Refreshed, innovative and focused

McBride plc Annual Report and Accounts 2013

Contents

Directors' report
Pages 1 to 79 inclusive, of this Annual Report comprise a Directors' Report that has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law. In particular, Directors would be liable to the Company (but not to any third party) if the Directors' Report contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Passionate about Private Label

McBride is Europe's leading provider of Private Label Household and Personal Care products. We develop, produce and sell our products to the major grocery retailers throughout Europe and beyond.

We have reorganised the Group on a functional basis, resulting in a refreshed, leaner organisation, focused on our core Commercial, Supply Chain and R&D functions.

During the year, we have continued to drive innovation through our Centres of Excellence, resulting in a number of timely new product launches. We continue to focus on a number of Core categories, pursuing opportunities to expand our geographic reach and will continue to seek ways of improving our operating margins.

The actions taken during the year provide the platform on which to build the momentum for Private Label in our Core categories and accelerate the pace of growth.

Refreshed, innovative and focused

Overview

Highlights

Financial highlights

- Revenue of £761.4 million (2012: £813.9m)
- Operating profit of £15.4 million (2012: £18.1m)
- Adjusted operating profit[1] was £24.0 million (2012: £29.5m)
- Adjusted operating margin[1] 3.2% (2012: 3.6%)
- Diluted earnings per share of 3.2 pence (2012: 5.0p)
- Adjusted diluted earnings per share[1] of 7.5 pence (2012: 9.7p)
- Full year payment to shareholders of 5.0 pence per ordinary share, to be remitted through the B Share scheme
- Year-end net debt of £86.8 million (2012: £81.2m)

(1) An explanation of these performance measures is presented on page 3.

Commercial highlights

- Share of revenues from developing and emerging markets 11% (2012: 9%)
- Core and Future Growth categories 49% of Private Label revenues (2012: 47%)
- Successful implementation of Group reorganisation
- Continued strong growth in Germany and Poland
- A successful product launch programme in the second half

Key Performance Indicators (KPIs)

Management uses a number of KPIs to measure the Group's performance and progress against its strategic objectives. The most important of these KPIs focus on the five key areas of organic revenue growth, trading profitability, return on capital employed, customer service level and waste efficiency.

Certain of these KPIs reflect adjustments to amounts determined in accordance with International Financial Reporting Standards (IFRSs). Adjustment is made for specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. During the period under review, adjustment was made for the amortisation of intangible assets and changes in the estimate of contingent consideration arising on business combinations, exceptional items (which comprised reorganisation and restructuring costs and impairments of long-lived assets), the unwinding of the discount on the contingent consideration and the tax relating to these items.

Adjusted performance measures are not defined by IFRSs and may differ from similarly-titled measures used by other companies.

Organic revenue growth Change in revenue adjusted for the effect of exchange rate movements (constant currency) and the contribution of businesses acquired or sold.	**(5)%** (2012: 1%)
Adjusted operating profit Operating profit before adjusting items.	**£24.0m** (2012: £29.5m)
Adjusted operating margin Adjusted operating profit as a percentage of revenue.	**3.2%** (2012: 3.6%)
Adjusted diluted earnings per share Profit attributable to shareholders before adjusting items divided by the average number of ordinary shares used for calculating diluted earnings per share.	**7.5p** (2012: 9.7p)
Return on capital employed Adjusted operating profit as a percentage of average year-end net assets excluding net debt.	**12.4%** (2012: 14.7%)
Customer service level Volume of products delivered in the correct volumes and within agreed timescales as a percentage of total volumes ordered by customers.	**96%** (2012: 96%)
Waste efficiency Tonnes of waste produced as a percentage of total production tonnage.	**1.4%** (2012: 1.6%)

Overview

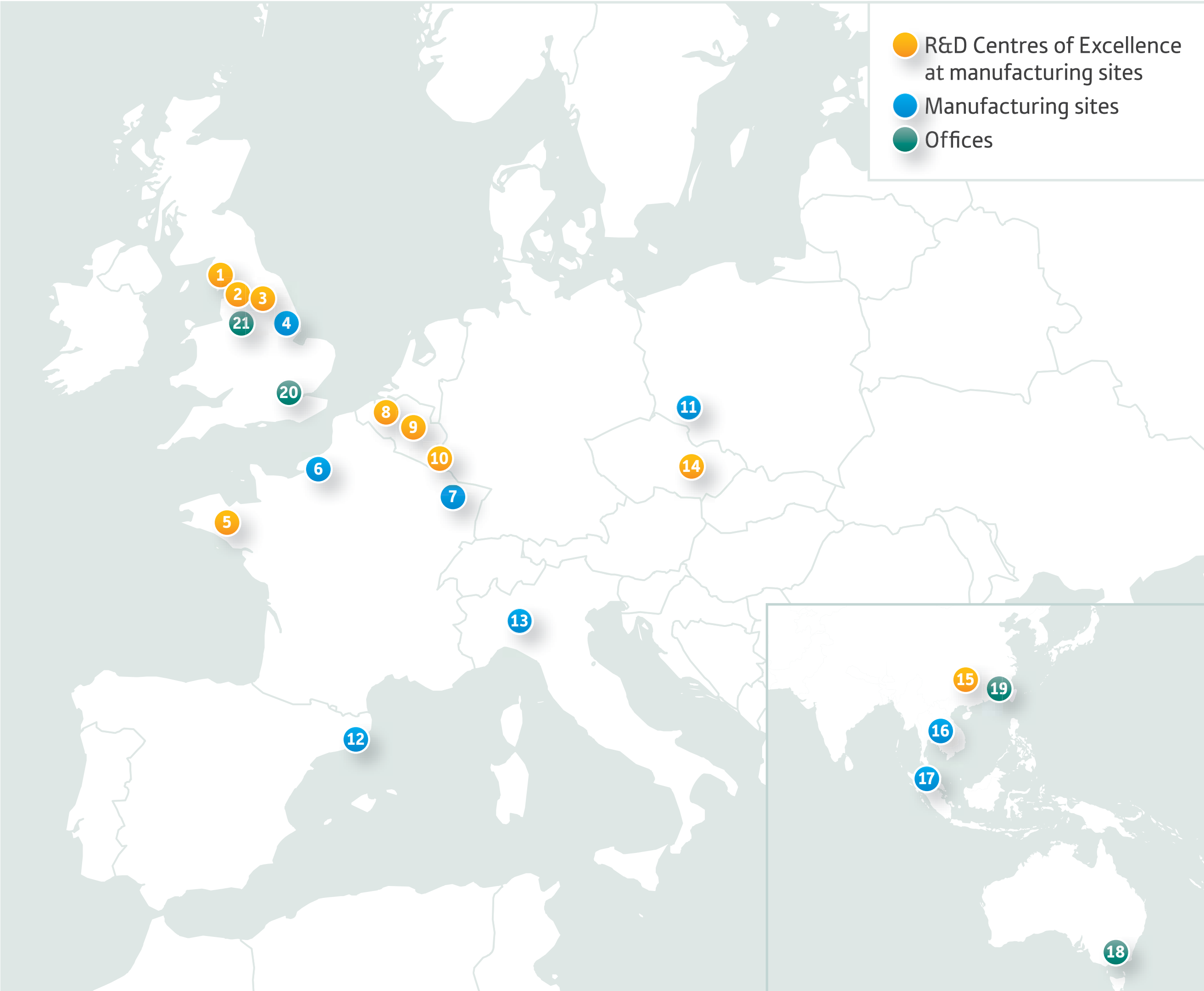
Focused on a streamlined business

Group structure

At the beginning of the year, we reorganised our management structure to focus on our core functions: Commercial, Supply Chain and R&D. Our markets continue to be defined by geography and, therefore, the Board assesses financial performance and allocates resources primarily on a geographical basis. We have three reportable segments: the UK, Western Europe and the Rest of the World.

Function				
Commercial	Core markets		Growth engine	Build for future growth
	UK	Western Europe	Rest of the World	
			Central & Eastern Europe	Asia Pacific
	Category management			
R&D	Centres of Excellence			
Supply Chain	Purchasing Manufacturing	Logistics Quality		
Support functions	Finance & Information Systems Human Resources			

Locations



Reference	Site	Product capabilities
1	Barrow	Laundry powders, tabs, Dishwashing
2	Middleton	Household liquids
3	Bradford	Personal care & Laundry liquids
4	Hull	HH & PC aerosols
5	Rosporden	HH & PC aerosols
6	Moyaux	Laundry powders, tabs, Dishwashing
7	Etain	Household liquids
8	Ieper	Household & Personal care liquids
9	Estaimpuis	Household & Laundry liquids
10	Foetz	Machine dishwashing
11	Strzelce	Household & Personal care liquids
12	Sallent	Household & Laundry liquids
13	Bergamo	Household & Laundry liquids
14	Brno	Skincare
15	China	Household cleaners & Air care
16	Malaysia	Personal care liquids and Skincare
17	Vietnam	Personal care liquids and Skincare
18	Melbourne	McBride Australia Sales office
19	Hong Kong	Asia Pacific Sales office
20	London	McBride plc Head office
21	Manchester	McBride Shared Services Centre

Overview

Our business environment

Consumer spending

McBride closely monitors those factors which influence consumer spending and the way in which consumers are reacting to the current economic climate.

The level of economic activity continues to remain weak in many markets across Europe with continuing uncertainty on sovereign debt in some countries. There were almost 26.5 million people unemployed across the EU 27 countries in June 2013, with an average of 12% in the Euro area.

The state of the economy directly affects consumer confidence. This, coupled with concerns over job security and food price inflation, is putting increased pressure on disposable incomes and consumer spending patterns. With food prices rising an average of 2% across Europe, consumers are cutting back on some non-essential items.

The Household and Personal Care categories are the most heavily promoted of all grocery categories.[1] Recent analysis from IRI indicates that the level of Household care promotion across Western Europe was up 4% and Personal Care promotions were up 7% compared to last year, whilst overall both category's sales volumes declined by 1%.

Consumers are becoming more 'forensic' in their approach to shopping, using mobile apps and online sites to compare brand prices and promotions before they shop, writing shopping lists and collecting money-off coupons. In the UK, leading retailers have responded to this behaviour through brand price matching, to reassure their customers that they can afford to be loyal. Private Label has a key role to play in helping the retailer to differentiate from its competitors and maintain its value offering.

In France, price cuts are still dominating retail marketing, however the total volume of products on promotion fell slightly in the first quarter of 2013. In Italy, the overall level of promotions increased slightly in the first quarter of 2013, with Private Label being included to boost retailer margins. Germany has the lowest volume of brand promotions of our major Western European markets.

Retail Structure

Retail structures are changing with online, convenience and discount formats all gaining share.

The multi-channel and multi-store shopper are the most significant emerging retail trends in Western and Eastern Europe, with online, convenience and discount channels all showing significant growth, although big box formats still achieve the greatest sales.

(1) Source: IRI Infoscan year ended March 2013 France, Italy, Spain, UK, Germany, Netherlands and Greece.

Changing consumer attitudes to Private Label

Reasons for buying more standard Private Label

Economic drivers

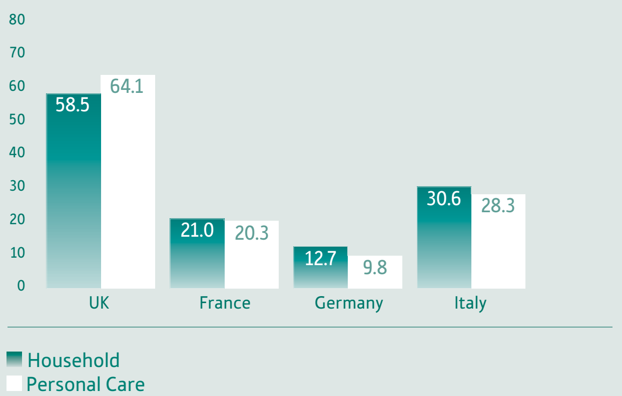
Tighter budgets	67%
Price inflation	63%
Forensic shopping	60%

Performance drivers

Quality improvements	50%
Range expansion	42%

Source: IGD Shopper Vista May 2013.

The percentage of Household and Personal Care products on promotion to end March 2013 (%)



Source: IRI July 2013 Special report: Pricing and Promotion in Europe.

According to Planet Retail, over the past five years the discount channel has grown at 3.5% compound annual growth rate (CAGR) and convenience at 3.4% CAGR, whereas hypermarkets/superstores grew at just 0.3% and supermarkets at 1.6%. Forward estimates put convenience growth at 5.1% and discounters at 4.4% CAGR to 2017.

Discounter growth is not only attributed to the convenience of their locations and their value proposition, but also to the quality and improvement of their Private Label offering. Private Label products often outperform their brand equivalents in independent tests, which help drive consumer confidence.

E-commerce is the fastest growing channel, increasing sales by 12.3% CAGR from 2007 to 2012, and is estimated to grow at 17.3% to 2017.

The growth of these divergent channels is primarily driven by consumer demand for their shopping needs to be met at a time and place that suits their lifestyle. Consumers expect a similar experience from their retailer, regardless of channel, so a cohesive, comprehensive and relevant Private Label offering across all channels is a key element in meeting consumer demands.

The main drivers in shopper store choice are price, convenience, quality and availability[2] so retailers need to make it easier for shoppers to quickly locate the best value products. The new Private Label value proposition is more than just price, there is an increased focus on the added value benefits, whether it is enhanced performance, convenient packaging, sustainability credentials or innovation.

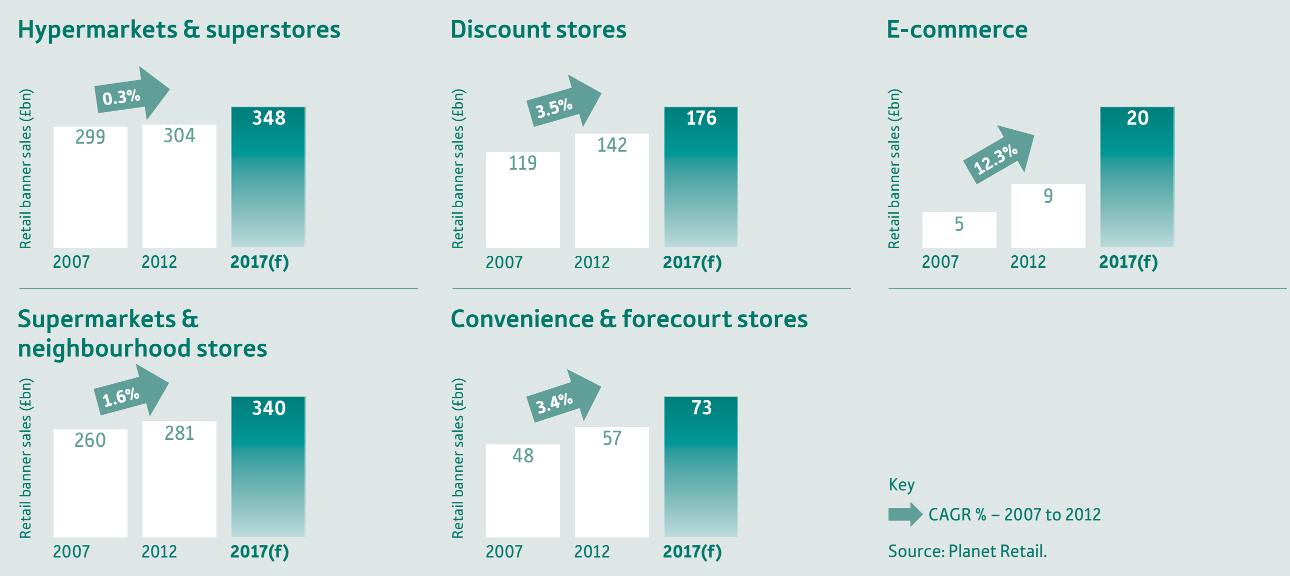
The challenge for manufacturers is to meet this rapidly changing retail environment with a responsive and agile supply chain.

(2) Source: Shopper Vista Research, British grocery shoppers March 2013.

88% of shoppers said they intend to keep purchasing own brand even after the economic climate improves

Source: Nielsen/Planet Retail.

Western Europe channel sales 2007-2017 (£bn)



Source: Planet Retail.

Business review

Chairman's statement

> "Following a disappointing performance through much of the year, an unprecedented product launch programme has returned our Private Label business to growth in the fourth quarter."

Iain Napier
Chairman

Introduction

This year, we have again seen the economic environment in Western Europe contributing to weak consumer demand. As a consequence, consumers are continuing to seek out the value that Private Label offers. McBride's fourth quarter revenue growth is demonstrating that we are taking advantage of this to move our Private Label business into growth.

Group revenues for the full year were down 5% on a constant currency basis. In the first half, McBride's Private Label revenue was constrained by the exiting of low-margin contracts, and contract manufacturing revenue by the wind-down of selected business. The unprecedented level of branded promotional activity in our third quarter further impacted revenues and, ultimately, our operating profit and earnings, as outlined in the March trading update.

Our progress in our developing and emerging markets, where our Private Label sales have grown 16% on a constant currency basis, has been encouraging.

The reorganisation of the Group in June 2012 that removed the old divisional structure has been successful. Greater category focus, supported by the R&D Centres of Excellence, has led to a Group-wide product launch programme that was instrumental in our return to growth in the second half. Looking forward, we expect the reorganisation to be increasingly beneficial as our manufacturing assets are more effectively utilised and our innovation pipeline becomes increasingly focused.

Board responsibilities

One change to the Board was announced during the year. Steve Hannam joined as a Non-Executive Director on 4 February 2013. Steve is Chairman of Devro plc and is a non-executive director of Low and Bonar PLC.

Bob Lee will retire from the Board after the conclusion of the Annual General Meeting (AGM) following ten years' service with the Company. I would like to thank Bob for his contribution during this time.

Bob's Board responsibilities will be re-assigned with effect from the conclusion of the AGM. Steve Hannam will become Senior Independent Director and Sandra Turner, Chair of the Remuneration Committee.

Aldi Sud's new auto dishwash tablets were the first Private Label tab-in-tabs to be launched in Germany.

Having successfully implemented the reorganisation of the Group, Chris Bull will now focus on driving our growth. Richard Armitage will lead the drive for cost leadership and will take responsibility for Manufacturing, Distribution and Procurement with immediate effect, as well as continuing to lead the development of the Group's new shared services organisation and performing his responsibilities as CFO.

People

The Private Label retail market provides a challenging environment for our people. They have, during the course of this year, delivered our product launch programme whilst learning to operate in a new organisation and also coping with a challenging trading environment. I would like personally to thank them for their dedication and hard work.

Corporate governance

Our Board continually seeks to improve the governance of the Group for the benefit of all our stakeholders. My statement and details of how the main principles of the UK Corporate Governance Code are being applied are set out in the Corporate Governance section of the Report on pages 42 to 79.

During the year, we have carried out an evaluation of the Board's effectiveness and an exercise to benchmark executive and senior management remuneration packages. The results of these exercises continue to confirm our belief that we are working to good practice standards.

The Board has also carried out a comprehensive risk management exercise. This has highlighted a number of areas to be addressed, a summary of which is set out on pages 53 to 57 of the Report.

Results and payments to shareholders

Revenue decreased by £52.5 million to £761.4 million (2012: £813.9m), with a 5% decline at constant currency. Profit after tax attributable to shareholders was £5.9 million (2012: £9.1m). Adjusted diluted earnings per share were 7.5 pence (2012: 9.7p).

At the year end, net debt was £86.8 million (2012: £81.2m). Operating cash flows were offset by exceptional costs of £8.4 million (2012: £6.7m) and capital expenditure of £16.2 million (2012: £26.4m).

The Board is recommending a final payment to shareholders of 3.3 pence per share (2012: 3.0p). This would result in a total payment to shareholders for the year of 5.0 pence (2012: 5.0p), which would be covered 1.5 times by adjusted diluted earnings per share (2012: 1.9 times). Subject to approval at the AGM, the payment would be made by means of an allotment of 33 non-cumulative redeemable preference shares ('B Shares'), giving a total allotment for the year of 50 B Shares.

Looking to the future

Whilst we do not anticipate significant softening of branded promotional activity, the return to growth of our Private Label business, and the outperformance of revenue from our Core and Future Growth categories, is evidence that McBride is successfully following the right strategy. Our new organisation is working, and is now highly focused on exploiting the Private Label opportunity for the benefit of our stakeholders.

We have made a good start to the new financial year with trading in line with expectations.

Iain Napier
Chairman

Business review

Chief Executive Officer's review

"Our principal objective for the current year is to exploit the opportunities available to us to drive Private Label growth in our Core categories and accelerate the pace of growth, whilst taking action to become more competitive."

Chris Bull
Chief Executive Officer

Overview

During the past year trading conditions in many of our core European markets remained challenging, due to ongoing weak economic activity in a number of countries within the Eurozone and the UK, and with continuing high levels of unemployment. We have seen Private Label retail sales maintain share overall in our core markets of Western Europe, although overall category consumption remains very subdued or has fallen. Significant deep discount promotional activity, especially during the 'Spring Cleaning' season, impacted our revenue in the second half.

The outlook in our developing and emerging markets of Central and Eastern Europe and Asia Pacific is more positive with strong Private Label dynamics. We have continued to see strong Private Label revenue growth in Poland, and also in Australia and South East Asia where we are investing to support local and international retailers' expansion plans.

On 1 July 2012, we implemented the reorganisation of the Group with the principal aim of removing the divisional structures. This was a logical progression from the organisational changes we implemented under Project Refresh over the last two years to exploit our scale and capabilities.

The Commercial organisation is supported by Group-wide Supply Chain and R&D functions. The Group's Asia Pacific operations now reports directly to the Group Chief Executive Officer. We have three reportable segments: the UK, Western Europe and the Rest of the World (covering Central and Eastern Europe and Asia Pacific).

The principal benefits from the new structure are: improved speed of decision making; quicker reaction to changes in market dynamics and consumer trends; a sharper focus on and improved responsiveness to the needs of our customers; faster deployment of innovation across geographies; and shared best practice across all geographies and categories.

Group revenues were impacted by the wind-down of parts of our contract manufacturing activities in Europe, resulting in revenues of £761.4 million for the year, which were down 5% on a constant currency basis. After a first half in which Private Label revenues were also impacted by the exiting of low-margin contracts, and a third quarter that was impacted by unprecedented levels of branded promotional activity, our Private Label business returned to growth by the fourth quarter resulting in Private Label revenue growth of 2% for the second half. Revenue growth in our Core and Future Growth categories for the same period was 3%.

Tesco's Pro Formula for Men combines specially selected ingredients and expert knowledge to create a range of products especially suitable for men's hair and skin.

Trading since year-end has been in line with expectations. Although the economic environment in Western Europe remains depressed, the strong performance of our Private Labels in quarter four, the further development of our Core category focus and momentum in our developing and emerging markets has confirmed to us that we are taking the right actions to deliver future growth.

Strategic progress

Our strategy is to drive Private Label growth in the Household and Personal Care markets throughout Europe and into developing and emerging markets through product innovation, excellent customer service and quality, and by exploiting our scale in procurement and operational efficiency to deliver exceptional value.

Our main achievements have been:

→ removal of the divisional structures in July 2012 and the creation of Commercial and Operations functions focused, respectively, on driving growth and cost reduction;

→ establishment of a Group-led R&D function driving NPD projects more effectively through our Centres of Excellence and with greater customer engagement;

→ successful delivery of our product launch programme;

→ continued strong growth in Germany and Poland; and

→ a strengthened capability in our Asia Pacific business resulting in a significant number of new Private Label contracts in the region.

Business model

Growing demand for Private Label products

Growth drivers

→ Customers seek value for money
→ Retailers continually look to differentiate their offering and build loyalty
→ Major retailers require price-competitive products to improve value stream
→ Private Label manufacturers develop innovative products
→ Retail concentration and globalisation

Delivering: Customer satisfaction and sustainable growth through the application of...

→ Consumer focus
→ Shopper focus
→ Category understanding
→ Customer service
→ Product quality
→ Product development skills
→ Manufacturing excellence and know-how

Business review
Chief Executive Officer's review
continued

CEO targets and achievements

Objectives for 2013	Our main achievements in 2013 have been:
Driving revenue growth by extending our category management approach.	A successful product launch programme in the second half supported by the new R&D structure. Building a significant business in Germany.
Continuing to strengthen our geographic weighting in developing and emerging markets.	Continued strong performance in Eastern Europe driven by Poland. Strengthening the capability of our Asia Pacific business resulting in a significant number of new Private Label contracts in the region. Developing and emerging markets account for 11% of Group revenue (2012: 9%).
Achieving targeted overhead cost reductions, complexity reduction and process improvements.	Achievement of supply chain restructuring savings and Operational Excellence targets. Removal of the divisional structures in July 2012 and the creation of Commercial Business Units and Operations functions focused, respectively, on driving growth and cost reduction through our 'strategy into action' processes.
Targeting profitable new product development (NPD) through the reorganised R&D team.	The Group-led R&D function driving NPD projects more effectively through our Centres of Excellence and with greater customer engagement.

Commercial review

Market overview
In the 52-week period ended 9 July 2013, total retail sales volumes in the UK Household category grew by less than 2%. UK Private Label market volume grew slightly below the broader market at 1%, but volume share remained broadly stable at 29% over the period.

Private Label outperformed in the Core categories of machine dishwashing, laundry liquids and cleaners, where McBride's NPD projects are delivering strongly. Private Label machine dishwashing increased volume share by approximately 2% to 37%, laundry liquids increased by 1% to 20%, and cleaners increased by 3% to hold a 29% volume share. Private Label bleach volumes grew by 9% to hold a 54% volume share of the UK market.

In France, total Household category volumes for the 52-week period ended 30 June 2013 were flat, reflecting the highly competitive trading environment, whilst Private Label volumes were marginally lower, down 0.1%. The resulting overall Private Label Household products volume share remained broadly stable at 32%. In Italy, the Household market remained highly competitive, declining 2%, with Private Label volumes down 4% resulting in Private Label volume share reduced to just below 24%.

In Germany, Private Label volume grew 1%, compared to the overall market which declined by 1%, resulting in Private Label volume share increasing to just over 42%.

In Poland, Euromonitor reported Household Private Label sales were up 12% year-on-year, reaching 7% market value share.

In Personal Care, the UK market was down 1% compared to the prior year in the 52-week period ended 9 July 2013, with Private Label volumes down 2% due to the continuing high level of promotional activity in the sector. Overall, Private Label volume share of the UK Personal Care market was broadly flat at 18%. The overall market for Personal Care products in France was down 1% for the 52-week period ended 30 June 2013, with Private Label volumes down 4% resulting in a Private Label volume share of 20%.

Business performance
McBride's revenue declined by 5% in the year on a constant currency basis. Our programme of product launches resulted in Private Label revenue growth of 2% in the second half, reversing the 2% decline in the first half. Growth of 3% (on a constant currency basis) in our Core and Future Growth categories was also supported by our programme of new product launches, and those categories now account for 49% (2012: 47%) of total Private Label revenue. Our first pan-European product launch, using our innovative fast-dissolving machine dishwashing tablets, was particularly pleasing with category revenue growth of approximately 19% compared to the prior year.

In the UK, Private Label revenue declined by 9% reflecting the strategic exit from low-margin Private Label contracts in the first half, and deeply discounted branded promotional activity in the second half. In France, our largest market in Continental Europe, revenues were down 1% as a result of the wind-down of selected contract manufacturing activity announced early in the year. In Italy, Private Label revenue was down 4% reflecting the particularly weak

Walmart launched their new range of five household cleaners under their Great Value brand to capitalise on the growing penetration of Private Label in China. Manufactured in McBride's Zhongshan factory, China.

economic environment, in which the overall Household category revenue was down 2% and Private Label volumes were 4% lower year-on-year. Our German businesses achieved strong performance with revenue growth of 42% and we continue to make substantial inroads into the largest market in Europe. Overall, Private Label revenue across our Western European market was 2% lower.

Developing and emerging market revenues now account for 11% of Group revenue (2012: 9%). In Eastern Europe, our Polish business achieved another strong performance with Private Label revenue growth of 24% underpinning the overall Rest of the World revenue growth of 16%.

We have continued to grow our business in Asia. Some encouraging new business wins, and several new product launches, with both national and multinational retailers, have helped to boost sales in the region. We have made strong progress in Australia with contract wins on products supplied from our Malaysian and European factories. We have also taken important steps to build our Private Label business, and will shortly be launching Private Label household cleaners into the Chinese market. Upgrades to our facilities in Malaysia and Vietnam are underway. At the same time, our Asia business continues to grow contract manufacturing for brands developed and marketed by our customers in the region.

Group contract manufacturing revenue, however, declined by 27% as a consequence of the wind-down of selected contracts in Western Europe. This was a major factor in the overall decline in the Group's revenue.

Customer focus
The objective of our new organisation is to strengthen our relationships with the major retailers across Europe as well as in our developing and emerging markets. This will be achieved through aligning regional BUs with groups of customers, then focusing the BU teams on helping customers grow their Private Label sales. We continue to work closely with all our customers through dedicated account teams that offer category management advice, the development of tailor-made Private Label ranges and active support for in-store activities.

Customer service level (CSL) is a critical measure for our business and is monitored across all product segments. Our aim is always to deliver the products ordered by the customer in the correct volumes and to the agreed timescales, which can be as short as 24 hours. Rapid growth outstripping capacity in Eastern Europe, combined with some plant-specific mechanical failures, led to a temporary decline in service around the middle of the year. We took swift action to recover CSL by holding higher levels of stock, moving certain busy production lines to 24/7 running and making selective investments to increase blow moulding capacity in Poland resulting in CSL recovering in the fourth quarter to 97%. Our CSL remained at 96% (2012: 96%) for the year as a whole. This is below our internal target of a sustained CSL of 98% and will continue to be a key focus area of improvement in the future.

Category management
The role of category management is to design, develop and implement strategies to deliver profitable category growth. The Group-wide category management approach aims to provide guidance and support to the BUs by sharing knowledge about consumer and shopper behaviour and needs, developing successful Group category strategies and ensuring focused and well-resourced support for key initiatives, such as customer tenders. Our investment in category management skills and expertise is delivering a competitive advantage and is highly valued by our customers, following a number of recent product developments and launches in areas such as laundry, machine dishwashing and cleaner categories.

Operational review

Cost efficiency
The Group's Operations structure is responsible for managing the total supply chain including Manufacturing, Warehousing and Distribution, Sales and Operations Planning (S&OP), Purchasing and Quality on a Group-wide basis. By operating as a single Group-wide organisation, it aims to leverage the Group's scale allowing us to optimise the use of our resources and increase our efficiency.

The restructuring of the Group's supply chain has seen the business rationalise production capacity to 14 sites in Europe (from 19 three years ago) and on three sites in South East Asia, facilitating a more efficient and effective utilisation of existing capacity. For example, we have been able to increase Private Label production for UK, French, German, and Turkish customers from our Foetz facility, replacing contract manufacturing volume released at the site.

Our ongoing focus on Operational Excellence means that we have successfully met our Year 2 targets.

The Group has implemented Lean initiatives and has reduced the complexity of our product range to drive down the cost of our manufacturing operations, with the resulting efficiency improvements contributing to significantly higher volume outputs at a number of our sites.

Business review
Chief Executive Officer's review
continued

At Strzelce in Poland, volumes are up 21% year-on-year to over 100,000 tonnes to meet the growing demand for Private Label products in Central and Eastern Europe. Strzelce is now the third largest production facility by volume in the Group. The implementation of Lean projects has had tangible results with material usage reduced through improvements within mixing and filling processes as well as light-weighting of bottles across the product ranges.

Our Middleton site has improved the supply of bottle volumes from blow moulding to filling thereby enabling us to maximise the output of the high-speed filling lines. It has allowed us to make significant reductions to the operational headcount at the site whilst increasing production capacity and delivering greater flexibility to meet demand peaks.

At Moyaux, the deployment of Operational Excellence tools has increased the capacity of our large skillet filling line by 25% and reduced wastage levels by improving our recycling processes. This has allowed the factory to respond rapidly to market demands for laundry powder in the second half of the year.

The Group invested £15.0 million of capital expenditure during the year to support NPD initiatives in machine dishwashing capacity, efficiency improvements and capacity expansion projects.

Material cost management
Over the past year, uncertainty over expectations for global economic growth, political instability in the Middle East, capacity restructuring by suppliers and currency movements have led to movements in the market prices of a number of commodities. Against this background, McBride has followed its procurement strategy to achieve stable material costs through the year. We will invest further in our procurement talent and processes to ensure ongoing improvement in our capabilities in this critical area.

Environmental efficiencies
The Operations team have taken a number of initiatives to improve environmental performance and energy efficiencies across the Group, including the appointment of Energy Champions at all our manufacturing sites to share best practice.

We have continued to make progress on our waste reduction targets, Group water usage and efficiency and total energy consumption.

The overall impact of our operations for Scope 1 and Scope 2 emissions was 61,169 tonnes of CO_2e emissions (2012: 61,542 tCO_2e). Further information on our performance and efficiencies achieved appears in the Corporate Responsibilty Report on pages 34 to 40.

Research & Development review

New product development
During the year, the R&D teams have continued to drive innovation resulting in several key consumer test wins, including Stiwa in Germany and Nordic Swan approvals for Scandinavia, together with a number of timely product launches across Europe in the second half of the year. These wins are the result of the successful work of the R&D and category teams and demonstrate our technical leadership position in a number of Household and Personal Care categories.

Being first to market in Private Label continues to be essential to the continued success of our business. We expect that NPD initiatives and ground-breaking Private Label innovation will continue to feed our product launch pipeline, drive improvements in competitiveness and maximise our growth opportunities within Private Label, not only in the mature markets of Western Europe but also in the developing and emerging markets of Eastern Europe and Asia Pacific.

People
Our Mission is to be the leading provider of Household and Personal Care products of exceptional value and performance to our customers and their consumers. Our Vision is to be the most successful Private Label company in the world. We have three simple Principles underpinning this objective:

- → Engage our people;
- → Focus on our customers; and
- → Drive our performance.

The Group-wide Commercial, Operations and R&D functions are supported by Finance, Information Systems and Human Resources specialists. Our aim is to recruit, retain and develop the best people available. We achieve this by actively developing our staff through a number of Group-wide programmes, promoting from within where possible, but not hesitating to recruit external expertise to fill important skill gaps.

We are pleased that Martin Nederhoed joined us as Chief Commercial Officer on 19 August 2013. Biographies of the Executive Management Team (EMT) members are provided on pages 46 and 47 of the Corporate Governance report.

We have reviewed our methodology for health and safety reporting during the year. The number of greater than three-day lost time accidents was 116 (2012: 97), and the frequency per 100,000 hours worked was 1.4 (2012: 1.0). This represents a small deterioration after the previous three years of strong improvement and we are refocusing our efforts to regain the positive trend.

Sustainability and the environment

The Group is active in developing products and packaging that will protect our environment. Our new machine dishwashing sachets enable effective cleaning at lower temperatures, while we continue to reduce the environmental impact of our liquid products through minimising packaging wherever possible. Our Group Sustainability team oversees activities to reduce water and energy usage and waste, and we continue to meet the requirements of the FTSE4Good Index and the A.I.S.E. Charter for sustainable cleaning.

McBride is fully committed, where possible, to deliver our customers' requirements with regard to sustainable palm oil. We currently purchase Green Palm certificates in support of the Roundtable on Sustainable Palm Oil (RSPO) for a number of leading retailers' products.

Objectives for the current year

Our new Group organisation will allow us to exploit fully the Group's scale and the opportunity for Private Label growth presented by our market environment. The Group believes that our strong pipeline of new product launches in Private Label in the second half of the financial year leaves the Group well placed to return to organic growth in the next financial year.

The Group will achieve this by focusing on five priorities:

- driving Group revenue growth by building our new product launch pipeline;
- leveraging our unique capabilities to grow substantially in the mass markets of Central and Eastern Europe; and to build for the future in Asia Pacific;
- restoring profitability in the UK and Western Europe through selective category growth and re-shaping of the cost base;
- capturing the substantial Supply Chain synergies made possible through the Group reorganisation; and
- utilising our well-developed competencies in operational excellence, back-office processes and logistics management to drive ongoing and challenging cost reduction programmes.

Chris Bull
Chief Executive Officer

Business review

Group financial review

"We experienced some recovery in sales volumes in the fourth quarter as a result of our own promotional activity and a significant number of new product launches."

Richard Armitage
Chief Finance Officer

Results at a glance

£m, unless stated otherwise	2013	2012
Revenue	761.4	813.9
Revenue (constant currency)[1]	761.4	803.0
Operating profit	15.4	18.1
Adjusted operating profit[1]	24.0	29.5
Adjusted operating margin[1]	3.2%	3.6%
Diluted earnings per share	3.2p	5.0p
Adjusted diluted earnings per share[1]	7.5p	9.7p
Payments to shareholders (per ordinary share)	5.0p	5.0p
Cash flow from operations (before exceptional items)	39.3	39.5
Net debt	86.8	81.2
Return on capital employed[1]	12.4%	14.7%

(1) An explanation of these performance measures is presented on page 3.

Group summary

Revenue was £761.4 million compared with £813.9 million in 2012, a decline of 6%. On a constant currency basis, revenue in 2013 was 5% lower than in 2012. Adjusted operating profit fell by £5.5 million to £24.0 million (2012: £29.5m). Adjusted diluted earnings per share declined to 7.5 pence (2012: 9.7p).

Cash generated from operations before exceptional items was £39.3 million (2012: £39.5m). The cash outflow in relation to exceptional items was £8.4 million (2012: £6.7m). Year-end net debt increased to £86.8 million (2012: £81.2m).

Average capital employed was £193.6 million (2012: £201.4m) and the return on average capital employed was 12.4% (2012: 14.7%).

Segment analysis

While the Group is now managed on a functional basis, its markets are defined by geography. Accordingly, the Group's operating segments continue to be determined on a geographical basis.

At the beginning of the financial year, we redefined our reportable segments and changed the basis on which we determine the results of each segment. Segment information for 2012 has been re-presented on a comparable basis. Details of these changes are set out in note 4 to the consolidated financial statements.

Revenue

Group revenue declined compared with 2012, mainly as a consequence of the action we took to withdraw from low-margin contract manufacturing and Private Label business and considerable promotional activity by manufacturers of branded Household products, particularly in the second half of the financial year. We experienced some recovery in sales volumes in the fourth quarter as a result of our own promotional activity and a significant number of new product launches.

Revenue by reportable segment was as follows:

	2013 £m	2012 £m	Increase/ (decrease)
UK	286.3	309.0	(7)%
Western Europe	409.9	448.7	(9)%
Rest of the World	65.2	56.2	16%
Total	761.4	813.9	(6)%

In the UK, the decline in revenue was primarily driven by the reduction in low-margin Private Label business and the effect of branded promotional activity in the third quarter. In Western Europe, revenue declined by 6% on a constant currency basis, principally due to the reduction in contract manufacturing business. The continuing weakness of the economic environment was also a factor, particularly in Western Europe.

In the Rest of the World, revenue increased by 16% on a constant currency basis. Our Private Label business in Poland achieved another strong performance with revenue growth of 24%. We continued to grow our business in Asia, with new business wins and several new product launches. We have also made strong progress in Australia.

Operating profit

Operating profit was £15.4 million, compared with £18.1 million in 2012. Adjusted operating profit was £24.0 million, compared with £29.5 million in 2012. Adjusted operating profit may be reconciled to operating profit as follows:

	2013 £m	2012 £m
Operating profit	15.4	18.1
Amortisation of intangibles	1.1	1.7
Change in contingent consideration	1.6	(1.9)
Exceptional items	5.9	11.6
Adjusted operating profit	24.0	29.5

Adjusted operating profit by reportable segment was as follows:

	2013 £m	2012 £m
UK	14.9	20.1
Western Europe	14.3	16.5
Rest of the World	2.0	0.3
Total segments	31.2	36.9
Corporate	(7.2)	(7.4)
Total Group	24.0	29.5

A reconciliation of adjusted operating profit to operating profit for each of the Group's reportable segments is presented in note 4 to the consolidated financial statements.

Overall, the Group's adjusted operating margin declined to 3.2%, compared with 3.6% in 2012. It had improved in the first half of the year due to the exit from low-margin business and the effects of the Group's cost reduction programmes, but it declined in the second half in the face of promotional activity by our branded competitors.

In the UK, the adjusted operating margin declined to 5.2%, compared with 6.5% in 2012, as a consequence of the decline in sales volumes, though this was partly offset by the effect of the closure of our Burnley factory.

In Western Europe, the adjusted operating margin decreased slightly to 3.5%, compared with 3.7% in 2012. Although sales volumes were lower, we benefited from the significant cost reductions that resulted from the restructuring that was implemented at the beginning of the year.

In the Rest of the World, the adjusted operating margin increased substantially to 3.1%, compared with 0.5% in 2012, as a result of sales volume increases and improving operational efficiencies.

Exceptional items

During 2013, the Group recognised further exceptional costs of £3.0 million (2012: £4.6m) in relation to the creation of a functional structure with centralised support services that became effective on 1 July 2012. Also during the year, the Group recognised a net exceptional charge of £0.7 million (2012: £4.3m) to complete the rationalisation of its supply chain in Western Europe. Details of these exceptional costs are set out in note 5 to the consolidated financial statements.

Following the annual impairment tests of goodwill carried out towards the end of the year, the Group recognised an impairment charge of £2.2 million in relation to the goodwill allocated to the Household liquids plant at Etain, France. Etain manufactures bleach for sale principally in northern France and in Belgium. Since Etain was acquired in 1999, the bleach market has matured and it has become a relatively low-growth business that generates low margins. During 2013, the plant's sales did not meet expectations and, although new business is in the pipeline, its budgeted sales for 2014 are lower than the level achieved in 2013.

During 2012, an impairment charge of £2.7 million was recognised, which principally related to the goodwill and property, plant and equipment located at the Group's Skincare plant at Brno, Czech Republic.

Contingent consideration

At 30 June 2013, the Group recognised a liability of £5.6 million (2012: £3.6m) for the remaining consideration payable in relation to the acquisition of Dermacol a.s. in 2011, which is based on Dermacol's revenue in each financial year in the five-year period ending 30 June 2017 and on its operating profit for the financial year ending 30 June 2017.

At each balance sheet date, the Group remeasures the liability based on the latest forecasts of the revenue and operating profit of the business in the relevant financial years. During 2012, the Group reduced its estimate of the contingent consideration payable by £1.9 million, which corresponded with the impairment recognised in relation to Dermacol's manufacturing plant at Brno, Czech Republic. During 2013, the estimate was increased by £1.6 million to reflect improved expectations about the future performance of the business.

Business review
Group financial review
continued

At 30 June 2012, the Group recognised a liability of £0.5 million in relation to contingent consideration payable on the acquisition of Fortlab Holdings Sdn Bhd, which was settled in August 2012.

Net finance costs

Net finance costs were £5.9 million (2012: £6.0m).

Interest payable on borrowings (including the effect of interest rate swaps) was £3.7 million, compared with £3.8 million in 2012. At 30 June 2013, the Group held interest rate swaps that had the effect of fixing the interest payable on €55 million of its Euro-denominated borrowings at a weighted-average rate of 5.22%. As shown in note 21 to the consolidated financial statements, interest rate swaps with a notional principal amount of €45 million will mature during the next financial year and will be partially replaced by interest rate swaps bearing lower interest rates.

Net finance costs included £0.7 million (2012: £0.2m) in relation to post-employment benefit schemes as follows:

	2013 £m	2012 £m
Interest cost on benefit obligation	**(4.6)**	(5.0)
Expected return on scheme assets	**3.9**	4.8
Net finance cost	**(0.7)**	(0.2)

With effect from 1 July 2013, the Group will adopt IAS 19 (Revised 2011) which will change the accounting for the net finance cost in relation to post-employment benefit schemes. Details of the changes are set out in note 2 to the consolidated financial statements.

Profit before tax and taxation

Profit before tax was £9.5 million (2012: £12.1m) and the income tax expense was £3.6 million (2012: £3.0m). Adjusted profit before tax was £18.4 million (2012: £23.7m) and the comparable income tax expense (excluding tax on the adjusting items) was £4.7 million, compared with £6.1 million in 2012. On this basis, the Group's effective tax rate was 26% (2012: 26%).

Earnings per share and payments to shareholders

Profit after tax was £5.9 million (2012: £9.1m).

Diluted earnings per share (EPS) was 3.2 pence, compared with 5.0p in 2012. Adjusted diluted EPS was also lower at 7.5 pence, compared with 9.7 pence in 2012.

The Board's policy with regard to payments to shareholders is that they should be sustainable and paid out of earnings, and will, where possible, be progressive given the cyclical nature of the markets in which the Group operates.

Last year, shareholders approved the Board's recommendation that payments to shareholders should be re-based to 5.0 pence per share to ensure that the Group has the maximum financial resources available to it in order to exploit the opportunities for Private Label growth.

Subject to shareholder approval at the AGM, the Board proposes a final payment to ordinary shareholders of 3.3 pence per share (2012: 3.0p), to maintain the total payment for the year at 5.0 pence per share (2012: 5.0p), which is covered 1.5 times by adjusted diluted EPS (2012: 1.9 times). The total proposed payments to shareholders for the year amount to £9.1 million (2012: £9.0m). It is again proposed that the payment to shareholders will be in the form of redeemable B Shares.

Cash flow

Cash generated from operations before exceptional items was £39.3 million (2012: £39.5m). Working capital increased by £6.9 million during the year (2012: increased by £10.5m), principally due to a temporary increase in inventories in support of new product launches.

The cash outflow in relation to exceptional items was £8.4 million (2012: £6.7m). A further cash outflow of approximately £2.0 million is expected in 2014 in relation to exceptional costs recognised in 2013.

Capital expenditure in the year was significantly lower at £16.2 million, compared with £26.4 million in 2012, principally due to the timing of our investment programmes. Capital expenditure during the year was focused on supporting new product development in machine dishwash, efficiency improvements and providing additional blow moulding capacity in Poland. We expect more significant capital expenditure on capacity expansion during the next financial year.

Net interest payments decreased to £4.3 million (2012: £5.4m) mainly due to lower average levels of net debt than in the previous year.

Payments to shareholders on redemption of the B Shares issued to them decreased to £8.7 million (2012: £11.8m), reflecting the re-basing of those payments in 2012.

Crai launched their new range of bathroom and toilet cleaners to tackle limestone and germs, supporting the launch with a double page spread in their in-house magazine.

Net debt increased by £5.6 million during the year to £86.8 million (2012: £81.2m) as follows:

	2013 £m	2012 £m
Opening net debt	(81.2)	(83.7)
Cash generated from operations		
Before exceptional items	39.3	39.5
Exceptional items	(8.4)	(6.7)
Cash generated from operations	30.9	32.8
Capital expenditure	(16.2)	(26.4)
Sale of non-current assets	0.4	4.3
Net interest paid	(4.3)	(5.4)
Settlement of forward contracts	(2.0)	2.4
Tax paid	(1.4)	–
Free cash flow	7.4	7.7
Contingent consideration on acquisitions	(0.5)	(1.9)
Payments to shareholders	(8.7)	(11.8)
Issue of ordinary shares	–	2.6
Purchase of own shares	–	(1.1)
Currency translation differences	(3.8)	7.0
Movement in net debt	(5.6)	2.5
Closing net debt	(86.8)	(81.2)

Pensions

The Group operates a funded defined benefit pension scheme in the UK. During 2013, the triennial actuarial valuation as at 31 March 2012 was concluded by the trustee of the scheme. It showed a deficit on the scheme of £32.7 million, which the Group has agreed to fund by increasing its monthly contributions to the scheme over the period between now and April 2026. The Group expects to contribute £3.9 million to the scheme during 2014.

For accounting purposes, the Group is required to use assumptions that differ from those used by the trustee when measuring the deficit or surplus on the scheme. At 30 June 2013, the Group recognised a deficit on the UK scheme of £24.2 million (2012: £17.9m), the increase during the year principally being due to an increase in the long-term inflation assumption used to calculate the scheme's liabilities.

At 30 June 2013, the Group had other unfunded post-employment benefit obligations outside the UK that amounted to £1.8 million (2012: £1.6m).

Details are presented in note 23 to the consolidated financial statements.

Treasury management

The Group's treasury activities focus on ensuring access to secure and cost effective credit lines and managing liquidity. The Treasury department is also engaged in mitigating the Group's exposures to foreign currency, interest rate and credit risks. All of these activities are overseen by a Group Treasury Committee, which meets regularly and operates within a framework of treasury policies approved by the Board.

Access to credit lines

The Group aims to maintain a strong balance sheet, with a relatively conservative level of debt-to-equity gearing. The Group has a €175 million revolving credit facility, which is committed until June 2015. In addition, the Group has invoice discounting facilities in the UK, France and Belgium. In the UK, the £25 million facility was renewed during the year and is committed until August 2014. In France and Belgium, there is an aggregate €30 million facility, which has a rolling notice period of six months for the French part and three months for the Belgian part. The Group also has access to working capital facilities amounting to over £50 million, which are generally uncommitted and subject to annual review. We maintain close working relationships with the small number of major banks which provide these credit lines. The Group's credit lines, together with internally-generated cash, provide adequate headroom for acquisitions and contingencies.

	Facility £m	Drawn £m	Headroom £m
Committed facilities:			
– Revolving credit facility	150.0	(47.1)	102.9
– Invoice discounting facility	50.7	(28.2)	22.5
– Other	2.6	(2.6)	–
	203.3	(77.9)	125.4
Uncommitted facilities	50.1	(13.5)	36.6
Total facilities	253.4	(91.4)	162.0
Less: Uncommitted facilities			(50.1)
Committed headroom			111.9

The revolving credit facility is 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 and net interest comprises interest payments and receipts on net debt. The Group remains comfortably within these covenants. At 30 June 2013, the Debt Cover ratio was 1.25:1 and the Interest Cover ratio was 13.7:1 for 2013.

Foreign currency risk

A significant proportion of the Group's net assets are located in Europe and denominated in Euros. The Group is, therefore, exposed to a translation risk when these net assets are converted into Sterling at each balance sheet date.

Business review
Group financial review
continued

The Group hedges a substantial part of its foreign net assets with borrowings and swaps denominated in the same currency, in order to mitigate the risk of volatility in reported net assets and key financial ratios as a result of exchange rate fluctuations. The interest on these foreign currency borrowings and swaps provides a natural hedge of the translation exposure on our earnings denominated in the same currencies, and we further reduce that risk by purchasing currency options. The Group's trading activities are generally invoiced in the domestic currency of the relevant operating entity. However, there are some material cross-border activities which create a transaction risk on conversion into domestic currency. The main such transaction exposure arises in the UK, where we incur costs denominated in Euros on some of our imported goods. This risk provides a natural hedge to our earnings translation exposure, and we also hedge a proportion of the remaining transaction exposures using forward currency contracts on a rolling 12-month basis.

Interest rate risk
Most of the Group's debt bears interest at floating rates, and is, therefore, exposed to a risk of rising interest rates. The Group has a policy of hedging part of this exposure with interest rate swaps and caps to mitigate interest rate volatility.

Credit risk
The Group is exposed to potential credit-related losses in the event of non-performance by the counterparties to our treasury deals. This risk is mitigated by dealing only with the major banks which provide our credit facilities. We also aim to avoid concentration of those deals with any single counterparty.

Commodity price risk
The Group is exposed to changes in raw material prices, some of which are downstream products such as polymers and surfactants based on oil/petrochemical feedstocks. There is generally no liquid or cost-effective market for direct hedging of such exposures. Where liquid markets do exist, there may not be an acceptable level of correlation with the price of our particular commodities. However, the Group mitigates this risk by entering into certain long-term purchasing contracts, and continues to investigate the practicalities and merits of hedging its remaining exposure to rising commodity prices. The direct exposure of material costs to currency fluctuations is hedged by means of a rolling programme of forward cover.

Positioned for growth
While trading conditions have been particularly difficult in the Group's developed markets during 2013, there was a significant recovery in the Group's sales in the fourth quarter.

We have taken action in recent years to reduce our supply chain costs and, as our sales volumes recover, we expect to see the benefits of these initiatives by way of improvements in the Group's operating margin.

The Group's balance sheet remains strong with very significant committed borrowing headroom of £112 million and the Group continues easily to meet the financial covenants on its committed facilities. We are, therefore, well positioned financially to develop further our Core category businesses and to build on our momentum in developing and emerging markets.

Richard Armitage
Chief Finance Officer

Focused on our customer needs

1

Understanding the shopper

See pages 22-23

Who is the shopper?
Who is the end consumer?
What influences purchasing choice?
How do we drive loyalty?

2

Idea generation

See pages 24-25

What new product opportunities are suggested by our consumer and shopper feedback?
How will these fulfil our customers' strategic plans?

3

Concept evaluation

See pages 26-27

Challenging and evaluating our ideas pipeline to transform them into quantified opportunities, to accelerate growth for both our customers and the Group.

4

Formulation and packaging development

See pages 28-29

R&D formulation and packaging teams apply their expertise to deliver the briefs.

5

Performance testing and launch

See pages 30-31

The complex process of testing, claim substantiation, legislative and safety evaluation and scale up.

6

Product launch momentum

See pages 32-33

Business review

Focused on our customer needs

1

Understanding the shopper

The first stage in focusing on our retail customers' needs is understanding the key drivers of purchasing choice for both the shopper and the end consumer. McBride uses shopper and consumer analysis data, as well as commissioning our own category-specific research, to understand who they are, what triggers the initial purchase in store or online and then what drives loyalty.

I want my whites to be really bright

I want to wash at 20° to save money

I want to recycle my packaging

Leader Price laundry washing powder is formulated to be effective at 20°.

Freshly fragranced fabric conditioner from Monoprix.

McBride's Surcare range of laundry products are specially developed for sensitive skin.

Business review

Focused on our customer needs

2

Idea generation

Using the consumer and shopper feedback, category, commercial and R&D teams begin to generate ideas that will help drive category growth.

We explore what product opportunities are opened up by the segmentation of end-users in our research and aim to understand who the main consumer is for the category and when and where they are shopping.

The teams consider the macro trends of which consumers may not yet be aware, examine what is driving the demand in emerging and developing markets and look for new global trends in packaging and ingredients.

A continuing momentum to drive our product performance, packaging and value.

Hand carved by skilled artisans, the stems of the sola pith plant are crafted into lifelike flower shapes which combine effective fragrance delivery with an innovative decorative air freshener for Asda.

do you think?

we could...

Identify which customers have missing products within their Private Label ranges and adapt new product ideas to our customers strategic plans?

500

Target circa 500 new ideas

This product was developed as a dual purpose washing up liquid and hand wash for Intermarché, so was formulated to conform to both cosmetic and detergent regulations.

Developed in Malaysia, Guardian's Botaneco Garden range of body washes captures the trend for natural ingredients, enriched with essential oils.

Business review

Focused on our customer needs

3

Concept evaluation

Shopper

A process of evaluation and challenges will transform idea generation into a set of quantified product opportunities, that will not only meet consumer needs but will also deliver real growth to our customers.

At a macro level new product concepts are challenged on the basis of the size of the opportunity and applicability across regions. Category or country specific legislation is reviewed.

Equally important is the fit with the Group's manufacturing capabilities and complexity targets.

Reinvigorating shower gels

Our customer, Casino, wanted to relaunch their range of women's shower gels, so the McBride teams – commercial, marketing and R&D – brainstormed a range of options.

The McBride category team researched the market and mapped the new shower gel trends in terms of fragrance, benefits and consumer profiles. Working with fragrance houses the teams identified on-trend combinations of colours and ingredients, selecting those that would best meet Casino's shopper profile, including a limited edition variant to inject some extra excitement into the range mid season.

Meanwhile, the packaging team had been working on a new bottle, to make it more elegant and feminine and, if possible, more environmentally friendly. The current bottle was already in PET, which is recyclable, but we proposed a shape which allowed for more products to be shipped per pallet and could be manufactured in-house thereby giving us greater flexibility to react to seasonal demands, as well as being a more elegant contemporary design.

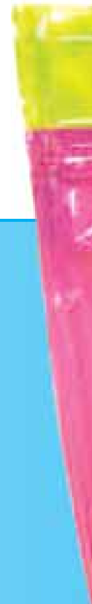
After panel testing the new fragrances, Casino successfully launched the new range with eye-catching in-store display features. The limited edition Papyrus & Lotus Flower has also been selected for inclusion in a Beauty Box selected by beauty experts for subscription only customers who receive a box of customised goodies monthly.

Needless to say, the teams are busy developing ideas for the next limited edition...


opportunity
OPPORTUNITY
Customer opportunity
McBride opportunity
Consumer opportunity
Product brief
GEL DOUCHE
RELAXANT
Casino
YLANG YLANG
GEL DOUCHE
BIEN-ÊTRE

Business review

Focused on our customer needs



4

Formulation and packaging development

Where possible the R&D teams aim to optimise formulations to suit multiple markets using their advanced formulation skills and expertise to deliver enhanced performance, whilst leveraging our material purchasing power, manufacturing scale and capabilities.

Packaging plays an important role in the product positioning so it is, therefore, really important that the pack delivers a clear message about the primary product benefits and creates visual impact on the aisle or website.

Consumers are also increasingly aware of the need for more sustainable packaging, so our development teams continually strive to deliver more eco-friendly packs.

Optimised packaging
Our packaging technologists use a number of methods to evaluate the optimum bottle weight and wall thickness to ensure robust product performance in transit from factory to store to shopper's home, and then in use.

One of the techniques is to test the bottles virtually before any prototypes are created. Design optimisation can be done using this technique (right). Ideal wall thicknesses for best performance can be defined and used as the basis for minimising material usage in the packaging.

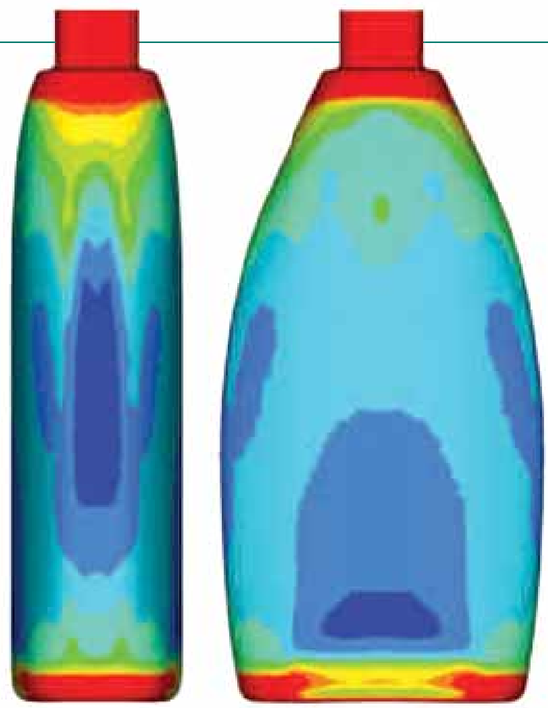


Image left: Wall thickness optimisation from virtual compression test.

Red indicates that most stress will occur at the base, neck and shoulder, therefore, this is where bottle wall needs to be thickest.

Shoppers buy with their eyes, on average spending just a few seconds to make a decision in the household aisle, so the pack needs to be eye-catching like this laundry range from Auchan.

Delivering innovation

Business review

Cleaning up in Europe
In the last 12 months, our development Centre of Excellence at Middleton initiated a Group harmonisation project for household cleaners. This wholesale review enabled us to identify similar European trends as well as potential new products from other markets.

According to Mintel research, anti bacterial is one of the most important claims European consumers seek when choosing their cleaning products and maintaining 'overall hygiene' is the top priority when cleaning the home. Anti bacterial cleaners are a key growth segment in the cleaners market, accounting for 28% of all household cleaner sales and growing at 9% year-on-year in the UK*, with similar trends being seen across other key markets in France, Germany and Italy.

* Source: Kantar.

Degreasers are another sector of cleaners which are showing strong growth across Europe.

McBride has developed a number of high performance formulations with Group-wide application that have enabled us to benefit from these growing trends.

By designing best practice into formulating and improving our speed to market we have been able to win new business.

Image right: The bold packaging colours and powerful formulations have helped to create a successful Private Label range of household cleaners for Denner in Switzerland. The range includes a new kitchen spray, particularly effective at degreasing surfaces, and a multipurpose bathroom spray.

Business review

Focused on our customer needs

5

Performance testing and launch

Prior to manufacture and product launch a number of standard formulation and packaging tests are undertaken including packaging compatibility, formulation stability, as well as scale up in the factory, and transit tests.

Label design and pack copy review are further critical pre-launch phases.

Independent tests and validation from test institutes such as Stiftung Warentest, and ÖKO-TEST in Germany, Que Choisir in France, and Which in the UK, are of increasing importance in providing third party endorsement of product performance whilst supporting "Point of Sale" communication.

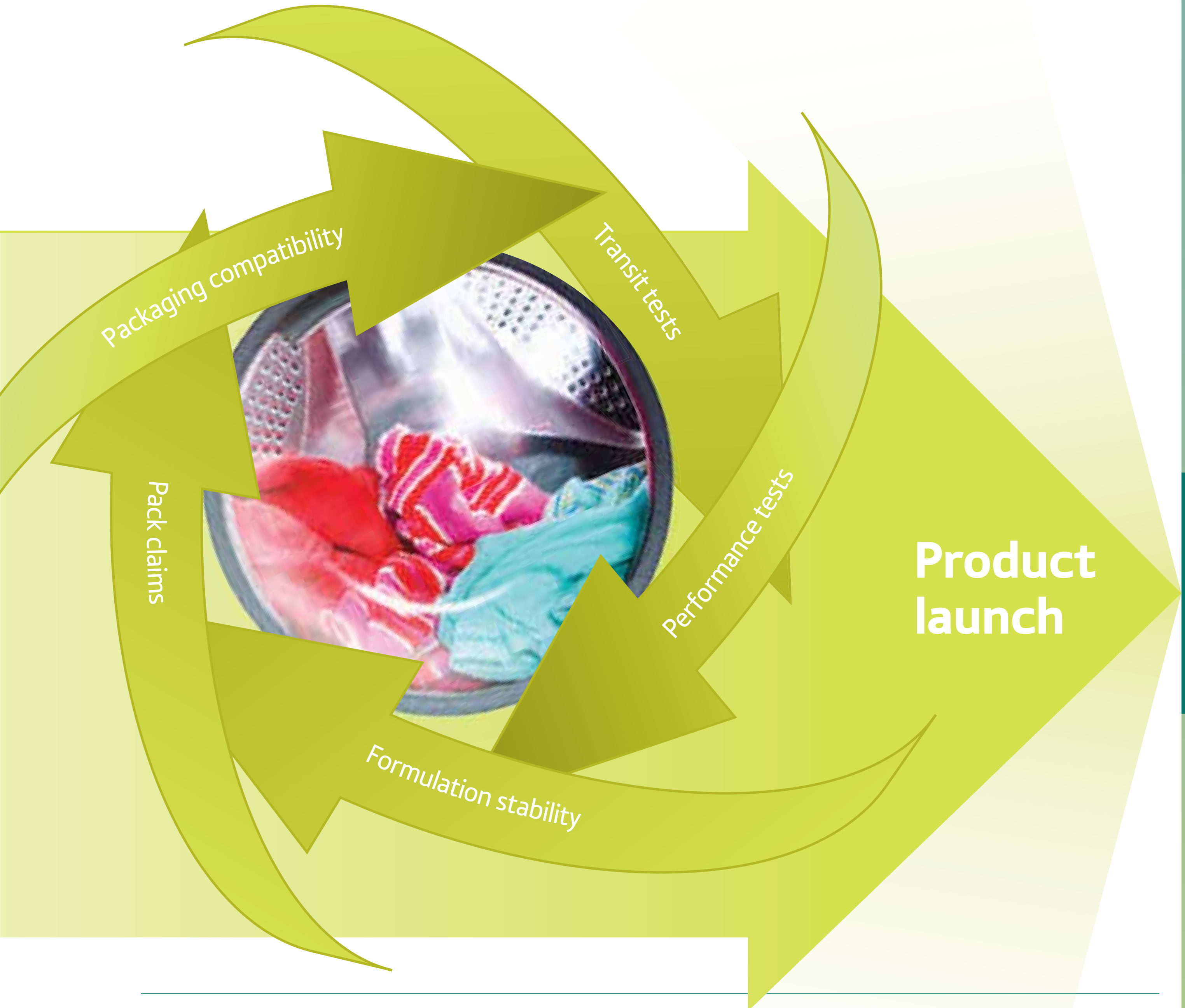
Sparkling results

The German market for auto dishwashing products is strongly driven by consumer expectations of product performance. Those requirements are supported by the German consumer organisation "Stiftung Warentest" which tests and evaluates branded and Private Label products on a regular basis, thereby influencing the level of quality and functionality expected by the consumer and our retail customers.

The most recently published test results on 17 multi-functional machine dishwashing tablets in June 2013 included two McBride tablets produced in our plant in Foetz, Luxembourg.

Both products achieved outstanding results, being placed in the Top 5, demonstrating very effectively to the consumer that Private Label products can equal and outperform the brands. It enables our customers to claim the highly prized "GUT" award on the pack and on shelf.

This achievement is the result of many months of development and testing and proves that a team effort between R&D, Marketing and Sales is able to deliver high performing products in this competitive market.



ICA's Skona washing up liquid was successfully reformulated this year to qualify for the Nordic Ecolabel trademark or 'Swan', which is a guarantee that products have fulfilled stringent environmental and climate criteria.

Head turning results

The McBride R&D team have worked on a number of new hair care formulations enriched with Argan oil, which is especially high in beneficial Oleic acid. The oil is extracted from the kernels of the Argan tree and has been used for centuries in Africa as a moisturising and conditioning beauty treatment. Independent tests, conducted with more than 100 women, demonstrated that after using our Argan enriched shampoo and conditioner:

80%
Over 80% considered their hair was more shiny

80%
80% thought their hair was more manageable and easier to comb

75%
Over 75% felt their hair was softer

70%
70% believed their hair was stronger

Business review

Focused on our customer needs

6

Product launch momentum

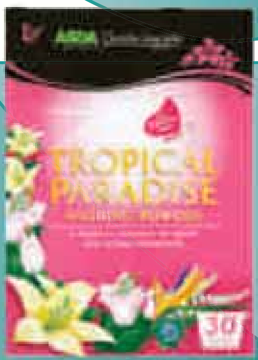
Delivering innovative solutions to meet our customers' needs.

Auchan's All in 1 machine dishwashing tablets in a resealable pouch are specially formulated to deliver outstanding cleaning results even on short economy cycles.

Sainsbury's launched their new gentle orange blossom range of non bio laundry products. Formulations were carefully developed with this pretty perfume to be suitable for sensitive skins and leave clothes soft, clean and delicately scented.

First launch of this product in Biedronka's Private Label range, a bi-phase dishwasher cleaner with a 2-in-1 formulation to remove grease and target limescale, leaving dishwashers sparkling clean.

Casino's ecological washing up liquid refill uses 53% less plastic than the equivalent bottle and qualifies for the EU Ecolabel based on its environmental credentials.



Asda's Chosen by You new Tropical Paradise bio washing powder features a special fragrance burst system, with essential oils, to provide long lasting freshness all day long.

Crai, Italy added this lavender variant to their range of fragranced floor cleaners. The no-rinse degreasing formulation is positioned to build on the growing degreasing sector in household cleaners.

Made in Vietnam, Purité by Prôvence range of body washes are inspired by fragrant flowers and plants, enriched with vitamin E and aloe vera.

Byotrol™ technology was extended into the bathroom this year with the launch of Tesco 24 hour anti bacterial bathroom cleaner, which kills 99.9% of bacteria and viruses and keeps protecting for 24 hours.

Tesco Pro Formula facial skincare range for dry, sensitive skin was scientifically developed in our Brno laboratories, and features oat extract and vitamin E complex.

Monoprix launched two new eye make-up removers this years, a bi-phase cotton extract to remove even stubborn waterproof cosmetics and a gentle formulation with cornflower extract for sensitive eyes.

Business review

Corporate responsibility report

"McBride is committed to providing the very highest standards in quality and service in a responsible and sustainable manner. We believe it is important for social, ethical and environmental matters to form a central part of the decision making process to support business growth and deliver competitive advantage."

McBride continues to be 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.

Our approach to Corporate Responsibility (CR) continues to evolve and we are pleased to be able to update stakeholders on the progress made during the last year, as well as providing assurances of our commitment to a continued monitoring and improvement programme for our sustainability objectives and overall CR performance reporting.

We believe that by encouraging and embedding a CR culture in our approach to how we do business important issues, such as employee development, protecting resources and improving our sustainability, will become aligned with our vision of becoming the most successful Private Label company in the world.

The Board has overall responsibility for maintaining and enhancing the Group's CR objectives, policies and conduct guidelines, which are available from the Group's website at **www.mcbride.co.uk**. The Chief Executive Officer is accountable for ensuring that the Group operates in accordance with these policies.

Our 10th annual Sustainability Report is available from the Group's website at www.mcbride.co.uk and provides further analysis of our environmental and health and safety performance. The Report also includes detailed information on our activities, objectives, targets, compliance status and achievements during the year.

The Group monitors its performance through rigorous management systems and KPIs. Detailed reports are prepared by the Group's Chief HR Officer every six months and submitted to the Executive Directors, who report any issues of major significance to the Board.

As a company, we recognise our obligations to all those with whom we have dealings. We also recognise that our reputation and the trust and confidence of those with whom we deal are key to our long-term success, and the protection of these is of fundamental importance.

We are proud to continue to be a constituent member of the FTSE4Good Index of socially responsible companies, which recognises our commitment to corporate responsibility and the ethical way in which we approach our business activities.

Business principles

We have in place strong ethical business principles which apply to every Director, manager and employee across our global operations and set an expected minimum standard for their behaviour in all business dealings. These principles also extend to our supply chain, with suppliers selected not only on the basis of specification, quality, service and economic factors but also, where possible, on their own commitments to minimise the impact of their operations on the environment and to other important CR issues more generally.

Our Business Ethics Policy outlines a clear and unequivocal approach to business integrity and ethical behaviours which underlie the Group's values of fairness, honesty and openness. The key principles contained within the Policy are set out below:

- → We respect customs and cultures where we operate and will comply with all relevant local regulations and legislation.
- → We have a zero tolerance approach in relation to bribery and corruption, anti-competitive behaviour, insider dealing and breach of legislation and do not make political donations.
- → Our employees are key to the success of our business and we seek to create a positive and open working environment wherever we operate.
- → We place the highest priority on the health and safety of our employees and the safety of the environment in which they work.
- → Any personal interest which may prejudice the impartiality of employees must be formally declared.
- → We are committed to achieving long-term sustainability, through managing and developing our operations and sale of products, without compromising the quality of life for future generations.
- → We are committed to reducing the impact of our operations on the environment and to adapting our business to the consequences of climate change and depletion of natural resources.

Our corporate policies relating to business ethics, anti-bribery and corruption, gifts and hospitality, insider dealing and whistleblowing are reviewed and approved annually by the Board and the EMT. We also undertake Group-wide training on these business principles, including anti-bribery and competition law.

The Group's whistleblowing procedure is designed to encourage employees with genuine concerns of malpractice or wrongdoing to raise such issues without fear of reprisal or discrimination.

Sustainability

Our aim is to build a long-term successful and sustainable business based on strong, positive relationships with all our stakeholders.

Our approach to sustainability is set out in our Business Sustainability Policy and its supplementary policies, which are available from the Group's website at **www.mcbride.co.uk**. These policies are reviewed and approved by the Board and the EMT on an annual basis.

The Sustainability Steering Group, established in 2011 and chaired by our Italian Business Unit Director, met four times during 2012/13. This group is cross-functional to allow for the capture of all sustainability issues, and its purpose is to develop the strategic direction for sustainability and provide a forum to encourage the sharing of best practice across the Group.

Workplace culture

Our employees are the lifeblood of our business and we understand that skilled and motivated people are fundamental to our performance. Considerable time and resources are invested to ensure the safety, wellbeing and development needs of employees are addressed. We also recognise the importance of supporting our people to deliver better results, allowing the Group to maintain a competitive advantage in the markets in which we operate.

Wellbeing

We strive to maintain a safe workplace at all locations in which we operate. We also continue to ensure that our business activities are carried out in a responsible manner and in accordance with relevant statutory legislation. Employees participate in the development, promotion and maintenance of a safe and healthy working environment for all colleagues, visitors and the public.

Our Health and Safety Policy (available from the Group's website at **www.mcbride.co.uk**) sets out our approach, based upon the provision of appropriate advice and the systematic identification and control of risk. The Chief Executive Officer is accountable for ensuring that the Group operates in accordance with this Policy, with delegated responsibility to the relevant member of the EMT for enforcement of our health and safety standards and for monitoring adherence to the safety management system.

All accidents and major incidents are reported internally and are investigated fully to determine the appropriate corrective and preventative measures. Incidents that result in more than three days lost time are monitored.

Accidents

During the year we suffered a setback in the number of accidents involving more than three days lost time reversing the previous five years of improving trends in accidents with greater than three days lost time accidents at 116 (2012: 97). Accident frequency and rate of seriousness also suffered poorer results.

Accidents in the UK contributed to the majority of the increase, while the number and rate of accidents in our European and Asia sites were broadly similar to the prior year.

Business review
Corporate responsibility report
continued

Analysis undertaken has indicated the majority of injuries were caused through handling, carrying and moving. The Group has a strong health and safety awareness programme, supported by training initiatives. A key objective for the Group in the coming year will be to reduce the rate of accidents and return to our previous standard of performance in this critically important area for our employees.

Further details of our health and safety performance can be found in our Sustainability Report.

Diversity
McBride recognises and values diversity in its employees and will endeavour to encourage and promote diversity within its workforce. We are committed to promoting and maintaining a working environment based on mutual respect, together with raising levels of awareness of equality and dignity at work.

We continue to believe it is fundamental for the continued success of the business that the best candidates are appointed based upon ability, merit and the criteria and requirements of the role.

We seek to retain talented employees and, where appropriate, encourage promotion from within. Whilst we consider diversity in its broadest sense, in relation to gender we have a good record of appointing and promoting women to management roles.

Gender split 2012/13	
Female employees	40%
Female managers	33%
Female senior management positions	14%
Female Board members	14%

Recognition and training
Through our initiatives, including Mission, Vision and Principles and Management Development Programme, we endeavour to create a culture whereby employees are:

- recognised as a valuable asset,
- fully engaged to provide a positive contribution, and
- aligned to the Group's strategy and objectives.

To achieve this, our focus is to:

- Provide channels (both formal and informal) for constructive two-way engagement with employees, listening to their concerns, ideas and aspirations. In turn this assists with the development of action plans to continuously improve communication, motivation and engagement;
- As an equal opportunities employer we support development and coaching to ensure all employees achieve their potential. This includes providing secondment opportunities, annual talent management assessment and continuing to develop our internal coaching programme; and
- Recognise that training is fundamental in delivering the quality, service and efficiency standards demanded by our customers. Training, both internally and externally facilitated, and where appropriate cross-functional, is available to all employees and everyone is encouraged to participate.

Human rights
We take the issue of human rights seriously and continue to strengthen our policies and management systems in this area. We monitor the employment practices of our own facilities and of our supply chain and do not currently have any concerns on issues such as forced or compulsory labour, child labour and discrimination of the rights of indigenous people.

Environmental impact
We understand that sustainability and environmental commitment makes great business sense which can deliver competitive advantage.

We make every effort to minimise the environmental impact of our operations. Our approach to this commitment is set out in the Group's Sustainability and the Environment Policy (available from the Group's website at **www.mcbride.co.uk**). We aim to comply with and, where possible, to surpass relevant local legislative requirements and industry standards and we use the best practicable means to continually improve our environmental performance in recognition of the need for a sustainable future.

This is supported by comprehensive internal environmental management systems, the use of KPIs and achieving external environmental accreditation for our operations. Twelve sites hold the ISO 14001 accreditation and we are working towards accreditation for all our manufacturing sites.

Efficiency

We have continued to make progress on our waste reduction targets as the Group continues to drive its operational efficiency. Waste as a percentage of total production decreased to 1.4% (2012: 1.6%), and recycled, reused and recovered waste now accounts for 84% of all waste generated (2012: 78%) with waste to landfill also lower.

The Group water usage and efficiency further improved with total water used down 2% and our water efficiency up to 1,027 Kgs production per m^3 water (2012: 1,009 Kgs production per m^3 water).

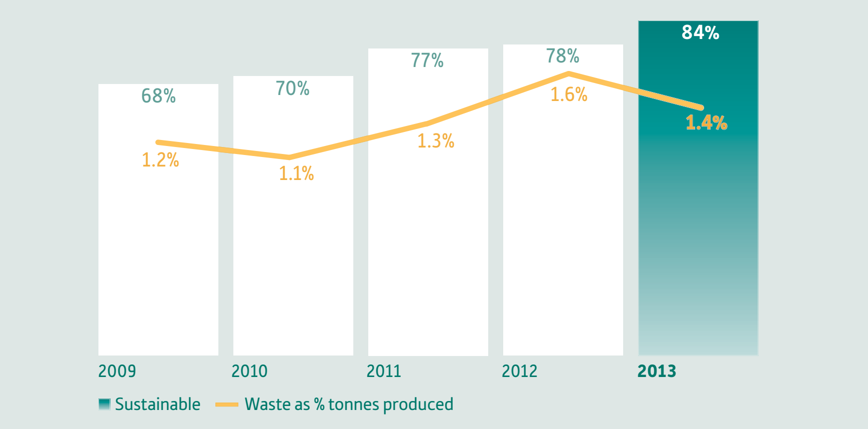
Energy and carbon disclosure

Our total energy consumption was broadly flat with growth in energy usage in our factories in the developing and emerging markets offsetting lower energy usage at our operations in our mature Western European markets. Whilst oil and gas consumption increased due to heating requirements in the cold winter spell across Europe, our electricity consumption was down 3% due to the combination of lower volumes and initiatives in the factories on energy reduction targets.

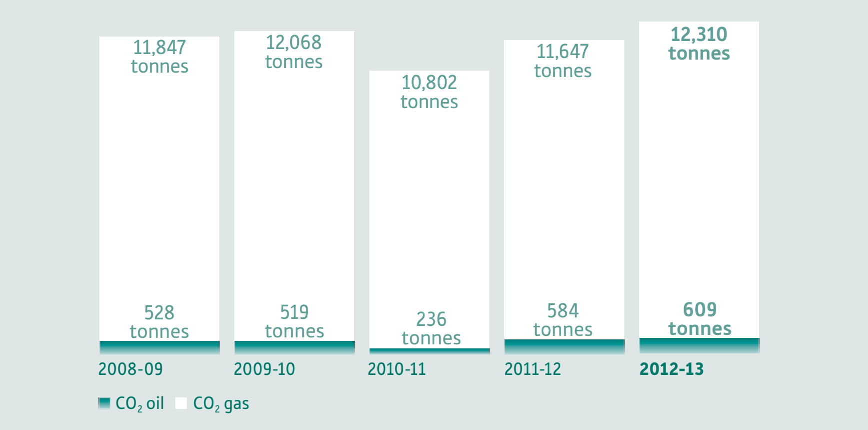
The overall impact of our operations for Scope 1 and Scope 2 emissions was 61,169 tonnes of CO_2e emissions (2012: 61,542 tCO_2e). Green energy used in our Belgium factories accounted for 19% of the Group's total demand giving a net CO_2e impact of 52,005 tCO_2e. In terms of eco efficiency, energy usage was 1% lower at 1,482 Kg per Gjoules (2012: 1,493 Kg/Gj) with CO_2e efficiency marginally improved to 16,836 Kg product/tCO_2e (2012: 16,800 Kg product/tCO_2e).

Further details of our environmental performance can be found in our Sustainability Report.

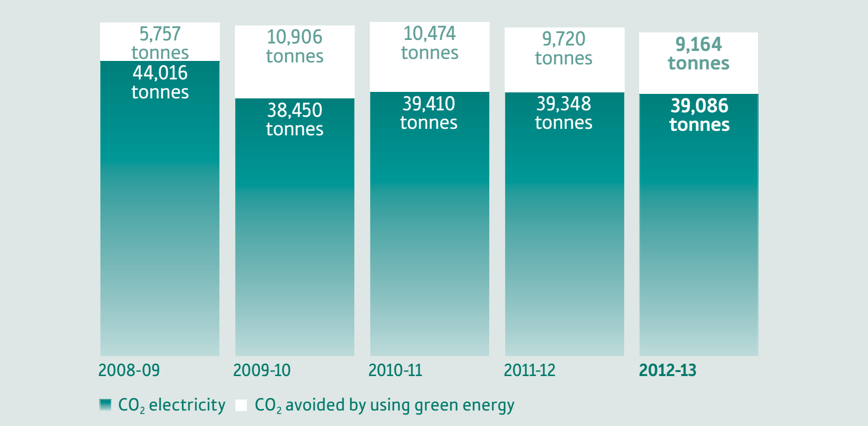
Total waste McBride 2009-13 (%)



GHG emissions Scope 1, 2009-13 (Tonnes CO_2e)



GHG emissions Scope 2, 2009-13 (Tonnes CO_2e)



Business review

Corporate responsibility report
continued

Managing CO_2 – Intermodal Example

We continue to find ways to measure, manage and target opportunities to reduce both direct and indirect CO_2 emissions across the Group. As an example, our Belgian operations reviewed opportunities to reduce emissions from its transport network (i.e. using methods which emit the least amount of CO_2 per tonne/kilometre).

This review led to a shift towards using intermodal road and rail transportation.

By switching to this form of transport between our Belgian factories to customers in Italy and France, it has been calculated that for a 15 month period between January 2011 and March 2013, CO_2 emissions were reduced by 2,573 tonnes or 8%, compared with traditional road transport without impacting customer service.

Product responsibility and sustainability

The quality and safety of our products is paramount. We take our responsibilities seriously and are committed to ensuring that all our products are suitable and safe for their intended use.

Our Product Responsibility Policy, together with supplemental policies on packaging, enzymes and animal testing (which are available from the Group's website at **www.mcbride.co.uk**) set out the principles we follow. These policies are reviewed and approved by the Board and the EMT on a regular basis. They are supported by comprehensive management systems which reflect legal and regulatory compliance as a minimum standard and cover raw material usage and product assessments, labelling and packaging requirements.

We are also actively involved in promoting the highest standards of product safety compliance through the various initiatives of industry associations such as the A.I.S.E. (European Federation of Soap and Detergent Manufacturers).

From the end of 2013 a number of our products in the All Purpose Cleaner market will begin to carry the Advanced Sustainability Profile logo. This provides an indication that these products meet the criteria set out by the A.I.S.E. for products which offer improved sustainability benefits. To achieve the accreditation products need to meet strict sustainability targets on packaging weight per use, liquid dose per use, and also strict environmental safety checks on the formulations.

Product safety evaluations are made in our operations without testing on animals. We continue to support the development and acceptance of alternative product safety evaluation methods that reduce or replace the use of animals.

Engagement with external stakeholders

We understand that effective stakeholder engagement enables us to optimise our performance. We also recognise that maintaining positive relationships with customers, suppliers and the communities in which we operate provides additional strength to our continuous improvement and sustainability commitments.

Customers

We are passionate about delivering superior quality service and choice to our customers and strive at all times to be the chosen provider of Private Label Household and Personal Care products to the leading grocery retailers around the world by:

- → making customer service our primary operational goal across the Group,
- → making the quality and safety of our products paramount,
- → treating our customers' Private Label product offerings as brands in their own right, and
- → working ever closer with our customers at all levels of the business to better understand their needs.

Suppliers

We seek to establish mutually beneficial relationships with all our suppliers and encourage them to match our high standards in respect of quality, product safety, working and trading practices, health and safety and environmental protection.

The Group's Purchasing Policy sets out the standards and ethics for dealing with suppliers and seeks to ensure that there is no bias or conflict of interest in any tender process or subsequent relationship and, above all else, ensure suppliers are treated fairly.

We actively maintain relationships with our suppliers at all levels: commercially through the Purchasing team, technically through the R&D team and operationally through the Supply Chain team. In this way we continually seek to optimise the value of what we source, through innovation, proposals from suppliers and evaluation of alternative suppliers and materials.

Hand wash bottles redesign

This year the McBride packaging technologists were challenged to sharpen our cost competitiveness for our range of hand wash bottles.

The team focused on redesigning the bottle shape to increase the efficiency of palletisation thereby minimising the costs of transport in the overall product cost. Given the bottles still needed to contain 250ml and 500ml of product, with the pallet dimensions and layers remaining the same, this was quite a challenge.

The outcome was a chunky design which achieved 98% palletisation efficiency, with a resulting reduction of up to 19% lorry loads per annum.

This not only delivers better value to our customers but also benefits the environment in terms of reduced fuel emissions.

Business review
Corporate responsibility report
continued

We made regular donations of products to a number of local community organisations and charities in the UK, Italy, Belgium, France and Poland. Also, donations of laundry, cleaning, toiletry and baby products were made to In Kind Direct. McBride have made donations to In Kind Direct since 2010, with an estimated value of over £210,000. The McBride Charitable Trust, amongst other things, offers financial support to employees' children over the age of 18 for educational purposes.

Community activities
We look to have a positive impact and enhance the links with the local communities in which we operate. As well as providing significant employment opportunities, we aim to make positive contributions to these communities, building goodwill and a reputation as a good neighbour and employer.

Further details of our community activities during the year can be found in our Sustainability Report.

Shareholders
The Group's success in the marketplace is built upon the trust and confidence of those who invest in us and we are committed to protecting their long-term interests.

The ways in which we engage with our shareholders is reported on page 51.

Corporate responsibility commitment
We continue to be committed to a high standard of corporate governance and accountability and aim to generate an attractive rate of return on a long-term basis through the responsible use of the assets entrusted to us.

We are also proud of our corporate and socially responsible culture which is integral to the way we do business. We are sensitive to the needs of all our stakeholders – the McBride team, customers, consumers, suppliers, investors and the wider community. The quality and commitment of our people enable us to succeed and continue to build and develop a sustainable business model.

Chris Bull
Chief Executive Officer

Governance

Inside this section

Financial statements can be found on pages 82 to 132.
Useful information for shareholders can be found on page 134.
Where to find us can be found on page 138.
Our online resources can be found on the inside back cover.

Governance

Chairman's statement on governance compliance

Iain Napier
Chairman

Dear Shareholder

At McBride we are committed to applying the highest standards to the quality of the products we develop and supply, as well as to the professional and ethical way we run our business. Upholding the principles of good corporate governance is an essential part of achieving this.

The Board continues to review and consider the Company's level of compliance with the Financial Reporting Council's UK Corporate Governance Code ('the Code') and closely monitors developments in relevant legislation, regulation and voluntary codes of practice. Disclosures in this year's Annual Report describe how the Code's main principles have been applied and, in addition, demonstrate how the Board has taken steps to comply with the Code principles as amended in October 2012, notwithstanding that they apply to the Company's financial year ending 30 June 2014.

This year's Corporate Governance Report (on pages 42 to 78, and which forms part of the Directors' Report) has also been redesigned to provide stakeholders with a clear view of how our governance assurance process is embedded within the leadership culture of McBride, and its influence on the formulation and execution of the Group's business strategy.

Board diversity

We value diversity in our employees and will continue to encourage and promote diversity within our workforce. However, we believe it is fundamental for the continued success of the business that the best candidates are appointed based principally upon ability and merit. This approach is equally applied when considering the overall composition and balance of the Board. Further information on Board diversity can be found on pages 47 and 48.

Board evaluation

Recognising the Code's principles, we have again this year undertaken a formal and rigorous evaluation of the performance of the Board and its sub-committees. The conclusions reinforce those found during the external evaluation undertaken in the year ended 30 June 2012 and confirm a positive picture of an effective and collaborative leadership approach, with progress being made in identified improvement areas. The Board also continues to take all appropriate measures to ensure there is no conflict of interest between the Board, its individual members and other stakeholder groups. Details of the process concerning the 2013 Board evaluation exercise are provided on page 52.

Risk management

The management of risk is an integral part of good governance for supporting business strategy and growth. During the year a revised and refreshed risk management programme has been adopted across the Group. This strengthening of the risk assurance process has full support from the Board and is monitored by the Audit Committee. Further details are provided in both the Governance section on pages 49 to 51 and the Principal Risks & Uncertainties section on pages 53 to 57.

Governance within McBride

As Chairman, I take responsibility for ensuring the Board provides strong and effective leadership to the Company and engages and supports both the executive management and other stakeholders. The Board continually strives to maintain strong governance to support the long-term success of the Company and seeks to embed best practice into our Board and sub-committee processes through regular review and update of our corporate policies and terms of reference.

The following pages outline the Board's approach and governance activity during the last financial year and highlights the continuing priorities for the coming year and beyond.

Iain Napier
Chairman

Governance

Board of Directors

1. Iain J G Napier – Chairman

Chairman of the Nomination and member of the Remuneration sub-committees
Appointed: July 2007
Skills and experience: Group Chief Executive of Taylor Woodrow plc from 2002 to 2006. Chief Executive of Bass Leisure and then Chief Executive of Bass Brewers and Bass International Brewers. Following the sale of the Bass beer business in 2000, Vice President UK and Ireland for Interbrew SA until August 2001.
External appointments: Chairman of Imperial Tobacco Group plc and John Menzies plc, and a non-executive director of William Grant & Sons Holdings Limited and Molson Coors Brewing Company (a US quoted company).

2. Bob A Lee – Senior Independent Non-Executive Director

Chairman of the Remuneration and member of the Nomination and Audit sub-committees
Appointed: September 2003
Skills and experience: Over 35 years' experience in the petrochemical and allied industries; being employed by Dow Chemicals for 28 years in various international senior management roles. In 1997 joined the management team that led the demerger of Octel Corp (now Innospec Inc) to become an independent NYSE-listed petroleum additive company. From 2000 to 2012 managed a private packaging technology company, Advanced Plastics Technologies Luxembourg S.A.
External appointments: Director of Plastic Packaging & Training Consulting Company of Amman, Jordan.

3. Chris D Bull – Chief Executive Officer

Member of the Nomination sub-committee
Appointed: May 2010
Skills and experience: Chief Customer Officer of Unilever Plc. An extensive international career with Unilever covering 25 years and between 2003 and 2007 CEO of Unilever Poland and Baltics. CEO of sizeable divisions in Unilever, and managed manufacturing operations, building on his qualification as a graduate engineer.

4. Richard J Armitage – Chief Finance Officer

Appointed: November 2009
Skills and experience: Finance Director of Premier Foods' Grocery Division. 16 years in the chemical industry working for ICI and Courtaulds in a number of senior financial management positions. Chartered accountant.

5. Steve J Hannam – Independent Non-Executive Director

Member of the Audit, Remuneration and Nomination sub-committees
Appointed: February 2013
Skills and experience: Previous positions have included chairman of Aviagen International Inc, non-executive director of Clariant AG and AZ Electronic Materials Services Limited, and Group Chief Executive of BTP Chemicals plc.
External appointments: Chairman of Devro plc and non-executive director of Low & Bonar PLC.

6. Neil S Harrington – Independent Non-Executive Director

Chairman of the Audit and member of the Nomination and Remuneration sub-committees
Appointed: January 2012
Skills and experience: Senior finance roles at Asda Stores Limited, Barclays Bank plc, French Connection Group plc and, more recently, Group Finance Director at Mothercare Plc. Chartered accountant.
External appointments: CFO of Cath Kidston Limited.

7. Sandra Turner – Independent Non-Executive Director

Member of the Audit, Remuneration and Nomination sub-committees
Appointed: August 2011
Skills and experience: Member of the Tesco senior management team for over 20 years, holding commercial and operational roles in the UK and Ireland. Commercial Director of Tesco Ireland between 2003 and 2009. Previously a non-executive director of Northern Foods plc.
External appointments: Non-executive director of Carpetright plc, Huhtamäki Oyj and Countrywide plc.

Governance

Corporate governance report

Code compliance

As a Board we recognise that we are accountable to shareholders for the Group's activities and are responsible for the effectiveness of the Group's corporate governance practices. We remain committed to maintaining high standards of corporate governance and endorse the provisions set out in the Code. During the year we have assessed our level of compliance with the Code and disclosures in this year's Annual Report describe how the main principles have been applied. The Board considers that, throughout the year under review, the Company has complied with the Code's provisions, other than the ongoing appointment of Bob Lee who has been in office for ten years. The Board considers that Bob has continued to exercise his role with no conflicts of interest and has always acted in the best interests of the Company's stakeholders. As reported below, Bob will now stand down as a Director at the conclusion of this year's Annual General Meeting (AGM).

The following sections provide details of the leadership structure and outline the respective roles and responsibilities of the Board and the Executive Management Team (EMT). We also describe how governance is applied to maximise the Board's effectiveness and accountability to the Company's stakeholders.

Business model and delivery of strategy

Details of the Company's business model, how it is working to generate and sustain long-term value and details of the Board's strategy for ensuring the Company meets its objectives are set out in the Business Review section on pages 8 to 40. We recognise that, in order to deliver this strategy, strong, effective and clear leadership is required. This Report explains how this is achieved.

Leadership and responsibilities

As directors we recognise the importance of establishing the right culture and communicating this message throughout the organisation, with the aim of engaging all of our employees so that, collectively, we can drive and deliver our strategy in the best interests of all our stakeholders.

In carrying out our work, the Board focuses on key tasks which include active reviews of the Group's corporate plan and its long-term strategy, monitoring the decisions and actions of the Chief Executive Officer and the EMT, the Group's trading performance and reviewing the Group's health and safety and business risks. Further information of the matters we have considered during the year is set out on page 49.

Composition

At 30 June 2013 the Board comprised seven members: two Executive Directors, the Chairman and four Non-Executive Directors. The Directors' biographies appear on page 43. The Executive Directors are supported by the senior executives within the Group and, in particular, by the EMT, the composition and role of which are outlined on pages 46 and 47.

Responsibilities between the Chairman and the Chief Executive Officer are clearly divided, with the Chairman responsible for leading the Board and ensuring it operates effectively. Supported by the Company Secretary, the Chairman is responsible for setting the agenda for Board meetings and ensuring that Board and shareholder meetings are properly conducted. Subject to monitoring by the Board, the Chief Executive Officer, supported by the EMT, is responsible for the day-to-day running and executive management of the Company and for implementing the agreed strategy and policies of the Board.

Independence

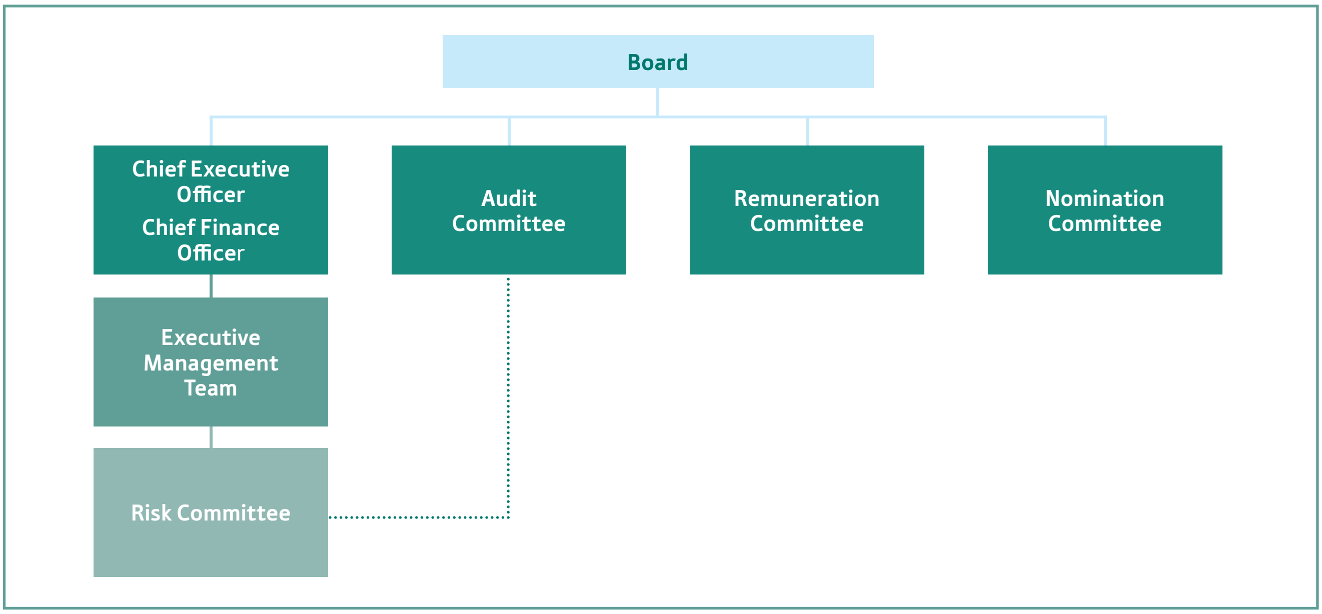
We consider that all the Non-Executive Directors are independent of management and exercise their duties in good faith, based on judgements informed by their personal knowledge, experience and skills. During the year, each Director confirmed that they had no relationship or circumstance that could affect their judgement and the Board has satisfied itself that there is no compromise to the independence of those Directors who have appointments with external entities. We believe that the balance between non-executive and executive representation encourages healthy independent challenge to the Executive Directors and to senior management.

Last year Bob Lee agreed to be re-appointed as a Director of the Company with a view to striking a balance between continuity and succession. During the year we have benefited from Bob agreeing to remain on the Board, however, he has now decided to stand down and will retire after the conclusion of the AGM on 14 October 2013. This recognised the feedback from the Board evaluation exercise that was undertaken during the year ended 30 June 2012 and which confirmed the need for some stability on a Board that comprised a majority of relatively newly-appointed Directors. In anticipation of Bob's retirement, Steve Hannam was appointed as a Non-Executive Director during the year. Bob's Board responsibilities will be reassigned with effect from the conclusion of the AGM. Steve Hannam will become Senior Independent Director and Sandra Turner Chair of the Remuneration Committee.

Director election and re-elections

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

In accordance with the articles of association ('Articles'), and having been appointed by the Directors during the year, Steve Hannam will resign at the forthcoming AGM and, being



eligible, will offer himself for election by the shareholders. Although the Articles require the Directors to submit themselves for re-election at every third AGM, all the remaining eligible Directors have agreed to submit themselves for annual re-election. Accordingly, Iain Napier, Chris Bull, Richard Armitage, Neil Harrington and Sandra Turner will retire at the AGM and offer themselves for re-election.

The biographies for each Director (set out on page 43) include descriptions of the skills and experience that the Company considers relevant. Voting at the 2012 AGM demonstrated continued support for all Directors who held office at that time.

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**. This document has been updated during the year to incorporate minor changes to the Board's authority levels.

In summary, the matters reserved for the Board include:

- → Strategy and management
- → Corporate structure
- → Financial reporting and controls
- → Directors' appointments and remuneration
- → Internal control and risk management
- → Corporate social responsibility
- → Corporate governance
- → Succession planning.

During the year, particular attention has been paid to regular reviews and discussions about strategic projects or developments and all material matters currently or prospectively affecting the Company and its performance.

Operational management of the Group

The relationship between the Board and the Chief Executive Officer is governed by the Non-Executive Directors, particularly through the work of the Board sub-committees. Each sub-committee is chaired by a member of the Board which, in turn, enables the Non-Executive Directors to take active roles in influencing and challenging the work, performance and recommendations of the Chief Executive Officer and his executive management team.

Board sub-committees

We have an Audit Committee, a Nomination Committee and a Remuneration Committee. Each sub-committee has been established under its own Charter which sets out its terms of reference, authority, composition, activities and duties. The Charters are reviewed and updated as necessary to ensure ongoing compliance with the provisions of the Code and other best practice guidelines. They were last reviewed and updated in June 2013 and copies are available from the Group's website at **www.mcbride.co.uk**.

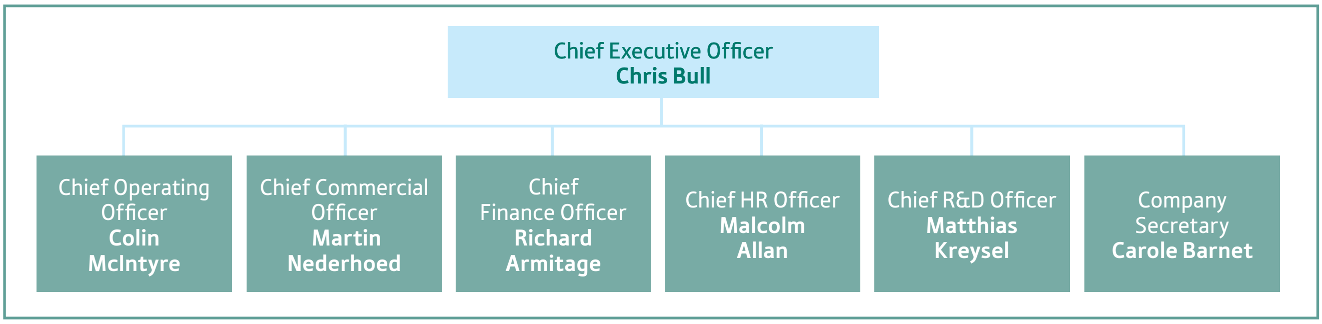
Each sub-committee is properly authorised to make decisions and act on behalf of the Board within the guidelines and delegations laid down in its Charter. The Board is kept fully informed of the work of the sub-committees with reports being tabled from time to time by the Committee chairmen. Each sub-committee may access independent advice as required and is supported by the Company Secretary.

Reports for each of the sub-committees follow, detailing their membership, roles and activities:

- → the Audit Committee report is set out on pages 58 to 60.
- → the Nomination Committee report is set out on page 61.
- → the Remuneration Committee report is set out on pages 62 to 74.

Governance
Corporate governance report
continued

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



1. Chris Bull
Chief Executive Officer
(see Board of Directors on page 43)

2. Richard Armitage
Chief Finance Officer
(see Board of Directors on page 43)

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

4. Colin McIntyre
Chief Operating Officer
Colin joined McBride in 1990 and has progressed through the Company, being appointed Divisional Managing Director of the UK Division in July 2008 and assuming the role of Chief Operating Officer with effect from 1 July 2012. He was formerly General Manager of a factory in the UK, UK Logistics Director and Operations Director of the Western Continental European Division. Colin is a member of the UK Cleaning Products Industry Association (UKCPI). He previously worked for Milliken Industries and he has a degree in Chemistry.

5. Martin Nederhoed
Chief Commercial Officer
Martin joined McBride on 19 August 2013 from Georgia Pacific, where he held the position of VP Customer Development for EMEA. Prior to that he was Global Trade Marketing Director at Reckitt Benckiser and has held sales and commercial roles at PepsiCo and Hero. Martin has worked in France, Belgium and the UK and has experience in all the major European territories. He has a degree in Economics and Business.

6. Matthias Kreysel
Chief R&D Officer
Matthias joined McBride in September 2012 from Ecolab Europe, where most recently he was VP R&D Global Laundry and acting VP Manufacturing for EMEA. He worked for Henkel/Ecolab in a number of senior R&D leadership positions throughout Europe and Central and Eastern Europe, as well as broader global experience including the Middle East and Asia. He brings 20 years' experience of laundry and household cleaning product development and has a PhD in Organic Chemistry from Bonn University.

7. Malcolm Allan
Chief HR Officer
Malcolm joined McBride in 1987 and has worked in purchasing, distribution and Total Quality Management and HR. He was Group HR Director from 1993 and was appointed Chief HR Officer on 1 July 2012. He is also responsible for health, safety and environmental issues worldwide. Prior to joining McBride Malcolm held HR positions in Central Government, RHM and Foseco Minsep and he has a degree in Mathematics.

Execution of management responsibilities
The Chief Executive Officer chairs a monthly meeting of the EMT whose role is to rigorously assess the Group's performance against its corporate plan and to focus on identification and implementation of those large-scale cross-Group projects which are critical to delivering the Group's strategy. The meetings are rotated around the operational sites to ensure visibility of the EMT and to provide the opportunity for site-based colleagues to interact with members of the EMT through Q&A sessions, round-table discussions and site tours.

Operational, supply chain, commercial, finance, development and technical issues are delegated via the various EMT members to senior management on a structured functional basis. Employee, social and community responsibilities are delegated to the Chief HR Officer who reports directly to the Chief Executive Officer. The Chief Executive Officer is also ultimately responsible for health, safety and environmental matters as well as for customer service and quality matters, although day-to-day management is delegated to relevant members of the EMT.

In order to promote cross-functional working across the Group, regular meetings (chaired by the Chief Executive Officer) are convened for the purposes of:

- → communicating business performance,
- → facilitating the interface between functions to ensure that decisions are taken in a manner that both optimises delivery of the strategy and maximises shareholder value,
- → providing a forum for the discussion of opportunities and risks arising, and
- → allowing the EMT to exercise due diligence by giving them the opportunity to test the thoroughness with which functional management operate.

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

Effectiveness

Board style and diversity
A strong feature of the Board's effectiveness in delivering the strategy is our open style of management and a free flow of information between the Executive and Non-Executive Directors; this is encouraged by the Chairman and is supported by the Chief Executive Officer. We believe the size of our Board encourages individuals to discuss matters openly and freely and to make a personal contribution through the exercise of their personal skills and experience. All Directors communicate with each other on a regular basis and contact with senior executives within the Company is actively sought and encouraged. To further promote this interface, members of the EMT and/or other senior executives are frequently invited to attend Board meetings to present on matters of strategic importance. This also serves to provide the Directors with a clearer understanding of business issues.

We also recognise that diversity, in its widest sense, is critical to the Board's effectiveness. When appointing Steve Hannam as our new Non-Executive Director all aspects of diversity (experience, background, skills and expertise, as well as gender) were taken into account. The recruitment process was open and fair, and was carried out by an independent, external consultant. When considering new appointments to the Board we typically engage external search consultants who are signatories to the Voluntary Code of Conduct for executive search firms to ensure that shortlists are reflective of the diverse pool of candidates available. The Non-Executive Directors have been appointed on merit and for their specific areas of expertise and knowledge. Their wide-ranging experience and backgrounds ensure that we can debate matters constructively in relation

Governance
Corporate governance report
continued

to both the development of strategy and performance against the objectives set by the Board. We believe that the diverse backgrounds of the individual Directors ensures we have a Board with the optimum combination of skills and experience needed to support the business. In particular, Sandra's experience of the retail sector directly assists our understanding of our customers, Neil's international accounting knowledge brings undoubted value to his chairmanship of the Audit Committee and Steve's breadth of experience on other Boards in the manufacturing sector brings a different perspective to discussions at meetings. Furthermore, all members of the Board have experience of business in international markets. No single Director is dominant in the decision-making process.

Induction, development and support
On induction, all new Directors undergo formal and in-depth induction programmes to provide them with an appropriate understanding of the business. This involves site visits, face-to-face meetings with senior executives and the issue of an induction manual containing key documents relating to the new appointee's role on the Board. Independent external training is also provided, where appropriate, by the Group's legal advisers, Addleshaw Goddard, who have no other connection with the Company. During the year, Steve Hannam has completed the internal induction programme and has received detailed information about the Group.

We recognise the importance of ongoing training and development to ensure Directors have the skills and knowledge to discharge their duties effectively. This can take the form of briefing papers on regulatory/legislative developments and on other topics of specific relevance to either the business or the markets in which we operate. Additionally, all Directors are entitled to undertake external training relevant to their particular duties. During the year, Bob Lee has attended various forums on governance issues which have benefited him in his role as chairman of the Remuneration Committee and the Executive Directors have also attended industry briefings relevant to their roles to ensure they are up-to-date on developing themes.

This programme serves to ensure that the Directors are appropriately trained both individually and collectively so that the Board can be truly effective.

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.

Operation of the Board
Board papers are prepared and issued by no later than one week prior to each Board meeting to enable Directors to give due consideration to all matters in advance of the meeting. Directors are able to take independent professional advice, if necessary, at the Company's expense.

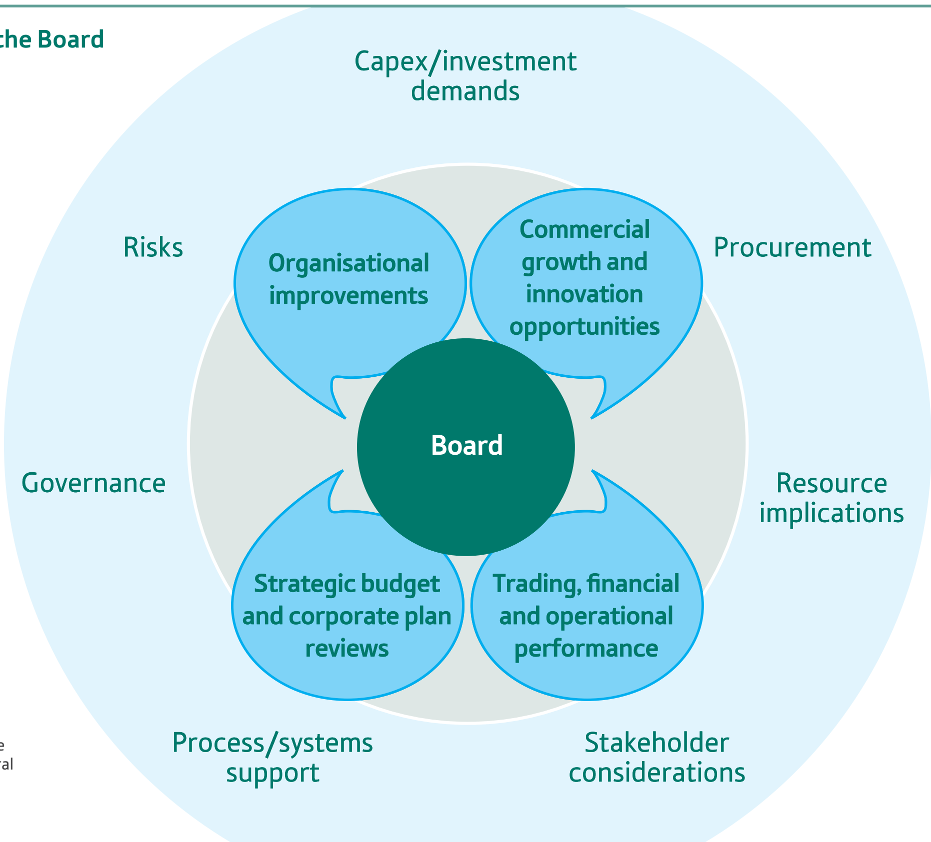
The Board holds at least six meetings a year at approximately two-monthly intervals. Additional meetings are held as necessary to consider specific matters where a decision is required before the next meeting. During the year, nine formal Board meetings were held. At least one formal and several informal 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.

Attendance at meetings during the year ended 30 June 2013

		Date appointed	AGM
Number of meetings held:	9		
Number of meetings attended:			
Iain Napier Chairman	9	1 July 2007	1
Chris Bull Executive Director	9	4 May 2010	1
Richard Armitage Executive Director	9	1 November 2009	1
Steve Hannam(1) Independent Non-Executive Director	4	4 February 2013	n/a
Neil Harrington Independent Non-Executive Director	9	3 January 2012	1
Bob Lee Senior Independent Non-Executive Director	9	1 September 2003	1
Sandra Turner Independent Non-Executive Director	9	1 August 2011	1

(1) Steve Hannam's attendance is shown following his appointment.

Matters considered by the Board



The central core highlights the focal areas of attention and the outer circle shows those matters which are integral to ensuring successful achievement of the focal areas and formed part of our Board deliberations.

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

In addition to the above, other matters we considered included:

- Discussion and reviews of proposed IMS/Trading Statements and of the full year and interim results statements.
- Reviews of internal succession plans for executive management of the Group's talent management process.
- Approval of the appointment of a new Non-Executive Director.
- Approval of proposed changes to the Group's banking facilities.
- Receipt of reports from the sub-committees of the Board including reviews of the activities of the Internal Audit function.
- Receipt of investor reports and reviews of feedback from presentations to institutional shareholders.

Conflicts of interest

We have procedures in place to capture the disclosure by Directors of any situations which may conflict with the Company's interests and also for the consideration and authorisation of any such conflicts by the Board, in accordance with the Company's Articles. All such disclosures are recorded and compliance is reviewed at each Board meeting. Our procedures allow for the imposition of limits or conditions by the Board when authorising any conflict, if they think this is appropriate.

Business risk

The Group's internal control and risk management activities are managed through various measures including business risk reviews, supporting internal control procedures and site audits by customers. The Internal Audit function serves to provide assurances to the Audit Committee that relevant controls and actions are in place and its work is guided by the Group's risk assessment process and agreed with the Audit Committee at the start of each year.

Governance

Corporate governance report

continued

Internal self-assessment programmes are undertaken each year with specific focus on strategic risks together with any key operational risks. Whistleblowing procedures are in place for individuals to report suspected breaches of law or regulations or other serious malpractices. The Group has an Anti-Bribery and Corruption Policy which extends to all business dealings and transactions in all countries in which it, or its subsidiaries, operate. These policies have been updated during the year and communicated to all employees throughout the Group.

Group business risk management process

During the year a Risk Committee was established. This reports to the EMT and liaises with the chairman of the Audit Committee. Its role is to provide leadership and direction with regards to the Group's overall risk management framework. A refreshed approach to assessing business risks was also adopted. This new process, known as 'BRIM' (Business Risk Management), is based on bottom-up risk identification and assessment exercises carried out via a series of functional risk workshops, as well as strategic risk assessments conducted by the EMT. The outputs from the process are owned by the individual functional leadership teams, reviewed and assessed by the EMT and approved by the Audit Committee. The exercise is used to derive the principal risks and uncertainties faced by the Group, as reported on pages 53 to 57. Key risk mitigating controls are frequently reviewed and assessed for adequacy and effectiveness, both by functional management and Internal Audit.

Internal control and risk management

The Group has a clear internal control system, the purpose of which is to safeguard investment and the Group's assets. The system embraces all material controls and business risks, including financial, operational and strategic risks, and incorporates a full review of compliance controls and risk management across the Group. This system is operated as an integral part of the organisation of executive responsibilities and accountabilities and has been reviewed by the Board.

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. This control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance that assets are safeguarded against unauthorised use or material loss, and that its transactions are properly authorised and recorded. We delegate responsibility to members of the EMT to consider and reassess the effectiveness of the existing controls and to identify whether any new risks have arisen as a result of any control weaknesses.

Accountability

Key control procedures

Management responsibility and accountability

We have clearly defined management responsibility and reporting lines. The Chief Executive Officer and Chief Finance Officer meet regularly with members of the EMT to review progress on financial, commercial, operational, supply chain, HR, health, safety and environmental issues as well as regulatory and legal compliance matters.

Corporate planning process

Our three-year Corporate Plan is updated each year and is approved by the Board. It focuses on the market environment, Group strategy and objectives, actions to achieve them and implementation through the organisation. Strengths, weaknesses, risks and opportunities are highlighted on a functional as well as at Group level. The implementation of the Plan is monitored via the progress of key project plans in the monthly EMT meetings, and through a system of measurement that aims to give early warning of any failure to meet Plan targets.

Budgeting and reporting

We have a comprehensive annual budgeting process that is ultimately approved by the Board. Financial performance against budget is monitored and challenged centrally and full year forecasts are updated each quarter. The Board is regularly updated on the Group's financial performance and position against targets.

Financial reporting

Detailed management accounts are prepared each month, consolidated and reviewed in detail with the EMT. The analysis provided includes commercial, operational, environmental, cash and financial and people KPIs, and is reviewed against targets.

Key performance indicators (KPIs)

A comprehensive set of commercial, operational, financial and non-financial KPIs are reported each month up to Group level. The core KPIs are reported on page 3. Performance against targets and sharing of best practice are discussed regularly at meetings at both functional and Group levels. The adequacy and suitability of existing KPIs are reviewed regularly.

Expenditure approval

We have in place authorisation and control procedures for capital expenditure and other major projects. There is also a process to review capital expenditure projects post-completion to highlight issues, motivate management to achieve forecast benefits and improve future projects. Authorisation procedures for operating costs and contractual commitments are reviewed regularly.

Documented policies
We have documented policies for a range of areas including HR matters, expenditure, treasury and financial reporting. The Group Finance Manual is updated annually and incorporates accounting, tax and treasury policies, as well as reporting responsibilities and capital expenditure approval procedures. In addition, a detailed Internal Control Questionnaire (ICQ) has been completed and signed by relevant executives to confirm their compliance with core control procedures in operation across the Group. The Group Finance Manual also includes a Group Authority Levels document which details matters reserved for the Board, its sub-committees, members of the EMT and other senior management across the Group.

Finance function independence
The Finance function is encouraged to act independently of general management in the course of its preparation of monthly accounts and exercising of control procedures.

Site property surveys
Regular meetings are held with insurance and risk advisers to assess the risks throughout the Group. Risk assessments, safety audits and a review of progress against objectives established by each site are regularly carried out.

Internal audit
The Internal Audit function periodically reviews individual businesses, functions and significant strategic and operational projects, processes and procedures, and makes recommendations to improve controls. Any outstanding actions are followed up to ensure that management implement the actions agreed. The Internal Audit function's work is determined on a risk assessment basis and its findings are reported to Group and functional management as well as to the Audit Committee.

Cash
The cash and debt position is monitored daily and variances from forecast levels are investigated thoroughly. Working capital balances are reviewed on a monthly basis at Group level and significant variances are analysed and investigated.

External auditors
The auditors add a further independent perspective on certain aspects of the internal financial control system as a result of their work. The external auditor is engaged to express an opinion on the financial statements. The audit includes the review and test of the system of internal financial control and the data contained in the financial statements to the extent necessary for expressing an audit opinion on the truth and fairness of the financial statements.

Effectiveness
The Board has reviewed the effectiveness of the systems of internal control and risk management procedures during the year and is satisfied that there is an ongoing process for identifying, evaluating and managing risks faced by the Group. The process has been in place for the year under review and up to the date of approval of this Annual Report.

Investor relations
Relations with shareholders
We place considerable importance on maintaining effective, balanced communications with all shareholders. Our investor relations programme includes:

- → Formal presentations of full year and half-year results, and interim management statements.
- → Briefing meetings with major institutional shareholders, including after the half-year results and preliminary announcements, which provide the opportunity for shareholders to assess the Group's performance and prospects and to explore the Group's approach to corporate governance matters.
- → Regular face-to-face meetings between analysts, brokers and fund managers and the Chief Executive Officer and Chief Finance Officer to further promote a better understanding of the business and its strategic development; during the year approximately 46 meetings were held in the UK, 19 in the USA and three in France.
- → Responding to enquiries from individual shareholders and analysts through our Investor Relations team on a wide range of issues, and participating in surveys and questionnaires submitted by investor research bodies.

The principal communication with private investors is via our website at **www.mcbride.co.uk/investor** (which is a section dedicated to shareholders), our Annual Report and through the AGM. All the Directors attend the AGM and shareholders have an opportunity to raise questions, both formally during the meeting and informally after the meeting has closed. A summary presentation of the Group's trading position is given at the AGM before the Chairman deals with the formal business of the meeting. The proxy votes cast in relation to all resolutions, including details of votes withheld, are disclosed during the meeting and the results are published on our website and announced via the Regulatory News Service.

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

Information on share capital
The information about share capital required to be included in this Corporate Governance Report can be found in the Statutory Information section on page 77.

Governance
Corporate governance report
continued

Board evaluation

In accordance with best governance practice, the Board had commissioned an externally facilitated evaluation exercise during the course of the 2011/12 financial year. This exercise had identified a very positive picture of a Board that was working well with the external facilitator concluding that the Board was well placed to continue to be successful. For the 2012/13 year, the Board requested that the exercise should revert to an internal evaluation to be undertaken by the Company Secretary, working closely with the Chairman of the Board.

The process involved the development of a detailed question set which was reviewed and approved by the Chairman. The exercise evaluated the performance of the Board as a whole to assess the leadership, its effectiveness and performance; together with an assessment of the performance of the individual members of the Board in terms of their contribution, understanding of matters facing the Company, and determining the extent to which individual Directors are willing and able to challenge each other openly. An evaluation of the operation of each of the sub-committees was also covered and aspects of the Board's approach to the Group's strategy, business planning, succession planning and interaction with members of the EMT as well as with investors were also assessed.

The key findings identified that:

- the Board, its sub-committees and relationships work effectively with strong leadership and governance processes in place;
- Board discussions have continued to pay particular attention to assessment of progress against the Group's strategic plans;
- the Directors have a strong sense of mutual respect, with the Non-Executive Directors being independent of mind and inclined to be mentors, advisors, and sounding boards in order to support the Executive Directors;
- the balance of experience and diversity of style ensure that the Board maximises the wide-ranging skills offered by its individual members;
- the Chairman continues to demonstrate strong leadership;
- the Board monitors the Group's progress effectively and the right balance is struck between assessment of the financial health, operational performance, regulatory compliance and governance, people management and health and safety matters;
- the Non-Executive Directors receive sufficient information in a timely manner relating to the performance of the Company and its external operating environment;
- each of the Board sub-committees operates effectively, has the right membership and gives appropriate attention to the matters falling within their remit;
- the Board understands shareholder perceptions of the Company and relationships with external stakeholders are satisfactory;
- the composition of the Board and its sub-committees is appropriate;
- the Non-Executive Directors feel comfortable with their contribution to strategy development and challenging the Executive Directors as necessary; and
- the Board have access to appropriate training and induction processes.

Areas for improvement identified from the exercise undertaken for the 2011/12 year had included development of succession planning, improving exposure of the Board to senior management teams, and providing better visibility of the Board throughout the Company. During the year, these areas have continued to be developed with particular emphasis on inviting relevant members of the executive and senior management teams to present at Board meetings. This has provided the opportunity for the Board to assess the calibre of the executive management as well as providing greater insight into the operations of the Company.

Areas for improvement identified during this year's exercise include:

- the need to further continue development of succession planning for senior management positions, and
- a request for even more interaction with management below Board level.

Following completion of the exercise, the Chairman met with individual Directors to discuss the findings and to provide feedback on the effectiveness and performance of the Board and its sub-committees. The Non-Executive Directors, led by the Senior Independent Director and in the absence of the Chairman, convened a separate meeting to discuss the performance of the Chairman.

From the exercise undertaken this year, it is evident that there is a strong sense of unity amongst members of a Board who work well together, and who are committed to driving the strategy of the Company forward in the interests of all the Company's stakeholders.

Governance

Principal risks and uncertainties

Risk is inherent to business activity and the Group's challenge is, therefore, to identify all the principal risks and uncertainties it faces and to develop management processes which mitigate those risks.

The Board is responsible for ensuring that the Group has an appropriate approach to risk management and internal control and that this forms an integral part in the planning and implementation of the Group's overall corporate strategy. We operate in a fast-moving, dynamic environment and it is recognised that the risks facing the Group will increase or decrease in potential severity or importance dependent on the market and economic climate at any particular time. The system of risk management used to identify the principal risks facing the Group is described on pages 49 to 51.

During the year, a refreshed and streamlined risk management process has been rolled out across the Group under the banner "BRIM". This has the full support of the Board and is designed to be holistically aligned to the new organisational structure; with detailed functional risk assessments being undertaken across the whole Group. BRIM aims to highlight the importance of a robust and dynamic process for the assessment and control of risk and in so doing continue to embed a risk accountable culture across the Group.

Each function has undertaken risk workshops and generated registers which detail the high priority risks within its area, together with the identification of key mitigating controls either already in existence or requiring further actions to implement. From these, a Group Risk Summary has been compiled to highlight the strategic, over-arching, cross-functional and Group-wide risks deemed to be critical to the Company's growth and performance. These have been reviewed and approved by the EMT, the Audit Committee and the Board and form the basis of the Group's identified principal risks and uncertainties.

We believe the BRIM mechanism has added a further layer of clarity and depth to the Group's risk assessment capability and serves to underpin the principal risks and uncertainties previously recognised, together with the identification of some additional areas of focus for the Group.

The table on the following pages details those risks which the Board considers to be the most significant. The matters described are not intended to be an exhaustive list, with additional risks not presently known to the management, or currently deemed to be less material, also having potential to cause an adverse impact on the business.

Other key risks considered during the year's process, which have been downgraded from principal risks last year, include IT systems failure, environmental risks and supplier failure.

The Group acknowledges that it is reliant on its IT systems and infrastructure, but has disaster recovery plans in place which are rigorously tested, as well as planned IT investment to provide continuous resilience and protection to the Group-wide network.

Similarly, in relation to environmental risks, we recognise the liabilities inherent in the context of the long-established nature of our operations and, therefore, maintain appropriate robust performance management systems, with relevant actions taken to ensure compliance in accordance with local legislative and regulatory guidelines.

To mitigate supplier risk, where possible, the Group sources its materials from a wide variety of market-recognised and international companies. We have a number of established procedures for identifying possible risks for each key material, together with mitigating processes to ensure continuity of supply. These also form a key basis to the Group's business continuity plans.

Governance
Principal risks and uncertainties
continued

Type of risk	Context	Risk to McBride	Potential impact	Mitigating controls
Market competitiveness	Possible risk factors in this area include: → weaker consumer demand in difficult economic climates; → retailers competing to maintain market share; → aggressive and/or extended promotional activity from large-scale branded competitors; → re-tenders/ e-auctions; and → speed of competitor innovation.	General inability to compete if inadequate focus on strategy or failure to address the cost profile of the business. Inability to grow market share as a result of lack of focus on category growth and product development. Loss of control over specifications, designs and intellectual property developed by the Group.	Significant loss of contracts and/or potential slow-down in demand for Private Label products, leading to potential adverse impact on profitability and subsequent inability to deliver long-term shareholder value.	We continue to drive a multitude of initiatives to ensure we are able to compete in the current environment. Our strategy is to strengthen the Group's business model and improve our market positioning and operational efficiency through: → an improved cost base, → complexity management, and → standardised ways of working and adoption of best practice across the Group, combined with better understanding and visibility of both our customer expectations and the markets in which we operate.
Unrecovered input costs	Oil and commodity markets are subject to volatility. A large proportion of Group spend is on materials, packaging and other consumables. Failure to accurately forecast raw material needs may lead to sub-optimised future commitments.	Prices may rise at a rate and speed which cannot immediately be fully recovered by the Group. Pressure on margins could be difficult to recover through selling price increases. Many retailer contracts preclude price changes without six months' prior notice.	Rapid increase in base costs could lead to reduced profitability. Negative impact on volume due to loss of customers when price increases are unavoidable.	We continue to focus on improving operating efficiencies through an embedded programme of Lean initiatives, including increased asset utilisation, reduced waste, and improved yields and reformulations. We invest considerable effort in building relationships with the retailers at the highest possible level to explain the business imperative behind the need for price increases. Our purchasing policies seek to take into account and mitigate such risks, where possible, including through the identification of alternative procurement sources and strategies to mitigate significant price fluctuations. Where appropriate, hedging instruments will be used to mitigate the risk of significant forward increases in key commodities. We have initiated a Sales and Operational Planning (S&OP) project which will build upon our existing forecast planning to produce a more holistic and responsive process.

Type of risk	Context	Risk to McBride	Potential impact	Mitigating controls
Serious loss of volume	The Group's top ten customers (all leading retailers in their respective countries) continue to represent approximately 50% of the Group's revenue. The Group is, therefore, exposed to various external market factors, including competitor activity, customer base rationalisation and risk of a retailer facing financial difficulties. Furthermore, retailers are fighting aggressively to retain market share. Loss of a key strategic site could impact the ability of the Group to provide the required product and/or service levels expected by our customers.	The strength of the major multiple retailers' bargaining position provides them with significant leverage over their suppliers regarding pricing and product specification. The combination of competitor activity and the difficult retail market could have a significant impact on our growth agenda. Customers may seek to source from alternative suppliers. Branded activity could affect retailer loyalty to the Private Label offering. Any move away from Private Label could lead to increased dependency on sub-contract business.	Loss of any part of the Group's customer base or a significant worsening in commercial terms could lead to serious loss of volume with the resultant impact on the sustainability of the Group's revenue and reduced profitability. Loss of volume could occur if consumers are enticed away from the Private Label offering. Sub-contract business could be removed at short notice. Loss of a key site could lead to immediate loss of production capacity and loss of potential business gains during the subsequent period of disruption.	Our high level strategy is to drive specific category plans and develop Joint Business Plans with our major customers. We invest in, and focus on, new product development which will enable us to offer differentiated products. We continuously focus on delivery and superior customer service to deepen relationships and seek out new channels of supply. This also helps in our understanding of our customers' expectations at an international level. We monitor customer credit risk to manage exposure in the current challenging environment. We have a policy of limiting sub-contract business to 25% of Group's total turnover. Our risk management programme identifies key sites and capacity constraints across the Group and this is incorporated into our business continuity planning. We have adequate property damage and business interruption insurance cover in place, which includes a continuous and robust property risk assurance programme.
Public product recall	Products which are discovered to be a risk to consumer safety or in breach of legal or regulatory requirements could potentially lead to a public product recall (i.e. recovery of a product from the ultimate consumer as well as our customers). A range of different factors can lead to a public product recall, including poor design, material quality failures, incorrect production processes and deliberate/accidental contamination/damage at a point in the supply chain.	There are clear financial, reputational and regulatory risks associated with a public product recall. These may lead to a diversion of focus for key personnel away from core business activities.	A public product recall could lead to undermining of customer and consumer confidence resulting in potential loss of volume and brand value in the product affected, as well as those of a similar nature. The Company may also face potential financial liabilities to customers and/or consumers.	We have formalised development protocols to ensure the products we design are fit for purpose and comply with all legal requirements. We continue to drive and improve our product quality and safety processes throughout our supply chain to minimise the risk of a public product recall. We have identified our 'high risk' products within our portfolio and undertake risk assessments using the Failure Mode Effect Analysis (FMEA) approach and involve cross-functional management teams to identify key areas of risk and implement appropriate solutions and responses. We work with our suppliers to prepare detailed product, component and material specifications and ensure correct materials are chosen and specified. We provide our customers with detailed labelling requirements for their packaging to ensure that consumers have clearly labelled, legally compliant packaging with all relevant warnings and precautions to be taken. We also have a product recall insurance policy in place which covers, amongst other things, recall due to malicious damage and accidental defect/contamination.

Governance
Principal risks and uncertainties
continued

Type of risk	Context	Risk to McBride	Potential impact	Mitigating controls
Degree of business change	The Group has embarked on a significant change programme as we strive to improve our competitiveness and seek to deliver a successful strategy in the long-term interests of all our stakeholders. This involves restructuring, alignment of ways of working, reduction of complexity and optimisation of business processes. It may also involve large-scale capital expenditure investments. Generally, the Group operates in a fast-moving dynamic market environment.	Lack of robust, integrated and high-performing information systems could lead to duplication, overlap, the need for off-line processing and information inconsistencies. Failure to integrate plans to transfer assets in a timely way due to insufficient knowledge or planning could disrupt customer supply. The risk of under-performance associated with a major capital expenditure project could be significant from a cost perspective. Inability to adapt quickly to changing market realities.	Without adequate systems support the business could fail to deliver its promises both economically and socially. Failures to deliver targeted improvement projects and/or delays in transferring assets and/or under-performing capex projects could lead to loss of customer satisfaction and uncontrolled costs. Cumulative effect of several strategic projects being implemented simultaneously could lead to loss of control.	IT project specialists are translating the business requirements into detailed systems plans. Gaps in systems functionality have been identified and the sequence of business priorities has been developed. A fully costed systems roadmap is in place, including timescales and resourcing options to meet the business needs. Detailed transfer plans are documented and overseen by dedicated project teams. Individual project steering groups carry out risk analyses of implementation risks to ensure sufficient resource is identified and mitigation plans are in place. Senior management also have oversight of the change programme to help its delivery and ensure alignment and co-ordination between projects. We have instigated a Strategy in Action (SIA) process, whereby key Group-wide projects are prioritised to ensure the required management support is available to drive the projects to a successful conclusion. The Group has recently transferred its finance and IT functions to a shared service centre model, which will bring stronger controls and more effective Group-wide planning capabilities; aiding the successful completion of the remaining projects in the change programme.
Human Resource and employee retention	One of the key strengths of the Group is the quality and experience of its employees, including the specific core competencies required for a fast-moving consumer goods Private Label business. However, we have faced a significant degree of change in the business in a relatively short period. Key employees could be lost to competitors.	Difficulties can be experienced in certain countries in recruiting people with the right skill sets and knowledge base. Change can lead to uncertainty and, possibly, adversely affect employee morale. There can be considerable over-reliance on key staff leading to undue pressure on a number of individuals.	Uncertainty and poor morale could lead to people leaving the business. Inability to recruit for key roles could potentially lead to the business being unable to keep pace with market developments. Overload on certain individuals could lead to stress. Key project milestones could potentially be missed, reducing the total benefits and/or cost savings envisaged. Loss of sensitive Company information.	We have developed a package of management tools including recruitment policies, talent reviews, management development and coaching programmes as well as performance monitoring and feedback and regular Group-wide opinion surveys. We are engaged in a programme of better aligning HR tools and methodologies across the Group. Our SIA process will ensure a better deployment of personnel to mitigate any potential under-resourcing or overloading. Employee contracts contain strict confidentiality clauses and prohibit colleagues disclosing sensitive information to third parties.

Type of risk	Context	Risk to McBride	Potential impact	Mitigating controls
Poor product design	Generally, every customer will have a set of unique specification requirements for a particular product. It is, therefore, important that the Group's commercial, supply chain and development functions collaborate closely and communicate during the initial development process, to ensure customer requirements can be met within current cost and capability parameters.	Failure to communicate could lead to potential significant on-costs to the Group's supply chain in order to meet the customer's specifications. Failure to meet customer requirements could potentially result in loss of customer confidence in the Group's products.	There is a potential adverse impact on profitability as extra resources and/or investment could be required to meet customer requirements. This could lead to a loss of customer confidence, resulting in potential loss of business.	We have established procedures which ensure a cross-functional approach to product development. We continue to strengthen our process engineering, R&D capabilities and ways of working to ensure best practice in trialling and validation processes is embedded across the Group. This includes the establishment of Centres of Excellence, which provide added focus to our innovations and product development functions.
Financial risks	The Group's multinational operations expose it to a variety of financial risks associated with foreign currency exchange rates, interest rates, commodity prices, credit risks, taxation and liquidity.	Failure to operate within our financial framework could lead to the Group becoming financially distressed. Risk of margin fluctuations due to weakening currencies.	These risks could lead us to being unable to support our long-term investment programme and/or raise capital to fund growth. The loss of shareholder value and confidence could also be possible in these circumstances.	We have an established financial framework to ensure an appropriate level of liquidity and maintenance of financial capacity, and to constrain the level of assessed capital at risk for the purposes of positions taken in financial instruments. Commercial credit risk is measured and controlled to determine the Group's total credit risk. Banking facilities are reviewed and renegotiated periodically at the best terms available to the Group at that time. We control foreign currency risk through hedging. The Group considers that tax exposures are adequately provided for. The Audit Committee reviews and agrees policies, guidelines and authority levels in relation to treasury activity and individually approves significant activities. The Group's Treasury function operates under close control of the Chief Finance Officer, who chairs monthly Treasury Committee reviews.

Governance

Audit committee report

"The Audit Committee works closely with the Group's Internal Audit function and external auditors to oversee an effective audit assurance process. We also actively support the Group's senior management team in driving a risk accountable culture throughout the business."

Neil Harrington
Committee Chairman

Purpose and composition

The Company has an established Audit Committee, with its purpose being to make recommendations on the reporting, control, risk management and compliance functions and responsibilities of the Group and providing independent oversight, assessment and challenge to the senior management team in these areas.

The main duties of the Committee are to:

- Monitor the integrity of the financial and regulatory reporting process of the Group;
- Review the Group's accounting policies, financial reporting standards and disclosure practices;
- Review and recommend the Board to approve all financial statements and announcements;
- Review the effectiveness of the Group's internal controls and risk management systems;
- Oversee relations with the external auditors, actively considering the objectivity and effectiveness of the external audit process and making recommendations to the Board in relation to the appointment and remuneration of the external auditors;
- Monitor the performance and independence of the external auditors;
- Monitor the effectiveness of the Group's Internal Audit function;
- Monitor compliance with legal and regulatory requirements; and
- Develop and oversee the Group's policy on the supply of non-audit services.

The members of the Committee are Neil Harrington (Chairman), Steve Hannam, Bob Lee and Sandra Turner. Bob Lee will step down from the Committee and resign from the Board at the conclusion of the Company's 2013 AGM. All members of the Committee that have served during the financial year are independent Non-Executive Directors within the definition of the Code. The Board is satisfied that Committee members are sufficiently competent in financial matters, in addition to having a wide range of business experience as evidenced in their biographies on page 43. Neil Harrington has 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. He was Group Finance Director at Mothercare plc for seven years.

The Committee is authorised by the Board to investigate any matters within its Terms of Reference and meets as frequently as needed, but at least three times a year. In the financial year ended 30 June 2013 the Committee met three times, in August 2012 and February and June 2013. Subsequent to the year-end, one further meeting of the Committee took place in August 2013. Meetings may be attended by the Board Chairman, Chief Executive Officer, Chief Finance Officer and Head of Internal Audit by invitation. Support is provided by the Company Secretary who serves as Secretary to the Committee. The Company's external auditors, PricewaterhouseCoopers LLP (PwC), also attend meetings by invitation.

A quorum of the committee is two members.

Attendance at meetings during the year ended 30 June 2013

		Date appointed to Committee
Number of meetings held:	3	
Number of meetings attended:		
Neil Harrington (Chairman) Independent Non-Executive Director	3	3 January 2012
Steve Hannam[1] Independent Non-Executive Director	2	4 February 2013
Bob Lee Senior Independent Director	3	27 May 2004
Sandra Turner Independent Non-Executive Director	3	1 August 2011

(1) Steve Hannam's attendance is shown following his appointment.

Independent meetings were also held between the Committee members and the external auditors in the absence of the Executive Directors and between the Chairman of the Committee and the external auditors.

The Committee's Terms of Reference are reviewed regularly to ensure continuing compliance with evolving best practice guidelines. This year's review has incorporated minor amendments to reflect forthcoming changes to the Code. The Charter setting out the constitution and Terms of Reference of the Remuneration Committee is available from the Group's website at **www.mcbride.co.uk**.

The Committee reviews its own performance annually and considers where improvements can be made. This exercise took place in May 2013 and the results of the review were reported to the Board. The findings of the evaluation indicated that the Committee continues to work very effectively, with appropriate processes in place to ensure the Committee carries out its duties satisfactorily.

Principal activities during the year

The principal activities of the Committee during the year were as follows:

Financial statements

The Committee received regular reports on the Group's trading performance and considered reports from the external auditors and the Group Finance function on both the interim and full year financial statements. Any critical reporting issues (including the treatment of adjusting items, impairment review, segmental disclosure, post-employment benefits and provisions) were discussed, along with the Group's compliance with accounting standards and listing and legal requirements.

The Committee also regularly reviewed the Group's funding and liquidity position; considering its impact on financial and operational capabilities. The review undertaken in relation to the year-end position has assisted the Board in making its going concern statement on page 78.

Finance strategies

The Committee received regular reports on audit related, treasury and taxation matters, including consideration of the Group's funding strategy, its foreign currency management policy and banking facilities.

Accounting policies

The Committee received regular updates on technical reporting issues and on critical accounting policies. It reviewed the Group's finance policies and procedures for consistency, particularly in areas where different approaches would have been possible. The Committee satisfied itself that the financial statements give a true and fair view of the profits, assets, liabilities and financial position of the Group.

Risk management and internal control

The Committee received reports relating to the Company's approach to internal control and risk management activities, including the self-assessment programme, and has concluded that the overall approach to control and risk management continues to be effective. More information is reported on pages 49 to 51.

Policies

The Committee reviewed updated corporate policies on anti-bribery and corruption, whistleblowing and the provision of non-audit services. The Committee believes that appropriate key policies are in place to ensure reasonable steps have been taken to prevent fraud and to allow any improprieties to be reported. Copies of the policies are available from the Group's website at **www.mcbride.co.uk**.

Internal audit

The Company has an established Internal Audit function which provides independent assurance to the EMT and the Board on the strength and effectiveness of the Group's risk management framework and approach. The scope of Internal Audit includes the monitoring of risk identification and verification on whether adequate internal controls are in place to manage those risks effectively.

The Committee oversees the annual Internal Audit plan of activities, with the Head of Internal Audit attending Committee meetings to present the results of work undertaken. This includes discussion on any weaknesses established, together with recommended corrective actions where appropriate. The Committee also reviews the Company's responsiveness to Internal Audit findings and corrective actions.

During the year, 15 new audits were undertaken by Internal Audit in conjunction with a quarterly process of monitoring outstanding actions.

Internal Audit has also been heavily involved in the roll-out of the Group's new streamlined risk management process known as BRIM, which has provided a more holistic and focused identification and monitoring process for the Group's key business risks and controls, as well as driving a more risk accountable culture across the business. The Committee is provided with regular reports on the progress and key results from this process. See page 50 and the Principal Risks and Uncertainties section on pages 53 to 57 for further details.

Overall, the Committee continues to be satisfied that the Internal Audit function has sufficient resource and provides an important and effective role in the management of the Group's internal controls framework and in the facilitation of the Group's risk management process.

Governance
Audit committee report
continued

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

Accordingly, the Committee has monitored the scope, results and cost effectiveness of the audit and overall independence and objectivity of the external auditors during the year. This has included receiving proposals on the audit strategy for the year, reviewing the scope and outcome of the interim and year-end audits and on control and accounting developments.

The Committee has also sought assurance from the external auditors of their compliance with applicable ethical guidance and, in addition, has taken account of the appropriate independence and objectivity guidelines. The Committee considers the risk of PwC withdrawing from the market as remote since they are one of the top four accounting firms in the UK.

The Committee has considered and approved the terms of engagement and fees of the external auditors for the year ended 30 June 2013. Fees payable by the Group to PwC totalled £0.4 million (2012: £0.4m) in respect of audit services and £14,000 (2012: £nil) in respect of non-audit services.

A full tender for the appointment of the external audit firm took place in 2011, as a result of which PwC were appointed as external auditors with effect from November 2011. The Committee remains satisfied with the level of independence, objectivity, expertise, fees, resources and general effectiveness of PwC and, accordingly, the Committee recommends (and the Board agrees) that a resolution for the re-appointment of PwC as external auditors for the Company should be proposed at the forthcoming AGM in October 2013.

Non-audit fees
We have in place a detailed policy on the engagement of external auditors for non-audit services. This has been designed to preserve the independence of the incumbent auditors in performing the statutory audit and it aims to avoid any conflict of interest by specifying the type of non-audit work:

- for which the auditors can be engaged without referral to the Audit Committee,
- for which a case-by-case decision is necessary, and
- from which the auditors are 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**.

Non-audit work was awarded during the year to other professional services firms for projects relating to reducing complexity in the Group as well as pension and tax advice. A total of £856,000 was incurred in relation to these services.

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

Neil Harrington
Chairman of the Audit Committee

Governance

Nomination committee report

"We continue to encourage diversity, including promotion of an equal opportunities culture, and we recognise the benefit of harnessing a range of skills, qualities and experience when considering Board appointments."

Iain Napier
Committee Chairman

Purpose and composition

The main duties of the Committee are to:

- Review the structure, size and composition of the Board;
- Consider and recommend the nomination of candidates for appointment as Directors;
- Consider the roles and capabilities required for each new appointment based on an evaluation of the skills and experience of the existing Directors; and
- Ensure that new appointees are provided with detailed and appropriate induction training.

The Committee's Terms of Reference were reviewed during the year and it was concluded that the Committee's Charter complies with all relevant guidelines and operates satisfactorily – a copy is available from the Group's website at **www.mcbride.co.uk**.

The composition of the Committee and attendance at meetings held during the year are set out in the following table. A quorum of the Committee is three members.

Attendance at meetings during the year ended 30 June 2013

		Date appointed to Committee
Number of meetings held:	2	
Number of meetings attended:		
Iain Napier (Chairman)	2	19 July 2007
Chris Bull Chief Executive Officer	2	4 May 2010
Steve Hannam[1] Independent Non-Executive Director	1	4 February 2013
Neil Harrington Independent Non-Executive Director	2	3 January 2013
Bob Lee Senior Independent Non-Executive Director	2	27 May 2004
Sandra Turner Independent Non-Executive Director	2	1 August 2011

(1) Steve Hannam's attendance is shown following his appointment.

Principal activities

During the year, the activities of the Committee included:

- Considering the contributions made by the individual Directors prior to recommending their re-election at the AGM, after taking account of the results of the external Board performance evaluation exercise carried out in the prior year;
- Considering the appointment of the Senior Independent Director and the proposed re-election of the Chairman;
- Reviewing the composition and chairmanship of the Board sub-committees;
- Reviewing the non-executive director representation on the Board with a view to appointing a new Non-Executive Director;
- Discussion of the appropriate role specification and skills required for the appointment of a new Non-Executive Director and the appointment of Korn/Ferry Whitehead Mann as consultants to identify potential candidates (Korn/Ferry Whitehead Mann are independent and have no other connection with the Company);
- Overseeing the search and recruitment process for the appointment of Steve Hannam as a new Non-Executive Director; and
- Considering the Committee's approach to diversity, including gender, with a view to publishing a diversity statement.

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

Iain Napier
Chairman of the Nomination Committee

Governance

Remuneration committee report

Bob Lee
Committee Chairman

Dear Shareholder

As Chairman of the Remuneration Committee, I am pleased to present the Remuneration Committee Report for the year ended 30 June 2013.

During the year, the Committee reviewed key aspects of the Remuneration Policy and are satisfied the current remuneration structure continues to be appropriate to support the attraction, motivation and retention of high calibre Executive Directors and other senior executives, who are key in devising and delivering the Company's strategy. The Committee has discussed and confirmed that any rewards received under the Company's short- and long-term incentive plans are reflective of the achievement of stretching performance targets.

Other key actions and decisions the Committee has taken during the year include:

- In relation to Executive Director pay, whilst it was acknowledged that good progress had been made against personal objectives, with some achieved in full, the Committee determined that the necessary financial hurdles had not been met and, therefore, no payment under the Annual Bonus Plan would be made to the Executive Directors covering this period. It was also agreed that Executive Director base salaries would remain at the 2012/13 levels for the forthcoming year. However, subsequent to the decision to re-focus the Executive Director responsibilities (as detailed on page 9 of the Business Review), the Committee determined that the base salary of Richard Armitage would increase to £275,000 (an increase of 3.7%) with effect from 3 September 2013, to reflect his additional responsibilities.
- The Committee reviewed the performance conditions attached to the LTIP awards granted to the Executive Directors in February and September 2010, and determined that performance for these awards was below the threshold levels. The awards have, therefore, lapsed.
- EPS performance conditions attaching to the 2013 LTIP awards will continue to align to the Company's three-year business targets and plans for EPS growth. Further details can be found on page 70 of this Report.
- No significant changes to the Company's Remuneration Policy for the 2013/14 financial year were proposed during the year, other than the decision to align clawback provisions across all Executive Director performance-related remuneration from the 2013/14 financial year onwards.

The Committee takes advice on, and is aware of, developing best practice relating to remuneration matters and understands the importance of the alignment with shareholder objectives to promote behaviours leading to sustainable and long-term growth of the business and avoiding inappropriate risk taking. As Chairman, I consult with shareholders on the key issues of our Remuneration Policy, with a view to ensuring their views are highlighted during any deliberations on it. The Committee believes the positive vote of 99.85% of the votes cast in favour of the Remuneration Report for the 2011/12 financial year shows that we have support for our current remuneration strategy.

We have made some changes to the structure and layout of the Report this year, which we hope will provide greater information and clarity about how our remuneration arrangements align to our business strategy. In anticipation of the new disclosure regulations introduced by the UK Government Department of Business, Innovation and Skills (which will take effect from 1 October 2013), the Report is split into two sections: i) a Remuneration Policy Report, which sets out our policy on the remuneration of the Executive and Non-Executive Directors, and ii) an Annual Report on Remuneration, which discloses how the Remuneration Policy was implemented during the 2012/13 financial year and how it will be applied for the 2013/14 financial year. In accordance with the current governance requirements, both sections of the Report will be put to shareholders in a single advisory vote at this year's AGM. At the 2014 AGM, there will be a separate binding vote on the Policy Report and an advisory vote on the Annual Report on Remuneration.

As this will be my last Remuneration Committee Report, I would like to take this opportunity to thank the Board for their support during my tenure. I believe the Committee continues to link remuneration strategy with the long-term interests of the business and its shareholders. It is important to have the means to attract, retain and motivate high calibre executives, whilst at the same time ensure only success is rewarded.

The Committee look forward to receiving your support for this Remuneration Committee Report at the AGM in October 2013.

Bob Lee
Chairman of the Remuneration Committee

Remuneration policy report

The Committee is responsible for determining the Remuneration Policy for the Executive Directors and for key senior executives. This report provides details of the Remuneration Policy for the Executive and Non-Executive Directors.

Remuneration Policy principles

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

The basic principles that guide remuneration policy for executives, including the Executive Directors, are as follows:

- General pay and employment conditions across the Group are taken into account when setting executive remuneration. The Committee is kept informed of such matters via regular interaction with the Group's HR function.
- For all senior executives, basic salaries are combined with both long-term (three years) and short-term (one year) performance-related variable elements.
- 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.
- Both short- and long-term rewards are linked to performance as well as to Company strategy to maximise long-term shareholder value. The annual bonus targets are split between Company financial performance and personal objectives which align with key strategic actions in a given year. Long-term incentives are targeted against metrics which align with shareholder interests.
- The personal objectives for senior executives are reviewed by the Committee to ensure they adequately reflect the strategic aims of the Group and are only paid on measurable success.
- Executives are encouraged to maintain a shareholding as this represents the best way to align their interests with those of shareholders. This includes setting specific targets.
- 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 believes that its Policy provides an appropriate balance between fixed remuneration, short-term bonus and long-term incentives. 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. In particular, the Committee recognises the importance of being guided by the following principles:

- Any significant pay awards or incentive payments will take account of the economic background and the external environment.
- The Committee will consider the extent to which payment of bonuses can be justified if the Company suffers a material negative effect.
- In general, environmental, safety, sustainability, social and governance issues are taken into account and the Policy will neither encourage nor reward irresponsible behaviour in this regard.

Governance
Remuneration Committee report
continued

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

Element	Purpose and link to strategy	Operation	Maximum	Performance measures
Executive Director base salary	To ensure the Group is able to recruit and retain high calibre executives.	Salaries are reviewed annually by the Committee taking into account individual experience, performance and responsibilities, as well as prevailing market conditions and pay and employment conditions across the rest of the Group. Salaries are paid monthly in arrears by bank transfer.	Base salaries are reviewed with reference to the median of the Group's comparator benchmarks: → UK listed manufacturing companies supplying goods to supermarkets; and → UK listed companies of similar size and complexity from all sectors, combined with the level of experience of the individuals concerned. Above median levels can be achieved for consistently strong or outstanding individual performance. Base salaries starting at below median may be considered appropriate for new appointees developing into a role. This approach also applies to all other elements of executive reward. Details of the current salary levels for the Executive Directors are set out on page 70.	–
Benefits	To provide market competitive benefits, and in line with those provided to other Group employees.	Benefits include private medical insurance, a fully expensed car (or equivalent cash allowance) and life assurance cover.	The benefit provision is reviewed periodically. No maximum level is set on the value or cost of benefits provided.	–
Pension	Retirement benefits are regarded as an important element of the Group's basic benefits package to attract and retain talent.	Membership of the Company's defined contribution, or similar, pension scheme or in agreed circumstances a cash allowance in lieu of pension.	The Chief Executive Officer receives a cash allowance of 25% of salary in lieu of any pension benefits and the Chief Finance Officer receives a Company contribution of 20% of salary into the defined contribution scheme.	–

Element	Purpose and link to strategy	Operation	Maximum	Performance measures
Annual bonus	The purpose of the annual bonus is to incentivise delivery of the Group's objectives (both financial and non-financial) and to ensure that Executive Directors and senior executives are fairly rewarded for their contribution to the success of the Group.	Performance conditions are set independently by the Committee at the start of each year. Performance criteria include the financial targets of the Company as agreed by the Board and specific annual targets based on clear and measurable objectives that underpin, and are key to, achievement of the Corporate Plan. Personal objectives are reviewed by the Committee to ensure they adequately reflect the strategic aims of the Group. To further align the interests of Directors with shareholders, a portion of the bonus is paid in deferred shares. Shares awarded under the Deferred Annual Bonus Plan ('DBP') vest after three years and are normally only payable if the Director remains employed by the Group at the end of that period. The deferred shares awarded are held by an Employee Benefit Trust until vesting. Both the cash and deferred share elements of the annual bonus are subject to clawback in the event of a material mis-statement of the financial results, serious misconduct by a participant or other defined reasons.	100% of salary	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.

Governance
Remuneration Committee report
continued

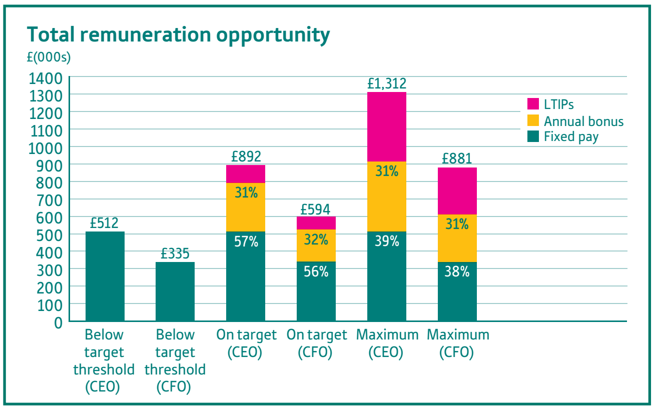
Element	Purpose and link to strategy	Operation	Maximum	Performance measures
LTIP	The Long Term Incentive Plan (LTIP) was approved by shareholders at the 2005 AGM. The objectives of the LTIP are to align the long-term interests of shareholders and management and reward achievement of long-term, stretching 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.	Annual awards of performance shares 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. The LTIP awards from the 2013/14 financial year onwards are subject to clawback in the event of a material mis-statement of the financial results, serious misconduct by a participant or other defined reasons.	100% of salary for Executive Directors	50% of the awards are subject to an earnings per share (EPS) performance condition and 50% of the awards are subject to a relative total shareholder return (TSR) performance condition. EPS is a measure of the Company's overall financial success and TSR provides an external assessment of the Company's performance against its competitors. It also aligns the rewards received by executives with the returns received by shareholders. Targets are set by the Committee for each award on a sliding scale basis. The Committee may set different EPS target ranges for each award providing that they are equivalently challenging in the circumstances. 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 72 and 73, and 70 respectively.
Non-Executive Director fees	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.	The remuneration of the Chairman and the Non-Executive Directors is payable solely 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. 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 chairmen and to the Senior Independent Director to reflect their additional responsibilities.	Details of the current fees for the Chairman and Non-Executive Directors are set out on page 70.	No element of the Chairman's or Non-Executive Directors' fees is performance related.

Element	Purpose and link to strategy	Operation	Maximum	Performance measures
Share ownership guidelines	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.	The expectation for new appointees is that they will build up to these levels over the course of a three year period, but the Committee retains discretion to extend this period dependent on the personal circumstances of the individual concerned.	There is no maximum, however target levels are set at 150% of salary for Executive Directors, 33% of annual fees for Non-Executive Directors and 50% of salary for other senior executives.	–
Executive Director compensation on loss of office	On early termination of an Executive Director's service contract, the Committee will seek to provide the minimum compensation as applicable on an individual case basis.	It is our policy not to include liquidated damages clauses. Instead, the Committee places emphasis on mitigation. Any compensation arrangements will not be beyond those stipulated in the Directors' service contracts and will normally be limited to base salary, benefit and pension elements. Dependent upon the circumstances a Director's LTIP element may also be included. Directors' service contracts confirm that the Company has the option to pay notice month by month that would reduce or cease if the departing Director obtained other employment. There are no agreements between the Company and its Directors or employees providing for additional compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that may occur in the event of a takeover bid.	When determining the level of compensation a number of factors are taken into account, including: → provisions within the Director's service contract, → best practice in line with the Code and other institutional investor guidance, → legal opinion on the Company's liability, and → any fair and reasonable mitigating circumstances.	–

Governance
Remuneration Committee report
continued

Remuneration performance scenarios

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 2013/14 Remuneration Policy as a total value opportunity.



On-target performance assumes a bonus award of 70% of salary and 25% vesting under the LTIP. Maximum performance assumes a bonus award of 100% of salary (cash and deferred shares) and full vesting under the LTIP. No assumptions are made as to likely share price growth for the DBP or LTIP.

Directors' service contracts

Executive Directors

Service contracts provide for the Executive Directors to provide services to the Company on a full-time basis. The contracts contain, in addition to remuneration terms, details of holiday and sick pay entitlement, restrictions and disciplinary matters. The contract for the Chief Executive Officer was entered into on 14 April 2010 and for the Chief Finance Officer on 31 July 2009.

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

The contracts for both the Chief Executive Officer and the Chief Finance Officer stipulate six months' notice by both the Company and the Director. All Directors' contracts are available for inspection at the AGM. The Committee recognises the provisions of the Code for compensation commitments to be stipulated in directors' service contracts with regard to early termination. Further information on the Committee's Executive Director compensation approach can be found in the future policy table above.

Non-Executive Directors and Chairman

Steve Hannam was appointed as a Non-Executive Director with effect from 4 February 2013. Bob Lee, having remained in post to allow for a smooth transition with the other Non-Executive Directors, will retire from the Board at the conclusion of the AGM.

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

Director	Date first appointed to the Board	Date of last election at AGM(1)	Notice period	Compensation upon early termination	Latest letter of appointment
Iain Napier	1 Jul 2007	2012	3 months	None	1 July 2013
Steve Hannam	4 Feb 2013	–	3 months	None	1 July 2013
Neil Harrington	3 Jan 2012	2012	3 months	None	1 July 2013
Bob Lee	1 Sep 2003	2012	30 days(2)	None	1 July 2013
Sandra Turner	1 Aug 2011	2012	3 months	None	1 July 2013

(1) All Directors are re-elected on an annual basis.
(2) Reduced notice period for Bob Lee to allow him to step down at short notice.

The Non-Executive Directors and Chairman serve on the basis of renewable letters of appointment (last updated and issued on 1 July 2013) which are terminable at the discretion of either party (generally on three months' notice). In accordance with the principles of the Code, the Chairman, the Non-Executive Directors and the Executive Directors are subject to voluntary re-election by shareholders on an annual basis. Their appointments may be terminated without compensation in the event of them not being re-elected by shareholders or otherwise in accordance with the Articles.

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

External appointments

Executive Directors are permitted, where appropriate and with Board approval, to assume non-executive directorships of other organisations. It is generally accepted that the holding of a non-executive directorship with another company should not adversely affect the ability of an executive director to perform his/her role and responsibilities properly. In fact, the holding of such an external position may enhance the individual Director's experience which could serve to strengthen his/her performance and contribution to the Company. 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 current Executive Directors hold any external directorships.

Annual report on remuneration

Remuneration Committee and its advisers

The Committee is responsible for determining the remuneration policy for the Executive Directors and other key senior executives. The main duties of the Committee are:

- To review the ongoing appropriateness and relevance of the Remuneration Policy;
- To apply formal and transparent procedures regarding executive remuneration and remuneration packages;
- To consider and make recommendations to the Board on remuneration issues for the Executive Directors and other senior executives, taking into account the interests of relevant stakeholders;
- To review the implementation and operation of the Company's share option schemes, bonus schemes and LTIP; and
- To review the Company's management development plans.

The members of the Committee are Bob Lee (Chairman), Neil Harrington, Steve Hannam, Iain Napier and Sandra Turner. Bob Lee is due to step down as Chairman of the Remuneration Committee and resign from the Board with effect from the conclusion of the AGM on 14 October 2013, at which time Sandra Turner will be appointed Chair of the Remuneration Committee. The Board are satisfied that all Committee members are independent Non-Executive Directors, with the exception of Iain Napier who satisfied the independence condition on his appointment as Non-Executive Chairman in 2007.

The Committee is authorised by the Board to investigate any matters within its Terms of Reference and meets as frequently as needed, but at least twice a year. In the financial year ended 30 June 2013 the Committee met four times, in August and December 2012 and February and June 2013. Subsequent to the year-end, one further meeting of the Committee took place in August 2013. 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, New Bridge Street, also attend meetings by invitation.

Meetings held during the year are set out in the table below. A quorum of the Committee is two members.

Attendance at meetings during the year ended 30 June 2013

		Date appointed to Committee
Number of meetings held:	4	
Number of meetings attended:		
Bob Lee (Chairman) Senior Independent Director	4	27 May 2004
Steve Hannam[1] Independent Non-Executive Director	2	4 February 2013
Neil Harrington Independent Non-Executive Director	4	3 January 2012
Iain Napier Chairman	4	19 July 2007
Sandra Turner Independent Non-Executive Director	4	1 August 2011

(1) Steve Hannam's attendance is shown following his appointment.

The Committee's Terms of Reference are reviewed regularly to ensure continuing compliance with evolving best practice guidelines. This year's review has incorporated minor amendments to update the procedural workings of the Committee. The Charter setting out the Committee's constitution and Terms of Reference is available from the Group's website at **www.mcbride.co.uk**.

During the year the Committee continued to engage the services of the independent consultants, Aon Hewitt Limited (operating through the brand New Bridge Street (NBS)), for the purposes of providing professional advice to guide the Committee in its decision-making. NBS received £29,800 in respect of the services provided for the 2012/13 financial year (2011/12: £17,000). Neither NBS, nor any other part of the Aon Corporation Group, provided any other services to the Company during the year. New Bridge Street is a signatory to the Remuneration Consultant Group's Code of Conduct.

Statement of shareholder voting

The table below shows the voting outcome at the October 2012 AGM for the approval of the 2011/12 Remuneration Report:

	For	%	Against	%	Withheld
Votes	118,733,961	99.85	174,467	0.15	204,943

The Remuneration Committee believe the votes in favour of the Remuneration Report shows strong shareholder support for the Company's Remuneration Policy. The Committee will continue to engage with institutional investors to ensure their Policy reflects as far as practicable latest trends in evolving good practice in the UK.

Governance
Remuneration Committee report
continued

Application of the Remuneration Policy for the 2013/14 financial year
The table below sets out how the Remuneration Policy (as set out on pages 63 to 68) will be applied for the forthcoming financial year.

Element	Application of policy for 2013/14	Explanation
Executive Director base salary	The base salaries (effective from 1 August 2013) are: Chris Bull – £400,000 Richard Armitage – £265,200 Following the re-focusing of Executive Director responsibilities, the Committee determined that, with effect from 3 September 2013, Richard Armitage's base salary would increase to £275,000 (3.7%) to reflect his additional responsibilities.	Following a review of the base salary levels, in accordance with the Policy set out on page 64, the Committee determined that no increase would be applied to the Executive Director base salaries for the coming year. This was felt appropriate in light of the Group's trading performance for the 2012/13 financial year. The same approach has been adopted for members of the EMT and other senior executives. Awards for the rest of the Group's workforce will be on a graduated scale between 0-3% according to performance.
Benefits and pension	No change	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 profit before tax targets and 20% will be subject to personal targets.	The Committee considers that the forward-looking targets are commercially sensitive and has therefore chosen not to disclose them in advance. Full 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 2013/14 will be subject to EPS and relative TSR performance conditions (using the same approach as for awards made in the prior year). The intended Executive Director grant level for the LTIP is 100% of salary.	The TSR schedule and comparator group is unchanged from the previous year. 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 growth in EPS (adjusted to exclude the effects of amortisation of intangible assets and exceptional items) is at least 23% p.a. above the increase in RPI. For performance above this level, awards will vest on a rising scale, with full vesting only if growth in EPS exceeds the increase in RPI by at least 32% p.a. TSR provides an external assessment of the Company's performance against its competitors. It also aligns the rewards received by executives with the returns received by shareholders. The EPS performance measure has been selected as it is one of the KPIs used in the business and is a measure well understood by the senior executives. It is also something which they can influence directly.
Non-Executive fees	The fee policy for the Chairman and Non-Executives is as follows: → Base Non-Executive Director fee: £40,000 → Chair of the Audit and Remuneration Committees: £4,000 (additional fee) → Senior Independent Director: £4,000 (additional fee) → Chairman: £150,000	Non-Executive Director fees were last reviewed in July 2009 and will be kept under review during the course of the year.

Talent management and succession
The Committee reviewed the Company's talent management and development process during the year, focusing on ensuring that both short-term 'crisis' cover is in place and that longer term identification of potential succession for senior management positions was evaluated and discussed.

Application of the Remuneration Policy for 2012/13

Directors' emoluments (audited)

The fixed and performance-related elements of Directors' remuneration for the year ended 30 June 2013 are set out below:

	Executive pension contributions/ fees(1) £000	Base salary £000	Cash bonus £000	Deferred shares bonus £000	Benefits(2) £000	Sub-total: Year ended 30 June 2013 £000	Sub-total: Year ended 30 June 2012 £000	Pension contributions: Year ended 30 June 2013 £000	Pension contributions: Year ended 30 June 2012 £000	Total remuneration: Year ended 30 June 2013 £000	Total remuneration: Year ended 30 June 2012 £000
Executive											
Chris Bull	100	400	–	–	12	**512**	704	**–**	–	**512**	704
Richard Armitage	–	263	–	–	10	**273**	396	**52**	52	**325**	448
Non-Executive											
Iain Napier	150	–	–	–	–	**150**	150	**–**	–	**150**	150
Steve Hannam(3)	16	–	–	–	–	**16**	–	**–**	–	**16**	–
Neil Harrington(4)	44	–	–	–	–	**44**	22	**–**	–	**44**	22
Bob Lee	48	–	–	–	–	**48**	47	**–**	–	**48**	47
Sandra Turner(5)	40	–	–	–	–	**40**	37	**–**	–	**40**	37
Total	398	663	–	–	22	**1,083**	1,356	**52**	52	**1,135**	1,408

(1) Fees in respect of Chris Bull relate to a cash payment of £100,000 which was made in lieu of pension contributions.
(2) The benefits consist of the provision of a company car and fuel, private healthcare insurance and life cover, or cash equivalent.
(3) The figures for Steve Hannam are for the period since his date of appointment to the Board on 4 February 2013.
(4) The 2012 figures for Neil Harrington are for the period from his appointment to the Board on 3 January 2012.
(5) The 2012 figures for Sandra Turner are for the period from her date of appointment to the Board on 1 August 2011.

Single total remuneration figure for the Executive Directors (unaudited)

The table below sets out a single total remuneration figure for the Chief Executive Officer and Chief Finance Officer for the 2012/13 financial year:

	Fixed remuneration: Base salary(1) £000	Fixed remuneration: Benefits(2) £000	Fixed remuneration: Pension(3) £000	Fixed remuneration: Sub total £000	Performance related: Annual bonus(4) £000	Performance related: LTIPs(5) £000	Performance related: Sub total £000	Total remuneration 2013 £000
Chris Bull	400	12	100	512	–	–	–	**512**
Richard Armitage	263	10	52	325	–	–	–	**325**

(1) Full base salary paid during the year.
(2) Benefits consist of the provision of a company car and fuel, private healthcare insurance and life cover, or cash equivalent.
(3) The pension figure represents the cash value of the pension contributions received by the Executive Directors. This includes either Company pension contributions or payment in lieu of pension contribution.
(4) The annual bonus is the cash value of the bonus in respect of the year ended 30 June 2013 (including any deferred shares which must be held for a minimum three year period).
(5) The value of the LTIP award earned in respect of the performance period commencing 1 July 2010 to 30 June 2013. The value of the vested shares is the face value of the shares at the vesting date or estimate of the total market value if not yet vested.

Base Salary

In relation to the 2012/13 financial year:

- → The Chief Executive Officer requested to forgo his review, leaving his salary at the 2010/11 level (£400,000), which was unchanged since his appointment in April 2010.
- → The Chief Finance Officer received a 2% increase to his base salary (£265,200) effective from January 2013. This was in line with the increase awarded to other employees in the Company.

Annual Bonus

For the 2012/13 financial year, the maximum bonus opportunity for both the Chief Executive Officer and the Chief Finance Officer was 100% of salary. This comprised a bonus of up to 50% of salary which could be earned by reference to performance against a sliding scale of challenging profit before tax targets. In addition, a further 20% of salary could be earned for performance against demanding specific, measurable personal targets. For the Chief Executive Officer, these included targets in relation to net debt reduction, ROCE improvement, organic growth, customer service level improvements and the successful delivery of the restructuring of the Group and associated targeted savings. For the Chief Finance Officer, personal objectives included net debt reduction, ROCE improvement, as well as the establishment of the shared services programme and improved systems to support the new organisation. Both these elements of the bonus would be payable in cash. In addition, a further 30% of salary could be earned dependent upon performance (based on profit before tax targets exceeding those which earned the first 50%). This element of the bonus would be payable in shares to be retained by the Company for three years and only payable if the Executive Director remained employed by the Group at the end of that period.

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Remuneration Committee report
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Annual Bonus continued
Whilst it was acknowledged that good progress had been made against personal objectives, with some achieved in full, the Committee determined that the necessary financial hurdles had not been met and therefore no payment under the Annual Bonus Plan would be made to the Executive Directors covering this period.

LTIP (audited)
In the year under review, no LTIPs vested for the Executive Directors. The performance period for the February 2010 award ended on 30 June 2012 and the performance period for the September 2010 award ended on 30 June 2013. Performance for both awards was below the threshold level and therefore both awards lapsed.

The fair value of the year's LTIP awards to Executive Directors and senior executives at the date of grant was £444,000 or 67% of their aggregate basic salaries. Detailed assumptions used in calculating the fair value of the awards are outlined in note 24 to the consolidated financial statements on page 121. In the 2012/13 financial year, £79,000 was charged to the income statement in respect of the LTIP (2011/12: £316,000).

Interests of Directors under the McBride plc 2005 LTIP at 1 July 2012 and 30 June 2013 are set out below:

Director	Date of award	Number of awards at 1 July 2012	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2013	Market price at date of award (£)	Vesting date
Chris Bull	16 Sep 2010	174,387	–	–	–	**174,387**	1.8350	17 Sep 2013
	20 Sep 2011	338,267	–	–	–	**338,267**	1.1825	21 Sep 2014
	18 Sep 2012	–	322,763	–	–	**322,763**	1.2393	19 Sep 2015
Richard Armitage	18 Feb 2010	61,922	–	–	61,922	**–**	2.2700	19 Feb 2013
	16 Sep 2010	106,267	–	–	–	**106,267**	1.8350	17 Sep 2013
	20 Sep 2011	219,874	–	–	–	**219,874**	1.1825	21 Sep 2014
	18 Sep 2012	–	209,796	–	–	**209,796**	1.2393	19 Sep 2015

The performance conditions attaching to awards under the LTIP are:

a. 50% of the award is subject to a TSR performance condition measured against the FTSE 250 Ex. Investment Companies Index as the comparator group. If the Company's TSR performance is lower than the median of the comparator group, awards subject to the TSR condition will lapse. The awards start to vest on a sliding scale if TSR performance is above the median (nil at median) of the comparator group, with full vesting only if the Company's TSR performance is in the upper quartile of the comparator group. The TSR measure is based upon the average of three months' share prices immediately preceding the relevant performance date and is independently calculated for the Committee.

TSR performance of the Company relative to the comparator group	% of award vesting (max 50%)
Below the median	0%
Equal to the median	0%
Upper quartile	50%
Intermediate performance	Straight-line vesting

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

   i. For the 2010 LTIPs, awards subject to the EPS condition will lapse unless the Company's growth in EPS (adjusted to exclude the effects of amortisation of intangible assets and exceptional items) is at least 4% p.a. above the increase in RPI. For performance above this level, awards will vest on a rising scale, with full vesting only if growth in EPS exceeds the increase in RPI by at least 8% p.a.

EPS growth	% of award vesting (max 50%)
Less than RPI+4% p.a.	0%
RPI+4% p.a.	10%
RPI+8% p.a.	50%
Intermediate performance	Straight-line vesting

ii. For the 2011 LTIPs, awards subject to the EPS condition will lapse unless the Company's growth in EPS (adjusted to exclude the effects of amortisation of intangible assets and exceptional items) is at least 4% p.a. above the increase in RPI. For performance above this level, awards will vest on a rising scale, with full vesting only if growth in EPS exceeds the increase in RPI by at least 10% p.a.

EPS growth	% of award vesting (max 50%)
Less than RPI+4% p.a.	0%
RPI+4% p.a.	10%
RPI+10% p.a.	50%
Intermediate performance	Straight-line vesting

iii. For the 2012 LTIPs, awards subject to the EPS condition will lapse unless the Company's growth in EPS (adjusted to exclude the effects of amortisation of intangible assets and exceptional items) is at least 17% p.a. above the increase in RPI. For performance above this level, awards will vest on a rising scale, with full vesting only if growth in EPS exceeds the increase in RPI by at least 29% p.a.

EPS growth	% of award vesting (max 50%)
Less than RPI+17% p.a.	0%
RPI+17% p.a.	10%
RPI+29% p.a.	50%
Intermediate performance	Straight-line vesting

TSR and EPS performance are measured over the period of three consecutive financial years of the Company beginning with the year of grant of the award. There will be no re-setting or re-testing of the performance conditions.

Deferred Annual Bonus Plan (audited)

Interests of Directors under the McBride plc 2012 Deferred Annual Bonus Plan at 1 July 2012 and 30 June 2013 are set out below:

Director	Date of award	Number of awards at 1 July 2012	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2013	Normal vesting date
Richard Armitage	11 Dec 2012	–	32,051	–	–	**32,051**	29 July 2013

The granting of an award of 32,051 shares under the Company's DBP to the Chief Finance Officer on 11 December 2012 reflects his entitlement to a proportion of his annual bonus deferred in 2010 as agreed by the Remuneration Committee. There is no exercise price applicable to the award. The market price at the date of the award was £1.31. The award is subject to a restricted period of three years from 29 July 2010. The award would generally vest on the expiry of this three-year period, normal date of vesting of 29 July 2013. As this date fell within a close period of the Company, the Committee determined that the award would vest after cessation of the close period in September 2013. Awards granted under the DBP are eligible for B Shares, or B Share cash equivalent.

Directors' interests

The beneficial interests of the Directors in the ordinary shares of the Company at 1 July 2012 and 30 June 2013 are set out below:

	At 30 June 2013		At 1 July 2012	
	Shares	Conditional share awards*	Shares	Conditional share awards*
Iain Napier	**64,807**	**–**	54,807	–
Chris Bull	**320,000**	**835,417**	280,000	512,654
Richard Armitage	**50,000**	**567,988**	40,000	388,063
Steve Hannam	**12,000**	**–**	n/a	–
Neil Harrington	**15,000**	**–**	15,000	–
Bob Lee	**5,000**	**–**	5,000	–
Sandra Turner	**10,000**	**–**	–	–

* The conditional share awards have been made under the McBride Long-Term Incentive Plan and, in the case of Richard Armitage, also the Deferred Annual Bonus Plan.

There have been no changes in the Directors' interests in the shares of the Company from those detailed above between 30 June 2013 and the date of this Report. None of the Directors had any interest in the shares of any subsidiary company.

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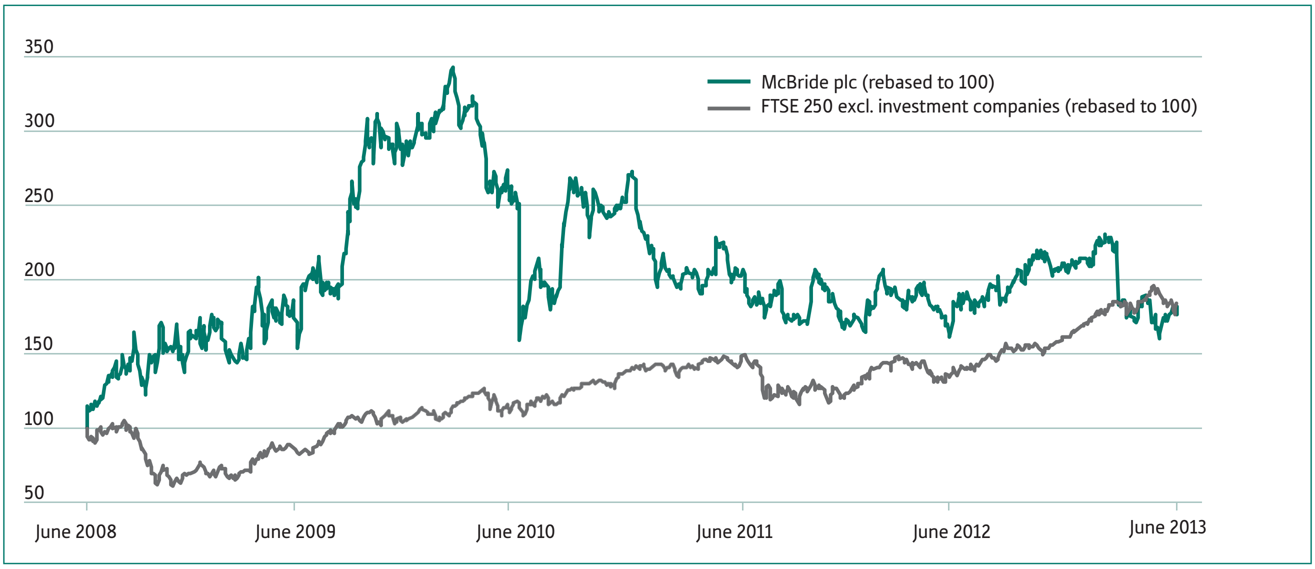
Pensions (audited)
The Company paid Chris Bull a cash sum in lieu of a pension contribution at 25% of basic salary, £100,000 (2011/12: £100,000). Chris Bull has agreed in writing that this payment relieves the Company of any liability for pension provision on his behalf.

Company contributions to Richard Armitage's defined contribution pension scheme totalled 20% of his basic salary £52,000 (2011/12: £52,000).

Exit payments
There were no exit payments made to any Executive Directors during the 2012/13 financial year.

Payments to third parties
No payments were made to third parties for making available the services of any of the Directors during 2012/13.

Performance graph
The graph below charts the TSR (share value movement plus reinvested dividends), over the five years to 30 June 2013, of shares in McBride plc compared with that of a hypothetical holding in the FTSE 250 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 and is also the basis for one of the key performance measurements used to determine the extent of vesting of awards under the Company's LTIP.



Approval
This Remuneration Committee Report, prepared on behalf of the Board, has been prepared in accordance with the provisions of section 421 of the Companies Act 2006 ('the Act'). A resolution will be put to shareholders at the Company's 2013 AGM inviting them to approve this Report.

The Remuneration Committee Report was approved by the Board on 2 September 2013.

Signed on behalf of the Board by

Bob Lee
Chairman of the Remuneration Committee

Statutory information

Principal activity
The Group's principal activity is the production, distribution and sale of Private Label Household and Personal Care products to leading retailers mainly in the UK and Continental Europe. The Board expects the Group to continue to focus on the current core business and main product categories in which it currently operates.

Business review
The Group is required to produce a business review complying with the requirements of section 417 of the Act. The Group has complied with this requirement in the Business Review, which is presented on pages 8 to 40 of this Directors' Report. This incorporates a detailed review of the Group's activities, its business performance and developments during the year and an indication of likely future developments.

Corporate governance statement
The corporate governance statement, as required by Rule 7.2.1 of the Financial Conduct Authority (FCA) Disclosure and Transparency Rules, is set out on pages 43 to 78.

FCA Disclosure and Transparency Rules
For the purposes of DTR 4.1.5R(2) and DTR 4.1.8R this Directors' Report is the management report.

Group results
The results for the year are set out in the consolidated income statement on page 82 and a discussion of the Group's financial performance and progress are set out in the Business Review on pages 16 to 20. A summary of the results for the year, together with financial KPIs, is set out below.

£million, unless otherwise stated	2013	2012
Revenue	761.4	813.9
Organic revenue growth(1)	(5)%	1%
Operating profit	15.4	18.1
Adjusted operating profit(1)	24.0	29.5
Diluted earnings per share	3.2p	5.0p
Adjusted diluted earnings per share(1)	7.5p	9.7p
Payments to shareholders (per ordinary share)	5.0p	5.0p
Return on capital employed(1)	12.4%	14.7%

(1) An explanation of these performance measures can be found on page 3.

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 33 B Shares (equivalent to 3.3 pence) per ordinary share held (2012: 3 pence), giving a total allotment for the year of 50 B Shares (equivalent to 5 pence) per ordinary share (2012: 5 pence). Further details of payments to shareholders are shown in note 12 to the consolidated financial statements on page 104.

Directors
The Directors who held office during the year were:

Iain J G Napier	Chairman
Chris D Bull	Chief Executive Officer
Richard J Armitage	Chief Finance Officer
Steve J Hannam	Independent Non-Executive Director (appointed 4 February 2013)
Neil S Harrington	Independent Non-Executive Director
Bob A Lee	Senior Independent Non-Executive Director
Sandra Turner	Independent Non-Executive Director

Biographical details of the Directors appear on page 43. Information on the Directors' remuneration and service contracts is given in the Remuneration Report on pages 62 to 74.

Directors and their interests
The beneficial interests of the Directors in the share capital of the Company are shown in the Remuneration Report on page 73.

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.

Indemnification of Directors
In accordance with the Articles, the Company has the power (at its discretion) to grant an indemnity to the Directors in respect of liabilities incurred as a result of their office. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the period. Although their defence costs may be met, neither the Company's indemnity nor the insurance policy provides cover in the event that the Director is proved to have acted fraudulently or dishonestly. The Company is also permitted to advance costs to Directors for their defence in investigations or legal actions.

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

Employment policies/employees
The Group employed an average of 4,898 people during the year ended 30 June 2013.

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

Employees are encouraged to operate in an open environment, embracing teamwork and aligning personal development with the strategy of the business, through our Mission Vision and Principles. We are keen to engage our employees by providing an environment where they can contribute their own ideas and challenge those of others. This is supported by an Employee Opinion Survey exercise which is conducted at all locations across the Group at regular intervals, and serves to provide colleagues with an opportunity to air their concerns and to contribute to the development of any necessary corrective action plans. We are committed to involving employees and we consider that good communication helps to achieve this. All sites have regular briefings, partnership councils, listening groups and newsletters which are designed to keep colleagues informed of, amongst other things, the financial and economic factors that affect the Company's performance. Members of the EMT regularly visit sites and the Chief Executive Officer also attends all our Management Development Programmes for open questioning from employees and to encourage two-way dialogue. We recognise the importance of communication at, and across, all levels of the business and a monthly Core Brief is issued to all sites which updates employees on business performance (on a site and Group-wide basis) and reports progress against key priorities and projects.

Many functions also hold regular conferences which provide the opportunity for a cross-section of employees to contribute to the development and realisation of business plans for their areas of responsibility. Most sites are actively engaged in involvement initiatives to allow all employees to understand and relate to our business goals. Many sites also hold open days to allow employees' families to see the environment in which their family members work.

More information relating to employee engagement can be found in the Corporate Responsibility Report on pages 35 and 36.

Reward and recognition. Eligible employees participate in performance-related bonus schemes and some senior management participate in an LTIP, and local incentive schemes relating to site performance are available to most site-based employees.

We respect the right of employees to join trade unions and appropriate representative bodies where they choose to do so. We have in place formal arrangements with recognised national unions where this is deemed appropriate and Partnerships or Works Councils (joint management/employee consultation groups) operate at all UK and Western Continental Europe facilities. Where these arrangements include nomination of employee representatives, they are not discriminated against and they are allowed reasonable time and facilities to carry out their representative duties.

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

Equal opportunities. It is our policy to ensure equal opportunity in recruitment, selection, promotion, employee development, training and reward policies and we have an equal opportunities and diversity policy in place which is monitored through the HR function. It is a key objective to ensure that successful candidates for appointment and promotion are selected taking account of individual ability, skills and competencies without regard to age, gender, race, religion, disability or sexual orientation. Further information on gender diversity in the workplace can be found in the Corporate Responsibility Report on page 36. We place great emphasis on establishing and maintaining a safe working environment for our employees. If an employee is injured during the course of his employment, the incident is thoroughly investigated and, where appropriate, rehabilitation support is provided to help the employee to return to work as soon as possible. Wherever a restructuring programme is undertaken, great care is taken to ensure that all relevant communications, consultations, support and guidance are provided and every effort is made to ensure that compulsory redundancies are minimised.

Charitable and political donations
The Group made monetary donations to charities of approximately £12,000 (2012: £23,000) during the year. Further details of charitable donations made by the Group can be found in the Corporate Responsibility Report on page 40. It is the Group's policy not to make political donations and no such donations were made during the year (2012: nil).

Environment
The Group recognises the importance of responsible environmental management and its obligations to protect the environment. The Group therefore gives high priority to all environmental matters relevant to its business. Further information appears in the Corporate Responsibility Report on pages 36 to 38 and in the separate Sustainability Report available from the Group's website at **www.mcbride.co.uk**.

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 £9.5 million (2012: £9.9m).

Supplier payment policy and practice
Group companies comply with agreed terms and conditions under which business transactions with their suppliers are conducted. Payments are then made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions. The Company is a holding company and, therefore, does not have any trade creditors.

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 the Group Financial Review on pages 19 and 20, and in note 21 to the consolidated financial statements on pages 110 to 115.

Share capital
Details of the Company's share capital are shown in note 26 to the consolidated financial statements on pages 122 and 123.

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 2012 AGM, shareholder approval was granted to allow the Company to repurchase up to 18,210,000 ordinary shares. The existing authority will expire on the date of the 2013 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 933,215 ordinary shares as treasury shares. During the financial year no ordinary shares were repurchased and 302,223 shares were transferred to satisfy options under the SAYE scheme which expired on 31 October 2012. At the end of the year, 630,992 shares were held as treasury shares.

Substantial shareholdings
The Company had been notified of the following interests amounting to 3% or more of its issued share capital as at the end of the financial year and at 29 August 2013 (being the last practical date prior to the date of this Report).

	As at 29 August 2013		As at 30 June 2013	
Shareholder	Number of Shares	%	Number of Shares	%
Franklin Templeton	30,018,499	16.5	29,108,646	16.0
Invesco Perpetual	29,143,875	16.0	29,143,875	16.0
Delta Lloyd Asset Management	27,850,000	15.3	27,751,674	15.2
Allianz Global Investors	12,903,029	7.1	12,903,029	7.1
Brandes Investment Partners	11,206,345	6.2	10,773,799	5.9
NBIM	6,118,627	3.4	6,118,627	3.4
Legal & General Investment Management	5,661,382	3.1	5,903,187	3.2

All the above are institutional holders.

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

Articles of Association
The Articles give power to the Board to appoint directors, but also require directors to retire and submit themselves for election at the first AGM following their appointment. Specific information regarding the re-election of directors is contained in the Corporate Governance Report on pages 44 and 45.

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

Governance
Statutory information
continued

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

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

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review on pages 8 to 40. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial 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 2015 as described in note 21 to the financial statements. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate comfortably within its current bank facilities. The Directors are confident that the Group will be able to extend or refinance these facilities as and when required.

The Group has a robust business model with a relatively conservative level of debt-to-equity gearing. 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.

Directors' statement regarding disclosure of information to auditors
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 auditors in connection with preparing their report) and to establish that the Company's auditors are aware of that information.

Annual General Meeting
The notice convening the Company's 2013 AGM at Hotel Russell, 1-8 Russell Square, London WC1B 5BE on 14 October 2013 at 2.30pm is set out in a separate document issued to shareholders.

The Annual Report and Accounts for the year ended 30 June 2013 are available from the Group's website at **www.mcbride.co.uk** or can be obtained free of charge from the Company's registered office.

Independent auditors
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 reappointment of PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Board to fix their remuneration. The remuneration of the auditors for the year ended 30 June 2013 is fully disclosed in note 7 to the consolidated financial statements on page 100.

Signed on behalf of the Board

Carole Barnet
Company Secretary

2 September 2013

Governance

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and which enable the Directors to ensure that the Company's financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website **www.mcbride.co.uk**. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. Each of the Directors, the names and roles of whom are set out on page 43, confirms that to the best of his or her knowledge and belief:

- the financial statements in this document, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and of the Group as a whole; and
- the Directors' Report, including the Business Review, includes a fair view of the development and performance of the business and the position of the Company and of the Group as a whole, including a description of the principal risks and uncertainties that they face.

Each Director in office at the date the Directors' Report is approved, confirms to the best of his or her knowledge and belief:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed on behalf of the Board

Chris Bull
Chief Executive Officer

2 September 2013

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Useful information for shareholders can be found on page 134.
Where to find us can be found on page 138.
Our online resources can be found on the inside back cover.

Independent auditors' report

to the members of McBride plc

We have audited the consolidated financial statements of McBride plc ('the Company') and its subsidiaries (together, 'the Group') for the year ended 30 June 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the reconciliation of net cash flow to the movement in net debt, the consolidated statement of changes in equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 79, the Directors are responsible for the preparation of the Group's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group's financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group's financial statements:

- → give a true and fair view of the state of the Group's affairs as at 30 June 2013 and of its profit and cash flows for the year then ended;
- → have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- → have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- → the information given in the Directors' Report for the financial year for which the Group's financial statements are prepared is consistent with the Group's financial statements; and
- → the information given in the Corporate Governance Statement set out on pages 50 and 51 in the Annual Report and Accounts with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- → certain disclosures of directors' remuneration specified by law are not made; or
- → we have not received all the information and explanations we require for our audit; or
- → a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- → the Directors' statement, set out on page 78, in relation to going concern;
- → the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- → certain elements of the report to shareholders by the Board on directors' remuneration.

Other matters

We have reported separately on the Company's financial statements for the year ended 30 June 2013 and on the information in the Remuneration Committee report that is described as having been audited.

John Minards (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

3 September 2013

Financial statements

Consolidated income statement

for the year ended 30 June 2013

	Note	2013 Adjusted £m	2013 Adjusting items (see note 11) £m	2013 Total £m	2012 Adjusted £m	2012 Adjusting items (see note 11) £m	2012 Total £m
Revenue	4	761.4	–	761.4	813.9	–	813.9
Cost of sales		(514.3)	–	(514.3)	(558.3)	–	(558.3)
Gross profit		247.1	–	247.1	255.6	–	255.6
Distribution costs		(51.4)	–	(51.4)	(52.4)	–	(52.4)
Administrative costs		(171.7)	(8.6)	(180.3)	(173.7)	(11.4)	(185.1)
Operating profit	8	24.0	(8.6)	15.4	29.5	(11.4)	18.1
Finance costs	9	(9.6)	(0.3)	(9.9)	(10.7)	(0.2)	(10.9)
Finance income	9	4.0	–	4.0	4.9	–	4.9
Net finance costs	9	(5.6)	(0.3)	(5.9)	(5.8)	(0.2)	(6.0)
Profit before tax		18.4	(8.9)	9.5	23.7	(11.6)	12.1
Taxation	10	(4.7)	1.1	(3.6)	(6.1)	3.1	(3.0)
Profit for the year attributable to owners of the Company		13.7	(7.8)	5.9	17.6	(8.5)	9.1

	Note	2013 Total £m	2012 Total £m
Operating profit		15.4	18.1
Adjusted for:			
Amortisation of intangible assets	14	1.1	1.7
Change in contingent consideration	3	1.6	(1.9)
Exceptional items	5	5.9	11.6
Adjusted operating profit	4	24.0	29.5

	Note	2013	2012
Earnings per ordinary share	11		
Basic		3.2p	5.1p
Diluted		3.2p	5.0p

Consolidated statement of comprehensive income

for the year ended 30 June 2013

	Note	2013 £m	Re-presented* 2012 £m
Profit for the year attributable to owners of the Company		5.9	9.1
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Currency translation differences on foreign subsidiaries		5.5	(13.4)
(Loss)/gain on net investment hedges		(4.7)	9.1
Gain/(loss) on cash flow hedges in the year		0.4	(4.4)
Loss on cash flow hedges transferred to profit or loss		2.4	0.8
Taxation relating to items above	10	(0.7)	0.8
		2.9	(7.1)
Items that will not be reclassified to profit or loss:			
Net actuarial loss on post-employment benefits	23	(7.7)	(5.8)
Taxation relating to item above	10	1.5	1.1
		(6.2)	(4.7)
Total other comprehensive expense		(3.3)	(11.8)
Total comprehensive income/(expense)		2.6	(2.7)

* Adoption of IAS 1 (Revised 2011) 'Presentation of Financial Statements'.

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Consolidated balance sheet

at 30 June 2013

	Note	2013 £m	2012 £m
Non-current assets			
Goodwill	13	30.8	32.6
Other intangible assets	14	3.3	3.1
Property, plant and equipment	15	173.6	175.6
Derivative financial instruments	21	0.1	0.2
Deferred tax assets	10	5.5	2.1
Other non-current assets		0.6	0.6
		213.9	214.2
Current assets			
Inventories	16	85.2	72.1
Trade and other receivables	17	144.5	143.1
Derivative financial instruments	21	0.9	0.6
Cash and cash equivalents		4.9	12.4
Assets classified as held for sale	18	1.3	1.6
		236.8	229.8
Total assets		450.7	444.0
Current liabilities			
Trade and other payables	19	197.9	190.8
Borrowings	20	41.9	48.9
Derivative financial instruments	21	0.7	2.4
Current tax liabilities	10	9.0	3.8
Provisions	25	2.3	7.0
		251.8	252.9
Non-current liabilities			
Trade and other payables	19	5.6	3.6
Borrowings	20	49.8	44.7
Derivative financial instruments	21	1.5	2.2
Pensions and other post-employment benefits	23	26.0	19.5
Provisions	25	0.5	0.4
Deferred tax liabilities	10	8.8	8.3
		92.2	78.7
Total liabilities		344.0	331.6
Net assets		106.7	112.4
Equity			
Issued share capital	26	18.3	18.3
Share premium account	26	120.6	129.2
Other reserves	26	22.4	10.8
Accumulated loss		(55.2)	(46.5)
Equity attributable to owners of the Company		106.1	111.8
Non-controlling interests		0.6	0.6
Total equity		106.7	112.4

The financial statements on pages 82 to 124 were approved by the Board of Directors on 2 September 2013 and were signed on its behalf by:

Chris Bull
Director

Financial statements

Consolidated cash flow statement

for the year ended 30 June 2013

	Note	2013 £m	2012 £m
Operating activities			
Profit before tax		**9.5**	12.1
Net finance costs	9	**5.9**	6.0
Change in contingent consideration		**1.6**	(1.9)
Exceptional items	5	**5.9**	11.6
Share-based payments	24	**0.1**	0.3
Profit on sale of non-current assets		**–**	(1.0)
Depreciation of property, plant and equipment	15	**23.9**	23.5
Amortisation of intangible assets	14	**1.1**	1.7
Operating cash flow before changes in working capital		**48.0**	52.3
Decrease in receivables		**2.7**	0.2
(Increase)/decrease in inventories		**(10.3)**	3.0
Increase/(decrease) in payables		**0.7**	(13.7)
Operating cash flow after changes in working capital		**41.1**	41.8
Additional cash funding of pension schemes		**(1.8)**	(2.3)
Cash outflow in respect of exceptional items		**(8.4)**	(6.7)
Cash generated from operations		**30.9**	32.8
Interest paid		**(4.3)**	(5.5)
Taxation paid		**(1.4)**	–
Net cash from operating activities		**25.2**	27.3
Investing activities			
Proceeds from sale of non-current assets		**0.4**	4.3
Purchase of property, plant and equipment		**(15.0)**	(25.2)
Purchase of intangible assets	14	**(1.2)**	(1.2)
Acquisition of subsidiaries	3	**(0.5)**	(1.9)
Interest received		**–**	0.1
Settlement of derivatives used in net investment hedges		**(2.0)**	2.4
Net cash used in investing activities		**(18.3)**	(21.5)
Financing activities			
Proceeds from issue of ordinary shares		**–**	2.6
Purchase of own shares		**–**	(1.1)
Redemption of B Shares	12	**(8.7)**	(11.8)
Drawdown of bank loans		**85.7**	17.5
Repayment of bank loans		**(99.5)**	(7.2)
Capital element of finance lease rentals		**(0.1)**	(0.4)
Net cash used in financing activities		**(22.6)**	(0.4)
(Decrease)/increase in net cash and cash equivalents		**(15.7)**	5.4
Net cash and cash equivalents at the start of the year		**7.6**	2.6
Currency translation differences		**(0.2)**	(0.4)
Net cash and cash equivalents at the end of the year		**(8.3)**	7.6
Net cash and cash equivalents comprise:			
Cash and cash equivalents		**4.9**	12.4
Overdrafts		**(13.2)**	(4.8)
Net cash and cash equivalents at the end of the year		**(8.3)**	7.6

Reconciliation of net cash flow to movement in net debt

for the year ended 30 June 2013

	Note	2013 £m	2012 £m
(Decrease)/increase in net cash and cash equivalents		**(15.7)**	5.4
Net repayment/(drawdown) of bank loans		**13.8**	(10.3)
Capital element of finance lease rentals		**0.1**	0.4
Change in net debt resulting from cash flows		**(1.8)**	(4.5)
Currency translation differences		**(3.8)**	7.0
Movement in net debt in the year		**(5.6)**	2.5
Net debt at the beginning of the year		**(81.2)**	(83.7)
Net debt at the end of the year	22	**(86.8)**	(81.2)

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Consolidated statement of changes in equity

for the year ended 30 June 2013

	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 loss £m	Equity attributable to owners of the Company £m	Non-controlling interests £m	Total equity £m
At 30 June 2011	18.1	139.9	(0.7)	2.8	4.0	(39.3)	124.8	0.6	125.4
Year ended 30 June 2012									
Profit for the year	–	–	–	–	–	9.1	9.1	–	9.1
Other comprehensive income/(expense)									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	–	–	–	(13.4)	–	–	(13.4)	–	(13.4)
Gain on net investment hedges	–	–	–	9.1	–	–	9.1	–	9.1
Loss on cash flow hedges in the year	–	–	(4.4)	–	–	–	(4.4)	–	(4.4)
Gain on cash flow hedges transferred to profit or loss	–	–	0.8	–	–	–	0.8	–	0.8
Taxation relating to items above	–	–	0.8	–	–	–	0.8	–	0.8
	–	–	(2.8)	(4.3)	–	–	(7.1)	–	(7.1)
Items that will not be reclassified to profit or loss:									
Net actuarial loss on post-employment benefits	–	–	–	–	–	(5.8)	(5.8)	–	(5.8)
Taxation relating to item above	–	–	–	–	–	1.1	1.1	–	1.1
	–	–	–	–	–	(4.7)	(4.7)	–	(4.7)
Total other comprehensive expense	–	–	(2.8)	(4.3)	–	(4.7)	(11.8)	–	(11.8)
Total comprehensive income/(expense)	–	–	(2.8)	(4.3)	–	4.4	(2.7)	–	(2.7)
Transactions with owners of the Company									
Issue of B Shares	–	(12.2)	–	–	–	–	(12.2)	–	(12.2)
Redemption of B Shares	–	–	–	–	11.8	(11.8)	–	–	–
Share-based payments	–	–	–	–	–	0.5	0.5	–	0.5
Purchase of own shares	–	–	–	–	–	(1.1)	(1.1)	–	(1.1)
Transfer of own shares	–	–	–	–	–	0.9	0.9	–	0.9
Shares issued on exercise of share options	0.2	1.5	–	–	–	–	1.7	–	1.7
Taxation relating to items above	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
At 30 June 2012	18.3	129.2	(3.5)	(1.5)	15.8	(46.5)	111.8	0.6	112.4
Year ended 30 June 2013									
Profit for the year	–	–	–	–	–	5.9	5.9	–	5.9
Other comprehensive income/(expense)									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	–	–	–	5.5	–	–	5.5	–	5.5
Loss on net investment hedges	–	–	–	(4.7)	–	–	(4.7)	–	(4.7)
Gain on cash flow hedges in the year	–	–	0.4	–	–	–	0.4	–	0.4
Loss on cash flow hedges transferred to profit or loss	–	–	2.4	–	–	–	2.4	–	2.4
Taxation relating to items above	–	–	(0.7)	–	–	–	(0.7)	–	(0.7)
	–	–	2.1	0.8	–	–	2.9	–	2.9
Items that will not be reclassified to profit or loss:									
Net actuarial loss on post-employment benefits	–	–	–	–	–	(7.7)	(7.7)	–	(7.7)
Taxation relating to item above	–	–	–	–	–	1.5	1.5	–	1.5
	–	–	–	–	–	(6.2)	(6.2)	–	(6.2)
Total other comprehensive income/(expense)	–	–	2.1	0.8	–	(6.2)	(3.3)	–	(3.3)
Total comprehensive income/(expense)	–	–	2.1	0.8	–	(0.3)	2.6	–	2.6
Transactions with owners of the Company									
Issue of B Shares	–	(8.6)	–	–	–	–	(8.6)	–	(8.6)
Redemption of B Shares	–	–	–	–	8.7	(8.7)	–	–	–
Share-based payments	–	–	–	–	–	0.1	0.1	–	0.1
Transfer of own shares	–	–	–	–	–	0.3	0.3	–	0.3
Taxation relating to items above	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
At 30 June 2013	**18.3**	**120.6**	**(1.4)**	**(0.7)**	**24.5**	**(55.2)**	**106.1**	**0.6**	**106.7**

At 30 June 2013, the accumulated loss included a deduction of £0.8 million (2012: £1.2m) for the cost of own shares held in relation to employee share schemes. Further information on own shares is presented in note 26.

Financial statements

Notes to the consolidated financial statements

1. Basis of preparation

Description of business

McBride plc ('the Company') is a company incorporated and domiciled in the United Kingdom. The Company's ordinary shares are listed on the London Stock Exchange.

The Company and its subsidiaries (together, 'the Group') comprise Europe's leading provider of Private Label Household and Personal Care products to major retailers.

On 1 July 2012, the Directors implemented a reorganisation of the Group's operations, removing the former divisional structures and focusing on the Commercial, Supply Chain and R&D functions across geographical areas.

While the Group is now managed on a functional basis, its markets are defined by geography and, therefore, financial information is presented to the Board on a geographical basis for the purposes of monitoring financial performance and allocating resources to the Group's businesses. Accordingly, the Group's operating segments continue to be determined on a geographical basis. During the year, the Group's reportable segments were redefined and now comprise the UK, Western Europe and the Rest of the World.

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 2013 ('2013') with comparative amounts for the year ended 30 June 2012 ('2012').

Basis of accounting

The consolidated financial statements on pages 82 to 124 have been prepared on the going concern basis in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention, modified in respect of the revaluation to fair value of contingent consideration, derivative financial instruments, assets held for sale, pension assets and liabilities and cash-settled share-based payments.

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

Going concern

For the reasons set out on page 78, the Directors have adopted the going concern basis in preparing the Company's and the Group's financial statements.

Critical accounting judgements and estimates

(i) Background

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

(ii) Revenue

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

(iii) Impairment of long-lived assets

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

Value in use represents the net present value of the cash flows expected to arise from an asset or group of assets and its calculation requires management to estimate those cash flows and to apply a suitable discount rate to them.

Cash flows are estimated by applying assumptions to budget sales, production costs and overheads over a five-year forecast period and by applying a perpetuity growth rate to the forecast cash flow in the fifth year.

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

At 30 June 2013, the carrying amount of long-lived assets was £34.1 million. 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 to changes in the key assumptions is presented in note 13.

1. Basis of preparation continued

Critical accounting judgements and estimates continued

(iv) Contingent consideration

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

At 30 June 2013, the Group recognised contingent consideration payable of £5.6 million as described in note 3.

(v) Pensions and other post-employment benefits

Under IAS 19 'Employee Benefits', the cost of defined benefit schemes is determined based on actuarial valuations that are carried out annually at the balance sheet date. Actuarial valuations are dependent on assumptions about the future that are made by the Directors on the advice of independent qualified actuaries. If actual experience differs from these assumptions, there could be a material change in the amounts recognised by the Group in respect of defined benefit schemes in the next financial year.

At 30 June 2013, the present value of defined benefit obligations was £110.5 million. It was calculated using a number of assumptions, including future salary increases, 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 2013, the fair value of the scheme assets was £84.5 million. 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 2013, the Group recognised a net actuarial loss of £7.7 million. Further actuarial gains and losses will be recognised during the next financial year.

An analysis of the assumptions that will be used by the Directors to determine the cost of defined benefit schemes that will be recognised in profit or loss in the next financial year and the sensitivity of the benefit obligation to key assumptions is presented in note 23.

(vi) Provisions

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

At 30 June 2013, the Group held provisions amounting to £2.8 million, which principally represented reorganisation and restructuring costs. Adjustment to the amounts recognised would arise if it becomes necessary to revise the assumptions and estimates on which the provisions are based, if circumstances change such that contingent liabilities must be recognised or if management becomes aware of obligations that are currently unknown.

(vii) Taxation

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

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

Estimation is also required of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax liabilities are recognised for all taxable temporary differences but, where there exist deductible temporary differences, judgement is required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits. At 30 June 2013, the Group recognised deferred tax assets of £5.5 million, including £2.2 million in respect of tax losses and tax credits. Deferred tax assets amounting to £1.1 million 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 2013, 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.

Financial statements
Notes to the consolidated financial statements
continued

1. Basis of preparation continued
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's 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 changes in the estimate of contingent consideration arising on business combinations, and exceptional items. Exceptional items comprised reorganisation and restructuring costs and impairments of long-lived assets.

We exclude the amortisation of intangible assets and changes in the estimate of contingent consideration arising on business combinations from adjusted operating profit because these items hinder comparison of the trading performance of businesses that we have acquired with that of our other businesses.

Exceptional items are excluded from adjusted operating profit because they are not considered to be representative of the trading performance of our businesses during the period. Reorganisation and restructuring costs reflect specific actions taken by management to improve profitability in future periods and impairments of long-lived assets represent the excess of their carrying amount over the amount that is expected to be recovered from them in future periods.

Adjusted earnings per share is based on the Group's profit for the year adjusted for the items excluded from operating profit in arriving at adjusted operating profit, the unwinding of the discount on contingent consideration arising on business combinations and the tax relating to those items.

'Adjusted operating profit' and 'adjusted earnings per share' are not defined under IFRSs 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 IFRSs.

2. Principal accounting policies
Accounting standards adopted during the year

The Group's principal accounting policies are unchanged compared with the year ended 30 June 2012.

During 2013, the Group adopted IAS 1 (Revised 2011) 'Presentation of Financial Statements' which changed the presentation of items included within other comprehensive income but had no effect on the Group's results or financial position.

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 principal subsidiaries at 30 June 2013 are set out on page 132.

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.

2. Principal accounting policies continued

Business combinations

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

Business combinations are accounted for using the acquisition method.

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

Consideration transferred in a business combination represents the sum of the fair values at the acquisition date of the assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control over the acquired business.

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

Identifiable assets and liabilities of the acquired business are measured at their fair value at the acquisition date, except for the following items that are measured in accordance with the relevant Group accounting policy:

→ pensions and other post-employment benefits

→ equity instruments related to the replacement of share-based incentives awarded to employees of the acquired business

→ deferred tax assets and liabilities of the acquired business

→ assets classified as held for sale.

If the initial accounting for a business combination is incomplete by the end of the financial year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. If, within a measurement period of up to one year from the acquisition date, new information is obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date, retrospective adjustments are made to the amounts recognised at the acquisition date and there is a corresponding adjustment to goodwill. Retrospective adjustment is not made in respect of any other changes to the provisional amounts and any such adjustments are recognised in profit or loss.

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 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 IFRSs.

In the cash flow statement, the cash flows of foreign operations are translated into Sterling at the average exchange rate for the period.

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continued

2. Principal accounting policies continued

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

Revenue 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.

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

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

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

Goodwill is carried at cost less any recognised impairment losses.

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

(i) Assets acquired in business combinations
An intangible resource acquired in a business combination is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights. An acquired intangible asset with a definite useful life is amortised on a straight-line basis so as to charge its fair value at the date of acquisition to profit or loss over its expected useful life as follows:

Patents, brands and trade marks	– up to 3 years
Customer relationships	– up to 5 years

(ii) Product development costs
All research expenditure is charged to profit or loss in the period in which 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 3 to 5 years.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses.

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 machinery	– 8 to 10 years
Computer equipment	– 3 to 5 years
Motor vehicles	– 4 years
Moulding equipment	– 3 to 5 years

2. Principal accounting policies continued

Property, plant and equipment continued

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 shorter of the expected useful life of the asset or the term of the lease. At inception of the lease, the lease payments are apportioned between an interest element and a capital element so as to achieve a constant periodic rate of interest on the outstanding liability. Thereafter, the interest element is recognised as an expense in profit or loss while the capital element is applied to reduce the outstanding liability.

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

Impairment of non-financial assets

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

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

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

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

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

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

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 12 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 statements

Notes to the consolidated financial statements

continued

2. Principal accounting policies continued

Financial instruments

(i) Trade receivables

Trade receivables represent the invoiced amount of sales of goods to customers for which payment has not been received, 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.

(iii) Trade payables

Trade payables represent the amount of invoices received from suppliers for purchases of goods and services for which payment has not been made.

(iv) Bank and other loans

Bank and other loans are initially recognised at fair value, net of directly attributable transaction costs, if any, and are subsequently measured at amortised cost using the effective interest rate method.

(v) Derivative financial instruments

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

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. Changes in their fair values are recognised in profit or loss. Derivative financial instruments are therefore likely to cause volatility in profit or loss in situations where the hedged item is not recognised in the financial statements or is recognised but its carrying amount is not adjusted to reflect fair value changes arising from the hedged risk or is so adjusted but that adjustment is not recognised in profit or loss. Provided the conditions specified by IAS 39 'Financial Instruments: Recognition and Measurement' are met, hedge accounting may be used to mitigate this volatility in profit or loss.

Derivative financial instruments are classified as current assets or liabilities unless they are in a designated hedging relationship and the hedge item is classified as a non-current asset or liability.

Derivative financial instruments that are not in a designated hedging relationship are classified as trading.

(vi) Embedded derivatives

A derivative embedded in a non-derivative hybrid contract is separated from the host contract when its risks and characteristics are not closely related to those of the host contract and the hybrid contract is not measured at fair value through profit or loss. An embedded derivative that is separated from its host contract is presented as a separate asset or liability measured at fair value with changes in fair value recognised in profit or loss and is classified as a current or non-current asset or liability based on the cash flows of the hybrid contract.

(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 sales) 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.

2. Principal accounting policies continued

Hedge accounting continued

When a hedging instrument expires or is sold, or if the hedging relationship no longer meets the conditions for hedge accounting, the cumulative gain or loss recognised in other comprehensive income remains in equity until the forecast transaction is recognised in profit or loss. When a hedged forecast transaction is no longer expected to occur, the cumulative gain or loss recognised in other comprehensive income is immediately transferred to profit or loss.

(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 to make additional contributions in the event that the fund underperforms.

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, the expected return on the scheme assets and the 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. The expected return on the scheme assets is based on market expectations at the beginning of the period of future returns over the life of the benefit obligation, less an allowance for scheme administration and asset management expenses. The interest cost on the benefit obligation represents the increase in the present value of the benefit obligation due to the passage of time.

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, which represent the difference between the expected and actual returns on the scheme assets and experience gains and losses and the effect of changes in the actuarial assumptions in relation to the benefit obligations, are recognised in other comprehensive income in the period in which they occur.

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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.

Provision is made for the cost of product recalls if it is considered probable that it will be necessary to recall a specific product and the amount can be reasonably estimated.

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.

2. Principal accounting policies continued

Payments to shareholders

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

Own shares

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

Accounting standards issued but not yet adopted

Recently-issued accounting standards that are relevant to the Group but have not yet been adopted are outlined below. With the exception of the amendments to IAS 19, the Directors do not expect that these standards will have a material effect on the Group's results or financial position.

Unless stated otherwise, the changes will be applied retrospectively and amounts for comparative periods will be restated on a consistent basis.

Standards effective from 1 July 2013

IAS 19 (Revised 2011) 'Employee Benefits'

Amendments made to IAS 19 will affect the accounting for the Group's defined benefit pension schemes and certain termination benefits.

(i) Pension schemes

At present, the Group's profit or loss reflects an expected return on the scheme assets and an interest cost on the benefit obligation that are both estimated at the beginning of the year. Differences between those estimates and the actual outcomes are included in the net actuarial gain or loss that is recognised in other comprehensive income. In future, the Group's profit or loss will reflect a net interest cost or credit calculated by applying the discount rate used to measure the benefit obligation to the net deficit or surplus on the scheme estimated at the beginning of the year. Essentially, therefore, in the Group's profit or loss the expected return on the scheme assets will be replaced by an interest credit. Differences between the actual return on the scheme assets and the interest credit will be recognised on a separate line in other comprehensive income.

Costs of managing pension scheme assets will continue to be deducted in arriving at the actual return on the scheme assets. Pension scheme administration costs that are currently deducted in arriving at the actual return on the scheme assets will in future be charged to operating profit.

(ii) Termination benefits

Termination benefits have been redefined to exclude benefits that are in any way dependent on future service and some termination benefits will be recognised at a later stage in future.

(iii) Financial effect

If the revised standard had been effective in 2013, it would have had the following effect on the Group's results for the year:

	£m
Profit or loss	
Operating profit	(0.3)
Net finance costs	(0.2)
Profit before tax	(0.5)
Taxation	0.1
Profit after tax	(0.4)
Other comprehensive income	
Net actuarial loss	(2.8)
Return on plan assets	3.3
Taxation	(0.1)
Other comprehensive income	0.4

The Directors estimate that the effect of the revised standard in 2014 will be to reduce operating profit by £0.4 million and increase net finance costs by £0.7 million compared with what they would otherwise have been.

Consolidation, joint arrangements and associates

With effect from 1 July 2013, the Group will adopt the following related standards:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 ' Joint Arrangements'
- IAS 28 (Revised 2011) 'Investments in Associates and Joint Ventures'
- IFRS 12 'Disclosure of Interests in Other Entities'

IFRS 10 replaces the parts of the existing IAS 27 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and SIC-12 'Consolidation – Special Purpose Entities'. IFRS 10 establishes a single control model for consolidation that applies to all entities, including special purpose entities. The Directors do not expect that IFRS 10 will change the entities that are classified as the Company's subsidiaries and are therefore included in the consolidated financial statements.

At present, the Group does not have any interests in entities that will be classified as joint arrangements, associates or joint ventures under these standards.

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2. Principal accounting policies continued
Accounting standards issued but not yet adopted continued

IFRS 13 'Fair Value Measurement'
IFRS 13 does not extend the use of fair value measurement under IFRSs but establishes a single source of guidance for measuring fair value and consistent disclosures about fair value measurements.

From the Group's perspective, IFRS 13 will be relevant with regard to the measurement of derivative financial instruments, assets classified as held for sale and pension scheme assets, in impairment testing and in accounting for business combinations.

IFRS 13 applies prospectively from 1 July 2013.

Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities'
Disclosures will be required about all financial assets and financial liabilities that are set off and those that are subject to enforceable master netting or similar agreements whether or not they are set off.

Other standards issued but not yet adopted

Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities
Effective from 1 July 2015, these amendments provide clarification of the conditions that must be met in order to set off financial assets and financial liabilities.

IFRS 9 'Financial Instruments'
IFRS 9 will eventually replace IAS 39 'Financial Instruments: Classification and Measurement'. IFRS 9 is being issued in stages and is currently expected to become mandatory for the Group on 1 July 2016 (though this will be subject to its endorsement for use in the European Union).

While the sections dealing with the classification and measurement of financial instruments have been issued, the IASB is currently revisiting certain aspects of them. Other sections of the new standard dealing with the impairment of financial assets and hedge accounting are still under development.

3. Acquisitions
Acquisitions in 2013

On 1 August 2012, the Group exercised its call option to acquire the remaining 15% shareholding that it did not already own in Fortlab Holdings Sdn Bhd for consideration of £0.5 million. Due to the existence of a put option held by the minority shareholders, the Group consolidated 100% of the results, assets and liabilities and cash flows of Fortlab Holdings Sdn Bhd. Accordingly, the purchase of the minority shareholding did not give rise to any change in non-controlling interests.

Acquisitions in prior years

On 1 September 2010, the Group acquired 70% of the share capital of Dermacol a.s., a manufacturer of Skincare products in the Czech Republic. Under the terms of the acquisition, the Group agreed to pay fixed instalments on completion and within one year of completion and further instalments based on Dermacol's revenue in each financial year in the five-year period ending 30 June 2017. The Group also agreed to purchase the remaining 30% of the share capital of Dermacol in 2017 for consideration based on Dermacol's operating profit for the financial year ending 30 June 2017.

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

Movements in the contingent consideration liability were as follows:

	2013 £m	2012 £m
At 1 July	**4.1**	8.5
Consideration paid	**(0.5)**	(1.9)
Charged to profit or loss:		
Change in estimate	**1.6**	(1.9)
Unwind of discount	**0.3**	0.2
Currency translation differences	**0.1**	(0.8)
At 30 June	**5.6**	4.1

Estimated contingent consideration payable is classified as follows:

	2013 £m	2012 £m
Current	**–**	0.5
Non-current:		
Between two and five years	**5.6**	0.6
After more than five years	**–**	3.0
Non-current	**5.6**	3.6
Total	**5.6**	4.1

4. Segment information

Background

Financial information is presented to the Board on a geographical basis for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. Accordingly, the Group's operating segments are determined on a geographical basis.

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

With effect from 1 July 2012, the Group's reportable segments were redefined as follows:

- Germany, Austria and Switzerland were transferred from the Central & Eastern Europe segment to the Western Europe segment; and
- the Central & Eastern Europe segment and the Asia segment were combined to form the Rest of the World segment.

Also with effect from 1 July 2012, the basis on which segment profit is determined was changed to reflect the change in the Group's internal management structure from a legal entity to a functional basis. Specifically, segment profit now ignores any margin on intra-Group sales and reflects the allocation of overheads on a functional basis across geographical areas.

Comparative segment information has been restated to reflect these changes using estimates where necessary to provide reasonable comparisons.

Analysis by reportable segment

	2013					
	UK £m	Western Europe £m	Rest of the World £m	Total segments £m	Corporate £m	Total Group £m
Segment revenue	**286.3**	**409.9**	**65.2**	**761.4**	**–**	**761.4**
Adjusted operating profit	14.9	14.3	2.0	31.2	(7.2)	24.0
Adjusted for:						
Amortisation of intangible assets	(1.0)	–	(0.1)	(1.1)	–	(1.1)
Change in contingent consideration	–	–	(1.6)	(1.6)	–	(1.6)
Exceptional items (see note 5)	(1.3)	(0.8)	(0.1)	(2.2)	(3.7)	(5.9)
Operating profit/(loss)	12.6	13.5	0.2	26.3	(10.9)	15.4
Net finance costs						(5.9)
Profit before tax						9.5
Segment assets	163.4	232.3	54.8	450.5	0.2	450.7
Segment liabilities[1]	(105.3)	(151.0)	(19.2)	(275.5)	(68.5)	(344.0)
Assets held for sale	–	1.3	–	1.3	–	1.3
Capital expenditure[2]	7.4	6.6	2.8	16.8	0.3	17.1
Amortisation and depreciation	9.7	13.4	1.6	24.7	0.3	25.0

(1) Corporate liabilities include external debt and tax liabilities.
(2) Capital expenditure includes property, plant and equipment and intangible assets.

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4. Segment information continued
Analysis by reportable segment continued

	2012 Restated					
	UK £m	Western Europe £m	Rest of the World £m	Total segments £m	Corporate £m	Total Group £m
Segment revenue	309.0	448.7	56.2	813.9	–	813.9
Adjusted operating profit	20.1	16.5	0.3	36.9	(7.4)	29.5
Amortisation of intangible assets	(1.0)	(0.4)	(0.3)	(1.7)	–	(1.7)
Change in contingent consideration	–	–	1.9	1.9	–	1.9
Exceptional items (see note 5)	(2.9)	(5.4)	(3.2)	(11.5)	(0.1)	(11.6)
Operating profit/(loss)	16.2	10.7	(1.3)	25.6	(7.5)	18.1
Net finance costs						(6.0)
Profit before tax						12.1
Segment assets	159.0	238.7	40.3	438.0	6.0	444.0
Segment liabilities[1]	(107.2)	(143.8)	(18.6)	(269.6)	(62.0)	(331.6)
Assets held for sale	0.4	1.2	–	1.6	–	1.6
Capital expenditure[2]	12.0	12.3	0.9	25.2	0.1	25.3
Amortisation and depreciation	9.6	13.8	1.7	25.1	0.1	25.2

[1] Corporate liabilities include external debt and tax liabilities.
[2] Capital expenditure includes property, plant and equipment and intangible assets.

Geographical information
Revenue from external customers by country of destination was as follows:

	2013 £m	2012 Restated £m
UK	271.2	296.5
Western Europe	413.2	448.2
Rest of the World	77.0	69.2
Total revenue	761.4	813.9

Non-current assets (excluding deferred tax assets) by geographical location were as follows:

	2013 £m	2012 Restated £m
UK	85.7	88.0
Western Europe	103.1	90.3
Rest of the World	19.6	33.8
Total non-current assets	208.4	212.1

Revenue by major customer
In 2013, no individual customer provided more than 10% of the Group's revenue. In 2012, one customer provided 10.6% of the Group's revenue, of which £80.8 million was recognised in the UK and £5.6 million was recognised in the Rest of the World.

5. Exceptional items
Analysis of exceptional items

	2013 £m	2012 £m
Reorganisation and restructuring costs:		
– Functional reorganisation	**(3.0)**	(4.6)
– Supply chain restructuring	**(0.7)**	(4.3)
	(3.7)	(8.9)
Impairment of long-lived assets	**(2.2)**	(2.7)
Total charged to operating profit	**(5.9)**	(11.6)

During 2013, the Group recognised further exceptional costs of £3.0 million (2012: £4.6m) in relation to the creation of a functional structure with centralised support services, comprising project management and consultancy costs of £1.3 million, redundancy costs of £0.6 million and other reorganisation costs of £1.1 million. Other reorganisation costs principally comprised the costs of duplicating roles during the transfer of support functions to the Group's shared services centre.

Also during the year, the Group recognised a net exceptional charge of £0.7 million (2012: £3.8m) to complete the rationalisation of its supply chain in Western Europe. Additional costs totalling £2.0 million were recognised in relation to the transfer of production lines between sites (£1.4 million) and site restoration (£0.6 million). However, these costs were partially offset by a release of £1.3 million from a redundancy provision due to an unexpected upturn in demand at certain of the affected sites.

As discussed in note 13, the Group recognised a £2.2 million impairment charge in relation to the goodwill allocated to its Western Europe Household liquids business. During 2012, the Group recognised an impairment charge of £2.2 million in relation to its Skincare business at Brno, Czech Republic and other asset impairments totalling £0.5 million.

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

	2013 Number	2012 Number
Manufacturing	**4,119**	4,288
Sales and marketing	**325**	337
Finance and administration	**454**	487
	4,898	5,112

Aggregate payroll costs were as follows:

	2013 £m	2012 £m
Wages and salaries	**115.7**	125.5
Share-based payments	**0.1**	0.6
Social security costs	**26.4**	26.4
Pension costs	**2.4**	2.3
	144.6	154.8

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

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7. Auditors' remuneration
Fees payable by the Group to the Company's auditors, PricewaterhouseCoopers LLP, and its associates were as follows:

	2013 £m	2012 £m
Audit fees:		
Audit of the Company's accounts	0.1	0.1
Audit of the accounts of the Company's subsidiaries	0.3	0.3
Total fees	0.4	0.4

Fees for the audit of the Company's accounts represent fees payable to PricewaterhouseCoopers LLP in respect of the audit of the Company's individual financial statements and the Group's consolidated financial statements.

8. Operating profit
Operating profit is stated after charging/(crediting):

	2013 £m	2012 £m
Cost of inventories (included in cost of sales)	451.5	496.0
Employee costs (see note 6)	144.6	154.8
Amortisation of intangible assets (see note 14)	1.1	1.7
Depreciation of property, plant and equipment (see note 15)	23.9	23.5
Impairment:		
Goodwill (see note 13)	2.2	1.2
Property, plant and equipment (see note 15)	–	1.3
Assets held for sale (see note 18)	–	0.2
Trade receivables (see note 17)	5.3	4.1
Profit on sale of property, plant and equipment	–	(1.0)
Rentals payable under operating leases	4.4	4.7
Research and development costs not capitalised	9.5	9.9
Foreign exchange losses/(gains) transferred from equity	0.8	(0.4)
Net foreign exchange losses	0.3	–

9. Net finance costs

	2013 £m	2012 £m
Finance costs		
Interest on bank loans and overdrafts	2.1	2.6
Loss on interest rate swaps transferred to profit or loss	1.6	1.2
Interest differentials on net investment hedges	0.3	0.3
Unwind of discount on contingent consideration (see note 3)	0.3	0.2
Amortisation of facility fees	1.0	1.5
Other finance costs	–	0.1
	5.3	5.9
Post-employment benefits:		
Interest cost on benefit obligation (see note 23)	4.6	5.0
Total finance costs	9.9	10.9
Finance income		
Interest on cash and cash equivalents	(0.1)	–
Other finance income	–	(0.1)
	(0.1)	(0.1)
Post-employment benefits:		
Expected return on plan assets (see note 23)	(3.9)	(4.8)
Total finance income	(4.0)	(4.9)
Net finance costs	5.9	6.0

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

10. Taxation

Tax recognised in profit or loss

	2013			2012		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Current tax expense/(credit):						
Current period	0.2	6.4	6.6	(0.4)	4.4	4.0
Adjustment for prior periods	0.3	(0.3)	–	(0.1)	(0.4)	(0.5)
	0.5	6.1	6.6	(0.5)	4.0	3.5
Deferred tax (credit)/expense:						
Origination and reversal of temporary differences	(1.2)	(1.1)	(2.3)	0.4	(1.8)	(1.4)
Reduction in the UK corporation tax rate	(0.3)	–	(0.3)	(0.7)	–	(0.7)
Adjustment for prior periods	(0.4)	–	(0.4)	1.6	–	1.6
	(1.9)	(1.1)	(3.0)	1.3	(1.8)	(0.5)
Total tax expense/(credit) in profit or loss	(1.4)	5.0	3.6	0.8	2.2	3.0

The main rate of UK corporation tax was reduced from 24% to 23% with effect from 1 April 2013. The Group's effective UK corporation tax rate for the year was therefore 23.75% (2012: 25.5%).

In March 2013, the UK Government published the Finance Bill 2013 that included proposals to reduce further the main rate of UK corporation tax to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. The Finance Bill 2013 was not substantively enacted until 2 July 2013. Accordingly, these further reductions have not been reflected in these financial statements but they will affect the Group's tax expense for the 2014 financial year onwards.

Reconciliation of effective tax rate

The total tax charge on the Group's profit before tax for the year differs from the standard rate of corporation tax for the following reasons:

	2013 £m	2012 £m
Profit before tax	9.5	12.1
Profit before tax multiplied by the UK corporation tax rate of 23.75% (2012: 25.5%)	2.3	3.1
Effect of tax rates in foreign jurisdictions	1.4	0.8
Non-deductible expenses	2.4	1.4
Tax incentives	(1.5)	(2.5)
Utilisation of tax losses	(0.1)	(0.4)
Tax losses for which no deferred tax recognised	–	0.4
Reduction in the UK corporation tax rate	(0.3)	(0.7)
Adjustment for share-based payments	–	0.2
Other differences	(0.2)	(0.4)
(Over)/under provision in prior years	(0.4)	1.1
Total tax expense in profit or loss	3.6	3.0

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10. Taxation continued
Tax on items recognised in other comprehensive income

	2013 £m	2012 £m
Items that may be reclassified to profit or loss:		
Gain/(loss) on cash flow hedges in the year	**0.1**	(0.5)
Loss on cash flow hedges transferred to profit or loss	**0.6**	(0.3)
	0.7	(0.8)
Items that will not be transferred to profit or loss:		
Net actuarial loss on post-employment benefits:		
Deferred tax	**(1.2)**	(0.5)
Current tax	**(0.3)**	(0.6)
	(1.5)	(1.1)
Total tax credit in other comprehensive income	**(0.8)**	(1.9)

Tax on items recognised directly in equity

	2013 £m	2012 £m
Tax expense on share-based payments	**0.1**	0.1

Deferred tax
Reconciliation of movements in deferred tax assets/(liabilities):

	Accelerated tax depreciation £m	Intangible assets £m	Tax losses £m	Retirement benefit obligations £m	Share-based payments £m	Surplus ACT £m	Other £m	Total £m
At 30 June 2011	(16.8)	(3.4)	1.3	3.6	0.7	4.1	1.6	(8.9)
Effect of the change in UK tax rate	0.2	0.4	–	0.1	–	–	–	0.7
Credit/(charge) to profit or loss	1.2	(0.4)	(0.4)	0.1	(0.5)	–	(0.2)	(0.2)
Credit to other comprehensive income	–	–	–	0.5	–	–	0.8	1.3
Charge to equity	–	–	–	–	(0.1)	–	–	(0.1)
Exchange movements	1.4	(0.2)	(0.1)	–	–	–	(0.1)	1.0
At 30 June 2012	(14.0)	(3.6)	0.8	4.3	0.1	4.1	2.1	(6.2)
Effect of the change in UK tax rate	–	0.2	–	0.1	–	–	–	0.3
Credit/(charge) to profit or loss	1.7	(0.2)	1.3	–	–	–	(0.1)	2.7
Credit to other comprehensive income	–	–	–	1.2	–	–	(0.7)	0.5
Charge to equity	–	–	–	–	(0.1)	–	–	(0.1)
Exchange movements	(0.7)	0.1	0.1	–	–	–	–	(0.5)
At 30 June 2013	**(13.0)**	**(3.5)**	**2.2**	**5.6**	**–**	**4.1**	**1.3**	**(3.3)**

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

	2013 £m	2012 £m
Deferred tax assets	**5.5**	2.1
Deferred tax liabilities	**(8.8)**	(8.3)
	(3.3)	(6.2)

10. Taxation continued

Deferred tax continued

At 30 June 2013, the Group had unused tax losses of £11.3 million (2012: £5.5m) available for offset against future profits. A deferred tax asset of £2.2 million (2012: £0.8m) has been recognised in respect of these losses. No deferred tax asset has been recognised in respect of the remaining losses due to the unpredictability of future profit streams. £4.2 million (2012: £3.1m) of unrecognised tax losses may be carried forward for offset against future profits. The majority of these tax losses arise in tax jurisdictions where they do not expire. However, Chinese tax losses of £1.0 million will expire between now and 2017.

At 30 June 2013, the Group had surplus advance corporation tax (ACT) of £7.0 million (2012: £7.0m) available to offset against future tax liabilities. A deferred tax asset has been recognised in respect of surplus ACT of £4.1 million (2012: £4.1m). No deferred tax asset has been recognised in relation to the remaining surplus ACT of £2.9 million (2012: £2.9m) due to uncertainty as to future ACT capacity.

At 30 June 2013, no deferred tax has been recognised in respect of timing differences associated with the unremitted earnings of overseas subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and either it is probable that such differences will not reverse in the foreseeable future or, if a distribution of profits is foreseen, based on the current repatriation policy of the Group no incremental tax is expected to be paid.

11. Earnings per 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 0.7 million shares (2012: 1.5 million shares), being the weighted average number of own shares held during the year in relation to employee share schemes.

		2013	2012
Earnings (£m)	a	5.9	9.1
Weighted average number of ordinary shares in issue (million)	b	182.4	179.8
Basic earnings per share	a/b	3.2p	5.1p

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 two categories of potentially dilutive ordinary shares: equity-settled LTIP awards with a nil exercise price and share options granted under an approved Save As You Earn scheme.

		2013	2012
Weighted average number of ordinary shares in issue (million)		182.4	179.8
Effect of dilutive LTIP awards (million)		0.6	0.3
Effect of dilutive SAYE options (million)		–	0.8
Weighted average number of ordinary shares for calculating diluted earnings per share	c	183.0	180.9
Diluted earnings per share	a/c	3.2p	5.0p

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

		2013 £m	2012 £m
Earnings for calculating basic and diluted earnings per share		5.9	9.1
Adjusted for:			
Amortisation of intangible assets (see note 14)		1.1	1.7
Change in contingent consideration (see note 3)		1.6	(1.9)
Exceptional items (see note 5)		5.9	11.6
Unwind of discount on contingent consideration (see note 3)		0.3	0.2
Taxation relating to the above items		(1.1)	(3.1)
Earnings for calculating adjusted earnings per share	d	13.7	17.6
Adjusted basic earnings per share	d/b	7.5p	9.8p
Adjusted diluted earnings per share	d/c	7.5p	9.7p

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 per cent of LIBOR on the 0.1p 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:

	2013		2012	
	Pence per share	£m	Pence per share	£m
Interim	1.7	3.1	2.0	3.5
Final	3.3	6.0	3.0	5.5
Total for the year	5.0	9.1	5.0	9.0

The proposed final payment in respect of 2013 of 3.3p 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:

	2013		2012	
	Number	Nominal value £m	Number	Nominal value £m
Issued and fully paid				
At 1 July	495,384,888	0.5	136,372,005	0.1
Issued	8,563,369,763	8.6	12,204,449,048	12.2
Redeemed	(8,663,862,019)	(8.7)	(11,845,436,165)	(11.8)
At 30 June	394,892,632	0.4	495,384,888	0.5

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

	2013 £m	2012 £m
Carrying amount		
At 1 July	32.6	34.9
Impairment recognised in the year	(2.2)	(1.2)
Currency translation differences	0.4	(1.1)
At 30 June	30.8	32.6

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

	2013 £m	2012 £m
UK		
Household liquids	14.8	14.8
Aircare	6.4	6.4
CGUs without significant goodwill	1.2	1.2
	22.4	22.4
Western Europe		
Dasty business	6.8	6.4
Household liquids	–	2.2
	6.8	8.6
Rest of the World		
CGUs without significant goodwill	1.6	1.6
	30.8	32.6

Impairment tests carried out during the year

Goodwill is tested for impairment annually at the level of the CGUs to which it is allocated. In each of the tests carried out during 2013, 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 2014 financial year. Cash flows in the following four years were forecast by applying assumptions to budget sales, production costs and overheads that were based on published industry forecasts and economic data. 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 published by independent market research organisations. CGUs to which significant goodwill is allocated supply the Aircare market in the UK, the Household liquids markets in the UK and Italy, and the bleach market in France and Belgium. During the five-year forecast period, the UK Aircare market is forecast to grow by 1% per annum. Overall, the UK Household liquids market is forecast to grow by 1% per annum but, within that market, surface care is forecast to grow by 2% per annum and laundry liquids by 1% per annum, while the bleach market is forecast to be broadly flat. In Italy, the laundry liquids market is forecast to be broadly flat but the market for Household liquid cleaners is forecast to grow by 1% per annum and that for machine dishwash liquids is forecast to grow by 3% per annum. In France and Belgium, the bleach market is forecast to be broadly flat. We have also taken into account in the impairment tests evidence that suggests that the growth in sales of Private Label products is likely to exceed that of branded products in these markets.

Significant goodwill is not allocated to CGUs that supply the Group's higher growth developing and emerging markets in Central and Eastern Europe and the Asia Pacific region.

Management estimates the cost of material inputs and other direct and indirect costs based on current prices and market expectations of future price changes. Beyond the budget period, unless there are reasons to suggest otherwise, management assumes that future changes in material input prices are reflected in the price of the Group's products. General cost inflation is based on market expectations of future inflation rates.

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13. Goodwill continued
Impairment tests carried out during the year continued
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. Discount rates used in calculating the value in use of those CGUs to which significant amounts of goodwill are allocated were as follows: UK Household liquids 10.0%; UK Aircare 10.0%; the Dasty business 13.2%; and Western Europe Household liquids 11.8%.

Impairment recognised in the year
During 2013, an impairment of £2.2 million was recognised which represented the entire goodwill allocated to the Household liquids plant at Etain, France. Etain manufactures bleach for sale principally in northern France and in Belgium. Since Etain was acquired in 1999, the bleach market has matured and it has become a relatively low-growth business that generates low margins. When the goodwill allocated to Etain was tested for impairment in May 2012, the plant's recoverable amount exceeded its carrying amount by £1.3 million. During 2013, the plant's sales did not meet expectations and, although new business is in the pipeline, its budgeted sales for 2014 are lower than the level achieved in 2013.

During 2012, an impairment of £2.2 million was recognised at the Group's Skincare plant at Brno, Czech Republic, which comprised the entire goodwill of £1.2 million that was allocated to the plant and a reduction of £1.0 million in the carrying amount of its property, plant and equipment. During 2013, no further impairment was recognised in relation to Brno.

Possibility of impairment in the near future
With the exception of the Group's UK Aircare business, management considers it unlikely that one or more key assumptions will change in the near future to the extent that an impairment will be recognised at any of the CGUs to which goodwill has been allocated.

Based on the assumption that sales will grow at 1.9% per annum and cost inflation will be 3.2% per annum in the forecast period, the impairment test carried out in respect of the UK Aircare business showed that its value in use exceeded its carrying amount by £5.4 million. An impairment would result if either the sales growth rate was to fall below 0.5% per annum or cost inflation was to increase above 4.9% per annum.

14. Other intangible assets

	Patents, brands and trade marks £m	Computer software £m	Customer relationships £m	Other £m	Total £m
Cost					
At 30 June 2011	2.0	1.3	9.0	0.2	12.5
Additions	–	0.9	–	0.3	1.2
Currency translation differences	–	(0.2)	(0.7)	–	(0.9)
At 30 June 2012	2.0	2.0	8.3	0.5	12.8
Additions	–	1.2	–	–	1.2
Currency translation differences	–	0.1	0.3	–	0.4
At 30 June 2013	**2.0**	**3.3**	**8.6**	**0.5**	**14.4**
Accumulated amortisation					
At 30 June 2011	(0.7)	(0.5)	(7.6)	–	(8.8)
Charge for the year	(0.4)	(0.3)	(1.0)	–	(1.7)
Currency translation differences	–	–	0.8	–	0.8
At 30 June 2012	(1.1)	(0.8)	(7.8)	–	(9.7)
Charge for the year	(0.4)	(0.4)	(0.1)	(0.2)	(1.1)
Currency translation differences	–	–	(0.3)	–	(0.3)
At 30 June 2013	**(1.5)**	**(1.2)**	**(8.2)**	**(0.2)**	**(11.1)**
Net book value					
At 30 June 2013	**0.5**	**2.1**	**0.4**	**0.3**	**3.3**
At 30 June 2012	0.9	1.2	0.5	0.5	3.1

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 2011	111.1	404.8	5.1	521.0
Additions	0.8	12.0	11.3	24.1
Disposals	(0.4)	(22.8)	–	(23.2)
Transfers	0.2	9.1	(9.3)	–
Reclassified to held for sale	(1.7)	–	–	(1.7)
Currency translation differences	(8.6)	(22.1)	(0.1)	(30.8)
At 30 June 2012	101.4	381.0	7.0	489.4
Additions	0.6	8.7	6.6	15.9
Disposals	–	(1.5)	–	(1.5)
Transfers	–	9.2	(9.2)	–
Currency translation differences	3.9	11.3	–	15.2
At 30 June 2013	**105.9**	**408.7**	**4.4**	**519.0**
Accumulated depreciation				
At 30 June 2011	(33.7)	(296.4)	–	(330.1)
Charge for the year	(2.2)	(21.3)	–	(23.5)
Impairment	–	(1.3)	–	(1.3)
Disposals	0.2	22.5	–	22.7
Reclassified to held for sale	1.6	–	–	1.6
Currency translation differences	2.1	14.7	–	16.8
At 30 June 2012	(32.0)	(281.8)	–	(313.8)
Charge for the year	(2.1)	(21.8)	–	(23.9)
Disposals	–	1.5	–	1.5
Currency translation differences	(1.2)	(8.0)	–	(9.2)
At 30 June 2013	**(35.3)**	**(310.1)**	**–**	**(345.4)**
Net book value				
At 30 June 2013	**70.6**	**98.6**	**4.4**	**173.6**
At 30 June 2012	69.4	99.2	7.0	175.6

At 30 June 2013, land and buildings with a carrying amount of £2.5 million (2012: nil) were secured in relation to bank and other loans.

Net book value of assets held under finance leases:

	2013 £m	2012 £m
Land and buildings	3.3	2.0
Plant and equipment	1.7	3.6
	5.0	5.6

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16. Inventories

	2013 £m	2012 £m
Raw materials, packaging and consumables	**41.5**	38.8
Finished goods and goods for resale	**43.7**	33.3
	85.2	72.1

Inventories are stated net of an allowance of £5.2 million (2012: £5.4m) in respect of excess, obsolete or slow-moving items. Movements in the allowance were as follows:

	2013 £m	2012 £m
At 1 July	**(5.4)**	(8.2)
Utilisation	**1.0**	3.6
Charged to profit or loss	**(0.6)**	(1.3)
Currency translation differences	**(0.2)**	0.5
At 30 June	**(5.2)**	(5.4)

17. Trade and other receivables

	2013 £m	2012 £m
Trade receivables	**138.4**	134.1
Other receivables	**3.2**	4.3
Prepayments and accrued income	**2.9**	4.7
Total receivables	**144.5**	143.1

Trade receivables amounting to £35.3 million (2012: £53.2m) 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:

	2013 £m	2012 £m
Amounts neither past due nor impaired	**133.7**	130.0
Amounts past due but not impaired:		
Less than one month	**1.7**	2.1
Between one and three months	**1.0**	1.0
Between three and six months	**0.6**	0.4
Over six months	**1.4**	0.6
	4.7	4.1
Amounts impaired:		
Total amounts that have been impaired	**1.7**	1.3
Allowance for doubtful debts	**(1.7)**	(1.3)
	–	–
Total trade receivables	**138.4**	134.1

Movements in the allowance for doubtful debts were as follows:

	2013 £m	2012 £m
At 1 July	**1.3**	1.3
Charged to profit or loss	**5.3**	4.1
Utilisation	**(4.9)**	(4.0)
Currency translation differences	**–**	(0.1)
At 30 June	**1.7**	1.3

Trade receivables are generally not interest-bearing although interest may be charged to customers on overdue accounts.

18. Assets held for sale

At 30 June 2012, assets held for sale amounting to £1.6 million comprised freehold land and buildings at the Group's former manufacturing sites at Burnley in the UK and at Solaro in Italy.

During 2013, the property at Burnley was sold and the Group continued to actively market the property at Solaro, which has a carrying amount of £1.3 million.

19. Trade and other payables

	2013 £m	2012 £m
Current liabilities		
Trade payables	155.4	147.7
Taxation and social security	16.7	15.7
Other payables	13.2	13.0
Accrued expenses	9.2	10.6
Deferred income	3.0	2.8
B Shares (see note 12)	0.4	0.5
Contingent consideration (see note 3)	–	0.5
	197.9	190.8
Non-current liabilities		
Contingent consideration (see note 3)	5.6	3.6
	203.5	194.4

Trade payables are generally not interest-bearing although interest may be charged by suppliers on overdue accounts.

20. Borrowings

Borrowings may be analysed as follows:

	2013			2012		
	Current liabilities £m	Non-current liabilities £m	Total liabilities £m	Current liabilities £m	Non-current liabilities £m	Total liabilities £m
Overdrafts	13.2	–	13.2	4.8	–	4.8
Bank and other loans:						
Unsecured loans	0.3	47.1	47.4	0.7	44.6	45.3
Secured loans	–	2.6	2.6	–	–	–
Invoice discounting facilities (see note 21)	28.2	–	28.2	43.1	–	43.1
	28.5	49.7	78.2	43.8	44.6	88.4
Finance lease liabilities	0.2	0.1	0.3	0.3	0.1	0.4
	41.9	49.8	91.7	48.9	44.7	93.6

Bank and other loans are repayable as follows:

	2013 £m	2012 £m
Within one year	28.5	43.8
Between one and two years	47.4	0.1
Between two and five years	2.3	44.5
Total repayable	78.2	88.4

Details of the Group's bank facilities are presented in note 21.

Amounts payable under finance leases are as follows:

	2013 Present value £m	2012 Present value £m
Within one year	0.2	0.3
Between one and five years	0.1	0.1
	0.3	0.4

At 30 June 2013 and 30 June 2012, future finance charges were less than £0.1 million

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21. Financial risk management
Risk management policies
The Group's central treasury function is responsible for procuring the Group's capital resources and maintaining an efficient capital structure, together with managing the Group's liquidity, foreign exchange and interest rate exposures. Further information is presented in the Group Financial Review on pages 19 and 20.

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.

Financial assets and financial liabilities
In the following 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).
- Level 3 – Inputs that are not based on observable market data (unobservable inputs).

			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 2013						
Financial assets not held at fair value						
Trade receivables	138.4	–	–	–	138.4	138.4
Other receivables	3.2	–	–	–	3.2	3.2
Cash and cash equivalents	4.9	–	–	–	4.9	4.9
	146.5	–	–	–	146.5	146.5
Financial assets held at fair value						
Derivative financial instruments (Level 2)						
– Forward currency contracts	–	–	0.9	–	0.9	0.9
– Interest rate caps	–	–	0.1	–	0.1	0.1
	–	–	1.0	–	1.0	1.0
Total financial assets	146.5	–	1.0	–	147.5	147.5
Financial liabilities not held at fair value						
Trade payables	–	(155.4)	–	–	(155.4)	(155.4)
Other payables	–	(13.3)	–	–	(13.3)	(13.3)
Accrued expenses	–	(9.2)	–	–	(9.2)	(9.2)
Unredeemed B Shares	–	(0.4)	–	–	(0.4)	(0.4)
Bank overdrafts	–	(13.2)	–	–	(13.2)	(13.2)
Bank and other loans	–	(78.2)	–	–	(78.2)	(78.2)
Obligations under finance leases	–	(0.3)	–	–	(0.3)	(0.3)
	–	(270.0)	–	–	(270.0)	(270.0)
Financial liabilities held at fair value						
Derivative financial instruments (Level 2)						
– Forward currency contracts	–	–	(0.2)	–	(0.2)	(0.2)
– Interest rate swaps	–	–	(2.0)	–	(2.0)	(2.0)
	–	–	(2.2)	–	(2.2)	(2.2)
Contingent consideration (Level 3)	–	–	–	(5.6)	(5.6)	(5.6)
	–	–	(2.2)	(5.6)	(7.8)	(7.8)
Total financial liabilities	–	(270.0)	(2.2)	(5.6)	(277.8)	(277.8)
Total	146.5	(270.0)	(1.2)	(5.6)	(130.3)	(130.3)

21. Financial risk management continued
Financial assets and financial liabilities continued

	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 2012						
Financial assets not held at fair value						
Trade receivables	134.1	–	–	–	134.1	134.1
Other receivables	4.3	–	–	–	4.3	4.3
Cash and cash equivalents	12.4	–	–	–	12.4	12.4
	150.8	–	–	–	150.8	150.8
Financial assets held at fair value						
Derivative financial instruments (Level 2)						
– Currency options	–	–	0.2	–	0.2	0.2
– Forward currency contracts	–	–	0.4	–	0.4	0.4
– Interest rate caps	–	–	0.2	–	0.2	0.2
	–	–	0.8	–	0.8	0.8
Total financial assets	150.8	–	0.8	–	151.6	151.6
Financial liabilities not held at fair value						
Trade payables	–	(147.7)	–	–	(147.7)	(147.7)
Other payables	–	(13.0)	–	–	(13.0)	(13.0)
Accrued expenses	–	(13.4)	–	–	(13.4)	(13.4)
Unredeemed B Shares	–	(0.5)	–	–	(0.5)	(0.5)
Bank overdrafts	–	(4.8)	–	–	(4.8)	(4.8)
Bank and other loans	–	(88.4)	–	–	(88.4)	(88.4)
Obligations under finance leases	–	(0.4)	–	–	(0.4)	(0.4)
	–	(268.2)	–	–	(268.2)	(268.2)
Financial liabilities held at fair value						
Derivative financial instruments (Level 2)						
– Forward currency contracts	–	–	(1.4)	–	(1.4)	(1.4)
– Interest rate swaps	–	–	(3.6)	–	(3.6)	(3.6)
	–	–	(5.0)	–	(5.0)	(5.0)
Contingent consideration (Level 3)	–	–	–	(4.1)	(4.1)	(4.1)
	–	–	(5.0)	(4.1)	(9.1)	(9.1)
Total financial liabilities	–	(268.2)	(5.0)	(4.1)	(277.3)	(277.3)
Total	150.8	(268.2)	(4.2)	(4.1)	(125.7)	(125.7)

Derivative financial instruments comprise the foreign currency 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. 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.

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

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

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

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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 closely the credit quality of the institutions with which it holds deposits. Similar considerations are given to the Group's portfolio of derivative financial instruments.

Before accepting a new customer, management assesses the customer's credit quality and establishes a credit limit. Credit quality is assessed using data maintained by reputable credit rating agencies, by the checking of references included in credit applications and, where they are available, by reviewing the customer's recent financial statements. Credit limits |are subject to multiple levels of authorisation and are reviewed on a regular basis. Credit insurance is employed where it is considered to be cost effective. At 30 June 2013, the majority of trade receivables were due from major retailers in the UK and Western Europe.

At 30 June 2013, the Group's maximum exposure to credit risk was as follows (there was no significant concentration of credit risk):

	2013 £m	2012 £m
Trade and other receivables:		
– Trade receivables	**138.4**	134.1
– Other receivables	**3.2**	4.3
– Derivative financial instruments	**1.0**	0.8
	142.6	139.2
Cash and cash equivalents	**4.9**	12.4
	147.5	151.6

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

The Group's borrowing facilities are monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines. Management's policy is to reduce liquidity risk by diversifying the Group's funding sources and staggering the maturity of its borrowings.

The Group has an unsecured €175 million revolving credit facility that is committed until June 2015. At 30 June 2013, the amount undrawn on the facility was €120.0 million (2012: €120.0m). 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. At 30 June 2013, the Debt Cover ratio was 1.25:1 and the Interest Cover ratio was 13.7:1 for 2013. 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 during the year and is committed until August 2014. 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.

21. Financial risk management continued

Liquidity risk continued

At 30 June 2013, the carrying amount of trade receivables eligible for transfer and the amounts borrowed under the facility were as follows:

	2013 £m	2012 £m
Trade receivables available	**43.5**	64.4
Amount borrowed	**(28.2)**	(43.1)
Amount undrawn	**15.3**	21.3

The Group also has access to uncommitted working capital facilities amounting to £49.8 million (2012: £54.3m). At 30 June 2013, £13.2 million (2012: £4.8m) was drawn against these facilities in the form of overdrafts.

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 one 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 2013							
Bank overdrafts	**(13.2)**	**–**	**–**	**–**	**–**	**–**	**(13.2)**
Bank and other loans:							
– Principal	**(12.8)**	**(63.1)**	**(0.3)**	**(0.3)**	**(0.3)**	**(1.4)**	**(78.2)**
– Interest payments	**(1.2)**	**(0.9)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**	**(2.5)**
Finance lease obligations	**(0.2)**	**(0.1)**	**–**	**–**	**–**	**–**	**(0.3)**
Other liabilities	**(178.3)**	**–**	**–**	**–**	**–**	**–**	**(178.3)**
Cash flows on non-derivative liabilities	**(205.7)**	**(64.1)**	**(0.4)**	**(0.4)**	**(0.4)**	**(1.5)**	**(272.5)**
Cash flows on derivative liabilities							
– Payments	**(1.4)**	**(0.8)**	**(0.5)**	**–**	**–**	**–**	**(2.7)**
Cash flows on financial liabilities	**(207.1)**	**(64.9)**	**(0.9)**	**(0.4)**	**(0.4)**	**(1.5)**	**(275.2)**
Cash flows on related derivative assets							
– Receipts	**0.9**	**–**	**–**	**–**	**–**	**–**	**0.9**
	(206.2)	**(64.9)**	**(0.9)**	**(0.4)**	**(0.4)**	**(1.5)**	**(274.3)**

	Within one 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 2012							
Bank overdrafts	(4.8)	–	–	–	–	–	(4.8)
Bank and other loans:							
– Principal	(43.8)	(0.1)	(44.5)	–	–	–	(88.4)
– Interest payments	(1.3)	(1.0)	(1.0)	–	–	–	(3.3)
Finance lease obligations	(0.3)	(0.1)	–	–	–	–	(0.4)
Other liabilities	(174.6)	–	–	–	–	–	(174.6)
Cash flows on non-derivative liabilities	(224.8)	(1.2)	(45.5)	–	–	–	(271.5)
Cash flows on derivative liabilities							
– Payments	(3.0)	(0.9)	(0.6)	(0.3)	–	–	(4.8)
Cash flows on financial liabilities	(227.8)	(2.1)	(46.1)	(0.3)	–	–	(276.3)
Cash flows on derivative assets							
– Receipts	0.4	–	–	–	–	–	0.4
	(227.4)	(2.1)	(46.1)	(0.3)	–	–	(275.9)

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

The Group is exposed to interest rate risk on its floating rate borrowings, which it has mitigated using interest rate swaps. 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:

	2013				2012			
	Euro £m	Sterling £m	Other currencies £m	Total £m	Euro £m	Sterling £m	Other currencies £m	Total £m
Floating rate								
Bank overdrafts	(10.9)	(2.0)	(0.3)	(13.2)	(3.2)	–	(1.6)	(4.8)
Bank and other loans	(15.4)	(15.7)	–	(31.1)	(22.6)	(21.3)	–	(43.9)
Cash and cash equivalents	0.7	1.1	3.1	4.9	1.6	8.9	1.9	12.4
	(25.6)	(16.6)	2.8	(39.4)	(24.2)	(12.4)	0.3	(36.3)
Fixed rate								
Bank and other loans	(47.1)	–	–	(47.1)	(44.5)	–	–	(44.5)
Finance lease obligations	–	–	(0.3)	(0.3)	–	–	(0.4)	(0.4)
	(47.1)	–	(0.3)	(47.4)	(44.5)	–	(0.4)	(44.9)
	(72.7)	(16.6)	2.5	(86.8)	(68.7)	(12.4)	(0.1)	(81.2)

Interest payable on bank overdrafts and floating rate loans is based on base rates and short-term interbank rates (predominantly LIBOR, EURIBOR and some EONIA). At 30 June 2013, the weighted average interest rate payable on bank and other loans was 2.3% (2012: 2.3%). At 30 June 2013, the weighted average interest rate receivable on cash and cash equivalents was 1.1% (2012: 1.7%).

At 30 June 2013, the Group held interest rate swaps that had the effect of fixing the interest payable on €55 million (2012: €55m) of its Euro-denominated borrowings at a weighted-average rate of 5.22% (2012: 5.22%). As shown in the following table, interest rate swaps with a notional principal amount of €45 million will mature during the next financial year and will be partially replaced by interest rate swaps bearing lower interest rates.

Interest rate derivatives held by the Group at 30 June 2013 were as follows:

Maturity	Nature of contract	Notional principal amount € million	Fixed rate payable or capped rate %	Variable rate receivable %
September 2013	Swap	30	4.530	0.124
February 2014	Swap	15	2.660	0.124
January 2016	Swap	10	2.880	0.124
December 2015 (commences September 2013)	Swap	10	3.355	0.124
December 2015 (commences September 2013)	Swap	10	3.300	0.124
February 2017 (commences February 2014)	Cap	10	1.700	n/a
March 2017 (commences December 2015)	Cap	10	1.690	n/a
June 2018 (commences December 2015)	Cap	10	1.600	n/a

All interest rate derivatives held by the group are indexed to 3-month EURIBOR.

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

For accounting purposes, the Group has designated the interest rate swaps and caps as cash flow hedges. At 30 June 2013, the fair value of the interest rate swaps was £(2.0) million (2012: £(3.2)m) and the fair value of the interest rate caps was £0.1 million (2012: £0.2m). During 2013, a loss of £0.5 million (2012: loss of £2.2m) was recognised in other comprehensive income in respect of these derivatives and a loss of £1.6 million (2012: loss of £1.2m) was reclassified from equity to profit or loss and included in finance costs.

21. Financial risk management continued

Interest rate risk continued

On the assumption that a change in market interest rates would be applied to the interest rate exposures that were in existence at the balance sheet date and that designated cash flow hedges are 100% effective, an increase/decrease of 100 basis points in market interest rates would have decreased/increased the Group's profit before tax by £0.4 million (2012: £0.1m).

Foreign currency risk

(i) Transaction risk

Foreign currency transaction risk arises on sales and purchases denominated in currencies other than the functional currency of the entity that enters into the transaction. While the magnitude of these exposures is relatively low, the Group's policy is to hedge committed transactions in full and to hedge a proportion of highly probable forecast transactions on a 12-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 2013, the notional principal amount of outstanding foreign currency contracts (net purchases) that are held to hedge the Group's transaction exposures was £29.0 million (2012: £25.7m). For accounting purposes, the Group has designated the foreign currency contracts as cash flow hedges. At 30 June 2013, the fair value of the contracts was £0.6 million (2012: £(1.2)m). During 2013, a gain of £0.9 million (2012: loss of £2.2m) was recognised in other comprehensive income in respect of these contracts and a loss of £0.8 million (2012: gain of £0.4m) was reclassified from equity to profit or loss and included in operating profit.

After taking into account its hedging activities, the Group has no significant exposure to gains and losses arising from foreign currency transaction risk in the event of reasonably possible changes in currency exchange rates.

(ii) Translation risk

Foreign currency translation risk arises on consolidation in relation to the translation into Sterling of the results and net assets of the Group's foreign subsidiaries. The Group's policy is to hedge a substantial proportion of overseas net assets using a combination of foreign currency borrowings and foreign currency swaps. While the Group does not hedge the currency exposure on translating the results of its foreign subsidiaries into Sterling, this exposure is mitigated by the natural hedge provided by the interest payable on the Group's foreign currency borrowings.

At 30 June 2013, the Group had designated as net investment hedges £47.1 million (2012: £44.5m) of its Euro-denominated borrowings and 3-month rolling foreign currency forward contracts with a notional principal amount of £35.6 million (2012: £34.8m). During 2013, a loss of £4.7 million (2012: gain of £9.1m) was recognised in other comprehensive income in relation to the net investment hedges, of which a loss of £2.7 million (2012: gain of £5.3 million) arose on retranslation of the borrowings into Sterling and a loss of £2.0m (2012: gain of £3.8m) arose on the forward contracts.

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

	2013			2012		
	Net assets before hedging £m	Currency forward contracts £m	Net assets after hedging £m	Net assets before hedging £m	Currency forward contracts £m	Net assets after hedging £m
Sterling	52.6	32.6	85.2	54.4	31.9	86.3
Euro	35.1	(18.9)	16.2	40.8	(20.9)	19.9
Polish Zloty	12.1	(9.1)	3.0	9.1	(7.1)	2.0
Czech Koruna	2.0	(2.5)	(0.5)	3.8	(2.4)	1.4
Malaysian Ringgit	4.5	(2.1)	2.4	3.5	(1.5)	2.0
Other	(0.2)	–	(0.2)	0.2	–	0.2
	106.1	–	106.1	111.8	–	111.8

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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:

	2013 £m	2012 £m
Total equity	106.7	112.4
Net debt	86.8	81.2
Capital	193.5	193.6

Movements in net debt were as follows:

	At 30 June 2012 £m	Cash flows £m	Currency translation differences £m	At 30 June 2013 £m
Cash and cash equivalents	12.4	(7.8)	0.3	4.9
Overdrafts	(4.8)	(7.9)	(0.5)	(13.2)
Net cash and cash equivalents	7.6	(15.7)	(0.2)	(8.3)
Bank and other loans	(88.4)	13.8	(3.6)	(78.2)
Finance lease liabilities	(0.4)	0.1	–	(0.3)
Net debt	(81.2)	(1.8)	(3.8)	(86.8)

	At 30 June 2011 £m	Cash flows £m	Currency translation differences £m	At 30 June 2012 £m
Cash and cash equivalents	9.6	4.1	(1.3)	12.4
Overdrafts	(7.0)	1.3	0.9	(4.8)
Net cash and cash equivalents	2.6	5.4	(0.4)	7.6
Bank and other loans	(85.5)	(10.3)	7.4	(88.4)
Finance lease liabilities	(0.8)	0.4	–	(0.4)
Net debt	(83.7)	(4.5)	7.0	(81.2)

23. Pensions and other post-employment benefits

Overview

The Group operates a number of post-employment benefit arrangements. In the UK, the Group operates a defined benefit pension scheme and defined contribution pension schemes. Together, these schemes cover most of the Group's UK employees. 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 2013, the Group's post-employment benefit obligations outside the UK amounted to £1.8 million (2012: £1.6m).

Post-employment benefits had the following effect on the Group's results and financial position:

	2013 £m	2012 £m
Profit or loss		
Operating profit		
Defined contribution schemes		
Contributions payable	**(1.2)**	(1.1)
Defined benefit schemes		
Service cost (net of employee contributions)	**(1.2)**	(1.2)
Net charge to operating profit	**(2.4)**	(2.3)
Net finance costs		
Defined benefit schemes		
Expected return on scheme assets	**3.9**	4.8
Interest cost on benefit obligations	**(4.6)**	(5.0)
Net finance cost	**(0.7)**	(0.2)
Net charge to profit before tax	**(3.1)**	(2.5)
Other comprehensive income		
Defined benefit schemes		
Net actuarial loss	**(7.7)**	(5.8)
Balance sheet		
Defined benefit obligations		
UK – funded	**(108.7)**	(95.9)
Other – unfunded	**(1.8)**	(1.6)
	(110.5)	(97.5)
Fair value of scheme assets	**84.5**	78.0
Deficit on the schemes	**(26.0)**	(19.5)
Related deferred tax asset	**5.6**	4.3

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 Fund was closed to new entrants in 2002 and a defined contribution scheme was established for UK employees who are not eligible to participate in the Fund.

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 Group on the basis of the actuary's recommendations. During 2013, a triennial actuarial valuation of the Fund as at 31 March 2012 was finalised. The valuation showed a deficit in the Fund of £32.7 million. The Group has agreed with the Trustee that it will aim to eliminate the deficit in the Fund by 2026 and increased its monthly deficit-funding contributions with effect from July 2013. Overall, the Group expects to contribute £3.9 million to the Fund during 2014.

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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 triennial actuarial valuation and by applying assumptions made by the Group 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:

	2013	2012	2011
Discount rate	**4.80%**	4.80%	5.60%
Inflation rate:			
Retail Prices Index (RPI)	**3.25%**	2.80%	3.40%
Consumer Prices Index (CPI)	**2.25%**	1.80%	2.60%
Future salary increases	**2.00%**	2.00%	2.00%
Revaluation of deferred pensions (in excess of GMP)			
Accrued before 6 April 2009	**2.25%**	1.80%	2.60%
Accrued on or after 6 April 2009	**2.25%**	1.80%	2.50%
Increase in pensions in payment (in excess of GMP):			
Accrued before 1 April 2011	**3.25%**	2.80%	3.40%
Accrued on or after 1 April 2011	**2.35%**	2.20%	2.40%

Changes were made to the benefits accruing under the Fund with effect from 1 April 2011. From that date, future increases to pensionable salaries were limited to the lower of 2% per annum or the rate of growth in the RPI, although a deferred benefit underpin was put into place with the effect that benefits accrued in respect of service before 1 April 2011 will be unaffected by these changes. Also with effect from 1 April 2011, changes were made to the basis of determining increases in pensions in payment.

Assumptions regarding future mortality rates are made based on published statistics and taking into account the profile of the Fund's members. Mortality rates are based on the PCMA 00 (male) and PCFA 00 (female) mortality tables adjusted for both males and females to assume 8% more deaths than average in any one year. Life expectancies are assumed to increase in future in line with the CMI standard projection model, with a minimum long-term rate of improvement of 0.5% per annum. On this basis, the average life expectancies assumed for members of the Fund after retirement at age 65 are as follows:

	2013	2012
Member retiring in the next year:		
Male	**21.9**	21.0
Female	**23.8**	22.9
Member retiring 20 years from now:		
Male	**22.5**	22.1
Female	**24.6**	23.9

The assumptions used are estimates chosen from a range of possible actuarial assumptions which, due to the timescale involved, may not necessarily be borne out in practice.

At 30 June 2013, 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	+/– 0.5%	Decrease by 9.1%	Increase by 9.5%
Inflation rate	+/– 0.5%	Increase by 8.0%	Decrease by 8.4%
Life expectancy	+/– 1 year	Increase by 2.9%	Decrease by 2.7%

23. Pensions and other post-employment benefits continued

UK Defined Benefit Pension Scheme continued

(iii) Fund's assets

The Fund's assets are held separately from those of the Group and are managed by professional investment managers on behalf of the Trustee. During 2013, the Trustee conducted an investment strategy review and decided to increase the proportion of the Fund's assets held in investments that seek to match as closely as practicable the profile of its liabilities. So as to achieve close matching, the Trustee invested in synthetic gilt instruments that are designed to provide returns in line with the yields on UK government bonds. The Trustee maintains a significant portfolio of return-seeking assets that are expected to produce returns in excess of the yield on UK government bonds. The Fund's return-seeking assets continue to be predominantly held within managed funds that are designed to achieve equity-like returns over the long term but with significantly less volatility than would be experienced had the Fund 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:

	2013		2012		2011	
	Fair value £m	Expected return %	Fair value £m	Expected return %	Fair value £m	Expected return %
Return-seeking assets:						
Equities	**32.9**	**7.0%**	32.2	5.8%	46.9	7.5%
Property	**0.1**	**7.0%**	0.5	5.8%	0.1	7.0%
Other	**27.6**	**7.0%**	37.1	5.8%	11.8	6.8%
	60.6		69.8		58.8	
Matching assets:						
Bonds	**18.1**	**4.2%**	5.1	4.2%	16.6	4.8%
Other	**5.7**	**3.5%**	–	–	–	–
	23.8		5.1		16.6	
Cash	**0.1**	**3.5%**	3.1	2.3%	0.2	4.0%
Total	**84.5**	**5.7%**	78.0	5.1%	75.6	6.3%

Other return-seeking assets are predominantly those held within the Standard Life GARS fund. Other matching assets are predominantly those held within the Schroders LDI fund.

The overall expected rate of return on assets is the weighted average of the expected returns on each asset category, less a deduction for the Fund's administrative and asset management expenses. Expected returns are based on historical return trends and expectations of returns over the life of the benefit obligation. Bond returns are taken to be equal to the relevant gross redemption yields available. Return-seeking assets are assumed to return 3.5% above the yield available on UK government bonds.

The actual return on the Fund's assets during the year was £6.7 million (2012: £5.0m).

(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:

	2013 £m	2012 £m
At 1 July	**78.0**	75.6
Expected return on plan assets	**3.9**	4.8
Actuarial gain/(loss)	**2.8**	(3.6)
Employer's contributions	**3.2**	3.3
Employees' contributions	**0.5**	0.6
Benefits paid	**(3.9)**	(2.7)
At 30 June	**84.5**	78.0

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23. Pensions and other post-employment benefits continued
UK Defined Benefit Pension Scheme continued

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

	2013 £m	2012 £m
At 1 July	(95.9)	(89.8)
Service cost	(1.2)	(1.0)
Interest cost	(4.5)	(5.0)
Actuarial loss	(10.5)	(2.2)
Employees' contributions	(0.5)	(0.6)
Benefits paid	3.9	2.7
At 30 June	(108.7)	(95.9)

(v) Experience gains and losses

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

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

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of the Fund's benefit obligation	(108.7)	(95.9)	(89.8)	(89.4)	(71.6)
Fair value of the Fund's assets	84.5	78.0	75.6	68.3	54.9
Deficit in the Fund	(24.2)	(17.9)	(14.2)	(21.1)	(16.7)
Actuarial gains and losses:					
Experience adjustments on the Fund's benefit obligations	(10.5)	(2.2)	3.7	(14.1)	4.1
Experience adjustments on the Fund's assets	2.8	(3.6)	0.8	9.8	(13.8)
Total recognised in other comprehensive income	(7.7)	(5.8)	4.5	(4.3)	(9.7)

At 30 June 2013, the cumulative net actuarial loss in relation to the Fund that has been recognised in other comprehensive income amounted to £22.9 million (2012: £15.2m).

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 250 Ex Investment Companies Index (a market condition). Up to 50% of each award vests dependent on the growth in the Group's EPS compared with the change in the UK Retail Prices Index (a vesting condition).

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

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

Movements in LTIP awards outstanding were as follows:

	2013		2012	
	Equity-settled Number	Cash-settled Number	Equity-settled Number	Cash-settled Number
Outstanding at 1 July	900,724	2,154,534	667,617	2,002,797
Granted	532,559	1,247,178	558,148	1,395,136
Vested	–	–	(158,946)	(277,312)
Forfeited	(61,929)	(700,452)	(166,095)	(966,087)
Outstanding at 30 June	1,371,354	2,701,260	900,724	2,154,534
Unvested at 30 June	1,371,354	2,701,260	900,724	2,154,534

24. Employee share schemes continued

Share options

Awards made under the LTIP have a nil exercise price.

During 2013, no equity-settled or cash-settled LTIP awards vested. During 2012, the market price of the Company's shares on the date equity-settled LTIPs vested was 118.5p. Equity-settled awards were settled by the transfer of treasury shares and £0.3 million was paid in settlement of cash-settled awards.

At 30 June 2013, the liability recognised in relation to cash-settled awards was £0.1 million (2012: £0.2m).

At the grant date, the weighted average fair value of LTIP awards granted during the year was 83.3p (2012: 72.1p). Fair value was measured using a variant of the Monte Carlo valuation model based on the following assumptions:

	2013	2012
Risk-free interest rate	**0.4%**	0.8%
Share price on grant date	**124p**	119p
Dividend yield on the Company's shares	**4.0%**	5.8%
Dividend yield on the FTSE 250 (Ex Investment Companies) Index	**3.2%**	3.1%
Volatility of the Company's shares	**34.0%**	39.0%
Volatility of the FTSE 250 (Ex Investment Companies) Index	**22.0%**	20.0%
Expected life of LTIP awards	**3 years**	3 years

Expected volatility was determined based on weekly observations of the Company's share price and the FTSE 250 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:

	2013 £m	2012 £m
LTIP:		
Equity-settled awards	**0.1**	0.2
Cash-settled awards	**–**	0.1
	0.1	0.3
SAYE	**–**	0.3
Total expense	**0.1**	0.6

Share options were granted under the Company's 2002 Savings Related Share Option Scheme, which lapsed for the purpose of new awards in 2012. All outstanding options under the scheme vested last year and expired on 31 October 2012.

Movements in the options outstanding under the scheme were as follows:

	2013 Number	2012 Number
Outstanding at 1 July	**388,848**	3,297,083
Exercised	**(302,223)**	(2,798,717)
Forfeited	**–**	(109,518)
Expired	**(86,625)**	–
Outstanding at 30 June	**–**	388,848
Exercisable at the end of the year	**–**	388,848

All options granted under the scheme had an exercise price of 93.5p per share.

The weighted average of the market price of the Company's ordinary shares on the dates on which options were exercised during the year was 124.8p (2012: 125.8p).

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25. Provisions

	Reorganisation and restructuring £m	Leasehold dilapidations £m	Onerous contracts £m	Other £m	Total £m
At 30 June 2011	4.8	0.6	0.1	1.1	6.6
Charged/(credited) to profit or loss	8.2	(0.3)	(0.1)	4.4	12.2
Utilisation	(6.5)	–	–	(4.5)	(11.0)
Currency translation differences	(0.3)	–	–	(0.1)	(0.4)
At 30 June 2012	6.2	0.3	–	0.9	7.4
Charged/(credited) to profit or loss	3.6	0.1	–	0.1	3.8
Utilisation	(8.0)	(0.1)	–	(0.5)	(8.6)
Currency translation differences	0.1	–	–	0.1	0.2
At 30 June 2013	**1.9**	**0.3**	**–**	**0.6**	**2.8**

Analysis of provisions:

	2013 £m	2012 £m
Current	2.3	7.0
Non-current	0.5	0.4
Total	2.8	7.4

Reorganisation and restructuring provisions principally comprise termination costs of £0.8 million and consultancy costs of £0.4 million in relation to establishing the Group's shared service centre and site restoration costs of £0.8 million arising from the rationalisation of the Group's supply chain in Western Europe.

Other provisions are mainly in respect of training costs in France.

26. Share capital and reserves

(i) Share capital

	Allotted, called up and fully paid Number	£m
Ordinary shares of 10 pence each		
At 30 June 2011	181,040,301	18.1
Year ended 30 June 2012		
Issued on exercise of share options	1,800,000	0.2
At 30 June 2012 and at 30 June 2013	**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.

(ii) Reserves

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.

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.

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.

26. Share capital and reserves continued

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.

(iii) Own shares

	2013		2012	
	Number	£m	Number	£m
At cost				
At 1 July	933,215	1.2	1,190,878	2.0
Shares purchased in the market	32,051	–	900,000	1.1
Shares transferred to employees	(302,223)	(0.4)	(1,157,663)	(1.9)
At 30 June	663,043	0.8	933,215	1.2

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 2013, 630,992 (2012: 933,215) ordinary shares were held in treasury and 32,051 (2012: nil) were held by an employee benefit trust.

At 30 June 2013, the market value of own shares held was £0.7 million (2012: £1.2m).

27. Commitments

Operating leases

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

	2013 £m	2012 £m
Rentals payable:		
Within one year	3.9	3.7
In the second to fifth years inclusive	7.3	6.5
After more than five years	3.0	3.6
	14.2	13.8

Capital expenditure on property, plant and equipment

	2013 £m	2012 £m
Contracted but not provided	2.2	2.0

28. Contingencies

The Group is in discussion with a local authority regarding possible remedial actions in relation to potential historical environmental contamination at one of its sites. The high degree of uncertainty about the nature of any possible remedial action means that the Group cannot predict the outcome of the discussion and any associated costs. Short-term precautionary measures are being taken to mitigate the possible impact of any potential contamination.

It is possible that agreement will be reached with the local authority during the next financial year such that a reliable estimate of any associated costs could be made. If material, any such costs would be classified as an adjusting item.

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

(i) Post-employment benefit plans
As shown in note 23, contributions amounting to £4.4 million (2012: £4.4 million) were payable by the Group to pension schemes established for the benefit of its employees. At 30 June 2013, £nil (2012: £0.1 million) in respect of contributions due was included in other payables.

(ii) Compensation of key management personnel
For the purposes of these disclosures, the Group regards its key management personnel as the Directors and the other members of the Executive Management Team.

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

	2013 £m	2012 £m
Short-term employee benefits	**2.2**	2.5
Pension contributions	**0.2**	0.2
Termination benefits	**–**	0.2
Share-based payments	**0.1**	0.2
Total	**2.5**	3.1

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

	Average rate		Closing rate	
	2013 £ =	2012 £ =	2013 £ =	2012 £ =
Euro	**1.21**	1.18	**1.17**	1.24
Polish Zloty	**5.04**	5.05	**5.05**	5.23
Czech Koruna	**30.84**	29.63	**30.31**	31.56
Hungarian Forint	**351.24**	346.47	**343.67**	353.17
Malaysian Ringgit	**4.84**	4.89	**4.79**	4.98
Australian Dollar	**1.53**	1.54	**1.66**	1.53
Chinese Yuan	**9.80**	10.06	**9.31**	9.97

Independent auditors' report

to the members of McBride plc

We have audited the financial statements of McBride plc ('the Company') for the year ended 30 June 2013 which comprise the Company's balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 79, the Directors are responsible for the preparation of the Company's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Company's financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Company's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the Company's financial statements are prepared is consistent with the Company's financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- the Company's financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of McBride plc and its subsidiaries for the year ended 30 June 2013.

John Minards (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

3 September 2013

Financial statements

Company balance sheet

at 30 June 2013

	Note	2013 £m	2012 £m
Fixed assets			
Tangible assets	3	**0.4**	0.3
Investments in subsidiary undertakings	4	**158.2**	158.1
		158.6	158.4
Debtors	5	**127.9**	114.7
Cash at bank and in hand		**0.8**	0.8
Creditors: amounts falling due within one year	6	**(63.9)**	(49.0)
Net current assets		**64.8**	66.5
Total assets less current liabilities		**223.4**	224.9
Creditors: amounts falling due after more than one year	7	**(47.1)**	(46.7)
Provisions for liabilities	10	**(0.4)**	(0.2)
Net assets		**175.9**	178.0
Capital and reserves			
Called up share capital	11	**18.3**	18.3
Share premium account	12	**120.6**	129.2
Capital redemption reserve	12	**24.5**	15.8
Profit and loss account	12	**12.5**	14.7
Total shareholders' funds		**175.9**	178.0

The financial statements on pages 126 to 132 were approved by the Board of Directors on 2 September 2013 and were signed on its behalf by:

Chris Bull
Director

McBride plc
Registered number: 2798634

Financial statements

Notes to the Company financial statements

1. Principal accounting policies

Description of business

McBride plc ('the Company') is the ultimate parent company of a group of companies that together comprise Europe's leading provider of Private Label Household and Personal Care products to major retailers.

Basis of preparation

The Company's financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and United Kingdom accounting standards ('UK GAAP') and, except as described under the headings 'Financial instruments' and 'Share-based payments', under the historical cost convention.

The Company's principal accounting policies are unchanged compared with the year ended 30 June 2012.

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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for permanent diminution in value. Tangible fixed assets are depreciated on a straight-line basis over their expected useful lives, which are as follows:

Computer equipment	– 3 to 5 years
Furniture and fittings	– 8 to 10 years

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 manage its exposure to exchange rate and interest rate movements. The Company does not hold or issue derivatives for speculative purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair value at the balance sheet date. Changes in their fair value are recognised immediately in the profit and loss account. The Company has not designated any derivatives as hedging instruments for the purposes of hedge accounting.

(iii) Disclosures

The Company is exempt from applying FRS 29 (IFRS 7) 'Financial Instruments: Disclosures' because the required disclosures are presented in the consolidated financial statements of the Company and its subsidiaries.

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 profit and loss account.

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.

Financial statements
Notes to the Company financial statements
continued

1. Principal accounting policies continued
Share-based payments continued
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 timing 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 timing 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 timing 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 Annual General Meeting, 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 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 reserve.

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. Profit for the year
As permitted by section 408(2) of the Companies Act 2006, the Company's profit and loss account and statement of total recognised gains and losses are not presented in these financial statements.

The Company has no employees.

Fees payable to the Company's auditors, PricewaterhouseCoopers LLP, in respect of the audit of the Company's accounts were £0.1 million (2012: £0.1m).

The Company's profit for the year was £6.4 million (2012: £15.5m).

3. Tangible assets

	Furniture and fittings £m	Computer equipment £m	Total £m
Cost			
At 1 July 2012	0.4	0.3	0.7
Additions	0.4	–	0.4
Disposals	(0.4)	(0.3)	(0.7)
At 30 June 2013	**0.4**	**–**	**0.4**
Accumulated depreciation			
At 1 July 2012	0.2	0.2	0.4
Charge for the year	0.1	0.1	0.2
Disposals	(0.3)	(0.3)	(0.6)
At 30 June 2013	**–**	**–**	**–**
Net book value			
At 30 June 2013	**0.4**	**–**	**0.4**
At 30 June 2012	0.2	0.1	0.3

4. Investments in subsidiary undertakings

	£m
At 1 July 2012	158.1
Capital contribution relating to share-based payments	0.1
At 30 June 2013	**158.2**

The Directors have reviewed the recoverability of the carrying amount of the Company's investments and have concluded that there is no permanent diminution in their value.

Details of the Company's principal subsidiaries at 30 June 2013 are set out on page 132.

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.

5. Debtors

	2013 £m	2012 £m
Amounts owed by subsidiary undertakings	**125.5**	111.2
Derivative financial instruments	**0.1**	0.4
Deferred tax assets (note 9)	**0.7**	0.9
Other debtors	**1.3**	1.9
Prepayments and accrued income	**0.3**	0.3
	127.9	114.7

6. Creditors: amounts falling due within one year

	2013 £m	2012 £m
Amounts owed to subsidiary undertakings	**60.0**	46.2
Derivative financial instruments	**2.0**	1.0
B Shares (note 8)	**0.4**	0.5
Other creditors	**1.0**	0.5
Accruals and deferred income	**0.5**	0.8
	63.9	49.0

Financial statements
Notes to the Company financial statements
continued

7. Creditors: amounts falling due after more than one year

	2013 £m	2012 £m
Unsecured bank loans	47.1	44.5
Derivative financial instruments	–	2.2
	47.1	46.7

Unsecured bank loans represent amounts drawn down under a €175 million revolving credit facility, which is committed until June 2015.

8. 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 per cent of LIBOR on the 0.1p 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:

	2013		2012	
	Pence per share	£m	Pence per share	£m
Interim	1.7	3.1	2.0	3.5
Final	3.3	6.0	3.0	5.5
Total for the year	5.0	9.1	5.0	9.0

The proposed final payment in respect of 2013 of 3.3p 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:

	2013		2012	
	Number	Nominal value £m	Number	Nominal value £m
Issued and fully paid				
At 1 July	495,384,888	0.5	136,372,005	0.1
Issued	8,563,369,763	8.6	12,204,449,048	12.2
Redeemed	(8,663,862,019)	(8.7)	(11,845,436,165)	(11.8)
At 30 June	394,892,632	0.4	495,384,888	0.5

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.

9. Deferred tax assets

	£m
At 1 July 2012	0.9
Credit to the profit and loss account	0.1
Charge to shareholders' equity	(0.3)
At 30 June 2013	**0.7**

10. Provisions for liabilities

	£m
At 1 July 2012	0.2
Charge to the profit and loss account	1.5
Utilisation	(1.3)
At 30 June 2013	**0.4**

Provisions represent consultancy costs relating to the Group's functional reorganisation and are expected to be utilised during 2014.

11. Called up share capital

	Allotted, called up and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 30 June 2012 and at 30 June 2013	**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 2013, awards were outstanding over 1,403,405 ordinary shares (2012: 1,321,623 shares) in relation to the equity-settled employee share schemes that are operated by the Company. Further information on the employee share schemes is presented in note 24 to the consolidated financial statements.

12. Movement on reserves

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m
At 1 July 2012	129.2	15.8	14.7
Profit for the year	–	–	6.4
Issue of B Shares	(8.6)	–	–
Redemption of B Shares	–	8.7	(8.7)
Share-based payments	–	–	0.1
At 30 June 2013	**120.6**	**24.5**	**12.5**

At 30 June 2013, the profit and loss account reserve was stated net of a deduction of £0.8 million (2012: £1.2m) for the cost of own shares held in relation to the employee share schemes. Further information on own shares is presented in note 26 to the consolidated financial statements.

13. Operating lease commitments

Annual commitments under non-cancellable operating leases over land and buildings are as follows:

	2013 £m	2012 £m
Leases which expire:		
In two to five years	**0.2**	0.3

14. Guarantees

The Company has guaranteed the indebtedness of certain of its subsidiaries up to an aggregate amount of £5.1 million (2012: £8.6m).

15. Related party transactions

As permitted by FRS 8 ‘Related Party Disclosures’, transactions between the Company and its wholly-owned subsidiaries are not disclosed in these financial statements.

Financial statements

Principal subsidiaries

Details of the Company's principal subsidiaries at 30 June 2013 are set out below. 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 Private Label Household and Personal Care products.

Company	Equity interest	Country of incorporation and operation
Trading subsidiaries		
Robert McBride Ltd[(1)]	100.0%	England
McBride S.A.	100.0%	Belgium
McBride Zhongshan Limited	100.0%	China
McBride Czech a.s.[(2)]	70.0%	Czech Republic
McBride S.r.o.	100.0%	Czech Republic
McBride S.A.S.	100.0%	France
Vitherm S.A.S.	100.0%	France
Chemolux GmbH	100.0%	Germany
McBride Hungary Kft	100.0%	Hungary
McBride S.p.A.	100.0%	Italy
Chemolux S.a.r.l.	100.0%	Luxembourg
Fortune Laboratories Sdn Bhd	100.0%	Malaysia
Intersilesia McBride Polska Sp. Z.o.o.	100.0%	Poland
McBride Australia PTY Limited	100.0%	Australia
McBride S.A.U.	100.0%	Spain
Newlane Cosmetics Company Limited	100.0%	Vietnam
Investment companies		
McBride Holdings Limited[(1)]	100.0%	England
McBride CE Holdings Limited	100.0%	England
McBride Asia Holdings Limited	100.0%	Hong Kong
McBride Hong Kong Holdings Limited	100.0%	Hong Kong
Fortlab Holdings Sdn Bhd[(3)]	100.0%	Malaysia
CNL Holdings Sdn Bhd	100.0%	Malaysia
Fortune Organics (F.E.) Sdn Bhd	55.0%	Malaysia

(1) McBride plc directly owns 100% of McBride Holdings Limited and 57.7% of Robert McBride Ltd.
(2) McBride Holdings Limited is committed to purchase the 30% equity interest in McBride Czech a.s. that it does not already own on terms which are such that the Group does not recognise any non-controlling interest in McBride Czech a.s.

Shareholder information

Group five-year summary

	Year ended 30 June				
	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Revenue	**761.4**	813.9	812.4	812.2	792.4
Adjusted operating profit	**24.0**	29.5	29.0	50.0	36.2
Amortisation of intangible assets	**(1.1)**	(1.7)	(2.9)	(2.0)	(1.7)
Change in contingent consideration	**(1.6)**	1.9	–	–	–
Exceptional items	**(5.9)**	(11.6)	(12.3)	(12.8)	(7.1)
Operating profit	**15.4**	18.1	13.8	35.2	27.4
Net finance costs	**(5.9)**	(6.0)	(6.7)	(5.6)	(5.2)
Profit before tax	**9.5**	12.1	7.1	29.6	22.2
Taxation	**(3.6)**	(3.0)	(1.8)	(7.5)	(5.6)
Profit after tax	**5.9**	9.1	5.3	22.1	16.6
Earnings per share					
Diluted	**3.2p**	5.0p	2.9p	12.1p	9.1p
Adjusted diluted	**7.5p**	9.7p	9.3p	18.1p	12.8p
Payments to shareholders (per ordinary share)	**5.0p**	5.0p	6.8p	6.8p	6.0p

	At 30 June				
	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Non-current assets					
Property, plant & equipment	**173.6**	175.6	190.9	179.9	189.2
Intangible assets	**34.1**	35.7	38.6	38.4	35.4
Other assets	**6.2**	2.9	3.1	3.5	3.1
	213.9	214.2	232.6	221.8	227.7
Current assets	**236.8**	229.8	252.1	218.6	203.6
Current liabilities	**(251.8)**	(252.9)	(278.9)	(229.4)	(220.4)
Non-current liabilities	**(92.2)**	(78.7)	(80.4)	(86.3)	(92.4)
Net assets	**106.7**	112.4	125.4	124.7	118.5
Net debt	**86.8**	81.2	83.7	60.0	82.4

Shareholder information

Useful information for shareholders

Company's registered office
5th Floor (East)
40 Bernard Street
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Financial public relations advisers
FTi Consulting LLP
Holborn Gate
26 Southampton Buildings
London WC2A 1PB

Financial Calendar

Next key dates for shareholders:

Annual General Meeting (Hotel Russell, London)	14 October 2013
2013-14 Q1 interim management statement	14 October 2013
Record date for entitlement to B Shares	25 October 2013
Record date for entitlement to B Share dividend payable on B Shares issued and not previously redeemed	25 October 2013
Ex-entitlement to B Shares date	28 October 2013
Credit CREST accounts with B Share entitlements	28 October 2013
Latest date for receipt by Registrar of completed election forms and submitting CREST elections	11 November 2013
Despatch of cheques in respect of B Shares which have been redeemed	29 November 2013
Payment into bank accounts in respect of B Shares which have been redeemed by certificated shareholders who have valid mandate instructions in place	29 November 2013
Despatch of share certificates for B Shares not being redeemed	29 November 2013
Payments on redeemed B Shares issued in CREST	29 November 2013
Payments of B Share dividend payable on B Shares issued and not previously redeemed	29 November 2013

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 0.1p nominal value of each share, paid on a twice-yearly basis.

Shareholders may choose to have payments made directly into their bank or building society account. This benefits shareholders as the payments are paid into their account, as cleared funds, on the date the payment is due. Confirmation of payment is contained in a payment advice which is posted to shareholders' registered addresses at the time of payment. This payment advice should be kept safely for future reference.

Shareholders who wish to benefit from this service should complete the relevant section of the election form accompanying the Notice of Annual General Meeting. Alternatively, the required documentation can be obtained by contacting the Company's registrar using one of the methods outlined below.

Shareholder queries

Shareholders who change address, lose their share certificates, wish to amalgamate multiple shareholdings to avoid receiving duplicate documentation, want to have payments paid directly into their bank account or otherwise have a query or require information relating to their shareholding should contact the Company's registrar.

This can be done by writing to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ. Alternatively, shareholders can contact Computershare on the dedicated McBride shareholder information telephone line: 0870 707 1136 or email their enquiry to **web.queries@computershare.co.uk**, indicating they are a McBride shareholder.

Shareholders are also able to access and amend details of their shareholding (such as address and distribution payment instructions), subject to passing an identity check, via the registrar's website at **www.investorcentre.co.uk**.

Shareholder information
Useful information for shareholders
continued

Electronic communications
Shareholders are able to register to receive communications from McBride electronically. This service enables shareholders to tailor their communication requirements to their needs. McBride is encouraging shareholders to use this service to elect to receive all communications electronically which enables more secure and prompt communication and allows shareholders to:

- Receive electronic notification via email and the internet of the publication and availability of statutory documents such as financial results, including annual and interim reports.
- Access details of their individual shareholding quickly and securely online.
- Amend their details (such as address or bank details).
- Choose the way payments are received.
- Submit proxy voting instructions for shareholder meetings including the AGM.

It also enables shareholders to contribute directly to reducing McBride's costs and environmental impact through saving paper, mailing and transportation and reducing unnecessary waste.

Registration for this service is via the eTree™ campaign run by Computershare in conjunction with The Woodland Trust. You can register directly by visiting **www.etreeuk.com/mcbrideplc** 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** or via Computershare's website at **www.computershare.com**.

When you register for electronic communications a donation will be made to the Woodland Trust.

Online shareholder services
McBride provides a number of services online in the investor relations section of its website at **www.mcbride.co.uk**, where shareholders and other interested parties may:

- View and/or download annual and interim reports.
- Check current or historic share prices (there is an historic share price download facility).
- Check the amounts and dates of historic payments to shareholders.
- Use interactive tools to calculate the value of shareholdings and chart McBride ordinary share price changes against indices.
- Register to receive email alerts regarding press releases, including regulatory news announcements, annual reports and company presentations.

ShareGift
McBride supports ShareGift, the share donation charity (registered charity number 1052686). ShareGift was set up so that shareholders who have only a very small number of shares which might be considered uneconomic to sell are able to dispose of them by donating them for the benefit of UK charities. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK charities. Donating shares to charity gives rise neither to a gain nor a loss for UK capital gains purposes and UK taxpayers may also be able to claim income tax relief on the value of the donation.

Further information about donating shares to ShareGift is available either from its website at **www.ShareGift.org**, by writing to ShareGift at 17 Carlton House Terrace, London SW1Y 5AH or by contacting them on 020 7930 3737.

Even if the share certificate has been lost or destroyed, the gift can be completed. The service is generally free. However, there may be an indemnity charge for a lost or destroyed share certificate where the value of the shares exceeds £100.

Share price history

The following table sets out, for the five financial years to 30 June 2013, 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)			
Year ended 30 June	High	Low	Average	Financial year end
2009	150	83	116	145
2010	247	114	196	130
2011	192	124	155	138
2012	142	105	123	124
2013	**147**	**101**	**127**	**111**

Unsolicited mail

The Company is obliged by law to make its share register publicly available should a request be received. As a consequence, shareholders may receive unsolicited mail from organisations that use it as a mailing list. Shareholders wishing to limit the amount of such mail should either write to Mailing Preference Service, DMA House, 70 Margaret Street, London W1W 8SS, register online at **www.mpsonline.org.uk** or call the Mailing Preference Service (MPS) on 0845 703 4599. MPS is an independent organisation which offers a free service to the public within the UK such that registering with them will help stop most unsolicited consumer advertising material.

WARNING TO SHAREHOLDERS – BOILER ROOM SCAMS

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money. The FCA has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200 million lost in the UK each year.

Protect yourself

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- Get the name of the person and organisation contacting you.
- Check the Financial Services Register at **www.fca.org.uk/consumers/scams** to ensure they are authorised.
- Use the details on the Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- Search our list of unauthorised firms and individuals to avoid doing business with.
- REMEMBER if it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

Report a scam

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at **www.fca.org.uk/consumers/scams**, where you can find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

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Our online resources

McBride communicates its financial and sustainability performance as well as providing additional information about the Group at its website:
www.mcbride.co.uk

McBride's Annual Report and Accounts are available to view online or to download from:
www.mcbride.co.uk/investors

McBride's Sustainability Reports are available to view online or to download from:
www.mcbride.co.uk/our-responsibilities/reports

Latest announcements can be found at the McBride online media centre at:
www.mcbride.co.uk/media-centre/regulatory-news

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Printing and paper: This report has been printed by The Colourhouse, a Carbon Footprint Approved Company. The Paper is produced using 100% chlorine-free (ECF) bleaching process and contains material sourced from responsibly managed and sustainable forests together with recycled fibre, certified in accordance with the Forest Stewardship Council (FSC).

Both the paper and the printer involved in the production support the growth of responsible forest management and are both accredited to ISO 14001. The printer also holds FSC status.

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This Annual Report is available at: **www.mcbride.co.uk**.

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Iain Napier, Chairman, Chris Bull, Chief Executive Officer and Richard Armitage, Chief Finance Officer, McBride plc, presented the Company's results on 3 September 2013. The presentation and audiocast can be found at the company's website **www.mcbride.co.uk** or by scanning this code with your smartphone.

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.