensive income	**—**	**—**	**—**	**—**	**(0.4)**	**—**	**(0.6)**	**(1.0)**
Effect of the change in tax rate	**(0.3)**	**0.3**	**—**	**—**	**0.2**	**—**	**(0.1)**	**0.1**
Exchange movements	**(1.3)**	**0.1**	**—**	**0.3**	**—**	**—**	**0.4**	**(0.5)**
At 30 June 2016	**(6.3)**	**(1.8)**	**—**	**2.1**	**5.6**	**4.1**	**(0.9)**	**2.8**

Deferred tax assets and liabilities are presented in the Group's balance sheet as follows:

	2016 £m	2015 £m
Deferred tax assets	**9.3**	11.1
Deferred tax liabilities	**(6.5)**	(5.2)
Total	**2.8**	5.9

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Unrecognised deferred tax assets

At 30 June 2016, the Group had unused tax losses of £13.5 million (2015: £14.7m) available for offset against future profits. No deferred tax asset has been recognised in respect of £6.0 million (2015: £8.5m) of these losses due to the unpredictability of future profit streams. The majority of these tax losses arise in tax jurisdictions where they do not expire. However, tax losses of £1.7 million expire between now and 2021.

No deferred tax asset has been recognised in relation to the remaining surplus ACT of £2.9 million (2015: £2.9m) due to uncertainty as to future ACT capacity.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

11. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of the Company's ordinary shares in issue during the financial year. The weighted average number of the Company's ordinary shares in issue excludes 0.6 million shares (2015: 0.6m shares), being the weighted average number of own shares held during the year in relation to employee share schemes.

	Reference	2016	2015
Weighted average number of ordinary shares in issue (million)	a	**182.2**	182.2
Effect of dilutive LTIP awards (million)		**0.4**	0.2
Weighted average number of ordinary shares for calculating diluted earnings per share (million)	b	**182.6**	182.4

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue assuming the conversion of all potentially dilutive ordinary shares.

During the year, the Company had equity-settled LTIP awards with a nil exercise price that are potentially dilutive ordinary shares.

Adjusted earnings per share measures are calculated based on profit for the year attributable to owners of the Company before adjusting items as follows:

	Reference	2016 £m	2015 £m
Earnings for calculating basic and diluted earnings per share	c	**17.0**	(0.7)
Adjusted for:			
Amortisation of intangible assets (see note 14)		**0.9**	1.0
Exceptional items (see note 5)		**2.4**	17.8
Unwind of discount on contingent consideration (see note 3)		**0.1**	0.1
Unwind of discount on provisions (see note 25)		**0.2**	0.2
Taxation relating to the above items		**(0.4)**	(3.2)
Earnings for calculating adjusted earnings per share	d	**20.2**	15.2

	Reference	2016 pence	2015 pence
Basic earnings per share	c/a	**9.3**	(0.4)
Diluted earnings per share	c/b	**9.3**	(0.4)
Adjusted basic earnings per share	d/a	**11.1**	8.3
Adjusted diluted earnings per share	d/b	**11.1**	8.3

12. Payments to shareholders

Payments to ordinary shareholders are made by way of the issue of B Shares in place of income distributions. Ordinary shareholders are able to redeem any number of the B Shares issued to them for cash. Any B Shares that they retain attract a dividend of 75% of LIBOR on the 0.1 pence nominal value of each share, paid on a twice-yearly basis.

Payments to ordinary shareholders made or proposed in respect of the year were as follows:

	2016		2015	
	Pence per share	£m	Pence per share	£m
Interim	**1.2**	**2.2**	1.7	**3.1**
Final	**2.4**	**4.4**	1.9	**3.5**
Total for the year	**3.6**	**6.6**	3.6	**6.6**

The proposed final payment in respect of 2016 of 2.4 pence per ordinary share is subject to approval by shareholders at the Company's 2016 AGM and has therefore not been recognised in these financial statements.

Movements in the number of B Shares outstanding were as follows:

	2016		2015	
	Number 000	Nominal value £m	Number 000	Nominal value £m
Issued and fully paid				
At 1 July	**969,007**	**1.0**	578,451	0.6
Issued	**5,650,489**	**5.7**	9,110,465	9.1
Redeemed	**(5,760,968)**	**(5.8)**	(8,719,909)	(8.7)
At 30 June	**858,528**	**0.9**	969,007	1.0

B Shares carry no rights to attend, speak or vote at Company meetings, except on a resolution relating to the winding up of the Company.

13. Goodwill

	2016 £m	2015 £m
Carrying amount		
At 1 July	**17.7**	23.9
Impairment recognised in the year	**—**	(5.6)
Currency translation differences	**(0.2)**	(0.6)
At 30 June	**17.5**	17.7

Goodwill is allocated to cash generating units (CGUs) as follows:

	2016 £m	2015 £m
Household	**17.3**	17.5
PCA	**0.2**	0.2
At 30 June	**17.5**	17.7

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

13. Goodwill continued

Impairment tests carried out during the year

Goodwill is tested for impairment annually at the level of the CGUs to which it is allocated. In each of the tests carried out during 2016, 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 budget for the 2017 financial year. Cash flows in the following four years were forecast by applying assumptions to budget sales, production costs and overheads. Aggregate cash flows beyond the fifth year were estimated by applying a perpetuity growth rate to the forecast cash flow in the fifth year that was based on long-term growth rates for the CGU's products in its end markets.

Management estimates sales growth for each CGU based on forecasts of the future volume of the end markets for the CGU's products. CGUs to which significant goodwill is allocated supply the Household Powder market and the Household liquid market in the UK. The UK Household liquids market is forecast to be flat.

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 period, 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 market expectations of future inflation rates.

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 those CGUs to which significant amounts of goodwill are allocated were as follows: UK Household liquids 11% (2015: 11%); UK Household Powders 11% (2015: 11%).

14. Other intangible assets

	Patents, brands and trade marks £m	Computer software £m	Customer relationships £m	Other £m	Total £m
Cost					
At 30 June 2014	2.0	3.9	8.5	0.5	14.9
Additions	—	0.7	—	—	0.7
Currency translation differences	—	(0.1)	—	—	(0.1)
At 30 June 2015	2.0	4.5	8.5	0.5	15.5
Additions	**—**	**1.2**	**—**	**0.2**	**1.4**
Currency translation differences	**—**	**—**	**—**	**—**	**—**
At 30 June 2016	**2.0**	**5.7**	**8.5**	**0.7**	**16.9**
Accumulated amortisation and impairment					
At 30 June 2014	(1.9)	(1.8)	(8.4)	(0.4)	(12.5)
Charge for the year	(0.1)	(0.7)	(0.1)	(0.1)	(1.0)
At 30 June 2015	(2.0)	(2.5)	(8.5)	(0.5)	(13.5)
Charge for the year	**—**	**(0.8)**	**—**	**(0.1)**	**(0.9)**
At 30 June 2016	**(2.0)**	**(3.3)**	**(8.5)**	**(0.6)**	**(14.4)**
Net book value					
At 30 June 2016	**—**	**2.4**	**—**	**0.1**	**2.5**
At 30 June 2015	—	2.0	—	—	2.0

15. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Payments on account and assets in the course of construction £m	Total £m
Cost				
At 30 June 2014	100.9	413.9	2.7	517.5
Additions	0.5	8.4	11.5	20.4
Disposals	(0.3)	(1.8)	—	(2.1)
Transfers	—	11.6	(11.6)	—
Currency translation differences	(8.5)	(23.6)	(0.1)	(32.2)
At 30 June 2015	92.6	408.5	2.5	503.6
Additions	**0.4**	**8.5**	**1.9**	**10.8**
Disposals	**—**	**(6.1)**	**—**	**(6.1)**
Transfers	**(3.3)**	**5.8**	**(2.5)**	**—**
Currency translation differences	**10.1**	**30.2**	**0.2**	**40.5**
At 30 June 2016	**99.8**	**446.9**	**2.1**	**548.8**
Accumulated depreciation and impairment				
At 30 June 2014	(40.7)	(333.4)	—	(374.1)
Charge for the year	(2.1)	(17.5)	—	(19.6)
Impairment recognised in the year	(2.5)	(1.7)	—	(4.2)
Disposals	0.2	1.9	—	2.1
Currency translation differences	2.6	19.4	—	22.0
At 30 June 2015	(42.5)	(331.3)	—	(373.8)
Charge for the year	**(1.9)**	**(16.3)**	**—**	**(18.2)**
Write back recognised in the year	**1.7**	**—**	**—**	**1.7**
Disposals	**—**	**6.1**	**—**	**6.1**
Currency translation differences	**(0.6)**	**(27.8)**	**—**	**(28.4)**
At 30 June 2016	**(43.3)**	**(369.3)**	**—**	**(412.6)**
Net book value				
At 30 June 2016	**56.5**	**77.6**	**2.1**	**136.2**
At 30 June 2015	50.1	77.2	2.5	129.8

At 30 June 2016, land and buildings with a carrying amount of £nil (2015: £2.6m) were secured in relation to bank and other loans.

Net book value of assets held under finance leases amounted to £0.4 million (2015: £2.4m), and is held under plant and equipment.

16. Inventories

	2016 £m	2015 £m
Raw materials, packaging and consumables	**38.6**	37.2
Finished goods and goods for resale	**37.1**	29.6
Total	**75.7**	66.8

Notes to the consolidated financial statements continued
for the year ended 30 June 2016

16. Inventories continued
Inventories are stated net of an allowance of £4.9 million (2015: £4.7m) in respect of excess, obsolete or slow-moving items. Movements in the allowance were as follows:

	2016 £m	2015 £m
At 1 July	(4.7)	(4.3)
Utilisation	1.2	0.8
Charged to profit or loss	(1.0)	(1.5)
Currency translation differences	(0.4)	0.3
At 30 June	**(4.9)**	(4.7)

17. Trade and other receivables

	2016 £m	2015 £m
Trade receivables	127.7	121.9
Other receivables	3.4	4.0
Prepayments and accrued income	4.6	6.6
Total	**135.7**	132.5

Trade receivables amounting to £21.5 million (2015: £30.0m) are secured under the invoice discounting facilities described in note 21.

Trade receivables are regularly reviewed for bad and doubtful debts. Bad debts are written off and an allowance is established for specific doubtful debts.

Trade receivables may be analysed as follows:

	2016 £m	2015 £m
Amounts neither past due nor impaired	124.2	117.0
Amounts past due but not impaired:		
Less than one month	2.9	4.0
Between one and three months	0.2	0.5
Between three and six months	0.2	0.2
Over six months	0.2	0.2
	3.5	4.9
Amounts impaired:		
Total amounts that have been impaired	1.4	1.2
Allowance for doubtful debts	(1.4)	(1.2)
	–	–
Total trade receivables	**127.7**	121.9

Movements in the allowance for doubtful debts were as follows:

	2016 £m	2015 £m
At 1 July	1.2	1.8
Charged to profit or loss	0.4	0.5
Utilisation	(0.3)	(0.9)
Currency translation differences	0.1	(0.2)
At 30 June	**1.4**	1.2

Trade receivables are generally not interest bearing.

18. Assets classified as held for sale

At 30 June 2016, assets held for sale amounting to £1.2 million (2015: £1.1m) comprised freehold land and buildings at a former manufacturing site in Italy.

19. Trade and other payables

	2016 £m	2015 £m
Current liabilities		
Trade payables	**128.9**	129.2
Taxation and social security	**13.8**	11.4
Other payables	**15.3**	12.0
Accrued expenses	**21.2**	17.8
Deferred income	**1.6**	1.2
B Shares (see note 12)	**0.9**	1.0
	181.7	172.6
Non-current liabilities		
Contingent consideration (see note 3)	**2.3**	0.4
Total	**184.0**	173.0

Trade payables are generally not interest bearing.

20. Borrowings

Borrowings may be analysed as follows:

	2016			2015		
	Current liabilities £m	Non-current liabilities £m	Total liabilities £m	Current liabilities £m	Non-current liabilities £m	Total liabilities £m
Overdrafts	**8.3**	**—**	**8.3**	4.7	—	4.7
Bank and other loans:						
Unsecured loans(1)	**—**	**83.5**	**83.5**	—	78.5	78.5
Secured loans	**0.3**	**1.6**	**1.9**	0.2	1.7	1.9
Invoice discounting facilities (see note 21)	**21.5**	**—**	**21.5**	30.0	—	30.0
	21.8	**85.1**	**106.9**	30.2	80.2	110.4
Finance lease liabilities	**0.2**	**0.3**	**0.5**	0.2	0.4	0.6
Total	**30.3**	**85.4**	**115.7**	35.1	80.6	115.7

(1) Includes two US Private Placements amounting to £67.0 million (2015: £57.2m).

Bank and other loans are repayable as follows:

	2016 £m	2015 £m
Within one year	**21.8**	30.2
Between one and two years	**0.2**	0.2
Between two and five years	**54.6**	22.1
More than five years	**30.3**	57.9
Total	**106.9**	110.4

Details of the Group's bank facilities are presented in note 21. Amounts payable under finance leases are as follows:

Present value	2016 £m	2015 £m
Within one year	**0.2**	0.2
Between one and five years	**0.3**	0.4
Total	**0.5**	0.6

Notes to the consolidated financial statements continued
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21. Financial risk management
Risk management policies
The Group's central treasury function is responsible for procuring the Group's capital resources and maintaining an efficient capital structure, together with managing the Group's liquidity, foreign exchange and interest rate exposures.

All treasury operations are conducted within strict policies and guidelines that are approved by the Board. Compliance with those policies and guidelines is monitored by the regular reporting of treasury activities to the Board following regular treasury committee meetings.

Financial assets and financial liabilities

			Fair value through profit or loss			
	Loans and receivables £m	Liabilities at amortised cost £m	Designated hedging relationships £m	Other £m	Total carrying amount £m	Fair value £m
At 30 June 2016						
Financial assets						
Trade receivables	127.7	–	–	–	127.7	127.7
Other receivables	3.4	–	–	–	3.4	3.4
Cash and cash equivalents	24.8	–	–	–	24.8	24.8
	155.9	–	–	–	155.9	155.9
Financial assets held at fair value						
Derivative financial instruments (Level 2)						
Forward currency contracts	–	–	2.4	–	2.4	2.4
Interest rate swaps	–	–	12.7	–	12.7	12.7
Commodity swaps	–	–	0.2	–	0.2	0.2
	–	–	15.3	–	15.3	15.3
Total financial assets	155.9	–	15.3	–	171.2	171.2
Financial liabilities						
Trade payables	–	(128.9)	–	–	(128.9)	(128.9)
Other payables	–	(15.3)	–	–	(15.3)	(15.3)
Accrued expenses	–	(21.2)	–	–	(21.2)	(21.2)
Unredeemed B Shares	–	(0.9)	–	–	(0.9)	(0.9)
Bank overdrafts	–	(8.3)	–	–	(8.3)	(8.3)
Bank and other loans	–	(106.9)	–	–	(106.9)	(106.9)
Obligations under finance leases	–	(0.5)	–	–	(0.5)	(0.5)
	–	(282.0)	–	–	(282.0)	(282.0)
Financial liabilities held at fair value						
Derivative financial instruments (Level 2)						
Forward currency contracts	–	–	(1.2)	–	(1.2)	(1.2)
Interest rate swaps	–	–	–	–	–	–
	–	–	(1.2)	–	(1.2)	(1.2)
Contingent consideration (Level 3)	–	–	–	(2.3)	(2.3)	(2.3)
	–	–	(1.2)	(2.3)	(3.5)	(3.5)
Total financial liabilities	–	(282.0)	(1.2)	(2.3)	(285.5)	(285.5)
Total	155.9	(282.0)	14.1	(2.3)	(114.3)	(114.3)

	Loans and receivables £m	Liabilities at amortised cost £m	Fair value through profit or loss: Designated hedging relationships £m	Fair value through profit or loss: Other £m	Total carrying amount £m	Fair value £m
At 30 June 2015						
Financial assets						
Trade receivables	121.9	–	–	–	121.9	121.9
Other receivables	4.0	–	–	–	4.0	4.0
Cash and cash equivalents	23.3	–	–	–	23.3	23.3
	149.2	–	–	–	149.2	149.2
Financial assets held at fair value						
Derivative financial instruments (Level 2)						
Forward currency contracts	–	–	1.3	–	1.3	1.3
Interest rate swaps	–	–	9.9	–	9.9	9.9
Commodity swaps	–	–	0.4	–	0.4	0.4
	–	–	11.6	–	11.6	11.6
Total financial assets	149.2	–	11.6	–	160.8	160.8
Financial liabilities						
Trade payables	–	(129.2)	–	–	(129.2)	(129.2)
Other payables	–	(12.0)	–	–	(12.0)	(12.0)
Accrued expenses	–	(17.8)	–	–	(17.8)	(17.8)
Unredeemed B Shares	–	(1.0)	–	–	(1.0)	(1.0)
Bank overdrafts	–	(4.7)	–	–	(4.7)	(4.7)
Bank and other loans	–	(110.4)	–	–	(110.4)	(110.4)
Obligations under finance leases	–	(0.6)	–	–	(0.6)	(0.6)
	–	(275.7)	–	–	(275.7)	(275.7)
Financial liabilities held at fair value						
Derivative financial instruments (Level 2)						
Forward currency contracts	–	–	(1.5)	–	(1.5)	(1.5)
Interest rate swaps	–	–	(0.4)	–	(0.4)	(0.4)
	–	–	(1.9)	–	(1.9)	(1.9)
Contingent consideration (Level 3)	–	–	–	(0.4)	(0.4)	(0.4)
	–	–	(1.9)	(0.4)	(2.3)	(2.3)
Total financial liabilities	–	(275.7)	(1.9)	(0.4)	(278.0)	(278.0)
Total	149.2	(275.7)	9.7	(0.4)	(117.2)	(117.2)

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.

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for the year ended 30 June 2016

21. Financial risk management continued

Financial assets and financial liabilities continued

Contingent consideration is measured at fair value based upon management's estimates of the future sales and profitability of the acquired business. Details are presented in note 3.

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 period 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's cash balances are managed such that there is no significant concentration of credit risk in any one bank or other financial institution. Management monitors closely the credit quality of the institutions with which it holds deposits. Similar considerations are given to the Group's portfolio of derivative financial instruments.

Before accepting a new customer, management assesses the customer's credit quality and establishes a credit limit. Credit quality is assessed using data maintained by reputable credit rating agencies, by the checking of references included in credit applications and, where they are available, by reviewing the customer's recent financial statements. Credit limits are subject to multiple levels of authorisation and are reviewed on a regular basis. Credit insurance is employed where it is considered to be cost effective. At 30 June 2016, the majority of trade receivables were due from major retailers in the UK and Europe.

At 30 June 2016, the Group's maximum exposure to credit risk was as follows (there was no significant concentration of credit risk):

	2016 £m	2015 £m
Trade and other receivables:		
Trade receivables	**127.7**	121.9
Other receivables	**3.4**	4.0
Derivative financial instruments	**15.3**	11.6
	146.4	137.5
Cash and cash equivalents	**24.8**	23.3
Total	**171.2**	160.8

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. Management's policy is to reduce liquidity risk by diversifying the Group's funding sources and staggering the maturity of its borrowings.

The Group has an unsecured €140 million revolving credit facility that is committed until April 2019. At 30 June 2016, the amount undrawn on the facility was €120 million (2015: €110m). The Group is subject to covenants, representations and warranties which are typical for unsecured borrowing facilities, including two financial covenants. Debt cover (the ratio of net debt to EBITDA) may not exceed 3:1 and interest cover (the ratio of EBITDA to net interest) may not be less than 4:1.

For the purpose of these calculations, net debt excludes amounts drawn under the invoice discounting facilities and net interest comprises interest payments and receipts on net debt. The Group remains comfortably within these covenants. Any future non-compliance with the covenants could, if not waived, constitute an event of default and may, in certain circumstances, lead to an acceleration of the maturity of borrowings drawn down and an inability to access committed facilities.

The Group has two US Private Placements (USPP) with major US financial institutions. These loans are denominated in US Dollars, each repayable in a single instalment at maturity and carrying a fixed rate of interest. The first USPP, for $50 million, matures in November 2020, the second, for $40 million, matures in April 2022. Both loan obligations have been swapped using derivative instruments into Euro fixed rate liabilities in order to hedge the Group's Euro assets.

The Group has a number of facilities whereby it can borrow against certain of its trade receivables. In the UK, the Group has a £25 million facility that was renewed in August 2014 and is committed until November 2016. In France and Belgium, the Group has an aggregate €30 million facility, which has a rolling notice period of six months for the French part and three months for the Belgian part. Under these arrangements, the Group transfers trade receivables to the providers of the facilities at a discount to the face value of the underlying invoices. The Group can borrow from the provider of the relevant facility up to the lower of the facility limit and the discounted value of the receivables transferred. The Group does not derecognise the receivables transferred because it continues to be exposed to the credit risk associated with them.

At 30 June 2016, the carrying amount of trade receivables eligible for transfer and the amounts borrowed under the facility were as follows:

	2016 £m	2015 £m
Trade receivables available	29.9	46.3
Amount borrowed	(21.5)	(30.0)
Amount undrawn	**8.4**	16.3

The Group also has access to uncommitted working capital facilities amounting to £48.2 million (2015: £46.9m). At 30 June 2016, £8.3 million (2015: £4.7m) was drawn against these facilities in the form of overdrafts and short-term borrowings.

In the following tables, estimated future contractual cash flows in respect of the Group's financial liabilities are analysed according to the earliest date on which the Group could be required to settle the liability. Floating rate interest payments are estimated based on market interest rates prevailing at the balance sheet date. Payments and receipts in relation to derivative financial instruments are shown net if they will be settled on a net basis.

	Within 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	After 5 years £m	Total £m
At 30 June 2016							
Bank overdrafts	(8.3)	–	–	–	–	–	(8.3)
Bank and other loans:							
Principal	(21.8)	(0.2)	(16.8)	(0.3)	(37.5)	(30.3)	(106.9)
Interest payments	(4.2)	(4.1)	(4.1)	(4.1)	(3.0)	(1.9)	(21.4)
Finance lease obligations	(0.2)	(0.1)	(0.2)	–	–	–	(0.5)
Other liabilities	(166.3)	–	–	–	–	–	(166.3)
Cash flows on non-derivative liabilities	(200.8)	(4.4)	(21.1)	(4.4)	(40.5)	(32.2)	(303.4)
Cash flows on derivative liabilities							
Payments	(61.3)	(3.0)	(3.0)	(3.0)	(32.1)	(25.4)	(127.8)
Cash flows on financial liabilities	(262.1)	(7.4)	(24.1)	(7.4)	(72.6)	(57.6)	(431.2)
Cash flows on derivative assets							
Receipts	65.6	4.1	4.1	4.1	40.2	31.7	149.8
	(196.5)	(3.3)	(20.0)	(3.3)	(32.4)	(25.9)	(281.4)

	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 2015							
Bank overdrafts	(4.7)	–	–	–	–	–	(4.7)
Bank and other loans:							
Principal	(30.2)	(0.2)	(0.2)	(21.6)	(0.3)	(57.9)	(110.4)
Interest payments	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(4.2)	(21.7)
Finance lease obligations	(0.2)	(0.2)	(0.2)	–	–	–	(0.6)
Other liabilities	(160.0)	–	–	–	–	–	(160.0)
Cash flows on non-derivative liabilities	(198.6)	(3.9)	(3.9)	(25.1)	(3.8)	(62.1)	(297.4)
Cash flows on derivative liabilities							
Payments	(53.8)	(2.6)	(2.6)	(2.6)	(2.6)	(3.0)	(67.2)
Cash flows on financial liabilities	(252.4)	(6.5)	(6.5)	(27.7)	(6.4)	(65.1)	(364.6)
Cash flows on related derivative assets							
Receipts	54.7	3.5	3.5	3.5	3.5	4.2	72.9
	(197.7)	(3.0)	(3.0)	(24.2)	(2.9)	(60.9)	(291.7)

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21. Financial risk management continued
Interest rate risk
Interest rate risk is the risk that the fair value of, or future cash flows associated with, a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk on its floating rate borrowings, which it has mitigated using interest rate derivatives. The revolving credit facility drawings were hedged using fixed rate swaps in 2015, replaced by interest rate caps in 2016 which allow interest rates to float up to the capped level. 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:

	2016				2015			
	Euro £m	Sterling £m	Other currencies £m	Total £m	Euro £m	Sterling £m	Other currencies £m	Total £m
Floating rate								
Bank overdrafts	**(4.4)**	**(3.1)**	**(0.8)**	**(8.3)**	(2.7)	(0.2)	(1.8)	(4.7)
Bank and other loans	**(26.6)**	**(13.3)**	**—**	**(39.9)**	(8.0)	(22.0)	—	(30.0)
Cash and cash equivalents	**15.6**	**6.3**	**2.9**	**24.8**	9.4	11.7	2.2	23.3
	(15.4)	**(10.1)**	**2.1**	**(23.4)**	(1.3)	(10.5)	0.4	(11.4)
Fixed rate								
Bank and other loans	**(67.0)**	**—**	**—**	**(67.0)**	(80.4)	—	—	(80.4)
Finance lease obligations	**—**	**(0.3)**	**(0.2)**	**(0.5)**	(0.4)	—	(0.2)	(0.6)
	(67.0)	**(0.3)**	**(0.2)**	**(67.5)**	(80.8)	—	(0.2)	(81.0)
Total	**(82.4)**	**(10.4)**	**1.9**	**(90.9)**	(82.1)	(10.5)	0.2	(92.4)

Interest payable on bank overdrafts and floating rate loans is based on base rates and short-term interbank rates (predominantly LIBOR, EURIBOR and some EONIA). At 30 June 2016, the weighted average interest rate payable on bank and other loans was 4.6% (2015: 3.9%). At 30 June 2016, the weighted average interest rate receivable on cash and cash equivalents was 0.1% (2015: 0.1%).

At 30 June 2016, the Group held interest rate caps with a notional principal amount of €30 million, which cap the maximum rate payable but allows the rate to float below this maximum.

The USPP loans are fixed at an average rate of 5.45% payable in Euros.

Interest rate derivatives held by the Group at 30 June 2016 were as follows:

Maturity	Nature of contract	Notional principal amount € million	Fixed rate payable or rate %	Variable rate receivable %
February 2017	**Cap**	**10.0**	**1.700**	**n/a**
March 2017	**Cap**	**10.0**	**1.690**	**n/a**
June 2018	**Cap**	**10.0**	**1.600**	**n/a**
November 2020	**Xccy/swap**	**36.2**	**5.509**	**n/a**
April 2022	**Xccy/swap**	**29.2**	**5.376**	**n/a**

All interest rate derivatives held by the Group are indexed to three-month EURIBOR.

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.

For accounting purposes, the Group has designated a part of its cross currency interest rate swaps as cash flow hedges. At 30 June 2016, the fair value of the interest rate caps was nil (2015: nil) and the fair value of the cross currency interest rate swaps was £12.7 million (2015: £9.9m). During 2016, a gain of £10.4 million (2015: gain of £7.8m) was recognised in other comprehensive income in respect of these derivatives.

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 £0.2m (2015: nil).

Foreign currency risk
(i) 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 2016, the notional principal amount of outstanding foreign currency contracts (net purchases) that are held to hedge the Group's transaction exposures was £48.3 million (2015: £38.4m). For accounting purposes, the Group has designated the foreign currency contracts as cash flow hedges. At 30 June 2016, the fair value of the contracts was £2.4 million (2015: loss of £1.3m). During 2016, a gain of £3.7 million (2015: loss of £0.6m) was recognised in other comprehensive income and a gain of £0.2 million (2015: loss of £2.3m) was transferred from the cash flow reserve to the income statement in respect of these contracts.

(ii) 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 and a part of its cross currency interest rate swaps. This exposure is also mitigated by the natural hedge provided by the interest payable on the Group's foreign currency borrowings. At 30 June 2016, the fair value of the average rate options was a loss of £0.9 million (2015: £1.3m).

At 30 June 2016, the Group had designated as net investment hedges £54.1 million (2015: £46.5m) of its Euro-denominated borrowings and three-month rolling foreign currency forward contracts with a notional principal amount of £33.6 million (2015: £29.4m). During 2016, a loss of £10.4 million (2015: gain of £16.4m) was recognised in other comprehensive income in relation to the net investment hedges.

The currency profile of the Group's net assets (excluding non-controlling interests) before and after hedging currency translation exposures was as follows:

	2016			2015		
	Net assets before hedging £m	Currency forward contracts[1] £m	Net assets after hedging £m	Net assets before hedging £m	Currency forward contracts £m	Net assets after hedging £m
Sterling	21.7	31.2	52.9	36.7	27.2	63.9
Euro	21.2	(12.4)	8.8	(0.8)	(10.5)	(11.3)
Polish Zloty	16.8	(14.6)	2.2	15.1	(13.2)	1.9
Czech Koruna	2.6	(1.4)	1.2	1.4	(1.0)	0.4
Malaysian Ringgit	3.5	(2.8)	0.7	2.5	(2.5)	—
Other	2.7	—	2.7	2.0	—	2.0
Total	**68.5**	**—**	**68.5**	56.9	—	56.9

(1) Based on the Group's position before the impairment of long-lived assets and property, plant and equipment.

The Group's exposure to a +/- 10% change in EUR/GBP and USD/GBP exchange rate are as follows:

	2016			
	EUR +10%	EUR -10%	USD +10%	USD -10%
Impact on equity	8.3	(8.8)	—	—
Impact on profit	1.2	(1.5)	—	—

The impact on equity shown above predominantly relates to EUR/GBP contracts that qualify for net investment and cash flow hedge accounting. Impact on equity includes £6.3 million and (£6.8 million) relating to items that are designated in net investment hedges; and as such there is a materially equal and opposite movement arising from the Group's exposure to the net investment in EUR assets. The impact on profit primarily relates to movements on intercompany loans which are within the control of the Company.

22. Capital and net debt

The Group's capital comprises total equity and net debt.

The Directors manage the Group's capital to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Directors aim to maintain an efficient capital structure with a relatively conservative level of debt-to-equity gearing so as to ensure continued access to a broad range of financing sources in order to provide sufficient flexibility to pursue commercial opportunities as they arise.

The Group's capital was as follows:

	2016 £m	2015 £m	2014 £m
Total equity	69.1	57.5	68.6
Net debt	90.9	92.4	84.7
Capital	160.0	149.9	153.3

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for the year ended 30 June 2016

22. Capital and net debt continued

	2016 %	2015 %
Gearing[1]	59	61

(1) Gearing represents net debt/average year end capital.

Movements in net debt were as follows:

	At 30 June 2015 £m	Cash flows £m	Other non-cash movements £m	Currency translation differences £m	At 30 June 2016 £m
Cash and cash equivalents	23.3	(0.3)	–	1.8	24.8
Overdrafts	(4.7)	(3.3)	–	(0.3)	(8.3)
Bank and other loans	(110.4)	17.4	–	(13.9)	(106.9)
Finance lease liabilities	(0.6)	0.1	–	–	(0.5)
Net debt	(92.4)	13.9	–	(12.4)	(90.9)

	At 30 June 2014 £m	Cash flows £m	Other non-cash movements £m	Currency translation differences £m	At 30 June 2015 £m
Cash and cash equivalents	35.3	(10.8)	–	(1.2)	23.3
Overdrafts	(0.4)	(4.5)	–	0.2	(4.7)
Bank and other loans	(119.3)	8.8	–	0.1	(110.4)
Finance lease liabilities	(0.3)	0.1	(0.4)	–	(0.6)
Net debt	(84.7)	(6.4)	(0.4)	(0.9)	(92.4)

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 defined benefit pension scheme and defined contribution pension schemes. 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 2016, the Group's post-employment benefit obligations outside the UK amounted to £1.8 million (2015: £1.6m). Post-employment benefits had the following effect on the Group's results and financial position:

	2016 £m	2015 £m
Profit or loss		
Operating profit/(loss)		
Defined contribution schemes		
Contributions payable	(1.7)	(1.6)
Defined benefit schemes		
Service cost (net of employee contributions)	(1.5)	(1.7)
Net charge to operating profit/(loss)	(3.2)	(3.3)
Finance costs		
Net interest cost on defined benefit obligation	(1.1)	(1.3)
Net charge to profit/(loss) before taxation	(4.3)	(4.6)
Other comprehensive income		
Defined benefit schemes		
Net actuarial loss	(2.6)	(2.1)
Balance sheet		
Defined benefit obligations		
UK – funded	(145.2)	(135.5)
Other – unfunded	(1.8)	(1.6)
	(147.0)	(137.1)
Fair value of scheme assets	114.1	105.7
Deficit on the schemes	(32.9)	(31.4)
Related deferred tax asset	5.6	6.0

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. Following consultation with staff and the UK plan's Trustees, the UK Defined Benefit plan 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 closure of this plan is one of the key actions in the 'Repair' phase to limit the growth of fund liabilities, reducing the risks and uncertainty over future cash costs associated with providing an active Defined Benefit Pension Scheme.

The Fund is administered and managed by Robert McBride Pension Fund Trustees Limited ('the Trustee'), in accordance with the terms of a governing Trust Deed and relevant legislation. Regular assessments of the Fund's benefit obligations are carried out by an independent actuary on behalf of the Trustee and long-term contribution rates are agreed between the Trustee and the Company on the basis of the actuary's recommendations. Following the last triennial valuation at March 2015, the Company and Trustees agreed a new deficit reduction plan based on the scheme funding deficit of £44.2 million. This gave rise to an increase in the deficit cash funding requirements of £0.4 million to £3.0 million per annum with effect from 31 March 2015.

(ii) Assumptions and sensitivities

For accounting purposes, the Fund's benefit obligation has been calculated based on data gathered for the 2015 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:

	2016	2015
Discount rate	3.05%	3.85%
Inflation rate:		
Retail Prices Index (RPI)	2.95%	3.25%
Consumer Prices Index (CPI)	1.95%	2.25%
Future salary increases	n/a	2.00%
Revaluation of deferred pensions (in excess of GMP)		
Accrued before 6 April 2009	1.95%	2.25%
Accrued on or after 6 April 2009	1.95%	2.25%
Increase in pensions in payment (in excess of GMP):		
Accrued before 1 April 2011	2.91%	3.11%
Accrued on or after 1 April 2011	2.14%	2.12%

From 29 February 2016 the UK Defined Benefit plan was closed to future service accrual. Prior to closure, future increases to pensionable salaries were limited to the rate of growth in the CPI up to 2.0%. The closure has resulted in neither a curtailment gain nor loss in the financial statements.

Assumptions regarding future mortality rates are made based on published statistics and taking into account the profile of the Fund's members. Mortality rates are based on the PCMA 00 (male) and PCFA 00 (female) mortality tables adjusted for both males and females to assume 8% more deaths than average in any one year. Life expectancies are assumed to increase in future in line with the CMI standard projection model, with a minimum long-term rate of improvement of 0.75% per annum. On this basis, the average life expectancies assumed for members of the Fund after retirement at age 65 are as follows:

	2016 Years	2015 Years
Member retiring in the next year:		
Male	21.9	22.0
Female	24.1	23.9
Member retiring 20 years from now:		
Male	22.8	22.5
Female	25.6	24.6

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23. Pensions and other post employment benefits continued

UK Defined Benefit Pension Scheme continued

At 30 June 2016, the sensitivity of the benefit obligation to changes in the principal assumptions was as follows (assuming in each case that the other assumptions are unchanged):

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/– 0.1%	Decrease by £2.7m	Increase by £2.7m
Inflation rate	+/– 0.1%	Increase by £2.4m	Decrease by £2.4m
Life expectancy	+/– 1 year	Increase by £3.8m	Decrease by £3.8m

(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.

During 2013, the Trustee conducted an investment strategy review and decided to increase the proportion of the Fund's assets held in low risk investments that match as closely as practicable the profile of its liabilities. Due to the favourable matching properties exhibited, the Trustee invested in synthetic gilt instruments that will provide returns in line with the yields on UK government bonds.

The Trustee maintains a significant portfolio of return-seeking assets that are expected to produce returns in excess of the yield on UK government bonds. The Fund's return-seeking assets continue to be predominantly held within managed funds that are designed to achieve equity-like returns over the long term but with significantly less volatility than would be experienced if the Fund had invested directly in equities.

The Fund holds no investment in securities issued by, nor any property used by, McBride plc or any of its subsidiaries.

The fair value and expected return on the Fund's assets at the end of the year was as follows:

	2016 Fair value £m	2015 Fair value £m	2014 Fair value £m
Return-seeking assets:			
Equities	**49.4**	54.6	40.2
Property	**—**	—	3.1
Other	**28.0**	28.1	30.6
	77.4	82.7	73.9
Matching assets:			
Bonds	**12.0**	9.8	7.1
Other	**23.3**	11.2	9.1
	35.3	21.0	16.2
Cash	**1.4**	2.0	2.5
Total	**114.1**	105.7	92.6

All of the Fund's assets are held in pooled funds. They 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 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 £4.0 million (2015: £4.1m).

The actual return on the Fund's assets during the year was £10.1 million (2015: £12.9m).

(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:

	2016 £m	2015 £m
At 1 July	**105.7**	92.6
Expected return on plan assets	**4.0**	4.1
Actuarial gain	**6.1**	8.8
Employer's contributions	**3.7**	3.7
Employees' contributions	**0.3**	0.4
Benefits paid	**(5.2)**	(3.6)
Administration expenses	**(0.5)**	(0.3)
At 30 June	**114.1**	105.7

Movements in the benefit obligation during the year were as follows:

	2016 £m	2015 £m
At 1 July	**(135.5)**	(121.0)
Service cost	**(0.8)**	(1.4)
Interest cost	**(5.1)**	(5.4)
Actuarial gain arising from changes in financial assumptions	**(11.9)**	(10.9)
Actuarial gain arising from changes in demographic assumptions	**0.1**	—
Experience gains on liabilities	**3.1**	—
Employees' contributions	**(0.3)**	(0.4)
Benefits paid	**5.2**	3.6
At 30 June	**(145.2)**	(135.5)

(v) Experience gains and losses

Actuarial gains and losses recognised in other comprehensive income represent the effect of the differences between the actuary's assumptions and actual outcomes.

The history of actuarial gains and losses in relation to the Fund is as follows:

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Present value of the Fund's benefit obligation	**(145.2)**	(135.5)	(121.0)	(108.7)	(95.9)
Fair value of the Fund's assets	**114.1**	105.7	92.6	84.5	78.0
Deficit in the Fund	**(31.1)**	(29.8)	(28.4)	(24.2)	(17.9)
Actuarial gains and losses:					
Experience adjustments on the Fund's benefit obligations	**(8.7)**	(10.9)	(8.0)	(10.5)	(2.2)
Experience adjustments on the Fund's assets	**6.1**	8.8	2.8	3.3	(3.6)
Total recognised in other comprehensive income	**(2.6)**	(2.1)	(5.2)	(7.2)	(5.8)

At 30 June 2016, the cumulative net actuarial loss in relation to the Fund that has been recognised in other comprehensive income amounted to £32.3 million (2015: £29.7m).

24. Employee share schemes

Share awards

The Group operates a performance-based Long Term Incentive Plan (LTIP) for the Executive Directors and certain other senior executives. Awards made under the LTIP vest provided the participant remains in the Group's employment during the three-year vesting period and the Group achieves relative total shareholder return (TSR) and earnings per share (EPS) targets. Up to 50% of each award vests dependent on the TSR of the Company's ordinary shares compared with the TSR of the FTSE SmallCap Ex. Investment Companies Index (a market condition). Up to 50% of each award vests dependent on the growth in the Group's EPS (a vesting condition).

Vested awards are settled either in the form of the Company's ordinary shares (equity-settled) or by the payment of cash equivalent to the market value of the Company's ordinary shares on the vesting date (cash-settled).

Further information on the LTIP is set out in the Remuneration report.

Movements in LTIP awards outstanding were as follows:

	2016		2015	
	Equity-settled Number	Cash-settled Number	Equity-settled Number	Cash-settled Number
Outstanding at 1 July	**553,375**	**3,230,021**	1,637,260	3,291,472
Granted	**536,081**	**988,769**	1,354,514	1,420,328
Forfeited	**(217,160)**	**(259,445)**	(1,880,258)	(550,883)
Lapsed	**—**	**(958,158)**	(558,141)	(930,896)
Outstanding at 30 June	**872,296**	**3,001,187**	553,375	3,230,021
Unvested at 30 June	**872,296**	**3,001,187**	553,375	3,230,021

Awards made under the LTIP have a nil exercise price.

During 2016 and 2015, no equity-settled or cash-settled LTIP awards vested.

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24. Employee share schemes continued

Share awards continued

At 30 June 2016, the liability recognised in relation to cash-settled awards was £1.6 million (2015: nil).

At the grant date, the weighted average fair value of LTIP awards granted during the year was 104.5 pence (2015: 87.7p). Fair value was measured using a variant of the Monte Carlo valuation model based on the following assumptions:

	September 2015 issue	February 2015 issue	October 2014 issue	October 2013 issue
Risk-free interest rate	**0.7%**	0.8%	1.4%	0.7%
Share price on grant date	**121.3p**	86.8p	87.8p	123.5p
Dividend yield on the Company's shares	**3.1%**	5.6%	5.7%	4.1%
Volatility of the Company's shares	**27.0%**	28.5%	29.0%	34.0%
Expected life of LTIP awards	**3 years**	3 years	3 years	3 years

Expected volatility was determined based on weekly observations of the Company's share price and the FTSE SmallCap Ex. Investment Companies Index (2015 and 2014 issues) and FTSE 250 Ex. Investment Companies Index (2013 issue) over the three-year period immediately preceding the grant date.

Compensation expense recognised in profit or loss in relation to employee share schemes was as follows:

	2016 £m	2015 £m
LTIP:		
Equity settled awards	**0.2**	0.1
Cash-settled awards	**1.6**	(0.1)
Total expense	**1.8**	—

25. Provisions

	Reorganisation and restructuring £m	Leasehold dilapidations £m	Environmental remediation £m	Other £m	Total £m
At 30 June 2014	8.4	—	2.5	0.5	11.4
Charged to profit or loss	3.0	0.7	—	0.2	3.9
Unwind of discount	—	—	0.2	—	0.2
Utilisation	(6.9)	—	(0.2)	—	(7.1)
Currency translation differences	—	—	(0.3)	(0.1)	(0.4)
At 30 June 2015	4.5	0.7	2.2	0.6	8.0
Charged/(released) to profit or loss	**2.4**	**—**	**—**	**(0.5)**	**1.9**
Unwind of discount	**—**	**—**	**0.2**	**—**	**0.2**
Utilisation	**(3.7)**	**—**	**(0.3)**	**—**	**(4.0)**
Currency translation differences	**0.2**	**—**	**0.2**	**(0.1)**	**0.3**
At 30 June 2016	**3.4**	**0.7**	**2.3**	**—**	**6.4**

Analysis of provisions:

	2016 £m	2015 £m
Current	**3.5**	4.8
Non-current	**2.9**	3.2
Total	**6.4**	8.0

Reorganisation and restructuring provisions as at 30 June 2016 principally comprise of redundancies in relation to the Group reorganisation and UK restructuring.

Environmental remediation provision relates to historical environmental contamination at a site in Belgium.

Other provisions relating mainly to trading costs in France, have been released during the year due to changes in local legal requirements.

26. Share capital and reserves

Share capital

	Allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 1 July 2014, 30 June 2015 and at 30 June 2016	**182,840,301**	**18.3**

Ordinary shares carry full voting rights and ordinary shareholders are entitled to attend Company meetings and to receive payments to shareholders.

Reserves

(i) Share premium account

The share premium account records the difference between the nominal amount of shares issued and the fair value of the consideration received. The share premium account may be used for certain purposes specified by UK law, including to write-off expenses incurred on any issue of shares or debentures and to pay up fully paid bonus shares. The share premium account is not distributable but may be reduced by special resolution of the Company's ordinary shareholders and with court approval.

(ii) Cash flow hedge reserve

The cash flow hedge reserve comprises the cumulative net change in the fair value of hedging instruments in designated cash flow hedging relationships recognised in other comprehensive income.

(iii) Currency translation reserve

The currency translation reserve comprises cumulative currency translation differences on the translation of the Group's net investment in foreign operations into Sterling together with the cumulative net change in the fair value of hedging instruments in designated net investment hedging relationships recognised in other comprehensive income.

(iv) Capital redemption reserve

The capital redemption reserve records the cost of shares purchased by the Company for cancellation or redeemed in excess of the proceeds of any fresh issue of shares made specifically to fund the purchase or redemption. The capital redemption reserve is not distributable but may be reduced by special resolution of the Company's ordinary shareholders and with court approval.

Own shares

	2016		2015	
Held in treasury	**Number**	**£m**	Number	£m
At cost				
At 1 July	**630,992**	**0.8**	630,992	0.8
Shares transferred to employees	**—**	**—**	—	—
At 30 June	**630,992**	**0.8**	630,992	0.8

Own shares represent the Company's ordinary shares that are acquired to meet the Group's expected obligations under employee share schemes.

At 30 June 2016, the market value of own shares held was £1.0 million (2015: £0.6m).

Non-controlling interests

Non-controlling interests relates to Fortune Organics (F.E.) Sdn Bhd, Malaysia

Notes to the consolidated financial statements continued
for the year ended 30 June 2016

27. Commitments

Operating leases

Future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £m	2015 £m
Rentals payable:		
Within one year	**4.2**	3.7
In the second to fifth years inclusive	**9.8**	7.6
After more than five years	**1.9**	2.6
Total	**15.9**	13.9

Capital expenditure on property, plant and equipment

	2016 £m	2015 £m
Contracted but not provided	**4.2**	1.0

28. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and, therefore, are not required to be disclosed in these financial statements. Details of transactions between the Group and other related parties are disclosed below.

(i) Post-employment benefit plans

As shown in note 23, contributions amounting to £5.4 million (2015: £5.3m) were payable by the Group to pension schemes established for the benefit of its employees. At 30 June 2016, £0.2 million (2015: £0.2m) in respect of contributions due was included in other payables.

(ii) 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:

	2016 £m	2015 £m
Short-term employee benefit:	**2.6**	1.9
Compensation for loss of office	**0.6**	0.7
Post employment benefits	**0.3**	0.3
Share-based payments	**0.2**	0.1
Total	**3.7**	3.0

29. 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	
	2016 £m	2015 £m	2016 £m	2015 £m
Euro	**1.34**	1.31	**1.21**	1.41
US Dollar	**1.48**	1.58	**1.34**	1.57
Polish Zloty	**5.74**	5.48	**5.37**	5.89
Czech Koruna	**36.19**	36.24	**32.83**	38.31
Hungarian Forint	**418.05**	406.07	**383.62**	442.69
Malaysian Ringgit	**6.14**	5.44	**5.36**	5.93
Australian Dollar	**2.04**	1.89	**1.81**	2.05
Chinese Yuan	**9.55**	9.75	**8.92**	9.75

Independent auditors' report

to the members of McBride plc

Report on the parent company financial statements

Our opinion

In our opinion, McBride plc's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 30 June 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Company balance sheet as at 30 June 2016;
- the Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

(i) Companies Act 2006 reporting

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

(ii) ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the parent company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

(iii) Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Independent auditors' report continued

to the members of McBride plc

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 64, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of McBride plc for the year ended 30 June 2016.

David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

7 September 2016

Company balance sheet

at 30 June 2016

	Note	2016 £m	2015 £m
Fixed assets			
Investments in subsidiary undertakings	3	**158.2**	158.2
		158.2	158.2
Receivables	4	**206.9**	178.6
Cash and cash equivalents		**0.3**	0.8
Creditors: amounts falling due within one year	5	**(106.1)**	(77.9)
Net current assets		**101.1**	101.5
Total assets less current liabilities		**259.3**	259.7
Creditors: amounts falling due after more than one year	6	**(83.5)**	(78.6)
Provisions for liabilities	9	**(0.6)**	(2.0)
Net assets		**175.2**	179.1
Capital and reserves			
Called up share capital	10	**18.3**	18.3
Share premium account		**96.7**	102.4
Capital redemption reserve		**47.9**	42.1
Cash flow hedge reserve		**(0.3)**	(0.9)
Profit and loss account		**12.6**	17.2
Total shareholders' funds		**175.2**	179.1

The financial statements on pages 109 to 115 were approved by the Board of Directors on 7 September 2016 and were signed on its behalf by:

Rik De Vos
Director

Chris Smith
Director

McBride plc
Registered number: 2798634

Company statement of changes in equity

for the year ended 30 June 2016

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Profit and loss account £m	Total £m
At 1 July 2014	18.3	111.5	33.4	(3.1)	12.6	172.7
Profit for the year	—	—	—	—	9.5	9.5
Net changes in fair value	—	—	—	6.6	—	6.6
Loss on cash flow hedges transferred to profit or loss	—	—	—	(4.4)	4.4	—
Foreign exchange movement	—	—	—	—	(0.6)	(0.6)
Issue of B Shares	—	(9.1)	—	—	—	(9.1)
Redemption of B Shares	—	—	8.7	—	(8.7)	—
Share-based payments	—	—	—	—	—	—
At 30 June 2015	18.3	102.4	42.1	(0.9)	17.2	179.1
At 1 July 2015	18.3	102.4	42.1	(0.9)	17.2	179.1
Profit for the year	**—**	**—**	**—**	**—**	**4.7**	**4.7**
Net changes in fair value	**—**	**—**	**—**	**10.4**	**—**	**10.4**
Loss on cash flow hedges transferred to profit or loss	**—**	**—**	**—**	**(9.8)**	**9.8**	**—**
Foreign exchange movement	**—**	**—**	**—**	**—**	**(13.5)**	**(13.5)**
Issue of B Shares	**—**	**(5.7)**	**—**	**—**	**—**	**(5.7)**
Redemption of B Shares	**—**	**—**	**5.8**	**—**	**(5.8)**	**—**
Share-based payments	**—**	**—**	**—**	**—**	**0.2**	**0.2**
At 30 June 2016	**18.3**	**96.7**	**47.9**	**(0.3)**	**12.6**	**175.2**

Notes to the Company financial statements

for the year ended 30 June 2016

1. Principal accounting policies

Description of business

McBride plc ('the Company') is the ultimate parent Company of a group of companies that together is Europe's leading provider of Private Label Household and Personal Care products, developing, producing and supplying our products to major retailers throughout Europe and beyond.

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') and Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 1 July 2014. The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The prior year financial statements were restated for material adjustments on adoption of FRS 101 in the current year.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of McBride plc.

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income for the Company alone. A summary of the Company's significant accounting policies is set out below.

Investments in subsidiary undertakings

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. Investments in subsidiaries represent interests in subsidiaries that are directly owned by the Company and are stated at cost less any provision for permanent diminution in value.

Financial instruments

(i) Bank and other loans

Bank and other loans are initially measured at fair value, net of any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method.

(ii) 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 2016, the outstanding contracts all mature within twelve months (2015: twelve months) of the year end. The Company is committed to sell CZK, PLN, EUR and receive a fixed EUR and Sterling amounts.

The Company also enters into foreign exchange options contracts to mitigate the GBP:EUR exchange risk for currency sales. At 30 June 2016, the outstanding contracts all mature within twelve months (2015: twelve months) of the year end. These contracts are measured at fair value with movements reflected in the income statement.

The Company enters into cross currency interest rate swaps to mitigate the interest rate risk on USD debt by swapping it into a EUR cash flow. The underlying USD liability is also swapped into a EUR liability and the resulting exchange risk is mitigated through means of intra-Group loans. At 30 June 2016, the outstanding contracts mature in November 2020 and April 2022 (2015: November 2020 and April 2022).

Notes to the Company financial statements continued

for the year ended 30 June 2016

1. Principal accounting policies continued

Financial instruments continued

(ii) Derivative financial instruments continued

The Company also had interest rate swap contracts that matured during the financial year with the impact reflected in the income statement.

The contracts are all measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing derivatives are the exchange rates for GBP:EUR, GBP:CZK, GBP:PLN, EUR:PLN and EUR:USD as well as USD and EUR interest rates.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date. Currency translation differences are recognised in the income statement.

Leases

Leases that confer rights and obligations similar to those that attach to owned assets are classified as finance leases. All other leases are classified as operating leases.

Operating lease payments are charged to the profit and loss account on a straight-line basis over the lease term. Lease incentives are credited to the profit and loss account on a straight-line basis over the lease term or, if the initial rent is above the prevailing market rent, over the shorter of the lease term and the period to the first rent review from which it is expected that the prevailing market rent will be payable.

Share-based payments

The Company operates incentive share schemes under which it grants equity-settled and cash-settled awards over its own ordinary shares to certain employees of its subsidiaries. The Company recognises a capital contribution to the subsidiaries concerned that is based on the fair value of the awards measured using the Black-Scholes option pricing formula or the Monte Carlo valuation model.

For equity-settled awards, the fair value reflects market performance conditions and all non-vesting conditions. Fair value is determined at the grant date and is not subsequently remeasured unless the relevant conditions are modified. Adjustments are made to the compensation expense to reflect actual and expected forfeitures due to failure to satisfy service conditions or non-market performance conditions. For cash-settled awards, the fair value reflects all the conditions on which the award is made and is remeasured at each reporting date and at the settlement date.

Generally, the capital contribution is recognised on a straight-line basis over the vesting period. For equity-settled awards a corresponding credit is recognised directly in reserves while for cash-settled awards a corresponding liability to settle is recognised in the balance sheet.

Taxation

Current tax is the amount of tax payable in respect of the taxable profit or loss for the period. Taxable profit differs from accounting profit because it excludes income or expenses that are recognised in the period for accounting purposes but are either not taxable or not deductible for tax purposes or are taxable or not deductible in earlier or subsequent periods.

Deferred tax is recognised on temporary differences between the recognition of items of income or expenses for accounting purposes and their recognition for tax purposes. A deferred tax asset in respect of a deductible temporary difference or a carried forward tax loss is recognised only to the extent that it is considered more likely than not that sufficient taxable profits will be available against which the reversing temporary difference or the tax loss can be deducted. Deferred tax assets and liabilities are not discounted.

Current and deferred tax is measured using tax rates that have been enacted or substantively enacted at the balance sheet date.

Provisions

A provision is a liability of uncertain timing or amount and is recognised when the Company has a present obligation as a result of a past event, it is probable that payment will be made to settle the obligation and the payment can be estimated reliably.

Provision is made for restructuring costs when a detailed formal plan for the restructuring has been determined and that plan has started to be implemented or has been announced to the parties that may be affected by it.

Provisions are discounted where the effect of the time value of money is material.

Guarantees

From time to time, the Company provides guarantees to third parties in respect of the indebtedness of its subsidiaries. The Directors consider these guarantees to be insurance arrangements and, therefore, the Company recognises a liability in respect of such guarantees only in the event that it becomes probable that the guarantee will be called upon and the Company will be required to make a payment to the third party.

Payments to shareholders

Subject to shareholder approval at each AGM, it is the Company's intention that, for the foreseeable future, all payments to shareholders will be made by the issue of non-cumulative redeemable preference shares ('B Shares'). B Shares issued but not redeemed are classified as current liabilities.

Own shares

Own shares represent the Company's ordinary shares that are held by the Company in treasury or by an employee benefit 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 accounting policies

The Company has a number of forward exchange contracts and interest rate swaps. Under FRS 101, movements in these financial instruments need to be recognised within other comprehensive income in the financial statements; there was no such requirement under UK GAAP as previously adopted by the Company. Changes in the fair value of the hedging instrument are, to the extent that the hedge is effective, recognised in other comprehensive income.

2. 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 Company has no employees.

Fees payable to the Company's auditor, PricewaterhouseCoopers LLP, in respect of the audit of the Company's financial statements were £0.1 million (2015: £0.1m).

The Company's profit for the financial year was £4.7 million (2015: £9.5m).

3. Investments in subsidiary undertakings

	£m
At 1 July 2015 and at 30 June 2016	**158.2**

The Directors have reviewed the recoverability of the carrying amount of the Company's investments and have concluded that there is no impairment in their value.

Details of the Company's subsidiaries at 30 June 2016 are set out on pages 116 and 117.

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.

4. Receivables

Amounts falling due within one year	2016 £m	2015 £m
Amounts owed to subsidiary undertakings	**192.2**	164.3
Derivative financial instruments	**0.1**	1.9
Other debtors	**—**	0.1
Prepayments and accrued income	**1.9**	3.0
Amounts falling due greater than one year		
Derivative financial instruments	**12.7**	9.3
Total	**206.9**	178.6

5. Creditors: amounts falling due within one year

	2016 £m	2015 £m
Amounts owed to subsidiary undertakings	**95.8**	73.1
Derivative financial instruments	**1.0**	0.6
Deferred tax liabilities (see note 8)	**1.8**	1.8
B Shares (see note 7)	**0.9**	1.0
Other creditors	**0.6**	0.6
Accruals and deferred income	**3.2**	0.8
Bank overdrafts	**2.8**	—
Total	**106.1**	77.9

6. Creditors: amounts falling due after more than one year

	2016 £m	2015 £m
Bank and other loans	**83.5**	78.6

Bank and other loans represent amounts drawn down under a €140 million revolving credit facility, which is committed until April 2019 and two US Private Placements for $50 million (maturing in November 2020) and $40 million (maturing April 2022).

Notes to the Company financial statements continued

for the year ended 30 June 2016

7. Payments to shareholders

Payments to ordinary shareholders are made by way of the issue of B Shares in place of income distributions. Ordinary shareholders are able to redeem any number of the B Shares issued to them for cash. Any B Shares that they retain attract a dividend of 75% of LIBOR on the 0.1 pence nominal value of each share, paid on a twice-yearly basis.

Payments to ordinary shareholders made or proposed in respect of the year were as follows:

	2016		2015	
	Pence per share	**£m**	Pence per share	£m
Interim	**1.2**	**2.2**	1.7	3.1
Final	**2.4**	**4.4**	1.9	3.5
Total for the year	**3.6**	**6.6**	3.6	6.6

The proposed final payment in respect of 2016 of 2.4 pence per ordinary share is subject to approval by shareholders at the Company's AGM and has therefore not been recognised in these financial statements.

Movements in the number of B Shares outstanding were as follows:

	2016		2015	
	Number 000	**Nominal value £m**	Number 000	Nominal value £m
Issued and fully paid				
At 1 July	**969,007**	**1.0**	578,451	0.6
Issued	**5,650,489**	**5.7**	9,110,465	9.1
Redeemed	**(5,760,968)**	**(5.8)**	(8,719,909)	(8.7)
At 30 June	**858,528**	**0.9**	969,007	1.0

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.

8. Deferred tax liabilities

	£m
At 1 July 2015	1.8
Charge to the profit and loss account	—
At 30 June 2016	**1.8**

9. Provisions for liabilities

	£m
At 1 July 2015	2.0
Release to the profit and loss account	(0.8)
Utilisation	(0.6)
At 30 June 2016	**0.6**

Provisions represent costs relating to the Group's reorganisation and are expected to be utilised during 2017.

10. Called up share capital

	Allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 30 June 2015 and at 30 June 2016	**182,840,301**	**18.3**

Ordinary shares carry full voting rights and ordinary shareholders are entitled to attend Company meetings and to receive payments to shareholders.

At 30 June 2016, awards were outstanding over 872,296 ordinary shares (2015: 553,375 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.

11. Guarantees

The Company has guaranteed the indebtedness of certain of its subsidiaries up to an aggregate amount of £3.8 million (2015: £4.4m).

12. Related party transactions

As permitted by FRS 101, 'Related Party Disclosures', transactions between the Company and its wholly-owned subsidiaries are not disclosed in these financial statements.

13. Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

In preparing its opening FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from previously adopted UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following table.

	For the year 30 June 2015 UK GAAP £m	Recognition of financial instruments in profit and loss[1] £m	For the year 30 June 2015 FRS 101 £m
Fixed assets			
Investments in subsidiary undertakings	158.2	—	**158.2**
Receivables	178.6	—	**178.6**
Cash and cash equivalents	0.8	—	**0.8**
Creditors: amounts falling due within one year	(77.9)	—	**(77.9)**
Net current assets	101.5	—	**101.5**
Total assets less current liabilities	259.7	—	**259.7**
Creditors: amounts falling due after more than one year	(78.6)	—	**(78.6)**
Provisions for liabilities	(2.0)	—	**(2.0)**
Net assets	179.1	—	**179.1**
Capital and reserves			
Called up share capital	18.3	—	**18.3**
Share premium account	102.4	—	**102.4**
Capital redemption reserve	42.1	—	**42.1**
Cash flow hedge reserve	—	(0.9)	**(0.9)**
Profit and loss account	16.3	0.9	**17.2**
Total shareholders' funds	179.1	—	**179.1**

(1) Primarily represents the USD:GBP element of the gross currency interest rate swap in the cash flow hedge reserve.

Subsidiaries

Details of the Company's subsidiaries at 30 June 2016 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. Full information of all interests are given in the Company's annual return.

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	Country of incorporation and operation
Trading subsidiaries		
Robert McBride Ltd[1]	100%	England
McBride S.A.	100%	Belgium
McBride S.A.S.	100%	France
McBride S.p.A.	100%	Italy
Problanc S.A.S.	99%	France
Vitherm France S.A.S.	100%	France
McBride B.V.	100%	Netherlands
Chemolux Germany GmbH	100%	Germany
Chemolux S.a.r.l.	100%	Luxembourg
Intersilesia McBride Polska Sp. z o.o	100%	Poland
McBride S.A.U.	100%	Spain
McBride Czech a.s.[2]	70%	Czech Republic
McBride Australia Pty Ltd	100%	Australia
McBride Zhongshan Ltd	100%	China
McBride Hong Kong Limited	100%	Hong Kong
Fortune Laboratories Sdn. Bhd.	100%	Malaysia
Newlane Cosmetics Company Limited	100%	Vietnam
Fortune Organics (F.E.) Sdn. Bhd.	55%	Malaysia
Holding companies		
McBride Holdings Limited	100%	England
McBride CE Holdings Limited	100%	England
McBride spol. s r.o.	100%	Czech Republic
McBride Asia Holdings Limited	100%	Hong Kong
McBride Hong Kong Holdings Limited	100%	Hong Kong
Fortlab Holdings Sdn. Bhd.	100%	Malaysia
CNL Holdings Sdn. Bhd.	100%	Malaysia

(1) McBride plc directly owns 100% of McBride Holdings Limited and 57.7% of Robert McBride Ltd.

(2) McBride Holdings Limited is committed to purchase the 30% equity interest in McBride Czech a.s. that it does not already own on terms which are such that the Group does not recognise any non-controlling interest in McBride Czech a.s.

Subsidiaries	Equity interest	Country of incorporation and operation
Dormant		
CM Nouvelle Holdings Pte. Ltd.	100%	Singapore
Breckland Mouldings Limited	100%	England
Camille Simon Holdings Limited	100%	England
Camille Simon Limited	100%	England
Culmstock Limited	100%	England
Darcy Bolton Limited	100%	England
Darcy Bolton Property Limited	100%	England
Darcy Limited	100%	England
Detergent Information Limited	100%	England
G.Garnett & Sons Limited	100%	England
G.Garnett Estates Limited	100%	England
Globol Properties (UK) Limited	100%	England
H.H. Limited	100%	England
HomePride Limited	100%	England
Hugo Personal Care Limited	100%	England
International Consumer Products Limited	100%	England
Longthorne Laboratories Limited	100%	England
McBride Aircare Limited	100%	England
McBride Business Services Limited	100%	England
McBride UK Limited	100%	England
McBrides Limited	100%	England
Milstock Limited	100%	England
RMG (Droylsden) Limited	100%	England
Robert McBride (Aerosols) Limited	100%	England
Robert McBride (Bradford) Limited	100%	England
Robert McBride (Properties) Limited	100%	England
Robert McBride Homecare Limited	100%	England
Robert McBride Household Limited	100%	England
Savident Limited	100%	England
McBride Holdings S.L.	100%	Spain
Other		
Robert McBride Pension Fund Trustees Limited	100%	England

Group five-year summary

	Year ended 30 June				
	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Revenue	**680.9**	704.2	744.2	761.4	813.9
Adjusted operating profit	**36.2**	28.5	22.0	23.6	29.5
Amortisation of intangible assets	**(0.9)**	(1.0)	(1.4)	(1.1)	(1.7)
Exceptional items	**(2.4)**	(17.8)	(34.5)	(7.5)	(9.7)
Operating profit/(loss)	**32.9**	9.7	(13.9)	15.0	18.1
Net finance costs	**(7.1)**	(7.1)	(7.4)	(6.0)	(6.0)
Profit/(loss) before tax	**25.8**	2.6	(21.3)	9.0	12.1
Taxation	**(8.8)**	(3.3)	2.2	(3.5)	(3.0)
Profit/(loss) after tax	**17.0**	(0.7)	(19.1)	5.5	9.1
Earnings per share					
Diluted	**9.3p**	(0.4p)	(10.5p)	3.0p	5.0p
Adjusted diluted	**11.1p**	8.3p	5.3p	7.3p	9.7p
Payments to shareholders (per ordinary share)	**3.6p**	3.6p	5.0p	5.0p	5.0p

	At 30 June				
	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Non-current assets					
Property, plant and equipment	**136.2**	129.8	143.4	173.6	175.6
Intangible assets	**20.0**	19.7	26.3	34.1	35.7
Other assets	**22.5**	21.5	14.6	6.2	2.9
	178.7	171.0	184.3	213.9	214.2
Current assets	**240.0**	225.4	245.8	231.9	229.8
Current liabilities	**(219.6)**	(218.0)	(229.8)	(246.9)	(252.9)
Non-current liabilities	**(130.0)**	(120.9)	(131.7)	(92.2)	(78.7)
Net assets	**69.1**	57.5	68.6	106.7	112.4
Net debt	**90.9**	92.4	84.7	86.8	81.2

Useful information for shareholders

Financial calendar

Next key dates for shareholders in 2016 and 2017:

Record date for entitlement to B Shares	21 October 2016
Record date for entitlement to B Share allotments payable on B Shares issued and not previously redeemed	21 October 2016
Annual General Meeting	24 October 2016
2016/17 Q1 interim management statement	24 October 2016
Ex-entitlement to B Shares date	24 October 2016
Credit CREST accounts with B Share entitlements	24 October 2016
Latest date for receipt by registrar of completed election forms and submitting CREST elections	14 November 2016
Despatch of cheques in respect of B Shares which have been redeemed	25 November 2016
Payment into bank accounts in respect of B Shares which have been redeemed by certificated shareholders who have valid mandate instructions in place	25 November 2016
Despatch of share certificates for B Shares not being redeemed	25 November 2016
Payments on redeemed B Shares issued in CREST	25 November 2016
Payments of B Share allotments payable on B Shares issued and not previously redeemed	25 November 2016
2016/17 Half year end	31 December 2016
2016/17 Half year trading statement	January 2017
Interim results announced	February 2017
2016/17 Q3 interim management statement	April 2017
2016/17 Year end	30 June 2017
2016/17 Year end trading statement	July 2017
Full year preliminary statement	September 2017

These dates are provisional and may be subject to change.

Payments to shareholders

On 24 March 2011 shareholders approved a proposal for the implementation of a B Share scheme as a mechanism for making payments to shareholders. This involves the issue of non-cumulative redeemable preference shares (B Shares) in place of income distributions. Shareholders are able to redeem any number of their B Shares for cash. B Shares that are retained attract a dividend of 75% of LIBOR on the 0.1 pence nominal value of each share, paid on a twice-yearly basis.

Shareholders 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

Shareholders who change address, lose their share certificates, wish to amalgamate multiple shareholdings to avoid receiving duplicate documentation, want to have payments paid directly into their bank account or otherwise have a query or require information relating to their shareholding should contact the Company's registrar.

This can be done by writing to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham BR3 4TU. Alternatively, shareholders can contact Capita Asset Services on 0871 664 0300 (calls cost 12 pence per minute plus network extras; lines are open 9.00am to 5.30pm Monday to Friday), or on +44 371 644 0300 if calling from overseas, or email their enquiry to shareholderenquiries@capita.co.uk, indicating they 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.capitashareportal.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 Capita Asset Services.

Electronic communications

Shareholders are able to register to receive communications from McBride electronically. This service enables shareholders to tailor their communication requirements to their needs. McBride is encouraging shareholders to use this service to elect to receive all communications electronically which enables more secure and prompt communication and allows shareholders to:

- receive electronic notification via email and the internet of the publication and availability of statutory documents such as financial results, including annual and interim reports;
- access details of their individual shareholding quickly and securely on-line;
- amend their details (such as address or bank details);
- choose the way payments are received; and
- submit proxy voting instructions for shareholder meetings including the AGM.

It also enables shareholders to contribute directly to reducing McBride's costs and environmental impact through saving paper, mailing and transportation and reducing unnecessary waste.

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

Useful information for shareholders continued

On-line shareholder services

McBride provides a number of services on-line in the investor relations section of its website at www.mcbride.co.uk, where shareholders and other interested parties may:

- 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.

ShareGift

McBride supports ShareGift, the share donation charity (registered charity number 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. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range 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.

Further information about donating shares to ShareGift is available either from its website at www.sharegift.org, by writing to ShareGift at 17 Carlton House Terrace, London SW1Y 5AH or by contacting them on +44 (0)20 7930 3737.

Even if the share certificate has been lost or destroyed, the gift can be completed. The service is generally free, however, there may be an indemnity charge for a lost or destroyed share certificate where the value of the shares exceeds £100.

Share price history

The following table sets out, for the five financial years to 30 June 2016, 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
2012	142	105	123	124
2013	147	101	127	111
2014	135	93	111	96
2015	105	75	89	102
2016	**178**	**102**	**149**	**156**

Unsolicited mail

The Company is obliged by law to make its share register publicly available should a request be received. 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 on-line at www.mpsonline.org.uk or call the Mailing Preference Service (MPS) on 0845 703 4599. MPS is an independent organisation which offers a free service to the public.

Warning to shareholders – boiler room scams

Each year in the UK £1.2 billion is lost to investment fraud and the average investor loses around £20,000. What's more, it is estimated that only 10% of the people that become victims of investment fraud actually report.

Investment scams are becoming ever more sophisticated – designed to look like genuine investments, they are increasingly difficult to spot. They are targeted at those most at risk, typically people in retirement who are actively seeking an investment opportunity.

Protect yourself

1. Reject cold calls

If you have been cold called with an offer to buy or sell shares, chances are it is a high risk investment or scam. You should treat the call with extreme caution. The safest thing to do is hang up.

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should get the name of the person and organisation contacting you and take these steps before handing over any money.

2. Check the firm on the FS register at www.fca.org.uk/register

The Financial Services Register is a public record of all the firms and individuals in the financial services industry that are regulated by the FCA.

Use the details on the Register to contact the firm.

3. Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

REMEMBER, if it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

Report a scam

If you suspect you have been approached by fraudsters please tell the FCA 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 on-line at www.actionfraud.police.uk

Find out more at www.fca.org.uk/scamsmart

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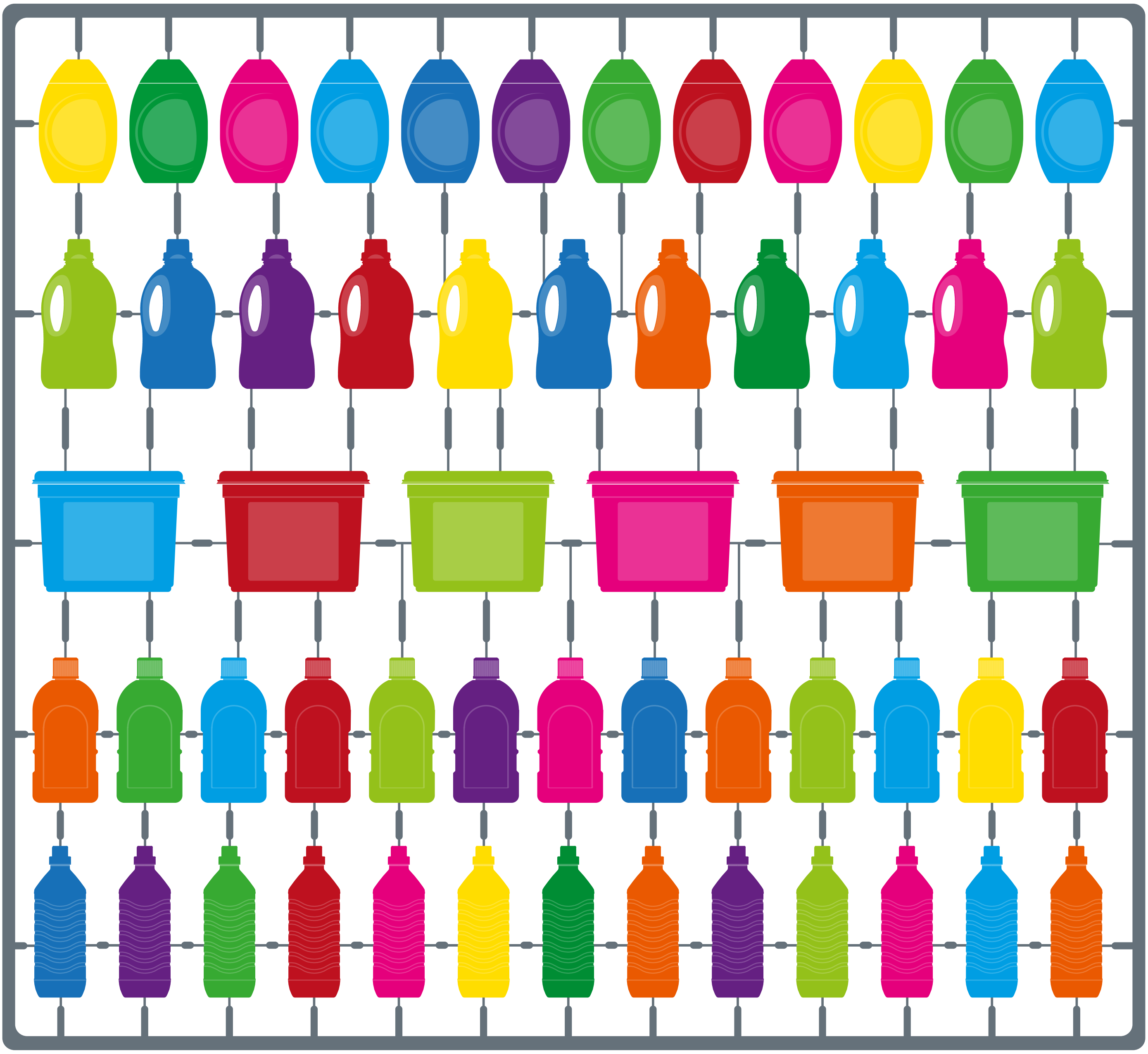

McBride has been accepted into the FTSE4Good Index Series of leading companies which meet globally recognised corporate responsibility standards.

McBride has been a leading contributor in the development of the A.I.S.E. Charter for sustainable cleaning and was the first Private Label company to achieve Charter status.