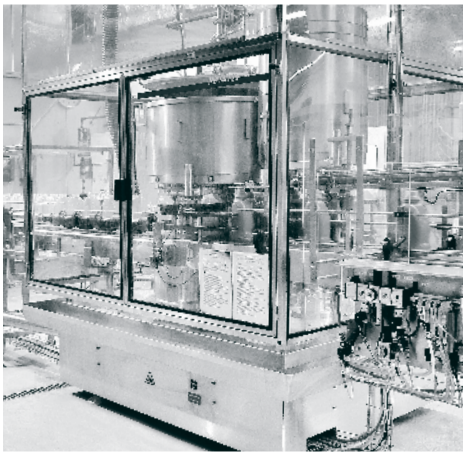
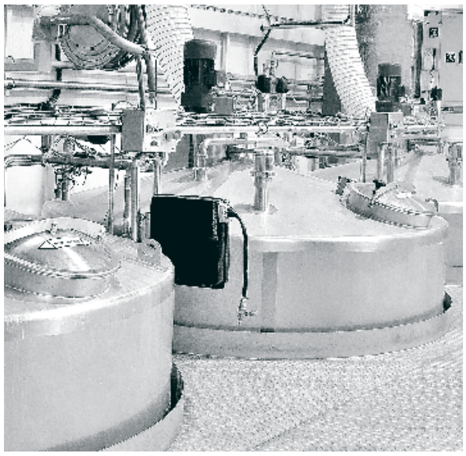
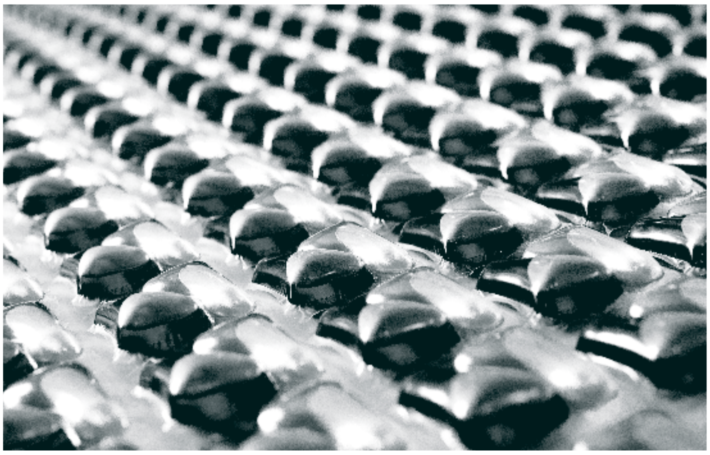






Adapting in a changing environment

McBride plc Annual Report and Accounts 2014
Governance and Financial statements

WELCOME TO OUR GOVERNANCE AND FINANCIAL STATEMENTS

The McBride plc Annual Report this year is presented in two parts. The Strategic Report contains information about the Group, how we run the business and how we create value. It includes our strategy, business model, markets and key performance indicators, as well as our approach to governance, sustainability and risk management. It also includes a summary of our financial management and performance.

The Governance and Financial statements contains details about how we run the business and remunerate executive management, and how we organise ourselves financially.

On-line you can find more information about our markets, including case studies illustrating how we create, develop, manufacture and supply Private Label Household and Personal Care products for our customers.

Our eleventh Sustainability Report is also available on-line.

Cautionary statement
This Annual Report has been prepared for the shareholders of McBride plc, as a body, and no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Group and the potential for those strategies to succeed and for no other purpose. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

This Annual Report contains certain forward-looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

No assurances can be given that the forward-looking statements in this Strategic Report will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Strategic Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be constituted as a profit forecast.

Strategic and Directors' Reports
The Strategic Report and pages 1 to 32 inclusive of the Governance and Financial statements form a Directors' Report. Both the Directors' Report and Strategic Report have been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law. In particular, the Directors would be liable to the Company (but not to any third party) if the Strategic Report and/or Directors' Report contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Governance and Financial statements

Governance

Independent auditors' report and Financial statements

Shareholder information

Strategic Report

On-line reporting

A copy of our Strategic Report and the Governance and Financial statements can be downloaded from:
www.mcbride.co.uk/investors/results-reports/financial-reports

Our Sustainability Report is also available on-line at: **www.mcbride.co.uk/our-responsibilities/reports**

CHAIRMAN'S LETTER

Iain Napier
Chairman

Dear Shareholder

As explained in this Corporate Governance report, we are pleased once again to report that we have complied with the principles of the UK Corporate Governance Code ('the Code'). Below I give a brief report on some of the key issues your Board has considered during the year.

Board deliberations during the year

The financial year ended 30 June 2014 has been challenging, requiring the Board to focus on developing the strategy to ensure the Group continues to adapt to changes in the current market and economic climate. The actions we have taken are reported in our Strategic Report on pages 14 to 22 and the key matters which have commanded our attention during the year have been very much aligned to determining how to adapt whilst continuing to deliver value to all our stakeholders. More information about our activities is shown on page 6 of this Corporate Governance report.

Sub-committees

Our sub-committees have been particularly proactive this year, with the Remuneration Committee deliberating in some detail over the content and format of the new remuneration reporting regulations and, in particular, formulating the Company's Remuneration Policy for the next three years. A new Long Term Incentive Plan (LTIP) has also been considered and will be tabled for shareholder approval at this year's annual general meeting (AGM) in October 2014. In addition, the Audit Committee has been cognisant of the new requirements to report on both significant issues considered by the Committee during the year as well as to provide advice to the Board on the fair, balanced and understandable nature of the financial statements. The Nomination Committee (and, ultimately, the Board) has also been busy undertaking a search for a new Chief Finance Officer following the resignation of Richard Armitage earlier in the year.

Board evaluation

Once again, we have completed a Board Evaluation exercise. This has included specific focus on risk monitoring, Board behaviours and the interaction amongst Board members, and with both internal and external advisers. A report on the exercise is set out on page 7 of this Corporate Governance report but, in summary, I am pleased to report that all Directors continue to be actively engaged in all discussions, are open and challenging with each other and remain determined to deliver a strategy to ensure the Group is able to adapt to the market challenges we face as a fast moving consumer goods business.

Diversity

Our policy on diversity (including gender) is available on our website at **www.mcbride.co.uk**. In essence, whilst we acknowledge that gender diversity can be a key element to the contribution made to Board deliberations, we must recognise that it is difficult in a Company of our size to set quotas for the proportion of women to be appointed to the Board. However, we will continue to ensure that searches for new appointments include consideration of female candidates of appropriate skill, experience, personality, knowledge and background. All appointments will ultimately be made on the basis of merit and calibre.

Appointment of new Chief Finance Officer

Following a comprehensive search, the Nomination Committee agreed that Chris Smith demonstrated the calibre and experience required to fulfil the role of Chief Finance Officer. Chris accepted our offer and will join the Company at a date to be confirmed.

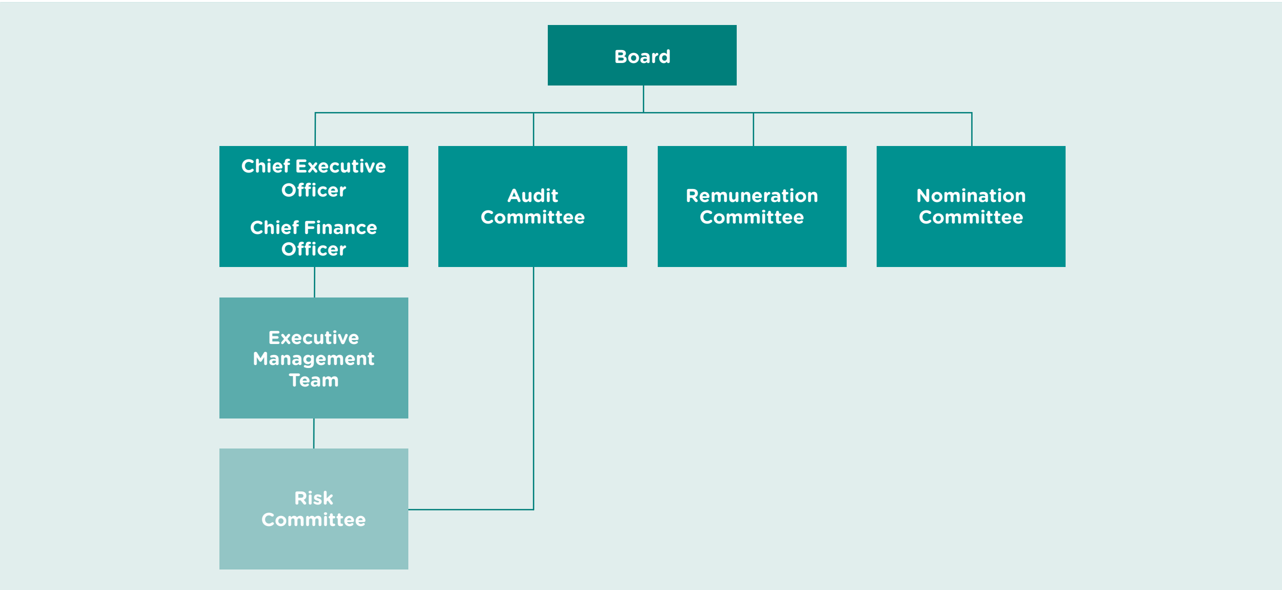
Shareholder engagement

The Board remain committed to ensuring ongoing, effective and appropriate communication with shareholders. During the year, the Executive Directors and I have been heavily involved in meetings with investors and remain committed to doing so. Since the end of the year, Sandra Turner, Chair of our Remuneration Committee, has also engaged with key shareholders with a view to sharing and discussing, where required, our Remuneration Policy for the next three years.

Finally, may I reassure you that we do not view corporate governance as an isolated exercise in compliance. We accept that good governance is an evolving and changing field and our aim is to remain in line with best governance practice, and to embed it as a discipline that serves as a foundation to complementing our desire to support the long-term success of the Group on behalf of our shareholders and to set an example in terms of ways of working for the Group and our employees.

Iain Napier
Chairman

CORPORATE GOVERNANCE REPORT



How we govern the Company

The Company's governance framework is supported by the structure above, underpinned by the Group's operating principles, policies and controls.

The following pages provide details of how this framework supports the Group in delivering its business model and achieving its strategy (as set out on pages 12 and 13 in the Strategic Report).

Code compliance

As a Board, 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 Corporate Governance report describe how the main principles have been applied. The Board confirms that throughout the year the Company has complied with the Code's provisions, other than the short continuation of Bob Lee's tenure as a Director (to ensure a smooth transition of responsibilities), who had been in office for 10 years, before his retirement from the Board.

Leadership and responsibilities

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

In carrying out our work, the Board focuses on key tasks which include active reviews of the Group's corporate plan and its long-term strategy, monitoring the decisions and actions of the Chief Executive Officer and the EMT, and reviewing the Group's trading performance as well as health and safety and business risks. Further information on the matters we have considered during the year is set out on page 6 of this Corporate Governance report.

Board composition

At 30 June 2014, the Board comprised six members: two Executive Directors, the Chairman and three Non-Executive Directors. The Directors' biographies appear on page 8 of the Strategic Report.

Bob Lee retired from the Board at the conclusion of the AGM on 14 October 2013, with his Board responsibilities reassigned; Steve Hannam becoming Senior Independent Director and Sandra Turner Chair of the Remuneration Committee.

Richard Armitage, Chief Finance Officer, resigned from the Board with effect from 31 July 2014 and will be replaced by Chris Smith, who joins the Company on a date to be confirmed.

Chairman and Chief Executive Officer roles

There continues to be a clear division of the roles and responsibilities between the Chairman and the Chief Executive Officer.

Iain Napier, as Chairman, is primarily responsible for:

- leading the Board and ensuring it operates effectively, setting the Board agenda and ensuring the Directors receive accurate, timely and clear information,
- ensuring both Board and shareholder meetings are properly conducted and promote effective decision-making, and
- promoting effective relationships and open communication between the Executive and Non-Executive Directors.

Chris Bull, as Chief Executive Officer, is primarily responsible for:

- the executive management and operational running of the Company,
- supported by the EMT, developing and implementing the Group's business model and strategy, and
- effectively communicating the Company's strategy and performance and generally building positive relationships with all internal and external stakeholders.

Non-Executive Directors

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.

The key responsibilities of the Non-Executive Directors are:

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

The Non-Executive Directors' wide-ranging experience and backgrounds ensure that we can debate matters constructively in relation to both the development of strategy and assessment of performance against the objectives set by the Board. We also 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.

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 informal meetings and discussions and also 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.

Although the articles of association ('Articles') require the Directors to submit themselves for re-election at every third AGM, all eligible Directors have agreed to submit themselves for annual re-election. Accordingly, Iain Napier, Chris Bull, Steve Hannam, Neil Harrington and Sandra Turner will retire at the 2014 AGM and offer themselves for re-election.

The biographies for each Director (set out on page 8 of the Strategic Report) describe the skills and experience that the Board considers relevant. Voting at the 2013 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 capture latest governance guidance.

Board sub-committees

Certain activities of the Board are delegated to various 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, the EMT and other senior management.

We have Audit, Nomination and Remuneration Committees. 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 2014.

Reports for each of the sub-committees follow at the end of this Corporate Governance report and detail their membership, roles and activities.

CORPORATE GOVERNANCE REPORT continued

Operational management of the Group
The management of the Group's business activities is delegated to the Chief Executive Officer, who is ultimately responsible for establishing objectives and monitoring executive actions and performance through the EMT. Profiles of the EMT members can be found on page 9 of the Strategic Report.

The Chief Executive Officer chairs monthly meetings of the EMT, which 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.

The key responsibilities of the EMT, led by the Chief Executive Officer, are:
- rigorously assess the Group's performance against its corporate plan,
- identify and implement to a successful conclusion, those large-scale cross-Group projects which are critical to delivering the Group's (strategy into action (SIA) projects),
- facilitate the interface between the Group's functions to ensure decisions are taken in a manner that both optimises delivery of the strategy and maximises shareholder value, and
- provide a cross-functional forum for the discussion of opportunities and risks arising from them, as well as communicate business performance, which is then cascaded to the rest of the organisation.

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.

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
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. The size of our Board encourages individuals to discuss matters openly and freely and to make a personal contribution through the exercise of their personal skills and experience. No single Director is dominant in the decision-making process.

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

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

We do have a good record of appointing women to Board positions, however, having had at least one female Non-Executive Director since 2003 and we will continue to ensure potential female candidates are included in the search for new Board appointments. During this year's search for a new Chief Finance Officer, the chosen executive search firm was tasked with ensuring female candidates were included on the shortlist.

Looking to our wider workforce, the Board recognises the importance of developing internal talent of all diversities across its global workforce. To support this, the Company has in place various mentoring arrangements and management development programmes. With regard to gender diversity specifically, McBride faces challenges similar to those of other organisations in the manufacturing sector. However, we are committed to ensuring that women have an equal chance with men of developing their careers within our business. To address this, we have policies and processes in place which are designed to encourage and support gender diversity in employee recruitment, as well as in appropriate development and promotion. Further information on diversity can be found on page 32 of the Strategic Report.

Succession planning
As part of its duties, the Board reviews the talent process and management development plans for the senior executive management of the Group, to ensure talent identification, development and succession planning is appropriate to meet the short and longer term business needs and requirements for the Group.

The Group has an embedded formal appraisal and talent management process, which is reviewed by the EMT. The Board are updated on this process and also have regular planned interaction with members of the EMT and other senior executives.

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 LLP, who have no other connection with the Company.

We recognise the importance of ongoing training and development to ensure Directors have the skills and knowledge to discharge their duties effectively. This can take the form of briefing papers and/or presentations on regulatory/legislative developments and 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, Sandra Turner has attended various forums which have benefited her in the role as Chair of the Remuneration Committee. Neil Harrington has continued to maintain his professional status as a Chartered Accountant and the Executive Directors have attended industry briefings relevant to their roles to ensure they are up-to-date on developing themes.

All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operations.

Conflicts of interest

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

Operation of the Board

Board papers are prepared and issued 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, six formal Board meetings were held. From time to time, the Board authorises the establishment of a sub-committee to consider and, if thought fit, to approve certain items of business. On such occasions input is sought from all Board members before the business is considered. In addition, a number of informal meetings and Board discussions took place. 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.

Meeting attendance year ended 30 June 2014

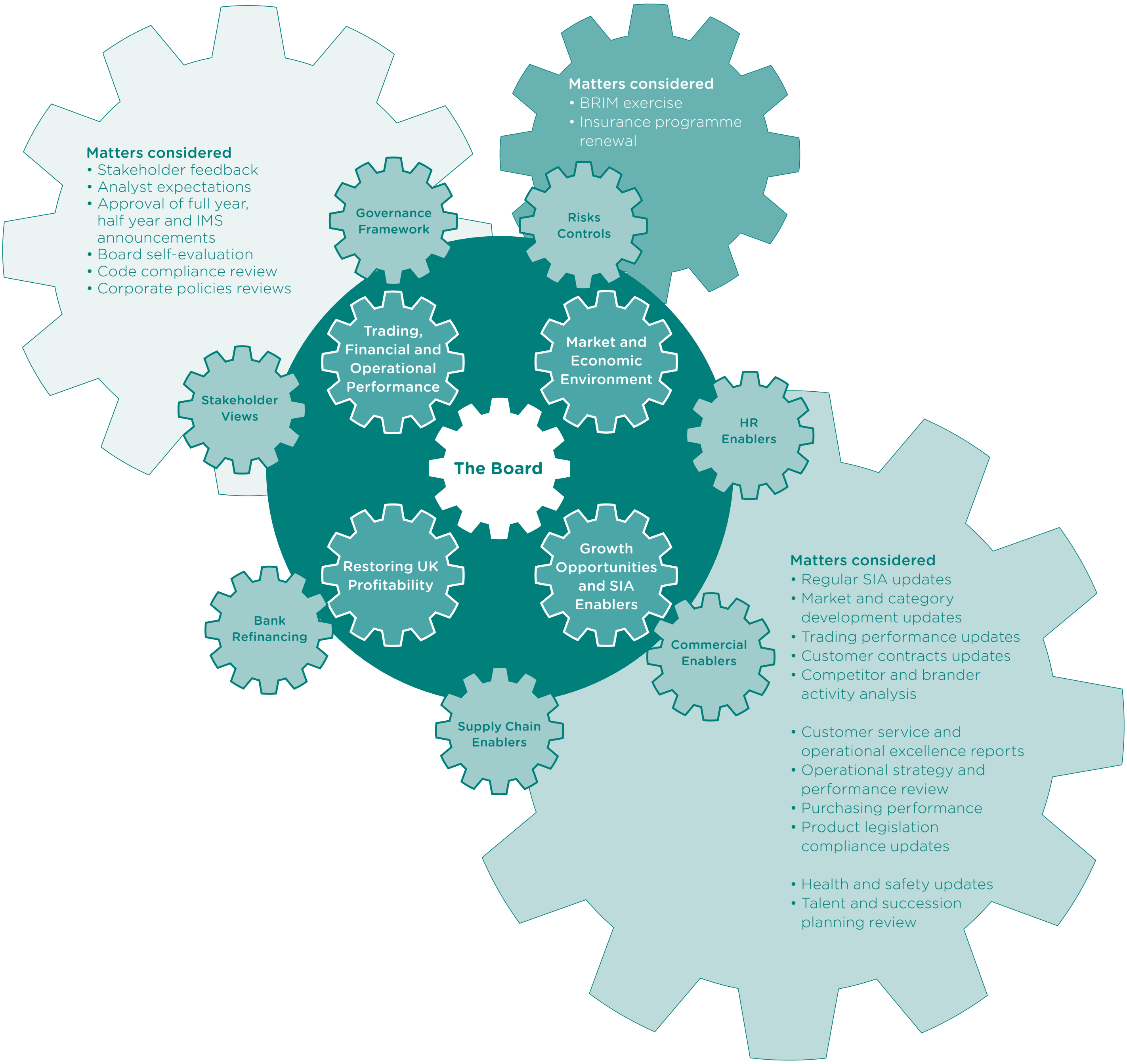
		Date appointed	AGM
Number of meetings held:	6		
Number of meetings attended:			
Iain Napier Chairman	6	1 July 2007	1
Chris Bull Chief Executive Officer	6	4 May 2010	1
Richard Armitage Chief Finance Officer	6	1 November 2009	1
Steve Hannam Senior Independent Non-Executive Director	6	4 February 2013	1
Neil Harrington Independent Non-Executive Director	6	3 January 2012	1
Sandra Turner Independent Non-Executive Director	6	1 August 2011	1
Bob Lee(1) Independent Non-Executive Director	2	1 September 2003	1

(1) Bob Lee's attendance is shown up to his retirement from the Board.

CORPORATE GOVERNANCE REPORT continued

Board activity year ended 30 June 2014

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



Board evaluation

We acknowledge best governance practice to commission an externally facilitated evaluation of the performance of the Board, its members and its sub-committees every three years.

An external exercise took place in the 2011/12 financial year with an internal exercise undertaken during 2012/13. As the exercise last year identified a continued strong sense of unity amongst members of the Board who are committed to driving the strategies necessary to ensure the Group adapts to the ever-changing demands and environment of a fast moving consumer goods business, it was deemed appropriate for a further internal evaluation to be undertaken for the 2013/14 financial year.

As in previous years, the exercise was undertaken by the Company Secretary, working closely with the Chairman of the Board. Whilst the exercise evaluated the effectiveness, leadership qualities and various skill sets of the individual Directors, the opportunity was also taken to assess progress against improvement areas identified from previous years' exercises. An evaluation of the operation of each of the sub-committees of the Board was also covered.

The key findings identified were as follows:

Governance framework	Finding
Leadership	• The Board benefits from strong leadership and is effective in evaluating the Company's financial health and operational performance, as well as regulatory compliance and governance adherence. • The Non-Executive Directors are independent and inclined to be mentors, advisers and sounding boards to support the Executive Directors. • Regular interaction is now routinely planned and takes place with members of the EMT and other senior executives (action identified from previous evaluation exercises). • The composition of the Board and its sub-committees is appropriate.
Effectiveness	• The sub-committees all operate effectively and efficiently, have the right membership, strong Chairs and give appropriate attention to the matters falling within their remit. • The Board and its sub-committees are well supported by both internal and external advisers, where necessary. • Relationships amongst Board members are open, honest and benefit from a range of skills, experience and diversity. • All Directors have access to appropriate training and induction processes.
Accountability	• Risk monitoring (tested for the first time in 2013/14) is embedded into Board processes. • Shareholder engagement by the Executive Directors is frequent and regular updates are provided on investor sentiment to the Non-Executive Directors, who are available to engage with shareholders as appropriate.

Areas identified for further consideration for the forthcoming year include:

Area	Identified	Improvement plan
Succession planning	Identified in previous evaluation exercises, the Board feel that consideration could be given to developing succession planning further.	Potential talent will continue to be reviewed within the business and escalated for more regular review at Board level.
Gender diversity	The Board is keen to develop gender diversity from within the business to boost succession opportunities for future Board and EMT positions.	Although the view remains that diversity should be considered in its broadest sense, there will be more encouragement to review and nurture potential female talent within the business.

Following completion of the evaluation exercise, the Chairman met with individual Directors to discuss the findings and provide feedback. The Non-Executive Directors, led by the Senior Independent Director and in the absence of the Chairman, also convened a separate meeting to discuss the results and general performance of the Chairman.

Once again, from the exercise undertaken, it is evident there is strong and effective Board leadership and challenge, with the sub-committees operating well and supported, as necessary, by internal and external advisers. The Board remain committed to driving the strategy of the Company forward in the interests of all stakeholders.

CORPORATE GOVERNANCE REPORT continued

Accountability

Business risk

The Group's internal control and risk management activities are managed through various measures including business risk reviews, specific functional and strategic risk workshops, focused Internal Audit reviews, year-end control self assessment questionnaires, supporting internal control procedures, a quarterly follow-up process to review outstanding control actions 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, although it remains flexible during the course of the year and tailors its work to address new and emerging risks, as they arise on an ongoing basis (and subject to discussion with and approval of the Audit Committee). Further information on our Internal Audit function and process can be found in the Audit Committee report on pages 12 and 13 of this Corporate Governance report.

Internal self-assessment programmes are undertaken each year with specific focus on key risks and controls across the Group, ranging from the more high level and all-encompassing strategic issues affecting the overall control environment, to more detailed specific functional and operational control activities. 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. Refresher training for key risk functions has also taken place this year.

Group business risk management process

Our Risk Committee 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. Key risk mitigating controls are frequently reviewed and assessed for adequacy and effectiveness, by this committee, as well as by functional management and Internal Audit.

We have continued to apply our Business Risk Identification and Management process ('BRIM') across the Group, which involves bottom-up risk identification and assessment through 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 considered and challenged by the Audit Committee. Further risk mitigating actions (with assigned action owners and completion timescales) are considered as part of this process for any significant risks faced by the Group, thereby reflecting the ongoing commitment towards managing and addressing key risks in a responsive and proactive way. The exercise is used to derive the principal risks and uncertainties faced by the Group, as reported on pages 28 and 29 of the Strategic Report.

This year's BRIM exercise again highlighted the ever-changing nature of risks facing our business. During the year, internal controls and monitoring have been strengthened for risks such as product recall and poor product design, making it possible for these previous principal risks to be downgraded during the assessment process. However, it was identified that the increased levels of legislative compliance now required, particularly in Europe, was becoming a potential key risk to the revenue and profitability of the Group going forward. This was, therefore, upgraded to a principal risk.

Internal controls

The Group has a clear internal control system, the purpose of which is to safeguard investment and the Group's assets. The system embraces key financial, operational and strategic risks, and incorporates a full review of key strategic, operational and compliance controls aimed at managing and addressing these risks. 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.

Key control procedures

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, namely the BRIM process governing business risk management across McBride. This process has been in place for the year under review and also up to the date of approval of this Annual Report.

The table below summarises the key control procedures undertaken by the Group and links these to the business model, strategy and principal risks and uncertainties detailed in the Strategic Report.

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

CORPORATE GOVERNANCE REPORT continued

Investor relations

Relations with shareholders

We place considerable importance on maintaining effective, balanced communications with all shareholders.

Together with formal presentations of full year and half-year results, the Chief Executive Officer and Chief Finance Officer run an investor relations programme, which includes regular face-to-face meetings with banks, analysts, brokers and fund managers. This provides the opportunity for shareholders to assess the Group's performance and promote a better understanding of the business and its strategic development, as well as to explore the Group's approach to corporate governance matters.

During the year, approximately 34 meetings were held in the UK and 14 in the USA.

The Board is kept informed of investors' views through the distribution and regular discussion of analysts' and brokers' briefings and through summaries of investor opinion feedback. The Board also receives reports on the output from surveys carried out by various investor research bodies. The Chairman, Senior Independent Director and Chair of the Remuneration Committee are available to discuss governance, strategy and remuneration issues with major shareholders and are prepared to contact individual shareholders should any specific areas of concern or enquiry be raised. Where applicable, the views of major shareholders are sought on certain issues. In July 2014, Remuneration Committee Chair, Sandra Turner, wrote to our major shareholders setting out the Company's proposed Remuneration Policy to be put to shareholders at the 2014 AGM. This led to constructive engagement with a number of investors who generally confirmed their support for the Remuneration Committee's approach.

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

Information on share capital

Information about share capital can be found in the Statutory Information section on page 30.

AUDIT COMMITTEE REPORT

Purpose and main duties

The purpose of the Audit Committee is to make recommendations on the reporting, control, risk management and compliance functions and responsibilities of the Group and to provide independent oversight, assessment and challenge to the senior management team in these areas.

This report describes how the Committee has discharged its duties during the year to:

- Monitor the integrity of the Group's financial and regulatory reporting process;
- Review the Group's accounting policies 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, independence and effectiveness of the external audit process, and make recommendations to the Board in relation to the appointment and remuneration 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.

Attendance at meetings during the year ended 30 June 2014

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

(1) Bob Lee's attendance is shown up to his retirement from the Board.

Committee membership and meetings

The members of the Committee and their attendance at meetings during the year are shown in the table above. A quorum of the Committee is two members.

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 8 of the Strategic Report.

Neil Harrington has particular 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 previously Group Finance Director at Mothercare plc for seven years. The Committee meets as frequently as needed, but at least three times a year. In the financial year ended 30 June 2014 the Committee met four times, in August and December 2013 and February and June 2014. Subsequent to the year-end, one further meeting of the Committee took place in September 2014. By invitation meetings may be attended by the Board Chairman, Chief Executive Officer, Chief Finance Officer, Head of Internal Audit and other senior members of the finance team. 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.

Independent meetings were also held between the Committee members and the external auditors in the absence of the Executive Directors, and separately between the Chairman of the Committee and the external auditors. There were also regular meetings between the Committee Chairman and the Head of Internal Audit.

The Committee's Terms of Reference are reviewed annually to ensure continuing compliance with evolving best practice guidelines. This year's review has incorporated minor amendments to reflect changes to the Code and other best practice guidance making specific reference to the Committee's responsibilities to oversee any audit tender process, to report on any significant financial reporting issues and to advise the Board on whether the financial statements are fair, balanced and understandable. A copy of the latest Terms of Reference is available from the Group's website at **www.mcbride.co.uk**.

Principal activities during the year

During the year the Committee received regular reports on a variety of matters and engaged actively in discussions with management and sought assurances from the external auditors on the following matters:

Accounting and reporting issues

In addition to the significant issues considered during the year, the Committee discussed the Group's trading performance and debated the interim and full year financial statements. Papers on important reporting issues were tabled for discussion and the Committee actively considered relevant matters including proposed financial disclosures and announcements, exceptional items, post-employment benefits, provisions, taxation and share-based payments.

External auditors reports

The Committee also received, considered and debated reports received from PwC arising from their independent risk assessment of the Group's financial controls. This included consideration of learnings associated with the Group's transition to its new Shared Services Centre, consideration of systems controls, and potential risks relating to revenue and management override of control, inventory checks and customer documentation. The Committee concluded that there were no major concerns and there was no evidence of systematic control weaknesses.

AUDIT COMMITTEE REPORT continued

Significant issues

During the year, the Committee debated the following key accounting judgements in relation to the financial statements which it deemed to be significant in the context of the Group's performance, recognising the need to adapt to the changing trading and economic environment. The table below indicates how these issues were discussed and addressed:

Matters considered	Actions
Going concern status The responsibility to ensure the Group can operate as a continuing operation	In depth reviews of the Group's going concern status were carried out by the Committee both at the half and full year period ends. Detailed papers setting out all the relevant considerations were tabled by management and discussed by the Committee, together with the external auditors who confirmed that their independent tests continued to support the position of the Group as a going concern. Further information can be found on page 27 of the Chief Finance Officer's review.
Liquidity/Net debt/ Funding strategy The importance of ensuring that the Group has sufficient financial capacity to enable it to develop its strategy and deliver shareholder value	The Committee considered management's proposal to seek early refinancing of the Group's debt facilities with a view to ensuring the Group continues to have available sufficient headroom to deliver its strategy and to enable the business to focus on other critical priorities. Further information can be found on pages 25 and 26 of the Chief Finance Officer's review.
Asset impairment reviews The requirement (or otherwise) to take impairment charges against certain assets owned by the Group depends on the strength of the performance of that particular asset from time to time	The Committee considered the proposal to apply a new model to each cash generating unit (CGU) to ensure consistency of approach to impairment charges and the accounting treatment of goodwill. Management's judgement on the need (or otherwise) to take impairment charges for certain sites within the Group was also reviewed, taking into account the trading performance of, and the prospects for, each location, and recommendations were discussed and agreed with the external auditors.
Exceptional items Recognition and reporting of exceptional items	The Committee actively challenged management about the ongoing reporting of exceptional items, as defined in the Group's accounting policies on page 47 of the financial statements. It was acknowledged that finalisation of the plans to enable the Group to adapt to its changing environment would help to give clarity to the degree to which exceptional items may be incurred. The income statement format and disclosures relating to exceptional items were also discussed and agreed.

Internal audit

There is 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.

During the year, 17 new audits were undertaken by Internal Audit in conjunction with a quarterly process of monitoring outstanding actions. The Committee was satisfied that the Internal Audit reviews confirmed that a generally robust and effective control environment exists across the Group. However, the work did identify opportunities to implement further consistency and formalisation of procedures and concluded that improvements could be derived from better cross-functional working under the new organisational structure.

Internal Audit also continued to facilitate the roll-out of BRIM, which provides 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. On behalf of the Board, the Committee considered specifically those risks and uncertainties facing the business which should be classified as significant and sought comfort from the executive management about relevant and necessary mitigating factors. See pages 28 and 29 in the Strategic Report for the Group's principal risks and uncertainties.

The Committee engaged actively with the Head of Internal Audit to understand and consider the extent to which the internal control environment could be improved. This included receipt of detailed papers on individual audit assignments, the ongoing status of outstanding control actions, the annual ICQ and Senior Accounting Officer (SAO) questionnaire and the Group-wide functional and strategic BRIM risk identification and assessment exercises.

The Committee also reviewed and agreed the Annual Internal Audit Plan and were satisfied that this was aligned to the output from the BRIM exercise.

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 BRIM process.

Risk management and internal control

The Committee received reports relating to the Group's approach to internal control and risk management systems, including the self-assessment programme, and concluded that the overall approach to control and risk management continues to be effective. More information is reported on pages 8 and 9 of this Corporate Governance report.

Finance strategies

The Committee received regular reports on audit related, treasury and taxation matters, including consideration of the Group's funding strategy, transfer pricing project, its foreign currency management policy and banking facilities. The taxation process and controls were tested during the year and confirmed as operating adequately and effectively.

Accounting policies

The Committee received regular updates on technical reporting issues and on important accounting policies. It reviewed the Group's finance policies and procedures for consistency, particularly in areas where different approaches would have been possible.

Corporate 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**.

External auditors – effectiveness, independence and objectivity

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.

During the year, the Committee monitored the scope, results and cost effectiveness of the audit, as well as the overall independence and objectivity of the external auditors. This was achieved through the receipt and assessment of papers, as well as in discussion with both management and the auditors.

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 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 2014. Fees payable by the Group to PwC totalled £0.4 million (2013: £0.4m) in respect of audit services and £28,000 (2013: £14,000) in respect of non-audit services. There were no contingent fee arrangements with PwC.

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.

The Committee did not consider that either the size nor the nature of the non-audit services provided this year by the external auditors were such as to impair their independence.

In accordance with this policy, other providers are considered for non-audit work and such work is awarded on the basis of specific expertise, service and cost.

Non-audit work was awarded during the year to other professional services firms, principally for consultancy support on projects of strategtic importance to the Group relating to improving UK profitability, reducing complexity and target costing as well as for tax and pension advice. A total of £1.8 million was incurred in relation to these services.

External audit tender

A full tender for the appointment of the external audit firm took place in 2011, as a result of which PwC were appointed 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 should be proposed at the forthcoming AGM in October 2014.

The Committee is aware of the Code's requirements regarding audit tenders and these have been incorporated into the Committee's Terms of Reference.

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.

Having given due and full consideration to all the matters referred to above, the Committee satisfied itself that the financial statements give a fair, balanced and understandable view of the profits, assets, liabilities and financial position of the Group, and undertook to report accordingly to the Board.

Neil Harrington
Chairman of the Audit Committee

NOMINATION COMMITTEE REPORT

The members of the Committee and their attendance at meetings during the year are shown in the table below. A quorum of the committee is three members, two of whom must be independent.

Attendance at meetings during the year ended 30 June 2014

		Date appointed to Committee
Number of meetings held:	3	
Number of meetings attended:		
Iain Napier (Chairman) Board Chairman	3	19 July 2007
Chris Bull Chief Executive Officer	3	4 May 2010
Steve Hannam Senior Independent Non-Executive Director	3	4 February 2013
Neil Harrington Independent Non-Executive Director	3	3 January 2012
Sandra Turner Independent Non-Executive Director	3	1 August 2011

Key objective

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

Main duties

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

Terms of reference

These are governed by a Charter which was reviewed during the year. This was updated to incorporate reference to the disclosure of the use of external search agencies for new Board appointments and to the Committee's duty to consider its approach to diversity, including gender. A copy is available on the Group's website at **www.mcbride.co.uk**.

Principal activities during the year

The Committee met three times during the year in February, March and June, with a further meeting taking place in July 2014. Business conducted included:

- Considering the contributions made by the individual Directors prior to recommending their re-election at the AGM, after taking account of the outputs from the internal Board performance evaluation exercise carried out during the year;
- Considering the appointment of the Senior Independent Director and proposed re-election of the Chairman;
- Reviewing the composition and chairmanship of the Board's sub-committees;
- Discussing the appropriate role specification and skills required for the appointment of a new Chief Finance Officer following the resignation of Richard Armitage;
- Overseeing the search and recruitment for the appointment of a new Chief Finance Officer; and
- Considering the Committee's approach to diversity, including gender; a copy of our Diversity Statement is available on our website and more detail on our approach is set out in the Corporate Governance report on page 4.

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

New appointments

In considering Board appointments, the Committee assesses the range and the balance of skills, experience, knowledge and independence currently on the Board. We also consider any proposed recruitment in the context of the Company's strategic priorities, plans and objectives, as well as the prevailing business environment. The Committee seeks to appoint Board members who can make positive contributions, including the ability to develop and challenge strategy. The personality and style of new appointees is also taken into account to ensure that a cohesive balance on the Board is maintained. Appointments are ultimately made on merit against the agreed selection criteria. Potential female appointees are considered as part of the appointment process.

The Committee uses external search consultancies to assist in the appointment process. During the year, Russell Reynolds Associates were appointed as consultants to identify potential candidates for the new Chief Finance Officer role. Russell Reynolds are independent and have no other connection with the Company.

Iain Napier
Chairman of the Nomination Committee

REMUNERATION REPORT

Dear Shareholder

In my first year as Chair of the Remuneration Committee, I am pleased to present the Remuneration Report for the year ended 30 June 2014.

The Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Report is split into two sections: i) a Remuneration Policy Report, which sets out our policy on the remuneration for the Executive and Non-Executive Directors, and ii) an Annual Report on Remuneration, which discloses how the Remuneration Policy was implemented during the 2013/14 financial year and how it will be applied for the 2014/15 financial year. 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.

In light of the remuneration reporting regulations now in force, the Committee has taken the opportunity during the year to review and refresh the Company's remuneration strategy, principles and policies. These have all been captured within the Company's Remuneration Policy being put to shareholders at the forthcoming AGM.

The Committee continues to be satisfied that the Company's remuneration structure is 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, with short- and long-term incentive plans reflective of rewarding only success and the achievement of stretching performance targets.

Key actions and decisions the Committee has taken during the year include:

- In relation to Executive Director pay, the Committee determined that the necessary financial hurdles had not been met and, therefore, no payment under the Annual Bonus Plan would be made covering this period. The Committee also accepted the Chief Executive Officer's offer to waive any increase in his base salary, which would therefore remain at the 2013/14 level for the forthcoming year.
- The Committee reviewed the performance conditions attached to the LTIP awards granted to the Executive Directors in February and September 2011, and determined that performance for these awards was below the threshold levels. The awards have, therefore, lapsed.
- Richard Armitage, the outgoing Chief Finance Officer, was treated as a normal leaver by the Committee under all applicable policies and rules. As such, he was not entitled to receive any form of bonus for the financial year 2013/14 and all LTIP awards lapsed upon his cessation of employment on 31 July 2014.
- Following a Committee meeting in July 2014, the remuneration package offered to Chris Smith, Chief Finance Officer Designate, was in line with the Company's Remuneration Policy and on the same general basis as the previous Chief Finance Officer. Details can be found on page 23, but no form of buy-out, or other exceptional payments, were offered. Chris Smith will participate in the Annual Bonus Plan and LTIP scheme.
- The Company's current LTIP scheme is due to expire in 2015. In light of institutional investor guidance for a company's remuneration policy to normally be put to shareholders every three years, the Committee took the view that new LTIP rules should also be offered for shareholder approval at the 2014 AGM. Thereafter, any future LTIP awards would be made under this new scheme.

Details of the new LTIP can be found in the AGM Notice and Circular documents sent to shareholders, but in summary:

- The new LTIP rules are largely based upon the current LTIP which has been in place since 2005;
- The new LTIP will allow for awards to be granted up to a maximum of 200% of salary. However for the period the Remuneration Policy is approved (2014-2017), it is the Committee's intention that annual awards will be no higher than 150% of salary and awards for 2014 will be limited to 100% of salary. Awards above this level (i.e. up to the plan maximum of 200% of salary) will only be used in exceptional circumstances as part of any Executive Director's recruitment process (see recruitment remuneration section on page 20 for further information);
- Clawback provisions are included in the rules (as they are in the Annual Bonus Plan) and cover a material misstatement in the accounts, an error in calculation and/or serious misconduct by the executive;
- The Committee intends to continue to attach performance conditions related to total shareholder return (TSR) and earnings per share (EPS) to awards, as under the current LTIP. Both EPS and TSR performance will be measured over three years. TSR performance will be measured relative to the constituents of a broader FTSE index (being either the FTSE 250 or SmallCap excluding Investment Companies), with no more than 25% of the award vesting for threshold performance including (on a straight-line basis) to full vesting for upper quartile performance or above. The EPS targets will be set on a similar basis to awards under the current LTIP and are based on Corporate Plan targets. The targets for awards made in the 2014/15 financial year are disclosed on page 23;
- LTIP awards held by 'good leavers' or following a change of control will only vest to the extent that the performance condition is satisfied and will normally be subject to time pro-rating; and
- Vested awards may include payment of dividend equivalents (in the form of additional shares or cash) based on dividends accrued over the three-year vesting period.

REMUNERATION REPORT continued

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. Shareholder views and engagement are important to the Committee and during the year I have consulted with key shareholders to outline our Remuneration Policy, new LTIP rules and performance conditions, as well as to listen to and gain an understanding of investor views towards our Remuneration Policy.

The Committee believes the positive vote of 99.93% of the votes cast in favour of the Remuneration Report for the 2012/13 financial year shows that we have support for our remuneration strategy, the key principles of which are contained within the Remuneration Policy being put to shareholders this year, and we look forward to receiving your continued support at our AGM in October 2014 for the votes associated with this Remuneration Report.

Sandra Turner
Chair of the Remuneration Committee

Remuneration Policy report

The Committee is responsible for determining the Remuneration Policy for the Executive Directors and, in conjunction with the Chief Executive Officer, the packages for the EMT. This report provides details of the Remuneration Policy for the Executive and Non-Executive Directors and is intended to be effective from the conclusion of the 2014 AGM.

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

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

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

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

Consideration of shareholder views
As outlined in the Chair's letter, the Committee will continue to engage with our major shareholders to ensure the Policy reflects as far as practicable latest trends in evolving good practice in the UK. The Committee considers any feedback received from shareholders (either at the AGM or at other times during the year) when making decisions on the Remuneration Policy.

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

Element	Executive Director base salary
Purpose and link to strategy	To ensure the Group is able to recruit and retain high calibre executives.
Operation	Salaries are set by the Committee taking into account individual experience, performance, skills and responsibilities, prevailing market conditions (by reference to companies of a similar size and complexity and other companies in the same industry) and internal relativities. Salaries are paid monthly in arrears by bank transfer and are normally reviewed annually (with any changes effective from 1st August).
Maximum	Details of current salaries of the Executive Directors are detailed on page 24. Salaries are reviewed annually and may be increased each year. Increases will generally be in line with those awarded to the UK-based workforce, as well as reflective of the overall financial performance of the Group. Increases beyond this (in percentage of salary terms) may be awarded in limited circumstances, such as where there is a change in responsibility, experience or a significant change in the scale of the role and/or size, value and/or complexity of the Group.
Performance measures	–

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

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

REMUNERATION REPORT continued

Element	Annual bonus
Purpose and link to strategy	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.
Operation	Performance conditions are set independently by the Committee at the start of each year. Performance criteria include the financial targets of the Group as agreed by the Board and specific annual targets based on clear and measurable objectives that underpin, and are key to, achievement of the 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 misstatement of the financial results, serious misconduct by a participant or other defined reasons.
Maximum	100% of base salary.
Performance measures	A bonus of 80% of salary is based against a sliding scale of challenging and stretching financial performance targets, of which the first 50% of salary is payable in cash and the remaining 30% of salary in deferred shares under the DBP. A bonus of up to 20% of salary, which is payable in cash, is based on the achievement of specific and measurable personal targets. Irrespective of achievement against the personal targets, no bonus is payable unless a minimum level of financial performance is achieved. The Committee retains the ability in exceptional circumstances to adjust the targets and/or set different measures and alter weightings for the annual bonus if events occur (such as a material divestment of a Group business) which cause it to determine they are no longer appropriate and a change is required to ensure that they achieve their original purpose and are not materially less difficult to satisfy.

Element	LTIP
Purpose and link to strategy	The objectives of the LTIP are to align the long-term interests of shareholders and management and reward achievement of long-term, stretching targets. Awards are made to Executive Directors and to senior executives who have a significant influence over the Group's ability to meet its strategic objectives. Whilst it is not a requirement of the LTIP, senior executives are encouraged to use the scheme to increase their share ownership in the Company.
Operation	Annual awards are granted, subject to individual performance and Committee discretion. The awards vest after three years, subject to continued employment and the satisfaction of challenging performance conditions. The LTIP awards from the 2013/14 financial year onwards are subject to clawback in the event of a material misstatement of the financial results, serious misconduct by a participant or other defined reasons. A 'dividend equivalent' provision is also available at the discretion of the Committee enabling dividend or dividend equivalent payments to be paid (in cash or shares) on any shares that vest under the LTIP. The Committee will operate the LTIP according to its respective rules and in accordance with the Listing Rules and HMRC rules, where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of the LTIP, including the option to provide different types of awards; settling any vesting awards in cash; when dealing with a change of control (e.g. the timing of testing performance conditions) or restructuring of the Group; determination of a good/bad leaver based on the rules of each plan and the appropriate treatment chosen; and adjustments in certain circumstances (e.g. rights issues, corporate restructuring, events and special dividends).

Element	LTIP continued
Maximum	Typically 100% of salary for Executive Directors, but with the flexibility to increase to 150% of salary in relevant circumstances.
Performance measures	50% of the awards are subject to an EPS performance condition and 50% of the awards are subject to a relative TSR performance condition. EPS is a measure of the Company's overall financial success and TSR provides an external assessment of the Company's performance against 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 they are equivalently challenging in the circumstances. No more than 25% of awards will vest for threshold performance, with full vesting taking place for equalling or exceeding maximum performance conditions. Details of the performance conditions applied to awards granted in the year under review and for the awards to be granted in the forthcoming year are set out on pages 25 and 23 respectively. Different performance measures and/or weightings may be used for future awards to help drive the strategy of the business. The Committee retains the ability in exceptional circumstances to adjust the targets and/or set different measures and alter weightings for the LTIP if events occur (such as a material divestment of a Group business) which cause it to determine they are no longer appropriate and a change is required to ensure that they achieve their original purpose and are not materially less difficult to satisfy.

Element	Non-Executive Director fees
Purpose and link to strategy	To ensure the Group is able to attract and retain experienced and skilled Non-Executive Directors able to advise and assist with establishing and monitoring the strategic objectives of the Company.
Operation	The remuneration of the Chairman and the Non-Executive Directors is payable in cash fees. They are not eligible to participate in bonus or share incentive schemes. Their services do not qualify for pension or other benefits. Fees are paid monthly and reasonable expenses are reimbursed where appropriate. Fee levels are determined by the full Board with reference to those paid by other companies of similar size and complexity, and to reflect the amount of time they are expected to devote to the Group's activities during the year. A supplementary fee is also paid to Committee chairmen and to the Senior Independent Director to reflect their additional responsibilities.
Maximum	Details of the current fees for the Chairman and Non-Executive Directors are set out on page 26. Under the Company's current Articles the aggregate annual sum for Non-Executive Director fees cannot exceed £400,000 p.a. The Company does not intend to seek shareholder approval for any increase to this maximum in the short to medium term.
Performance measures	No element of the Chairman's or Non-Executive Directors' fees is performance related.

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

REMUNERATION REPORT continued

Element	Recruitment remuneration
Purpose and link to strategy	To ensure the Group is able to recruit and retain high calibre Executive and Non-Executive Directors.
Operation	New Director remuneration arrangements will be based upon and within the limits of the various elements as set out on pages 17 to 19. In addition: • Executive Director buy-out payments may be made in exceptional circumstances; typically when these are considered to be in the best interests of the Company (and therefore shareholders) to facilitate the buy-out of value forfeited on joining the Company. These payments would typically be in the form of an enhanced LTIP award (and therefore under the rules and maximums permitted under the Company's LTIP rules in place at that time and, in any event, would not be in excess of 200%) and would take account of remuneration being relinquished, including the nature and time horizons attached to such remuneration and the impact of any performance conditions. In exceptional circumstances, payments could be made in the form of a cash payment or Restricted Share Award. When in the form of a cash payment, this would normally be subject to clawback in certain situations (in line with other elements under the Company's Remuneration Policy). • Relocation packages (generally consisting of out-of-pocket expenses, together with any additional costs solely attributable/linked to the relocation and, in some cases, professional support to ensure a quick process) may be offered in situations deemed essential in order to carry out the relevant role successfully. Any package will be designed to ensure the new recruit becomes effective in their role as soon as possible, with minimal distractions from any relocation. In respect of internal promotions, any remuneration commitments made before such promotion (whether or not they would fall within the principles of the Company's current Remuneration Policy) may form part of that Director's remuneration package, with the expectation that any such commitments would be phased out over time.
Maximum	It is intended that the value of any element of recruitment remuneration will generally be on the same basis as the existing Directors (pro-rated, where appropriate, dependent on time of joining the Company) and elements such as buy-out payments being no higher than the expected value of the forfeited arrangements.

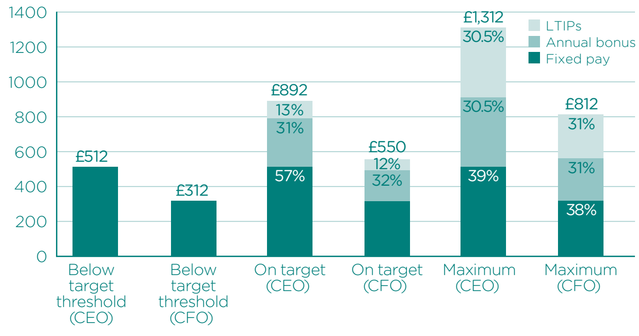
Remuneration performance scenarios

The chart opposite 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 2014/15 Remuneration Policy as a total value opportunity.

External appointments

Executive Directors are permitted, where appropriate and with Board approval, to assume non-executive directorships of other organisations. Where the Company releases Executive Directors to carry out non-executive duties, they will be required to disclose the fact that they retain any earnings and the amount of such remuneration. Neither of the Executive Directors held any external directorships during the year ended 30 June 2014.

Total remuneration opportunity £(000)s



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

The values used for the Chief Finance Officer reflect Chris Smith's remuneration package as if he had been in place for the full year.

Executive Directors' service contracts and compensation for loss of office

Service contracts stipulate that the Executive Directors will provide services to the Company on a full time basis. The contracts contain, in addition to remuneration terms, details of holiday and sick pay entitlement, restrictions and disciplinary matters. The contract for the Chief Executive Officer was entered into on 14 April 2010 and for the former Chief Finance Officer on 31 July 2009. The incoming Chief Finance Officer accepted the terms of his contract on 15 July 2014, with a commencement date to be confirmed.

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

The contracts for both the Chief Executive Officer and the Chief Finance Officer stipulate six months' notice by both the Company and the Director (although, in exceptional circumstances, notice periods for up to a maximum of 12 months may be offered to newly recruited Directors). All Directors' contracts are available for inspection at the AGM. The Committee recognises the provisions of the Code for compensation commitments to be stipulated in directors' service contracts with regard to early termination. Further information on the Committee's Executive Director compensation approach can be found in the table below.

<table>
<tr><th>Element</th><th colspan="3">Executive Director compensation on loss of office</th></tr>
<tr><td>Purpose and link to strategy</td><td colspan="3">On termination of an Executive Director's service contract, the Committee will seek to provide the minimum compensation applicable to the individual's employment contract.</td></tr>
<tr><td>Operation</td><td colspan="3">Executive Director service contracts will stipulate the Company's compensation commitments to be honoured in an early termination event. Any commitments will be within the principles of the Company's Remuneration Policy, together with any specific contractual provisions agreed prior to 27 June 2012 where they do not fall within the principles, where applicable.

Directors' service contracts confirm that the Company has the option to pay notice month by month that would reduce or cease if the departing Director obtained other employment.

There are no agreements between the Company and its Directors or employees providing for additional compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that may occur in the event of a takeover bid. It is also the Company's policy not to include liquidated damages clauses in service contracts, unless there is a clear explainable benefit for the Company in doing so. None of the Executive Director service contracts contain any such liquidated damages provision.</td></tr>
<tr><td>Maximum</td><td colspan="3">Any compensation arrangements will not be beyond those stipulated in the Directors' service contracts and will normally be limited to base salary, benefit and pension elements. Dependent upon the circumstances (and subject to the Committee's discretion) as shown below, a Director's performance related remuneration elements may also be included.</td></tr>
<tr><td></td><td>Normal exit
(termination for reasons of resignation or dismissal)</td><td>Good leaver
(termination for reasons of death, ill health, retirement, redundancy, or at the discretion of the Committee)</td><td>Change of control
(excludes a reorganisation or reconstruction where ownership does not materially change)</td></tr>
<tr><td>Annual bonus</td><td>No entitlement for year of exit. Payments in earlier years may be subject to clawback in certain circumstances.</td><td>Pro-rated (based upon timing and performance) for year of exit. Any DBP awards (at Committee discretion) vest at either normal vesting date or on cessation of employment.</td><td>Extent to which performance requirements are satisfied in year determines level of annual bonus. Any unvested DBP awards will vest on date of the relevant event.</td></tr>
<tr><td>LTIP</td><td>Unvested awards lapse. Vested awards may be subject to clawback in certain circumstances.</td><td>Unvested awards pro-rated based upon rules of LTIP plan (at Committee discretion) and vest on either normal vesting date or cessation of employment.</td><td>Unvested awards are pro-rated based upon rules of LTIP plan (at Committee discretion) and vest on the date of the relevant event.</td></tr>
</table>

REMUNERATION REPORT continued

Non-Executive Directors' letters of appointment

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

Director	Date first appointed to the Board	Date of last election at (AGM)(1)	Notice period	Compensation upon early retirement	Latest letter of appointment
Iain Napier	1 Jul 2007	2013	3 months	None	1 July 2014
Steve Hannam	4 Feb 2013	2013	3 months	None	1 July 2014
Neil Harrington	3 Jan 2012	2013	3 months	None	1 July 2014
Sandra Turner	1 Aug 2011	2013	3 months	None	1 July 2014

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

The Non-Executive Directors and Chairman serve on the basis of renewable letters of appointment (last updated and issued on 1 July 2014) 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.

Annual Report on Remuneration

Remuneration Committee and its advisers

The Committee is responsible for determining the remuneration policy for the Executive Directors and, in conjunction with the Chief Executive Officer, remuneration packages for the EMT. 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; and
- To review the implementation and operation of the Company's share option schemes, bonus schemes and LTIP.

A quorum of the Committee is two members. The members of the Committee are shown in the table opposite and the Board are satisfied that all 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.

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 £26,435 in respect of the services provided for the 2013/14 financial year (2012/13: £29,800). 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.

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.

Attendance at meetings during the year ended 30 June 2014

		Date appointed to Committee
Number of meetings held:	6	
Number of meetings attended:		
Sandra Turner (Chair) Independent Non-Executive Director	6	1 August 2011
Steve Hannam Senior Independent Director	6	4 February 2013
Neil Harrington Independent Non-Executive Director	6	3 January 2012
Iain Napier Board Chairman	6	19 July 2007
Bob Lee(1) Independent Non-Executive Director	2	27 May 2004

(1) Sandra Turner was appointed as Chair of the Remuneration Committee with effect from 14 October 2013.
(2) Bob Lee's attendance is shown up to his retirement from the Board.

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 2014 the Committee met six times, in August, September and December 2013 and February, March and June 2014. Subsequent to the year-end, two further meetings of the Committee took place in July and September 2014. 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.

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 and reflect changes to the Code. The Charter setting out the Committee's constitution and Terms of Reference is available from the Group's website at **www.mcbride.co.uk**.

Application of the Remuneration Policy for the 2014/15 financial year

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

Element	Application	Explanation
Executive Director base salary	The base salary (effective from 1 August 2014) for Chris Bull, Chief Executive Officer, is £400,000. The base salary for Chris Smith, newly appointed Chief Finance Officer, will be £250,000 (pro-rated upon joining the Company).	Following a review of the base salary levels, in accordance with the Company's Remuneration Policy, the Committee accepted Chris Bull's offer to waive any increase in the coming year. This was felt appropriate in light of the Group's trading performance for the 2013/14 financial year. Awards for the rest of the Group's UK workforce will be made based on a 2% increase.
Benefits and pension	No change for the Chief Executive Officer. The newly appointed Chief Finance Officer will receive the Company's standard benefits package, as well as a pension contribution by the Company equivalent to 20% of base salary into an appropriate defined contribution pension scheme.	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. 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 2014/15 will continue to be subject to EPS and relative TSR performance conditions. The intended Executive Director grant level for the LTIP is 100% of salary. The TSR schedule and comparator group is based upon the FTSE Smallcap Ex. Investment Companies Index with 25% of this element of the award vesting for median performance. 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 24% p.a. For performance above this level, awards will vest on a rising scale, with full vesting only if growth in EPS reaches 29%.	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. The EPS targets incorporate the Committee's expectations of inflation.
Non-Executive Director fees	The fee policy for the Chairman and Non-Executive Directors 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.

REMUNERATION REPORT continued

Application of the Remuneration Policy for 2013/14

The following information has been audited by the Company's auditors:
- Single total remuneration figure for the Executive and Non-Executive Directors
- Executive Director pension benefits and interests in the LTIP and DBP schemes
- Director shareholdings
- Exit payments, payments to past Directors and payments to third parties

Single total remuneration figure for the Executive Directors

The table below sets out a single total remuneration figure for the Chief Executive Officer and Chief Finance Officer for the 2013/14 financial year:

	Fixed remuneration				Performance related			Total remuneration
	Base salary(1) £000	Benefits(2) £000	Pension(3) £000	Sub-total £000	Annual bonus(4) £000	LTIPs(5) £000	Sub-total £000	£000
Chris Bull								
2013/2014	**400**	**12**	**100**	**512**	**–**	**–**	**–**	**512**
2012/2013	400	12	100	512	–	–	–	512
Richard Armitage								
2013/2014	**273**	**14**	**54**	**341**	**–**	**–**	**–**	**341**
2012/2013	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 (or cash equivalent), private healthcare, disability insurance and life cover.
(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 2014 (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 2011 to 30 June 2014. 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 2013/14 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.
- Following the re-focusing of Executive Director responsibilities, the Chief Finance Officer's salary was increased to £275,000 (3.7%) to reflect his additional responsibilities with effect from 3 September 2013.

Annual bonus

For the 2013/14 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 set financial thresholds: i) 90% of the budgeted profit on a sliding scale of up to a maximum of 110% of budgeted profit, and ii) net debt targets.

Subject to achieving a minimum level of financial performance, 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 i) the achievement of organic growth targets for the business, ii) improvement in Customer Service Level and iii) successful implementation of a gross margin programme.

For the Chief Finance Officer, personal objectives included i) the achievement of organic growth targets for the business, ii) improvement in Customer Service Level, iii) securing funding and refinancing arrangements by June 2014, and iv) successful implementation of a gross margin programme.

Both these elements of the bonus would have been payable in cash.

In addition, a further 30% of salary could have been earned dependent upon the Group's 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.

The Committee determined that the necessary financial hurdles had not been met and, therefore, no payment under the Annual Bonus Plan would be made covering this period.

LTIP

In the year under review, no LTIPs vested for the Executive Directors. The performance period for the September 2011 award ended on 30 June 2014. Performance for the award was below the threshold level and therefore the awards lapsed.

Detailed assumptions used in calculating the fair value of the awards are outlined in note 24 to the consolidated financial statements on pages 75 and 76.

Interests of Directors under the McBride plc 2005 LTIP at 1 July 2013 and 30 June 2014 are set out below:

Director	Date of award	Number of awards at 1 July 2013	Allocated in year	Awards vested in year	Allocations lapsed in year	**Number of awards at 30 June 2014**	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(1)	–	–	–	**338,267**	1.1825	21 Sep 2014
	18 Sep 2012	322,763	–	–	–	**322,763**	1.2393	19 Sep 2015
	17 Sep 2013	–	323,887(2)	–	–	**323,887**	1.235	18 Sep 2016
Richard Armitage(3)	16 Sep 2010	106,267	–	–	106,267	**–**	1.8350	17 Sep 2013
	20 Sep 2011	219,874(1)	–	–	–	**219,874**	1.1825	21 Sep 2014
	18 Sep 2012	209,796	–	–	–	**209,796**	1.2393	19 Sep 2015
	17 Sep 2013	–	222,672(2)	–	–	**222,672**	1.235	18 Sep 2016

(1) The minimum performance targets for the awards in 2011 were not achieved and have now lapsed.
(2) Awards were granted on the basis of 100% of salary. The face value of the awards are Chris Bull: £400,000 and Richard Armitage: £275,000. Threshold vesting under the TSR condition would be 0% of that part of the award. Threshold vesting under the EPS condition would be 20% of that part of the award (10% of the total award).
(3) Richard Armitage resigned as a Director with effect from 31 July 2014 at which point all his interests under the McBride plc 2005 LTIP lapsed.

The performance conditions attaching to awards under the LTIP are:

a. 50% of the outstanding awards are 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 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

ii. 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

iii. For the 2013 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 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.

EPS growth	% of award vesting (max 50%)
Less than RPI+23% p.a.	0%
RPI+23% p.a.	10%
RPI+32% 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, other than in exceptional circumstances as set out on page 19.

REMUNERATION REPORT continued

Deferred Annual Bonus Plan

Interests of Directors under the McBride plc 2012 Deferred Annual Bonus Plan at 1 July 2013 and 30 June 2014 are:

Director	Date of award	Number of awards at 1 July 2013	Allocated in year	Awards vested in year	Allocations lapsed in year	**Number of awards at 30 June 2014**	Vesting date
Richard Armitage	11 Dec 2012	32,051	–	32,051	–	**–**	29 July 2013

Richard Armitage was granted an award of 32,051 shares under the Company's DBP on 11 December 2012, reflecting his entitlement to a proportion of his annual bonus deferred in 2010 as agreed by the Remuneration Committee. There was no exercise price applicable to the award and the market price at the date of the award was £1.31.

The award was subject to a restricted period of three years from 29 July 2010. The award would normally vest on the expiry of this three-year period, 29 July 2013. However, as this date fell within a close period of the Company, the Committee determined the award would vest after cessation of the close period on 3 September 2013. Awards granted under the DBP are eligible for B Shares, or B Share cash equivalent.

Pension

The Company paid Chris Bull a cash sum in lieu of a pension contribution at 25% of basic salary, £100,000 (2012/13: £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 £53,794 (2012/13: £52,000).

Single total remuneration figure for the Non-Executive Directors

	2013/2014			2012/2013		
	Base fee £000	**Committee Chair/ SID fee £000**	**Total £000**	Base fee £000	Committee Chair/ SID fee £000	Total £000
Iain Napier	**150**	**–**	**150**	150	–	150
Steve Hannam(1) (2)	**40**	**3**	**43**	16	–	16
Neil Harrington	**40**	**4**	**44**	40	4	44
Bob Lee(3)	**12**	**2**	**14**	40	8	48
Sandra Turner(4)	**40**	**3**	**43**	40	–	40

(1) Steve Hannam was appointed as Senior Independent Director with effect from 14 October 2013.
(2) The 2012/13 figures for Steve Hannam are for the period from his appointment to the Board on 4 February 2013.
(3) Bob Lee resigned from the Board on 14 October 2013.
(4) Sandra Turner was appointed Chair of the Remuneration Committee with effect from 14 October 2013.

Directors' interests

The beneficial interests of the Directors in the ordinary shares of the Company at 1 July 2013 and 30 June 2014 are set out below (there have been no changes from those detailed below between 30 June 2014 and the date of this Report):

	At 30 June 2014		At 1 July 2013	
	Shares	**Conditional share awards(2)**	Shares	Conditional share awards(2)
Iain Napier	**74,807**	**–**	64,807	–
Chris Bull	**340,000**	**984,917**	320,000	835,417
Richard Armitage	**66,831**	**652,342(3)**	50,000	567,988
Steve Hannam	**12,000**	**–**	12,000	–
Neil Harrington	**20,000**	**–**	15,000	–
Bob Lee(1)	**–**	**–**	5,000	–
Sandra Turner	**10,000**	**–**	10,000	–

(1) Bob Lee resigned from the Board on 14 October 2013.
(2) The conditional share awards have been made under the McBride plc 2005 LTIP.
(3) Richard Armitage resigned as a Director with effect from 31 July 2014 at which point all his interests under the LTIP lapsed.

As detailed on page 19, Executive Directors are expected to build and maintain personal shareholdings in the Company equivalent to 150% of salary through retaining shares received (net of tax) under the Company's Incentive arrangements. On a personal level Chris Bull has purchased shares independently on the market at a total price of £542,899 when acquired. As at 30 June 2014 the value of the Executive Directors' shareholdings were: Chris Bull £326,400 (representing 82% of salary) and Richard Armitage £64,158 (representing 24% of salary).

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

Exit payments

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

During the year, Richard Armitage, Chief Finance Officer, resigned from the Company, with the Committee determining that it should not exercise any discretion in relation to any bonus or LTIP awards and, accordingly, any entitlements lapsed on his departure on 31 July 2014.

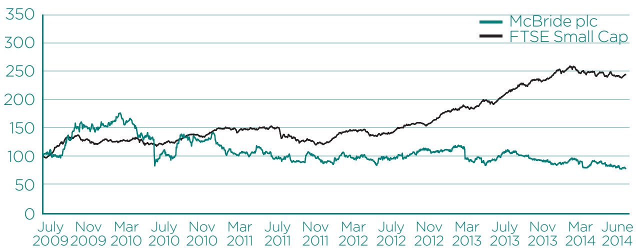
Details of any exit payments made during the year are provided on the Company's website in accordance with the new reporting regulations at **www.mcbride.co.uk**.

Payments to third parties

No payments were made to third parties for making available the services of any of the Directors during 2013/14.

Review of past performance

The graph below charts the TSR (share value movement plus reinvested dividends), over the five years to 30 June 2014, of shares in McBride plc compared with that of a hypothetical holding in the FTSE Smallcap Ex. Investment Companies Index. The Directors consider this index to be an appropriate comparator group for assessing the Company's TSR as it provides a well defined, understood and accessible benchmark.



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

Chief Executive Officer/Financial Year	Fixed pay £000	Annual bonus % of maximum	LTIP % of maximum
Chris Bull			
2013/14	512,000	–	–
2012/13	512,000	–	–
2011/12	512,000	48	–
2010/11	511,000	25	–
2009/10*	83,000	–	–
Miles Roberts			
2009/10*	519,000	–	–

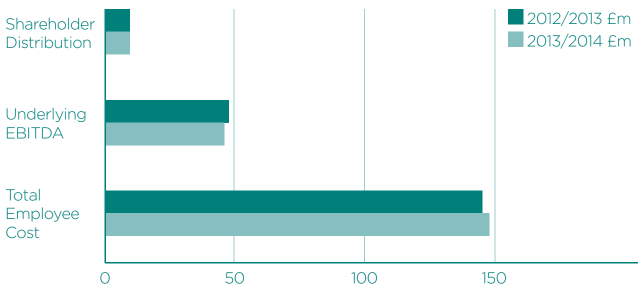
* Miles Roberts left the business on 30 April 2010, with Chris Bull appointed with effect from 4 May 2010.

Percentage change in Chief Executive Officer's remuneration

The table below shows the percentage change in Chief Executive Officer remuneration from the prior year compared to the average percentage in remuneration for all UK employees (1,704 employees). Although the Company has an international workforce, this group has been chosen as it represents the most meaningful comparator group to the UK based Chief Executive Officer.

	% change 2013/14		
	Base salary	Taxable benefits	Annual bonus
Chief Executive Officer	–	–	–
Comparator Group	2	–	–

Relative importance of spend on pay



Statement of shareholder voting

The table below shows the voting outcome at the October 2013 AGM for the approval of the 2012/13 Remuneration Report:

	For	%	Against	%	Withheld
Votes	145,978,134	99.93	101,366	0.07	91,787

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

The Remuneration Committee Report was approved by the Board on 9 September 2014.

Signed on behalf of the Board by

Sandra Turner
Chair of the Remuneration Committee

STATUTORY INFORMATION

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

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 2 to 31 of the Corporate Governance report and forms part of the Directors' Report.

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

Group results
The results for the year are set out in the consolidated income statement on page 37 and a discussion of the Group's financial performance and progress are set out in the Strategic Report.

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

Subject to shareholder approval to renew the B Share scheme at the AGM, the Board is recommending the allotment of 33 B Shares (equivalent to 3.3 pence) per ordinary share held (2013: 3.3 pence), giving a total allotment for the year of 50 B Shares (equivalent to 5 pence) per ordinary share (2013: 5 pence). Further details of payments to shareholders are shown in note 12 to the consolidated financial statements on page 59.

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 (resigned 31 July 2014)
Steve J Hannam	Senior Independent Non-Executive Director
Neil S Harrington	Independent Non-Executive Director
Bob A Lee	Independent Non-Executive Director (resigned 14 October 2013)
Sandra Turner	Independent Non-Executive Director

On 15 July 2014, the Company announced that Chris Smith would join the Company as Chief Finance Officer, following the resignation of Richard Armitage. Chris Smith will join the Company with effect from a date to be confirmed and will seek election as a Director of the Company at the 2015 AGM.

Biographical details of the Directors appear on page 8 of the Strategic Report. Information on the Directors' remuneration and service contracts is given in the Remuneration Report on pages 15 to 27.

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 26.

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 the Directors' Report.

Employment policies/employees
The Group employed an average of 4,826 people during the year ended 30 June 2014.

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 published which updates employees on business performance Group-wide and reports progress against key priorities and projects.

Many functions also hold regular meetings and workshops, 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 section on pages 32 and 33 of the Strategic Report.

Reward and recognition

Eligible employees participate in performance-related bonus schemes and some senior management participate in an LTIP. 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 other facilities in Western Europe. 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 section on page 32. 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.

Political donations

It is the Group's policy not to make political donations and no such donations were made during the year (2013: nil).

Environment and greenhouse gas emissions reporting

The Group recognises the importance of responsible environmental management and its obligations to protect the environment. The Group, therefore, gives high priority to all environmental matters relevant to its business. Further information appears in the Corporate Responsibility section on pages 30 to 33 and in the separate Sustainability Report available from the Group's website at **www.mcbride.co.uk**.

STATUTORY INFORMATION continued

The Group is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel and the operation of any facility. Details of our emissions during the year ended 30 June 2014 are set out in our in the Corporate Responsibility section.

Research and development

The Group recognises the importance of investing in research and development which brings new product development support for its customers, research into new products and materials and further development of existing products. Research and development expenditure in the year was £9.3 million (2013: £9.5m).

Financial instruments

Information on the Group's financial risk management objectives, policies and activities and on the exposure of the Group to relevant risks in respect of financial instruments is set out in the Chief Finance Officer's review on pages 26 and 27, and in note 21 to the consolidated financial statements on pages 65 to 70.

Share capital

Details of the Company's share capital are shown in note 26 to the consolidated financial statements on page 77.

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 2013 AGM, shareholder approval was granted to allow the Company to repurchase up to 18,221,000 ordinary shares. The existing authority will expire on the date of the 2014 AGM, when the Directors will be seeking authority from shareholders to buy back shares which will be cancelled or may be held as treasury shares for the purpose of meeting obligations under LTIP and employee share schemes.

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

Substantial shareholdings

The Company had been notified of the following interests amounting to 3% or more of its issued share capital as at the end of the financial year and at 29 August 2014 (being the last practical date prior to the date of this Report).

	As at 29 August 2014		As at 30 June 2014	
Shareholder	Number of shares	%	Number of shares	%
Delta Lloyd Asset Management	30,650,000	16.76	30,400,000	16.63
Franklin Templeton	21,703,430	11.87	22,076,216	12.07
Brandes Investment Partners	18,195,503	9.95	17,025,413	9.31
Aberdeen Asset Management Limited	11,779,729	6.44	7,498,193	4.10
Allianz Global Investors (UK) Ltd	11,650,982	6.37	11,725,147	6.41
Neptune Investment Management	10,315,815	5.64	9,203,081	5.03
Fidelity Worldwide Investment	9,292,745	5.08	9,349,292	5.11
Milton Group plc	6,341,928	3.47	6,341,928	3.47
NBIM	5,893,012	3.22	5,984,906	3.27

All the above are institutional holders.

Significant agreements/takeovers directive

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

Articles of Association

The Articles give power to the Board to appoint directors, but also require directors to retire and submit themselves for election at the first AGM following their appointment. Specific information regarding the re-election of directors is contained in the Corporate Governance section on page 3.

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.

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 Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Finance Officer's review on pages 23 to 27. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risks.

The Group meets its funding requirements through internal cash generation and bank credit facilities, most of which are committed until April 2019 as described in note 20 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. In addition, during the period the Group successfully secured further debt facilities of $90 million from two US private placements.

The Group has 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 auditors are 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 2014 AGM at its Shared Service Centre, Central Park, Northampton Road, Manchester, M40 5BP on 20 October 2014 at 2.30pm is set out in a separate document issued to shareholders.

The Strategic Report, Governance section and Financial Statements for the year ended 30 June 2014 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 2014 is fully disclosed in note 7 to the consolidated financial statements on page 54.

Signed by order of the Board

Carole Barnet
Company Secretary

9 September 2014

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 28, 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

9 September 2013

FINANCIAL STATEMENTS

Independent auditors' report and Financial statements

Company financial statements

Shareholder information

INDEPENDENT AUDITORS' REPORT
to the members of McBride plc

Report on the Consolidated financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's affairs as at 30 June 2014 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 ('the Act') and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements (the 'financial statements'), which are prepared by McBride plc, comprise:

- the consolidated balance sheet as at 30 June 2014;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the reconciliation of net cash flow to movement in net debt for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Company, as applied in accordance with the provisions of the Act.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the 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 (the 'Annual Report') to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £3.0 million. This represents approximately 0.4% of total revenues. We have had regard to revenues because in our view, this is the most relevant measure of recurring performance

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

Overview of the scope of the audit

The Group is structured in three segments (UK, Western Europe and Rest of the World). The Group financial statements are a consolidation of 11 reporting units, comprising the Group's operating businesses and centralised functions, within these segments.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors within PwC UK and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Accordingly, of the Group's 11 reporting units, we identified 7 which, in our view, required an audit of their complete financial information, either due to their size, or their risk characteristics. Specific audit procedures on certain large balances and transactions were performed at a further reporting unit. This, together with additional procedures performed at Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 12.

Area of focus	How the scope of our audit addressed the area of focus
Risk of impairment of goodwill and property, plant and equipment We focused on this area because the determination of whether or not an impairment charge for goodwill and property, plant and equipment is necessary involves significant judgements by the Directors about the future results of the business and assessment of future plans for the Group.	We evaluated the Directors' impairment calculations in local territories, assessing the future cash flow forecasts used in the models, and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and testing the underlying calculations. We challenged: • long-term growth rates in the forecasts by comparing them to historical results, and economic and industry forecasts; • the discount rate by assessing the cost of capital for the Company and comparable organisations; and • the assumptions underpinning the forecasts. We also performed sensitivity analysis around the key drivers used to determine growth rates of the cash flow forecasts, including revenue growth and expected changes in margins. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the assets to be impaired, we considered the likelihood of such a movement in those key assumptions arising.
Fraud in revenue recognition ISAs (UK and Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results. We focused on the timing of when revenue was recognised and its presentation in the income statement given the inherent judgement and complexities involved (such as customer rebates).	We tested the controls management has in place, focusing on controls over price changes and margin reviews. We agreed rebates recognised to contractual evidence, with particular attention to the period in which the rebate was recorded and the appropriateness of the accrual at the year end.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We also tested journal entries selected based on risk profile.

INDEPENDENT AUDITORS' REPORT continued

to the members of McBride plc

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 31, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of information and explanations received

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

Directors' remuneration

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

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance report relating to the parent company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 28 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 12, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

Other matter

We have reported separately on the parent company financial statements of McBride plc for the year ended 30 June 2014 and on the information in the Directors' Remuneration 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
St Albans

9 September 2014

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2014

	Note	2014 Adjusted £m	2014 Adjusting items (see note 11) £m	2014 Total £m	Re-presented* 2013 Adjusted £m	Re-presented* 2013 Adjusting items (see note 11) £m	Re-presented* 2013 Total £m
Revenue	4	**744.2**	**–**	**744.2**	761.4	–	761.4
Cost of sales		**(494.7)**	**–**	**(494.7)**	(512.7)	–	(512.7)
Gross profit		**249.5**	**–**	**249.5**	248.7	–	248.7
Distribution costs		**(49.0)**	**–**	**(49.0)**	(51.4)	–	(51.4)
Administrative costs		**(178.5)**	**(35.9)**	**(214.4)**	(173.7)	(8.6)	(182.3)
Operating (loss)/profit	8	**22.0**	**(35.9)**	**(13.9)**	23.6	(8.6)	15.0
Finance costs	9	**(7.2)**	**(0.2)**	**(7.4)**	(5.8)	(0.3)	(6.1)
Finance income	9	**–**	**–**	**–**	0.1	–	0.1
Net finance costs	9	**(7.2)**	**(0.2)**	**(7.4)**	(5.7)	(0.3)	(6.0)
(Loss)/profit before taxation		**14.8**	**(36.1)**	**(21.3)**	17.9	(8.9)	9.0
Taxation	10	**(5.1)**	**7.3**	**2.2**	(4.6)	1.1	(3.5)
(Loss)/profit for the year attributable to the owners of the Company		**9.7**	**(28.8)**	**(19.1)**	13.3	(7.8)	5.5

	Note	2014 £m	2013 £m
Operating (loss)/profit		**(13.9)**	15.0
Adjusted for:			
Amortisation of intangible assets	14	**1.4**	1.1
Exceptional items	5	**34.5**	7.5
Adjusted operating profit	4	**22.0**	23.6

	Note	2014	2013
Earnings per ordinary share	11		
Basic		**(10.5)p**	3.0p
Diluted		**(10.5)p**	3.0p

* Adoption of IAS 19 (Revised 2011) 'Employee Benefits'.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Note	2014 £m	Re-presented* 2013 £m
(Loss)/profit for the year attributable to owners of the Company		**(19.1)**	5.5
Other comprehensive (expense)/income			
Items that may be reclassified to profit or loss:			
Currency translation differences on foreign subsidiaries		**(10.7)**	5.5
Gain/(loss) on net investment hedges		**10.3**	(4.7)
(Loss)/gain on cash flow hedges in the year		**(4.6)**	0.4
(Loss)/gain on cash flow hedges transferred to profit or loss		**(0.3)**	2.4
Taxation relating to items above	10	**0.5**	(0.7)
		(4.8)	2.9
Items that will not be reclassified to profit or loss:			
Net actuarial loss on post-employment benefits	23	**(5.2)**	(7.2)
Taxation relating to item above	10	**0.1**	1.4
		(5.1)	(5.8)
Total other comprehensive expense		**(9.9)**	(2.9)
Total comprehensive (expense)/income		**(29.0)**	2.6

* Adoption of IAS 19 (Revised 2011) 'Employee Benefits'.

CONSOLIDATED BALANCE SHEET
at 30 June 2014

	Note	2014 £m	Re-presented* 2013 £m
Non-current assets			
Goodwill	13	**23.9**	30.8
Other intangible assets	14	**2.4**	3.3
Property, plant and equipment	15	**143.4**	173.6
Derivative financial instruments	21	**–**	0.1
Deferred tax assets	10	**14.1**	5.5
Other non-current assets		**0.5**	0.6
		184.3	213.9
Current assets			
Inventories	16	**66.6**	85.2
Trade and other receivables	17	**142.5**	144.5
Derivative financial instruments	21	**0.2**	0.9
Cash and cash equivalents		**34.9**	–
Assets classified as held for sale	18	**1.2**	1.3
		245.4	231.9
Total assets		**429.7**	445.8
Current liabilities			
Trade and other payables	19	**180.2**	197.9
Borrowings	20	**33.1**	37.0
Derivative financial instruments	21	**0.8**	0.7
Current tax liabilities		**6.4**	9.0
Provisions	25	**8.9**	2.3
		229.4	246.9
Non-current liabilities			
Trade and other payables	19	**0.4**	5.6
Borrowings	20	**86.9**	49.8
Derivative financial instruments	21	**3.9**	1.5
Pensions and other post-employment benefits	23	**30.4**	26.0
Provisions	25	**2.5**	0.5
Deferred tax liabilities	10	**7.6**	8.8
		131.7	92.2
Total liabilities		**361.1**	339.1
Net assets		**68.6**	106.7
Equity			
Issued share capital	26	**18.3**	18.3
Share premium account	26	**111.5**	120.6
Other reserves	26	**26.5**	22.4
Accumulated loss		**(88.3)**	(55.2)
Equity attributable to owners of the Company		**68.0**	106.1
Non-controlling interests		**0.6**	0.6
Total equity		**68.6**	106.7

* Adoption of IAS 19 (Revised 2011) 'Employee Benefits'.

The financial statements on pages 37 to 78 were approved by the Board of Directors on 9 September 2014 and were signed on its behalf by:

Chris Bull
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2014

	Note	2014 £m	Re-presented* 2013 £m
Operating activities			
(Loss)/profit before tax		**(21.3)**	9.0
Net finance costs	9	**7.4**	6.0
Exceptional items	5	**34.5**	7.5
Share-based payments	24	**–**	0.1
Depreciation of property, plant and equipment	15	**23.5**	23.9
Amortisation of intangible assets	14	**1.4**	1.1
Operating cash flow before changes in working capital		**45.5**	47.6
(Increase)/decrease in receivables		**(3.2)**	2.7
Decrease/(Increase) in inventories		**15.3**	(10.3)
(Decrease)/increase in payables		**(14.9)**	1.1
Operating cash flow after changes in working capital		**42.7**	41.1
Additional cash funding of pension schemes		**(2.1)**	(1.8)
Cash generated from operations before exceptional items		**40.6**	39.3
Cash outflow in respect of exceptional items		**(4.2)**	(8.4)
Cash generated from operations		**36.4**	30.9
Interest paid		**(5.6)**	(4.3)
Taxation paid		**(8.3)**	(1.4)
Net cash from operating activities		**22.5**	25.2
Investing activities			
Proceeds from sale of non-current assets		**0.5**	0.4
Purchase of property, plant and equipment		**(18.2)**	(15.0)
Purchase of intangible assets	14	**(0.6)**	(1.2)
Acquisition of subsidiaries	3	**–**	(0.5)
Settlement of derivatives used in net investment hedges		**1.3**	(2.0)
Net cash used in investing activities		**(17.0)**	(18.3)
Financing activities			
Redemption of B Shares	12	**(8.9)**	(8.7)
Drawdown of bank loans		**134.7**	85.7
Repayment of bank loans		**(87.6)**	(99.5)
Capital element of finance lease rentals		**–**	(0.1)
Net cash generated from/(used in) financing activities		**38.2**	(22.6)
Increase/(decrease) in net cash and cash equivalents		**43.7**	(15.7)
Net cash and cash equivalents at the start of the year		**(8.3)**	7.6
Currency translation differences		**(0.5)**	(0.2)
Net cash and cash equivalents at the end of the year		**34.9**	(8.3)
Net cash and cash equivalents comprise:			
Cash and cash equivalents		**35.3**	–
Overdrafts		**(0.4)**	(8.3)
Net cash and cash equivalents at the end of the year		**34.9**	(8.3)

* Adoption of IAS 19 (Revised 2011) 'Employee Benefits'.

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

for the year ended 30 June 2014

	Note	2014 £m	Re-presented* 2013 £m
Increase/(decrease) in net cash and cash equivalents		**43.7**	(15.7)
Net (drawndown)/repayment of bank loans		**(47.1)**	13.8
Capital element of finance lease rentals		**–**	0.1
Change in net debt resulting from cash flows		**(3.4)**	(1.8)
Currency translation differences		**5.5**	(3.8)
Movement in net debt in the year		**2.1**	(5.6)
Net debt at the beginning of the year		**(86.8)**	(81.2)
Net debt at the end of the year	22	**(84.7)**	(86.8)

* Adoption of IAS 19 (Revised 2011) 'Employee Benefits'.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	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 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	–	–	–	–	–	5.5	5.5	–	5.5
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
Gain on net investment hedges	–	–	–	(4.7)	–	–	(4.7)	–	(4.7)
Gain on cash flow hedges in the year	–	–	0.4	–	–	–	0.4	–	0.4
Gain 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	–	–	–	–	–	(7.2)	(7.2)	–	(7.2)
Taxation relating to item above	–	–	–	–	–	1.4	1.4	–	1.4
	–	–	–	–	–	(5.8)	(5.8)	–	(5.8)
Total other comprehensive income/(expense)	–	–	2.1	0.8	–	(5.8)	(2.9)	–	(2.9)
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
Year ended 30 June 2014									
Loss for the year	–	–	–	–	–	(19.1)	(19.1)	–	(19.1)
Other comprehensive (expense)/income									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	–	–	–	(10.7)	–	–	(10.7)	–	(10.7)
Gain on net investment hedges	–	–	–	10.3	–	–	10.3	–	10.3
Loss on cash flow hedges in the year	–	–	(4.6)	–	–	–	(4.6)	–	(4.6)
Loss on cash flow hedges transferred to profit or loss	–	–	(0.3)	–	–	–	(0.3)	–	(0.3)
Taxation relating to items above	–	–	0.5	–	–	–	0.5	–	0.5
	–	–	(4.4)	(0.4)	–	–	(4.8)	–	(4.8)
Items that will not be reclassified to profit or loss:									
Net actuarial loss on post-employment benefits	–	–	–	–	–	(5.2)	(5.2)	–	(5.2)
Taxation relating to item above	–	–	–	–	–	0.1	0.1	–	0.1
	–	–	–	–	–	(5.1)	(5.1)	–	(5.1)
Total other comprehensive expense	–	–	(4.4)	(0.4)	–	(5.1)	(9.9)	–	(9.9)
Total comprehensive expense	–	–	(4.4)	(0.4)	–	(24.2)	(29.0)	–	(29.0)
Transactions with owners of the Company									
Issue of B Shares	–	(9.1)	–	–	–	–	(9.1)	–	(9.1)
Redemption of B Shares	–	–	–	–	8.9	(8.9)	–	–	–
At 30 June 2014	**18.3**	**111.5**	**(5.8)**	**(1.1)**	**33.4**	**(88.3)**	**68.0**	**0.6**	**68.6**

At 30 June 2014, the accumulated loss included a deduction of £0.8 million (2013: £0.8m) for the cost of own shares held in relation to employee share schemes. Further information on own shares is presented in note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2014

1. Basis of preparation

Description of business

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

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

Segmental reporting

The Group continues to be managed on a functional basis (Commercial, Supply Chain and R&D). 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.

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 2014 ('2014') with comparative amounts for the year ended 30 June 2013 ('2013').

Basis of accounting

The consolidated financial statements on pages 37 to 78 have been prepared on the going concern basis in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, IFRS Committee Interpretations and those parts of the Companies Act 2006 ('the Act') 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, financial assets and liabilities (derivative financial instruments) at fair value through profit or loss and assets held for sale.

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

Going concern

For the reasons set out on page 31, the Directors have adopted the going concern basis in preparing the Company'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 2014, the carrying amount of long-lived assets was £26.3 million (2013: £34.1m). If cash flow or discount rate assumptions were to change, further impairment losses may be recognised in the next financial year.

During the year, an impairment of £20.7 million was recognised in relation to property, plant and equipment and spares, including £6.4 million in relation to the goodwill allocated to the UK Air Care business.

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

(iv) Contingent consideration

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

At 30 June 2014, the Group recognised contingent consideration payable of £0.4 million as described in note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

1. Basis of preparation continued

Critical accounting judgements and estimates continued

(v) Pensions and other post-employment benefits

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

At 30 June 2014, the present value of defined benefit obligations was £123.0 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 2014, the fair value of the scheme assets was £92.6 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 and the expected return on the scheme's assets are classified as actuarial gains and losses and are recognised in other comprehensive income. During 2014, the Group recognised a net actuarial loss of £5.2 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 the defined benefit scheme that will be recognised in profit or loss in the next financial year and the sensitivity of the benefit obligation to key assumptions is presented in note 23.

(vi) Provisions

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

At 30 June 2014, the Group held provisions amounting to £11.4 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 2014, the Group recognised deferred tax assets of £14.1 million, including £2.4 million in respect of tax losses and tax credits. Deferred tax assets amounting to £9.9 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 2014, deferred tax liabilities were not recognised on retained profits of foreign subsidiaries because the Group is able to control the remittance of those profits to the UK and it is probable that they will not be remitted in the foreseeable future. Income tax may be payable on those profits if circumstances change and their remittance to the UK can no longer be controlled by the Group or they are actually remitted to the UK.

Use of adjusted measures

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

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.

1. Basis of preparation continued

Use of adjusted measures continued

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 accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2013, except for:

- IAS 19 (Revised 2011) 'Employee Benefits'
- IFRS 13 'Fair value Measurement'
- Amendments to IAS 12 'Income taxes' on deferred tax
- Amendments to IFRS 7 on Financial instruments asset and liability offsetting
- Annual improvements 2011

Of the above changes to accounting policies, only the adoption of IAS 19 has had a financial effect on the consolidated financial statements for the year ended 30 June 2014. In addition, management have re-presented prior year administration costs to be aligned on a consistent basis with current year in relation to the allocation of engineering costs between direct and indirect.

Adoption of IAS 19 (Revised 2011) 'Employee Benefits'

Amendments to IAS 19, which fully impact the accounting for the Group's defined benefit pension scheme for the first time for the year to 30 June 2014, are reflected within these financial statements. The IAS 19 amendments affect the pensions disclosure as follows:

- Pension scheme administration costs are now charged to operating profit. However, the costs of managing pension scheme assets continue to be deducted in arriving at the actual return on the scheme assets.
- The Group's consolidated income statement now reflects a net interest cost, calculated by applying the discount rate used to measure the benefit obligation to the net deficit on the scheme as at the beginning of the year.

Essentially, therefore, in the Group's income statement the expected return on the scheme assets has been replaced by an interest credit. Differences between the actual return on the scheme assets and the interest credit are recognised on a separate line in other comprehensive income.

The combined impact of the amendments to IAS 19 has been to increase the income statement cost of the Group's defined benefit pension scheme for the year ended 30 June 2013 as follows:

- Pension scheme administration costs are now charged to administrative costs amounting to £0.4 million;
- Net interest cost increased by £0.1 million; and
- Offset by taxation relating to the above items.

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 2014 are set out on page 87.

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

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

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

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

Business combinations

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

Business combinations are accounted for using the acquisition method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 30 June 2014

2. Principal accounting policies continued

Business combinations continued

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 and functional currency is Sterling.

On consolidation, the results of foreign operations are translated into Sterling at the average exchange rate for the period and their assets and liabilities are translated into Sterling at the exchange rate ruling at the balance sheet date. Currency translation differences arising on consolidation are recognised in other comprehensive income and taken to the currency translation reserve.

In the event that a foreign operation is sold, the gain or loss on disposal recognised in profit or loss is determined after taking into account the cumulative currency translation differences arising on consolidation of the operation subsequent to the adoption of IFRSs.

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

Revenue

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

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

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

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

Interest income is accrued using the effective interest method.

2. Principal accounting policies continued

Exceptional items

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

Borrowing costs

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

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

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

Goodwill

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

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

Goodwill is carried at cost less any recognised impairment losses.

Other intangible assets

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

(i) Assets acquired in business combinations

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

Patents, brands and trade marks	– up to 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 it is incurred.

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

(iii) Computer software

Computer software and software licences are recognised as intangible assets measured at cost and are amortised on a straight-line basis over their expected useful lives, which are in the range 3 to 5 years.

Property, plant and equipment

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

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

Freehold buildings	– 50 years
Leasehold building	– Length of the lease
Plant and equipment	– 3 to 10 years

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

Leased assets

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

Assets held under finance leases are recognised as assets within property, plant and equipment, initially measured at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments, and a corresponding liability is recognised. Subsequently, the assets are depreciated over 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 30 June 2014

2. Principal accounting policies continued

Impairment of non-financial assets continued

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

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

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

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

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

Assets held for sale

Non-current assets are classified as held for sale if it is expected that their carrying amount will be recovered by sale rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its current condition and the sale must be expected to be completed within 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 instruments

(i) Trade receivables

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

(ii) Cash and cash equivalents

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

For cash flow purposes, cash and cash equivalents include bank overdrafts.

(iii) Trade payables

Trade payables are initially recognised at fair value and subsequently held at amortised cost.

(iv) Bank and other loans

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

(v) Derivative financial instruments

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

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

2. Principal accounting policies continued

Financial instruments continued

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

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

(vi) Offsetting financial instruments

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

Hedge accounting

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

When hedge accounting is used, the hedging relationship is classified as a cash flow hedge, a net investment hedge or a fair value hedge.

(i) Cash flow hedge

Hedging relationships are classified as cash flow hedges where the hedging instrument hedges exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability (such as interest payments on variable rate debt), a highly probable forecast transaction (such as forecast 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

2. Principal accounting policies continued

Pensions and other post-employment benefits continued

(ii) Defined benefit schemes

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

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

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

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

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

Share-based payments

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

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

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

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

Provisions

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

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

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

Taxation

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

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

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

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

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

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

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

Payments to shareholders

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

Own shares

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

Accounting standards issued but not yet adopted

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

- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- Amendments to IAS 32 Financial Instruments Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36 Recoverable Amounts Disclosure for Non-Financial Assets
- IFRS 9 Financial Instruments (replacement of IAS 19)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IFRS 15 Revenue from Contracts with Customers

3. Acquisitions

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:

	2014 £m	2013 £m
At 1 July	**5.6**	4.1
Consideration paid	**–**	(0.5)
Charged to profit or loss:		
Change in estimate (see note 5)	**(4.7)**	1.6
Unwind of discount	**0.2**	0.3
Currency translation differences	**(0.7)**	0.1
At 30 June	**0.4**	5.6

Estimated contingent consideration payable is classified as follows:

	2014 £m	2013 £m
Current	**–**	–
Non-current:		
Between two and five years	**0.4**	5.6
Total	**0.4**	5.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

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 exceptional items.

Analysis by reportable segment

	2014					
	UK £m	Western Europe £m	Rest of the World £m	Total segments £m	Corporate £m	Total Group £m
Segment revenue	**259.0**	**419.5**	**65.7**	**744.2**	**–**	**744.2**
Adjusted operating profit	**4.2**	**19.8**	**4.2**	**28.2**	**(6.2)**	**22.0**
Adjusted for:						
Amortisation of intangible assets	**(1.2)**	**–**	**(0.2)**	**(1.4)**	**–**	**(1.4)**
Exceptional items (see note 5)	**(27.6)**	**(3.8)**	**(0.6)**	**(32.0)**	**(2.5)**	**(34.5)**
Operating (loss)/profit	**(24.6)**	**16.0**	**3.4**	**(5.2)**	**(8.7)**	**(13.9)**
Net finance costs						**(7.4)**
Loss before taxation						**(21.3)**
Segment assets	162.1	229.0	35.7	426.8	2.9	429.7
Segment liabilities(1)	(120.1)	(145.0)	(14.2)	(279.3)	(81.8)	(361.1)
Assets held for sale	–	1.2	–	1.2	–	1.2
Capital expenditure(2)	6.7	6.7	6.0	19.4	–	19.4
Amortisation and depreciation	9.6	13.6	1.7	24.9	–	24.9

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

	Re-presented* 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	14.5	14.3	2.0	30.8	(7.2)	23.6
Amortisation of intangible assets	(1.0)	–	(0.1)	(1.1)	–	(1.1)
Exceptional items (see note 5)	(1.3)	(0.8)	(1.7)	(3.8)	(3.7)	(7.5)
Operating profit/(loss)	12.2	13.5	0.2	25.9	(10.9)	15.0
Net finance costs						(6.0)
Profit before taxation						9.0
Segment assets	163.4	231.2	51.0	445.6	0.2	445.8
Segment liabilities(1)	(105.3)	(149.9)	(16.1)	(271.3)	(67.8)	(339.1)
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.

* Adoption of IAS 19 (Revised 2011) 'Employee Benefits'.

4. Segment information continued

Geographical information

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

	2014 £m	2013 £m
UK	**239.2**	271.1
Western Europe	**420.1**	408.0
Rest of the World	**84.9**	82.3
Total revenue	**744.2**	761.4

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

	2014 £m	2013 £m
UK	**64.5**	85.7
Western Europe	**90.7**	103.1
Rest of the World	**15.0**	19.6
Total non-current assets	**170.2**	208.4

Revenue by major customer

In 2014 and 2013, no individual customer provided more than 10% of the Group's revenue.

5. Exceptional items

Analysis of exceptional items

	2014 £m	2013 £m
Reorganisation and restructuring costs:		
– Functional reorganisation	**(2.6)**	(3.0)
– Supply chain restructuring	**–**	(0.7)
– UK restructuring	**(7.9)**	–
	(10.5)	(3.7)
Impairment of long-lived assets and inventory:		
– Etain, France	**–**	(2.2)
– Brno, Czech Republic	**(4.9)**	–
– Head Office	**(0.4)**	–
– UK restructuring	**(20.7)**	–
	(26.0)	(2.2)
Environmental remediation	**(2.5)**	–
Classification, labelling and packaging (CLP)	**(0.2)**	–
Change in contingent consideration (note 3)	**4.7**	(1.6)
Total charged to operating profit	**(34.5)**	(7.5)

During 2014, the Group recognised further exceptional costs of £2.6 million (2013: £3.0m) in relation to the creation of a functional structure with centralised support services, comprising project management and consultancy costs.

Also during the year, the Group recognised costs with regards to UK restructuring following the strategic review of the UK business as follows:

- £7.9 million in relation to redundancies, legal and consultancy costs
- £20.7 million in relation to the impairment of property, plant and equipment and spares, including £6.4 million in relation to the goodwill allocated to its Air Care business.

As discussed in note 15, the Group recognised a £4.9 million impairment charge on property, plant and equipment in relation to its Skincare business at Brno, Czech Republic, which is materially offset by the change in contingent consideration payable on the Dermacol acquisition of £4.7 million. In addition, Head Office assets were impaired by £0.4 million, as the Group rationalised Head Office functions to Manchester.

Further exceptional costs have been incurred of £2.5 million in relation to a long-term environmental remediation plan at a site in Belgium and initial incremental costs of £0.2 million incurred with regards to CLP. Further exceptional costs will be incurred in the forthcoming year with regards to CLP.

In the prior year, £0.7 million was charged to complete the rationalisation of its supply chain in Western Europe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

6. Employee information

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

	2014 Number	2013 Number
Manufacturing	**4,113**	4,119
Sales, general and administration	**713**	779
	4,826	4,898

Aggregate payroll costs were as follows:

	2014 £m	2013 £m
Wages and salaries	**119.0**	115.7
Share-based payments	**–**	0.1
Social security costs	**25.2**	26.4
Other pension costs	**3.5**	2.7
	147.7	144.9

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

7. Auditors' remuneration

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

	2014 £m	2013 £m
Audit fees:		
Audit of the Company's accounts	**0.1**	0.1
Other services:		
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 PwC in respect of the audit of the Company's individual financial statements and the Group's consolidated financial statements. Non audit fees payable to PwC in relation to other advisory services amounted to £28k (2013: £14k).

8. Operating (loss)/profit

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

	2014 £m	2013 £m
Cost of inventories (included in cost of sales)	**415.4**	451.5
Employee costs (see note 6)	**147.7**	144.9
Amortisation of intangible assets (see note 14)	**1.4**	1.1
Depreciation of property, plant and equipment (see note 15)	**23.5**	23.9
Impairment:		
Goodwill (see note 13)	**6.4**	2.2
Property, plant and equipment (see note 15)	**17.8**	–
Inventories (see note 16)	**1.8**	0.6
Trade receivables (see note 17)	**1.4**	5.3
Rentals payable under operating leases	**5.0**	4.4
Research and development costs not capitalised	**9.3**	9.5
Net foreign exchange (gains)/losses	**(0.3)**	0.3

9. Net finance costs

	2014 £m	Re-presented* 2013 £m
Finance costs		
Interest on bank loans and overdrafts	**3.6**	2.1
Loss on interest rate swaps transferred to profit or loss	**0.4**	1.6
Interest differentials on net investment hedges	**0.3**	0.3
Unwind of discount on contingent consideration (see note 3)	**0.2**	0.3
Amortisation of facility fees	**0.7**	0.3
Non utilisation fees	**0.6**	0.4
Finance lease interest	**0.1**	–
Premium on average rate options	**0.4**	0.3
	6.3	5.3
Post-employment benefits:		
Net interest cost on defined benefit obligation (see note 23)	**1.1**	0.8
Total finance costs	**7.4**	6.1
Finance income		
Interest on cash and cash equivalents	**–**	(0.1)
Net finance costs	**7.4**	6.0

* Adoption of IAS 19 (Revised 2011) 'Employee Benefits'.

During the year, the Group renegotiated its Revolving Credit Facility (RCF). The remaining unamortised costs associated with the previous RCF amounting to £0.4 million have been charged to finance costs. Costs relating to the new RCF and two new US Private Placements will be amortised over the life of the facilities.

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

10. Taxation

Income tax expense

	2014			2013		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Current tax expense:						
Current year	**–**	**6.4**	**6.4**	0.1	6.4	6.5
Adjustment for prior years	**–**	**0.1**	**0.1**	0.3	(0.3)	–
	–	**6.5**	**6.5**	0.4	6.1	6.5
Deferred tax expense:						
Origination and reversal of temporary differences	**(8.0)**	**(0.2)**	**(8.2)**	(1.2)	(1.1)	(2.3)
Adjustment for prior years	**(0.5)**	**0.2**	**(0.3)**	(0.4)	–	(0.4)
Impact of change in tax rate	**–**	**(0.2)**	**(0.2)**	(0.3)	–	(0.3)
	(8.5)	**(0.2)**	**(8.7)**	(1.9)	(1.1)	(3.0)
Income tax (credit)/expense	**(8.5)**	**6.3**	**(2.2)**	(1.5)	5.0	3.5

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10. Taxation continued

Reconciliation to UK statutory tax rate

The total tax (credit)/charge on the Group's (loss)/profit before tax for the year differs from the theoretical amount that would be charged at the UK standard rate of corporation tax for the following reasons:

	2014 £m	2013 £m
(Loss)/profit before tax	**(21.3)**	9.0
(Loss)/profit before tax multiplied by the UK corporation tax rate of 22.5% (2013: 23.75%)	**(4.8)**	2.1
Effect of tax rates in foreign jurisdictions	**1.6**	1.4
Non-deductible expenses	**0.5**	2.4
Tax incentives/non taxable income	**(1.0)**	(1.5)
Utilisation of tax losses	**–**	(0.1)
Tax losses for which no deferred tax recognised	**1.2**	–
Change in tax rate	**(0.2)**	(0.3)
Other differences	**0.8**	(0.1)
Under/(over) provision in prior years	**(0.3)**	(0.4)
Total tax (credit)/expense in profit or loss	**(2.2)**	3.5

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

To the extent that dividends remitted from overseas affiliates are expected to result in additional taxes, these amounts have been provided for. No deferred tax has been recognised in respect of timing differences associated with the unremitted earnings of overseas subsidiaries as these are considered permanently employed in the business of these companies. Unremitted earnings may be liable to overseas taxes and/or UK taxation (after allowing for double tax relief) if distributed as dividends. The aggregate amount of temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities have not been recognised totalled approximately £4.1 million at 30 June 2014.

The main rate of UK corporation tax was reduced from 23% to 21% with effect from 1 April 2014. The Group's effective UK corporation tax rate for the year was, therefore, 22.5% (2013: 23.75%).

Factors affecting future tax charges

The main rate of UK corporation tax will reduce further to 20% with effect from 1 April 2015. UK deferred tax expected to reverse in the year to June 2015 has been measured using the effective rate of 20.75% expected to apply in this period. UK deferred tax expected to reverse beyond June 2015 has been measured using the effective rate of 20%.

Tax on items recognised in other comprehensive income

	2014 £m	2013 £m
Items that may be reclassified to profit or loss:		
Gain/(loss) on cash flow hedges in the year	**(0.5)**	0.1
Loss on cash flow hedges transferred to profit or loss	**–**	0.6
	(0.5)	0.7
Items that will not be transferred to profit or loss:		
Net actuarial loss on post-employment benefits:		
Deferred tax	**(0.1)**	(1.4)
Total tax credit in other comprehensive income	**(0.6)**	(0.7)

Tax on items recognised directly in equity

	2014 £m	2013 £m
Tax expense on share-based payments	**–**	0.1

10. Taxation continued

Deferred tax

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

	Accelerated tax depreciation £m	Intangible assets £m	Share-based payments £m	Tax losses £m	Retirement benefit obligations £m	Surplus ACT £m	Other £m	Total £m
At 30 June 2012	(14.0)	(3.6)	0.1	0.8	4.3	4.1	2.1	(6.2)
Credit/(charge) to income statement	1.7	(0.2)	–	1.3	–	–	(0.1)	2.7
Credit/(charge) to other comprehensive income	–	–	–	–	1.2	–	(0.7)	0.5
Charge to equity	–	–	(0.1)	–	–	–	–	(0.1)
Effect of the change in tax rate	–	0.2	–	–	0.1	–	–	0.3
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)
Credit/(charge) to profit or loss	5.3	1.4	–	0.4	(0.2)	–	1.6	8.5
Credit to other comprehensive income	–	–	–	–	0.1	–	0.5	0.6
Charge to equity	–	–	–	–	–	–	–	–
Effect of the change in tax rate	(0.2)	0.4	–	–	0.3	–	(0.3)	0.2
Exchange movements	0.8	(0.1)	–	(0.2)	–	–	–	0.5
At 30 June 2014	**(7.1)**	**(1.8)**	**–**	**2.4**	**5.8**	**4.1**	**3.1**	**6.5**

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

	2014 £m	2013 £m
Deferred tax assets	**14.1**	5.5
Deferred tax liabilities	**(7.6)**	(8.8)
	6.5	(3.3)

Deferred tax assets have increased due to the recognition of asset impairments and provisions which have a tax impact in later accounting periods.

Unrecognised deferred tax assets

At 30 June 2014, the Group had unused tax losses of £17.9 million (2013: £11.3m) available for offset against future profits. No deferred tax asset has been recognised in respect of £9.9 million (2013: £4.2m) of these losses due to the unpredictability of future profit streams. The majority of these tax losses arise in tax jurisdictions where they do not expire. However, tax losses of £2.1 million will expire between now and 2018.

No deferred tax asset has been recognised in relation to the remaining surplus ACT of £2.9 million (2013: £2.9m) due to uncertainty as to future ACT capacity.

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for the year ended 30 June 2014

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 0.6 million shares (2013: 0.7 million shares), being the weighted average number of own shares held during the year in relation to employee share schemes.

		2014 £m	Re-presented* 2013 £m
Earnings (£m)	a	**(19.1)**	5.5
Weighted average number of ordinary shares in issue (million)	b	**182.2**	182.4
Basic earnings per share	a/b	**(10.5)p**	3.0p

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

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

		2014 £m	Re-presented* 2013 £m
Weighted average number of ordinary shares in issue (million)		**182.2**	182.4
Effect of dilutive LTIP awards (million)		**–**	0.6
Weighted average number of ordinary shares for calculating diluted earnings per share	c	**182.2**	183.0
Diluted earnings per share	a/c	**(10.5)p**	3.0p

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

		2014 £m	Re-presented* 2013 £m
Earnings for calculating basic and diluted earnings per share		**(19.1)**	5.5
Adjusted for:			
Amortisation of intangible assets (see note 14)		**1.4**	1.1
Exceptional items (see note 5)		**34.5**	7.5
Unwind of discount on contingent consideration (see note 3)		**0.2**	0.3
Taxation relating to the above items		**(7.3)**	(1.1)
Earnings for calculating adjusted earnings per share	d	**9.7**	13.3
Adjusted basic earnings per share	d/b	**5.3p**	7.3p
Adjusted diluted earnings per share	d/c	**5.3p**	7.3p

* Adoption of IAS 19 (Revised 2011) 'Employee Benefits'.

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:

	2014		2013	
	Pence per share	£m	Pence per share	£m
Interim	1.7	3.1	1.7	3.1
Final	3.3	6.0	3.3	6.0
Total for the year	5.0	9.1	5.0	9.1

The proposed final payment in respect of 2014 of 3.3p per ordinary share is subject to approval by shareholders at the Company's 2014 AGM and has therefore not been recognised in these financial statements.

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

	2014		2013	
	Number	Nominal value £m	Number	Nominal value £m
Issued and fully paid				
At 1 July	394,892,632	0.4	495,384,888	0.5
Issued	9,110,465,450	9.1	8,563,369,763	8.6
Redeemed	(8,926,907,163)	(8.9)	(8,663,862,019)	(8.7)
At 30 June	578,450,919	0.6	394,892,632	0.4

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

	2014 £m	2013 £m
Carrying amount		
At 1 July	30.8	32.6
Impairment recognised in the year	(6.4)	(2.2)
Currency translation differences	(0.5)	0.4
At 30 June	23.9	30.8

Goodwill is allocated to CGUs as follows:

	2014 £m	2013 £m
UK		
Household liquids	14.8	14.8
Air Care	–	6.4
Powders	1.2	1.2
	16.0	22.4
Western Europe		
Italy	6.3	6.8
Rest of the World		
CGUs without significant goodwill	1.6	1.6
	23.9	30.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

13. Goodwill continued

Impairment tests carried out during the year

Goodwill is tested for impairment annually at the level of the CGUs to which it is allocated. In each of the tests carried out during 2014, 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 2015 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 Air Care market in the UK and the Household liquids markets in the UK and Italy. The UK Household liquids market is forecast to grow by 1% per annum. In Italy, the market is forecast to be broadly flat.

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.

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 Air Care 10.0%; and the Italian business 13.2%.

Impairment recognised in the year

During 2014, following a strategic review of the UK business, an impairment of £6.4 million was recognised which represented the entire goodwill allocated to the UK Air Care business.

During 2013, an impairment of £2.2 million was recognised at the Group's Household liquid plant at Etain, France.

Possibility of impairment in the near future

With the exception of the Group's UK powder 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 0% per annum and cost inflation will be 2.5% per annum in the forecast period, the impairment test carried out in respect of the UK powder business showed that its value in use exceeded its carrying amount by £5.3 million. An impairment would result if either the sales growth rate was to fall below (1.4%) per annum or cost inflation was to increase above 3.7% 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 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
Additions	–	0.6	–	–	0.6
Currency translation differences	–	–	(0.1)	–	(0.1)
At 30 June 2014	**2.0**	**3.9**	**8.5**	**0.5**	**14.9**
Accumulated amortisation and impairment					
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)
Charge for the year	(0.4)	(0.6)	(0.2)	(0.2)	(1.4)
At 30 June 2014	**(1.9)**	**(1.8)**	**(8.4)**	**(0.4)**	**(12.5)**
Net book value					
At 30 June 2014	**0.1**	**2.1**	**0.1**	**0.1**	**2.4**
At 30 June 2013	0.5	2.1	0.4	0.3	3.3

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for the year ended 30 June 2014

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 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
Additions	0.5	11.3	7.1	18.9
Disposals	(0.4)	(0.7)	(0.4)	(1.5)
Currency translation differences	(5.1)	(13.8)	–	(18.9)
At 30 June 2014	**100.9**	**405.5**	**11.1**	**517.5**
Accumulated depreciation and impairment				
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)
Charge for the year	(2.3)	(21.2)	–	(23.5)
Impairment recognised in the year	(4.9)	(12.9)	–	(17.8)
Disposals	0.3	0.7	–	1.0
Currency translation differences	1.5	10.1	–	11.6
At 30 June 2014	**(40.7)**	**(333.4)**	**–**	**(374.1)**
Net book value				
At 30 June 2014	**60.2**	**72.1**	**11.1**	**143.4**
At 30 June 2013	70.6	98.6	4.4	173.6

The impairment recognised in the year relates to Brno, Czech Republic and UK amounting to £4.9 million and £12.9 million respectively.

At 30 June 2014, land and buildings with a carrying amount of £2.4 million (2013: £2.5m) were secured in relation to bank and other loans.

Net book value of assets held under finance leases:

	2014 £m	2013 £m
Land and buildings	**3.7**	3.3
Plant and equipment	**1.3**	1.7
	5.0	5.0

16. Inventories

	2014 £m	2013 £m
Raw materials, packaging and consumables	**37.3**	41.5
Finished goods and goods for resale	**29.3**	43.7
	66.6	85.2

Inventories are stated net of an allowance of £4.3 million (2013: £5.2m) in respect of excess, obsolete or slow-moving items. Movements in the allowance were as follows:

	2014 £m	2013 £m
At 1 July	**(5.2)**	(5.4)
Utilisation	**2.9**	1.0
Charged to profit or loss	**(1.8)**	(0.6)
Currency translation differences	**(0.2)**	(0.2)
At 30 June	**(4.3)**	(5.2)

17. Trade and other receivables

	2014 £m	2013 £m
Trade receivables	**133.8**	138.4
Other receivables	**4.4**	3.2
Prepayments and accrued income	**4.3**	2.9
Total receivables	**142.5**	144.5

Trade receivables amounting to £32.3 million (2013: £28.2m) 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:

	2014 £m	2013 £m
Amounts neither past due nor impaired	**130.6**	133.7
Amounts past due but not impaired:		
Less than one month	**0.9**	1.7
Between one and three months	**1.2**	1.0
Between three and six months	**0.3**	0.6
Over six months	**0.8**	1.4
	3.2	4.7
Amounts impaired:		
Total amounts that have been impaired	**1.8**	1.7
Allowance for doubtful debts	**(1.8)**	(1.7)
	–	–
Total trade receivables	**133.8**	138.4

Movements in the allowance for doubtful debts were as follows:

	2014 £m	2013 £m
At 1 July	**1.7**	1.3
Charged to profit or loss	**1.4**	5.3
Utilisation	**(1.2)**	(4.9)
Currency translation differences	**(0.1)**	–
At 30 June	**1.8**	1.7

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

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18. Assets held for sale

At 30 June 2014, assets held for sale amounting to £1.2 million (2013: £1.3m) comprised freehold land and buildings at the Group's former manufacturing site at Solaro in Italy.

19. Trade and other payables

	2014 £m	2013 £m
Current liabilities		
Trade payables	**136.0**	155.4
Taxation and social security	**16.9**	16.7
Other payables	**12.5**	13.2
Accrued expenses	**12.0**	9.2
Deferred income	**2.2**	3.0
B Shares (see note 12)	**0.6**	0.4
	180.2	197.9
Non-current liabilities		
Contingent consideration (see note 3)	**0.4**	5.6
	180.6	203.5

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:

	2014			2013		
	Current liabilities £m	Non-current liabilities £m	Total liabilities £m	Current liabilities £m	Non-current liabilities £m	Total liabilities £m
Overdrafts	**0.4**	**–**	**0.4**	8.3	–	8.3
Bank and other loans:						
Unsecured loans[(1)]	**–**	**84.9**	**84.9**	0.3	47.1	47.4
Secured loans	**0.2**	**1.9**	**2.1**	–	2.6	2.6
Invoice discounting facilities (see note 21)	**32.3**	**–**	**32.3**	28.2	–	28.2
	32.5	**86.8**	**119.3**	28.5	49.7	78.2
Finance lease liabilities	**0.2**	**0.1**	**0.3**	0.2	0.1	0.3
	33.1	**86.9**	**120.0**	37.0	49.8	86.8

(1) Includes two US private placements amounting to £52.8 million (2013: £nil).

Bank and other loans are repayable as follows:

	2014 £m	2013 £m
Within one year	**32.5**	28.5
Between one and two years	**0.3**	47.4
Between two and five years	**32.9**	0.9
More than five years	**53.6**	1.4
Total repayable	**119.3**	78.2

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

Amounts payable under finance leases are as follows:

	2014 £m	2013 £m
	Present value £m	Present value £m
Within one year	**0.2**	0.2
Between one and five years	**0.1**	0.1
	0.3	0.3

At 30 June 2014 and 30 June 2013, future finance charges were less than £0.1 million.

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 Chief Finance Officer's review on pages 26 and 27 of the Strategic Report.

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

Financial assets and financial liabilities

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 2014						
Financial assets						
Trade receivables	133.8	–	–	–	133.8	133.8
Other receivables	4.4	–	–	–	4.4	4.4
Cash and cash equivalents	35.3	–	–	–	35.3	35.3
	173.5	–	–	–	173.5	173.5
Financial assets held at fair value						
Derivative financial instruments (Level 2)						
– Forward currency contracts	–	–	0.2	–	0.2	0.2
– Interest rate caps	–	–	–	–	–	–
	–	–	0.2	–	0.2	0.2
Total financial assets	173.5	–	0.2	–	173.7	173.7
Financial liabilities						
Trade payables	–	(136.0)	–	–	(136.0)	(136.0)
Other payables	–	(12.5)	–	–	(12.5)	(12.5)
Accrued expenses	–	(12.0)	–	–	(12.0)	(12.0)
Unredeemed B Shares	–	(0.6)	–	–	(0.6)	(0.6)
Bank overdrafts	–	(0.4)	–	–	(0.4)	(0.4)
Bank and other loans	–	(119.3)	–	–	(119.3)	(119.3)
Obligations under finance leases	–	(0.3)	–	–	(0.3)	(0.3)
	–	(281.1)	–	–	(281.1)	(281.1)
Financial liabilities held at fair value						
Derivative financial instruments (Level 2)						
– Forward currency contracts	–	–	(3.5)	–	(3.5)	(3.5)
– Interest rate swaps	–	–	(1.2)	–	(1.2)	(1.2)
	–	–	(4.7)	–	(4.7)	(4.7)
Contingent consideration (Level 3)	–	–	–	(0.4)	(0.4)	(0.4)
	–	–	(4.7)	(0.4)	(5.1)	(5.1)
Total financial liabilities	–	(281.1)	(4.7)	(0.4)	(286.2)	(286.2)
Total	173.5	(281.1)	(4.5)	(0.4)	(112.5)	(112.5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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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 2013						
Financial assets						
Trade receivables	138.4	–	–	–	138.4	138.4
Other receivables	3.2	–	–	–	3.2	3.2
	141.6	–	–	–	141.6	141.6
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	141.6	–	1.0	–	142.6	142.6
Financial liabilities						
Trade payables	–	(155.4)	–	–	(155.4)	(155.4)
Other payables	–	(13.2)	–	–	(13.2)	(13.2)
Accrued expenses	–	(9.2)	–	–	(9.2)	(9.2)
Unredeemed B Shares	–	(0.4)	–	–	(0.4)	(0.4)
Bank overdrafts	–	(8.3)	–	–	(8.3)	(8.3)
Bank and other loans	–	(78.2)	–	–	(78.2)	(78.2)
Obligations under finance leases	–	(0.3)	–	–	(0.3)	(0.3)
	–	(265.0)	–	–	(265.0)	(265.0)
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	–	(265.0)	(2.2)	(5.6)	(272.8)	(272.8)
Total	141.6	(265.0)	(1.2)	(5.6)	(130.2)	(130.2)

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.

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

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

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

21. Financial risk management continued

Credit risk continued

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 2014, the majority of trade receivables were due from major retailers in the UK and Western Europe.

At 30 June 2014, the Group's maximum exposure to credit risk was as follows (there was no significant concentration of credit risk):

	2014 £m	2013 £m
Trade and other receivables:		
– Trade receivables	**133.8**	138.4
– Other receivables	**4.4**	3.2
– Derivative financial instruments	**0.2**	1.0
	138.4	142.6
Cash and cash equivalents	**35.3**	–
	173.7	142.6

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.

During the year, the Group concluded the refinancing of the Groups banking facilities.

The Group has an unsecured €140 million revolving credit facility that is committed until April 2019. At 30 June 2014, the amount undrawn on the facility was €100.0 million (2013: €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 2014, the Debt Cover ratio was 1.21:1 and the Interest Cover ratio was 10.7:1. 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 also negotiated two US Private Placements (USPP) with major US financial institutions. These loans denominated in US Dollars, repayable in a single instalment at maturity and carrying a fixed rate of interest. The first USPP, for $50 million, matures in November 2020, the second, for $40 million, matures in April 2022. Both loan obligations have been swapped into Euro fixed rate liabilities in order to affect the Group's Euro assets.

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

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for the year ended 30 June 2014

21. Financial risk management continued
Liquidity risk continued
At 30 June 2014, the carrying amount of trade receivables eligible for transfer and the amounts borrowed under the facility were as follows:

	2014 £m	2013 £m
Trade receivables available	**49.0**	43.5
Amount borrowed	**(32.3)**	(28.2)
Amount undrawn	**16.7**	15.3

The Group also has access to uncommitted working capital facilities amounting to £46.6 million (2013: £49.8m). At 30 June 2014 £0.4 million (2013: £8.3m) 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 2014							
Bank overdrafts	**(0.4)**	**–**	**–**	**–**	**–**	**–**	**(0.4)**
Bank and other loans:							
– Principal	**(32.5)**	**(0.3)**	**(0.3)**	**(0.3)**	**(32.3)**	**(53.6)**	**(119.3)**
– Interest payments	**(3.3)**	**(3.3)**	**(3.3)**	**(3.3)**	**(3.3)**	**(7.2)**	**(23.7)**
Finance lease obligations	**(0.2)**	**(0.1)**	**–**	**–**	**–**	**–**	**(0.3)**
Other liabilities	**(161.1)**	**–**	**–**	**–**	**–**	**–**	**(161.1)**
Cash flows on non-derivative liabilities	**(197.5)**	**(3.7)**	**(3.6)**	**(3.6)**	**(35.6)**	**(60.8)**	**(304.8)**
Cash flows on derivative liabilities							
– Payments	**(4.5)**	**(7.2)**	**(2.9)**	**(2.9)**	**(2.9)**	**(6.3)**	**(26.7)**
Cash flows on financial liabilities	**(202.0)**	**(10.9)**	**(6.5)**	**(6.5)**	**(38.5)**	**(67.1)**	**(331.5)**
Cash flows on related derivative assets							
– Receipts	**3.5**	**3.3**	**3.2**	**3.2**	**3.2**	**7.1**	**23.5**
	(198.5)	**(7.6)**	**(3.3)**	**(3.3)**	**(35.3)**	**(60.0)**	**(308.0)**

	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	(8.3)	–	–	–	–	–	(8.3)
Bank and other loans:							
– Principal	(28.5)	(47.4)	(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	(216.5)	(48.4)	(0.4)	(0.4)	(0.4)	(1.5)	(267.6)
Cash flows on derivative liabilities							
– Payments	(1.4)	(0.8)	(0.5)	–	–	–	(2.7)
Cash flows on financial liabilities	(217.9)	(49.2)	(0.9)	(0.4)	(0.4)	(1.5)	(270.3)
Cash flows on derivative assets							
– Receipts	0.9	–	–	–	–	–	0.9
	(217.0)	(49.2)	(0.9)	(0.4)	(0.4)	(1.5)	(269.4)

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:

	2014				2013			
	Euro £m	Sterling £m	Other currencies £m	Total £m	Euro £m	Sterling £m	Other currencies £m	Total £m
Floating rate								
Bank overdrafts	**(0.3)**	**–**	**(0.1)**	**(0.4)**	(10.2)	(0.9)	2.8	(8.3)
Bank and other loans	**(13.7)**	**(20.7)**	**–**	**(34.4)**	(15.4)	(15.7)	–	(31.1)
Cash and cash equivalents	**11.8**	**21.6**	**1.9**	**35.3**	–	–	–	–
	(2.2)	**0.9**	**1.8**	**0.5**	(25.6)	(16.6)	2.8	(39.4)
Fixed rate								
Bank and other loans	**(84.9)**	**–**	**–**	**(84.9)**	(47.1)	–	–	(47.1)
Finance lease obligations	**–**	**–**	**(0.3)**	**(0.3)**	–	–	(0.3)	(0.3)
	(84.9)	**–**	**(0.3)**	**(85.2)**	(47.1)	–	(0.3)	(47.4)
	(87.1)	**0.9**	**1.5**	**(84.7)**	(72.7)	(16.6)	2.5	(86.8)

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 2014, the weighted average interest rate payable on bank and other loans was 4.5% (2013: 2.3%). At 30 June 2014, the weighted average interest rate receivable on cash and cash equivalents was 0.1% (2013: 1.1%).

At 30 June 2014, the Group held interest rate swaps that had the effect of fixing the interest payable on £32.1 million (2013: £55m) of its Euro-denominated borrowings at a weighted average rate of 2.84% (2013: 5.22%). As shown in the following table, interest rate swaps with a notional principal amount of £24 million will remain in place during the next financial year and together with interest rate caps with a notional principal amount of £24 million, which cap the maximum rate payable but allows the rate to float below this maximum.

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

Interest rate derivatives held by the Group at 30 June 2014 were as follows:

Maturity	Nature of contract	Notional principal amount € million	Fixed rate payable or capped rate %	Variable rate receivable %
January 2016	**Swap**	**10**	**2.880**	**0.302**
December 2015	**Swap**	**10**	**3.355**	**0.176**
December 2015	**Swap**	**10**	**3.300**	**0.176**
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**
November 2020	**Xccy Swap**	**36.2**	**5.509**	**n/a**
April 2020	**Xccy Swap**	**29.2**	**5.376**	**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 30 June 2014

21. Financial risk management continued

Interest rate risk continued

For accounting purposes, the Group has designated the interest rate swaps, caps and a part of its cross currency interest rate swaps as cash flow hedges. At 30 June 2014, the fair value of the interest rate swaps was £(1.2) million (2013: £(2.0)m), the fair value of the interest rate caps was Nil (2013: £0.1m) and the fair value of the cross currency interest rate swaps was £(2.7) million. During 2014, a loss of £3.6 million (2013: loss of £0.5m) was recognised in other comprehensive income in respect of these derivatives.

On the assumption that a change in market interest rates would be applied to the interest rate exposures that were in existence at the balance sheet date and that designated cash flow hedges are 100% effective, an increase/decrease of 100 basis points in market interest rates would have decreased/increased the Group's profit before tax by Nil (2013: £0.4m).

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 2014, the notional principal amount of outstanding foreign currency contracts (net purchases) that are held to hedge the Group's transaction exposures was £29.6 million (2013: £29.0m). For accounting purposes, the Group has designated the foreign currency contracts as cash flow hedges. At 30 June 2014, the fair value of the contracts was £(0.8) million (2013: £0.6m). During 2014, a loss of £1.0 million (2013: gain of £0.9m) was recognised in other comprehensive income in respect of these contracts.

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. The Group hedges part of the currency exposure on translating the results of its foreign subsidiaries into sterling using average rate options and a part of its cross currency interest rate swaps. This exposure is also mitigated by the natural hedge provided by the interest payable on the Group's foreign currency borrowings. At 30 June 2014, the fair value of the average rate options was £0.2 million.

At 30 June 2014, the Group had designated as net investment hedges £84.9 million (2013: £47.1m) of its Euro-denominated borrowings and 3-month rolling foreign currency forward contracts with a notional principal amount of £18.4 million (2013: £35.6m). During 2014, a gain of £10.3 million (2013: loss of £4.7m) was recognised in other comprehensive income in relation to the net investment hedges.

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

	2014			2013		
	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	**39.4**	**18.0**	**57.4**	52.6	32.6	85.2
Euro	**1.1**	**0.9**	**2.0**	35.1	(18.9)	16.2
Polish Zloty	**15.1**	**(12.5)**	**2.6**	12.1	(9.1)	3.0
Czech Koruna	**1.3**	**(1.5)**	**(0.2)**	2.0	(2.5)	(0.5)
Malaysian Ringgit	**7.1**	**(4.9)**	**2.2**	4.5	(2.1)	2.4
Other	**4.0**	**–**	**4.0**	(0.2)	–	(0.2)
	68.0	**–**	**68.0**	106.1	–	106.1

22. Capital and net debt

The Group's capital comprises total equity and net debt.

The Directors manage the Group's capital to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Directors aim to maintain an efficient capital structure with a relatively conservative level of debt-to-equity gearing so as to ensure continued access to a broad range of financing sources in order to provide sufficient flexibility to pursue commercial opportunities as they arise.

The Group's capital was as follows:

	2014 £m	2013 £m	2012 £m
Total equity	**68.6**	106.7	112.4
Net debt	**84.7**	86.8	81.2
Capital	**153.3**	193.5	193.6

	2014 %	2013 %
Gearing[(1)]	**49**	45

(1) Gearing represents Net debt/Average Capital.

Movements in net debt were as follows:

	At 30 June 2013 £m	Cash flows £m	Currency translation differences £m	**At 30 June 2014 £m**
Cash and cash equivalents	–	35.8	(0.5)	**35.3**
Overdrafts	(8.3)	7.9	–	**(0.4)**
Net cash and cash equivalents	(8.3)	43.7	(0.5)	**34.9**
Bank and other loans	(78.2)	(47.1)	6.0	**(119.3)**
Finance lease liabilities	(0.3)	–	–	**(0.3)**
Net debt	(86.8)	(3.4)	5.5	**(84.7)**

	At 30 June 2012 £m	Cash flows £m	Currency translation differences £m	At 30 June 2013 £m
Cash and cash equivalents	12.4	(12.7)	0.3	–
Overdrafts	(4.8)	(3.0)	(0.5)	(8.3)
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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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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 2014, the Group's post-employment benefit obligations outside the UK amounted to £2.0 million (2013: £1.8m).

Post-employment benefits had the following effect on the Group's results and financial position:

	2014 £m	Re-presented* 2013 £m
Profit or loss		
Operating profit		
Defined contribution schemes		
Contributions payable	**(1.8)**	(1.2)
Defined benefit schemes		
Service cost (net of employee contributions)	**(1.7)**	(1.5)
Net charge to operating (loss)/profit	**(3.5)**	(2.7)
Finance costs		
Net interest cost on defined benefit obligation	**(1.1)**	(0.8)
Net charge to (loss)/profit before tax	**(4.6)**	(3.5)
Other comprehensive income		
Defined benefit schemes		
Net actuarial loss	**(5.2)**	(7.2)
Balance sheet		
Defined benefit obligations		
UK – funded	**(121.0)**	(108.7)
Other – unfunded	**(2.0)**	(1.8)
	(123.0)	(110.5)
Fair value of scheme assets	**92.6**	84.5
Deficit on the schemes	**(30.4)**	(26.0)
Related deferred tax asset	**5.7**	5.6

* Adoption of IAS 19 (Revised 2011) 'Employee Benefits'.

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 Company 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 Company 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 2015.

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 Company on the advice of an independent actuary in accordance with IAS 19 'Employee Benefits', which differ in certain respects from the assumptions made by the Trustee for the purpose of the actuarial valuation.

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

	2014	2013
Discount rate	**4.45%**	4.80%
Inflation rate:		
Retail Prices Index (RPI)	**3.30%**	3.25%
Consumer Prices Index (CPI)	**2.30%**	2.25%
Future salary increases	**2.00%**	2.00%
Revaluation of deferred pensions (in excess of GMP)		
Accrued before 6 April 2009	**2.30%**	2.25%
Accrued on or after 6 April 2009	**2.30%**	2.25%
Increase in pensions in payment (in excess of GMP):		
Accrued before 1 April 2011	**3.30%**	3.25%
Accrued on or after 1 April 2011	**2.35%**	2.35%

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:

	2014	2013
Member retiring in the next year:		
Male	**22.0**	21.9
Female	**23.9**	23.8
Member retiring 20 years from now:		
Male	**22.5**	22.5
Female	**24.6**	24.6

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 2014, the sensitivity of the benefit obligation to changes in the principal assumptions was as follows (assuming in each case that the other assumptions are unchanged):

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/– 0.1%	Decrease by £2.1m	Increase by £2.1m
Inflation rate	+/– 0.1%	Increase by £2.0m	Decrease by £2.0m
Life expectancy	+/– 1 year	Increase by £3.2m	Decrease by £3.2m

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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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 low risk investments that match as closely as practicable the profile of its liabilities. Due to the favourable matching properties exhibited, the Trustee invested in synthetic gilt instruments that will provide returns in line with the yields on UK government bonds. The Trustee maintains a significant portfolio of return-seeking assets that are expected to produce returns in excess of the yield on UK government bonds. The Fund's return-seeking assets continue to be predominantly held within managed funds that are designed to achieve equity-like returns over the long term but with significantly less volatility than would be experienced if the Fund had invested directly in equities.

The Fund holds no investment in securities issued by, nor any property used by, McBride plc or any of its subsidiaries.

The fair value and expected return on the Fund's assets at the end of the year was as follows:

	2014 Fair value £m	2013 Fair value £m	2012 Fair value £m
Return-seeking assets:			
Equities	**40.2**	32.9	32.2
Property	**3.1**	0.1	0.5
Other	**30.6**	27.6	37.1
	73.9	60.6	69.8
Matching assets:			
Bonds	**7.1**	18.1	5.1
Other	**9.1**	5.7	–
	16.2	23.8	5.1
Cash	**2.5**	0.1	3.1
Total	**92.6**	84.5	78.0

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.

All of the Fund's assets are held in pooled funds. They are classified as level 2 instruments, as they are not quoted on any stock exchange, although their value is directly related to the value of the underlying holdings

The expected return on the Fund's assets must be set to be in line with the discount rate used to value the Fund's liabilities. This equates to an expected return over the year of £4.1 million.

The actual return on the Fund's assets during the year was £6.9 million (2013: £6.7m).

(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:

	2014 £m	Re-presented* 2013 £m
At 1 July	**84.5**	78.0
Expected return on plan assets	**4.1**	3.7
Actuarial gain	**2.8**	3.3
Employer's contributions	**3.7**	3.3
Employees' contributions	**0.5**	0.5
Benefits paid	**(2.6)**	(3.9)
Administration expenses	**(0.4)**	(0.4)
At 30 June	**92.6**	84.5

* Adoption of IAS 19 (Revised 2011) 'Employee Benefits'.

23. Pensions and other post-employment benefits continued

UK Defined Benefit Pension Scheme continued

(iv) Movements in the Fund's assets and liabilities continued

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

	2014 £m	2013 £m
At 1 July	**(108.7)**	(95.9)
Service cost	**(1.2)**	(1.2)
Interest cost	**(5.2)**	(4.5)
Actuarial loss	**(8.0)**	(10.5)
Employees' contributions	**(0.5)**	(0.5)
Benefits paid	**2.6**	3.9
At 30 June	**(121.0)**	(108.7)

(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:

	2014 £m	Re-presented 2013 £m	2012 £m	2011 £m	2010 £m
Present value of the Fund's benefit obligation	**(121.0)**	(108.7)	(95.9)	(89.8)	(89.4)
Fair value of the Fund's assets	**92.6**	84.5	78.0	75.6	68.3
Deficit in the Fund	**(28.4)**	(24.2)	(17.9)	(14.2)	(21.1)
Actuarial gains and losses:					
Experience adjustments on the Fund's benefit obligations	**(8.0)**	(10.5)	(2.2)	3.7	(14.1)
Experience adjustments on the Fund's assets	**2.8**	3.3	(3.6)	0.8	9.8
Total recognised in other comprehensive income	**(5.2)**	(7.2)	(5.8)	4.5	(4.3)

At 30 June 2014, the cumulative net actuarial loss in relation to the Fund that has been recognised in other comprehensive income amounted to £27.6 million (2013: re-presented £22.4m).

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 report.

Movements in LTIP awards outstanding were as follows:

	2014		2013	
	Equity-settled Number	Cash-settled Number	Equity-settled Number	Cash-settled Number
Outstanding at 1 July	**1,371,354**	**2,701,260**	900,724	2,154,534
Granted	**546,560**	**1,278,728**	532,559	1,247,178
Forfeited	**(280,654)**	**(688,516)**	(61,929)	(700,452)
Outstanding at 30 June	**1,637,260**	**3,291,472**	1,371,354	2,701,260
Unvested at 30 June	**1,637,260**	**3,291,472**	1,371,354	2,701,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

24. Employee share schemes continued

Share options

Awards made under the LTIP have a nil exercise price.

During 2014 and 2013, no equity-settled or cash-settled LTIP awards vested.

At 30 June 2014, the liability recognised in relation to cash-settled awards was £0.1 million (2013: £0.1m).

At the grant date, the weighted average fair value of LTIP awards granted during the year was 80.7p (2013: 83.3p). Fair value was measured using a variant of the Monte Carlo valuation model based on the following assumptions:

	2014	2013
Risk-free interest rate	**0.7%**	0.4%
Share price on grant date	**123.5p**	124p
Dividend yield on the Company's shares	**4.1%**	4.0%
Dividend yield on the FTSE 250 (Ex. Investment Companies) Index	**2.8%**	3.2%
Volatility of the Company's shares	**34.0%**	34.0%
Volatility of the FTSE 250 (Ex. Investment Companies) Index	**17.0%**	22.0%
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:

	2014 £m	2013 £m
LTIP:		
Equity-settled awards	**–**	0.1
Cash-settled awards	**–**	–
Total expense	**–**	0.1

25. Provisions

	Reorganisation and restructuring £m	Leasehold dilapidations £m	Environmental remediation £m	Other £m	Total £m
At 30 June 2012	6.2	0.3	–	0.9	7.4
Charged 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
Charged to profit or loss	10.1	0.2	2.5	–	12.8
Utilisation	(3.5)	(0.5)	–	(0.1)	(4.1)
Currency translation differences	(0.1)	–	–	–	(0.1)
At 30 June 2014	**8.4**	**–**	**2.5**	**0.5**	**11.4**

Analysis of provisions:

	2014 £m	2013 £m
Current	**8.9**	2.3
Non-current	**2.5**	0.5
Total	**11.4**	2.8

Reorganisation and restructuring provisions as at 30 June 2014 principally comprise of redundancies and consultancy costs in relation to the functional reorganisation and UK restructuring.

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

Other provisions are mainly in respect of training costs in France.

26. Share capital and reserves

(i) Share capital

	Allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 1 July 2012, 30 June 2013 and at 30 June 2014	**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.

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

	2014		2013	
	Number	£m	Number	£m
At cost				
At 1 July	**663,043**	**0.8**	933,215	1.2
Shares purchased in the market	**–**	**–**	32,051	–
Shares transferred to employees	**(32,051)**	**–**	(302,223)	(0.4)
At 30 June	**630,992**	**0.8**	663,043	0.8

Own shares represent the Company's ordinary shares that are acquired to meet the Group's expected obligations under employee share schemes.

At 30 June 2014, 630,992 (2013: 630,992) ordinary shares were held in treasury and none (2013: 32,051) were held by an employee benefit trust.

At 30 June 2014, the market value of own shares held was £0.6 million (2013: £0.7m).

Non-controlling interests

Non-controlling interests relates to Fortune Organics (F.E.) Sdn Bhd, Malaysia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

27. Commitments

Operating leases

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

	2014 £m	2013 £m
Rentals payable:		
Within one year	**3.8**	3.9
In the second to fifth years inclusive	**7.3**	7.3
After more than five years	**3.4**	3.0
	14.5	14.2

Capital expenditure on property, plant and equipment

	2014 £m	2013 £m
Contracted but not provided	**2.9**	2.2

28. Related party transactions

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

(i) Post-employment benefit plans

As shown in note 23, contributions amounting to £5.5 million (2013: £4.5m) were payable by the Group to pension schemes established for the benefit of its employees. At 30 June 2014, £0.2 million (2013: £nil) 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 EMT.

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

	2014 £m	2013 £m
Short-term employee benefit:	**2.0**	2.2
Post employment benefits	**0.3**	0.2
Share-based payments	**–**	0.1
Total	**2.3**	2.5

29. Exchange rates

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

	Average rate		Closing rate	
	2014 £m	2013 £m	2014 £m	2013 £m
Euro	**1.20**	1.21	**1.25**	1.17
Polish Zloty	**5.03**	5.04	**5.19**	5.05
Czech Koruna	**32.22**	30.84	**34.25**	30.31
Hungarian Forint	**362.67**	351.24	**385.90**	343.67
Malaysian Ringgit	**5.28**	4.84	**5.47**	4.79
Australian Dollar	**1.77**	1.53	**1.81**	1.66
Chinese Yuan	**9.99**	9.80	**10.57**	9.31

INDEPENDENT AUDITORS' REPORT

to the members of McBride plc

Report on the parent company financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the parent company's affairs as at 30 June 2014;
- 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The parent company financial statements (the "financial statements"), which are prepared by McBride Plc, comprise:

- the balance sheet as at 30 June 2014;
- the movement on reserves for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Other information in the Annual Report

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT continued

to the members of McBride plc

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

Other matters

We have reported separately on the group financial statements of McBride Plc for the year ended 30 June 2014.

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

9 September 2014

COMPANY BALANCE SHEET
at 30 June 2014

	Note	2014 £m	2013 £m
Fixed assets			
Tangible assets	3	**–**	0.4
Investments in subsidiary undertakings	4	**158.2**	158.2
		158.2	158.6
Debtors	5	**151.7**	127.9
Cash at bank and in hand		**7.5**	0.8
Creditors: amounts falling due within one year	6	**(59.0)**	(63.9)
Net current assets		**100.2**	64.8
Total assets less current liabilities		**258.4**	223.4
Creditors: amounts falling due after more than one year	7	**(84.9)**	(47.1)
Provisions for liabilities	10	**(0.8)**	(0.4)
Net assets		**172.7**	175.9
Capital and reserves			
Called up share capital	11	**18.3**	18.3
Share premium account	12	**111.5**	120.6
Capital redemption reserve	12	**33.4**	24.5
Profit and loss account	12	**9.5**	12.5
Total shareholders' funds		**172.7**	175.9

The financial statements on pages 81 to 86 were approved by the Board of Directors on 9 September 2014 and were signed on its behalf by:

Chris Bull
Director

McBride plc
Registered number: 2798634

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 ('the Act') and United Kingdom accounting standards ('UK GAAP') and, except as described under the heading 'Financial instruments', under the historical cost convention.

The Company's principal accounting policies are unchanged compared with the year ended 30 June 2013.

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.

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.

1. Principal accounting policies continued

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 an employee benefit trust to employee share schemes. When own shares are acquired, the cost of purchase in the market is deducted from the profit and loss account reserve. Gains and losses on the subsequent transfer or sale of own shares are recognised directly in the profit and loss account.

Cash flow statement

A cash flow statement is not presented in these financial statements on the grounds that the Company's cash flows are included in the consolidated financial statements of the Company and its subsidiaries.

2. Profit for the year

As permitted by section 408(3) of the Act, 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 (2013: £0.1m).

The Company's loss for the financial year was £5.9 million (2013: profit £6.4m).

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

3. Tangible assets

	Furniture and fittings £m	Computer equipment £m	Total £m
Cost			
At 1 July 2013 and 30 June 2014	0.4	–	0.4
Accumulated depreciation and impairment			
At 1 July 2013	–	–	–
Impairment	0.4	–	0.4
At 30 June 2014	**0.4**	**–**	**0.4**
Net book value			
At 30 June 2014	**–**	**–**	**–**
At 30 June 2013	0.4	–	0.4

4. Investments in subsidiary undertakings

	£m
At 1 July 2013 and at 30 June 2014	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 2014 are set out on page 87.

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

	2014 £m	2013 £m
Amounts owed by subsidiary undertakings	**148.3**	125.5
Derivative financial instruments	**–**	0.1
Deferred tax assets (note 9)	**0.9**	0.7
Other debtors	**0.1**	1.3
Prepayments and accrued income	**2.4**	0.3
	151.7	127.9

6. Creditors: amounts falling due within one year

	2014 £m	2013 £m
Amounts owed to subsidiary undertakings	**48.7**	60.0
Derivative financial instruments	**8.3**	2.0
B Shares (note 8)	**0.6**	0.4
Other creditors	**0.7**	1.0
Accruals and deferred income	**0.7**	0.5
	59.0	63.9

7. Creditors: amounts falling due after more than one year

	2014 £m	2013 £m
Bank and other loans	**84.9**	47.1

Bank and other loans represent amounts drawn down under a €140 million revolving credit facility, which is committed until April 2019 and two US Private placements for $50 million, maturing in November 2020 and $40 million, maturing April 2022.

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:

	2014		2013	
	Pence per share	£m	Pence per share	£m
Interim	**1.7**	**3.1**	1.7	3.1
Final	**3.3**	**6.0**	3.3	6.0
Total for the year	**5.0**	**9.1**	5.0	9.1

The proposed final payment in respect of 2014 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:

	2014		2013	
	Number	Nominal value £m	Number	Nominal value £m
Issued and fully paid				
At 1 July	**394,892,632**	**0.4**	495,384,888	0.5
Issued	**9,110,465,450**	**9.1**	8,563,369,763	8.6
Redeemed	**(8,926,907,163)**	**(8.9)**	(8,663,862,019)	(8.7)
At 30 June	**578,450,919**	**0.6**	394,892,632	0.4

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 2013	0.7
Charge to the profit and loss account	0.2
At 30 June 2014	**0.9**

10. Provisions for liabilities

	£m
At 1 July 2013	0.4
Charge to the profit and loss account	0.8
Utilisation	(0.4)
At 30 June 2014	**0.8**

Provisions represent legal and consultancy costs relating to the Group's UK business reorganisation and are expected to be utilised during 2015.

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NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

11. Called up share capital

	Allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 30 June 2013 and at 30 June 2014	**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 2014, awards were outstanding over 1,637,260 ordinary shares (2013: 1,371,354 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

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total
At 1 July 2013	18.3	120.6	24.5	12.5	175.9
Profit for the financial year	–	–	–	5.9	5.9
Issue of B Shares	–	(9.1)	–	–	(9.1)
Redemption of B Shares	–	–	8.9	(8.9)	–
At 30 June 2014	**18.3**	**111.5**	**33.4**	**9.5**	**172.7**

At 30 June 2014, the profit and loss account reserve was stated net of a deduction of £0.8 million (2013: £0.8m) 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:

	2014 £m	2013 £m
Leases which expire:		
In two to five years	**–**	0.2

14. Guarantees

The Company has guaranteed the indebtedness of certain of its subsidiaries up to an aggregate amount of 3.7 million (2013: £5.1m).

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.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 30 June 2014 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. Full information of all interests are given in the Company's annual return.

The business activity of each of the Company's trading subsidiaries is the manufacture, distribution and sale of 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	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.

GROUP FIVE-YEAR SUMMARY

	Year ended 30 June				
	2014 £m	Re-presented 2013 £m	2012 £m	2011 £m	2010 £m
Revenue	**744.2**	761.4	813.9	812.4	812.2
Adjusted operating profit	**22.0**	23.6	29.5	29.0	50.0
Amortisation of intangible assets	**(1.4)**	(1.1)	(1.7)	(2.9)	(2.0)
Exceptional items	**(34.5)**	(7.5)	(9.7)	(12.3)	(12.8)
Operating (loss)/profit	**(13.9)**	15.0	18.1	13.8	35.2
Net finance costs	**(7.4)**	(6.0)	(6.0)	(6.7)	(5.6)
(Loss)/profit before tax	**(21.3)**	9.0	12.1	7.1	29.6
Taxation	**2.2**	(3.5)	(3.0)	(1.8)	(7.5)
(Loss)/profit after tax	**(19.1)**	5.5	9.1	5.3	22.1
Earnings per share					
Diluted	**(10.5)p**	3.0p	5.0p	2.9p	12.1p
Adjusted diluted	**5.3p**	7.3p	9.7p	9.3p	18.1p
Payments to shareholders (per ordinary share)	**5.0p**	5.0p	5.0p	6.8p	6.8p

	At 30 June				
	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Non-current assets					
Property, plant & equipment	**143.4**	173.6	175.6	190.9	179.9
Intangible assets	**26.3**	34.1	35.7	38.6	38.4
Other assets	**14.6**	6.2	2.9	3.1	3.5
	184.3	213.9	214.2	232.6	221.8
Current assets	**245.4**	231.9	229.8	252.1	218.6
Current liabilities	**(229.4)**	(246.9)	(252.9)	(278.9)	(229.4)
Non-current liabilities	**(131.7)**	(92.2)	(78.7)	(80.4)	(86.3)
Net assets	**68.6**	106.7	112.4	125.4	124.7
Net debt	**84.7**	86.8	81.2	83.7	60.0

USEFUL INFORMATION FOR SHAREHOLDERS

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Chartered Accountant and Statutory Auditors
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London WC2N 6RH

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London EC2V 7QP

Panmure Gordon & Co. plc
One New Change
London EC4M 9AF

Principal bankers
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Eastern Region Corporate Business Centre
Eagle Point
1 Capability Green
Luton LU1 3US

Fortis Bank S.A./N.V.
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London EC2V 7HR

KBC Bank N.V.
5th Floor
111 Old Broad Street
London EC2N 1BR

HSBC Bank plc
Level 6
Metropolitan House, CBX3
321 Avebury Boulevard
Milton Keynes MK9 2GA

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Financial public relations advisers
FTI Consulting LLP
200 Aldersgate
London EC1A 4HD

Financial calendar
Next key dates for shareholders:

Annual General Meeting	20 October 2014
2014/15 Q1 interim management statement	20 October 2014
Record date for entitlement to B Shares	24 October 2014
Record date for entitlement to B Share dividend payable on B Shares issued and not previously redeemed	24 October 2014
Ex-entitlement to B Shares date	27 October 2014
Credit CREST accounts with B Share entitlements	27 October 2014
Latest date for receipt by Registrar of completed election forms and submitting CREST elections	14 November 2014
Despatch of cheques in respect of B Shares which have been redeemed	28 November 2014
Payment into bank accounts in respect of B Shares which have been redeemed by certificated shareholders who have valid mandate instructions in place	28 November 2014
Despatch of share certificates for B Shares not being redeemed	28 November 2014
Payments on redeemed B Shares issued in CREST	28 November 2014
Payments of B Share dividend payable on B Shares issued and not previously redeemed	28 November 2014
2014/15 Half year	31 December 2014
2014/15 Half year trading statement	January 2015
Interim results announced	February 2015
2014/15 Q3 interim management statement	April 2015
2014/15 Year end	30 June 2015
2014/15 Year end trading statement	July 2015
Full year preliminary statement	September 2015

These dates are provisional and may be subject to change.

USEFUL INFORMATION FOR SHAREHOLDERS
continued

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 Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Alternatively, shareholders can contact Capita Asset Services on 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 9.00am to 5.30pm Monday to Friday), or on +44 20 8639 3399 if calling from overseas, or email their enquiry to shareholderenquiries@capita.co.uk, indicating they are a McBride shareholder.

Shareholders are also able to access and amend details of their shareholding (such as address and distribution payment instructions), via the registrar's website at **www.capitashareportal.com**. If you have not previously registered to use this facility you will need your investor code, which can be found on your proxy card, or on any share certificate issued by Capita Asset Services.

Electronic communications

Shareholders are able to register to receive communications from McBride electronically. This service enables shareholders to tailor their communication requirements to their needs. McBride is encouraging shareholders to use this service to elect to receive all communications electronically which enables more secure and prompt communication and allows shareholders to:

- Receive electronic notification via email and the internet of the publication and availability of statutory documents such as financial results, including annual and interim reports.
- Access details of their individual shareholding quickly and securely on-line.
- Amend their details (such as address or bank details).
- Choose the way payments are received.
- Submit proxy voting instructions for shareholder meetings including the AGM.

It also enables shareholders to contribute directly to reducing McBride's costs and environmental impact through saving paper, mailing and transportation and reducing unnecessary waste.

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

On-line shareholder services

McBride provides a number of services on-line in the investor relations section of its website at **www.mcbride.co.uk**, where shareholders and other interested parties may:

- View and/or download annual and interim reports.
- Check current or historic share prices (there is an historic share price download facility).
- Check the amounts and dates of historic payments to shareholders.
- Use interactive tools to calculate the value of shareholdings and chart McBride ordinary share price changes against indices.
- 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 2014, 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
2010	247	114	196	130
2011	192	124	155	138
2012	142	105	123	124
2013	147	101	127	111
2014	**135**	**93**	**111**	**96**

Unsolicited mail

The Company is obliged by law to make its share register publicly available should a request be received. As a consequence, shareholders may receive unsolicited mail from organisations that use it as a mailing list. Shareholders wishing to limit the amount of such mail should either write to Mailing Preference Service, DMA House, 70 Margaret Street, London W1W 8SS, register on-line at **www.mpsonline.org.uk** or call the Mailing Preference Service (MPS) on 0845 703 4599. MPS is an independent organisation which offers a free service to the public 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.

WHERE TO FIND US

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OUR ON-LINE 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 on-line or to download from: **www.mcbride.co.uk/investors**

McBride's Sustainability Reports are available to view on-line or to download from: **www.mcbride.co.uk/our-responsibilities/reports**

Latest announcements can be found at the McBride on-line media centre at: **www.mcbride.co.uk/media-centre/regulatory-news**

Acknowledgements
Designed and produced by Instinctif Partners **www.instinctif.com**.

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The Company's results were presented on 10 September 2014. The presentation and audiocast can be found at the Company's website **www.mcbride.co.uk** or by scanning the QR code above.

FTSE4Good

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.