Manufacturing our future

Creating growth

McBride plc Annual Report and Accounts

2018

Contents

1 Strategic report

An overview of key actions and events in 2017 and early 2018 together with our priorities as we move forward.

37 Corporate governance

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

69 Financial statements

Includes our financial statements, notes and auditor's report for the Group.

127 Additional information

This section includes helpful additional information.

Welcome to the McBride plc Annual Report and Accounts

McBride is the leading European manufacturer and supplier of Contract Manufactured and Private Label products for the domestic Household and professional cleaning/hygiene markets. Headquartered in Manchester, UK, McBride operates across twelve countries, with 18 manufacturing facilities producing over 1.2 billion units a year, and employs 4,000 people globally.

Strategy in action


Danlind
page 22


Developing talent
page 23


Fabric conditioner
page 24


Laundry capsules
page 25


Dishwasher tablet investment
page 26


Helping drive the circular economy with recycled plastics
page 27

For more information visit
www.mcbride.co.uk

Highlights

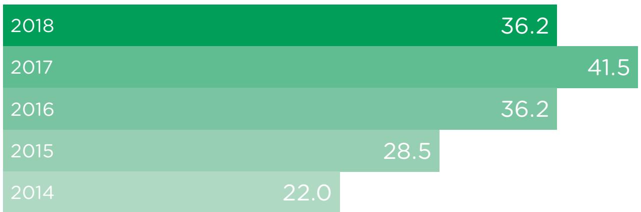
2018 overview

Revenue (£m)[a]

£49.8m 7.1%

(a) 2018 revenue on a continuing basis is £689.8 million.

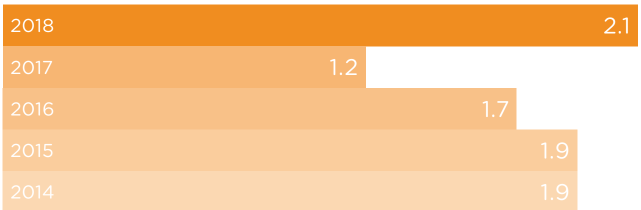
Adjusted operating profit[b,1] (£m)



(£5.3m) (12.8%)

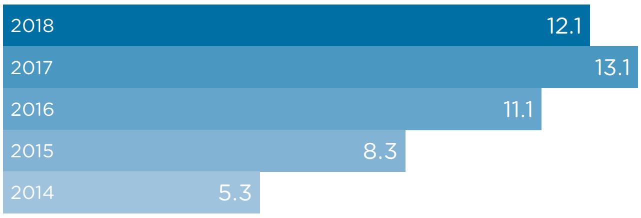
(b) 2018 adjusted operating profit on a continuing basis is £37.7 million.

Debt/adjusted EBITDA[2]



0.9x 75%

Adjusted diluted EPS[c,3] (pence)



(1.0p) (7.6%)

(c) 2018 adjusted diluted EPS on a continuing basis is 12.7 pence.

Strategic highlights

- Significant progress during the year with 'Prepare' objectives
- Plan announced to resolve the loss-making Personal Care & Aerosols activities
  - Sale of Czech Skincare business in February 2018
  - Consolidation of Aerosols operations to single site, closure of Hull site in Spring 2019
  - Sale of PC Liquids announced in July 2018
- Commercial Growth plan published in October 2017
- Acquisition of Danlind a/s completed in September 2017, integration progressing well
- Good progress on human resource aspects of 'Prepare' objectives
  - Leadership development programme underway
  - New organisation structure being deployed to better deliver growth

Financial highlights

- Revenues 9.0% higher at £689.8m, with Danlind adding £48.4m for the nine months following acquisition
- Adjusted operating profit[1] of £37.7m, lower by £4.3m after absorbing raw material and transport cost inflation
- Household underlying revenues broadly flat across the year, but up 3.8% in H2; good growth in key laundry and auto dishwash categories
- Operating profits of £31.8m (2017: £40.3m)
- Adjusted profits before tax from continuing operations of £33.2m, lower by £1.9m; reported profits before tax on continuing operations up £6.8m to £26.5m
- Adjusted, diluted EPS from continuing operations 4.5% lower at 12.7p (2017: 13.3p)
- Total exceptional charge of £22.0m, largely non-cash and relating to European Personal Care transformation activities and the Danlind acquisition
- 34.8% reduction (£2.4m) in underlying[4] interest costs following refinancing in June 2017
- Net debt at £114.3m (2017: £75.7m), primarily reflecting acquisition of Danlind (£35.7m)
- Full-year payment to shareholders maintained at 4.3p (2017: 4.3p)

(1) Adjustments were made for the amortisation of intangible assets and exceptional items.
(2) Adjustments were made for the amortisation of intangible assets, exceptional items and depreciation.
(3) Adjustments were made for the amortisation of intangible assets, exceptional items, non-cash financing costs from unwind of discount on initial recognition of contingent consideration; unwind of discount on provisions and any related tax.
(4) Underlying interest refers to figures excluding unwind discount on environmental remediation provision and prior year exceptional finance costs.

McBride 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 the UK, Continental Europe and Asia Pacific.

United Kingdom

- Barrow
- Bradford(2)
- Hull
- Manchester(3)
- Middleton

Continental Europe

- Bagnatica
- Estaimpuis
- Etain
- Foetz
- Hammel(1)
- Holstebro(1)
- Ieper HH
- Ieper PC(2)
- Moyaux
- Rosporden
- Sallent
- Strzelce

Asia Pacific

- Hong Kong(3)
- Ho Chi Minh City
- Kuala Lumpur
- Melbourne(3)

top 10 customers represent **51%** of revenues

4,000 employees globally

business activities outside the UK **70%**

top 5 European economies represent **76%** of revenues

1.2bn units sold

supply **100%** of Europe's top 50 grocery retailers

18 manufacturing facilities

92% products sold in liquid or solid form

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

(1) Danlind sites.
(2) Disposed PC Liquids and Skincare sites.
(3) Offices.

Chairman's statement

> A year of significant progress on our strategy in spite of significant trading headwinds.

Dear shareholder

Welcome to the McBride 2018 Annual Report; our review of the past twelve months, which has seen significant progress on our strategy ambitions across our core activities, in spite of significant trading headwinds.

Strategic progress

In May 2017, the Group launched the 'Prepare' phase of its 'Repair, Prepare, Grow' strategy which, following the closure of 'Repair', focused on four key areas of activity. I am pleased to say the past twelve months has seen considerable progress on these areas.

Our detailed 'Growth' plan was completed and articulated to shareholders in October 2017 at a successful Investor Day. The associated capital plan, aimed at ensuring the asset base of the Group was aligned to the revenue growth plans, was also completed around the same time and is now underway. Organisation and people development are a critical aspect of the 'Prepare' phase and in the spring of 2018 a new organisation structure was launched, aligning our colleagues to a structure that is better suited for growth. The Group launched its Leadership Development Programme in late 2017, aimed at developing internal talent to fulfil the Group's future talent needs. The final element of the four key areas related to completion of the next steps in plans to improve the Group's underperforming Personal Care & Aerosols (PCA) business, for which we now have concrete actions in place.

In the midst of all these actions, the Group has also completed the acquisition of Danlind a/s and has seen significant growth opportunity for its Household activities within a six-month period following financial difficulties for a number of competitors, especially in Germany. The outcome of this will mean McBride will see revenue growth for the first time in many years and as we go into the new financial year, annual revenues for the Household business will be at least £80 million higher on a run rate basis than one year ago.

These actions and subsequent progress are reported on in more detail later in this Annual Report.

Acquisition of Danlind a/s

On 29 September 2017, the Group completed the acquisition of the entire share capital of Danlind a/s, a supplier of auto dishwash and laundry products, based in Denmark.

The Group is busy with integration actions including organisation and IT business platforms. The performance of the Danlind business since acquisition has been most promising and planned synergies are beginning to deliver. We welcome our new colleagues in Denmark and look forward to their contribution to the Group's future success.

Personal Care & Aerosols (PCA) activities

At the interim stage in February 2018, we indicated that this segment was likely to deliver substantial losses for the current financial year as a result of weak trading and significant input cost rises. Consequently, the Group indicated it was about to embark on an accelerated transformation plan for this business.

By the time of the interims the plan had already achieved the sale of the Czech-based Skincare business. In May 2018, we announced the intended closure of the aerosols facility at Hull, UK and the transfer of certain product lines into the Group's other aerosol facility at Rosporden, France. The impact of this move, which is expected to complete in spring 2019, will be to return aerosol operations to a break-even level by June 2019. In early July 2018, we announced the sale of our loss-making European Personal Care Liquids activities to Royal Sanders of The Netherlands. This transaction is expected to complete by the end of October 2018. The sale involves the manufacturing sites at Ieper, Belgium and Bradford, UK.

As a result of these actions, the loss-making European PCA activities will have been reduced from five factories to a single facility for aerosols production. It is the intention that these activities will be absorbed into the Group's Household activities.

Results

The past twelve months has been a demonstration of the Group's resilience and financial strength. The combined pressures of a deflationary retail environment and significant input cost rises has put pressure on margins. Full-year continuing Group revenues increased by £56.9 million (9.0%) on the prior year, aided by the translation effect of a weak Sterling and the acquisition of Danlind from 29 September 2017. For the underlying business, full-year sales were lower by £5.1 million (0.8%). Following an overall decline in the first half of 4.3%, second half underlying revenues were ahead by 2.9% with Household underlying revenues up 3.8%. Household sales growth was driven primarily from contract wins in Germany resulting from competitor weakness and UK growth following a number of contract wins.

On a continuing operations basis, adjusted operating profit for the year was £37.7 million (2017: £42.0m) with adjusted operating profit margin decreasing to 5.5% (2017: 6.6%). Following successful action in 2017 to reduce our financing costs, adjusted profits before tax from continuing operations reduced by £1.9 million to £33.2 million (2017: £35.1m). Diluted adjusted earnings per share was 12.1 pence (2017: 13.1p).

Payments to shareholders

In line with the Group's dividend policy, the Board is recommending a full-year payment to shareholders of 4.3 pence. This is unchanged on the prior year, but a higher dividend rate when compared to published earnings. We consider this a sign of confidence in future prospects and affordability.

Brexit

As a business McBride remains concerned by the continuing lack of progress towards clarity on the various implications which may arise from the UK's withdrawal from the EU. For McBride, the key challenges concern chemical regulation, cross-border trading, employment and citizen rights.

As a business we continue to monitor progress carefully and, where necessary, implement contingency plans.

Governance

The Board remains focused on ensuring that the UK Corporate Governance Code's principles of leadership and board effectiveness are applied. My introduction to the Corporate governance report on page 40 sets out how the Board has complied with the principles of the UK Corporate Governance Code 2016 ('the Code'), which applied throughout the financial year ended 30 June 2018.

Chairman's statement
continued

Board
There have been no changes to the Board during the year. The varied experience and contribution of all Board members has again provided the Group with excellent guidance and governance during the past year, for which I pass on my thanks.

Our people
It is evident that the progress made by the Group in its strategy delivery is a result of the skill and dedication of our employees who have accepted the challenge to continually improve the business. On behalf of the Board, I would like to thank all employees for their hard work and dedication.

Looking ahead
Following strong progress with our 'Prepare' actions in the past twelve months, the Group now can move forward as a Household-focused Group delivering its growth ambitions and driving improved financial performance. Whilst challenging, the markets we operate in continue to develop at pace and McBride is well positioned to take on further growth opportunities in the future. I look forward to the year ahead and to reporting on the continued progress and growth of the Group.

John Coleman
Chairman
6 September 2018

Investment case

Our path to growth

McBride started a transformation programme in late 2015, with the ambition of setting the business on a growth path, delivering sustainable returns, and turning McBride's size into scale for the benefit of all stakeholders.

Leading market position

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 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 our scale and geographic spread will be ever more a key part of market supply and growth. The consolidation of retailers in many parts of Europe, the emergence of discount retailers, increased outsourcing activity by brand owners and the drive by many established retailers to simplify their product ranges and supplier base all provide opportunities for McBride and our scale will allow us to capitalise on these growth prospects. In the past two years the industry has seen a number of competitors unsuccessful in their adaptation to these latest market dynamics.

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 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. Aligning our commercial activity to the specific regional market's requirements allows for customer focus whilst we continue to maximise synergies between our operating activities.

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 that will require targeted investments into our key sites. These investments, aligned with our selective market and product offering, will allow for a substantial improvement in our cost competitiveness and operational excellence.

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 two years, the business will generate good cash flows to provide the opportunity to return funds to shareholders, look for additional investment options, including acquisitions, and further reduce our borrowings.

Business model

Strengthening relationships

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

External drivers

Input costs
Chemicals, plastic, packaging and logistics costs are major parts of our cost base. Volatile pricing feeds into margins; customer pricing arrangements generally don't see these changes reflected immediately in revised prices.

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

Discounters
Discounters have seen a steady increase in sales across Europe, with their combined market share of the EU grocery market rising from 8.4% in 1999 to a projected 22.0% in 2022. Most products offered by discounters are usually private label, as they compete on a superior price/quality offer with a simple range rather than offering a wider choice of brands.

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

Brand owners
Brand owners often use private label suppliers to co-manufacture their products; however, recently an increase in the demand for longer-term, more structural arrangements is evident. For McBride, this is no different from direct supply to major retail customers, while such contracts support the objective of maximisation of asset utilisation.

Consumers
Consumers are becoming more dynamic and mobile in their shopping habits. The desire for value and convenience are growing aspects of shopping behaviour. The response from the different channel players is diverse. With our staple products, overall demand patterns are steady and change only over extended time horizons.

Channels
Changing consumer habits and the battleground between discounters and retailers means that McBride must be present in many channels, including in the emerging arenas of pound stores and online.

Growth
Market research indicates that the European macroeconomic climate will not deliver substantial overall growth in our key territories in the foreseeable future. Growth rates in a number of product categories provide opportunity for McBride. Market share of private label versus brands is relatively stable in our categories, although some markets are starting to see retailers favour private label Household products, in the same way as they have done already in other grocery categories.

We offer tailored services aligned with specific customer and channel requirements, strengthening these relationships and leveraging our scale through a complete focus on improving our operational excellence and driving our cost competitiveness.

McBride positioning and differentiation

Manufacturing excellence

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

Customers

Our scale and reach across all key European markets enables McBride to provide customer-oriented service propositions aligned with channel requirements. We intend to have a tailored offering aligned with respective channel characteristics, combined with supporting customer service levels and agreements clear on content and commitment. Public company reputation and standards reassures customers of long-term, sustainable supplier relationships.

Size to scale

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

People

We focus on the development of our people, organisational capabilities and skills. As a pan-European employer, McBride has access to a wide variety of talent so that whatever we do, whatever organisation we build, McBride can deliver upon its ambition and promises – with its people engaged, developed and positively challenged.

Innovation

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

Strategic objectives and value delivery

Sustainable profit streams

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

Maximise market-leading position

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

Our financial ambition

for adjusted operating profit margin (EBITA%) is 7.5% with ROCE targeted at 25%-30%.

Thoughts of the CEO

> McBride has now taken a leading position with sufficient scale to capture the opportunities but remains agile enough to react swiftly to a rapidly changing environment.

Dear shareholder

The last twelve months has been a period with many outlooks. We launched the year's mission, 'Prepare to Grow', with four objectives in mind: to deliver our growth ambition in the target categories and geographies, to support this growth with the right investments in our assets and technology, to ensure the appropriate organisational development to capture the growth and to address the underperforming parts of the Company.

I am pleased to say that we have delivered well on many of our targets.

Allow me to share some highlights:

This year we reported 7.1% growth, above our projected average and the first year of growth in this Company for many years. Successes have been achieved with several key customers, we have seen the launch of our new auto dishwash technology in Germany, supported by a win in the consumer tests, and witnessed our investment in new trio laundry capsules, all a confirmation of the leadership we have taken in many aspects of our industry.

We announced in September the acquisition of Danlind a/s, a Danish-based auto dishwash and laundry powder manufacturer. Again, I am pleased to see that we have created traction with our new colleagues, translating the identified opportunities quickly into tangible growth and profitability improvements.

We have continued to invest in both the capacity and efficiency of our assets. We have commissioned two new capsule lines in Estaimpuis, Belgium with another line on order, and installed a new auto dishwash line in Barrow, UK allowing production of our new format in the UK.

Additionally, several projects supporting our operational efficiency were implemented, further driving our cost base. We now have sufficient evidence to claim that in our key categories we have indeed a leading technology and cost base.

We continue to invest into the development of our people and organisation. This is illustrated best through our Leadership Training Programmes aimed at developing our middle management to ensure we have the succession and talent to continue our growth ambition. This has translated itself already in several appointments into key functions where we see further growth potential.

Our fourth ‘Prepare’ action saw a substantial amount of management time invested into the resolution of the underperforming parts of our business. With the announcement of the sale of our Skincare business in the Czech Republic, the sale of our European Personal Care Liquids division, with factories in Bradford and Ieper, and the closure of our Aerosols activities in Hull with subsequent transfer of some of the business to our factory in Rosporden, France, we believe the majority of our challenge has been addressed.

However, the year has seen many challenges as well. The industry was hit with several cost increases, including raw materials, labour cost and many transport issues leading to a substantial cost impact, whilst the retail environment is under severe pressure across Europe and driving deflation. Our results were hit by all of these effects and while our profitability was regrettably not in line with our expectations, we still delivered one of the best results in the history of the Company. Given the backdrop of market pressures forcing a number of competitors into insolvency or bankruptcy in the past twelve months, the fact that McBride was still able to deliver profits substantially above our historical average is a tribute to the hard work of the teams and the fact that the ‘Repair’ period has delivered substantial benefits.

We are now moving into the new year with a clear growth ambition. The objectives are clear, the investments being implemented, and the teams hungry to deliver. We still have many challenges to deal with, the major one being the recovery of the increased cost basis through tangible price increase initiatives. However, we should also realise that the world is very dynamic and the environment in which we operate shows high fluidity. This is driven by economic factors pressurising the retail value chain and how our customers react to those pressures. Additionally social factors are affecting consumer behaviours alongside political factors such as the referendum. In order to capture the opportunities created in this dynamic environment, an agility will be required from our side in terms of both company culture and the confirmation of our strategic growth targets. For sure, the agility we master well, while our strategic priorities are constantly being re-evaluated, to ensure alignment.

In fact, we are now translating our ‘Grow’ phase into its individual building blocks and supporting tactics which will enable us to deliver them. These tactics might develop differently as our environment changes, but McBride has now taken a leading position: we have sufficient scale to capture the opportunities, but remain agile enough to react swiftly to a rapidly changing environment.

In summary, I am again pleased with the progress we made last year although I share the disappointment in not meeting our profitability target. However, we have now substantial evidence that we have shifted our size into a clear scale advantage, and the reaction from customers and suppliers to our position and value proposition in the market has been supportive.

With best regards,

Rik De Vos
Chief Executive Officer
6 September 2018

Strategic progress

Prepare in the midst of early growth

The 'Prepare' phase is a period of bridging from where McBride was to where we aspire to be – moving the Company from 'Repair' to 'Grow.' The four key objectives in 'Prepare' were outlined in last year's Annual Report, and in a year of significant trading challenges, the Group has made significant progress in these areas.

Our strategy

1. The Commercial Approach
2. The Asset Plan
3. Organisational Development
4. Addressing Underperforming Business

Grow

1. The Commercial Approach

Building our fundamental commercial growth capabilities in Household

At about this time last year, we concluded the details behind the commercial growth strategy. This growth strategy covered only the Household part of the Group and assumed zero growth for our Personal Care & Aerosols activities. The output of this exercise was presented to shareholders at a well-attended Investor Day in London during October 2017. The presentations used for this Investor Day are available on our website (**www.mcbride.co.uk**).

The strategy is led by a category focus for all aspects of growth, whether this is organic growth with retail customers, brand owners as contract manufacturing customers or as a strategic direction for bolt-on acquisitions. Within the retail customers business, we highlighted growth ambitions with the limited assortment discount channel.

The strategy outlined that the Group's ambition was to seek an organic CAGR of 2-2.5% for the five years to 2021 in our core Household markets and categories. This would, in value terms, be matched in the same period by growth in sales for Contract Manufacturing activities, supplemented with bolt-on acquisitions.

2. The Asset Plan

Developing the necessary asset base with related investment plans

We indicated at the outset of the 'Repair, Prepare, Grow' strategy that we intended to invest £100 million over four years in support of our 'Grow' ambitions, aligning our asset footprint and production capabilities to our commercial ambition. Over the past two financial years, we have approved £45.2 million of capital projects and already deployed £42.6 million, demonstrating that we are in full action in this aspect of the strategy.

Since the beginning of this investment phase, we have authorised a significant proportion of these funds in laundry capsule production expansion and further capacity installation in auto dishwash production. This is aligned to the growth expectations and market developments expected under the commercial growth strategy.

In 2017, we completed the first phase upgrade of our Strzelce, Poland production facility. This project had the ambition of upgrading layouts, machinery automation and warehousing infrastructure to meet predicted demand growth from Germany and Eastern Europe. This project was completed in time for the rapid growth seen, especially in Germany, during the past nine months and is now busy with new volumes for major German retailers.

We continue to invest in our infrastructure with increased expenditure in IT upgrades and SAP enhancements, including the current fast track implementation of SAP at Danlind.

Strategic progress
continued

3. Organisational Development

Creating the organisational structure and skills required to deliver our strategy

As McBride embarks on its 'Grow' phase, a key element of the 'Prepare' phase relates to the human resource aspect of the Company's platform. During the past twelve months we have delivered two key aspects of our human resource plans, which will give us the resources to support our growth initiatives.

During the autumn of 2017, we launched the McBride Leadership Development Programme with the objective of nurturing and supporting the development of our future business leaders, in a twelve-month series of sessions and projects, facilitated by external consultants. Our first programme for twelve senior managers is about to complete and a second wave will start this autumn.

In June 2018, we commenced a management re-organisation in Europe to position the business to more effectively deliver our growth ambition. As well as an alignment to product technologies for the operational teams we also reconfigured the regional sales organisations to incorporate the new Denmark-based sales team and a new dedicated France sales organisation. This change was a part of the 'Prepare' phase and is necessary to facilitate the implementation of an Integrated Business Planning process, ensuring optimum use of the Group's resources, providing early alerts to capacity challenges and minimising inventory levels whilst delivering a best-in-class service offering to our customers.

4. Addressing Underperforming Businesses

Addressing our underperforming European PCA business

At our half-year results in February 2018, we announced plans to launch an accelerated transformation programme for the loss-making European Personal Care & Aerosols (PCA) segment and confirmed the disposal of the Czech-based Skincare business as a first step in this plan.

Since February, we have announced proposals to close the UK aerosols operations at Hull with the absorption of some volumes into the French aerosols operation.

As the final element in the plan, in early July 2018, we announced that we had agreed terms with Royal Sanders BV for the disposal of the Group's European Personal Care Liquids activities, which comprises two manufacturing sites at Bradford, UK and Ieper, Belgium. The proposed transaction is expected to complete during the final quarter of 2018.

These actions will see the Group exit from a major part of our Personal Care activities in Europe such that once completed, there will be a reduction in annual Group revenues of c.£85 million when compared to the year to June 2018. These remaining activities are expected to be operating at a break-even level from the start of the next financial year in July 2019.

Grow

During the year, we outlined the key opportunities that McBride will pursue in its growth ambitions. We have made good initial progress with second half Household revenues up 3.8%. In laundry capsules, we have seen growth in the past twelve months of 15.0% whilst in auto dishwash, our other key category, underlying growth in the second half was 10.7% with specific focus on retailer wins. These wins were supported with continued success in winning industry awards in external product performance tests. Our acquisition of Danlind in 2017 provides additional competence and reputation in auto dishwash technology. Progress has been made in increasing our market share with Limited Assortment Discounters during the past year where our pan-European presence, technical capability, production capacity and financial strength have seen volumes won in competitive tenders with the major European-wide operators.

For many of our competitors, the current trading environment has seen margins eroded and funding becoming more challenging. This has been seen most actively in Germany where a key competitor entered administration and with continuing reports of others in difficulty.

As customers see their existing supplier failing to fulfil orders, McBride is ready to move quickly in support of customers who need to change supplier to ensure their store shelves are stocked with product. While such events will be infrequent, they provide a potential step change in opportunities for growth.

Meanwhile, we continue to make progress with our Contract Manufacturing activities. Total growth of the business was 3.6% for the year to 30 June 2018. We remain committed to this growth opportunity and continue to develop our knowledge and insight into opportunities and the key decision factors facing potential customers.

The Group also remains active in consideration of acquisition opportunities. Whilst in the past six months, our focus in this area has been on integrating Danlind into McBride and actions relating to the PCA transformation strategy, we will remain active in seeking acquisitions in the coming years.

Executive review

Rik De Vos
Chief Executive Officer

Chris Smith
Chief Finance Officer

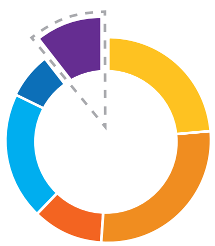
> Following an overall decline in the first half of 4.3%, second half underlying revenues were ahead by 2.9% with Household underlying revenues up 3.8%.

Group operating results

During the year, the Group disposed of its Skincare business in the Czech Republic and on 3 July 2018 agreed the terms for the sale of its European Personal Care Liquids business. Within these financial statements, the financial results of these disposed activities have been treated as discontinued operations in both the current and prior year. The remaining activities within the Group are referred to as continuing operations.

The use of the expression "underlying" refers to the figures excluding the impact of acquisitions or disposals and stated at constant currency.

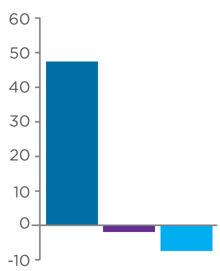
Revenue by segment



Household
- UK £163.9m
- North £189.7m
- South £77.2m
- East £137.9m
- Danlind £48.4m

PCA £72.7m

Adjusted operating profit



Household £46.0m
PCA £(1.5)m
Corporate £(6.8)m

Continuing operations

Income statement

Full-year Group revenues at £689.8 million were £56.9 million (9.0%) higher than the prior year, aided by the translation effect of a weak Sterling and the acquisition of Danlind from 29 September 2017. On an underlying basis, full-year sales were lower by £5.1 million (0.8%). Following an overall decline in the first half of 4.3%, second half underlying revenues were ahead by 2.9% with Household underlying revenues up 3.8%.

Full-year underlying Household sales were higher by 0.1% and PCA lower by 7.0%. In Household the increase was primarily as a result of the start-up of deliveries in the second half, from the previously disclosed contract wins in Germany that resulted from competitor weakness, and UK growth following a number of contract wins. These volume gains were offset by volume losses in France due to continuing difficult market conditions.

The PCA segment, which now comprises Aerosols and Asia, saw the Aerosols business continue to experience an extremely competitive environment in both the UK and France, with volumes declining year-on-year by 11.7% after a first-half year decline of 12.1%. Asia delivered a 2.6% year-on-year increase driven mainly by continued growth in Australia.

Customer price pressure remained a feature during the year and at a Group level, prices were essentially flat overall. We experienced deflation in France and Eastern Europe but this was offset by some successful price increase actions elsewhere, mostly in the UK. Late in the second half year, the Group launched a Group-wide initiative to further recover the impact of the significantly higher input costs experienced over the last 18 months from our customers through price increases.

This is a major challenge in such a highly competitive market, with many retailers themselves under pricing pressure. Whilst we have already seen some positive outcomes so far, these negotiations will continue through the coming months.

Across the full-year to June 2018, raw material prices increased by approximately 2.2% when compared to the prior year. Some 0.4% of this was driven by foreign exchange, mostly from the impact of the weak Sterling. This measure was at 4.0% for the first half before raw material prices levelled out early in the second half. With rapid volume growth in the second half, especially in Germany, our distribution platform has been under significant pressure and as a result the business has experienced increased distribution costs. These were due to higher costs associated with external storage, accentuated by cost pressure driven mostly by labour shortages in the transport and logistics market. The impact, with underlying volumes down 0.6%, has been a distribution cost increase of 6.7% or £2.9 million for the full year.

We continued to focus on overhead saving initiatives, some of which had been announced in previous years, although specific initiatives during the year supported the Group result. The combined effect of these initiatives amounted to a benefit of £10.5 million, which included lower costs for management incentives of £3.3 million.

Full-year adjusted operating profit was £37.7 million (2017: £42.0m) with adjusted operating profit margin decreasing to 5.5% (2017: 6.6%), and Danlind contributing £1.6 million. On an underlying basis, operating profits were lower by £7.1 million, which comprised lower profits of £5.6 million in underlying Household and £2.8 million higher losses in PCA offset by a £1.3 million of lower corporate costs.

Year-end operating profit decreased by £8.5 million to £31.8 million (2017: £40.3m). This includes exceptional charges of £4.5 million, due to costs incurred as part of the acquisition of Danlind (£1.6m) and costs to reorganise the Aerosols business following the announcement to close the Hull site (£2.9m) and amortisation of £1.4 million.

Segmental performance

We continue to separately manage the Group's Household and PCA activities and our segmental reporting reflects this. Danlind is reported in the financial year as a separate region within our Household division, recognising the current management and reporting structure. Recent organisational changes, which become effective from 1 July 2018 and which incorporate the ongoing Danlind integration and changes to PCA, will be reflected in an amended segmental structure for our 2019 financial statements.

Corporate costs, which include the costs associated with the Board and the Executive Leadership Team, governance and listed company costs and certain central functions (mostly associated with financial disciplines such as treasury), are reported separately to Household and PCA.

Household

Reported revenues increased by 11.1% to £617.1 million (2017: £555.7m). Underlying revenues were broadly flat with underlying volume increases of £2.8 million offset by £2.6 million from lower customer pricing.

In the UK, revenues of £163.9 million were 5.5% higher compared to the prior year due to increased customer pricing (reflecting recovery of the high raw material prices experienced in the UK) and volume gains. These equated to £8.5 million as several key strategic customers extended their partnership with the Group.

Revenue	2018 £m	2017 £m	Reported change	Underlying change[1]
UK	**163.9**	155.4	5.5%	5.5%
North	**189.7**	192.8	(1.6%)	(4.6%)
South	**77.2**	76.4	1.0%	(1.9%)
East	**137.9**	131.1	5.2%	1.8%
Danlind	**48.4**	—	—	—
	617.1	555.7	11.0%	0.1%

(1) Comparatives translated at 30 June 2018 exchange rates and excluding the impact of the Danlind acquisition.

'Manufacturing our Future' strategy

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

Executive review
continued

Continued operations continued

Segmental performance continued

Household continued

In the North region, the trend of the past few years continued, particularly in France. Volumes declined 3.3% during the year, with overall pricing lower by 1.9%. Volumes in France have been impacted by both changing consumer behaviour and increased branded promotional activity. We have refocused our commercial structure to provide new management focus going forward.

Our South region reported a sales decline of 1.9% at constant currency. The Iberia business continues to show significant improvement, with volumes up 16.4% on the prior year following new business wins at the end of the prior financial year. Within Italy, revenues were down 4.9% driven by volume decline and deflationary pricing pressures.

The East region, covering Germany, Poland and other East European countries, saw volumes up on the prior year by 3.8% (H2: 17.5%) with prices 2.1% lower following the significant new business wins already referenced. It is pleasing that the significant operational challenges brought about by servicing this new business have been largely successfully managed and this new business positions the Group well in both the German market and the discount channels, which are both target areas in our growth strategy.

The combination of a number of mainly external cost challenges, including raw materials, labour market pressures and transportation costs, resulted in adjusted trading profit margins in this segment, excluding Danlind, declining from 8.8% to 7.8%. The business, however, is now very well positioned to take advantage of the strategic opportunities in the Household growth categories in the coming years.

Personal Care & Aerosols (PCA)

Following the agreed sale of the European PCA Liquids activities and the disposal of the Skincare business in the Czech Republic, the continuing PCA business comprises the Aerosols businesses in Europe and Group activities in Asia.

On a reported basis, continuing revenues for PCA declined by 5.9% to £72.7 million (2017: £77.2m). Underlying revenues were lower by 7.0%, wholly driven by declines in European Aerosols, while Asia delivered growth of 2.6% at constant currency driven primarily by a continued expansion of our commercial activities in Australia.

Overall reported profitability for this segment declined to a loss of £1.5 million (2017: profit £1.3m) reflecting the volume challenges and raw material price pressures within the Aerosols business and lower margins in Asia as a result of currency weakness of the Ringgit and Australian Dollar.

Exceptional items

Total exceptional items incurred in relation to the continuing business of £4.8 million were recorded during the year (2017: £1.0m). The charge primarily comprises the following:

- as part of the acquisition of Danlind, exceptional costs of £1.6 million have been incurred to date relating primarily to legal and advisory fees for the transaction and certain integration costs; and
- reorganisation costs in the period of £2.9 million relating to redundancies and associated costs following the management decision to close the Aerosols site in Hull; and
- exceptional finance charges of £0.3 million incurred as part of the refinancing of the Danlind banking arrangements.

Discontinued operations

Income statement

The discontinued operations in the current year relate to the activities in the year for the disposed Skincare business at Brno and the European Personal Care Liquids business, for which terms to sell the business were agreed on 3 July 2018.

Brno was disposed of during February 2018 and nine months of trade in the current financial year have been included in these results. During the year, this business generated revenues of £9.0 million (2017: £12.5m) with adjusted trading profit at break-even (2017: £0.1m loss).

In the twelve months to June 2018 the European Personal Care Liquids business generated revenues of £56.2 million (2017: £59.8m) and an adjusted trading profit loss of £1.5 million (2017: £0.4m loss). Previously allocated costs of £1.5 million shared with Household and Aerosols operations that will neither transfer to the new business owners nor exit from McBride have been retained in continuing operating costs. The net assets of these operations that will be disposed of (£10.9 million) are treated as an asset held for sale within the balance sheet. Proceeds of the sale will be used to pay down Group net debt and settle transaction costs.

Exceptional items

Total exceptional items of £17.2 million in relation to the discontinued business were recorded during the year (2017: £nil). The charge primarily comprises the following:

- the business has undertaken a strategic review of the PCA business, culminating with the sale of Personal Care Liquids. As a result, £16.1 million exceptional costs have been incurred in relation to redundancies (£1.2m), the impairment of plant and machinery (£6.2m) and the re-measurement of assets of a disposal group to assets held for sale (£8.5m); as a result the goodwill allocated to PCA (£0.2m) has been fully impaired; and
- a net charge of £1.1 million has been taken in relation to the Czech Republic-based Skincare business at Brno, comprising: the release of £3.0 million contingent consideration following the acquisition of the remaining 30% of the business for £nil consideration; and a £4.1 million charge following the impairment review triggered by the sale of 100% of the business.

Other financial information – total Group

Net finance costs

Underlying finance costs reduced by £2.4 million to £4.5 million (2017: £6.9m) with the main part of the reduction the result of the benefits of the Group's refinancing initiative completed in June 2017.

Profit before tax and tax rate

Adjusted profit before taxation from continuing operations reduced by £1.9 million to £33.2 million (2017: £35.1m). Reported profit before taxation from continuing operations was £26.5 million (2017: £19.7m). The tax charge on adjusted profit before tax for the period of £10.0 million (2017: £10.8m) represents a 30% (2017: 31%) effective tax rate.

Earnings per share

On an adjusted basis, diluted earnings per share (EPS) from continuing operations fell slightly to 12.7p from 13.3p in the prior year. Total adjusted EPS decreased by 7.6% to 12.1 pence (2017: 13.1p) with basic EPS at 1.9 pence (2017: 4.9p).

Payments to shareholders

In line with the policy on payments to shareholders, 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.

Following the interim payment of 1.5 pence declared in February 2018, the Board recommends a final payment of 2.8 pence (2017: 2.9p) to shareholders such that the full-year payment remains unchanged at 4.3 pence (2017: 4.3p). It is intended this will be issued using the Company's B Share scheme.

Balance sheet and net debt

Return on capital employed fell to 22.5% (2017: 28.0%). Trading working capital(1) as a percentage of sales decreased from 10.7% at 30 June 2017 to 10.6% at the end of the year but excluding Danlind, the underlying trading working capital percentage decreased from 10.7% to 9.0%. Focus on the level of working capital invested in Danlind forms a key part of the post-acquisition synergy programme and we expect working capital levels to move into line with the Group average over the coming twelve months.

For the year end, cash generated from operations before exceptional items was £43.0 million (2017: £63.3m). Capital expenditure increased during the year to £23.6 million (2017: £17.7m) in cash terms. This is in line with our planned £100 million programme of capital expenditure over the four years to 2021. The cash impact from changes in working capital saw an outflow of £8.9 million (2017: £3.1m inflow) mainly comprising payments relating to prior year incentive schemes, quarterly tax charges and the settlement of aged tax payments which occurred in the year accounting for most of the movement.

During the year, a cash consideration of £10.4 million was paid to acquire Danlind, with net debt of £25.3 million assumed by the Group on acquisition. This has contributed to year-end net debt increasing to £114.3 million (2017: £75.7m).

The Group's balance sheet remains robust with net assets of £67.6 million (2017: £64.2m). Gearing rose to 71% (2017: 50%) with the debt cover ratio increasing to 2.1x (2017: 1.2x) primarily driven by the financing of the Danlind acquisition.

(1) Trading working capital consists inventories, trade receivables and trade payables.

Executive review
continued

Other financial information – total Group continued

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 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. The Group remains comfortably within these covenants.

Pensions

The Group operates a funded defined benefit scheme in the UK. At 30 June 2018, the Group recognised a deficit on its UK scheme of £28.5 million (2017: £40.0m). The reduction during the year is primarily due to reduced liability values as a result of increased yields on corporate bonds.

The Group has other unfunded post-employment benefit obligations outside the UK that amounted to £2.4 million (2017: £2.2m).

Current trading and outlook

In the current year we remain focused on the profitable delivery of our anticipated volume growth whilst continuing to take actions to mitigate strong input cost inflation, including commercial price recovery from our customers. We will also maintain close control of overheads whilst investing in key focus areas that enable McBride to fully exploit its scale and cost advantage within its supply chain.

Revenues in the first few months of the new financial year have been satisfactory and whilst certain cost pressures persist, at this stage the Board remains confident the Group will achieve its full-year expectations.

Rik De Vos
Chief Executive Officer

Chris Smith
Chief Finance Officer

6 September 2018

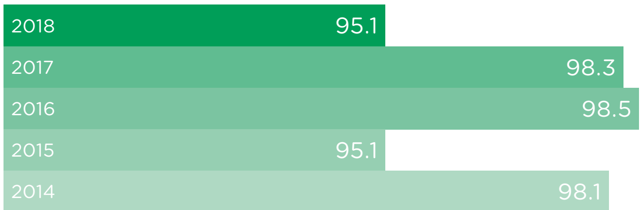
Our KPIs

Whilst our trading performance in the year ended slightly behind our early expectations, we have continued to outperform our sector both financially and operationally in what has been a particularly challenging environment.

Labour cost/revenue (%)

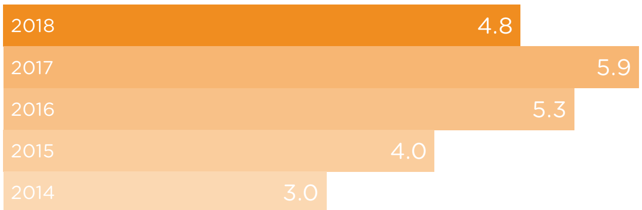
Labour cost as a percentage of revenue.

Customer service level (%)



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

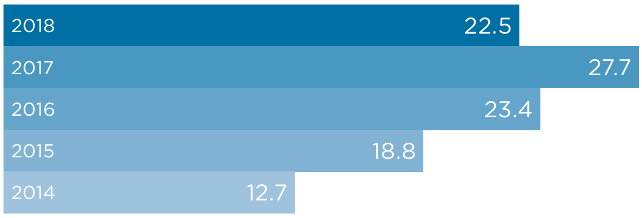
Adjusted operating margin (%)(1)



Adjusted operating profit as a percentage of revenue.

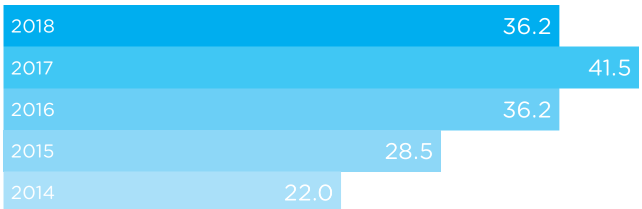
(1) 2018 adjusted operating profit as a percentage of revenue on a continuing basis is 5.5%.

Return on capital employed (ROCE) (%)



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

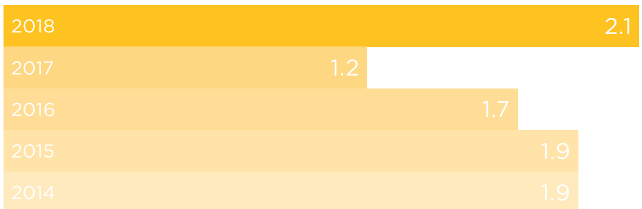
Adjusted operating profit (£m)(2)



Operating profit before adjusting items.

(2) 2018 adjusted operating profit on a continuing basis is £37.7 million.

Debt/adjusted EBITDA



Net debt divided by EBITDA.

Strategy in action – case study

Danlind

Integration actions yield early results

On 29 September 2017, McBride welcomed the Danlind team into the Group. Given the different nature and culture of both organisations, a short-term project was established to identify and plan the integration and synergy delivery over the coming years. A key output was to identify quick opportunities to deliver early synergies and strong success stories. These were found in a number of areas, but probably most impactful has shown to be the immediate integration of the Product and Process R&D teams from both companies.

Both organisations, active of course in the auto dishwash category, identified the same opportunities and challenges in the markets they were operating in. A key opportunity with higher-performing auto dishwash products, especially for the German market, where the balance of a price-competitive product from an affordable technical solution was challenging a drive for further operational efficiency. Solutions for this challenge were identified through strong collaboration between both groups.

The know-how of McBride in product composition was combined with the advanced product compression technology in Danlind, generating a product that demonstrated superior product performance.

The product design was so successful that it won the 2018 German Consumer Test Award ('StiWa') for Best Product and immediately gained recognition in the German market, delivering sales and customer growth. The consumer testing also showed our product to be superior to the branded products on offer in the market. This has been a great success!

Strategy in action – case study

Developing talent

Increasing the leadership capability for our future growth ambition

We recognise that growing our business means growing our people. With strategic objectives established, we wanted a development programme that would improve the leadership capability of future leaders. Individuals who could perform successfully in leadership roles that are one or two levels above their current roles, ideally over the next two to five years. Ultimately embedding a clear leadership brand throughout the business, 'Smart Growth Leader' – a common understanding of what leaders should know, be and do.

Using a talent management tool to assess performance and potential, individuals were identified as part of our talent pool. We also aligned talent management with Company strategy in an exercise to define consistent leadership criteria and competencies which would provide a framework and objectives for the programme.

The McBride Leadership Programme was launched in autumn 2017, with twelve participants graduating in September 2018. A further eleven participants have joined a second programme that has just started.

Built around three modules – Leading Self, Leading Others and Leading Strategic Change – reflection is applied to determine the type of leader the participant is; the type of leader they aspire to be and why; and the action that will be taken to further develop their leadership skills. Participants are also set a real-time strategic business project that offers stretch, in line with respective development objectives.

Strategy in action – case study

Fabric conditioner

A simpler, stronger product portfolio to win in a strategic category

One of the key categories identified by the Group as a strategic growth opportunity within the five-year ‘Growth’ plan is fabric conditioners.

In this category, historically McBride has not competed well and not won contracts against emerging and aggressive private label local competitors, while also missing out on organic growth opportunities with those customers where we have been the supplier of choice.

The category is in growth at European level and in the last couple of years has seen a phase of renewed interest and attention from both retailers and brand owners, leading to the launch of innovative products that have been primarily focused on the sensorial benefits and, in particular, the fragrances that a consumer experiences during the product usage and on the garments once being used.

In 2017, McBride identified and appointed a leading fragrance consultancy firm to help develop the Group’s capabilities around perfume development, assessment and implementation across our Private Label offering. The fabric conditioner category was selected as the pilot category for this innovative fragrance partnership model.

The review developed an in-depth understanding of what type of fragrances could match customer needs and expectations across all our European markets. At the same time, using new encapsulation technologies, we were able to improve the product experience for consumers with longer-lasting, fresh-smelling garments as a result of using the new products.

This created the platform for a simpler, more cost-effective and rationalised portfolio of fragrances for McBride to implement across all markets, while offering an element of true innovation and differentiation to compete more effectively on new contract opportunities.

McBride has identified the discounter channel as a key growth target within its five-year strategic plan and this new product offering has been successful in winning new business with one of the major European retailers in this channel, with the launch of this fabric conditioner product range across multiple countries in the second half of 2018.

Strategy in action – case study

Laundry capsules

Translating technology leadership into new commercial opportunities

Laundry capsules represent one of the strongest core competences of McBride when it comes to technologies and product formats. Over the last ten years, the Group has established itself as a market leader in this sector. The market continues to enjoy significant growth across all European markets, with major investments from the large-scale brand owners and increasing space dedicated by retailers to this product offering, for both brands and private label.

This sustained growth trend has driven higher focus on the product format from all the key European-based laundry liquid manufacturers, and McBride has taken a number of proactive steps in the last twelve months to innovate and further develop its capabilities in laundry capsules to protect and strengthen its leadership position in the sector, with three strategic development initiatives being consequently launched.

The first initiative has been focused on packaging, which is a key component of the laundry capsules product offering. Based on both market insights and proprietary consumer research, the Group has identified the plastic tub, as opposed to flexible pouches, as the format with the best consumer functionality and appeal. Additionally, the technical packaging group completed a project to add a child safety system or 'CIC' to the closures of the tubs, an important requirement that was not met by any other private label products in the market.

These two developments have driven an investment plan at manufacturing level to increase capacity and efficiencies to ensure these features are made available to all McBride customers as a standard feature.

Another significant trend in the laundry market is the compaction of the detergent formulations, aiming to reduce the amount of unnecessary water utilised both in the industrial production and the final product specifications. McBride has fully embraced the compaction opportunity, developing an innovative super-concentrated product format that is now entering the commercialisation phase and will allow McBride to capture more effectively some new market opportunities and distribution channels like e-commerce and direct marketing.

The third area of development focus in the last twelve months has been product functionality. McBride has invested significant resources into a marketing and consumer research study to clearly establish the product performance and design features that can best drive shopper purchase decisions and thus growth for the private label offering. The key learnings have led to the successful development of a new multi-chamber capsule format, which the Group is now ready to commercialise with targeted retailers and in selected markets and geographies in the coming fiscal year.

Strategy in action – case study

Dishwasher tablet investment

Capacity and capability enhancements in a key growth category

The demand for dishwasher tablets continues to grow in the market, and McBride has invested in a new line this year which not only creates additional capacity to satisfy this, but also provides us with a solution to offer the latest product technology as the category continues to evolve in terms of product format.

We have invested over £2 million in our Barrow facility to install a line which has the capability to produce tablets in a soluble-shrink film which can be sold in a doypack format. This means that McBride can now offer a soluble shrink option from all three of its dishwasher tablet manufacturing sites as customer trends towards convenience combines the absence need for a removable flow-wrap with the aesthetics that shrink-wrap delivers.

But it is not just about format where we have been investing – we have also been investing in product performance. The Stiftung Warentest ('StiWa') is the leading European testing house for consumer goods and very much sets the performance benchmark not only in its native Germany, but across Europe. Over the last three years, our team has been working tirelessly to improve the StiWa result of our products.

This multi-disciplined team, including the new Danlind team, comprising R&D, Manufacturing and Commercial colleagues have been recalibrating our approach – gaining deeper understanding of the test, tracking competitor performance, formulating (and reformulating!) and industrialising into our facilities.
In February 2018, we were proud to say that one of our dishwasher tablets scored first in the StiWa testing – beating branded and private label competitors alike.

McBride is the dishwasher tablet partner of choice – able to offer our customers and their consumers a range of formats and performance tailored to their needs.

Strategy in action – case study

Helping drive the circular economy with recycled plastics

Many of our sparkling clear bottles are made of a polymer called polyethylene terephthalate (known as PET). This plastic, which is made from polyester, is fully recyclable and we are now introducing post-consumer recycled PET (known as RPET) into our PET bottles. RPET in place of some of the virgin material typically results in reduced energy consumption and reduced environmental impact. All of this helps drive the circular economy, ensuring we strive to minimise our impact on the environment.

Polyethylene (PE) is another plastic material we use for bottles. Polyethylene is used in bottles which need a softer feel and are usually coloured. Although more technically difficult to reprocess, we are launching a new range of bottles made from 50% post-consumer recycled polyethylene in the UK in November 2018. Our aim is to extend this concept to other countries as we develop the technology further.

Principal risks and uncertainties

The Group continues to identify, manage and mitigate risk and uncertainty within a continued dynamic and changing market.

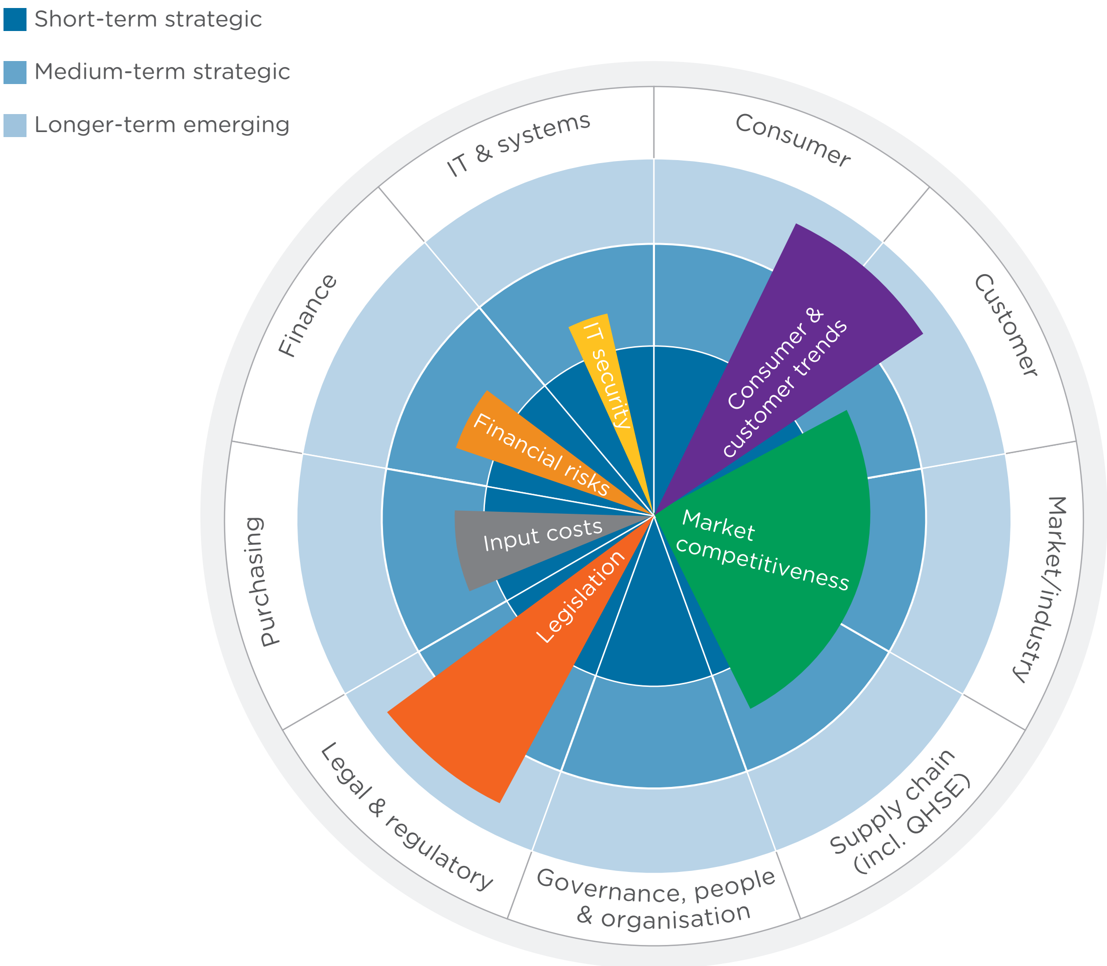
The Group continues to identify, manage and mitigate risk and uncertainty to support the successful delivery of its strategy. The risk management process is undertaken within the current context of key macroeconomic risks; including retail market dynamics across Europe, sustainability pressures from both consumers and governments, and the continued uncertainty surrounding the UK's decision to exit the EU.

From the outputs of the Group's risk management process (details found within the Corporate governance section on page 44) 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, key markets and principal operations.

There have been no material changes from the prior year.

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

Risk radar of principal risks and uncertainties 2018



Consumer and customer trends

Loss of key category and customer positions through lack of insight and/or understanding of consumer and customer-driven trends

Link to strategy: Prepare, Grow

Change: ⟷

Risk impact	Mitigation	Key developments
• No clear understanding and strategy related to customer and consumer trends, especially in growing areas of the market, could result in loss of customer confidence and potentially lead to a loss of business due to supplying a non-relevant offer	• Integrated five-year business plan linking targeted customer/channel growth to asset investments • Strategic long-term key account planning and channel strategies for discount and e-commerce • Use of appropriate macro trend insights on consumer, technology, environment and regulation, translating into medium and long-term development plans	• Strategic five-year planning model covering existing core and new markets • Differential investment in consumer insight and marketing capabilities • Continued review and evaluation of sustainability trends, with development planning in the areas of plastics within the circular economy • Enhanced marketing capabilities to ensure proactive modelling in the area of customer and competitor intelligence

Market competitiveness

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

Link to strategy: Prepare, Grow

Change: ↑

Risk impact	Mitigation	Key developments
• Lack of investment to maintain cost leadership • Growing international ambition and capability of key competitors • Changing customer dynamics, including mergers and buying collaborations leading to increasing strengthening of major retailers' leverage over suppliers on pricing and specification • Failure to deliver targeted strategic asset and distribution improvement projects leading to uncompetitive costs	• Strategic projects with ring-fenced resources deliver differentiated proposition at lower cost through scale application • Key projects are prioritised, with allocated resources required to support management • Capital expenditure is controlled through robust planning, budgeting and monitoring controls at regional and Group levels to ensure successful project results • The Group's geographic and functional matrix structure enables effective change management throughout the business	• The recently changed organisational structure creates a more operationally focused leadership team, which reinforces the Group's strategy to exploit scale and ability to compete on cost • Capital expenditure projects to complement growth strategy identified and initiated • Enhanced marketing capabilities to ensure proactive modelling in the area of customer and competitor intelligence

Input costs

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

Link to strategy: Prepare, Grow

Change: ⟷

Risk impact	Mitigation	Key developments
• A time lag between raw material price increases and recovery through pricing initiatives, with potential negative impact on profits • Significant proportion of UK raw materials sourced from EU markets; UK exit from the EU could lead to potential volatility in raw material costs in the medium term	• A well resourced purchasing function with specialist knowledge and understanding of key markets • Strong internal processes to track trends and integrate into forecasting and price recovery plans • The Group is not overly reliant on any one supplier and continual alternative supplier scenario planning takes place	• Continued active drive to secure cost optimisation strategy wherever possible • Financial benefits of decomplexing raw materials and packaging portfolios being delivered • Creation of high-level early warning tool to allow greater visibility of material inflation

Principal risks and uncertainties
continued

Legislation

Continuing high level of significant legislative and regulatory requirements in the countries in which the Group sells its products

Link to strategy: Prepare, Grow

Change: ⟷

Risk impact	Mitigation	Key developments
• The Group is subject to laws and regulations covering areas such as product safety, environment, labelling, health and safety, intellectual property, tax and financial accounting • Rapidly changing laws and related interpretations, as well as increased enforcement actions, create challenges for the Group and industry as a whole	• The Group is an active member of relevant trade associations and industry bodies, which allows for the monitoring of impending legislation. Where appropriate, the Group will input into government consultations which affect our products or industry • Experienced cross-functional project teams, with dedicated resource, to ensure successful implementation whilst minimising cost and disruption to the Group and its customers	• During the last twelve months actions have been taken to strengthen the relevant teams and systems in this area

Financial risks

Multinational operations expose business to a variety of financial risks

Link to strategy: Prepare, Grow

Change: ↑

Risk impact	Mitigation	Key developments
• Risks associated with foreign currency exchange rates, interest rates, commodity prices, credit and taxation could impact profitability and cash flows • Potential financial risks from the UK exiting the EU and associated political uncertainty has the potential to create a degree of unpredictability for short-term and medium-term economic forecasts, as well as a potential adverse impact on the Company's liquidity, funding, creditworthiness and share price valuation	• Strong and established financial framework monitoring whilst maintaining appropriate levels of liquidity and covenant commitments • Foreign exchange risk managed by hedging mitigating effects on UK import costs and translation of Euro profits • Robust framework established to ensure compliance with all international tax legislation, including publication of tax strategy	• Continued strong relationships with banking partners, with main Group banking facilities refinanced in June 2017 and committed until 2022. This increases both certainty and flexibility whilst reducing costs for the Group • Cross-functional team actively monitors significant developments related to the UK's exit from the EU, enabling contingency modelling and planning for a full a range of scenarios

Breach of IT security

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

Link to strategy: Prepare

Change: ⟷

Risk impact	Mitigation	Key developments
• Loss of key and sensitive business data as a result of security breaches, external hacking and/or cyber threats • Loss of IT services and systems, resulting in significant business disruption	• Continual review of security policies, controls and technologies in place in the Group to protect commercial and sensitive data • Monitoring of developments in cyber security; engaging with third party specialists where appropriate • Alignment to changes in legislation assessed and implemented, including GDPR	• Continued investment in IT systems, infrastructure and security to enhance effectiveness of controls and minimise/remove vulnerabilities • A follow-up independent audit exercise to evaluate the adequacy and effectiveness of IT security developments made within the Group to take place in the second half of 2018

In accordance with the UK Corporate Governance Code 2016, the Board has taken into consideration these principal risks and uncertainties when determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Group when preparing its viability statement.

Going concern statement

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Executive review on pages 16 to 20. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risks.

The Group meets its funding requirements through internal cash generation and bank credit facilities, most of which are committed until June 2022. At 30 June 2018, committed undrawn facilities and net cash position amounted to £80.7 million 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

In accordance with the requirements of the UK Corporate Governance Code ('the Code'), the Directors have performed a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board has determined that a three-year period to 30 June 2021 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 29 to 30. The analysis considers severe but plausible downside scenarios incorporating the principal risks from a financial and operational perspective, with the resulting impact on key metrics, such as debt headroom and covenants, considered. The alternative scenarios assume sensitivity around exchange rates and interest rates, along with significant reductions in revenue, margins and cash flow over the three-year period. In all cases the business model remained robust, funding capacity sufficient and covenants fully complied with. The Group's global footprint, product diversification and access to external financing all provide resilience against these factors and the other principal risks that the Group is exposed to. After conducting their viability review, the Directors confirm that 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 2021.

Corporate responsibility

The efficiency initiatives we are executing are contributing significantly to our sustainability progress in all aspects of our business – for our people, our products, our customers and the environment.

compacted
products cut emissions and reduce packaging

£20,000
awarded by the Charitable Trust

small plastic beads
eliminated
from our products since 2015

89.4%
of waste generated, recycled, reused and recovered

water use down
2.6%

energy consumption
reduced
by 1%

active participation in A.I.S.E. initiatives

green energy
1.1%
of total energy

committed to the support of Sustainable Palm Oil

Environmental

Production and operations

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

Link to strategy:

○ **Grow** Launch of our five-year sustainability plan 2019–2024. Further focus on improvement in managing waste in our manufacturing processes

Sustainability plan

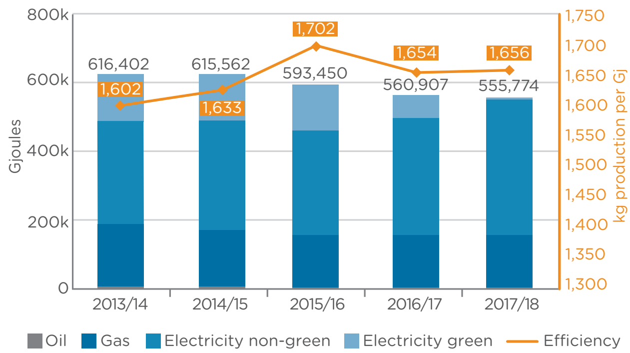
Our five-year sustainability plan will be launched in the first half of the 2019 calendar year, focusing on all aspects of sustainability that relate to our operations and products, our people and communities and our impact on the environment. The plan will allow us to continue to deliver in the key areas most important to our customers and other stakeholders. We are aware of a growing need to address issues like plastics and, as part of our plan, we are building these into our packaging design programmes to support the reduction in packaging weight and to increase the recycled content in a range of our plastic packaging. The sustainability plan outlines additional initiatives for our operations and services, which include further formulation compaction and the removal of chemicals of concern. We also have plans to create more sustainable offices, with new sustainability champions leading on recycling and energy saving initiatives. With respect to our people and communities, we are also proud of all the charity and community activities already undertaken across the McBride Group via the McBride Charitable Trust. The five-year sustainability plan will support the continuation of our operational excellence model.

Working together to reduce waste

Examples during the year include:

- in Estaimpuis, energy consumption has been reduced by replacing old machinery. A new server room air conditioning system and the replacement of two air compressors has reduced electricity usage for a more eco-friendly and cost efficient approach;
- in Rosporden, colleagues are considerate about their own environmental impact by sorting food waste in the cafeteria and ensuring waste is recycled wherever possible; and
- in Barrow, colleagues have extended weekend shut-down procedures across the site in those areas where it has been identified that machinery is not required. Further energy reduction has been achieved through the implementation of LED design solutions for high-end users of energy such as dust extraction and heating and the removal of other equipment that wastes energy. A drive on communication about the importance of saving energy, has lead colleagues to be proactive in thinking of ways to operate in a more sustainable way.

Total Group energy consumption



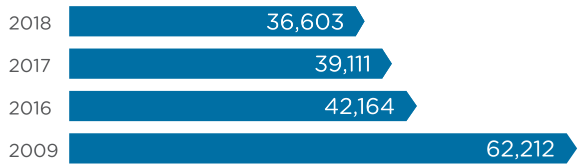
Total Group energy consumption reduced by 1% to 555,774 Gjoules (2017: 560,907 Gjoules) during the year. At the same time we achieved energy efficiency of 1,656kg production/Gjoule (2017: 1,654kg production/Gjoule), a similar level to last year, but still a strong improvement from previous years, confirming the benefits of our continued operational excellence model.

Greenhouse gas

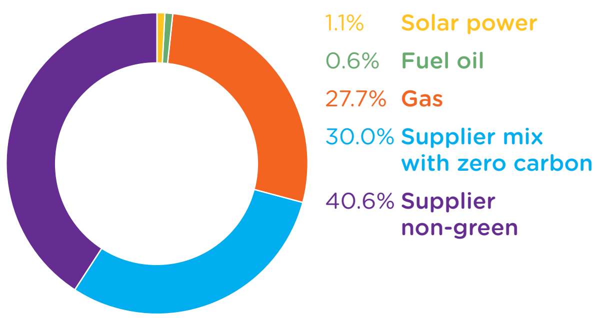
We have been calculating our Scope 1 and 2 GHG emissions since 2008 in accordance with the relevant GHG Protocol Corporate Accounting and Reporting Standards and latest emissions factors from recognised sources, based upon market values.

The overall impact on our operations for Scope 1 and Scope 2 emissions was 36,603 tonnes of CO_2e emissions (2017: 39,111 tCO_2e) with CO_2e efficiency of 25,138kg product/tCO_2e (2017: 23,719kg product/tCO_2e).

Net Scope 1 and 2 CO_2e emissions (tonnes CO_2e)



Split of energy source index including green element of supplier grid mix 2017/18



The Group is continually examining alternative options for further use of potential sources of green energy, with the overriding objective to reduce overall energy consumption and thereby improve our long-term energy efficiency.

Corporate responsibility continued

Social

Our people

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

Link to strategy:

- **Prepare** To ensure that a framework is in place to allow all colleagues to have the opportunity to reach their potential

Employee support

A key principle of our business success is creating a culture whereby all colleagues across the Group are recognised as a valuable asset and supported to become fully engaged, aligned and achieve their full potential.

Our SMART Growth HR strategy recognises that each phase of our 'Manufacturing our Future' strategy requires different styles, skills and experiences. Our recruitment, talent management and training and development programmes ensure the Group maintains a large pool of talent to deliver its strategic objectives.

Diversity

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

Gender split 2018

Female Directors

1/6 17%

Female executive leadership

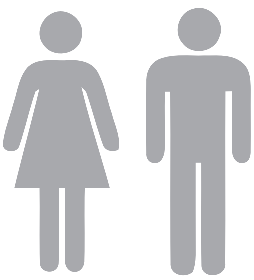
3/6 50%

Female senior management

12/56 21%

Female total workforce

1,467/4,076 36%

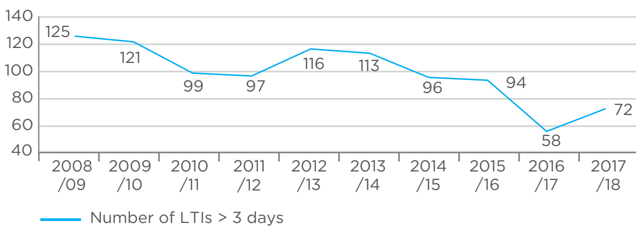


Gender pay gap reporting

We report annually on our gender pay gap to meet our UK legal obligations. Our Gender Pay Gap Report is available on our website.

Wellbeing

We strive to maintain a safe workplace at all locations we operate in and all colleagues participate in the development, promotion and maintenance of a safe and healthy environment.



500 days for Rosporden

In July, Rosporden colleagues celebrated 500 days without a Lost Time Incident, breaking their previous record of 258 days. The achievement shows great teamwork and commitment to health and safety in the workplace driven by the local leadership team and Quality, Heath, Safety and Environment management.

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.

Our Supplier Code of Conduct sets out the standards of behaviour we expect from all of our suppliers. As a minimum standard, we adhere to the provisions of the ETI and require every supplier to ensure that our Code of Conduct is complied with, along with national and other applicable law. Our Supplier Code of Conduct is published on our website and any breach of the Code may result in a termination of business relationship with a supplier.

Our Anti-Slavery and Human Trafficking Statement (available on our website **www.mcbride.co.uk**) enshrines our obligations under the Modern Slavery Act 2015. We are committed to ensuring there is transparency in both our own business and in our approach to tackling modern slavery in our supply chain.

Product and design

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

Link to strategy:

- **Grow** To ensure that our sustainability capabilities become integral to product development and customer proposition

Our responsibilities

We are fully aware of our quality and safety responsibilities to our customers and to consumers who use our products. We also take environmental responsibilities seriously and, where possible, work with customers and accredited ecological bodies to reduce potential environmental impact.

Animal testing

Our animal testing policy ensures we do not test products on animals, nor request testing of products or ingredients by any supplier or third party.

Eco labels

Our scientists have developed product ranges for our customers which meet the major Eco labels for household products in Europe. The acquisition of Danlind has further consolidated our range in this area by adding products specifically manufactured for Nordic countries. We now have accreditations available covering European Eco label, Blue Angel Eco label and Nordic Swan Eco label.

To qualify for these Eco labels, products have to comply with a tough set of criteria. The environmental criteria, set by a panel of experts from a number of stakeholders, including both consumer and industry organisations, take the whole product life cycle into account – from the extraction of the raw materials to production and packaging and transport, right through to end use and then the potential for recycling. This life cycle approach guarantees that the products' environmental impact is reduced in comparison to similar products on the market but also ensures that fitness-for-use criteria are met to guarantee good product performance for the customer.

EU Ecolabel www.ecolabel.eu

BLUE ANGEL THE GERMAN ECOLABEL

NORDIC SWAN ECOLABEL

Compacted products providing effective cleaning performance

In the European market, detergents are becoming more concentrated; this has allowed for a reduction in raw materials and packaging, in turn reducing waste and CO_2 emissions. During 2018, we launched our latest innovation, a 14ml soluble sachet, which is over 40% more compacted than leading brands in the market. The soluble capsule allows for a controlled dose, ensuring only the correct level of ingredients are used, minimising the impact on the environment and cost of wash for the consumer.

Safe and effective packaging

Product safety continues to be a driver in our development process, be it in the ingredients used in product formulations or the packaging used to contain our products. Our packaging is designed to safely transport and protect products and we are one of the first manufacturers to launch to the European market, detergent containers compliant with the new Product Steward Programme, a voluntary initiative launched by the International Association for Soaps, Detergents and Maintenance Products to promote best practice in the industry in relation to the safety and wellbeing of consumers.

Corporate responsibility continued

Community

Community and society

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

Link to strategy:

- **Grow** To measure and promote McBride's positive impact on society

At McBride we have made the conscious decision to increase our contribution to charity through several means in order to help those who are in need in our society.

Charitable Trust

McBride's Charitable Trust continues with their mission to provide financial support to McBride colleagues' children in their further education through an educational grants programme and to support colleagues with charity initiatives in the interest of their health and wellbeing, by donating to selected charity organisations with a focus on cancer in either their local or wider community.

The purpose of the Charitable Trust is:

- to support colleagues;
- to support the community; and
- to support wider society.

During the year, a new trustee board has focused on driving awareness of the Charitable Trust and has secured a five-year plan for the Trust's three areas of activity.

1. Education

The Trust has continued its aim to provide grants and donations to individuals and charities in line with its Deed of Trust. Specifically, during the year the educational development of McBride colleagues' children has continued to be a focus. In 2017/18 the Trust awarded a total of £20,000 to 120 children in the UK and Continental Europe to assist them in their studies. The initiative has been received positively by colleagues and their children as a great support for their learning and development. Each year the Charitable Trust continues to encourage employees to apply for a grant that can be applied to their children's tuition, books and other education expenses.

2. Wellbeing

The Trust continues to support colleagues by driving initiatives that promote colleague health and wellbeing, whilst generating funds for chosen charities. This year the Trust has encouraged colleagues to be active and participate in different ways of raising money for local and national cancer-related charity organisations.

Initiatives supported by the Trust include:

- a team walk up Mount Snowdon to raise money for the British Lung Foundation;
- an assault course in aid of Macmillan Cancer Research in which 18 colleagues participated;
- longest Golf Day, in support of Macmillan Cancer Research with participation from members of UK Finance and UK Operations team;
- world Environmental Awareness Day to support local charity Springhill Hospice with activities including a robot-making competition for colleagues' children using plastic found in the home;
- wellbeing activities organised by Belgian colleagues to support Think Pink Belgium;
- a variety of quizzes, bake sales and organised walks for colleagues and their families; and
- a safety quiz at all McBride locations which was completed by over 1,400 colleagues across the UK and Central Europe.

The Trust donated £1 for every single participant taking part in these initiatives.

During 2017/18 the Charitable Trust has supported wellbeing initiatives to the value of £7,200.

3. Poverty

We continue to focus our efforts on supporting children who are homeless, in nurseries or orphanages by providing In Kind Direct with stock donations and through additional financial contributions. The organisation redistributes surplus or obsolete stock to a wide range of UK charities and McBride's products are of practical help to many organisations helping communities across the UK. During 2017/18, McBride distributed £24,000 worth of goods to In Kind Direct.

This year, Finance colleagues also donated their time to work in one of In Kind Direct's warehouses to re-distribute stock from suppliers directly into the charity network. As well as supporting the charity, the experience allowed colleagues the opportunity to collaborate and develop their team working skills.

Welcome to Corporate governance

Leadership

Board of Directors

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

John Coleman
Chairman

Appointed: July 2016

John brings considerable experience having held 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 has previously held the role of Chairman of Aga Rangemaster Group plc, McColl's Retail Group plc, Holidaybreak plc and Russian consumer electronics retailer PJSC Mvideo.

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 private company Barchester Healthcare Ltd.

Committees: N* R

Rik De Vos
Chief Executive Officer

Appointed: February 2015

Rik has over 28 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: N

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 Asia Pacific.

From 2008 to 2014, Chris was Group Finance Director at API Group plc, the AIM-listed speciality metallic film, foil and laminates manufacturer. Other previous roles have included Scapa plc, where he was Finance and IT Director for Europe & Asia, and he has also held a number of senior finance roles at Courtaulds plc, where he gained extensive international experience, including overseas positions based in Germany and Hong Kong.

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, which makes him ideally suited for the role of Senior Independent Director, ensuring a challenging mindset when setting and monitoring implementation of the Group's strategy.

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

Committees: A N R

Carol Williams

General Counsel and Company Secretary

Appointed: January 2018

Carol Williams was appointed as General Counsel and Company Secretary on 15 January 2018. Carol joined McBride from the Mars Corporation, where she was Associate General Counsel, and brings a wealth of professional experience in both legal and company secretarial roles from a variety of FTSE 100 to 350 organisations.

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, Sandra is the Vice Chair of a large independent school.

Committees: A N R*

Neil Harrington

Independent Non-Executive Director

Appointed: January 2012

Neil, a chartered accountant, brings a strong financial background, having operated as an executive Group Finance Director in a range of global consumer-facing businesses under both PLC and Private Equity ownership with extensive experience of operating internationally. In particular, Neil has lead complex corporate finance transactions including acquisitions, disposals and corporate restructures where his wealth of knowledge in debt structuring, financing, investment and banking facilities has been invaluable.

Neil has held senior finance roles in a number of global listed companies, including ASDA/Walmart Stores Inc., Barclays Bank plc and French Connection Group plc, his most recent executive role being 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 Financial Officer of Cath Kidston Limited since 2012.

Committees: A* N R

Seated left to right:

John Coleman
Chairman

Rik De Vos
Chief Executive Officer

Chris Smith
Chief Finance Officer

Standing left to right:

Steve Hannam
Senior Independent Non-Executive Director

Sandra Turner
Independent Non-Executive Director

Neil Harrington
Independent Non-Executive Director

Carol Williams
General Counsel and Company Secretary

A Audit Committee
N Nomination Committee
R Remuneration Committee
* Chair

Leadership

Corporate governance report

> The Board acknowledges its collective responsibility for overseeing the success of the Group by demonstrating strong leadership through an effective Board and sub-committee structure, underpinned by solid operating principles, policies and controls.

Dear shareholder

I was pleased to report last year on the considerable progress being made on the transformational strategy which had started to deliver benefits for the Group under the guidance of the Executive Directors. The 'Prepare' phase of the strategy is now underway, focusing on strengthening our core activities to ensure sustainable value growth for our key stakeholders.

The Non-Executive Directors and I continue to be fully supportive of the strategic direction taken by the Group and are confident that the robust governance framework in place will continue to provide effective support for the management of the Group in delivering the long-term success of the Company.

Corporate governance

We have an effective Board and sub-committee structure, underpinned by solid operating principles, policies and controls and we continue to exercise our duties in compliance with all relevant legislation, regulation and guidance.

As a Board, we remain committed to maintaining high standards of corporate governance and we apply the principles and endorse the provisions set out in the UK Corporate Governance Code 2016 ('the Code').

During the year, we have assessed our level of compliance with the Code and the Board confirms that throughout the year the Company has continued to comply with all of the Code's provisions, in so far as they apply to a FTSE SmallCap company.

The following Corporate governance report serves to demonstrate that a robust governance framework is in place to support the Group's strategy. We explain our approach to the main governance principles and share the work undertaken by our sub-committees on behalf of the Board.

John Coleman
Chairman
6 September 2018

We recognise the importance of establishing the right culture and values and communicating this message consistently throughout the organisation. It is important that we, as the Board, provide strong and effective leadership, constructive challenge and, along with the Executive Leadership Team (ELT), accept collective accountability for the long-term sustainable success of the Group. In so doing, we will continue to drive and deliver our strategy in the best interests of all our stakeholders.

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

All Directors communicate with each other on a regular basis and contact with the Group's executive management is sought and encouraged.

Board sub-committees

Certain activities of the Board are delegated to sub-committees (Audit, Remuneration and Nomination). Each sub-committee is chaired by a member of the Board, which 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 Terms of Reference which set out its authority, composition, activities and duties. The Terms of Reference are reviewed annually 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 2018.

Responsibilities

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 and encouraging effective decision making;
- fostering effective relationships and open communication between all Directors; and
- ensuring both Board and shareholder meetings are properly conducted and that the views of shareholders are communicated to the Board.

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

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

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;
- evaluating the performance of the Chairman along with the Non-Executive Directors; and
- being available to shareholders, where contact through the Chairman or Executive Directors is not appropriate.

The key responsibilities of the Non-Executive Directors are:

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

Attendance at meetings year ended 30 June 2018

Number of Board meetings held	9

Members	Number of meetings attended	Member since
John Coleman Chairman	9	22/04/2016
Rik De Vos Chief Executive Officer	9	02/02/2015
Chris Smith Chief Finance Officer	9	07/01/2015
Steve Hannam Senior Independent Non-Executive Director	9	04/02/2013
Neil Harrington Independent Non-Executive Director	9	03/01/2012
Sandra Turner Independent Non-Executive Director	9	01/08/2011

Operation of the Board

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

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

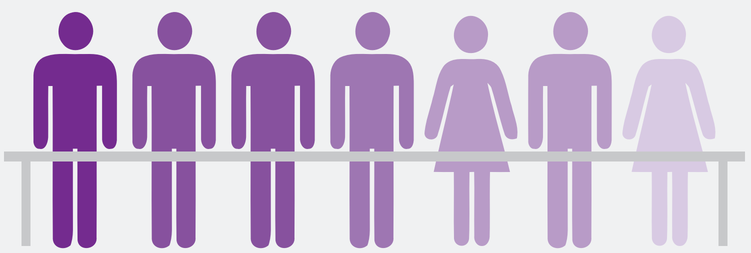
At least one formal and several informal Non-Executive Director meetings have also been held during the year without the Executive Directors being present, and the Senior Independent Director and the Non-Executive Directors have met without the presence of the Chairman as part of the Board performance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

Effectiveness

Corporate governance report continued

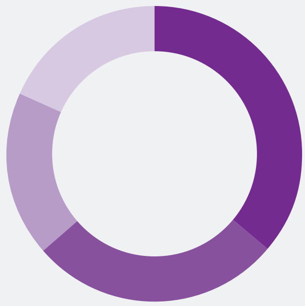
Board composition

The Board



- Chairman
- Executive Directors
- Senior Independent Director
- Independent Non-Executive Directors
- Company Secretary

Relevant experience



- Manufacturing **4**
- Retail **3**
- Chemicals **2**
- Finance **2**

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 personal experience. This ensures that matters can be debated constructively in relation to both the development of strategy and assessment of performance against the objectives set by the Board.

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

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 for the overall performance of the business. The day-to-day management of the business is delegated via the various ELT members on a structured functional basis.

To support the ELT in their strategic management of the business, during the year an Operational Leadership Team (OLT) was established including representatives from key areas of the Group's supply chain. The OLT aims to capture the growth of the business in the most efficient way by ensuring related initiatives and projects are delivered well and integrated into the overall strategic objectives of the Group. The OLT activity is overseen by the core ELT, who continue to monitor and manage the overall Company strategic objectives, including global governance.

Health, safety and environmental and quality matters are delegated to the Group Manufacturing Directors 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 and safety, environmental matters, anti-bribery and corruption and whistleblowing, their implementation is delegated to the Chief Executive Officer and cascaded throughout the organisation via the ELT and OLT and the various functional teams. Copies of our policies are available on the Group's website at **www.mcbride.co.uk.**

Board composition

At 30 June 2018, the Board comprised six members: the Chairman, two Executive Directors and three Non-Executive Directors.

Election and re-election of Directors

The Board are satisfied that all the Directors standing for re-election perform effectively and demonstrate commitment to their roles. This has been demonstrated during the year by the willingness of the Directors to attend additional informal meetings, including strategy conferences, as well as from the general support they have given to the Executive Directors and other executive management. When appropriate, any changes to the commitments of any Director are considered in advance by the Board to ensure they are still able to fulfil their duties satisfactorily.

Although the Articles of Association 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.

The biographies for each Director, set out on pages 38 and 39, illustrate the range of skills and experience they offer to the Company. Voting at the 2017 AGM demonstrated continued support for all Directors who held office at that time.

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 management and provision of access to key documents relating to their role. External training may also be provided by independent legal advisers.

The Board recognises the importance of ongoing training and development to ensure Directors have the skills and knowledge to discharge their duties effectively. This can take the form of briefing papers and/or presentations on strategic, regulatory and legislative developments and other topics of specific relevance to ensure that the Directors continually update their knowledge of and familiarity with the Group's business and the markets in which we operate. Additionally, all Directors are entitled to undertake external training relevant to their particular duties.

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.

Succession planning

During the year the Group's succession planning approach has continued to evolve. This has included evaluation of the roles at ELT level and their direct reports to identify key talent and future leadership potential. More information about how the Group's Leadership Programme has been developed to support the strategic objectives of the business is on page 23. The outputs of the programme are overseen by the Board.

Conflicts of interest

Our procedure for capturing Directors' interests can be found in the Other statutory information section on page 65.

Board evaluation

An internal Board evaluation exercise, led by the Chairman and Company Secretary, was undertaken during the year. This included a questionnaire designed to analyse the effectiveness of the Board across a range of elements, including composition, interaction and strategic decision making. Individual meetings between each Director and the Chairman were also held to follow up on the findings and proposed action outputs. The Senior Independent Director also undertook a review of the performance of the Chairman. This year's exercise confirmed that the Board remained effective in its approach and delivery, but it was acknowledged that, in light of the fast-moving and changing dynamics in the Group's market sector, the Board composition and ways of working will be reviewed to ensure the Board remains a hub of information, knowledge sharing and effective decision making to take full advantage of the opportunities presented to it. Succession planning also remained an area of development on the work undertaken to date.

An externally facilitated Board evaluation was last undertaken in the 2011/12 financial year. As a constituent of the FTSE SmallCap, the requirement for an external evaluation will be considered by the Board further during the 2018/19 financial year.

Board activity year ended 30 June 2018

Market and economic environment	Strategic development opportunities	Trading, financial and operational performance	Governance and risk
Matters considered	**Matters considered**	**Matters considered**	**Matters considered**
• Market and customer development updates • Competitor activity analysis • Sales and marketing activity reviews • Purchasing performance • The UK's decision to exit the EU • Forward outlook for FX and interest rates	• Strategic opportunity (including potential acquisitions and/or disposals in line with the Group's strategic plan) and project progress reviews • Key operational project progress reviews, including major capital expenditure investment proposals • Review of strategic growth plan progress	• Approval of budget • Banking, tax and treasury strategy and policy reviews • Approval of full-year and half-year announcements and other trading updates • Annual Report and Accounts review and approval • Consideration of analyst expectations • Payment to shareholders, policy and proposals	• Health and safety updates • Business risk analysis • Insurance programme renewal • Board self-evaluation exercise • Code and legislation compliance reviews • Corporate policies review and approval • Talent and succession planning reviews • GDPR

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**.

Accountability

Corporate governance report continued

Business risk

The Board recognises that the delivery of the Group's strategic plans will only be achieved within an established system of risk management and an effective internal controls framework, which will ensure that the transformational change and growth of the business is supported by an embedded risk management culture.

Responsibility for monitoring and reviewing the effectiveness of the risk management process is delegated to the Audit Committee and is reported on in page 46.

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

- business risk reviews;
- major project and investment reviews;
- specific functional and strategic risk mapping;
- year-end 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 Internal Audit and other assurance providers (such as QHSE).

The Board considers that the Group operates a risk-aware culture which facilitates the early identification of problems and issues, so that appropriate action is taken in a timely and proactive way to minimise the impact on the business.

A cross-functional Risk Council acts as a focal point for the identification and evaluation of strategic, emerging risks faced by the Group in pursuit of its strategic objectives. The Council makes recommendations to the ELT for appropriate mitigation strategies in line with the Group's risk appetite. It supports the embedding of the Group's risk management framework through improved risk awareness and the consideration of risk in key decision making.

The Risk Council meets between three and four times a year and reports to the ELT. Its Terms of Reference have been ratified by the Audit Committee and it provides updates to the Committee on a biannual basis.

Internal controls

The Board delegates responsibility to the ELT to consider and assess the effectiveness of the existing internal controls and to identify whether any new risks have arisen as a result of any control weaknesses, a process which is monitored by the Audit Committee. Further information about the effectiveness of the controls in place and how they have been assessed by the Audit Committee is reported on page 46.

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

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

Internal Audit

The Internal Audit function provides independent assurance on the strength and effectiveness of the Group's risk management framework and is responsible for overseeing internal control processes for the Group.

Further information about how our Internal Audit process is monitored can be found in the Audit Committee report on page 47.

Risk management framework

Risk Council

- Provides a cross-functional forum for the discussion of risks and controls arising from business activities
- Monitors the application of the risk management framework across the business
- Identifies and evaluates strategic, significant and emerging risks through access to internal and external knowledge, expertise and insight

Executive Leadership Team

- Reviews the Group's risk register and agrees actions to mitigate key risks
- Ensures risk management is embedded across the business
- Defines the risk appetite of the Group

Audit Committee

- Ensures actions to mitigate risks are put in place with ownership and timescales to ensure the Group's strategy can be delivered in the context of the risk management framework
- Monitors and reviews key financial, non-financial and internal controls, as well as the external audit process and reports

The Board

- Monitors and reviews the effectiveness of the Group's risk management and internal control systems
- Approves the risk appetite of the Group
- Reviews reports from the Audit Committee on risk management and internal controls

Accountability

Audit Committee report

> The Committee continues to be satisfied that a robust and effective control environment exists.

The Audit 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.

Main duties:

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

Attendance at meetings year ended 30 June 2018

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

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

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

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

On behalf of the Audit Committee, I am pleased to present the Audit Committee report for the year ended 30 June 2018.

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 both within the sector and elsewhere. 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 have also held other senior finance roles, my most recent being Group Finance Director at Mothercare plc for seven years.

Committee meetings may be attended by the Board Chairman, Chief Executive Officer, Chief Finance Officer, Group Financial Controller, Tax and Treasury Director and Head of Internal Audit by invitation. The Company's external auditor, PricewaterhouseCoopers LLP (PwC), also attends meetings by invitation. During the year, PwC attended four meetings.

Independent meetings were also held regularly between the Committee members and the external auditor, in the absence of the Executive Directors. As Chair of the Committee, I have also had regular meetings with the Head of Internal Audit during the year.

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.

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 2018.

Accountability

Audit Committee report continued

Auditor objectivity and independence	
Committee review and auditor assurance	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. 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, as well as globally. The Committee has considered and approved the terms of engagement and fees of the external auditor for the year ended 30 June 2018. Fees payable by the Group to PwC totalled £0.7 million (2017: £0.5m) in respect of audit services. There were no contingent fee arrangements with PwC.
Audit tenure	The Committee considered its external audit services, taking into account the UK Corporate Governance Code 2016 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. As noted above, the Committee regularly reviews the performance of the external auditor and continues to be satisfied with PwC's independence, objectivity and expertise and believes the Group is subjected to a rigorous audit process. As such, the Committee does not consider it necessary to undertake an external audit tender process at this time, although this will remain under review.
Non-audit fees	The Company maintains a detailed policy on the engagement of the external auditor for non-audit services, designed to preserve their independence when performing the statutory audit. To avoid any conflict of interest, types of non-audit work are categorised as those for which: • the auditor can be engaged without referral to the Committee; • for which a case-by-case decision is necessary; and • from which the 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 £324k (2017: £277k) in respect of non-audit services, equating to 46% of audit fees received by PwC during the same period (2017: 55%).

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 in assessing whether suitable accounting policies have been adopted and appropriate judgements made by management.

The significant matters considered and judgements undertaken during the 2017/18 financial year are set out on page 47. The Committee is satisfied that the presentation of the financial statements is appropriate and in accordance with the Group's accounting policies.

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.

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 receives regular reporting from senior management and the conclusion continues to be that a robust and effective control environment exists. No failings or weaknesses have been identified which had a material effect on the Company's financial performance.

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

Matters considered during the year

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 strategy and continued to monitor tax governance and compliance with global transfer pricing. 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.
Post-investment reviews	The Committee examined the outputs and learnings from significant repair and prepare strategic projects completed during the year, which included key customer, product and operational rationalisation initiatives. Particular focus was given to the effectiveness of the Group's ability to identify, mitigate and monitor risks and weaknesses to ensure a robust control environment is maintained.
Going concern status and longer-term viability statements	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. 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. The content of both the Going concern and Viability statements can be found on page 31.
Danlind acquisition accounting	For the acquisitions in the year, the Committee examined the modelling and assessments undertaken by management to determine the fair value of assets and liabilities and goodwill acquired. The Committee reviewed papers which set out the relevant considerations and discussed the matters with the external auditor. Refer to note 3 in the financial statements.
M&A accounting inputs for disposals	Reviews of the Group's disposal activities were performed by the Committee during the year. The Committee considered appropriateness of impairments incurred, and the allocation of revenues and costs to discontinued operations in the financial statements. Refer to notes 3 and 18 in the financial statements.

Internal Audit
The Internal Audit function serves to provide assurance to the Committee that relevant, adequate, effective and fit-for-purpose controls are in place across the Group. Regular meetings are held between the Head of Internal Audit and the Chair of the Audit Committee and the Committee actively engages the Internal Audit function to understand and consider the extent to which the internal control environment can be improved. Information on specific key control procedures undertaken by the Group can be found on page 44.

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

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

Risk management
The Committee monitors and challenges the adequacy of the Company's procedures in respect of business risk identification, assessment, monitoring and reporting. On behalf of the Board, the Committee considered specifically those risks and uncertainties facing the business which should be classified as significant and sought comfort from management on the mitigating factors being used. The current principal risks and uncertainties affecting the Group can be found on pages 28 to 30.

The Committee ratifies the Risk Council's Terms of Reference and is provided with biannual updates of matters the Risk Council has considered. Information on the matters considered by the Risk Council can be found on pages 44.

Cyber security
Good progress has been made against the findings of the 2017 cyber security audit. The Committee continues to monitor their implementation.

Accountability

Audit Committee report continued

Anti-bribery and corruption and whistleblowing policies

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

Anti-bribery and corruption

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

To support the prevention of anti-bribery and corruption, all employees are required to comply with the Group's Gifts and Hospitality Policy, which permits the giving or receiving of sensible and proportionate gifts and hospitality for legitimate business purposes only. Employees are required to follow a reporting framework for the authorisation of gifts and hospitality with reportable events being included on a Group register which is maintained by the General Counsel and Company Secretary and considered by the Board on an annual basis.

Whistleblowing

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

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

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

Fair, balanced and understandable

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

Neil Harrington
Chair of the Audit Committee

6 September 2018

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.

Main duties:

- to review the structure, size and composition of the Board, including diversity considerations;
- to review the leadership needs of the Company to ensure its continued ability to compete effectively in the marketplace;
- 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.

Attendance at meetings year ended 30 June 2018

The Board is satisfied that the majority of members are independent Non-Executive Directors.

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

Members	Number of meetings attended (quorum is three members)	Member since
John Coleman (Chair)	4	22/04/2016
Steve Hannam	4	04/02/2013
Neil Harrington	4	03/01/2013
Sandra Turner	4	01/08/2011
Rik De Vos	4	02/02/2015

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

On behalf of the Nomination Committee I am pleased to present the Nomination Committee report for the year ended 30 June 2018.

Key actions and decisions taken during 2017/18:

- considering the contributions made by the individual Directors prior to recommending their re-election at the AGM, taking account of the outputs from the internal Board Performance Evaluation exercise carried out during the year;
- reviewing the Board composition and the leadership needs of the Company taking into account strategic issues and commercial changes affecting the Company and the markets in which it operates; and
- considering the re-appointment of the Senior Independent Director.

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

Diversity

The Committee recognises the recommendations regarding Board diversity and acknowledges that 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 other aspects to diversity in addition to gender, including professional and industry-specific experience, understanding of geographical markets and different cultures, all of which can also be an aid to the Board's effectiveness by ensuring a variety of outlook and interest. Board appointments will ultimately continue to be made based on merit and calibre. The Board Diversity Statement is available on the Group's website **www.mcbride.co.uk**.

We have 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. Furthermore, three members of the ELT are females. This team also includes a number of nationalities: British, Belgian and French.

John Coleman
Chair of the Nomination Committee
6 September 2018

Remuneration

Remuneration report

“We remain committed to implementing a Remuneration Policy which rewards the delivery of the Company's strategy and thus aligns with longer-term interests of shareholders.

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 2018

The Board is satisfied that all members are independent Non-Executive Directors, with the exception of John Coleman, who satisfied the independence condition on his appointment as Non-Executive Director in 2016.

Number of Committee meetings held (minimum two per year):	3

Members	Number of meetings attended (quorum is two members)	Member since
Sandra Turner (Chair)	3	01/08/2011
John Coleman	3	22/04/2016
Steve Hannam	3	04/02/2013
Neil Harrington	3	03/01/2012

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

Dear shareholder

On behalf of the Remuneration Committee, I am pleased to present the Remuneration report for the year ended 30 June 2018.

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.

Remuneration Policy continuing alignment with shareholders

Following consultation with the Company's major shareholders during 2017, the Company's new Remuneration Policy was approved at the AGM in October 2017. This provides the Committee with the ability to ensure that, when determining remuneration levels and structure, it is able to implement a design which remains competitive in the market, but with clear alignment to the successful achievement of the Company's strategy. The Committee also continues to seek to incentivise and reward the Executive Directors to achieve the maximisation of shareholder return into the medium and long term horizon.

Remuneration decisions taken in 2017/18

As disclosed in the Strategic report (pages 1 to 36), following on from a strong two year period through the 'Repair' and 'Prepare' phases of the Company's strategy, a number of external challenges have led to a financial outcome in 2017/18 below the financial targets set. This performance, together with the remuneration principles within the Remuneration Policy, were reflected in the Committee's review of the annual bonus and LTIP incentive schemes due to be vested or paid for 2017/18.

The setting and granting of incentive awards were also considered to ensure stretching targets were given to the Executive Directors.

A summary of the key decisions taken by the Committee during the year are as follows:

- in relation to the Annual Bonus Plan, due to the financial performance in 2017/18, the Committee determined that none of the financial or personal performance targets in the year had been met and therefore no payment under the Annual Bonus Plan would be made covering this period. Further detail can be found on page 59;
- in relation to the LTIP awards granted in September 2015, the Company's previous two years have seen a strong start to its Repair, Prepare, Grow strategy and this has been reflected in the Company's share price performance. Therefore despite the tough trading conditions and performance in 2017/18, the Committee determined to reward the Executive Directors for the progress made to date and, in line with the outcome of the TSR and EPS performance targets, to award the vesting of 62.52% of the potential total award in September 2018. Further details can be found on page 60;
- the deferred share awards granted as part of the 2015 annual bonus will vest in September 2018. There are no performance conditions attached to these awards (other than the participant being in employment at the date of vesting). Details of these awards can be found on page 61;
- in September 2017 the Committee agreed to the granting of LTIP awards for the year 2017/18 to Rik De Vos and Chris Smith. In line with the Company's Remuneration Policy, a two-year post-vesting holding period applies to any shares which vest after the initial three-year performance period. Further details of these awards, including performance targets, can be found on page 60; and
- the Committee reviewed performance targets and objectives in relation to the Executive Director 2018/19 annual bonus and LTIP awards and determined they would continue to be broadly in line with measures used in the previous year. Further details can be found on page 58.

The Annual Report on Remuneration will be subject to an advisory vote at the forthcoming AGM. We continue to value the support and feedback provided by shareholders and welcome your support at the upcoming AGM.

Sandra Turner
Chair of the Remuneration Committee
6 September 2018

Remuneration Policy report

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 Remuneration Policy ('the 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	• Whilst the Committee does not consult with employees specifically on its policy for Executive Director remuneration, general pay and employment conditions across the Group (including salary increases and benefits) 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. The Committee has and will continue to take into account the views and feedback of its major shareholders to ensure the Remuneration Policy reflects, as far as practicable, prevailing sentiment.

Remuneration

Remuneration Policy report continued

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 58. • Salaries are reviewed annually and may be increased each year. Increases will generally be in line with those awarded to the Group's workforce, as well as reflective of the overall financial performance of the Group. • Increases beyond this may be awarded in limited circumstances, such as where there is a change in responsibility, experience or a significant change in the scale of the role and/or size, value and/or complexity of the Group.
Performance measures	• Not applicable.

Element: benefits	
Purpose and link to strategy	• To provide market competitive benefits, 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. • The Company has the ability to reimburse the tax payable (grossed up) on any business expenses captured as taxable benefits.
Maximum	• The benefit provision is reviewed periodically. No maximum level is set on the value or cost of benefits provided.
Performance measures	• Not applicable.

Element: pension	
Purpose and link to strategy	• Retirement benefits are regarded as an important element of the Group's basic benefits package to attract and retain talent.
Operation	• Membership of the Company's defined contribution, or similar, pension scheme, or in agreed circumstances, a cash allowance in lieu of pension.
Maximum	• Up to 25% of base salary.
Performance measures	• Not applicable.

Element: annual bonus	
Purpose and link to strategy	• The purpose of the annual bonus is to incentivise delivery of the Group's financial and non-financial objectives and to ensure that Executive Directors and senior executives are fairly rewarded for their contribution to the success of the Group.
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. • A 'dividend equivalent' provision is also available on the DBP shares at the discretion of the Committee, enabling dividend or dividend equivalent payments to be paid, in cash or shares, on any shares that vest. • 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.
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 certain events occur, such as a material divestment of a Group business, which cause it to determine they are no longer appropriate and a change is required to ensure that they achieve their original purpose and are not materially less difficult to satisfy.

Element: LTIP	
Purpose and link to strategy	• The objectives of the LTIP are to align the long-term interests of shareholders and management and reward achievement of long-term, stretching targets. • Awards are made to Executive Directors and to senior executives who have a significant influence over the Group's ability to meet its strategic objectives. Whilst it is not a requirement of the LTIP, senior executives are encouraged to use the scheme to increase their share ownership in the Company.
Operation	• Annual awards are granted, subject to individual performance and Committee discretion. The awards vest after three years subject to continued employment and the satisfaction of challenging performance conditions. A two-year post-vesting holding period applies to all shares (less any shares required to be sold to cover withholding tax) that vest. • LTIP awards are subject to 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 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.

Remuneration

Remuneration Policy report continued

Future Policy table continued

Element: LTIP continued	
Maximum	• 125% of salary for the Chief Executive Officer and 110% of salary for the Chief Finance Officer in any financial year. The Committee reviews the quantum of awards annually to ensure they are in line with market levels and appropriate given the performance of the individual and the Company. • Actual award levels to Executive Directors are set out in the Annual Report on Remuneration.

Performance measures	• Vesting of awards would normally be based on:
	  • the Company's Total Shareholder Return (TSR) performance measured over no less than three years against a peer group of companies selected by the Committee as at the start of the performance period; and
	  • key financial measures of performance (such as, but not limited to, Earnings Per Share (EPS)) selected by the Committee over a period of no less than three financial years.
	• Targets are set by the Committee for each award on a sliding scale basis. No more than 25% of awards will vest for threshold performance, with full vesting taking place for equalling or exceeding maximum performance conditions.
	• Different performance measures and/or weightings may be used for future awards to help drive the strategy of the business.
	• 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 London Stock Exchange. It also aligns the rewards received by executives with the returns received by shareholders.
	• 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 58, 59 and 60 respectively.
	• 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. Tax may be reimbursed if these expenses are determined to be a taxable benefit. • Fee levels are determined by the full Board with reference to those paid by other companies of similar size and complexity, and to reflect the amount of time they are expected to devote to the Group's activities during the year. 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 58. 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. • The Executive Directors are also required to maintain a shareholding worth up to 100% of their salary for a minimum of twelve months after cessation of employment.
Maximum	• There is no maximum; however, target levels are set at 200% of salary for Executive Directors, 33% of annual fees for Non-Executive Directors and 50% of salary for other senior executives.
Performance measures	• Not applicable.

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 52 to 54. 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 or, if required, using Listing Rule 9.4.2. Such payment would take account of remuneration being relinquished, including the nature and time horizons attached to such remuneration and the impact of any performance conditions. In exceptional circumstances, payments could be made in the form of a cash payment 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. Shareholders will be informed of any such payments at the time of appointment. • Relocation packages, generally consisting of out-of-pocket expenses, together with any additional costs solely attributable to the relocation may be offered in situations deemed essential in order to carry out the relevant role successfully. Any package will be designed to ensure the new recruit becomes effective in their role as soon as possible, with minimal distractions from any relocation. • In respect of internal promotions, any remuneration commitments made before such promotion (whether or not they would fall within the principles of the Company's current Remuneration Policy) may form part of that Director's remuneration package, with the expectation that any such commitments would be phased out over time.
Maximum	• It is intended that the value of any element of normal remuneration will generally be on the same basis as the existing Directors (pro-rated where appropriate dependent on time of joining the Company) and elements such as buy-out payments being no higher than the expected value of the forfeited arrangements.

Remuneration

Remuneration Policy report continued

Future Policy table continued

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. • Directors' service contracts confirm that the Company may terminate the contract with immediate effect by making a payment equal to base salary for any unexpired period of notice. The Company also has the option to pay notice month by month that would reduce or cease if the departing Director obtained other employment. • There are no agreements between the Company and its Directors or employees providing for additional compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that may occur in the event of a takeover bid. It is also the Company's policy not to include liquidated damages clauses in service contracts, unless there is a clear explainable benefit for the Company in doing so. None of the Executive Director service contracts contain any such liquidated damages provision. • Statutory redundancy payments will be made as appropriate. • Costs attributable to outplacement and/or legal fees associated with the termination of an Executive Director's service contract (including the settlement of any claims brought against the Company, such as unfair dismissal) may be paid by the Company where appropriate. • In circumstances in which a leaving Director may be entitled to pursue a legal claim, the Company may negotiate settlement terms if it considers this to be in the best interests of the Company and, with the approval of the Committee on the remuneration elements therein, enter into a settlement agreement.		
Maximum	• Any compensation arrangements will not be beyond those stipulated in the Directors' service contracts and will normally be limited to base salary, benefits 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.

Executive Directors' service contracts

Service contracts stipulate that the Executive Directors will provide services to the Company on a full-time basis.

Executive Director(1)	Date of service contract	Notice period(2)
Rik De Vos	17/12/2014	6 months
Chris Smith	15/07/2014	6 months

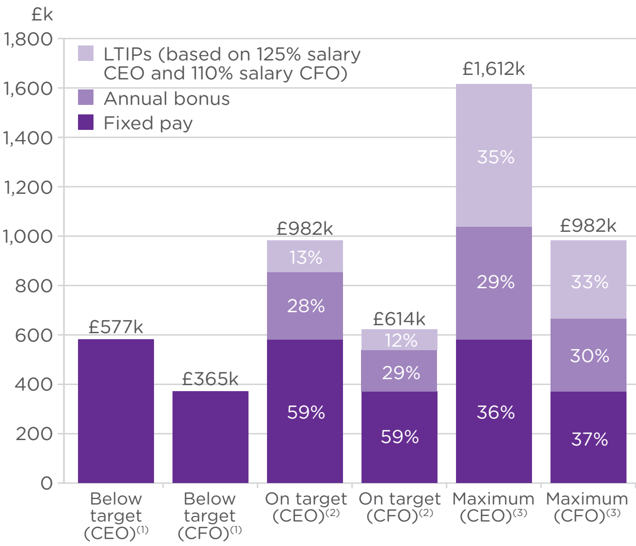
(1) All Directors are re-elected on an annual basis.

(2) By either the Company or Executive Director. In exceptional circumstances, notice periods for up to a maximum of twelve months may be offered to newly recruited Directors.

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.

Remuneration performance scenarios 2018/19

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 2018/19 implementation of the 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 60% of salary and 22.5% vesting under the LTIP. The DBP and LTIP elements are calculated as an award percentage of base salary multiplied by the relevant vesting percentage. No assumptions are made as to likely share price growth for the DBP or LTIP.

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

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 2018.

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(1)	Latest letter of appointment	Date first appointed to the Board	Notice period(2)
John Coleman	04/09/2018	22/04/2016	3 months
Steve Hannam	04/09/2018	04/02/2013	3 months
Neil Harrington	04/09/2018	03/01/2012	3 months
Sandra Turner	04/09/2018	01/08/2011	3 months

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

(2) Terminable at the discretion of either party. Appointments may be terminated without compensation in the event of them not being re-elected by shareholders or otherwise in accordance with the Articles.

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

Remuneration

Remuneration Policy report continued

Application of the Remuneration Policy for the 2018/19 financial year

The table below sets out how the Remuneration Policy, approved by shareholders in 2017, will be applied for the 2018/19 financial year.

Element	Application of policy for 2018/19	Explanation
Executive Director base salary	The base salary for Rik De Vos, Chief Executive Officer, remains at £460,000 (2017/18: £460,000). The base salary for Chris Smith, Chief Finance Officer, remains at £294,000 (2017/18: £294,000).	It is not expected that there will be any further material increase to the Executive Director salaries during the lifetime of the current Remuneration Policy.
Benefits and pension	Both the Executive Directors will continue to receive the Company's standard benefits package. Both Rik De Vos and Chris Smith receive 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 2018/19 will continue to be subject to EPS and relative TSR performance conditions. The intended Executive Director grant level for the LTIP is 125% of salary for the Chief Executive Officer and 110% of salary for the Chief Finance Officer. 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 Director fees	The fee policy for the Chairman and Non-Executive Directors continues to be as follows: • base Chairman fee: £150,000; • base Non-Executive Director fee: £45,000; • Chair of the Audit and Remuneration Committees: £7,000 (additional fee); and • Senior Independent Director: £7,000 (additional fee).	Non-Executive Director fees were increased in 2017, the previous increase of fees being in July 2009.

Annual Report on Remuneration

Application of the shareholder-approved 2017 Remuneration Policy for 2017/18

Single total remuneration figure for the Executive Directors (audited)

The table below sets out a single total remuneration figure for the position of Chief Executive Officer and Chief Finance Officer for the 2017/18 financial year:

	Fixed remuneration				Performance related			
	Base salary[(1)] £'000	Benefits[(2)] £'000	Pension[(3)] £'000	**Sub total £'000**	Annual bonus[(4)] £'000	LTIPs[(5)] £'000	**Sub total £'000**	**Total remuneration £'000**
Rik De Vos								
2017/18	460	25	92	**577**	—	313	**313**	**890**
2016/17	430	23	86	**539**	304	326	**630**	**1,169**
Chris Smith								
2017/18	294	12	59	**365**	—	195	**195**	**560**
2016/17	272	11	54	**337**	192	244	**436**	**773**

(1) Full base salary paid during the relevant financial 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 value of the Company's contribution to the individual's pension scheme and/or 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 2018, including any deferred shares which must be held for a minimum three-year period.

(5) The value of the LTIPs for the 2017/18 financial year represents the estimated value of the September 2015 award (the performance period for which ended on 30 June 2018), using the three-month average share price to 30 June 2018. The value of the LTIPs for the 2016/17 year has been restated and represents the value of the February 2015 award (the performance which ended on 30 June 2017), using the share price on the date of vesting (20 February 2018), following the estimated share price last year.

Pension (audited)

The Company paid Rik De Vos and Chris Smith a cash sum in lieu of a pension contribution at 20% of annual base salary. Both Rik De Vos and Chris Smith have a contracted agreement that this payment relieves the Company of any liability for pension provision on his behalf.

Annual bonus (audited)

For the 2017/18 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. The Committee determined that neither the financial nor personal elements had been achieved and therefore that no bonus would be payable. Details of the bonus targets are provided in the table below:

Financial element outcomes

	Performance targets[(4)]				
Executive Director	Threshold	Target	Stretch	Actual performance	Payout (% of salary)
Group EBITA[(1)]	43.2	46.0	50.6	35.5	—

(1) Excludes amortisation of intangibles, exceptional costs at 2017/18 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

			Performance targets[(4)]				
Executive Director	Measure	Weighting (% of salary)	Threshold	Target	Stretch	Actual performance	Payout (% of salary)
Rik De Vos	Net return on average capital employed (NROACE)[(1)]	10	13.9%	15.0%	16.1%	13.8%	—
	Organic sales growth[(2)]	10	1%	2%	3%	(1.5%)	—
Chris Smith	Net return on average capital employed (NROACE)[(1)]	10	13.9%	15.0%	16.1%	13.8%	—
	Free cash flow[(3)]	10	£64.9m	£67.2m	£69.5m	£46.0m	—

(1) 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 2016/17 internal budget exchange rates.

(2) Organic sales growth is defined as all sales excluding M&A activity.

(3) Free cash flow is defined as operating cash flow as per the management accounts after adding back cash capital expenditure and measured upon 2017/18 internal budget exchange rates.

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

Remuneration

Annual Report on Remuneration continued

LTIP (audited)

In the year under review, LTIP awards were granted to the Chief Executive Officer and Chief Finance Officer in September 2017 under the McBride plc 2014 LTIP.

Detailed assumptions used in calculating the fair value of the awards are outlined in note 24 to the consolidated financial statements on page 116.

Interests of Directors under the McBride plc 2014 LTIP at 1 July 2017 and 30 June 2018 are set out below:

Director	Date of award	Number of awards at 1 July 2017	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2018	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	—	—	—	**329,896**(2)	1.2125	10/09/2018
	09/09/2016	228,571	—	—	—	**228,571**	1.7500	10/09/2019
	11/09/2017	—	292,249(1)	—	—	**292,249**	1.9675	12/09/2017
Chris Smith	19/02/2015	144,092	—	144,092	—	**—**	0.8675	20/02/2018
	09/09/2015	206,185	—	—	—	**206,185**(2)	1.2125	10/09/2018
	09/09/2016	142,857	—	—	—	**142,857**	1.7500	10/09/2019
	11/09/2017	—	164,371(1)	—	—	**164,371**	1.9675	12/09/2017

(1) Awards were granted on the basis of 125% of salary for Rik De Vos and 110% of salary for Chris Smith. The face value of the awards are Rik De Vos: £575,000 and Chris Smith: £323,400. Threshold vesting under the TSR condition would be 25% of that part of the award (12.5% of the total award). Threshold vesting under the EPS condition would be 20% of that part of the award (10% of the total award).

(2) The LTIP awards granted on 9 September 2015 are based on performance over the three years to 30 June 2018. The Committee reviewed the related performance conditions (as detailed in the tables below) and determined that the Company had achieved upper quartile performance in relation to the TSR element and 13.38% p.a. growth in relation to the EPS element, giving a total vesting of 62.52%. These shares will vest on the third anniversary of the date of grant, being 10 September 2018.

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

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

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

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

	EPS Compound Annual Growth Rate (CAGR)(2)		
% of total award vesting (max 50%)(1)	Grant Sept 2015	Grant Sept 2016	Grant Sept 2017
0	<13% p.a.	<8% p.a.	<8% p.a.
10	13% p.a.	8% p.a.	8% p.a.
50	19% p.a.	17% p.a.	17% p.a.

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

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

TSR and EPS performance are measured over the period of three consecutive financial years of the Company beginning with the year of grant of the award. There will be no resetting or retesting of the performance conditions, other than in exceptional circumstances as set out on page 53 and 54.

Deferred Annual Bonus Plan (DBP) (audited)

Interests of Directors under the McBride plc 2012 Deferred Annual Bonus Plan at 1 July 2017 and 30 June 2018 are:

Director	Date of award	Number of awards at 1 July 2017	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2018	Market price at date of award (£)	Vesting date
Rik De Vos	10/09/2015	39,062	—	—	—	**39,062**	1.2800	11/09/2018
	09/09/2016	68,571	—	—	—	**68,571**	1.7500	10/09/2019
	11/09/2017	—	1,682	—	—	**1,682**	1.9675	12/09/2020
Chris Smith	19/09/2015	28,170	—	—	—	**28,170**	1.2800	11/09/2018
	09/09/2016	42,857	—	—	—	**42,857**	1.7500	10/09/2019
	11/09/2017	—	1,064	—	—	**1,064**	1.9675	12/09/2020

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

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

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

	2017/18			2016/17		
	Base fee(1) £'000	**Committee Chair/SID fee(2) £'000**	**Total £'000**	Base fee £'000	Committee Chair/SID fee £'000	Total £'000
John Coleman	**150**	**—**	**150**	150	—	150
Steve Hannam	**44**	**7**	**51**	40	4	44
Neil Harrington	**44**	**7**	**51**	40	4	44
Sandra Turner	**44**	**7**	**51**	40	4	44

(1) The Non-Executive Director base fee (excluding the Chairman) was increased to £45,000 with effect from September 2017.

(2) The Committee Chair/SID additional fee was increased to £7,000 with effect from September 2017.

Statement of Directors' shareholding and share interests (audited)

	At 30 June 2018				At 1 July 2017	
	Total shares beneficially owned(1)	**Value of shares £'000**	**% of annual base salary**	**Conditional share awards(2)**	Total shares beneficially owned	Conditional share awards
John Coleman	**40,000**	**53**	**36**	**—**	40,000	—
Rik De Vos	**176,887**	**236**	**51**	**960,031**	40,000	858,223
Chris Smith	**122,772**	**164**	**56**	**585,504**	41,011	564,161
Steve Hannam	**12,000**	**16**	**31**	**—**	12,000	—
Neil Harrington	**30,000**	**40**	**77**	**—**	30,000	—
Sandra Turner	**10,000**	**13**	**26**	**—**	10,000	—

(1) There have been no changes from those detailed below between 30 June 2018 and the date of this report.

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

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

Remuneration

Annual Report on Remuneration continued

Review of past performance

The graph below charts the TSR (share value movement plus reinvested dividends), over the nine years to 30 June 2018, 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			
2017/18	890	—	62.5
2016/17	1,169	70.8	100.0
2015/16	893	98.5	—
2014/15(1)	357	89.0	—
Chris Bull			
2014/15(1)	253	—	—
2013/14	512	—	—
2012/13	512	—	—
2011/12	704	48.0	—
2010/11	531	5.0	—
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.

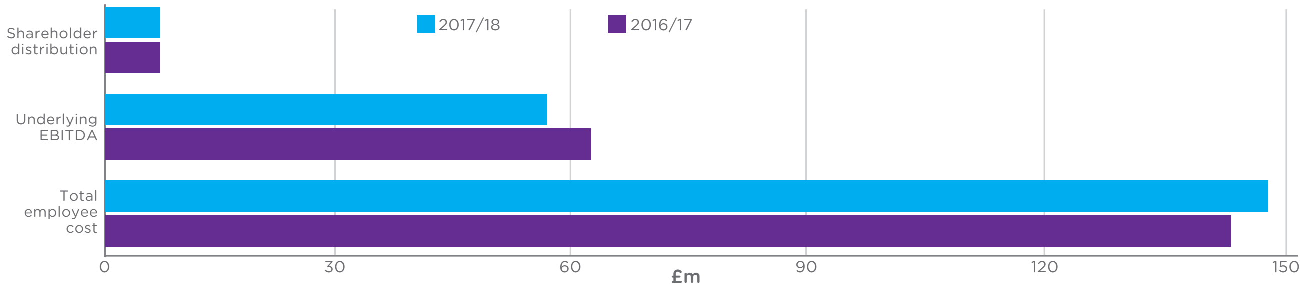
(2) Miles Roberts left the business on 30 April 2010, with Chris Bull appointed with effect from 4 May 2010.

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 (1,133 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 2017/18		
	Base salary	Taxable benefits	Annual bonus
Chief Executive Officer	—	9.0	(100.0)
Comparator group	5.2	—	(89.2)

Relative importance of spend on pay



Exit payments (audited)

There were no Executive Director exit payments made during 2017/18.

Payments to third parties (audited)

No payments were made to third parties for making available the services of any of the Directors during 2017/18.

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, NBS (part of Aon Hewitt Limited) for the purposes of providing professional advice to guide the Committee in its decision making. NBS received £34,770 in respect of the services provided for the 2017/18 financial year (2016/17: £86,300). NBS is a signatory to the Remuneration Consultant Group's Code of Conduct. Aon UK Limited continues to act as the Group's insurance broker. NBS has confirmed that no conflict exists by these appointments.

Statement of shareholder voting

The table below shows the voting outcome at the October 2017 AGM for the approval of the Company's current Remuneration Policy and 2017/18 Remuneration report:

Resolution	Votes for	%	Votes against	%	Votes withheld
Approval of Remuneration Policy (binding vote)	135,522,278	99.88	165,897	0.12	21,885
Approval of Remuneration report (advisory vote)	128,569,799	94.75	7,118,462	5.25	21,799

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

This Remuneration report was approved by the Board on 6 September 2018.

On behalf of the Board

Sandra Turner
Chair of the Remuneration Committee
6 September 2018

Relations with shareholders

Shareholder engagement

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

All announcements released by the London Stock Exchange's Regulatory News Service are published on the Company's website along with a range of other corporate information available for investor review.

The Executive Directors continue to proactively engage with both existing and potential shareholders with the purpose of understanding their appetite to invest in the Company. In addition, they deliver formal presentations of full-year and half-year results with face-to-face meetings with analysts, brokers and fund managers to promote a better understanding of the business and its strategic plans.

The Board is kept informed of investors' views through the distribution and regular discussion of analysts' and brokers' briefings and through summaries of investor opinion feedback. The Chairman, Senior Independent Director and Chair of the Remuneration Committee are available to discuss governance and strategy with major shareholders and are prepared to contact individual shareholders should any specific areas of concern or enquiry be raised.

All the Directors attend the AGM and are available to answer questions. 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 66.

Shareholder queries

Our share register is managed by Link Asset Services (formerly Capita Asset Services).

Their contact details can be found on page 130.

Electronic communications

Shareholders are able to register to receive communications from McBride electronically. McBride encourages shareholders to elect to receive all communications electronically, to enable more secure and prompt communication which reduces cost and environmental impact through saving paper, mailing and transportation.

You can register directly by visiting **www.signalshares.com** and following the online instructions. Alternatively, you can access the service via the investor relations section of McBride's website at **www.mcbride.co.uk**.

Online shareholder services

McBride provides a number of services online in the investor relations section of its website at **www.mcbride.co.uk**, including:

- view and/or download annual and interim reports;
- check current or historic share prices (there is an historic share price download facility);
- check the amounts and dates of historic payments to shareholders;
- use interactive tools to calculate the value of shareholdings and chart McBride ordinary share price changes against indices; and
- register to receive email alerts regarding press releases, including regulatory news announcements, Annual Reports and Company presentations.

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 36.

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 38 to 67 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, 2, 5-9 & 11-14	Not applicable	Not applicable
4	Details of long-term incentive schemes	Remuneration report, page 60
10	Contracts of significance	Other statutory information section, page 66

Group results

The results for the year are set out in the Consolidated income statement on page 76 and a discussion of the Group's financial performance and progress is 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 28 B Shares (equivalent to 2.8 pence) per ordinary share held (2017: 2.9p), giving a total allotment for the year of 43 B Shares (equivalent to 4.3 pence) per ordinary share (2017: 4.3p). Further details of payments to shareholders are shown in note 12 to the consolidated financial statements on page 100.

Directors and their interests

The Directors who held office during the year were John Coleman, Rik De Vos, Chris Smith, Steve Hannam, Neil Harrington and Sandra Turner. Their biographical details appear on pages 38 and 39.

Information on the Directors' remuneration and service contracts is given in the Remuneration report on pages 50 to 63.

The beneficial interests of the Directors in the share capital of the Company are shown in the Remuneration report on page 62.

In line with the Companies Act 2006 and the Company's Articles of Association, the Company has a strict process in place to manage conflicts of interest. A Director who becomes aware that they or their connected persons have an interest in an existing or proposed transaction with the Company is required to declare that interest at a meeting of the Board. Such disclosures are recorded and compliance reviewed at each meeting. Under the powers granted by the Company's Articles, the Board is authorised to approve such conflicts where appropriate.

Directors and their powers

The Company's 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 42.

The Company's 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 Company's Articles. A copy of the Articles of Association is available from the Group's website at **www.mcbride.co.uk**.

Indemnification of Directors

The Company has granted 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.

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.

Other statutory information continued

Share capital

Details of the Company's share capital are shown in note 26 to the consolidated financial statements on page 118.

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 2017 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 2018 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, 270,398 shares were held as treasury shares.

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.

Employees

The Group employed an average of 4,000 people during the year ended 30 June 2018.

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

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

The Board recognises the importance of developing internal talent across its global workforce. It is our policy to ensure equal opportunity for all employees 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.

As required by UK legislation, we published our UK Gender Pay Gap for the first time in April 2018. More information on the results of this reporting is found on page 34. Our Gender Pay Gap Report is available on our website **www.mcbride.co.uk**.

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

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 2018 (being the last practicable date prior to the date of this report).

Shareholder	As at 25 August 2018 Number of shares	As at 25 August 2018 %	As at 30 June 2018 Number of shares	As at 30 June 2018 %
Teleios Capital Partners GmbH	40,664,250	22.24	36,804,443	20.13
Invesco Asset Management	17,246,834	9.43	17,268,271	9.44
NN Investment Partners BV	14,679,395	8.03	14,365,000	7.86
J O Hambro Capital Management	11,873,526	6.49	12,475,074	6.82
Miton Asset Management Limited	7,770,290	4.25	7,770,290	4.25
Standard Life Aberdeen plc	5,715,388	3.13	5,680,086	3.11
Gilead Capital, LP	5,556,051	3.04	5,585,977	3.06

All the above are institutional holders.

Tax Strategy

We are committed to being a responsible and compliant taxpayer in the countries in which we operate.

In accordance with our obligations under the Finance Act 2016, our Tax Strategy, which is approved by the Board, is published on our website at **www.mcbride.co.uk**.

Political donations

It is the Group's policy not to make political donations and no such donations were made during the year (2017: nil).

Environment and greenhouse gas emissions reporting

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 2018 are set our in the Corporate responsibility section on pages 32 to 36.

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 £7.5 million (2017: £7.4m).

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 106 to 111.

Going concern

The Going concern statement can be found on page 31 of the Strategic report.

Viability statement

The Viability statement can be found on page 31 of the Strategic report.

Directors' statement regarding disclosure of information to the 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.

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 2018 is fully disclosed in note 7 to the consolidated financial statements on page 95.

Annual General Meeting

The notice convening the Company's 2018 AGM at its Central Park office at Northampton Road, Manchester M40 5BP on 23 October 2018 at 2.30pm is set out in a separate document issued to shareholders.

The Annual Report and Accounts for the year ended 30 June 2018 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.

Signed by order of the Board

Carol Williams
General Counsel and Company Secretary
6 September 2018

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101, 'Reduced disclosure framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group and parent Company for that period. In preparing the financial statements, the Directors are required to:

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

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

The Directors are also responsible for safeguarding the assets of the Group and parent Company 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 parent 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 Group and parent Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate governance report, confirm that, to the best of their knowledge:

- the parent Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101, 'Reduced disclosure framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Executive review includes a fair review of the development and performance of the business and the position of the Group and parent Company, together with a description of the principal risks and uncertainties that it faces.

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

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

Strategic report
Corporate governance
Financial statements
Additional information

Welcome to our financial statements

Group financial statements

Company financial statements

Independent auditors' report

to the members of McBride plc

Report on the audit of the financial statements

Opinion

In our opinion:

- McBride plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2018 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 30 June 2018; the consolidated income statement and statement of comprehensive income, the consolidated cash flow statement, reconciliation of net cash flow to movement in net debt and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 July 2017 to 30 June 2018.

Our audit approach

Overview

Materiality

- Overall group materiality: £3.0 million (2017: £3.0 million), based on circa 0.5% of revenue.
- Overall company materiality: £1.5 million (2017: £1.5 million), based on the lower of component and statutory materiality (statutory materiality based on 1% of total assets).

Audit scope

- We conducted our audit work in four key locations: UK, France, Belgium and Denmark, which covered elements across the UK, France, Belgium, Denmark and Germany.
- The territories where we conducted audit work, together with audit work performed at shared service centres and Group level, accounted for approximately 78% of the group's revenue.

Key audit matters

- Fraud in revenue recognition (including trade allowances and discounts).
- Acquisition accounting and disclosure.

The scope of our audit

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

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the group and company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, UK tax legislation and equivalent local laws and regulations applicable to significant component teams. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisors, enquiries of management, review of component auditors' work and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We found the risk of Fraud in revenue recognition (including trade allowances and discounts) to be a key audit matter, and this is discussed further below. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Fraud in revenue recognition (including trade allowances and discounts) ISAs (UK) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results. In the consumer products industry, rebate agreements with customers (typically retailers) are common. We identified this as an area where possible fraud in revenue recognition could occur, particularly in relation to the accruals at the year-end which had not been settled in cash. Whilst rebates are relatively small in the context of the group's revenue, they are inherently complex, non-standardised and require management judgement to interpret contractual arrangements.	We agreed rebates recognised to supporting evidence, agreements 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 assessed the utilisation of the opening accrual along with any releases to the profit and loss account in the year. Furthermore we used computer assisted auditing techniques in order to test revenue and tested a selection of journals which impacted revenue. No material issues were identified from our audit work.
Acquisition accounting and disclosure Refer to note 3 'Acquisitions and disposals'. During the year, the group acquired 100% of the equity share capital of Danlind A/S, which is accounted for as a business combination. The valuation of the related assets acquired and liabilities assumed as part of the business combination has required management to make a number of estimates and judgements, including determining the fair value of tangible net assets acquired; and identifying and valuing intangible assets acquired.	We have understood the terms of the acquisition, with reference to the acquisition agreement to confirm that accounting for as a business combination is appropriate and traced consideration paid to bank statements. We have understood the nature of fair value adjustments made and intangible assets recognised. We have agreed the fair values to externally prepared experts' reports and internal calculations with the support of our internal valuations experts. We have tested the key inputs and assumptions used in the valuation models by comparing to market data and internal forecasts prepared at the time of the acquisition. No material issues were identified from our audit work.

We determined that there were no key audit matters applicable to the company to communicate in our report.

Independent auditors' report continued
to the members of McBride plc

Our audit approach continued

How we tailored the audit scope

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

The Group is a European provider of private label household and personal care products. It has production capability manufacturing facilities in 10 countries plus a sales office in Australia.

The Group is structured in three segments: – household; personal care & aerosols; and corporate. The Group financial statements are a consolidation of all reporting units within these segments comprising the Group's operating businesses 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 this work to be able to conclude that sufficient appropriate audit evidence had been obtained.

We conducted our audit work in four key locations: UK; France; and Belgium; and Denmark, which covered elements across the UK, France, Belgium, Germany and Denmark.

The territories where we conducted audit work, together with audit work performed at shared service centre and Group level, accounted for approximately 78% 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 in aggregate on the financial statements as a whole.

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

	Group financial statements	Company financial statements
Overall materiality	£3.0 million (2017: £3.0 million).	£1.5 million (2017: £1.5 million).
How we determined it	Circa 0.5% of revenue.	Based on the lower of component and statutory materiality (statutory materiality based on 1% of total assets).
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 believe that calculating statutory materiality based on 1% of total assets is appropriate as total assets is a typical primary measure for users of the financial statements of holding companies, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £0.5 million and £2.7 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.15 million (Group audit) (2017: £0.15 million) and £0.15 million (Company audit) (2017: £0.15 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

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

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

Independent auditors' report continued
to the members of McBride plc

Reporting on other information

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

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

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

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

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

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

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

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

- The directors' confirmation on page 28 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 31 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Other Code Provisions

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

- The statement given by the directors, on page 68, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 45 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 68, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 14 November 2011 to audit the financial statements for the year ended 30 June 2012 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 30 June 2012 to 30 June 2018.

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

6 September 2018

Consolidated income statement

for the year ended 30 June 2018

		2018			2017[1]		
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	**689.8**	**—**	**689.8**	632.9	—	632.9
Cost of sales		**(454.2)**	**—**	**(454.2)**	(402.6)	—	(402.6)
Gross profit		**235.6**	**—**	**235.6**	230.3	—	230.3
Distribution costs		**(48.9)**	**—**	**(48.9)**	(42.7)	—	(42.7)
Administrative costs		**(149.0)**	**(5.9)**	**(154.9)**	(145.6)	(1.7)	(147.3)
Operating profit	8	**37.7**	**(5.9)**	**31.8**	42.0	(1.7)	40.3
Finance costs	9	**(4.5)**	**(0.8)**	**(5.3)**	(6.9)	(13.7)	(20.6)
Profit before taxation		**33.2**	**(6.7)**	**26.5**	35.1	(15.4)	19.7
Taxation	10	**(10.0)**	**2.5**	**(7.5)**	(10.8)	0.4	(10.4)
Profit for the year from continuing operations		**23.2**	**(4.2)**	**19.0**	24.3	(15.0)	9.3
Discontinued operations							
Loss for the year from discontinued operations	3, 18	**(1.0)**	**(14.6)**	**(15.6)**	(0.4)	—	(0.4)
Profit for the year		**22.2**	**(18.8)**	**3.4**	23.9	(15.0)	8.9
Earnings/(loss) per ordinary share from continuing and discontinued operations attributable to the owners of the parent during the year	11						
Basic earnings/(loss) per share							
From continuing operations				**10.4p**			5.1p
From discontinued operations				**(8.5p)**			(0.2p)
From profit for the year				**1.9p**			4.9p
Diluted earnings/(loss) per share							
From continuing operations				**10.4p**			5.1p
From discontinued operations				**(8.5p)**			(0.2p)
From profit for the year				**1.9p**			4.9p

	Note	2018	2017[1]
Operating profit		**31.8**	40.3
Adjusted for:			
Amortisation of intangible assets	14	**1.4**	0.7
Exceptional items	5	**4.5**	1.0
Adjusted operating profit	4	**37.7**	42.0

(1) 2017 comparatives have been restated for discontinued operations – see note 1 for further information.

Consolidated statement of comprehensive income
for the year ended 30 June 2018

	Note	2018 £m	2017[1] £m
Profit for the year attributable to owners of the parent		**3.4**	8.9
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Currency translation differences on foreign subsidiaries		**0.6**	7.4
Gain/(loss) on net investment hedges		**0.1**	(7.8)
Gain on discontinued cash flow hedges recycled to exceptional items		**—**	1.8
Gain on cash flow hedges in the year		**0.1**	3.4
Loss on cash flow hedges transferred to profit or loss		**(0.6)**	(4.7)
Taxation relating to items above	10	**0.1**	2.5
Purchase of non-controlling interest of Fortune Organics		**(0.5)**	—
		(0.2)	2.6
Items that will not be reclassified to profit or loss:			
Net actuarial gain/(loss) on post-employment benefits	23	**9.5**	(11.0)
Taxation relating to item above	10	**(1.6)**	1.4
		7.9	(9.6)
Total other comprehensive income/(expense)		**7.7**	(7.0)
Total comprehensive income		**11.1**	1.9
Attributable to:			
Owners of the parent		**11.7**	1.9
Non-controlling interests		**(0.6)**	—
Total comprehensive income		**11.1**	1.9
Total comprehensive income attributable to equity shareholders arises from:			
Continuing operations		**26.7**	2.3
Discontinued operations		**(15.6)**	(0.4)
		11.1	1.9

(1) 2017 comparatives have been restated for discontinued operations – see note 1 for further information.

Consolidated balance sheet
at 30 June 2018

	Note	2018 £m	2017 £m
Non-current assets			
Goodwill	13	**20.4**	17.5
Other intangible assets	14	**9.5**	4.2
Property, plant and equipment	15	**135.6**	140.9
Derivative financial instruments	21	**0.1**	0.1
Deferred tax assets	10	**12.9**	12.0
Other non-current assets		**0.6**	0.6
		179.1	175.3
Current assets			
Inventories	16	**88.9**	78.8
Trade and other receivables	17	**155.2**	137.6
Current tax asset		**0.8**	—
Derivative financial instruments	21	**0.3**	0.9
Cash and cash equivalents		**11.7**	26.0
Assets classified as held for sale	18	**12.1**	1.3
		269.0	244.6
Total assets		**448.1**	419.9
Current liabilities			
Trade and other payables	19	**202.2**	193.7
Borrowings	20	**43.6**	39.3
Derivative financial instruments	21	**0.3**	0.7
Current tax liabilities		**7.3**	5.8
Provisions	25	**3.0**	1.8
		256.4	241.3
Non-current liabilities			
Borrowings	20	**82.4**	62.4
Derivative financial instruments	21	**0.2**	0.1
Pensions and other post-employment benefits	23	**30.9**	42.2
Provisions	25	**4.2**	2.9
Deferred tax liabilities	10	**6.4**	6.8
		124.1	114.4
Total liabilities		**380.5**	355.7
Net assets		**67.6**	64.2
Equity			
Issued share capital	26	**18.3**	18.3
Share premium account	26	**81.8**	89.8
Other reserves	26	**61.6**	53.6
Accumulated loss		**(94.1)**	(98.1)
Equity attributable to owners of the parent		**67.6**	63.6
Non-controlling interests	26	**—**	0.6
Total equity		**67.6**	64.2

The financial statements on pages 76 to 119 were approved by the Board of Directors on 6 September 2018 and were signed on its behalf by:

Rik De Vos
Director

Chris Smith
Director

Consolidated cash flow statement

for the year ended 30 June 2018

	Note	2018 £m	2017 £m
Operating activities			
Profit before tax		7.8	19.2
Net finance costs	9	5.3	20.6
Exceptional items	5	21.7	1.0
Share-based payments (credit)/charge		(0.4)	2.3
Depreciation of property, plant and equipment	15	19.1	19.4
Amortisation of intangible assets	14	1.4	0.7
Operating cash flow before changes in working capital		54.9	63.2
(Increase)/decrease in receivables		(7.7)	4.9
(Increase)/decrease in inventories		(7.6)	0.5
Increase/(decrease) in payables		6.4	(2.3)
Operating cash flow after changes in working capital		46.0	66.3
Additional cash funding of pension schemes		(3.0)	(3.0)
Cash generated from operations before exceptional items		43.0	63.3
Cash outflow in respect of exceptional items		(4.1)	(13.2)
Cash generated from operations		38.9	50.1
Interest paid		(3.7)	(6.4)
Taxation paid		(6.8)	(6.4)
Net cash generated from operating activities		28.4	37.3
Investing activities			
Proceeds from sale of Brno		1.0	–
Proceeds from sale of non-current assets		–	0.1
Purchase of property, plant and equipment		(22.4)	(15.2)
Purchase of intangible assets	14	(1.2)	(2.5)
Purchase of non-controlling interest of Fortune Organics		(0.5)	–
Purchase of Danlind, net of cash and borrowings acquired		(35.7)	–
Settlement of derivatives used in net investment hedges		0.2	8.3
Net cash used in investing activities		(58.6)	(9.3)
Financing activities			
Redemption of B Shares	12	(7.7)	(6.6)
Purchase of own shares		–	(0.2)
Net drawdown/(repayment) of bank loans and overdrafts		23.7	(20.8)
Capital element of finance lease rentals		(0.1)	(0.2)
Net cash generated from/(used in) financing activities		15.9	(27.8)
(Decrease)/increase in net cash and cash equivalents		(14.3)	0.2
Net cash and cash equivalents at the start of the year		26.0	24.8
Currency translation differences		–	1.0
Net cash and cash equivalents at the end of the year		11.7	26.0

Reconciliation of net cash flow to movement in net debt

for the year ended 30 June 2018

	Note	2018 £m	2017 £m
(Decrease)/increase in net cash and cash equivalents		**(14.3)**	0.2
Net (drawdown)/repayment of bank loans and overdrafts		**(23.7)**	20.8
Capital element of finance lease rentals		**0.1**	0.2
Change in net debt resulting from cash flows		**(37.9)**	21.2
Currency translation differences		**(0.7)**	(6.0)
Movement in net debt in the year		**(38.6)**	15.2
Net debt at the beginning of the year		**(75.7)**	(90.9)
Net debt at the end of the year	22	**(114.3)**	(75.7)

Consolidated statement of changes in equity

for the year ended 30 June 2018

	Issued share capital £m	Share premium account £m	Other reserves: Cash flow hedge reserve £m	Other reserves: Currency translation reserve £m	Other reserves: Capital redemption reserve £m	Accumulated losses £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 30 June 2016	18.3	96.7	(0.5)	(3.0)	47.9	(90.9)	68.5	0.6	69.1
Year ended 30 June 2017									
Profit for the year	–	–	–	–	–	8.9	8.9	–	8.9
Other comprehensive income/(expense)									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	–	–	–	7.4	–	–	7.4	–	7.4
Loss on net investment hedges	–	–	–	(7.8)	–	–	(7.8)	–	(7.8)
Gain on discontinued cash flow hedges recycled to exceptional items	–	–	1.8	–	–	–	1.8	–	1.8
Gain on cash flow hedges in the year	–	–	3.4	–	–	–	3.4	–	3.4
Loss on cash flow hedges transferred to profit or loss	–	–	(4.7)	–	–	–	(4.7)	–	(4.7)
Taxation relating to items above	–	–	0.4	2.1	–	–	2.5	–	2.5
	–	–	0.9	1.7	–	–	2.6	–	2.6
Items that will not be reclassified to profit or loss:									
Net actuarial loss on post-employment benefits	–	–	–	–	–	(11.0)	(11.0)	–	(11.0)
Taxation relating to item above	–	–	–	–	–	1.4	1.4	–	1.4
	–	–	–	–	–	(9.6)	(9.6)	–	(9.6)
Total other comprehensive income/(expense)	–	–	0.9	1.7	–	(9.6)	(7.0)	–	(7.0)
Total comprehensive income/(expense)	–	–	0.9	1.7	–	(0.7)	1.9	–	1.9
Transactions with owners of the parent									
Issue of B Shares	–	(6.9)	–	–	–	–	(6.9)	–	(6.9)
Redemption of B Shares	–	–	–	–	6.6	(6.6)	–	–	–
Share-based payments	–	–	–	–	–	0.3	0.3	–	0.3
Purchase of own shares	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
At 30 June 2017	18.3	89.8	0.4	(1.3)	54.5	(98.1)	63.6	0.6	64.2
Year ended 30 June 2018									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**3.4**	**3.4**	**–**	**3.4**
Other comprehensive (expense)/income									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	**–**	**–**	**–**	**0.6**	**–**	**–**	**0.6**	**–**	**0.6**
Gain on net investment hedges	**–**	**–**	**–**	**0.1**	**–**	**–**	**0.1**	**–**	**0.1**
Gain on cash flow hedges in the year	**–**	**–**	**0.1**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Loss on cash flow hedges transferred to profit or loss	**–**	**–**	**(0.6)**	**–**	**–**	**–**	**(0.6)**	**–**	**(0.6)**
Taxation relating to items above	**–**	**–**	**0.1**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Purchase of non-controlling interest of Fortune Organics	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**	**(0.6)**	**(0.5)**
	–	**–**	**(0.4)**	**0.7**	**–**	**0.1**	**0.4**	**(0.6)**	**(0.2)**
Items that will not be reclassified to profit or loss:									
Net actuarial gain on post-employment benefits	**–**	**–**	**–**	**–**	**–**	**9.5**	**9.5**	**–**	**9.5**
Taxation relating to item above	**–**	**–**	**–**	**–**	**–**	**(1.6)**	**(1.6)**	**–**	**(1.6)**
	–	**–**	**–**	**–**	**–**	**7.9**	**7.9**	**–**	**7.9**
Total other comprehensive (expense)/income	**–**	**–**	**(0.4)**	**0.7**	**–**	**8.0**	**8.3**	**(0.6)**	**7.7**
Total comprehensive (expense)/income	**–**	**–**	**(0.4)**	**0.7**	**–**	**11.4**	**11.7**	**(0.6)**	**11.1**
Transactions with owners of the parent									
Issue of B Shares	**–**	**(8.0)**	**–**	**–**	**–**	**–**	**(8.0)**	**–**	**(8.0)**
Redemption of B Shares	**–**	**–**	**–**	**–**	**7.7**	**(7.7)**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**	**–**	**0.3**
At 30 June 2018	**18.3**	**81.8**	**–**	**(0.6)**	**62.2**	**(94.1)**	**67.6**	**–**	**67.6**

At 30 June 2018, the accumulated loss includes a deduction of £0.4 million (2017: £1.0m) for the cost of own shares held in relation to employee share schemes. Further information on own shares is presented in note 26.

Notes to the consolidated financial statements

for the year ended 30 June 2018

1. Basis of preparation

Description of business

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

The Company and its subsidiaries (together, 'the Group') is Europe's leading provider of Private Label, Household and Personal Care products. The Company develops and manufactures products for the majority of retailers and major brand owners throughout the UK, Europe and Asia.

Segmental reporting

Financial information is presented to the Board by product category for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. It is considered that Household products have different market characteristics to Personal Care & Aerosols in terms of volumes, market share and production requirements. Accordingly, the Group's operating segments are determined by product category. Following the acquisition of Danlind, it has been integrated into the Household operating segment as a separate division of this segment.

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

Following the disposal of the Group's Czech Skincare business and European Personal Care Liquids assets, the respective results of these businesses will be disclosed as a discontinued operations. Where necessary, the results for the year ended 30 June 2017 have been restated to present these as discontinued operations.

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 2018 ('2018') with comparative amounts for the year ended 30 June 2017 ('2017').

Basis of accounting

The consolidated financial statements on pages 76 to 119 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 31, the Directors have adopted the going concern basis in preparing the Company and the Group financial statements.

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 2018, the carrying amount of accruals relating to rebates and discounts amounted to £3.4 million (2017: £4.4m). Rebates equate to less than 1% of revenue. There is an element of judgement applied to the level of future achieved sales within volume-related rebates.

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 2018, the Group held provisions amounting to £7.2 million (2017: £4.7m), 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.

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) 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 2018, the carrying amount of long-lived assets was £29.9 million (2017: £21.7m). 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.

(iii) 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 2018, the present value of defined benefit obligations was £144.4 million (2017: £158.1m). 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 2018, the fair value of the scheme assets was £113.5 million (2017: £115.9m). 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 2018, the Group recognised a net actuarial gain of £9.5 million (2017: loss of £11.0m).

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.

(iv) 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 2018, the Group recognised deferred tax assets of £12.9 million (2017: £12.0m), including £0.7 million (2017: £1.9m) in respect of tax losses and tax credits. Deferred tax assets amounting to £3.4 million (2017: £4.8m) 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 2018, 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.

(v) Fair values on acquisition of Danlind (see note 3)

The fair value of tangible and intangible assets acquired on the acquisition of Danlind involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. The estimation of the fair values requires the combination of assumptions including revenue growth, sales mix and volumes, rental values and increases and customer attrition rates. In addition the use of discount rates requires judgement.

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 and amortisation are excluded from adjusted operating profit because they are not considered to be representative of the trading performance of the Group's businesses during the period.

Notes to the consolidated financial statements continued
for the year ended 30 June 2018

1. Basis of preparation continued
Use of adjusted measures continued
Adjusted earnings per share (see note 11) 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 2017, except for:

- Disclosure Initiative – Amendments to IAS 7, 'Statement of cash flows'.

All of the above changes to accounting policies had no financial effect on the consolidated financial statements for the year ended 30 June 2018.

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 2018 are set out on pages 128 and 129.

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. The fair value of assets and liabilities can be revised up to 12 months following the date of acquisition. Consideration transferred in a business combination represents the sum of the fair values at the acquisition date of the assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control over the acquired business.

Acquisition-related costs are charged to profit or loss in the period in which they are incurred.

Changes in the amount of contingent consideration payable that result from events after the acquisition date, such as meeting a revenue or profit target, are not measurement period adjustments and are, therefore, recognised in profit or loss.

Any non-controlling interest in the acquired business is measured either at fair value or at the non-controlling interest's proportionate share of the identifiable assets and liabilities of the business.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity.

If the Group loses control of a subsidiary, it derecognises the assets and liabilities and related equity components of the subsidiary and measures any investment retained in the former subsidiary at its fair value at the date when control is lost. Any gain or loss on a loss of control is recognised in profit or loss.

Foreign currency translation
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.

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 trademarks	— up to five years
Customer relationships	— up to eight years

(ii) Product development costs

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

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

(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.

Notes to the consolidated financial statements continued
for the year ended 30 June 2018

2. Principal accounting policies continued

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) Net debt

Net debt comprises cash and cash equivalents, overdraft, bank and other loans and finance lease liabilities.

(vi) Derivative financial instruments

The Group uses derivative financial instruments, principally forward currency contracts and interest rate swaps, to reduce its exposure to exchange rate and interest rate movements. The Group does not hold or issue derivatives for speculative purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. Changes in their fair values are recognised in profit or loss. Derivative financial instruments are, therefore, likely to cause volatility in profit or loss in situations where the hedged item is not recognised in the financial statements or is recognised but its carrying amount is not adjusted to reflect fair value changes arising from the hedged risk, or is so adjusted but that adjustment is not recognised in profit or loss. Provided the conditions specified by 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.

(vii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Hedge accounting

For a hedging relationship to qualify for hedge accounting, it must be documented on inception together with the Group's risk management objective and strategy for initiating the hedge, and it must both be expected to be highly effective in offsetting the changes in cash flows or fair value attributed to the hedged risk and actually be highly effective in doing so. When hedge accounting is used, the hedging relationship is classified as a cash flow hedge, 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.

Notes to the consolidated financial statements continued
for the year ended 30 June 2018

2. Principal accounting policies continued

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

The Group is currently assessing the impact of the following new standards and interpretations that are not yet effective and will provide a fuller assessment of the potential impact in future years.

- IFRS 9, 'Financial instruments' will be effective for the year ending June 2019 onwards. The standard replaces IAS 39 'Recognition and Measurement' and is applicable to financial assets and financial liabilities. The Group will apply the modified retrospective approach for transition, including no requirement to restate comparative amounts. Any differences in carrying values will be recognised as an adjustment to the opening balance sheet at 1 July 2018.
- The Group has completed an assessment of the impact of IFRS 9 and it is expected that adoption will not have a material impact on the Consolidated income statement or Consolidated balance sheet. The Group does not expect any material changes in relation to accounting policies, classification and measurement of financial assets and liabilities, nor for hedge accounting as detailed in note 21 of the financial statements. IFRS 9 also introduces a forward-looking approach to impairment of financial assets which results in earlier recognition of credit losses. The Group has assessed the impact of IFRS 9 in this area, with reference to all financial assets, including trade receivables, and concluded that the impact will be immaterial.
- IFRS 15, 'Revenue from contracts with customers' will be effective for the Group from the period beginning 1 June 2018. The Group has performed an initial impact assessment, identifying all current sources of revenue and analysing accounting requirements for each under IFRS 15. For all instances where revenue is recorded, the performance condition is clearly understood, the transaction price is well determined and calculated accurately and finally revenue is only recorded once the performance criteria are met. The Group is currently in adherence to the new five-step process and, as such, no changes are required either from an internal reporting point nor external financials. The Group will apply the modified retrospective approach for transition set out in the standard.
- The impact assessment also covered areas which require further specific consideration, such as customer rebates and rights of return, and concluded that there is no material impact on the current accounting policies for revenue recognition applied by the Group, which are disclosed in note 1 of the financial statements.
- IFRS 16, 'Leases' will be effective for the Group from the period beginning 1 July 2019. On the adoption of IFRS 16, lease agreements will give rise to both a right-of-use asset and a lease liability for future lease payables, which will likely result in a higher interest expense in the earlier years of the lease term. There will be no impact on cash flows although the presentation of the Cash flow statement will change.

  The Group is currently in the process of assessing the impact of the new standard and deciding on which of the permitted transition approaches it intends to take and, as such, it is not possible to fully quantify the impact of IFRS 16 at this stage. The initial phase of work, which is still in progress, has involved modelling the impact of the new standard on the Group's existing lease commitments, collecting the relevant data and assessing process and system changes which will be required.

Notes to the consolidated financial statements continued
for the year ended 30 June 2018

3. Acquisitions and disposals

Acquisition of the entire share capital of Danlind a/s

On 29 September 2017, the Group acquired the entire share capital of Danlind a/s, a company registered in Denmark, whose principal activity is the manufacture and sale of Auto dishwash and Laundry products.

Danlind provides McBride with access to accelerated growth in the key strategic category of auto dishwash tablets, through its well invested capacity, technology platform and high-quality product range. Danlind has a significant range of retail and contract customers along with a well-established position in the Nordic region and in the commercial laundry and dishwash markets. Danlind will enable McBride to gain entry into growth segments where it is currently under represented. Additionally, Danlind's strong position in environmental products can be developed further through McBride's extensive European reach.

Details of the acquisition are as follows:

(i) Purchase consideration and fair value of net assets acquired

	£m
Cash consideration	10.4
Purchase price adjustment(1)	(0.2)
Total purchase consideration	**10.2**

(1) Relates to a VAT loan repayment in which the Group receives £0.2 million from Lind Holdings.

The assets and liabilities recognised at the date of acquisition are as follows:

	Book value £m	Fair value adjustment £m	Fair value £m
Intangible assets	0.1	5.5	5.6
Fixed assets	23.8	(9.9)	13.9
Inventories	14.0	(0.7)	13.3
Trade receivables and other receivables(1)	11.8	—	11.8
Net debt	(25.3)	—	(25.3)
Trade payables and other payables	(11.6)	—	(11.6)
Deferred tax liability	(2.0)	1.4	(0.6)
Net identifiable assets acquired	**10.8**	**(3.7)**	**7.1**
Goodwill			3.1
Consideration paid			**10.2**

(1) The fair value of receivables at acquisition was equal to the gross contractual amounts receivable and the best estimate of the contractual cash flows not expected to be collected.

The fair value adjustments relate to fixed assets and inventory, the recognition of deferred tax liabilities on the associated intangible assets for customer relationships and the Danlind brands, resulting in a goodwill balance of £3.1 million.

The goodwill is attributable mainly to the well-invested capacity, technology platform and high-quality product range as well as the skills and tacit knowledge of Danlind's workforce. In addition, the Group will benefit from the synergies expected to be achieved from integrating Danlind into the Group, allowing the Company to benefit from the Group's extensive European reach.

None of the recognised goodwill will be deductible for tax purposes.

(ii) Acquisition-related costs

Acquisition-related costs of £1.9 million, comprising £1.6 million legal and advisory and reorganisation, and £0.3 million refinancing of Danlind debt are included in the income statement and are treated as exceptional items.

(iii) Revenue and profit contribution

The acquired business contributed revenues of £48.4 million and operating profit before exceptionals of £1.6 million to the Group for the period from 29 September 2017 to 30 June 2018.

If the acquisition had occurred on 1 July 2017, Group total consolidated revenue and consolidated operating profit before exceptional items for the year ended 30 June 2018 would have been £769.4 million and £36.6 million respectively.

Acquisition of remaining 30% and subsequent disposal of the Skincare business based at Brno Czech Republic
On 5 October 2017, in line with the Sale and Purchase Agreement (SPA), the remaining 30% of the Czech Republic-based Skincare business at Brno was acquired by the Group for consideration of £nil. As a result, the contingent consideration reserve of £3.0 million held in relation to acquiring this remaining 30% interest has been released to exceptional items within the profit and loss.

Within the half-year reported results, an exceptional charge of £4.1 million was made following the impairment review triggered by the ongoing sale of 100% of the Czech Republic-based Skincare business which completed on 21 February 2018 (equating to the net of the businesses book and fair values at that time). The net charge to exceptional items is £1.1 million.

At disposal, the net assets held of £1.3 million were equal to the consideration received, hence no gain or loss on disposal has been reflected within these financial statements.

The results of the Skincare business for the twelve months ended 30 June 2018 are included within discontinued operations in accordance with IFRS 5.

The consideration and the profit on disposal were as follows:

	£m
Consideration	
Cash received on disposal	1.0
Cash held in escrow	0.3
	1.3

	£m
Profit or loss	
Consideration	1.3
Net assets disposed	(1.3)
	–

Net assets disposed of

	2018 £m	2017 £m
Inventories	**2.7**	–
Trade receivables and other receivables	**2.9**	–
Trade payables and other payables	**(3.7)**	–
Net debt	**(0.6)**	–
	1.3	–

Analysis of the results for this discontinued operation is as follows:

	2018 £m	2017 £m
Revenue	**9.0**	12.5
Expenses	**(10.1)**(1)	(12.6)
Loss before taxation from discontinued operations	**(1.1)**	(0.1)
Taxation	**–**	–
Loss after taxation of discontinued operations	**(1.1)**	(0.1)

(1) Includes exceptional charge of £1.1 million (see note 5).

Cash flow

	2018 £m	2017 £m
Operating cash flows	**(0.4)**	0.4
Investing cash flows	**–**	(0.4)
Financing cash flows	**0.4**	–
Total cash flows	**–**	–

Acquisition of remaining 45% minority shareholding of Fortune Organics (F.E.) Sdn. Bhd.
During the year, Fortune Laboratories (McBride's Malaysian operating company) purchased the remaining 45% of the property company Fortune Organics (F.E.) Sdn. Bhd. for £0.5 million. The purchase of the remaining 45% of the company has been treated as an equity transaction with no impact to the income statement or the balance sheet. The carrying value of the non-controlling interest has been adjusted within equity to represent the change in ownership.

Notes to the consolidated financial statements continued

for the year ended 30 June 2018

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. Following the acquisition of Danlind, it has been integrated into the Household operating segment as a separate division of this segment.

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

Following the disposal of the Group's Czech Skincare business and European Personal Care Liquids assets, the respective results of this division will be disclosed as a discontinued operation. Where necessary, the results for the year ended 30 June 2017 have been restated to present these as discontinued operations.

Analysis by reportable segment

	Household						Personal			
						Total	Care &	Total		Total
	UK	North(1)	South(2)	East(3)	Danlind	Household	Aerosols(4)	segments	Corporate(5)	Group
2018	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations										
Segment revenue	163.9	189.7	77.2	137.9	48.4	617.1	72.7	689.8	–	689.8
Adjusted operating profit/(loss)						46.0	(1.5)	44.5	(6.8)	37.7
Amortisation of intangible assets										(1.4)
Exceptional items (see note 5)										(4.5)
Operating profit										31.8
Net finance costs										(5.3)
Profit before taxation										26.5
Discontinued operations										
Segment revenue	–	–	–	–	–	–	65.2	65.2	–	65.2
Adjusted operating loss						–	(1.5)	(1.5)	–	(1.5)
Inventories						73.6	15.3	88.9	–	88.9
Capital expenditure						20.7	1.2	21.9	–	21.9
Amortisation and depreciation						18.6	1.9	20.5	–	20.5

(1) France, Belgium, Holland and Scandinavia (excluding Danlind).

(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.

2017[6]	Household UK £m	Household North[1] £m	Household South[2] £m	Household East[3] £m	Household Danlind £m	Total Household £m	Personal Care & Aerosols[4] £m	Total segments £m	Corporate[5] £m	Total Group £m
Continuing operations										
Segment revenue	155.4	192.8	76.4	131.1	—	555.7	77.2	632.9	—	632.9
Adjusted operating profit/(loss)						48.8	1.3	50.1	(8.1)	42.0
Amortisation of intangible assets										(0.7)
Exceptional items (see note 5)										(1.0)
Operating profit										40.3
Net finance costs										(20.6)
Profit before taxation										19.7
Discontinued operations										
Segment revenue	—	—	—	—	—	—	72.3	72.3	—	72.3
Adjusted operating loss						—	(0.5)	(0.5)	—	(0.5)
Inventories						59.0	19.8	78.8	—	78.8
Capital expenditure						18.9	1.7	20.6	—	20.6
Amortisation and depreciation						16.8	3.3	20.1	—	20.1

(6) 2017 comparatives have been restated for discontinued operations – see note 1 for further information.

Revenue by major customer

In 2018 and 2017, no individual customer provided more than 10% of the Group's revenue.

During 2018, the top ten customers accounted for 51% of total Group revenue (2017: 53%).

5. Exceptional items

Analysis of exceptional items

	2018 £m	2017 £m
Continuing operations		
Reorganisation and restructuring costs:		
Supply chain restructuring	—	0.9
Other prior year projects	—	0.1
Reorganisation of PCA business	2.9	—
Danlind acquisition	1.6	—
Total charged to operating profit	4.5	1.0
Group refinancing:		
Group refinancing	—	13.0
Danlind finance charges incurred at acquisition	0.3	—
Total charged to financing costs	0.3	13.0
Total continuing operations	4.8	14.0
Discontinued operations		
Impairment of long-lived assets, property, plant and equipment, and inventory		
PCA Liquids	6.2	—
Fair value impairment for assets held for sale	8.5	—
Impairment of goodwill PCA	0.2	—
Brno, Czech Republic	4.1	—
	19.0	—
Reorganisation of PCA business	1.2	—
Change in contingent consideration	(3.0)	—
Total discontinued operations	17.2	—
Total	22.0	14.0

Notes to the consolidated financial statements continued
for the year ended 30 June 2018

5. Exceptional items continued

Analysis of exceptional items continued

Total exceptional items of £22.0 million were recorded during the year (2017: £14.0m). The charge primarily comprises the following:

Items relating to continuing operations

- As part of the acquisition of Danlind, exceptional costs of £1.6 million have been incurred to date relating primarily to legal and advisory fees and integrations cost.
- Reorganisation costs in the period of £2.9 million relate to redundancies and associated costs following the management decision to close the Aerosols site in Hull.
- Exceptional finance charges of £0.3 million incurred as part of the refinancing of the Danlind banking arrangements.

Items relating to discontinued operations

- The business has undertaken a strategic review of the PCA business, culminating with the sale of PCA Liquids. As a result, £16.1 million exceptional costs have been incurred to date in relation to redundancies (£1.2 million), the impairment of plant and machinery (£6.2 million) and the remeasurement of assets of a disposal group to assets held for sale (£8.5 million); as a result the goodwill allocated to PCA (£0.2 million) has been fully impaired.
- A net charge of £1.1 million in relation to the Czech Republic-based Skincare business at Brno, comprising: the release of £3.0 million contingent consideration following the acquisition of the remaining 30% of the business for £nil consideration; and £4.1 million charge following the impairment review triggered by the sale of 100% of the business.

In the prior year, the following exceptional items were incurred:

- £0.9 million of costs in relation to the reorganised Poland site, with significant investment and upgrades to focus on Household activities; and
- £13.0 million incurred as part of the refinancing of the Group.

6. Employee information

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

	2018			2017(1)		
	Continuing operations Number	Discontinued operations Number	Total Number	Continuing operations Number	Discontinued operations Number	Total Number
Manufacturing	**2,902**	**484**	**3,386**	2,954	631	3,585
Sales, general and administration	**596**	**94**	**690**	425	115	540
Total	**3,498**	**578**	**4,076**	3,379	746	4,125

Aggregate payroll costs were as follows:

	2018			2017(1)		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Wages and salaries	**103.6**	**15.1**	**118.7**	95.6	16.4	112.0
Social security costs	**21.1**	**3.1**	**24.2**	20.6	3.5	24.1
Share options granted to Directors and employees	**(0.4)**	**—**	**(0.4)**	2.3	—	2.3
Other pension costs	**2.8**	**0.4**	**3.2**	2.2	0.4	2.6
Total	**127.1**	**18.6**	**145.7**	120.7	20.3	141.0

(1) 2017 comparatives have been restated for discontinued operations – see note 1 for further information.

Pension costs comprise the payments made by the Group to defined contribution schemes (see note 23).

Directors' emoluments are included in the above and are detailed further in the Directors' Remuneration report on pages 50 to 63.

7. Auditor's remuneration

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

	2018 £m	2017 £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	0.6	0.4
Total fees	**0.7**	0.5

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. The increase is driven by the acquisition of Danlind and the appointment of PwC as the Company auditors in France. Non-audit fees payable to PwC in relation to other advisory services amounted to £324k (2017: £277k).

8. Operating profit/(loss)

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

	2018			2017[1]		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Cost of inventories (included in cost of sales)	401.4	37.4	438.8	360.9	36.6	397.5
Employee costs (see note 6)	127.1	18.6	145.7	120.7	20.3	141.0
Amortisation of intangible assets (see note 14)	1.4	—	1.4	0.7	—	0.7
Depreciation of property, plant and equipment (see note 15)	17.4	1.7	19.1	16.9	2.5	19.4
Impairment/(writeback):						
Property, plant and equipment (see note 15)	—	17.8	17.8	—	—	—
Inventories (see note 16)	1.5	0.3	1.8	0.1	—	0.1
Trade receivables (see note 17)	(0.1)	—	(0.1)	(0.2)	—	(0.2)
Rentals payable under operating leases	3.7	0.4	4.1	4.3	0.5	4.8
Research and development costs not capitalised	6.7	0.8	7.5	6.7	0.7	7.4
Net foreign exchange losses	0.2	—	0.2	0.4	0.1	0.5

(1) 2017 comparatives have been restated for discontinued operations – see note 1 for further information.

9. Finance costs

	2018 £m	2017 £m
Finance costs		
Interest on bank loans and overdrafts	2.3	5.4
Interest differentials on net investment hedges	0.1	—
Net foreign exchange gains	—	(0.9)
Amortisation of facility fees	0.3	0.3
Non-utilisation fees	0.5	0.6
Finance lease interest	—	0.1
Premium on average rate currency options	0.2	0.5
	3.4	6.0
Post-employment benefits:		
Net interest cost on defined benefit obligation (see note 23)	1.1	0.9
Adjusted finance costs	**4.5**	6.9
Unwind of discount on contingent consideration (see note 3)	—	0.3
Unwind of discount on provisions (see note 25)	0.5	0.4
Exceptional costs	0.3	13.0
Total finance costs	**5.3**	20.6

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

Notes to the consolidated financial statements continued
for the year ended 30 June 2018

10. Taxation
Income tax expense

From continuing operations	2018 UK £m	2018 Overseas £m	2018 Total £m	2017 UK £m	2017 Overseas £m	2017 Total £m
Current tax expense:						
Current year	**3.6**	**7.5**	**11.1**	1.4	6.9	8.3
Adjustment for prior years	**(1.2)**	**(0.4)**	**(1.6)**	–	0.8	0.8
	2.4	**7.1**	**9.5**	1.4	7.7	9.1
Deferred tax expense:						
Origination and reversal of temporary differences	**(1.8)**	**1.3**	**(0.5)**	1.0	0.4	1.4
Adjustment for prior years	**(0.7)**	**0.1**	**(0.6)**	(0.2)	0.1	(0.1)
Impact of change in tax rate	**–**	**(0.9)**	**(0.9)**	–	–	–
	(2.5)	**0.5**	**(2.0)**	0.8	0.5	1.3
Income tax expense	**(0.1)**	**7.6**	**7.5**	2.2	8.2	10.4

From discontinued operations	2018 UK £m	2018 Overseas £m	2018 Total £m	2017 UK £m	2017 Overseas £m	2017 Total £m
Current tax expense:						
Current year	**(1.8)**	**(0.2)**	**(2.0)**	(0.2)	0.1	(0.1)
Adjustment for prior years	**–**	**–**	**–**	–	–	–
	(1.8)	**(0.2)**	**(2.0)**	(0.2)	0.1	(0.1)
Deferred tax expense:						
Origination and reversal of temporary differences	**–**	**(1.0)**	**(1.0)**	–	–	–
Adjustment for prior years	**–**	**–**	**–**	–	–	–
Impact of change in tax rate	**–**	**(0.1)**	**(0.1)**	–	–	–
	–	**(1.1)**	**(1.1)**	–	–	–
Income tax expense	**(1.8)**	**(1.3)**	**(3.1)**	(0.2)	0.1	(0.1)

Total attributable to ordinary shareholders	2018 UK £m	2018 Overseas £m	2018 Total £m	2017 UK £m	2017 Overseas £m	2017 Total £m
Current tax expense:						
Current year	**1.8**	**7.3**	**9.1**	1.2	7.0	8.2
Adjustment for prior years	**(1.2)**	**(0.4)**	**(1.6)**	–	0.8	0.8
	0.6	**6.9**	**7.5**	1.2	7.8	9.0
Deferred tax expense:						
Origination and reversal of temporary differences	**(1.8)**	**0.3**	**(1.5)**	1.0	0.4	1.4
Adjustment for prior years	**(0.7)**	**0.1**	**(0.6)**	(0.2)	0.1	(0.1)
Impact of change in tax rate	**–**	**(1.0)**	**(1.0)**	–	–	–
	(2.5)	**(0.6)**	**(3.1)**	0.8	0.5	1.3
Income tax expense	**(1.9)**	**6.3**	**4.4**	2.0	8.3	10.3

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:

From continuing operations	2018 £m	2017 £m
Profit before tax	**26.5**	19.7
Profit before tax multiplied by the UK corporation tax rate of 19.00% (2017: 19.75%)	**5.0**	3.9
Effect of tax rates in foreign jurisdictions	**3.0**	2.2
Non-deductible expenses	**2.4**	3.7
Tax incentives/non-taxable income	**(0.5)**	(0.6)
Tax losses/(gains) for which no deferred tax recognised	**0.2**	0.1
Change in tax rate	**(0.9)**	–
Other differences	**0.5**	0.4
Adjustment for prior years	**(2.2)**	0.7
Total tax expense in profit or loss	**7.5**	10.4

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

From discontinued operations	2018 £m	2017 £m
Profit before tax	(18.7)	(0.5)
Profit before tax multiplied by the UK corporation tax rate of 19.00% (2017: 19.75%)	(3.5)	(0.1)
Effect of tax rates in foreign jurisdictions	(0.5)	–
Non-deductible expenses	1.0	–
Tax incentives/non-taxable income	–	–
Tax losses/(gains) for which no deferred tax recognised	–	–
Change in tax rate	(0.1)	–
Other differences	–	–
Adjustment for prior years	–	–
Total tax expense in profit or loss	**(3.1)**	(0.1)

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

Total attributable to ordinary shareholders	2018 £m	2017 £m
Profit before tax	7.8	19.2
Profit before tax multiplied by the UK corporation tax rate of 19.00% (2017: 19.75%)	1.5	3.8
Effect of tax rates in foreign jurisdictions	2.5	2.2
Non-deductible expenses	3.4	3.7
Tax incentives/non-taxable income	(0.5)	(0.6)
Tax losses/(gains) for which no deferred tax recognised	0.2	0.1
Change in tax rate	(1.0)	–
Other differences	0.5	0.4
Adjustment for prior years	(2.2)	0.7
Total tax expense in profit or loss	**4.4**	10.3

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 £1.3 million at 30 June 2018 (2017: £1.3m).

The main rate of UK corporation tax was reduced from 20.00% to 19.00% with effect from 1 April 2017. The Group's effective UK corporation tax rate for the year was, therefore, 19.00% (2017: 19.75%).

Factors affecting future tax charges

The Finance Act 2016, which was published on 15 September 2016, includes legislation reducing the main rate of UK corporation tax to 17% with effect from 1 April 2020.

Tax on items recognised in other comprehensive income

	2018 £m	2017 £m
Items that may be reclassified to profit or loss:		
Loss on cash flow hedges in the year	(0.1)	(2.5)
	(0.1)	(2.5)
Items that will not be transferred to profit or loss:		
Net actuarial loss on post-employment benefits:		
Deferred tax	1.6	(1.4)
Total tax charge/(credit) in other comprehensive income	**1.5**	(3.9)

Notes to the consolidated financial statements continued

for the year ended 30 June 2018

10. Taxation continued

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 2016	(6.3)	(1.8)	–	2.1	5.6	4.1	(0.9)	2.8
(Charge)/credit to profit or loss	(0.5)	(0.2)	0.1	(0.3)	(0.4)	–	–	(1.3)
Credit to other comprehensive income	–	–	–	–	1.4	–	2.5	3.9
Effect of the change in tax rate	–	0.1	–	–	0.1	–	(0.2)	–
Exchange movements	(0.5)	0.1	–	0.1	–	–	0.1	(0.2)
At 30 June 2017	(7.3)	(1.8)	0.1	1.9	6.7	4.1	1.5	5.2
Credit/(charge) to profit or loss	**3.3**	**–**	**0.1**	**(1.4)**	**(0.3)**	**–**	**0.4**	**2.1**
(Charge)/credit to other comprehensive income	**–**	**–**	**–**	**–**	**(1.6)**	**–**	**0.1**	**(1.5)**
Impact of acquisition of Danlind	**(0.3)**	**(1.1)**	**–**	**0.4**	**–**	**–**	**0.6**	**(0.4)**
Charge to equity	**–**	**–**	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Effect of the change in tax rate	**1.3**	**(0.1)**	**–**	**(0.2)**	**–**	**–**	**–**	**1.0**
Exchange movements	**0.9**	**(0.1)**	**–**	**–**	**–**	**–**	**(0.8)**	**–**
At 30 June 2018	**(2.1)**	**(3.1)**	**0.3**	**0.7**	**4.8**	**4.1**	**1.8**	**6.5**

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

	2018 £m	2017 £m
Deferred tax assets	**12.9**	12.0
Deferred tax liabilities	**(6.4)**	(6.8)
Total	**6.5**	5.2

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 2018, the Group had unused tax losses of £6.3 million (2017: £11.9m) available for offset against future profits. No deferred tax asset has been recognised in respect of £3.4 million (2017: £4.8m) 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.

No deferred tax asset has been recognised in relation to the remaining surplus ACT of £2.9 million (2017: £2.9m) due to uncertainty as to future ACT capacity.

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 0.2 million shares (2017: 0.7m shares), being the weighted average number of own shares held during the year in relation to employee share schemes.

Earnings/(loss) per share figures for the year ending 30 June 2017 have been restated to reflect the presentation of the results of the sold and held-for-sale businesses that have been classified as discontinued operations under IFRS 5, 'Non-current assets held for sale and discontinued operations'.

	Reference	2018	2017
Weighted average number of ordinary shares in issue (million)	a	**182.6**	182.1
Effect of dilutive LTIP awards (million)		**0.7**	0.8
Weighted average number of ordinary shares for calculating diluted earnings per share (million)	b	**183.3**	182.9

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

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

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

From continuing operations	Reference	2018 £m	2017 £m
Earnings for calculating basic and diluted earnings per share	c	**19.0**	9.3
Adjusted for:			
Amortisation of intangible assets (see note 14)		**1.4**	0.7
Exceptional items (see note 5)		**4.8**	14.0
Unwind of discount on contingent consideration (see note 3)		**–**	0.3
Unwind of discount on provisions (see note 25)		**0.5**	0.4
Taxation relating to the above items		**(2.5)**	(0.4)
Earnings for calculating adjusted earnings per share	d	**23.2**	24.3

	Reference	2018 pence	2017 pence
Basic earnings per share	c/a	**10.4**	5.1
Diluted earnings per share	c/b	**10.4**	5.1
Adjusted basic earnings per share	d/a	**12.7**	13.3
Adjusted diluted earnings per share	d/b	**12.7**	13.3

From discontinued operations	Reference	2018 £m	2017 £m
Losses for calculating basic and diluted earnings per share	c	**(15.6)**	(0.4)
Adjusted for:			
Exceptional items (see note 5)		**17.2**	–
Taxation relating to the above items		**(2.6)**	–
Losses for calculating adjusted earnings per share	d	**(1.0)**	(0.4)

	Reference	2018 pence	2017 pence
Basic earnings per share	c/a	**(8.5)**	(0.2)
Diluted earnings per share	c/b	**(8.5)**	(0.2)
Adjusted basic earnings per share	d/a	**(0.5)**	(0.2)
Adjusted diluted earnings per share	d/b	**(0.6)**	(0.2)

Total attributable to ordinary shareholders	Reference	2018 £m	2017 £m
Earnings for calculating basic and diluted earnings per share	c	**3.4**	8.9
Adjusted for:			
Amortisation of intangible assets (see note 14)		**1.4**	0.7
Exceptional items (see note 5)		**22.0**	14.0
Unwind of discount on contingent consideration (see note 3)		**–**	0.3
Unwind of discount on provisions (see note 25)		**0.5**	0.4
Taxation relating to the above items		**(5.1)**	(0.4)
Earnings for calculating adjusted earnings per share	d	**22.2**	23.9

	Reference	2018 pence	2017 pence
Basic earnings per share	c/a	**1.9**	4.9
Diluted earnings per share	c/b	**1.9**	4.9
Adjusted basic earnings per share	d/a	**12.2**	13.1
Adjusted diluted earnings per share	d/b	**12.1**	13.1

Notes to the consolidated financial statements continued

for the year ended 30 June 2018

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:

	2018		2017	
	Pence per share	£m	Pence per share	£m
Interim	1.5	2.7	1.4	2.6
Final	2.8	5.2	2.9	5.3
Total for the year	**4.3**	**7.9**	4.3	7.9

The proposed final payment in respect of 2018 of 2.8 pence per ordinary share is subject to approval by shareholders at the Company's 2018 AGM and has therefore not been recognised in these financial statements.

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

	2018		2017	
	Number 000	Nominal value £m	Number 000	Nominal value £m
Issued and fully paid				
At 1 July	1,205,612	1.2	858,528	0.9
Issued	8,022,619	8.0	6,923,954	6.9
Redeemed	(7,667,857)	(7.7)	(6,576,870)	(6.6)
At 30 June	**1,560,374**	**1.5**	1,205,612	1.2

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

	2018 £m	2017 £m
Carrying amount		
At 1 July	17.5	17.5
Acquisition of subsidiary	3.1	–
Impairment	(0.2)	–
At 30 June	**20.4**	17.5

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

	2018 £m	2017 £m
Household	20.4	17.3
PCA	–	0.2
At 30 June	**20.4**	17.5

Impairment of PCA goodwill

Following a strategic review of the PCA business, culminating in the sale of the PC Liquids business management fully impaired the goodwill relating to PCA (£0.2 million). This has been recognised as an exceptional item from discontinued operations (see note 5).

Impairment tests carried out during the year

Goodwill is tested for impairment annually at the level of the CGU to which it is allocated. In each of the tests carried out during 2018, 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 2019 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 liquids market in the UK. The UK Household liquids market overall 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 year, unless there are reasons to suggest otherwise, management assumes that future changes in material input prices are reflected in the price of the Group's products. General cost inflation is based on 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: Household 11% (2017: 10%); PCA 11% (2017: 10%).

To forecast growth beyond the detailed cash flows into perpetuity, long-term average growth rates of 1.6% in the UK, 2% in Europe and 6% in Asia have been used for the relevant CGUs in these territories. These rates are not greater than the published International Monetary Fund average growth rates in gross domestic product for the next five-year period in these territories, in which the CGUs operate.

Having performed the annual impairment tests, no further impairment has been recognised for the year ended 30 June 2018 (30 June 2017: £nil). As part of forming this conclusion a sensitivity analysis has been performed which focused on the change required in key assumptions (long-term growth, future cash flows and discount rate), both individually and collectively, to give rise to an impairment, with the conclusion that no reasonable possible changes in key assumptions would cause the recoverable amount of the goodwill and other intangible assets to be less than the carrying value.

14. Other intangible assets

	Patents, brands and trademarks £m	Computer software £m	Customer relationships £m	Other £m	Total £m
Cost					
At 30 June 2016	2.0	5.7	8.5	0.7	16.9
Additions	—	2.5	—	—	2.5
Currency translation differences	—	0.1	0.2	—	0.3
At 30 June 2017	2.0	8.3	8.7	0.7	19.7
Additions	**—**	**1.3**	**—**	**—**	**1.3**
Acquisition of subsidiary	**1.8**	**—**	**3.7**	**—**	**5.5**
Disposal of subsidiary	**—**	**(0.3)**	**(0.3)**	**—**	**(0.6)**
Currency translation differences	**—**	**—**	**—**	**—**	**—**
At 30 June 2018	**3.8**	**9.3**	**12.1**	**0.7**	**25.9**
Accumulated amortisation and impairment					
At 30 June 2016	(2.0)	(3.3)	(8.5)	(0.6)	(14.4)
Charge for the year	—	(0.6)	—	(0.1)	(0.7)
Currency translation differences	—	(0.2)	(0.2)	—	(0.4)
At 30 June 2017	(2.0)	(4.1)	(8.7)	(0.7)	(15.5)
Charge for the year	**(0.3)**	**(0.8)**	**(0.3)**	**—**	**(1.4)**
Disposal of subsidiary	**—**	**0.3**	**0.3**	**—**	**0.6**
Currency translation differences	**—**	**—**	**(0.1)**	**—**	**(0.1)**
At 30 June 2018	**(2.3)**	**(4.6)**	**(8.8)**	**(0.7)**	**(16.4)**
Net book value					
At 30 June 2018	**1.5**	**4.7**	**3.3**	**—**	**9.5**
At 30 June 2017	—	4.2	—	—	4.2

Upon the acquisition of Danlind a/s, customer relationships with a fair value of £3.7 million were recognised, which will be amortised over a useful economic life of eight years. Management do not consider that any customer relationships are individually material. In addition, a brand name was also acquired on acquisition of Danlind a/s with a fair value of £1.8 million, which will be amortised over a useful economic life of five years.

Notes to the consolidated financial statements continued

for the year ended 30 June 2018

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 2016	99.8	446.9	2.1	548.8
Additions	0.6	12.4	5.1	18.1
Disposal of assets	—	(3.0)	—	(3.0)
Transfers	0.5	1.8	(2.3)	—
Currency translation differences	5.5	15.3	0.1	20.9
At 30 June 2017	106.4	473.4	5.0	584.8
Additions	**0.9**	**19.2**	**0.5**	**20.6**
Acquisition of Danlind (see note 3)	**1.0**	**12.8**	**0.1**	**13.9**
Disposals of Brno (see note 3)	**(5.7)**	**(3.3)**	**—**	**(9.0)**
Disposal of assets	**(0.1)**	**(8.9)**	**—**	**(9.0)**
Transfers to assets held for sale	**(18.4)**	**(58.8)**	**—**	**(77.2)**
Transfers	**—**	**0.2**	**(0.2)**	**—**
Currency translation differences	**0.7**	**2.0**	**—**	**2.7**
At 30 June 2018	**84.8**	**436.6**	**5.4**	**526.8**
Accumulated depreciation and impairment				
At 30 June 2016	(43.3)	(369.3)	—	(412.6)
Charge for the year	(2.1)	(17.3)	—	(19.4)
Disposal of assets	—	2.4	—	2.4
Currency translation differences	(2.4)	(11.9)	—	(14.3)
At 30 June 2017	(47.8)	(396.1)	—	(443.9)
Charge for the year	**(2.2)**	**(16.9)**	**—**	**(19.1)**
Disposals of Brno (see note 3)	**5.7**	**3.3**	**—**	**9.0**
Impairment	**(9.8)**	**(8.0)**	**—**	**(17.8)**
Transfers to assets held for sale	**15.7**	**58.1**	**—**	**73.8**
Disposal of assets	**—**	**8.9**	**—**	**8.9**
Currency translation differences	**(0.4)**	**(1.7)**	**—**	**(2.1)**
At 30 June 2018	**(38.8)**	**(352.4)**	**—**	**(391.2)**
Net book value				
At 30 June 2018	**46.0**	**84.2**	**5.4**	**135.6**
At 30 June 2017	58.6	77.3	5.0	140.9

At 30 June 2018, land and buildings with a carrying amount of £nil (2017: £nil) were secured in relation to bank and other loans.

Net book value of assets held under finance leases amounted to £0.4 million (2017: £0.3m), and is held under plant and equipment.

The impairment of £17.8 million in the current financial year is in relation to:

- UK assets impaired (£6.2 million) at the half year following further losses in the PCA sector;
- an impairment loss (£8.5 million) recognised on the European Personal Care Liquids activities disposal group that has been transferred to assets held for sale; and
- the impairment of Czech Republic-based Skincare business at Brno (£3.1 million).

Strategic report
Corporate governance
Financial statements
Additional information

16. Inventories

	2018 £m	2017 £m
Raw materials, packaging and consumables	44.3	41.9
Finished goods and goods for resale	44.6	36.9
Total	**88.9**	78.8

Inventories are stated net of an allowance of £4.2 million (2017: £3.9m) in respect of excess, obsolete or slow-moving items. Movements in the allowance were as follows:

	2018 £m	2017 £m
At 1 July	(3.9)	(4.9)
Utilisation	1.5	1.3
Acquisition of subsidiary	(0.7)	—
Charged to profit or loss	(1.8)	(0.1)
Disposal of subsidiary	0.3	—
Impact of assets transferred to held for sale	0.4	—
Currency translation differences	—	(0.2)
At 30 June	**(4.2)**	(3.9)

The cost of inventories recognised in cost of sales as an expense amounted to £438.8 million (2017: £397.5m).

17. Trade and other receivables

	2018 £m	2017 £m
Trade receivables	144.1	130.6
Other receivables	7.4	3.3
Prepayments and accrued income	3.7	3.7
Total	**155.2**	137.6

Trade receivables amounting to £39.2 million (2017: £33.6m) 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:

	2018 £m	2017 £m
Amounts neither past due nor impaired	138.0	126.4
Amounts past due but not impaired:		
Less than one month	5.0	3.5
Between one and three months	0.8	0.5
Between three and six months	0.3	0.2
Over six months	—	—
	6.1	4.2
Amounts impaired:		
Total amounts that have been impaired	0.5	0.6
Allowance for doubtful debts	(0.5)	(0.6)
	—	—
Total trade receivables	**144.1**	130.6

Notes to the consolidated financial statements continued

for the year ended 30 June 2018

17. Trade and other receivables continued

Movements in the allowance for doubtful debts were as follows:

	2018 £m	2017 £m
At 1 July	(0.6)	(1.4)
Utilisation	—	0.6
Credited to profit or loss	0.1	0.2
At 30 June	**(0.5)**	(0.6)

Trade receivables are generally not interest bearing.

18. Assets classified as held for sale

Assets held for sale at Bradford and Ieper Personal Care Liquid sites

On 3 July 2018 the Group signed an agreement for the disposal of the Group's European Personal Care Liquids activities, which comprises two manufacturing sites at Bradford, UK and Ieper, Belgium, supplying customers with a range of personal hygiene, haircare and oral care products.

This sale represents the disposal of the majority of the Group's PCA Liquids business, therefore in accordance with IFRS 5 the results of PCA Liquids are now included in discontinued operations as at 30 June 2018. The completion date for the transaction is expected by October 2018.

The proposed transaction, which is subject to customary closing conditions, will comprise the disposal of the trade and assets of the Group's European Personal Care Liquids business for a cash consideration of £12.5 million (subject to any post-closing working capital adjustments), payable on completion.

(i) Assets of disposal group classified as held for sale

	2018 £m	2017 £m
Assets of disposal group classified as held for sale		
Property, plant and equipment	3.4	—
Inventories	7.5	—
	10.9	—

In accordance with IFRS 5, the fixed assets held for sale were written down to their fair value less costs to sell of £3.4 million. This is a non-recurring fair value which has been measured using observable inputs, being the agreed sales price in an arm's length transaction, and is therefore within Level 2 of the fair value hierarchy.

Analysis of the results of the discontinued operations, and the result recognised on the remeasurement of assets of the disposal group, is as follows:

	2018 £m	2017 £m
Revenue	56.2	59.8
Expenses	(65.3)[1]	(60.2)
Loss before tax of discontinued operations	**(9.1)**	(0.4)
Tax	2.0	0.1
Loss after tax of discontinued operations	**(7.1)**	(0.3)
Pre-tax loss recognised on the remeasurement of assets of disposal group	(8.5)	—
Tax	1.1	—
After-tax loss recognised on the remeasurement of assets of disposal group	(7.4)	—
Loss for the year from discontinued operations	**(14.5)**	(0.3)

(1) Including exceptional charges of £7.6 million, including £6.2 million for the impairment of assets, £0.2 million for the write off of goodwill, and £1.2 million for reorganisation costs.

(ii) Cash flow

	2018 £m	2017 £m
Operating cash flows	(2.0)	(3.6)
Investing cash flows	(0.4)	(0.6)
Financing cash flows	—	—
Total cash flows	**(2.4)**	(4.2)

Former manufacturing site in Italy

At 30 June 2018, assets held for sale amounting to £1.2 million (2017: £1.3m) comprised freehold land and buildings at a former manufacturing site in Italy.

On 25 July 2018, following the balance sheet date, the Group entered into an agreement for the sale of the Solaro site in Italy. A consideration of £1.6 million has been received with respect to this sale.

19. Trade and other payables

	2018 £m	2017 £m
Current liabilities		
Trade payables	153.6	138.0
Taxation and social security	3.8	12.7
Other payables	26.2	13.9
Accrued expenses	13.8	22.8
Deferred income	3.3	2.2
B Shares (see note 12)	1.5	1.2
Contingent consideration (see note 3)	—	2.9
Total	202.2	193.7

Trade payables are generally not interest bearing.

20. Borrowings

Borrowings may be analysed as follows:

	2018			2017		
	Current liabilities £m	Non-current liabilities £m	Total liabilities £m	Current liabilities £m	Non-current liabilities £m	Total liabilities £m
Overdrafts	4.1	—	4.1	5.4	—	5.4
Bank and other loans:						
Unsecured loans	—	81.1	81.1	—	60.7	60.7
Secured loans	0.3	1.1	1.4	0.2	1.5	1.7
Invoice discounting facilities (see note 21)	39.2	—	39.2	33.6	—	33.6
	39.5	82.2	121.7	33.8	62.2	96.0
Finance lease liabilities	—	0.2	0.2	0.1	0.2	0.3
Total	43.6	82.4	126.0	39.3	62.4	101.7

Bank and other loans are repayable as follows:

	2018 £m	2017 £m
Within one year	39.5	33.8
Between one and two years	0.2	—
Between two and five years	82.0	61.7
More than five years	—	0.5
Total	121.7	96.0

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

	2018 £m	2017 £m
Present value		
Within one year	—	0.1
Between one and five years	0.2	0.2
Total	0.2	0.3

Notes to the consolidated financial statements continued

for the year ended 30 June 2018

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 2018						
Financial assets						
Trade receivables	144.1	–	–	–	144.1	144.1
Other receivables	7.4	–	–	–	7.4	7.4
Cash and cash equivalents	11.7	–	–	–	11.7	11.7
	163.2	–	–	–	163.2	163.2
Financial assets held at fair value						
Derivative financial instruments (Level 2)						
Forward currency contracts	–	–	0.4	–	0.4	0.4
	–	–	0.4	–	0.4	0.4
Total financial assets	163.2	–	0.4	–	163.6	163.6
Financial liabilities						
Trade payables	–	(153.6)	–	–	(153.6)	(153.6)
Other payables	–	(26.2)	–	–	(26.2)	(26.2)
Accrued expenses	–	(13.8)	–	–	(13.8)	(13.8)
Unredeemed B Shares	–	(1.5)	–	–	(1.5)	(1.5)
Bank overdrafts	–	(4.1)	–	–	(4.1)	(4.1)
Bank and other loans	–	(121.7)	–	–	(121.7)	(121.7)
Obligations under finance leases	–	(0.2)	–	–	(0.2)	(0.2)
	–	(321.1)	–	–	(321.1)	(321.1)
Financial liabilities held at fair value						
Derivative financial instruments (Level 2)						
Forward currency contracts	–	–	(0.3)	–	(0.3)	(0.3)
Interest rate swaps	–	–	(0.2)	–	(0.2)	(0.2)
	–	–	(0.5)	–	(0.5)	(0.5)
Total financial liabilities	–	(321.1)	(0.5)	–	(321.6)	(321.6)
Total	163.2	(321.1)	(0.5)	–	(158.0)	(158.0)

	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 2017						
Financial assets						
Trade receivables	130.6	—	—	—	130.6	130.6
Other receivables	3.3	—	—	—	3.3	3.3
Cash and cash equivalents	26.0	—	—	—	26.0	26.0
	159.9	—	—	—	159.9	159.9
Financial assets held at fair value						
Derivative financial instruments (Level 2)						
Forward currency contracts	—	—	1.0	—	1.0	1.0
Interest rate swaps	—	—	—	—	—	—
Commodity swaps	—	—	—	—	—	—
	—	—	1.0	—	1.0	1.0
Total financial assets	159.9	—	1.0	—	160.9	160.9
Financial liabilities						
Trade payables	—	(138.0)	—	—	(138.0)	(138.0)
Other payables	—	(13.9)	—	—	(13.9)	(13.9)
Accrued expenses	—	(22.8)	—	—	(22.8)	(22.8)
Unredeemed B Shares	—	(1.2)	—	—	(1.2)	(1.2)
Bank overdrafts	—	(5.4)	—	—	(5.4)	(5.4)
Bank and other loans	—	(96.0)	—	—	(96.0)	(96.0)
Obligations under finance leases	—	(0.3)	—	—	(0.3)	(0.3)
	—	(277.6)	—	—	(277.6)	(277.6)
Financial liabilities held at fair value						
Derivative financial instruments (Level 2)						
Forward currency contracts	—	—	(0.7)	—	(0.7)	(0.7)
Interest rate swaps	—	—	(0.1)	—	(0.1)	(0.1)
	—	—	(0.8)	—	(0.8)	(0.8)
Contingent consideration (Level 3)	—	—	—	(2.9)	(2.9)	(2.9)
	—	—	(0.8)	(2.9)	(3.7)	(3.7)
Total financial liabilities	—	(277.6)	(0.8)	(2.9)	(281.3)	(281.3)
Total	159.9	(277.6)	0.2	(2.9)	(120.4)	(120.4)

In the above tables, the financial assets and financial liabilities held by the Group are categorised according to the basis on which they are measured. Financial assets and liabilities that are held at fair value are further categorised according to the degree to which the principal inputs used in determining their fair value represent observable market data as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

Derivative financial instruments comprise the foreign currency derivatives, non-deliverable commodity derivatives and interest rate derivatives that are held by the Group in designated hedging relationships. Foreign currency forward contracts are measured by reference to prevailing forward exchange rates. Commodity forward contracts are measured by difference to prevailing market prices. Foreign currency options are measured using a variant of the Monte Carlo valuation model. Interest rate swaps and caps are measured by discounting the related cash flows using yield curves derived from prevailing market interest rates.

Cash and cash equivalents and bank and other loans largely attract floating interest rates. Accordingly, management considers that their carrying amount approximates to fair value.

Finance lease obligations attract fixed interest rates that are implicit in the lease rentals and their fair value has been assessed relative to prevailing market interest rates.

There were no transfers between levels during the year and no changes in valuation techniques.

Notes to the consolidated financial statements continued
for the year ended 30 June 2018

21. Financial risk management continued

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 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 2018, the majority of trade receivables were due from major retailers in the UK and Europe.

At 30 June 2018, the Group's maximum exposure to credit risk was as follows (there was no significant concentration of credit risk):

	2018 £m	2017 £m
Trade and other receivables:		
Trade receivables	144.1	130.6
Other receivables	7.4	3.3
Derivative financial instruments	0.4	1.0
	151.9	134.9
Cash and cash equivalents	11.7	26.0
Total	**163.6**	160.9

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

The Group's borrowing facilities are monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines.

The Group has an unsecured €175 million revolving credit facility that is committed until June 2022. At 30 June 2018, the amount undrawn on the facility was €82.5 million (2017: €105m). 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 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 2018 and is committed until November 2018. 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 2018, the carrying amount of trade receivables eligible for transfer and the amounts borrowed under the facility were as follows:

	2018 £m	2017 £m
Trade receivables available	39.2	33.6
Amount borrowed	(39.2)	(33.6)
Amount undrawn	–	–

The Group also has access to uncommitted working capital facilities amounting to £64.8 million (2017: £66.3m). At 30 June 2018, £4.1 million (2017: £5.4m) 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 2018							
Bank overdrafts	(4.1)	–	–	–	–	–	(4.1)
Bank and other loans:							
Principal	(39.5)	(0.2)	(0.4)	(81.4)	(0.2)	–	(121.7)
Interest payments	(0.4)	–	–	–	–	–	(0.4)
Finance lease obligations	–	(0.2)	–	–	–	–	(0.2)
Other liabilities	(195.1)	–	–	–	–	–	(195.1)
Cash flows on non-derivative liabilities	(239.1)	(0.4)	(0.4)	(81.4)	(0.2)	–	(321.5)
Cash flows on derivative liabilities							
Payments	(98.6)	(1.6)	(0.2)	(0.2)	–	–	(100.6)
Cash flows on financial liabilities	(337.7)	(2.0)	(0.6)	(81.6)	(0.2)	–	(422.1)
Cash flows on derivative assets							
Receipts	98.6	1.6	–	–	–	–	100.2
	(239.1)	(0.4)	(0.6)	(81.6)	(0.2)	–	(321.9)

	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 2017							
Bank overdrafts	(5.4)	–	–	–	–	–	(5.4)
Bank and other loans:							
Principal	(33.8)	–	(0.3)	(0.4)	(61.0)	(0.5)	(96.0)
Interest payments	(0.2)	–	–	–	–	–	(0.2)
Finance lease obligations	(0.1)	(0.2)	–	–	–	–	(0.3)
Other liabilities	(175.9)	–	–	–	–	–	(175.9)
Cash flows on non-derivative liabilities	(215.4)	(0.2)	(0.3)	(0.4)	(61.0)	(0.5)	(277.8)
Cash flows on derivative liabilities							
Payments	(93.4)	(3.4)	–	–	–	–	(96.8)
Cash flows on financial liabilities	(308.8)	(3.6)	(0.3)	(0.4)	(61.0)	(0.5)	(374.6)
Cash flows on derivative assets							
Receipts	93.6	3.5	–	–	–	–	97.1
	(215.2)	(0.1)	(0.3)	(0.4)	(61.0)	(0.5)	(277.5)

Notes to the consolidated financial statements continued

for the year ended 30 June 2018

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 in the form of interest rate swaps and interest rate caps with maturities up to 2022.

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:

	2018					2017				
	Euro £m	Sterling £m	Danish Krone £m	Other currencies £m	Total £m	Euro £m	Sterling £m	Danish Krone £m	Other currencies £m	Total £m
Floating rate										
Bank overdrafts	(4.1)	–	–	–	(4.1)	(0.4)	(1.4)	–	(3.6)	(5.4)
Bank and other loans	(35.0)	(27.6)	(13.6)	–	(76.2)	(35.4)	(16.6)	–	–	(52.0)
Cash and cash equivalents	6.7	2.2	2.5	0.3	11.7	15.9	5.2	–	4.9	26.0
	(32.4)	(25.4)	(11.1)	0.3	(68.6)	(19.9)	(12.8)	–	1.3	(31.4)
Fixed rate										
Bank and other loans	(26.6)	(5.2)	(13.7)	–	(45.5)	(44.0)	–	–	–	(44.0)
Finance lease obligations	–	(0.2)	–	–	(0.2)	–	(0.2)	–	(0.1)	(0.3)
	(26.6)	(5.4)	(13.7)	–	(45.7)	(44.0)	(0.2)	–	(0.1)	(44.3)
Total	(59.0)	(30.8)	(24.8)	0.3	(114.3)	(63.9)	(13.0)	–	1.2	(75.7)

Interest payable on bank overdrafts and floating rate loans is based on base rates and short-term interbank rates (predominantly LIBOR, EURIBOR and CIBOR). At 30 June 2018, the weighted average interest rate payable on bank and other loans was 1.8% (2017: 1.5%). At 30 June 2018, the weighted average interest rate receivable on cash and cash equivalents was 0.1% (2017: 0.1%).

At 30 June 2018, the Group held interest rate caps, which cap the maximum rate payable but allows the rate to float below this maximum, and interest rate swaps. Notional principal amounts of each interest rate derivative held by the Group at 30 June 2018 were as follows:

Maturity	Nature of contract	Currency	Notional principal amount €m	Fixed or capped rate payable %
June 2019	Cap	Euro	10.0	0.250
June 2020	Swap	Euro	10.0	0.210
June 2021	Swap	Euro	10.0	0.365
June 2020	Cap	GBP	5.2	1.000
June 2019	Cap	Danish Krone	30.0	0.250
June 2020	Cap	Danish Krone	15.0	0.250
June 2021	Cap	Danish Krone	15.0	0.250
June 2022	Swap	Danish Krone	55.0	0.520

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

Fixed or capped interest rates shown in the above table do not include the margin over market interest rates payable on the Group's borrowings.

On the assumption that a change in market interest rates would be applied to the interest rate exposures that were in existence at the balance sheet date and that designated cash flow hedges are 100% effective, an increase/decrease of 100 basis points in market interest rates would have decreased/increased the Group's profit before tax by £0.6 million (2017: £0.4m).

Foreign currency risk

Transaction risk

Foreign currency transaction risk arises on sales and purchases denominated in currencies other than the functional currency of the entity that enters into the transaction. While the magnitude of these exposures is relatively low, the Group's policy is to hedge committed transactions in full and to hedge a proportion of highly probable forecast transactions on a twelve-month rolling basis. Foreign currency transaction risk also arises on financial assets and liabilities denominated in foreign currencies and Group policy also allows for these exposures to be hedged using forward currency contracts.

At 30 June 2018, the notional principal amount of outstanding foreign currency contracts (net purchases) that are held to hedge the Group's transaction exposures was £29.3 million (2017: £30.6m). For accounting purposes, the Group has designated the foreign currency contracts as cash flow hedges. At 30 June 2018, the fair value of the contracts was £0.1 million (2017: £0.8m). During 2018, a gain of £0.2 million (2017: gain of £1.6m) was recognised in other comprehensive income and a gain of £0.8 million (2017: gain of £3.0m) was transferred from the cash flow reserve to the income statement in respect of these contracts.

Translation risk

Foreign currency translation risk arises on consolidation in relation to the translation into Sterling of the results and net assets of the Group's foreign subsidiaries. The Group's policy is to hedge a substantial proportion of overseas net assets using a combination of foreign currency borrowings and foreign currency swaps. The Group hedges part of the currency exposure on translating the results of its foreign subsidiaries into Sterling using average rate options. This exposure is also mitigated by the natural hedge provided by the interest payable on the Group's foreign currency borrowings. At 30 June 2018, the fair value of the average rate options was a loss of £0.1 million (2017: loss of £0.3m).

At 30 June 2018, the Group had designated as net investment hedges £44.3 million (2017: £61.6m) of its Euro-denominated borrowings and three-month rolling foreign currency forward contracts with a notional principal amount of £63.6 million (2017: £66.6m). During 2018, a gain of £0.1 million (2017: loss of £7.8m) was recognised in other comprehensive income in relation to the net investment hedges. At 30 June 2018, the fair value of the net investment hedges was a loss of £0.1 million (2017: £0.2m).

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

	2018			2017		
	Net assets before hedging £m	Currency forward contracts £m	Net assets after hedging £m	Net assets before hedging £m	Currency forward contracts[1] £m	Net assets after hedging £m
Sterling	(11.9)	63.5	51.6	(2.7)	54.5	51.8
Euro	40.9	(36.3)	4.6	30.0	(23.9)	6.1
Polish Zloty	19.2	(14.6)	4.6	27.5	(25.7)	1.8
Danish Krone	11.4	(8.3)	3.1	—	—	—
Czech Koruna	1.7	(1.5)	0.2	2.8	(2.2)	0.6
Malaysian Ringgit	3.6	(2.8)	0.8	3.5	(2.7)	0.8
Other	2.7	—	2.7	2.5	—	2.5
Total	**67.6**	**—**	**67.6**	63.6	—	63.6

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

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

	2018	
	EUR +10%	EUR -10%
Impact on equity	(1.5)	1.6

The impact on equity shown above predominantly relates to EUR/GBP contracts that qualify for net investment and cash flow hedge accounting.

Notes to the consolidated financial statements continued

for the year ended 30 June 2018

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:

	2018 £m	2017 £m	2016 £m
Total equity	**67.6**	64.2	69.1
Net debt	**114.3**	75.7	90.9
Capital	**181.9**	139.9	160.0

	2018 %	2017 %
Gearing[1]	**71**	50

(1) Gearing represents net debt/average year-end capital.

Movements in net debt were as follows:

	At 30 June 2017 £m	Cash flows £m	Other non-cash movements £m	Currency translation differences £m	At 30 June 2018 £m
Cash and cash equivalents	26.0	(14.3)	—	—	**11.7**
Overdrafts	(5.4)	1.3	—	—	**(4.1)**
Bank and other loans	(96.0)	(25.0)	—	(0.7)	**(121.7)**
Finance lease liabilities	(0.3)	0.1	—	—	**(0.2)**
Net debt	(75.7)	(37.9)	—	(0.7)	**(114.3)**

	At 30 June 2016 £m	Cash flows £m	Other non-cash movements £m	Currency translation differences £m	At 30 June 2017 £m
Cash and cash equivalents	24.8	0.2	—	1.0	26.0
Overdrafts	(8.3)	3.0	—	(0.1)	(5.4)
Bank and other loans	(106.9)	17.8	—	(6.9)	(96.0)
Finance lease liabilities	(0.5)	0.2	—	—	(0.3)
Net debt	(90.9)	21.2	—	(6.0)	(75.7)

23. Pensions and other post-employment benefits

Overview

The Group provides a number of post-employment benefit arrangements. In the UK, the Group operates a closed defined benefit pension scheme and a defined contribution pension scheme. Elsewhere in Europe, the Group has a number of smaller unfunded post-employment benefit arrangements that are structured to accord with local conditions and practices in the countries concerned.

At 30 June 2018, the Group's post-employment benefit obligations outside the UK amounted to £2.4 million (2017: £2.2m).

Non-governmental collected post-employment benefits had the following effect on the Group's results and financial position:

	2018 £m	2017 £m
Profit or loss		
Operating profit		
Defined contribution schemes		
Contributions payable	**(2.6)**	(2.1)
Defined benefit schemes		
Service cost (net of employee contributions)	**(0.6)**	(0.5)
Net charge to operating profit	**(3.2)**	(2.6)
Finance costs		
Net interest cost on defined benefit obligation	**(1.1)**	(0.9)
Net charge to profit/(loss) before taxation	**(4.3)**	(3.5)
Other comprehensive income		
Defined benefit schemes		
Net actuarial gain/(loss)	**9.5**	(11.0)
Balance sheet		
Defined benefit obligations		
UK – funded	**(142.0)**	(155.9)
Other – unfunded	**(2.4)**	(2.2)
	(144.4)	(158.1)
Fair value of scheme assets	**113.5**	115.9
Deficit on the schemes	**(30.9)**	(42.2)
Related deferred tax asset	**4.8**	6.7

UK Defined Benefit Pension Scheme

(i) Background

In the UK, the Robert McBride Pension Fund ('the Fund') provides pension benefits based on the final pensionable salary and period of qualifying service of the participating employees. The UK Defined Benefit Fund was closed to future service accrual from 29 February 2016. Staff affected by this change were offered a new defined contribution scheme from that date.

The Fund is administered and managed by Robert McBride Pension Fund Trustees Limited ('the Trustee'), in accordance with the terms of a governing Trust Deed and relevant legislation. Regular assessments of the Fund's benefit obligations are carried out by an independent actuary on behalf of the Trustee and long-term contribution rates are agreed between the Trustee and the Company on the basis of the actuary's recommendations. Following the last triennial valuation at 31 March 2015, the Company and Trustee agreed a new deficit reduction plan based on the scheme funding deficit of £44.2 million. The deficit cash funding requirement of £3.0 million per annum, payable until 31 August 2026, took effect from 31 March 2015. This will be reviewed as part of the triennial actuarial valuation at 31 March 2018, which is currently underway.

Notes to the consolidated financial statements continued
for the year ended 30 June 2018

23. Pensions and other post-employment benefits continued
UK Defined Benefit Pension Scheme continued
(ii) Assumptions and sensitivities
For accounting purposes, the Fund's benefit obligation has been calculated based on data gathered for the 2018 triennial actuarial valuation and by applying assumptions made by the Company on the advice of an independent actuary in accordance with IAS 19, 'Employee benefits', which differ in certain respects from the assumptions made by the Trustee for the purpose of the actuarial valuation.

The principal assumptions used in calculating the benefit obligation at the end of the year were as follows:

	2018	2017
Discount rate	2.85%	2.65%
Inflation rate:		
Retail Prices Index (RPI)	3.05%	3.15%
Consumer Prices Index (CPI)	2.05%	2.15%
Revaluation of deferred pensions (in excess of GMP)		
Accrued before 6 April 2009	2.05%	2.15%
Accrued on or after 6 April 2009	2.05%	2.15%
Increase in pensions in payment (in excess of GMP)		
Accrued before 1 April 2011	2.94%	3.01%
Accrued on or after 1 April 2011	2.04%	2.06%

The duration of the Fund's liabilities is estimated to be 19 years, i.e. the average time until a payment is made is 19 years. In practice, the Fund's liabilities continue for upwards of 50 years.

The mortality assumptions are based on a medically underwritten mortality study which was carried out in 2017 to identify the current health of a sample group of Fund members. The output was interpreted by underwriters and then analysed alongside the results from previous postcode analysis. This was translated into mortality assumptions for use in calculating the IAS 19 scheme liabilities. Specifically, a rating of 107% of the standard Self-Administered Pension Scheme (SAPS) S2 tables has been used for the IAS 19 disclosures with effect from 30 June 2017.

As at 30 June 2018, the future mortality improvement model has been updated to reflect the most recent Continuous Mortality Investigation (CMI) 2017 projections with an allowance for long-term rates of improvement of 1.00% p.a. for males and for females (previously, at 30 June 2016, this assumption had been CMI 2016 with a long-term rate of improvement of 0.75% p.a. for males and females). In line with the 2016 CMI model, the 2017 CMI model has a smoothing parameter for which we have adopted the default value of 7.5. These assumptions are equivalent to a life expectancy at 65 of 21.3 years (30 June 2017: 21.4 years) for males and 23.1 years (30 June 2017: 23.2 years) for females.

	2018 Years	2017 Years
Member retiring in the next year:		
Male	21.3	21.4
Female	23.1	23.2
Member retiring 20 years from now:		
Male	22.3	22.5
Female	24.3	24.5

At 30 June 2018, 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 £2.3m	Increase by £2.5m
Inflation rate	+/– 0.1%	Increase by £1.8m	Decrease by 1.8m
Life expectancy	+/– 1 year	Increase by £5.6m	Decrease by £5.6m

(iii) Fund's assets

The Fund's assets are held separately from those of the Group and are managed by professional investment managers on behalf of the Trustee.

The Trustee and Company review the investment strategy from time to time. The last review was carried out in 2016 and the transition to the current strategy was completed in February 2017 and is reflected in the table below.

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:

	2018 £m	2017 £m
Diversified growth	33.0	34.6
Private markets	27.9	26.0
Liability-driven investment[1]	52.4	54.4
Cash	0.2	0.9
Total	**113.5**	115.9

(1) The liability-driven investment fund provides a combination of growth and matching returns.

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 £3.1 million (2017: £3.4m).

The actual return on the Fund's assets during the year was £1.3 million (2017: £6.0m).

(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:

	2018 £m	2017 £m
At 1 July	115.9	114.1
Expected return on plan assets	3.1	3.4
Return on assets in excess of interest income on fund assets	(1.6)	2.6
Employer's contributions	3.0	3.0
Benefits paid	(6.9)	(7.2)
At 30 June	**113.5**	115.9

Movements in the benefit obligation during the year were as follows:

	2018 £m	2017 £m
At 1 July	(155.9)	(145.2)
Service cost	—	—
Interest cost	(4.1)	(4.3)
Remeasurement gain/(loss) arising from changes in financial assumptions	6.7	(16.7)
Remeasurement (loss)/gain arising from changes in demographic assumptions	(1.6)	3.1
Experience gains on liabilities	6.0	—
Benefits paid	6.9	7.2
At 30 June	**(142.0)**	(155.9)

Notes to the consolidated financial statements continued

for the year ended 30 June 2018

23. Pensions and other post-employment benefits continued

UK Defined Benefit Pension Scheme continued

(v) Experience gains and losses

Actuarial gains and losses recognised in other comprehensive income represent the effect of the differences between the assumptions and actual outcomes.

The history of actuarial gains and losses in relation to the Fund is as follows:

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Present value of the Fund's benefit obligation	**(142.0)**	(155.9)	(145.2)	(135.5)	(121.0)
Fair value of the Fund's assets	**113.5**	115.9	114.1	105.7	92.6
Deficit in the Fund	**(28.5)**	(40.0)	(31.1)	(29.8)	(28.4)
Actuarial gains and losses:					
Experience adjustments on the Fund's benefit obligations	**11.1**	(13.6)	(8.7)	(10.9)	(8.0)
Experience adjustments on the Fund's assets	**(1.6)**	2.6	6.1	8.8	2.8
Total recognised in other comprehensive income	**9.5**	(11.0)	(2.6)	(2.1)	(5.2)

At 30 June 2018, the cumulative net actuarial loss in relation to the Fund that has been recognised in other comprehensive income amounted to £34.0 million (2017: £43.3m).

24. Employee share schemes

Share awards

The Group operates a performance-based Long-Term Incentive Plan (LTIP) for the Executive Directors and certain other senior executives. Awards made under the LTIP vest provided the participant remains in the Group's employment during the three-year vesting period and the Group achieves relative total shareholder return (TSR) and earnings per share (EPS) targets. Up to 50% of each award vests dependent on the TSR of the Company's ordinary shares compared with the TSR of the FTSE SmallCap Ex. Investment Companies Index (a market condition). Up to 50% of each award vests dependent on the growth in the Group's EPS (a vesting condition).

Vested awards are settled either in the form of the Company's ordinary shares (equity-settled) or by the payment of cash equivalent to the market value of the Company's ordinary shares on the vesting date (cash-settled). From 2017, all amounts are to be make on equity-settled amounts.

Further information on the LTIP is set out in the Remuneration report.

Movements in LTIP awards outstanding were as follows:

	2018		2017	
	Equity-settled Number	Cash-settled Number	Equity-settled Number	Cash-settled Number
Outstanding at 1 July	**1,243,724**	**3,881,882**	872,296	3,001,187
Granted	**1,143,214**	**—**	371,428	1,865,395
Vested	**(336,215)**	**(941,597)**	—	(251,859)
Forfeited	**(85,770)**	**(724,181)**	—	(595,655)
Lapsed	**—**	**—**	—	(137,186)
Outstanding at 30 June	**1,964,953**	**2,216,104**	1,243,724	3,881,882
Unvested at 30 June	**1,945,896**	**2,040,203**	1,243,724	3,813,005

Awards made under the LTIP have a £nil exercise price.

During 2018, £1.2 million of cash LTIP awards vested (2017: £0.5m) and £0.4 million of equity-settled LTIP awards vested in 2018 (2017: £nil).

At 30 June 2018, the liability recognised in relation to cash-settled awards was £0.7 million (2017: £3.1m).

At the grant date, the weighted average fair value of LTIP awards granted during the year was 149.5 pence (2017: 139.0p). Fair value was measured using a variant of the Monte Carlo valuation model based on the following assumptions:

	September 2017 issue	September 2016 issue	September 2015 issue	February 2015 issue
Risk-free interest rate	**0.3%**	0.1%	0.7%	0.8%
Share price on grant date	**198.0p**	176.0p	121.3p	86.8p
Dividend yield on the Company's shares	**2.8%**	2.3%	3.1%	5.6%
Volatility of the Company's shares	**28.3%**	28.2%	27.0%	28.5%
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 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:

	2018 £m	2017 £m
LTIP:		
Equity-settled awards	**0.3**	0.3
Cash-settled awards	**(0.7)**	2.0
Total expense	**(0.4)**	2.3

Deferred Annual Bonus Plan

The Group has in force a Deferred Annual Bonus Plan for the main Executive Directors. The shares awarded under the plan vest after three years and are normally only payable if the Director remains employed by the Group at the end of that period.

The total expense included in operating profit in relation to the Deferred Annual Bonus Plan was £0.1 million (2017: £0.1m).

25. Provisions

	Reorganisation and restructuring £m	Leasehold dilapidations £m	Environmental remediation £m	Other £m	Total £m
At 30 June 2016	3.4	0.7	2.3	—	6.4
Charged to profit or loss	1.0	0.1	—	0.3	1.4
Unwind of discount	—	—	0.4	—	0.4
Utilisation	(3.8)	—	—	—	(3.8)
Currency translation differences	0.1	—	0.2	—	0.3
At 30 June 2017	0.7	0.8	2.9	0.3	4.7
Charged to profit or loss	**2.9**	**—**	**—**	**—**	**2.9**
Unwind of discount	**—**	**—**	**0.5**	**—**	**0.5**
Utilisation	**(0.4)**	**—**	**(0.3)**	**(0.3)**	**(1.0)**
Currency translation differences	**—**	**—**	**0.1**	**—**	**0.1**
At 30 June 2018	**3.2**	**0.8**	**3.2**	**—**	**7.2**

Analysis of provisions:

	2018 £m	2017 £m
Current	**3.0**	1.8
Non-current	**4.2**	2.9
Total	**7.2**	4.7

Reorganisation costs in the period of £2.9 million relate to redundancies and associated costs following the management decision to close the PCA site in Hull (see note 5).

The brought-forward reorganisation and restructuring provisions principally comprise of redundancies made in the prior year in relation to the Group reorganisation and UK restructuring.

Environmental remediation provision relates to historical environmental contamination at a site in Belgium.

Notes to the consolidated financial statements continued

for the year ended 30 June 2018

26. Share capital and reserves

Share capital

	Allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 1 July 2016, 30 June 2017, 30 June 2018	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

	2018		2017	
	Number	£m	Number	£m
At cost				
At 1 July	742,420	1.0	630,992	0.8
Shares paid out to employees	(472,022)	(0.6)	—	—
Purchase of own shares	—	—	111,428	0.2
At 30 June	270,398	0.4	742,420	1.0

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 2018, 270,398 (2017: 630,992) of these ordinary shares were held in treasury.

The market value of own shares held at 30 June 2018 was £0.4 million (2017: £1.4m).

Non-controlling interests

Non-controlling interests related to Fortune Organics (F.E.) Sdn Bhd, Malaysia, which has been fully acquired during the year.

27. Commitments

Operating leases

Future minimum lease payments under non-cancellable operating leases are as follows:

	2018 £m	2017 £m
Rentals payable:		
Within one year	3.8	4.2
In the second to fifth years inclusive	6.7	8.6
After more than five years	1.1	1.8
Total	11.6	14.6

Capital expenditure on property, plant and equipment

	2018 £m	2017 £m
Contracted but not provided	7.9	7.8

28. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and, therefore, are not required to be disclosed in these financial statements. Details of transactions between the Group and other related parties are disclosed below.

Post-employment benefit plans

As shown in note 23, contributions amounting to £5.6 million (2017: £5.1m) were payable by the Group to pension schemes established for the benefit of its employees. At 30 June 2018, £nil (2017: £0.2m) in respect of contributions due was included in other payables.

Compensation of key management personnel

For the purposes of these disclosures, the Group regards its key management personnel as the Directors and certain members of the senior executive team.

Compensation payable to key management personnel in respect of their services to the Group was as follows:

	2018 £m	2017 £m
Short-term employee benefit	1.7	2.3
Compensation for loss of office	0.1	0.2
Post-employment benefits	0.2	0.2
Share-based payments	0.3	0.3
Total	**2.3**	3.0

29. Contingent liabilities

There are a number of contingent liabilities that arise in the normal course of business which, if realised, are not expected to result in a material liability to the Group. The Group recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated.

30. Exchange rates

The principal exchange rates used to translate the results, assets and liabilities and cash flows of the Group's foreign operations into Sterling were as follows:

	Average rate		Closing rate	
	2018 £m	2017 £m	2018 £m	2017 £m
Euro	1.13	1.16	1.13	1.14
US Dollar	1.35	1.27	1.32	1.30
Danish Krone	8.44	8.47	8.41	8.48
Polish Zloty	4.78	5.02	4.94	4.81
Czech Koruna	28.99	31.30	29.37	29.79
Hungarian Forint	351.61	360.45	372.18	351.37
Malaysian Ringgit	5.49	5.43	5.31	5.57
Australian Dollar	1.74	1.68	1.78	1.69

Company balance sheet

at 30 June 2018

	Note	2018 £m	2017 £m
Fixed assets			
Investments	5	**158.2**	158.2
Receivables	6	**255.1**	211.3
Cash and cash equivalents		**0.1**	4.2
Creditors: amounts falling due within one year	7	**(139.7)**	(135.6)
Net current assets		**115.5**	79.9
Total assets less current liabilities		**273.7**	238.1
Creditors: amounts falling due after more than one year	8	**(70.9)**	(60.7)
Provisions for liabilities	11	**—**	(0.3)
Net assets		**202.8**	177.1
Capital and reserves			
Called-up share capital	12	**18.3**	18.3
Share premium account		**81.8**	89.8
Capital redemption reserve		**62.2**	54.5
Cash flow hedge reserve		**(0.1)**	(0.1)
Retained earnings brought forward		**14.6**	12.6
Profit for the year		**33.4**	3.8
Other movement		**(7.4)**	(1.8)
Total shareholders' funds		**202.8**	177.1

The financial statements on pages 120 to 126 were approved by the Board of Directors on 6 September 2018 and were signed on its behalf by:

Rik De Vos
Director

Chris Smith
Director

McBride plc
Company number: 02798634

Company statement of changes in equity
for the year ended 30 June 2018

	Issued share capital £m	Share premium account £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Profit and loss account £m	Total shareholders' funds £m
At 30 June 2016	18.3	96.7	47.9	(0.3)	12.6	175.2
Year ended 30 June 2017						
Profit for the year	–	–	–	–	3.8	3.8
Other comprehensive income/(expense)						
Items that may be reclassified to profit or loss:						
Net changes in fair value	–	–	–	2.6	2.3	4.9
Loss on cash flow hedges transferred to the profit and loss	–	–	–	(3.1)	3.1	–
Gain on discontinued cash flow hedges to exceptional items	–	–	–	0.7	(0.7)	–
Total other comprehensive income/(expense)	–	–	–	0.2	4.7	4.9
Total comprehensive income	–	–	–	0.2	8.5	8.7
Transactions with owners of the parent						
Issue of B Shares	–	(6.9)	–	–	–	(6.9)
Redemption of B Shares	–	–	6.6	–	(6.6)	–
Share-based payments	–	–	–	–	0.3	0.3
Purchase of own shares	–	–	–	–	(0.2)	(0.2)
At 30 June 2017	18.3	89.8	54.5	(0.1)	14.6	177.1
Year ended 30 June 2018						
Profit for the year	**–**	**–**	**–**	**–**	**33.4**	**33.4**
Other comprehensive income/(expense)						
Items that may be reclassified to profit or loss:						
Net changes in fair value	**–**	**–**	**–**	**(0.1)**	**0.1**	**–**
Profit/(loss) on cash flow hedges transferred to profit and loss	**–**	**–**	**–**	**0.1**	**(0.1)**	**–**
Total other comprehensive income/(expense)	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**–**	**33.4**	**33.4**
Transactions with owners of the parent						
Issue of B Shares	**–**	**(8.0)**	**–**	**–**	**–**	**(8.0)**
Redemption of B Shares	**–**	**–**	**7.7**	**–**	**(7.7)**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**0.3**	**0.3**
At 30 June 2018	**18.3**	**81.8**	**62.2**	**(0.1)**	**40.6**	**202.8**

Notes to the Company financial statements

for the year ended 30 June 2018

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. The Company develops and manufactures products for the majority of retailers and major brand owners throughout the UK, Europe and Asia.

The Company is a PLC, with shares traded on the AIM market, incorporated and domiciled in the UK and registered in England and Wales. The address of its registered office is McBride plc, Middleton Way, Middleton, Manchester M24 4DP.

Basis of preparation

The Company's financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 ('the Act') as applicable to companies using FRS 101. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

These financial statements of the Company are prepared in accordance with FRS 101.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, 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 2018, the outstanding contracts all mature within twelve months (2017: twelve months) of the year end. The Company is committed to sell CZK, PLN, EUR, DKK and receive a fixed Sterling amount.

The Company also enters into foreign exchange options contracts to mitigate the GBP:EUR exchange risk for currency sales. At 30 June 2018, the outstanding contracts all mature within twelve months (2017: twelve months) of the year end. These contracts are measured at fair value with movements reflected in the income statement.

The Company also enters into interest rate swap contracts to mitigate against the floating interest rates on revolving credit facility debt. At 30 June 2018, there are eight outstanding contracts; two mature within twelve months of the year end with the remaining six maturing more than twelve months after the year end.

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, and GBP:DKK as well as EUR and DKK interest rates.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date. Currency translation differences are recognised in the income statement.

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 a sponsored ESOP trust to employee share schemes. When own shares are acquired, the cost of purchase in the market is deducted from the profit and loss account reserve. Gains and losses on the subsequent transfer or sale of own shares are recognised directly in the profit and loss account.

Cash flow statement
A cash flow statement is not presented in these financial statements on the grounds that the Company's cash flows are included in the consolidated financial statements of the Company and its subsidiaries.

2. Critical accounting estimates and judgements
The principal judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below:

- IAS 36 'Impairment of assets'. In testing for impairment of investments and other assets, and assets owed to/from subsidiaries, the directors have made certain assumptions concerning the future development of its subsidiary businesses that are consistent with their annual budgets and forecasts into perpetuity. Should these assumptions regarding the discount rate or growth in the profitability be unfounded then it is possible that investments included in the balance sheet could be impaired; and
- the Company has a number of forward exchange contracts, interest rate swaps, interest rate caps and collars. These are recognised at fair value in the financial statements. When assessing the fair value of each financial instrument, management take into consideration interest rates and exchange rates. These factors are used to determine the extent to which the hedge is effective.

Notes to the Company financial statements continued

for the year ended 30 June 2018

3. Profit for the financial year

As permitted by section 408(3) of the Act, the Company's income statement or a statement of comprehensive income are not presented in these financial statements.

Fees payable to the Company's auditor, PricewaterhouseCoopers LLP, in respect of the audit of the Company's financial statements were £0.1 million (2017: £0.1m).

The Company's profit for the financial year was £33.4 million (2017: £3.8m).

4. Employee information

The monthly average number of persons employed by the Company during the year was as follows:

	2018 Number	2017 Number
Directors	2	2
Non-Executive Directors	4	4
Finance	12	12
Total	18	18

Aggregate payroll costs were as follows:

	2018 £m	2017 £m
Wages and salaries	1.8	3.5
Social security costs	0.3	0.3
Other pension costs	0.2	0.2
Total	2.3	4.0

Executive Directors' emoluments which are included in the above and are detailed further in the Directors' Remuneration report on pages 50 to 63.

5. Investments

	£m
At 1 July 2017 and at 30 June 2018	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 2018 are set out on pages 128 and 129.

Details of the share-based payments provided by the Company to employees of its subsidiaries are presented in note 24 to the consolidated financial statements.

6. Receivables

	2018 £m	2017 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	254.6	210.6
Deferred tax asset (see note 10)	0.4	0.5
Other debtors	—	—
Prepayments and accrued income	0.1	0.2
	255.1	211.3

Amounts owed by subsidiaries are interest free, unsecured and repayable on demand.

7. Creditors: amounts falling due within one year

	2018 £m	2017 £m
Amounts owed to subsidiary undertakings	135.2	130.5
Derivative financial instruments	0.2	0.6
B Shares (see note 9)	1.5	1.2
Accruals and deferred income	1.3	3.3
Bank overdrafts	1.5	—
Total	139.7	135.6

Amounts owed to subsidiaries are interest free, unsecured and repayable on demand.

8. Creditors: amounts falling due after more than one year

	2018 £m	2017 £m
Bank and other loans	**70.7**	60.7
Derivative financial instruments	**0.2**	—
Total	**70.9**	60.7

Bank and other loans represent amounts drawn down under a €175 million revolving credit facility which is committed until June 2022.

9. Payments to shareholders

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

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

	2018		2017	
	Pence per share	£m	Pence per share	£m
Interim	**1.5**	**2.7**	1.4	2.6
Final	**2.8**	**5.2**	2.9	5.3
Total for the year	**4.3**	**7.9**	4.3	7.9

The proposed final payment in respect of 2018 of 2.8 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:

	2018		2017	
	Number 000	Nominal value £m	Number 000	Nominal value £m
Issued and fully paid				
At 1 July 2017	**1,205,612**	**1.2**	858,528	0.9
Issued	**8,022,619**	**8.0**	6,923,954	6.9
Redeemed	**(7,667,857)**	**(7.7)**	(6,576,870)	(6.6)
At 30 June 2018	**1,560,374**	**1.5**	1,205,612	1.2

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

10. Deferred tax

The elements and movements of deferred tax are as follows:

	Share-based payments £m	Other short-term differences £m	Total £m
At 1 July 2016	—	(1.8)	(1.8)
Credit to income statement	0.1	2.2	2.3
At 30 June 2017	0.1	0.4	0.5
At 1 July 2017	0.1	0.4	0.5
Credit/(charge) to income statement	**0.1**	**(0.2)**	**(0.1)**
At 30 June 2018	**0.2**	**0.2**	**0.4**

11. Provisions for liabilities

	£m
At 1 July 2017	0.3
Utilised	**(0.3)**
At 30 June 2018	**—**

Notes to the Company financial statements continued
for the year ended 30 June 2018

12. Called-up share capital

	Allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 30 June 2017 and at 30 June 2018	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 2018, awards were outstanding over 1,964,956 ordinary shares (2017: 1,243,724 ordinary shares) in relation to the equity-settled employee share schemes that are operated by the Company. Further information on the employee share schemes is presented in note 24 to the consolidated financial statements.

13. Guarantees
The Company has guaranteed the indebtedness of certain of its subsidiaries up to an aggregate amount of £3.5 million (2017: £5.4m).

14. 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.

Group five-year summary

	Year ended 30 June				
	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Revenue	755.0	705.2	680.9	704.2	744.2
Adjusted operating profit	36.2	41.5	36.2	28.5	22.0
Amortisation of intangible assets	(1.4)	(0.7)	(0.9)	(1.0)	(1.4)
Exceptional items	(21.7)	(1.0)	(2.4)	(17.8)	(34.5)
Operating profit/(loss)	13.1	39.8	32.9	9.7	(13.9)
Net finance costs	(5.3)	(20.6)	(7.1)	(7.1)	(7.4)
Profit/(loss) before tax	7.8	19.2	25.8	2.6	(21.3)
Taxation	(4.4)	(10.3)	(8.8)	(3.3)	2.2
Profit/(loss) after tax	3.4	8.9	17.0	(0.7)	(19.1)
Earnings per share					
Diluted	1.9p	4.9p	9.3p	(0.4p)	(10.5p)
Adjusted diluted	12.1p	13.1p	11.1p	8.3p	5.3p
Payments to shareholders (per ordinary share)	4.3p	4.3p	3.6p	3.6p	5.0p

	At 30 June				
	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Non-current assets					
Property, plant and equipment	135.6	140.9	136.2	129.8	143.4
Intangible assets	29.9	21.7	20.0	19.7	26.3
Other assets	13.6	12.7	22.5	21.5	14.6
	179.1	175.3	178.7	171.0	184.3
Current assets	269.0	244.6	240.0	225.4	245.8
Current liabilities	(256.4)	(241.3)	(219.6)	(218.0)	(229.8)
Non-current liabilities	(124.1)	(114.4)	(130.0)	(120.9)	(131.7)
Net assets	67.6	64.2	69.1	57.5	68.6
Net debt	114.3	75.7	90.9	92.4	84.7

Subsidiaries

Details of the Company's subsidiaries at 30 June 2018 are as follows. In each case, the Company's equity interest is in the form of ordinary shares which, unless stated otherwise, are indirectly owned.

The business activity of each of the Company's trading subsidiaries is the manufacture, distribution and sale of Household and Personal Care products.

Subsidiaries	Equity interest	Country of incorporation and operation
Trading subsidiaries		
Robert McBride Ltd[(1)(a)]	100%	England
McBride S.A.[(b)]	100%	Belgium
McBride S.A.S.[(c)]	100%	France
McBride S.p.A.[(d)]	100%	Italy
Problanc S.A.S.[(c)]	99%	France
Vitherm France S.A.S.[(e)]	100%	France
McBride B.V.[(f)]	100%	Netherlands
Chemolux Germany GmbH[(g)]	100%	Germany
Chemolux S.a.r.l.[(h)]	100%	Luxembourg
Intersilesia McBride Polska Sp. z o.o[(i)]	100%	Poland
McBride S.A.U.[(j)]	100%	Spain
Danlind a/s[(k)]	100%	Denmark
McBride Australia Pty Ltd[(l)]	100%	Australia
McBride Hong Kong Limited[(m)]	100%	Hong Kong
Fortune Laboratories Sdn. Bhd.[(n)]	100%	Malaysia
Newlane Cosmetics Company Limited[(o)]	100%	Vietnam
Fortune Organics (F.E.) Sdn. Bhd.[(n)]	100%	Malaysia
Holding companies		
McBride Holdings Limited[(a)]	100%	England
McBride CE Holdings Limited[(a)]	100%	England
McBride spol. s r.o.[(p)]	100%	Czech Republic
McBride Asia Holdings Limited[(m)]	100%	Hong Kong
McBride Hong Kong Holdings Limited[(m)]	100%	Hong Kong
Fortlab Holdings Sdn. Bhd.[(n)]	100%	Malaysia
CNL Holdings Sdn. Bhd.[(n)]	100%	Malaysia

(1) McBride plc directly owns 100% of McBride Holdings Limited and 57.7% of Robert McBride Ltd.

Subsidiaries	Equity interest	Country of incorporation and operation
Dormant		
CM Nouvelle Holdings Pte. Ltd.[q]	100%	Singapore
Breckland Mouldings Limited[a]	100%	England
Camille Simon Holdings Limited[a]	100%	England
Camille Simon Limited[a]	100%	England
Culmstock Limited[a]	100%	England
Darcy Bolton Limited[a]	100%	England
Darcy Bolton Property Limited[a]	100%	England
Darcy Limited[a]	100%	England
Detergent Information Limited[a]	100%	England
G.Garnett & Sons Limited[a]	100%	England
G.Garnett Estates Limited[a]	100%	England
Globol Properties (UK) Limited[a]	100%	England
H.H. Limited[a]	100%	England
HomePride Limited[a]	100%	England
Hugo Personal Care Limited[a]	100%	England
International Consumer Products Limited[a]	100%	England
Longthorne Laboratories Limited[a]	100%	England
McBride Aircare Limited[a]	100%	England
McBride Business Services Limited[a]	100%	England
McBride UK Limited[a]	100%	England
McBrides Limited[a]	100%	England
Milstock Limited[a]	100%	England
RMG (Droylsden) Limited[a]	100%	England
Robert McBride (Aerosols) Limited[a]	100%	England
Robert McBride (Bradford) Limited[a]	100%	England
Robert McBride (Properties) Limited[a]	100%	England
Robert McBride Homecare Limited[a]	100%	England
Robert McBride Household Limited[a]	100%	England
Savident Limited[a]	100%	England
McBride Holdings S.L.[j]	100%	Spain
Other		
Robert McBride Pension Fund Trustees Limited[a]	100%	England

Registered offices:

(a) Middleton Way, Middleton, Manchester M24 4DP.
(b) 6 Rue Moulin Masure, 7730 Estaimpuis, Belgium.
(c) 109-111 Rue Victor Hugo, 92532 Levallois-Perret Cedex, France.
(d) Corso Garibaldi 49, 20121 Milan, Italy.
(e) Rue des Casernes, 55400 Etain, France.
(f) Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands.
(g) Heinrichstrasse 73, 40239 Düsseldorf, Germany.
(h) Rue de l'industrie, Foetz, Luxembourg 3895.
(i) Ul. Matejki 2a, 47100 Strzelce Opolskie, Poland.
(j) Polígon Industrial l'Illa, C/ Ramon Esteve 20-22, 08650 Sallent, Barcelona, Spain.
(k) Lægårdvej 90-94, 7500 Holstebro, Denmark.
(l) Level 4, 147 Collins Street, Melbourne, Victoria 3000.
(m) Unit 6, 26th Floor, No. 1 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
(n) Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
(o) 22 VSIP II, Street 1, Vietnam Singapore, Industrial Park II, Hoa Phu Ward, Thu Dau Mot Town, Binh Duong Province, Vietnam.
(p) V Olšinách 75/2300, Prague 10 – Strašnice 10097, Czech Republic.
(q) 128 Tanjong Pagar Road, Singapore 088535.

Useful information for shareholders

Financial calendar

Next key dates for shareholders in 2018 and 2019:

Annual General Meeting	23 October 2018
2018/19 Q1 Interim management statement	23 October 2018
Record date for entitlement to B Shares	26 October 2018
Record date for entitlement to B Share allotments payable on B Shares issued and not previously redeemed	26 October 2018
Ex-entitlement to B Shares date	29 October 2018
Credit CREST accounts with B Share entitlements	29 October 2018
Latest date for receipt by registrar of completed election forms and submitting CREST elections	16 November 2018
Despatch of cheques in respect of B Shares which have been redeemed	30 November 2018
Payment into bank accounts in respect of B Shares which have been redeemed by certificated shareholders who have valid mandate instructions in place	30 November 2018
Despatch of share certificates for B Shares not being redeemed	30 November 2018
Payments on redeemed B Shares issued in CREST	30 November 2018
Payments of B Share allotments payable on B Shares issued and not previously redeemed	30 November 2018
2018/19 Half year end	31 December 2018
2018/19 Half year trading statement	January 2019
Interim results announced	February 2019
2018/19 Year end	30 June 2019
2018/19 Year end trading statement	July 2019
Full-year preliminary statement	September 2019

These dates are provisional and may be subject to change.

Payments to shareholders

On 24 March 2011 shareholders approved a proposal for the implementation of a B Share scheme as a mechanism for making payments to shareholders. This involves the issue of non-cumulative redeemable preference shares (B Shares) in place of income distributions. Shareholders are able to redeem any number of their B Shares for cash. B Shares that are retained attract a dividend of 75% of LIBOR on the 0.1 pence nominal value of each share, paid on a twice-yearly basis.

Shareholders who have valid mandate instructions in place may choose to have payments made directly into their bank or building society account. Confirmation of payment is contained in a payment advice which is posted to shareholders' registered addresses at the time of payment. This payment advice should be kept safely for future reference.

Shareholders who wish to benefit from this service should complete the relevant section of the election form accompanying the Notice of Annual General Meeting. Alternatively, the required documentation can be obtained by contacting the Company's registrar using one of the methods outlined below.

Shareholder queries

Our share register is managed by Link Asset Services (formerly Capita Asset Services), who can be contacted:

by telephone	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.
by email	enquiries@linkgroup.co.uk
by post	Link Asset Services, The Registry, 34 Beckenham Road, Beckenham BR3 4TU

When writing, please indicate that you are a McBride shareholder.

Shareholders are also able to access and amend details of their shareholding (such as address and distribution payment instructions), via the registrar's website at www.signalshares.com. If you have not previously registered to use this facility you will need your investor code, which can be found on your proxy card, or on any share certificate issued by Link Asset Services.

ShareGift

McBride supports ShareGift, the share donation charity (registered charity no. 1052686). ShareGift was set up so that shareholders who have only a very small number of shares which might be considered uneconomic to sell are able to dispose of them by donating them for the benefit of UK charities. Donating shares to charity gives rise neither to a gain nor a loss for UK capital gains purposes and UK taxpayers may also be able to claim income tax relief on the value of the donation. Even if the share certificate has been lost or destroyed, the gift can be completed.

Further information about donating shares to ShareGift is available either from its website at www.sharegift.org or by contacting them on +44 (0)20 7930 3737.

Share price history

The following table sets out, for the five financial years to 30 June 2018, 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
2014	135	93	111	96
2015	105	75	89	102
2016	178	102	149	156
2017	207	146	180	187
2018	**232**	**121**	**177**	**132**

Shareholder Security

The Company is required by law to make its share register publicly available. As a consequence, shareholders may receive unsolicited mail from organisations that use it as a mailing list. Shareholders wishing to limit the amount of such mail should either write to Mailing Preference Service, DMA House, 70 Margaret Street, London W1W 8SS, register online at www.mpsonline.org.uk or call the Mailing Preference Service (MPS) on +44 (0)845 703 4599. MPS is an independent organisation which offers a free service to the public.

Each year in the UK shareholders lose money due to investment fraud. Investment scams are becoming ever more sophisticated – designed to look like genuine investments, they are increasingly difficult to spot. REMEMBER, if it sounds too good to be true, it probably is!

If you suspect you have been approached by fraudsters please tell the Financial Conduct Authority using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk. Find out more at www.fca.org.uk/scamsmart

Cautionary statement

This Annual Report has been prepared for the shareholders of McBride plc, as a body, and no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Group, the potential for those strategies to succeed and for no other purpose. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

This Annual Report contains certain forward-looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

No assurances can be given that the forward-looking statements in this Strategic report will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Strategic report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Report should be constituted as a profit forecast.

Strategic and Directors' reports and the corporate governance and financial statements form a Directors' report. Both the Directors' report and Strategic report have been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law. In particular, the Directors would be liable to the Company (but not to any third party) if the Strategic report and/or Directors' report contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Advisers

Company's registered office
McBride plc
Middleton Way
Middleton
Manchester M24 4DP
Telephone: +44 (0)161 653 9037
www.mcbride.co.uk
Company number: 02798634

Independent auditor
PricewaterhouseCoopers LLP
Chartered Accountant and Statutory Auditors
7 More London Riverside
London SE1 2RT

Financial adviser and broker
Investec plc
2 Gresham Street
London EC2V 7QP

Principal bankers
HSBC Bank plc
4 Hardman Square
Spinningfields
Manchester M3 3EB

BayernLB
Moor House
120 London Wall
London EC2Y 5ET

BNP Paribas London Branch
10 Harewood Avenue
London NW1 6AA

KBC Bank N.V.
111 Old Broad Street
London EC2N 1BR

Barclays Bank PLC
3 Hardman Street
Manchester M3 3HF

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Financial public relations advisers
FTI Consulting LLP
200 Aldersgate
London EC1A 4HD

Corporate
McBride plc
Central Park
Northampton Road
Manchester M40 5BP
Telephone: +44 (0)161 203 7401

UK
Robert McBride Ltd
Middleton Way
Middleton
Manchester M24 4DP
Telephone: +44 (0)161 653 9037

North
McBride S.A.
6 Rue Moulin Masure
7730 Estaimpuis
Belgium
Telephone: +32 56 482111

East
Intersilesia McBride Polska Sp. z o.o
Ul. Matejki 2a
47100 Strzelce Opolskie
Poland
Telephone: +48 774 049 100

South
McBride S.p.A.
Via F.lli Kennedy, 28/B
24060 Bagnatica (Bergamo)
Italy
Telephone: +39 35 6666411

South East Asia/Australasia
McBride Hong Kong Ltd
Unit 2001-02, 20th Floor, Prosperity Place
6 Shing Yip Street, Kwun Tong, Kowloon
Hong Kong
Telephone: +852 2790 8480

Find us online
www.mcbride.co.uk

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C016486

Printed by CPI Colour, a Carbon Neutral® and FSC® chain of custody certified company.
Printed on paper which is ISO 14001 and FSC® certified.

Designed and produced by
lyonsbennett
www.lyonsbennett.com

McBride plc
Middleton Way
Middleton
Manchester M24 4DP
Telephone: +44 (0)161 653 9037
www.mcbride.co.uk

Winner of Best Annual Report at the IR Society Best Practice Awards 2016

Winner of Most Effective Communication of Company Investment Proposition at the IR Society Best Practice Awards 2017

Winner of Best Annual Report at the IR Magazine Awards – Europe 2017

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.