Being the best at what we do …everyday!

McBride plc
Annual Report and Accounts 2011

What's inside

Overview

01 Passionate about Private Label
02 About McBride
04 Business performance
06 Our growing international business

Business review

08 What's driving the market?
12 Chairman's statement
14 Chief Executive's review
18 Strategic review
- 20 Organisational change
- 22 Competitiveness and efficiency
- 24 Category review
- 26 Exploiting new opportunities

28 Managing and delivering growth of Core categories
- 30 Laundry liquids
- 32 Machine dishwashing
- 34 Air care
- 36 Skincare

38 Research and Development
40 Divisional performance
- 40 UK business review
- 42 Western Continental Europe business review
- 44 Central and Eastern Europe business review

46 Corporate social responsibility
52 Stakeholder relationships and communications
53 Group financial review
56 Principal risks and uncertainties
58 Board of Directors
58 Group Management Team

Governance

60 Corporate governance report
66 Audit Committee report
68 Nomination Committee report
70 Remuneration report
77 Statutory information
82 Statement of directors' responsibilities

Financials

83 Independent Auditors' report
84 Group financial statements
88 Notes to the Group financial statements
120 Company financial statements
121 Notes to the Company financial statements

Shareholder information

125 Useful information for shareholders
128 Definitions and glossary of terms
131 Where to find us
132 Our online resources

Being the best at what we do ...everyday!

- → Building great teams
- → Commitment to quality
- → Innovation
- → Improving cost and efficiency
- → Working smarter
- → Going the extra mile

Teamwork

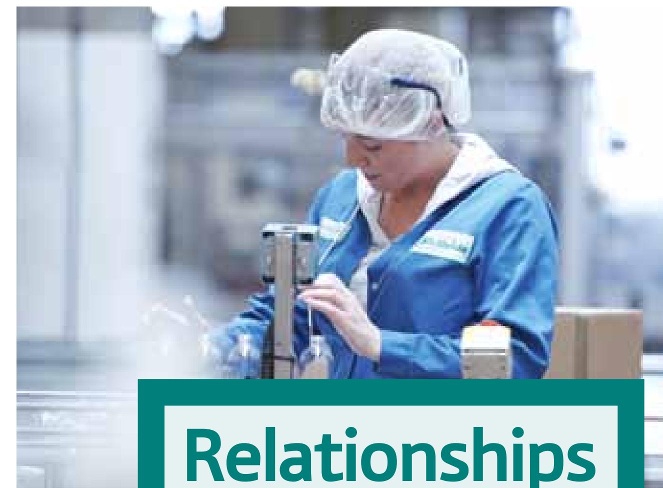
Great teams deliver results. Our new category development teams are underpinning our future growth aspirations and improving speed to market.

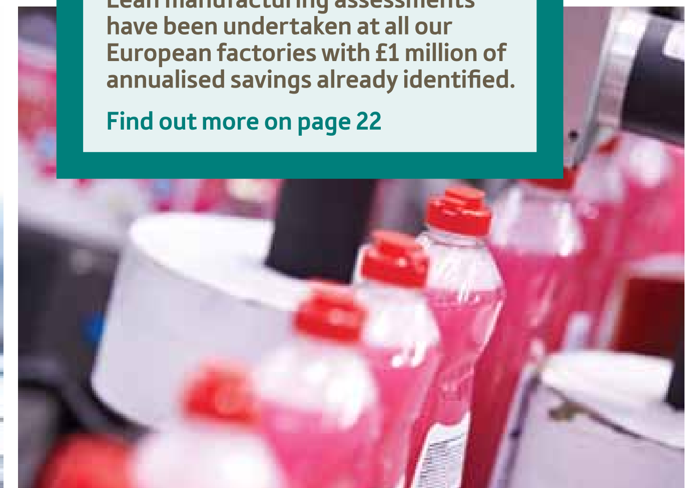
Find out more on pages 30-37

Efficiency

We aim to improve our cost base and manufacturing efficiency, Lean manufacturing assessments have been undertaken at all our European factories with £1 million of annualised savings already identified.

Find out more on page 22





Innovation

We have brought together our eight research centres under one Group R&D functional organisation. This is enabling us to fully leverage our scale, to deploy best practice and further strengthen our innovation capability.

Find out more on page 38

Relationships

McBride's decision to invest and expand our manufacturing footprint in South East Asia has been positively received by our multinational customers in the region.

Find out more on page 26

Passionate about Private Label

The secret to sustaining a successful business is to be able to recognise when it needs to evolve and adapt to release its full potential.

In today's fast moving world we don't stand still.

We're Europe's leading provider of Private Label Household and Personal Care products. Our customers include leading multinational and national retailers and we provide them with quality products, excellent customer service and continuous product innovation.

But we're not stopping here. Our markets are evolving and our customers are expanding their horizons.

Our strategy review, carried out over the past year, identified significant areas to improve and deliver shareholder value through focusing our investment on growth categories, strengthening our relationships with key customers, improving our cost efficiency and expanding our geographic reach.

This Annual Report discusses how we are successfully implementing our strategy and bringing it all together. Great teams, our commitment to quality, innovation, working smarter and going the extra mile for our clients mean we are focused on:

Being the best at what we do

...everyday!

About McBride

We are Europe's leading provider of Private Label Household and Personal Care products developing, producing and selling our products to leading retailers throughout Europe and beyond. With our market knowledge, product development skills, manufacturing scale and technical know-how, we are dedicated to supporting the changing needs of our retail customers and consumers.

Mission

To be the leading provider of Household and Personal Care products of exceptional value and performance to our customers and their consumers

Vision

To be the most successful Private Label company in the world by:

- becoming recognised as the supplier of choice to all retailers in our markets
- doubling our size and profitability

Principles

Engage our people

- succeed through teamwork
- always promote effective two-way communications
- create an open environment where challenge is welcomed and contributions recognised
- encourage individual development

Focus on our customers

- deliver on our promises
- build positive relationships
- protect and develop our customers' brands

Drive our performance

- think everything can and should be improved
- focus on adding value, reducing cost, and increasing profits
- act with speed, agility, and confidence

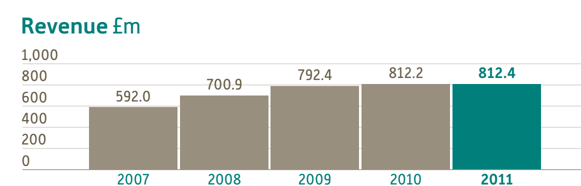
Passionate about Private Label

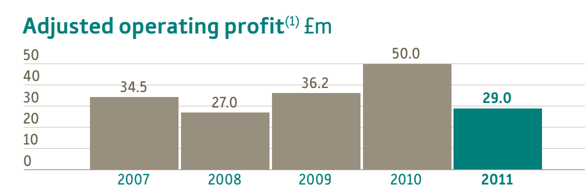
Business performance

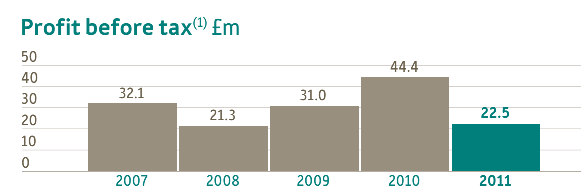
Highlights of the year

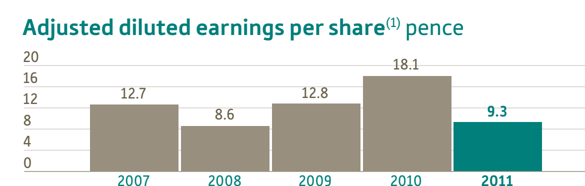
- Total revenue of £812.4 million (2010: £812.2m)
- Adjusted operating profit[1] was £29.0 million and reported operating profit was £13.8 million
- Strategy review announced and restructuring of supply chain underway
- Strengthening of Central and Eastern Europe business unit with sales in region up 18%
- Adjusted diluted earnings per share of 9.3 pence[1]
- Full year dividend maintained at 6.8 pence per share, to be remitted through the B Share scheme
- Year-end net debt of £83.7 million (2010: £60.0m)

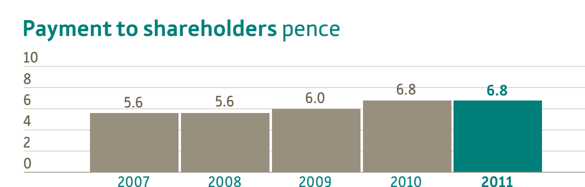
Key financial trends[1]

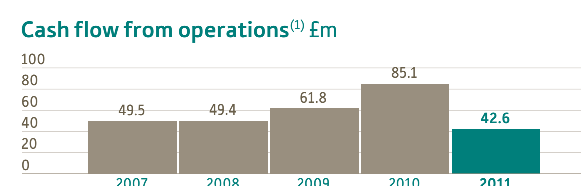












[1] Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

Group key performance indicators

Organic revenue growth
0%
(2010: 0%)

Return on capital employed
14.7%
(2010: 25.9%)

Waste efficiency
1.3%
(2010: 1.2%)

Customer service level
97%
(2010: 97%)

Adjusted diluted earnings per share[1]
9.3p
(2010: 18.1p)

Key performance indicators

McBride uses a number of key performance indicators (KPIs) to measure its performance and progress against its strategic objectives. The most important of these KPIs focus on the five key areas of organic revenue growth, earnings per share, return on capital employed, customer service level and waste efficiency.

KPI	Organic revenue growth	Adjusted diluted earnings per share[1]	Return on capital employed	Customer service level	Waste efficiency
Measure	Reported revenues adjusted to take account of acquisitions and disposals and currency exchange rate movements.	Profit attributable to shareholders before adjusting items[1] divided by the average diluted number of shares.	Adjusted operating profit[1] as a percentage of net assets excluding net debt.	Volume of products delivered in the correct volumes and within agreed timescales relative to the total volumes ordered by customers.	Tonnes of waste relative to total production tonnage.

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

Directors' report
Pages 4 to 82, inclusive, of this Annual Report comprise a Directors' report that has been drawn up and presented in accordance with English company law and the liabilities of the directors in connection with that Report shall be subject to the limitations and restrictions provided by such law. In particular, directors would be liable to the Company (but not to any third party) if the Directors' report contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

[1] Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

Our growing international business

We are expanding our geographic footprint across Europe and into South East Asia taking McBride's Private Label expertise to new geographies and customers.

During the year McBride's Central and Eastern Europe business unit was expanded and strengthened with the transfer of responsibility for our Luxembourg and German activities and the addition of the dedicated Personal Care factory at Brno in the Czech Republic.

In Asia, the acquisition of Fortlab in Malaysia and Newlane Cosmetics in Vietnam and the expansion of McBride Zhongshan's manufacturing capabilities in China are providing the platform for further growth in the region.

To support the increasing demand for Private Label products in Australia, McBride has also opened a sales office in Melbourne.

Our product capabilities

UK

Household products	Barrow	Bradford	Burnley	Hull	Middleton
Textile washing	✓		✓		✓
Dishwashing	✓	✓	✓		✓
Household cleaners	✓		✓	✓	✓
Air care				✓	
Personal Care products					
Hair care		✓		✓	
Baby care		✓			
Body care		✓		✓	
Men's grooming		✓		✓	
Skincare		✓			
Oral care		✓			

Western Continental Europe

Household products	Ieper Household	Estaimpuis	Moyaux	Rosporden	Etain	Bergamo	Sallent	Ieper Personal Care
Textile washing		✓	✓	✓		✓	✓	
Dishwashing	✓		✓			✓	✓	
Household cleaners	✓	✓		✓	✓	✓	✓	
Air care				✓				
Personal Care products								
Hair care				✓				✓
Baby care								
Body care				✓				✓
Men's grooming				✓				✓
Skincare								
Oral care				✓				

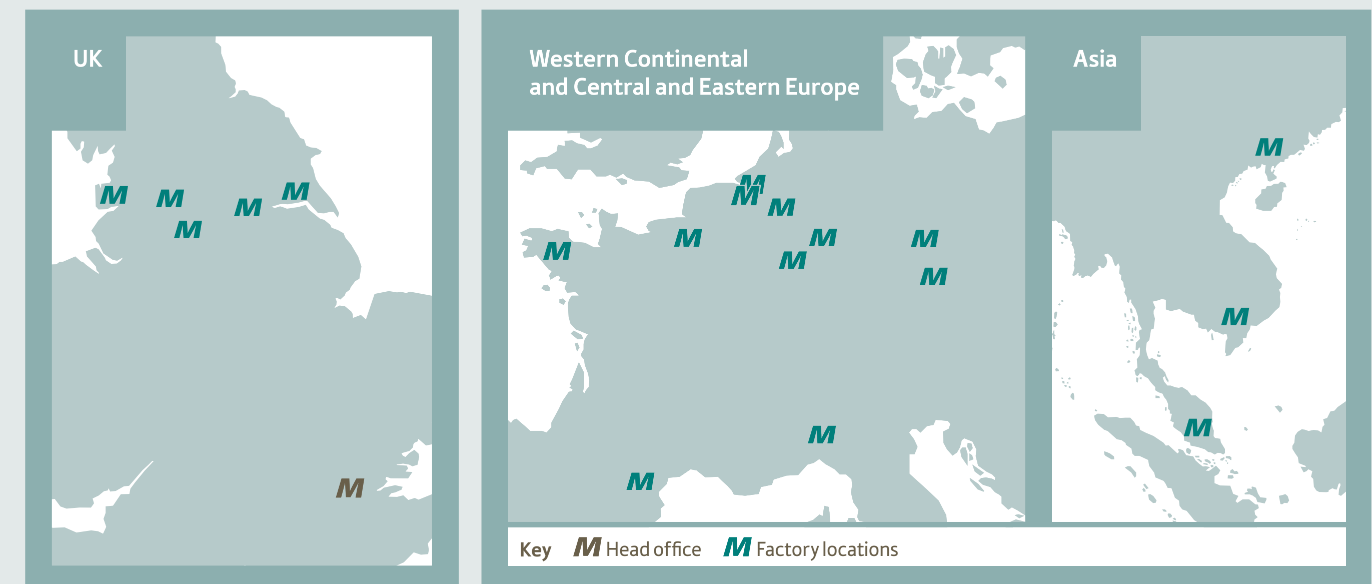
Central and Eastern Europe

Household products	Brno	Foetz	Strzelce
Textile washing		✓	✓
Dishwashing		✓	✓
Household cleaners		✓	✓
Air care			✓
Personal Care products			
Hair care	✓		✓
Baby care			✓
Body care	✓		✓
Men's grooming	✓		✓
Skincare	✓		
Oral care			

Asia

Household products	Zhongshan – China	FortLab – Malaysia	Newlane – Vietnam
Textile washing	✓		
Dishwashing	✓		
Household cleaners	✓		
Air care	✓		
Personal Care products			
Hair care		✓	✓
Baby care		✓	✓
Body care		✓	✓
Men's grooming		✓	
Skincare		✓	✓
Oral care		✓	
Pharma – Health products			
Pharmaceutical creams		✓	
Health		✓	

Where we operate



Household products

Textile washing
- Laundry powders, boxes and pouches
- Laundry tablets
- Laundry liquids: standard, super-concentrated liquids and gels
- Soluble sachets
- Laundry handwashing liquids, delicate fabric washing
- Fabric conditioners: standard, concentrates, berlingots, refills and sachets
- Laundry aids
- Anti-calc: powders, tablets and liquids
- Stain removers: powders, liquids, triggers, sprays and tablets
- Fabric fresheners
- Ironing aids: ironing water, starch, antistatic sprays

Dishwashing
- Machine dishwashing: tablets, multi-layer and multi-functional tab in tab, powders,
- Machine dishwashing gels and liquids
- Cleaners
- Fresheners
- Rinse aids
- Salt
- Washing up liquids: regular, antibacterial, sensitive, presoakers

Household cleaners
- Bathroom cleaners: shower, limescale remover, mould and mildew control
- General purpose cleaners
- Kitchen cleaners: oven, ceramic hob, stainless steel, cleaners with bleach
- Home cleaners: multi-surface, floor, window, carpet cleaners, drain cleaners, cream cleaners and cleaners with bleach
- Eco ranges
- Formats available: triggers, liquids, sprays and aerosols
- Toilet cleaners: thick bleach, perfumed toilet cleaners, toilet blocks

Air care and Insecticides
- Permanent: plug-ins, wicks, gel boats, candles, reeds, membranes and beads
- Intermittent: aerosols, timed release aerosol units, triggers, click sprays and pumps
- Car fresheners
- Nitrogen-based aerosols
- Traditional aerosols
- Insecticides: crawling, flying and combination aerosols

Personal Care products

Bathing and handwashing
- Bath cremes, foams and lotions
- Shower cremes and gels
- Bodywashes
- Handwash liquids
- Hand cleansing gels
- Hand sanitisers

Body freshness
- Antiperspirants
- Body sprays
- Deodorants
- Roll-ons
- Aerosols

Men's grooming
- Shaving gel
- Shave foams
- Skincare
- Body fresheners
- Deodorants
- Shower gels

Hair care
- Shampoos
- Conditioners
- Styling gels
- Styling waxes
- Styling sprays
- Hair mousses
- Hair sprays

Skincare
- Body lotions and creams
- Facial moisturisers, cleansers, washes, creams and milks
- Serums
- Hydro gels
- Oils including biphase
- Anti-ageing creams
- Hand care products
- Eye creams and roll-ons
- Body scrubs
- Tinted moisturisers
- Nail polish removers

Baby and children's toiletries
- Shampoos
- Bath foams
- Lotions
- Creams
- Talcum powder
- Oils

Oral care
- Mouth rinses
- Mouthwashes
- Striped toothpastes
- Pump toothpastes
- Toothgels
- Denture toothpastes

Health and Pharma
- Liquid health supplements
- Powder health supplements
- Cracked heel cream
- Nappy rash cream
- Analgesic and antiseptic creams
- Aloe vera gel
- Mosquito repellent spray

What's driving the market?

The growth of Private Label is driven by a number of key factors:

→ Value for money
→ Retailers continually looking to differentiate offer and build loyalty
→ Private Label manufacturers developing innovative products
→ Retail concentration and globalisation

The market

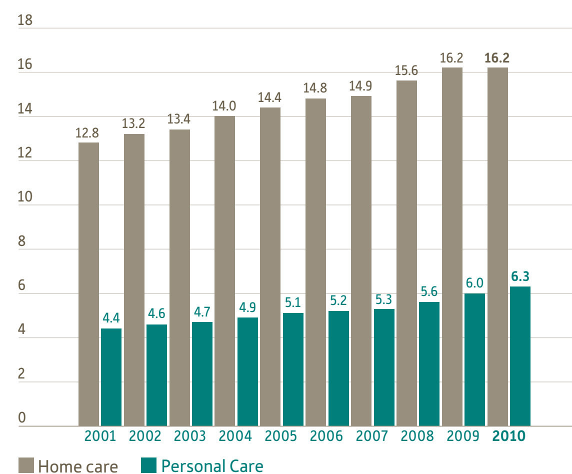
Private Label products continue to gain market share not only across Europe but increasingly into the emerging markets of Asia and Latin America. The 2011 PLMA (Private Label Manufacturers Association) International Private Label Yearbook, reports that Private Labels gained market share in 18 countries across Europe, the most widespread increase since Nielsen began compiling statistics for PLMA's Yearbook in 1998. Gains are being made not just in the developing markets of Central and Eastern Europe but also in many of the markets where Private Label is already well established.

Ongoing concerns over the level of government debts, continuing high levels of unemployment across Europe and increasing pressure on disposable incomes, coupled with the rise in food prices and fuel inflation, are the key factors impacting consumer confidence and influencing shopping and spending patterns.

Value for money continues to be a key consideration, with consumers shopping around for the best buy, purchasing products on special offer and switching to Private Labels in selected categories. According to IGD's shopper track data 45% of shoppers rated a retailer's range of Private Label products as extremely or very important when choosing where to shop – up from 38% in September 2010.

Private Label products continue to gain market share not only across Europe but increasingly beyond Europe into the emerging markets of Asia and Latin America.

Private Label share
Western Europe markets
% value share



Source: Euromonitor International.

Private Label is growing across Europe

Value for money

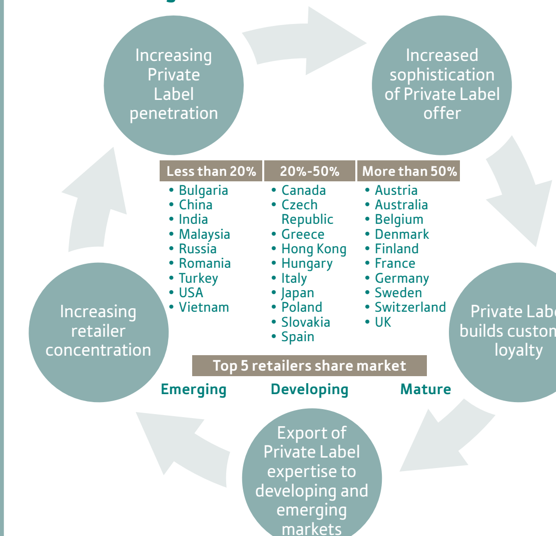
A large and growing demand exists for value-for-money products from recession-hit low income shoppers who have needs which are currently not being addressed by brands. Kantar Retail studies indicate that 30% of European shoppers have stated that they intend to purchase more Private Label products and our retail customers have reacted to this by more aggressive marketing both in store and out of store of their value for money proposition within their Private Label offers. Tesco's launch of Discount Brands, the launch of Carrefour Discount, Essential Waitrose and Sainsbury Basics ranges, along with the growing popularity of chains like Biedronka, Aldi and Lidl in Eastern Europe demonstrate the role of Private Label in delivering value for money to consumers.

Retailers continually looking to differentiate offer and build loyalty

Private Label is and will continue to be aligned to the development of corporate strategies of the world's leading multinational grocery retailers as they attempt to build strong, individual and recognisable retail brands, not only in their home market but increasingly globally as they enter new geographies. Almost without exception every retailer in Europe uses its store banner to endorse its Private Label offer. Building strong Private Label brands enables retailers to build loyalty and trust with successful Private Label concepts, store merchandising and even stand-alone stores rolled out quickly into new international markets. Increasingly sophisticated loyalty card data enables retailers to reduce complexity of inventory and increase shelf space for Private Label ranges. Managing shelf space and range is becoming increasingly important to retailers as they extend their store format into the rapidly growing smaller convenience store concepts. The development of loyalty card data is now being extended online, enabling tailored Private Label alternatives for consumers.

Increasing retailer concentration: top 5 retailers' share of the grocery markets

The Private Label virtuous circle drives global Private Label growth



Source: Planet Retail country analysis data.

Private Label manufacturers developing innovative products

Retailers need Private Label manufacturers like McBride to develop and manufacture innovative Private Label products. McBride has invested over £25 million each year over the last five years to enable it to deliver high-performance innovative products such as soluble laundry sachets, machine dishwashing tablets and, now, increasingly sophisticated Skincare products. Not only is McBride investing in its manufacturing capability, but also in its category management skills and market information to ensure we develop products in line with the latest consumer needs and trends.

Retailers need Private Label manufacturers like McBride to develop and manufacture innovative Private Label products.

Retail concentration and globalisation

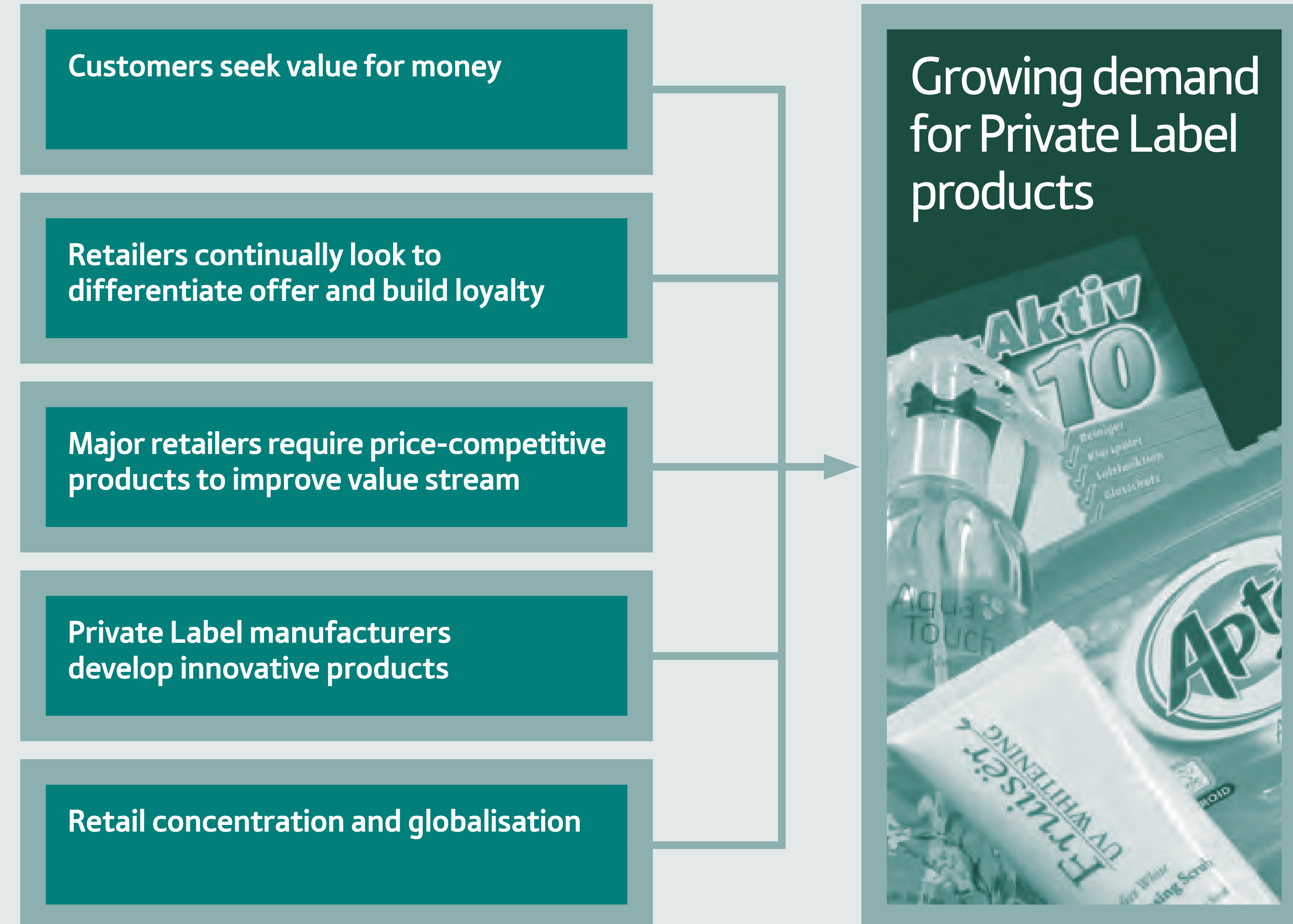
Retailer concentration is a key driver of Private Label growth since size and scale underpin the economics of the Private Label model. In markets where retail concentration is high, such as the UK, France, Germany and Switzerland, there is a strong correlation between the penetration level and the sophistication of Private Label ranges in the country.

As retail chains seek to grow in international markets, they export their Private Label model and expertise into developing and emerging markets. By offering quality Private Label ranges they are able to build consumer trust and loyalty in the store banner. It has taken almost 40 years for Private Label to reach the current penetration level of over 40% in the UK. In many Central and Eastern European markets, the combination of modern retail formats, the rapid growth of the discount store and multinational retailer presence has resulted in Private Label shares already approaching the 20% level after less than 20 years. In the emerging markets of China, India and South East Asia currently with very low levels of Private Label penetration, it will be the expansion of international chains such as Tesco, Carrefour, Wal-Mart, Auchan, Casino, Dairy Farm and A.S.Watson with strong Private Label credentials that will drive Private Label expansion.

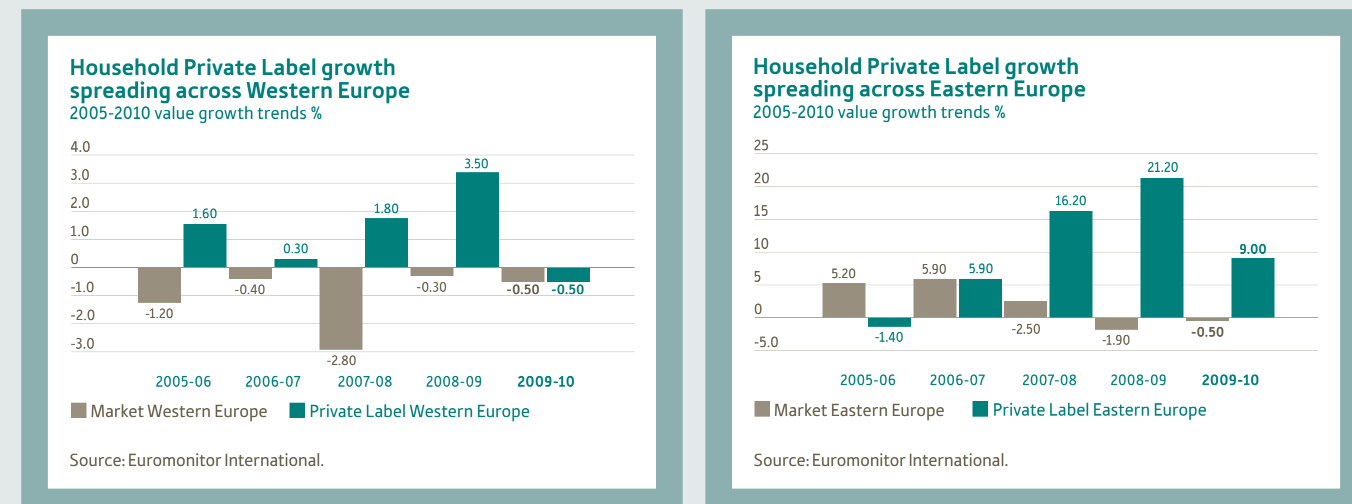
McBride is well positioned to support and benefit from this future growth opportunity, with manufacturing units in Central and Eastern Europe, China , Malaysia and Vietnam.

What's driving the market?
continued

Private Label growth drivers



Private Label Household products growth spreading across Europe

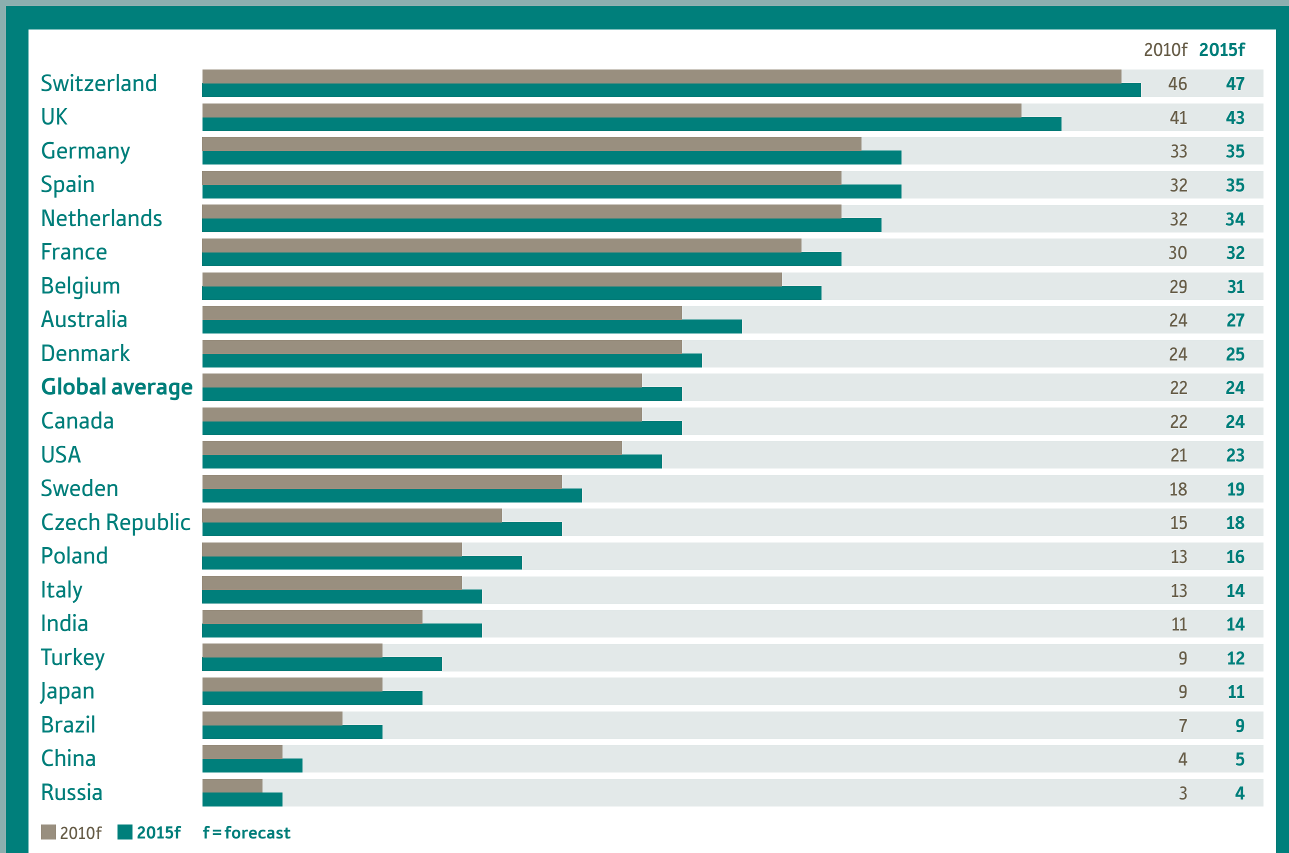


Private Label forecast to grow in all markets

The 2011 PLMA (Private Label Manufacturers Association) International Private Label Yearbook reports that Private Labels gained market share in 18 countries across Europe, the most widespread increase since Nielsen began compiling statistics for PLMA's Yearbook in 1998.

Gains are being made not just in the developing markets of Central and Eastern Europe but also in many of the markets where Private Label is already well established.

Global Private Label penetration by value, 2010-2015 (%)



Note: Based on selected mature and emerging markets. Estimated shares of MGD sales; may exclude fresh produce.
Source: Planet Retail Ltd – www.planetretail.net; partly based on Nielsen and GfK.

Chairman's statement

Iain Napier
Chairman

"Our actions to address the current economic environment are creating a strong platform for future growth."

Introduction

The year ending June 2011 saw the main European economies continue to recover slowly from the economic downturn of 2009. Weaker consumer demand across many of the major European markets has resulted in retailers and branded competitors competing aggressively to maintain market share. In the UK in particular, total grocery sales volumes have declined year-on-year in six out of the last seven months and branded promotional activity remains at record levels. Despite these challenges in our core Western European markets, McBride has delivered a creditable 1% revenue growth at constant currency, driven by our continuing development of the Central and Eastern European and Asian markets.

The year was also dominated by material cost inflation. Along with many other consumer goods companies, we have seen double-digit increases in our material costs during the course of the year. Our recovery of these increases, through both cost reduction projects and selling price increases, is continuing.

It was against this background that McBride announced its strategy review, Project Refresh. The review has confirmed that the Group has a robust business model with strong product offerings and expertise, customer responsiveness and flexibility, and strong operational and cash management. It also confirmed the potential for profitable growth in both our core and developing markets. We believe that improved resource allocation and execution will drive shareholder value and we have embarked on the implementation of the strategy with vigour.

During the year we established a Sustainability Steering Group to drive best practice on minimising the environmental impact of our operations and to deliver improvements in waste, water and effluent consumption. The targets set by the Steering Group, and our performance against them, are published in our annual Sustainability Report. The Company submits its carbon efficiency performance through the Carbon Disclosure Project.

Board

A number of changes to the Board were announced during the year. Jeff Carr joined as a non-executive director on 1 February 2011. Jeff has extensive financial experience working within major international companies and is currently the Group Finance Director of First Group. Jeff was appointed to the Nomination, Remuneration and Audit sub-committees on 9 June 2011. On 29 June 2011, we announced the appointment of Sandra Turner as a non-executive director with effect from 1 August 2011. Sandra has a strong retail background having worked for Tesco plc for over 20 years. Sandra will also serve as a member of the Nomination, Remuneration and Audit committees.

The Company also announces today that Colin Smith, who has been a member of the Board since April 2002, will stand down from the Board after the conclusion of the next Annual General Meeting. Colin is currently Senior Independent Director and Chair of the Audit Committee. With effect from his resignation, Bob Lee will be appointed the Senior Independent Director and Jeff Carr will assume the position as Chair of the Audit Committee. Christine Bogdanowicz-Bindert will also have served a full nine-year term during the course of 2012 and has notified the Company of her intention to stand down from the Board with effect from the end of calendar year 2011. We would like to take this opportunity to thank Colin and Christine for their considerable contribution to the Group during their period of office.

People

We have an enthusiastic and ambitious team of colleagues throughout the business. I would like personally to thank them all for their dedication and commitment during a year in which many of them have been called on to manage difficult trading conditions as well as contribute to some significant strategic projects.

Corporate Governance

We strongly support the importance of upholding good principles of corporate governance, not only for compliance purposes, but recognising that good governance serves to ensure that the business is run properly in the interests of all our stakeholders.

This year, we have taken account of the UK Corporate Governance Code (introduced in 2010) and details of how we have applied the main principles are explained in the Corporate Governance section of this Report on pages 60 to 65.

As a Board, my fellow directors and I are committed to high standards of corporate governance. In this regard, we monitor closely developments in relevant legislation, regulation and voluntary codes of practice and institutional guidelines. We seek to embed governance into our routine Board and sub-committee processes through regular reviews and updates of our corporate policies. Our sub-committees have continued to take account of the latest guidance in their respective areas: we seek to align our remuneration policies with the interests of shareholders; the work of the Nomination Committee has sought to ensure that the Board has the right breadth of skills, experience and knowledge; and we regularly review our financial position with particular focus on liquidity and net debt.

We continue to take all appropriate measures to ensure there is no conflict of interest between the Board, its individual members and other stakeholder groups. I believe the Board continues to be focused on sound governance practice and that we have the right approach to ensure the Board performs effectively. We will introduce external facilitation to evaluate the Board's performance during the year ending 30 June 2012.

Results and payments to shareholders

Revenues were flat for the year at £812.4 million (2010: £812.2m) although showed 1% growth at constant currency. Adjusted profit after tax[1] attributable to shareholders was £16.9 million (2010: £33.2m) whilst, on the same basis, diluted earnings per share were 9.3 pence (2010: 18.1p).

At the year-end, net debt was £83.7 million (2010: £60.0m) as a result of lower operating cash flows while capital expenditure was maintained in line with the prior year at £24.8 million (2010 £24.3m).

At the General Meeting on 24 March 2011, the Board announced its intention to implement a B Share scheme as a mechanism for remitting dividends to shareholders. Shareholder approval was granted and the Board intends to utilise the scheme in this way for the foreseeable future. Subject to shareholder approval to renew the B Share scheme at the AGM, the Board is recommending the allotment of 48 B Shares (equating to a final dividend of 4.8 pence per share (2010: 4.8p), giving a total allotment for the year of 68 B Shares (6.8 pence per ordinary share) (2009: 6.8p) in line with the prior year and covered 1.4 times by adjusted earnings per share[1] (2010: 2.7 times).

Looking to the future

The Household and Personal Care categories continue to offer opportunities for the profitable growth of Private Label despite the challenging economic environment. The robust actions being taken by the business will ensure that it is well placed to meet those challenges, while continuing to develop Private Label products that offer excellent value for money for the consumer.

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

I J G Napier
Chairman

[1] Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

Chief Executive's review

Chris Bull
Chief Executive

"Private Label share of the Household and Personal Care categories has remained robust despite challenging conditions; I remain convinced that our prospects for profitable growth are excellent."

Overview

During the last year our core Western European markets have made little economic progress with weak growth, unemployment and cost inflation impacting consumer confidence and spending patterns. Retailers have become increasingly competitive and branded promotional activity has remained at record levels, especially in the UK. Despite this, Private Label shares have remained robust and interest in Private Label is growing.

The market situation in Central and Eastern Europe is more positive with consumer spending having almost returned to pre-crisis levels. Retail consolidation is continuing, driven by both organic expansion and acquisition by multinational retailers, providing one of the key drivers for Private Label growth in the region.

During the year we acquired a Skincare business in the Czech Republic providing the Group with a new capability in this category. The businesses acquired in Asia have been successfully integrated into the Group and McBride's core Private Label skills are now rapidly being implanted.

We announced at our interim results the actions arising from our strategic review of the business, Project Refresh. These actions are progressing to plan, including changes to the organisation structure to improve the effectiveness of Research and Development and Category Management, restructuring projects and a Lean manufacturing programme.

As previously announced, we have experienced significant increases in our raw material prices during the year. Our actions to recover these increases are continuing, although the resulting time-lag in recovery has impacted operating margin.

Against this competitive trading environment, McBride delivered revenues of £812.4 million, in line with last year and underpinned by strong performance from the enlarged Central and Eastern European division.

Trading since year-end has been in line with our expectations. Retail markets in Western Europe remain weak and the recovery of raw material inflation will remain challenging in the short term. We are actively implementing planned restructuring but also continuing to invest behind our core categories and building our business in developing and emerging markets.

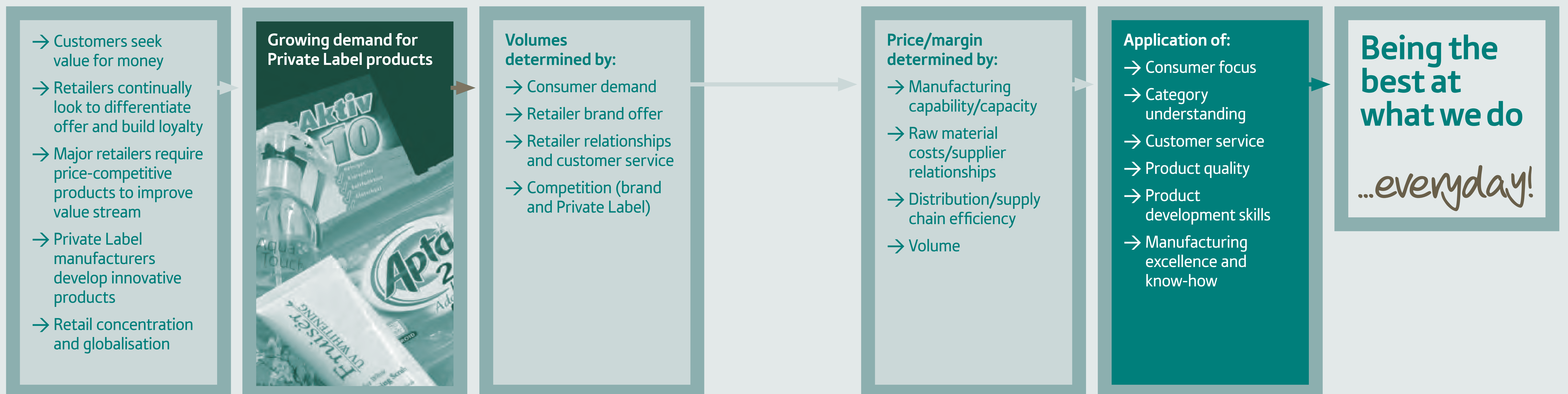
The industry, market and competitive environment

Our key markets in the 52-week period to June continued to be impacted by the squeeze on consumer spending, with the total UK and French Household markets down 1% in volume terms and Italy down 2%. Personal Care was also affected with the UK and French markets flat.

In the UK, prolonged deep-cut promotional activity has continued. Nevertheless, Household Private Label volumes have remained robust, currently accounting for 30% of the UK market and in line with the same period last year. In France, our largest market in Continental Europe, the market also remains highly competitive with a Private Label Household volume share of 35%, marginally below last year. In Italy, our third largest Private Label market, consumers are switching to Private Label products and in our Household products category they now account for over 20% share of the market.

As the current economic climate continues to remain weak, consumers are once again becoming more value conscious underpinning the demand for Private Label products which provide value for money to the consumer. According to IGD data, 45% of shoppers rated a retailer's Private Label range of products as extremely or very important when choosing where to shop, compared with 38% in September last year.

Our business model



Chief Executive's review
continued

McBride differentiates itself from its Private Label competition by focusing on new product development (NPD), category development with customers, and by offering products of outstanding value. Leading retailers are increasingly focusing on Private Label as a key way of differentiating their offer to the consumer, and we believe we are best positioned to help them do this in our core categories.

Strategy
Our strategy is to drive Private Label growth in Household and Personal Care products throughout Europe and into the developing and emerging markets through product innovation, excellent customer service and quality, and by exploiting our scale in procurement and operational efficiency. We will continue to focus on a number of core product categories which we believe offer the best growth prospects and to examine opportunities to expand our geographic reach.

During the year we embarked on a review of the Group's strategy, through the Refresh programme aimed at improving the focus, prioritisation and execution of the Group's strategy. The resulting actions encompassed organisational change, a category review, improved competitiveness and new opportunities.

Key achievements to date include:
- → manufacturing rationalisation plans announced and progressing to plan;
- → a Group-wide Lean manufacturing programme implemented with year 1 savings identified and on target;
- → international customer teams established for 11 multinational customers;
- → 4 category teams established to drive growth categories;
- → a Group Head of R&D appointed to capture synergies and drive effectiveness across the R&D function;
- → launch of the first 24-hour antibacterial trigger cleaners, super-concentrate laundry liquids and our new Skincare capability;
- → integration of acquisitions progressing to plan and further investment in Asia.

In addition, we acquired in September 2010 Dermacol a.s. in the Czech Republic which has provided the Group with not only a dedicated Personal Care production facility in Central and Eastern Europe, but a capability and heritage in Skincare. During the year the business focused on the development of a number of new Private Label Skincare products which were launched at the PLMA (Private Label Manufacturer's Association) exhibition held in Amsterdam in May 2011. We have now started to win Private Label contracts using these products.

Business performance
Geographic and category performance
McBride's revenue grew 1% in the year on a constant currency basis, reflecting the difficult trading conditions in UK and Western Europe. Our Central and Eastern European business demonstrated strong growth with revenue growth of 20% on a constant currency basis. Our identified core growth categories of laundry liquids, machine dishwashing and specialist cleaners grew by 2%, accounting for 48% of Private Label Household and Personal Care revenue in 2011 (2010: 46%). Our revenue from our new and developing geographies in total was £73.6 million (2010: £58.5m), increasing from 7.2% to 9.1% of Group revenue.

The acquisition of Fortlab in Malaysia and Newlane in Vietnam by McBride was positively received by key retailers in the region, who are keen to benefit from McBride's expertise in Private Label. During the year, McBride has focused on putting in systems and control processes, together with strengthening the local management team and investing in capital expenditure projects to drive sales growth .

We expect a step change in sales in Asia in the next year, as we start to see the benefit of McBride's investment in NPD and commercial initiatives. In Vietnam, our recent investment in sachet machines will give us a foothold in the significant unit dosing sector, while we continue to expand our product ranges with existing customers and win business with new customers keen to enter this growing and dynamic market. We are developing our liquid cleaners business in China and are exploring options to export these products into Australasia. Our manufacturing business in China will also benefit from the establishment of our new Group Air care category team.

Material cost management
Raw and packaging materials represent a high proportion of our product costs, the successful management of which is a key priority for McBride. Over the past 12 months, market commodity prices have continued to rise substantially, driven by GDP growth in developing and emerging economies, capacity restructuring by suppliers following the 2009 crisis, and weather-related factors impacting our natural based raw materials.

We have continued to implement our Group-wide procurement strategy, which aims to drive value by leveraging our scale and expertise globally. We have strengthened our supplier relationships, invested in talent and improved our forecasting and negotiating processes.

Following the appointment of Thibaut Eissautier as Head of Research and Development (R&D) as well as Purchasing, Group Purchasing is working even more closely with R&D in the areas of product re-engineering, supplier R&D, and packaging development.

New product development
McBride's R&D organisation includes 200 scientists and technical experts based in Europe and Asia, who have been brought together this year under one Group R&D functional organisation. This is enabling us fully to leverage our scale, to deploy best practice throughout the Group, and to strengthen further our innovation capability. Our work spans the innovation of unique ground-breaking patent-protected propositions through to adapting formulations to meet local market and consumer needs. We have the ability to develop products ranging all the way from great value propositions to formulations with the highest performance that rival the best products in the marketplace, across a broad range of categories.

In 2010, we won the Innovation and Design category in the UK Manufacturer of the Year awards for our new laundry washing gels. The panel judges were impressed with our formulation capability, our speed to market, and our ability to develop and launch this innovative product in several countries at the same time.

McBride is aware of its responsibilities for delivering a more sustainable future and protecting the environment. We strive continuously to develop lighter-weight packaging for both environmental and cost reasons, and have been at the forefront of the development of Private Label aerosols using nitrogen as the main propellant, resulting in safer and more environmentally friendly aerosols.

With Purchasing and R&D now under one single leadership, we expect further significant benefits to be delivered. The new organisation structure of our Research and Development team is designed to ensure that McBride strengthens its position as the leader in Private Label Household and Personal Care products.

Cost efficiency
During the course of the year, the Group completed the previously announced projects to close its Solaro site and its St Helens manufacturing facility. As a consequence of the Refresh review, we have started consultation on the closure of the UK liquid manufacturing site in Burnley and the focusing of our Auto Dishwash manufacturing in Western Europe. These actions are expected to result in one-off exceptional charges of £21 million in total and cash expenditure of £13 million. Annualised savings will be £7 million. Lean manufacturing assessments have been undertaken at all of our European sites and projects identified that will result in net savings of £1 million p.a. from 2011/12. McBride continues to invest heavily in capital expenditure with £25 million (2010: £24m) invested in efficiency improvement, capacity expansion and NPD projects in the last twelve months.

Winning with customers
Our business is built on our customer (retailer) relationships. Our ability to respond to their needs in a timely and effective way is key to our success and we have worked on strengthening the depth and breadth of our relationships with them during the past year. Top-to-top meetings have been held with 25 senior executive teams from major European retailers, and also with a number of the leading retailers in Asia. We are seeking to forge strategic partnerships based on deep category understanding and a responsiveness that is second to none in our Private Label categories of Household and Personal Care. International customer teams have been established for 11 multinational customers and ways of working established.

We are piloting and rolling out a leading category management programme to work more closely with retailers to drive the growth of the Private Label business.

Customer service is the Group's main operational priority and a highly visible benchmark that influences directly our ability to maintain commercial leadership, and supports the Group's overall growth strategy. Success is measured in this area by reference to the ability to deliver products ordered by customers in the correct volumes and within agreed timescales, which can be as short as 24 hours. The customer service level across the Group in the year was 97% (2010: 97%), although the goal we strive to deliver to our customers consistently is 98%.

People
People are the lifeblood of our business and our aim is to recruit, retain, and develop the best people available. We have launched the Mission, Vision and Principles programme aimed at building on our cultural strengths, better engaging our people and driving alignment of purpose. Our mission is to be the leading provider of Household and Personal Care products of exceptional value and performance to our customers and their consumers. Our vision is to be the most successful Private Label company in the world. We have three simple principles underpinning this intent:
- → Engage our people
- → Focus on our customers
- → Drive our performance

Our very first responsibility to our people is their safety. We have made steady progress in this, with accident levels reduced by 18% and the frequency of accidents per 100,000 hours worked reduced to 1.0 (2010: 1.3), the lowest level since our records began.

We also have an environmental responsibility to society as a whole. We are committed to reducing our environmental impact and progress has been made on key measures in the year. Energy consumption and CO_2 emissions fell by 3.9% and 1.6% respectively, equivalent to 1,000 tonnes of CO_2 emissions. Waste as a percentage of total production increased slightly to 1.3% (2010: 1.2%). Water consumption increased by 7.6% year-on-year as a consequence of increased liquids production.

Objectives for the current year
The main focus for the current year is to complete the actions initiated under Project Refresh to further strengthen the McBride business model and drive shareholder value by. The principal objectives are to:
- → recover input cost increases through selling price and cost reduction actions;
- → complete the rationalisation of our manufacturing and logistics footprint as outlined in Project Refresh;
- → roll out across the Group our leading category management process that has been developed in conjunction with Kantar Retail;
- → focus research and development behind our growth categories and improve speed to market;
- → build on our relationships with our International Customers to support their Private Label development plans;
- → grow Private Label sales in developing and emerging markets.

C D Bull
Chief Executive

To continue to leverage our leadership position, we are focusing on four key areas to deliver growth.

1. Organisational change

The Refresh programme identified the need to change our organisation and ways of working to provide a greater focus on our increasingly multinational customer base, focus on core and future growth categories, better co-ordinate the Group's considerable R&D capability and give leadership to the Group-wide supply chain. Group leadership for R&D, the Supply Chain programme, category teams and International Customer teams have been implemented.

For more information see pages 20 and 21

2. Competitiveness and efficiency

Our review confirmed that McBride needs to improve the competitiveness of its supply chain, a view reinforced by the current market conditions and input cost pressures. An in-depth study identified a number of opportunities to rationalise our supply chain footprint, proposals for which have been announced to affected employees.

Lean manufacturing assessments have been undertaken at all our European manufacturing facilities. These have identified a number of key projects that will result in net savings of £1 million rising to £3 million on an annualised basis over the next three years.

For more information see pages 22 and 23

3. Category review

A comprehensive review of McBride's Household and Personal Care portfolio identified those categories which we believe will provide the greatest growth potential in both the short-to-medium and longer term. The categories are defined as Core Growth categories, in which we already possess product capability and a strong market position, and Future Growth categories that offer the potential for future Private Label growth.

The Core Growth categories comprise laundry liquids, machine dishwashing and specialist cleaners, while the Future Growth categories comprise Skincare, Air care, male grooming and mouthwash. All growth categories provide a significant growth opportunity and are margin enhancing.

For more information see pages 24 and 25

4. Exploiting new opportunities

The potential for Private Label Household and Personal Care products in developing and emerging markets remains high as our multinational customers continue to expand their presence in these markets. McBride's decision to invest in Malaysia and Vietnam has been positively received by our customers in the region. We have spent the last 12 months strengthening local management, implementing McBride's quality systems and processes and investing and enhancing manufacturing capabilities in our new facilities. A number of new Private Label contracts have already been gained and we are looking forward to a step change in the business in Asia over the next 12 months.

For more information see pages 26 and 27

Strategic review
continued

1. Organisational change

The new organisation of our R&D team is designed to ensure that McBride remains the leader in Private Label Household and Personal care products for many years to come.

24hr

During the year McBride launched the first Private Label antibacterial cleaner with 24-hour germ kill performance based on Byotrol™ technology to help protect the consumer and their home.

Project Refresh – progress report

	12 month action plan (2010)	Delivered (2011)	24 month action plan (2011 →)
Customer focus	→ Build stronger strategic relationships at senior level → Establish international customer teams → Build leading category management capabilities	→ Top-to-top meetings held with over 25 leading retailers → International customer teams and leaders established for 11 multinational customers and ways of working established → Category management training programme established in UK business with roll out to rest of Europe planned 2011/12	→ Category management training programme roll out to Europe 2011/12
Product development	→ Establish core category development and R&D resources	**Refocus of R&D resources** **Three Centres of Excellence established** → Four category leaders in place → Four category development leaders appointed	→ Exploit scale → Improve speed to market → Improve R&D effectiveness avoiding duplication
Group functions	→ Supply chain → Group procurement → IT	→ Group-wide leadership of Supply chain effectiveness established → Group-wide Lean manufacturing programme initiated → Packaging group established → Group-wide IT systems support in place	

Refocus of research and development

McBride's research and development (R&D) organisation comprises 200 scientists based in eight research centres in Europe and Asia.

This year, we have brought R&D together under one Group functional organisation. This will enable us to fully leverage our scale, to reapply the best ideas wherever they come from, and to further strengthen our innovation capability.

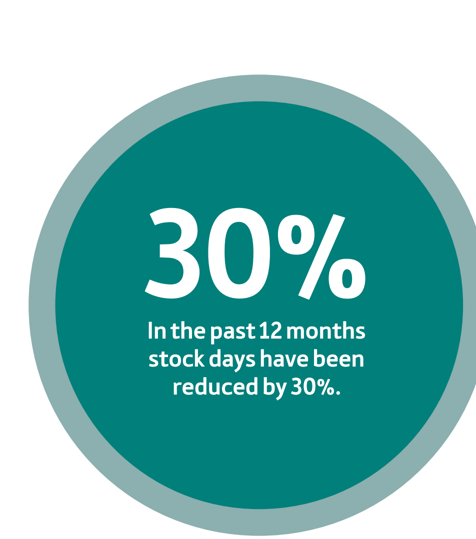
In addition, with Purchasing and R&D now working more closely together under one single leadership, we further expect significant benefits for the Group in terms of accessing our suppliers' R&D capability and value engineering projects.

During the year McBride launched the first Private Label antibacterial cleaner with 24-hour germ kill performance based on Byotrol™ technology to help protect the consumer and their home.

We have established three Group **'Centres of Excellence'** aligned to our Core and Future growth categories:

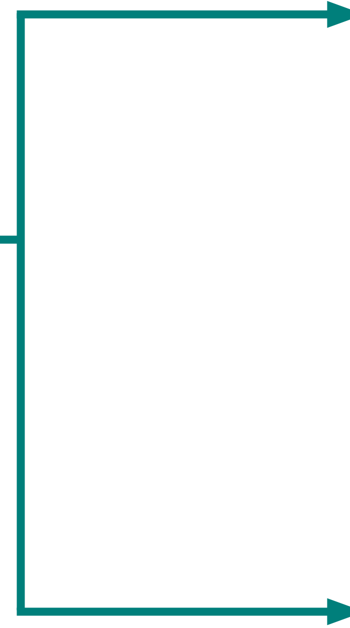
- → Laundry liquids based in Estaimpuis, Belgium
- → Machine dishwashing based in Foetz, Luxembourg
- → Skincare based in Brno, the Czech Republic

2. Competitiveness and efficiency



Project Refresh – progress report

	12 month action plan (2010)	Delivered (2011)	24 month action plan (2011 →)
Supply chain footprint	→ Complete next phase of manufacturing rationalisation → Estimated annual cost of c. £21 million → Cash cost c. £13 million → Payback 2-3 years → Annualised savings of £7 million	→ Announced consultation on closure of Burnley factory, downsizing of Bradford and central overhead reduction in UK → Announced consultation for refocusing of machine dishwashing tablet production in Europe → Project costs and savings in line with plan	→ Achieve full run rate of costs savings → Identify further cost saving opportunities
Lean	→ Perform Lean manufacturing assessments at key sites	**Lean assessments undertaken at all European sites** → Expected annualised net savings of £1 million confirmed	→ Delivery of expected savings → Extend Lean assessments to smaller factories



Working towards world-class manufacturing

Bradford site
The McBride Company vision 'to be the most successful Private Label supplier in the World' demands world-class standards in all aspects of our operation, not least in manufacturing. At our Bradford site, which manufactures a wide range of Personal Care Private Label products, the team has enthusiastically signed up to the Lean journey and is already making great strides towards its goal.

Prior to the inception of the Lean development plan the site invested in an intensive education programme to ensure that all colleagues had a clear understanding of what Lean was all about and why we were undertaking it.

One aim of the sessions was to give participants sufficient understanding to participate in a value stream mapping exercise. This has proved to be a major springboard to identifying opportunities and eliminating bottlenecks.

Results so far have been impressive. In the past 12 months stock days have been reduced by 30%, saving £1 million in outside storage costs and resulting in site overheads being reduced by £1.7 million (16%) year-on-year with wastage and efficiencies also significantly improved.

Further value stream mapping exercises have already identified £0.3 million additional potential savings, so it is clear that "the site's journey towards world-class is well and truly up and running"!

3. Category review

Private Label contracts are being won in Europe and Asia based on our product development expertise in Brno and Fortlab.

€16bn

The Skincare sector is one of the largest segments of the European Personal Care market, valued at over €16 billion at retail selling price.

Project Refresh – progress report

	12 month action plan (2010)	Delivered (2011)	24 month action plan (2011 →)
Category focus and priority	→ Review of Core Growth categories → Review of Group-wide category management and category development effectiveness. → Implement first Group-wide category investments	→ Three Core Growth categories confirmed: laundry liquids, machine dishwashing and speciality cleaners. Future Growth categories: Air care, Skincare, oral care and male grooming → Group Category management leaders and Category Development leaders established for laundry liquids, machine dishwashing, Skincare and Air care → Launch of first 24-hour germ kill trigger cleaners based on Byotrol™ technology → Launch of super-concentrated laundry liquids concepts in UK and France **McBride Skincare capability launched at PLMA exhibition in Amsterdam** → New head of R&D appointed → KPI: % of Private Label revenues from core categories 48% (2010: 46%)	→ Continuing NPD in growth categories → Roll out of selected 2010 launches across business units → Increase the share of Core categories as a percentage of Private Label sales

Launching McBride Skincare capability

McBride has identified and prioritised those categories within the European Household and Personal Care consumer market which will provide the greatest opportunity for profitable growth for McBride, its Private Label customers and shareholders.

The Skincare sector is one of the largest segments of the European Personal Care market, valued at over €16 billion at retail selling price. Over the last five years Skincare has consistently been the fastest growing Personal Care sector, driven by the demand for anti-ageing products.

McBride may be new to the category in the perception of our customers but we have a wealth of Skincare knowledge and heritage in Brno. We therefore decided to launch our capabilities at the PLMA (Private Label Manufacturers Association) exhibition in Amsterdam.

As the PLMA is a truly international exhibition, McBride's capabilities at both Brno in the Czech Republic and Fortlab in Malaysia were demonstrated.

Our objective in developing the new ranges for the PLMA was twofold: to showcase our wide range of formulation and manufacturing capabilities and also to demonstrate our exceptional knowledge of the latest ingredient and product trends. Skincare ranges were developed featuring products from everyday cleansers to high-performance anti-ageing creams.

By working closely with our ingredient and packaging suppliers, and by monitoring and evaluating the latest global Skincare trends, we were also able to develop a range of advanced Skincare serums to excite our customers and really show off our Skincare development talents.

Going forward, with the increasingly global reach of many of our major customers there will be opportunities to develop global Private Label brands. We believe McBride will be well positioned to offer them breadth of product knowledge and flexibility of sourcing and we are already sharing our Skincare knowledge of the European market with our Far East colleagues.

4. Exploiting new opportunities

CEE
Build on our existing CEE manufacturing capability to align with growing Private Label demand in CEE.

2010/11
The primary objective in the current year was to integrate the business and grow scale in the region.

Project Refresh – progress report

	12 month action plan (2010)	Delivered (2011)	24 month action plan (2011 →)
Geographic expansion	→ Continue expansion in developing and emerging markets	**Asia** → Key multinational customer meetings in region	→ Continue geographic expansion
		Integration of Fortlab Malaysia and Newlane Cosmetics into McBride Asia **Implant of McBride quality systems and processes and expansion of capabilities in the region**	
		→ Investment in deionised water plant in Vietnam → Investment in sachet production line in Vietnam → McBride Zhongshan factory expanded to include Household liquids capability → KPI: % of revenue from developing emerging markets 9.2% (2010: 7.1%)	→ Continue to build Private Label competences and manufacturing capability in the Far East
		Central and Eastern Europe → Eastern Europe – integration of Brno acquisition into McBride Group → Integration of Foetz and German operations into CEE business unit	→ Build on our existing CEE manufacturing capability to align with growing Private Label demand in CEE → Exploit relationships with multinational retailers expanding across the CEE region

Exploiting new opportunities

In 2010, McBride acquired Fortlab in Malaysia and Newlane Cosmetics in Vietnam to expand on its manufacturing facility in China and our sourcing office in Hong Kong.

The primary objective in the current year was to integrate the business and grow scale in the region. A key element being the implant of McBride quality systems, processes and Private Label skills into the business.

Key Top-to-top customer meetings have been held with multinational retailers in the region.

Further investment in manufacturing capability in the region including, McBride Zhongshan factory in China expanded to include Household liquids mixing and filling, investment in single unit sachet line for Personal Care products in Vietnam. Private Label Personal Care contract successes in Hong Kong, Malaysia, Thailand, Taiwan and Singapore via Watson's and Dairy Farm and also in Australia. In addition, McBride has launched versions of our Power Sport Men's Shower, i-clean and Clean 'n Fresh brands in Hong Kong.

There is also a strong development pipe line through Air care Category Leadership approach for new products from McBride Zhongshan.

McBride's decision to invest in Malaysia and Vietnam has been positively received by our customers in the region. A number of new Private Label contracts have already been gained and we are looking forward to a step change in the business in Asia over the next 12 months.

Managing and delivering growth of Core categories

McBride has identified and prioritised those categories within the European Household and Personal Care consumer market which will provide the greatest opportunity for profitable growth for McBride, its Private Label customers and its shareholders.

Within McBride's core business, we consider there to be in the region of 50 Household and Personal Care product categories, each with different growth dynamics, varying not only by region but often demonstrating particular national characteristics.

Future growth dynamics are influenced by a range of factors, including sector maturity, category innovation, demographic and economic influences, changing consumer needs and preferences, and often Private Label's strength within a particular category.

Through analysis of the external market dynamics and matching to McBride's internal competences and capabilities, McBride has carefully assessed which of the various categories provide the greatest potential for future growth in our core West European markets.

In developing and emerging markets, different dynamics prevail. Increasing disposable income, home ownership and increasing knowledge of and concern for hygiene in the home, are driving the increasing demand for Household and Personal Care products. The growing presence of multinational retailers in these markets provides further impetus for growth and Private Label development.

The detailed and comprehensive analysis undertaken as a core element of the Project Refresh strategy review, re-confirmed three core growth categories, characterised by market position, growth, technology and margin potential; namely laundry liquids, machine dishwashing and specialist cleaners. A further four categories were identified as providing longer term future growth opportunities, based on broadening of the product range and increasing Private Label penetration. These future growth categories include Skincare, male grooming products, mouthwash and non-aerosol-based air fresheners. The remaining categories, although not demonstrating all the characteristics to be classified as core or future growth, remain important categories for McBride either at Group or national level, providing range, breadth and scale for the business.

Changing the way we work

Integral to the Project Refresh review was the need to understand how category management and development within McBride could be further enhanced to improve the effectiveness of product development and increase speed to market. A detailed review of our ways of working identified the opportunity for a more strategically co-ordinated approach in a select number of categories prioritising Group initiatives, whilst maintaining and managing specific local versus regional opportunities.

McBride prioritised four categories for its Category and Category Development Leadership approach to exploit research and development and Group-wide insights, providing a solid platform for growth and to meet customers' expectations of McBride's passion for delivering value-adding Private Label products.

What has been achieved so far by the Category and Category Development Leaders is discussed on pages 30 to 37.

Passionate about Private Label

Growth potential in Core categories

Core growth

Laundry liquids

A large category driven by taking increasing share from laundry powders and tablets. The category is characterised by high levels of innovation. McBride has a strong and recognised capability in concentrated gels and sachets.

See pages 30 and 31 →

Machine dishwashing

Increasing dishwasher ownership across Europe is a key driver of the growth of the machine dishwashing category. Private Label has established positions in many European markets. McBride with its soluble film and tab-in-tab formats is well positioned to exploit the growth in the category.

See pages 32 and 33 →

Specialist cleaners

Consumers' increasing awareness of the need for hygiene in the home and the targeted cleaning power of trigger products are key drivers of the sector's growth. Private Label provides a recognised value proposition with McBride combining scale and technical competence in the sector.

Future growth

Male grooming

The male grooming market has been one of the fastest growing Personal Care sectors in recent years. This trend is now extending from traditional male shower and shaving products into higher value segments such as Skincare. Private Labels are taking an increasing share of the male grooming sector.

Mouthwash

Consumers of all ages are becoming increasingly aware of the need for good oral hygiene regimes and their relationship to overall personal health and wellbeing. The mouthwash sector has benefited from this trend and further potential exists in many markets across Europe and beyond.

Skincare

The Skincare sector is one of the largest segments of the European Personal Care market. Over the last five years Skincare has consistently been the fastest growing Personal Care sector. This high-value sector has a small but growing Private Label share and was therefore a natural extension to McBride's existing portfolio.

See pages 36 and 37 →

Non-aerosol Air care

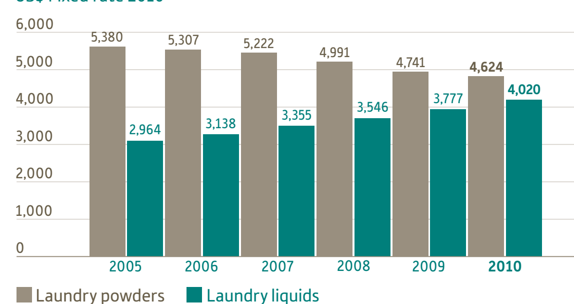
The main influences on the Air care sector today relate to health, wellbeing and the environment. With home fragrances now developing into home decoration aids, McBride, with its production capabilities in Europe and China, is well positioned to take advantage of these trends.

See pages 34 and 35 →

Managing and delivering growth of Core categories
continued

Laundry liquids Q&A

European laundry detergents by type
Western Europe 2005-2010
US$ Fixed rate 2010



Laundry powders / Laundry liquids

Source: Euromonitor International.

Q: The laundry liquids market is large, with McBride already having a well-established market position. What was your first priority as Category Leader and Category Development Leader?

A: Our first objective was to understand the market dynamics in each of the countries covered by the three European divisions. Each market had its own dynamics and these were mapped to identify both areas of commonality and specific local needs. France, Italy and the UK are McBride's core markets, with the German market identified as providing significant potential. It was also clear that, due to the current dominance of traditional laundry powder formats in Eastern Europe, this region remains a longer term opportunity for laundry liquid introduction which will benefit from the concepts developed in other countries.

Nathalie Vandenboghaerde
Category Leader

Olivier Chevalier
Category Development Leader

Q: What were the immediate actions following your market evaluation?

A: We now have a clear view of all development projects both short and medium-term, managed within a European new product development project list. Immediately, we were able to identify a wide number of Group projects including laundry sachets, super-concentrated liquids and laundry gel developments. The remaining projects tended to be more national in nature and therefore managed locally. We aim to ensure the right equilibrium between a local and Group approach by escalating interesting local opportunities to Group level where necessary, but also supporting local initiatives, whilst trying not to manage every project.

Q: What sort of challenges have you faced?

A: The first challenge was to build a laundry liquids research and development Centre of Excellence in line with the new ways of working. The former research and development organisation was focused on supporting both short-term business needs and long-term development projects for France, Spain, Italy and Benelux. Today's organisation also supports the development needs of the UK and German markets.

A further challenge was determining the balance of priorities; between identifying new products and added value developments, whilst also delivering value engineering opportunities across the Group.

Q: What benefits do you see from the new ways of working?

A: It is still early days, but we are now managing the laundry liquid category and the related developments at a Group level. With the support of our Category sponsor and our managers, we have made considerable progress to change our ways of working, taking a Group-wide approach and removing potential barriers. Resulting from this new approach, we have been successful in presenting a competitive laundry liquid offer to new potential customers in Europe and are optimistic for a positive outcome from these discussions. An encouraging start!

Action

Our first objective was to understand the market dynamics in each of the countries covered by the three European divisions. Each market had its own dynamics and these were mapped to identify both areas of commonality and specific local needs.

Result

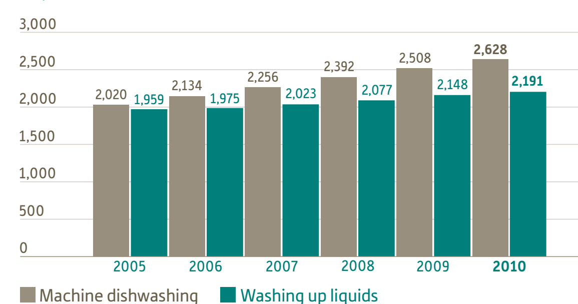
Immediately, we were able to identify a number of Group projects including laundry sachets, super-concentrated liquids and laundry gel developments.

Being the best at what we do
...everyday!

Managing and delivering growth of Core categories
continued

Machine dishwashing Q&A

European dishwashing trends by type
Western Europe 2005-2010
US$ Fixed rate 2010



Source: Euromonitor International.

Q: What challenges did the new approach to managing the category bring and how do you aim to work across the three Divisions?

A: The new approach required time to be spent with each market category manager, to understand what they require from the category lead role, to understand their challenges and to identify ways of working together to better share insights, opportunities and category learnings. We have established monthly project meetings, quarterly category meetings with budget reviews and a six-monthly brainstorm meeting for new product development ideas generation.

From the development perspective, one of the main challenges is how to harness the best ideas and resources at each site to forge a new improved range of standard machine dishwashing products which capitalise on McBride's economies of scale i.e. work as one company. This is already paying off and leading to less duplication of work and improved quality of support to the sales teams. Better formulations will mean better factory output and quality, freeing up more time to spend on product development.

Helen Herd
Category Leader

Dr Jim Gordon
Category Development Leader

Q: In addition to gaining a greater understanding of the marketplace, what other opportunities have been identified during your initial meetings?

A: In parallel to the market data survey, a technical survey has also been carried out to understand opportunities for raw material consolidation between manufacturing sites, brand benchmarking, complexity reviews, and methodology differences.

All this data has been analysed in order to provide a Group category plan, with objectives, strategies, tactics and activities to meet the needs of each market.

Q: Has the Group's focus on Lean manufacturing influenced your approach to machine dishwashing product development?

A: Everyone has bought into the idea of Lean formulating and next year should see the first fruits of our labours with a series of new offerings that will provide our customers with better products for any given cost. Since raw materials are such a large part of our costs, it is vital that we improve supplier collaboration. Having a category approach will simplify contact with suppliers and purchasing, improving communication and achieving more win-wins.

Q: What do you see as the longer term benefits of the Category Leader and Development approach to managing the machine dishwashing category?

A: The category view allows for Group developments to be identified and targeted markets and product formats to be clearly quantified. This approach also facilitates complexity management, consolidation of formulations, optimised asset utilisation, and creative formulating to service more than one market and ultimately grow Private Label share in our target markets. The machine dishwashing category is one of the most innovative categories in the detergents sector and the competitive environment is very tough, but we are confident that our new approach will lead to solid growth.

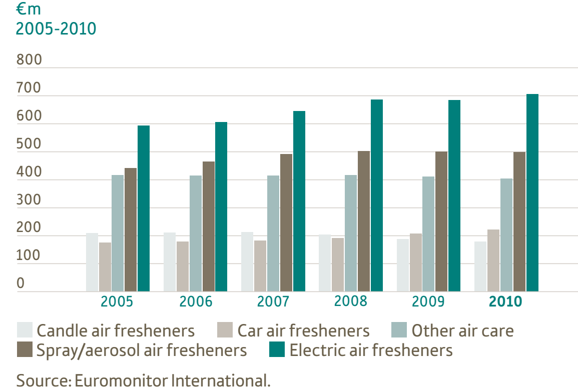
Action
From the development perspective, one of the main challenges is how to take the best ideas and resources at each site to forge a new improved range of standard machine dishwashing products which capitalise on McBride's economies of scale i.e. work as one company.

Result
This is already paying off and leading to less duplication of work and improved quality of support to the sales teams.

Being the best at what we do
...everyday!

Managing and delivering growth of Core categories
continued

Air care Q&A



Source: Euromonitor International.

Q: The Air care category is quite complex with a lot of different product formats. How did this influence the approach taken to prioritise the business potential?

A: A good understanding of the current market and McBride's position within the category was important before prioritising the business potential. As a first step, we undertook an evaluation of the current product portfolio, and compared this to the Air care range on the market across a number of key countries. Making this comparison showed where the gaps were within our portfolio, and the direction required on new product formats, to drive our Air care range.

Greta Vanderjeugt
Category Leader

Dr Colin Litten-Brown
Category Development Leader

Q: Air care tends to be more closely associated with consumer lifestyles compared to other household products. How has this influenced your approach to new product development within the category?

A: The home fragrances market has been very dynamic since the beginning of 2000 with the explosion of 'cocooning' consumer attitudes. Nowadays, home fragrances are facing new patterns of consumption due to health, wellbeing and environmental concerns. Initially conceived as room or home deodorants, home fragrances have now developed into full interior decoration aids that help design a fragrant atmosphere. Taking these influences into account, we have identified the following trends as key for the Air care category: nature, simplicity, home decor and high-tech. These underpin new product development within the category.

Q: With the Group's Air care manufacturing facilities located in Europe and Asia what challenges did this present for the team and how have you overcome these?

A: The fact we have manufacturing facilities in Europe and Asia, must be seen as a major opportunity, especially for the key high-tech trend, where the factory in Asia will be the main production facility for these ranges. Having a manufacturing facility and sales offices in Asia provides us with the opportunity to focus also on the Asia Pacific and Australasia markets for Air care products. These markets currently represent 20% of the world Air care market and are also growing much faster than the more developed regions of Europe and North America.

Q: The category offers a lot of scope for both product delivery and design innovation, so does this provide opportunities to differentiate Private Label ranges?

A: Air care is a category highly driven by design and innovation. Even within existing products there is always scope for innovation in terms of product design, delivery systems and formulation. There is tremendous scope to deliver real consumer benefits from technological or design improvements.

Action

As a first step we undertook an evaluation of the current product portfolio, and compared this to the Air care range on the market across a number of key countries.

Result

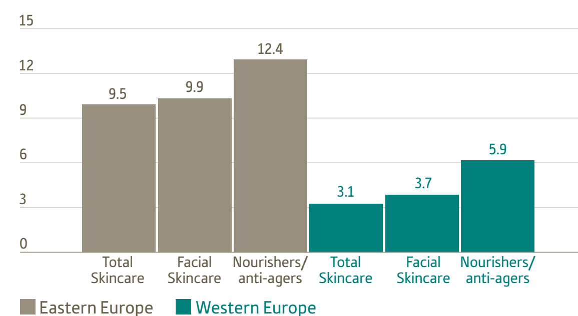
Initially conceived as room or home deodorants, home fragrances have now developed into full interior decoration aids that help design a fragrant atmosphere. Taking these influences into account, we have identified the following trends as key for the Air care category: nature, simplicity, home decor and high-tech. These underpin new product development within the category.

Being the best at what we do
...everyday!

Managing and delivering growth of Core categories
continued

Skincare Q&A

European Skincare market
% CAGR 2005-2010



Source: Euromonitor International.

Q: Why was Skincare such an important new category for McBride's growth strategy?

A: The Skincare sector is one of the largest segments of the European Personal Care market valued at over €16 billion at retail selling price. Over the last five years, Skincare has consistently been the fastest growing Personal Care sector, driven by the demand for anti-ageing products. It is not just the increasing number of over-50s driving sales, but also younger women and a growing number of male consumers who are seeking to prevent or delay the signs of ageing. There has also been a significant shift from premium Skincare brands to the mass market, with Skincare sales through channels such as supermarkets and drugstores showing the healthiest growth in our markets. This higher value Skincare sector has a small but growing Private Label share and was therefore a natural extension to McBride's existing portfolio.

Agnieszka Białoń
Category Leader

Petra Docekalova
Category Development Leader

Q: What are the learnings from the initial review of the European Skincare market and how did this influence your approach to managing the Skincare category?

A: It was quickly apparent that there are many diverse sales drivers in our markets, from an emphasis on natural or organic ingredients, to varied approaches to claim substantiation or even the maturity and credibility of Private Label Skincare across Europe. However, the fundamental drivers are the same; anti-ageing and nourishing facial care are driving Skincare sales growth Europe-wide, so the broad thrust of our innovation and development is centred on these claims and is applicable to all our current markets.

We are building a portfolio of core performance Skincare, from which, by working very closely with our European colleagues, we can develop and deliver exactly the right product to the right market.

Q: The launch of the new concept ranges at this year's PLMA exhibition was a key initiative to raise customers' awareness of our new capability. Can you provide some background as to how these concepts were developed?

A: McBride may be new to the category in the perception of our customers but we have a wealth of Skincare knowledge and heritage in Brno.

Our objective in developing the new ranges for the PLMA was therefore twofold; to showcase our wide range of formulation and manufacturing capabilities and also to demonstrate our exceptional knowledge of the latest ingredient and product trends.

So the three Skincare ranges we developed featured products from everyday cleansers to high-performance anti-ageing serums, in a range of packaging formats from sachets to airless pumps. By working closely with our ingredient and packaging suppliers, and by monitoring and evaluating the latest global Skincare trends, we were also able to develop a range of advanced Skincare serums to excite our customers and really show off our Skincare development talents.

Q: With the Group's Skincare facilities in both Europe and Asia do you see opportunities for joint development in the future?

A: Yes, absolutely. With the increasing global reach of many of our major customers there will be opportunities to develop global Private Label brands, and McBride will be well positioned to offer them breadth of product knowledge and flexibility of sourcing. We are already sharing our Skincare knowledge of the European market with our Far East colleagues, and they have presented some of our latest developments to their customers. Our first priority as a Skincare Category Growth team was to support and grow our European business, but European/Asian collaboration will without doubt soon follow.

Action

We are building a portfolio of core performance Skincare from which, by working very closely with our European colleagues, we can develop and deliver exactly the right product to the right market.

Result

By working closely with our ingredient and packaging suppliers, and by monitoring and evaluating the latest global Skincare trends, we have been able to develop a range of advanced Skincare serums to excite our customers and really show off our Skincare development talents.

Being the best at what we do ...everyday!

Research and Development

Thibaut Eissautier
Group Purchasing Director and Head of Group R&D

In 2010, we won the Innovation and Design category in the UK Manufacturer of the Year awards for our new laundry washing gels. The panel judges were impressed with our formulation capability, our speed to market and our ability to develop and launch this innovative product in several countries at the same time.

Exploiting our research and development capabilities
McBride's research and development (R&D) organisation comprising 200 scientists based in eight research centres in Europe and Asia, has been brought together this year under one Group R&D functional organisation. This will enable us to fully leverage our scale, to reapply the best ideas wherever they come from and to strengthen further our innovation capability. In addition, with Purchasing and R&D now working more closely under one single leadership, we further expect significant benefits for the Group in terms of accessing our suppliers' R&D capability and value engineering projects.

Our work ranges from innovating unique ground-breaking patent protected propositions, to adapting formulations and propositions to meet local market and consumer needs. We have the ability to develop products ranging all the way from great value propositions to formulations with the highest performance which rival the best products in the marketplace, across a broad range of categories.

Many of our innovations are protected by patents or design registrations. In the automatic dishwashing category, a highly technical and capital-intensive sector, our core technologies are all patent-protected.

In 2010, we won the Innovation and Design category in the UK Manufacturer of the Year awards for our new laundry washing gels. The panel judges were impressed with our formulation capability, our speed to market and our ability to develop and launch this innovative product in several countries at the same time.

A further example of how we enable our retail customers to provide value-added Private Label innovation to consumers is the super-concentrated hydrosoluble unit-dose pouches which we recently developed, enabling high-performance washing at cold temperatures.

We collaborate via open technology with external providers to deliver new solutions with unique molecule combinations to address consumer needs. The Byotrol™ technology we are using in our antibacterial surface cleaners delivers a long-lasting antibacterial effect to food surfaces to help protect the consumer and their home.

Many members of our team of scientists frequently participate in and contribute to industry groups addressing technical challenges facing the industry as a whole, such as environmental concerns, or developing new standards for quality or product performance.

Each of our laboratories is equipped with technology for us to evaluate the performance of and stress-test all our products, thereby ensuring we deliver outstanding quality to our customers every time.

Manufacturing and supplying Private Label products to our multinational customers, who operate across a number of markets, means that it is vital that our performance-testing reflects consumers' use. For example, manual dishwashing is conducted differently in Poland and the UK and our testing has to reflect this. That is why, over the past year, we have invested in the facilities and staff to undertake this work, in Centres of Excellence such as Foetz for dishwashing technology. Other Centres of Excellence exist for laundry liquids, Skincare and the Air care categories. We plan to increase the amount of consumer-use research and to subject our developments, throughout the whole process, to more and more consumer testing to ensure that our customers and their end consumers get products that perform to the standards they request.

McBride has also been successful in developing and selling products awarded with the Nordic Swan for the more environmentally conscious consumers of the Nordic countries.

As the largest Private Label player in our industry, McBride has contributed to the AISE working group in charge of proposing test methods and criteria for the evaluation of laundry products performance, in association with the Director General in charge of eco-labelling within the European Union.

Innovation is not just about formulating new products; it also encompasses the design and manufacture of new and innovative packaging concepts. Our recent development of a bi-colour injected cap used in Personal Care and suitable for use with either HDPE or PET bottles, enables the same cap to be used on the same bottle shape produced from different materials and different sizes. This significantly reduced manufacturing complexity.

McBride is aware of its responsibilities for delivering a more sustainable future and protecting the environment. We strive continuously to develop lighter-weight packaging for both environmental and cost reasons and have been at the forefront of the development of Private Label aerosols using nitrogen as the main propellant which is safer and more environmentally friendly.

McBride has established a Group packaging development organisation to leverage the synergies and expertise across its local packaging teams to deliver greater speed to market, innovation and cost optimisation.

The new organisation of our R&D team is designed to ensure that McBride remains the leader in Private Label Household and Personal Care products for many years to come.

McBride was the first Private Label manufacturer to win Ecolabel approval for Personal Care products.

During the year we have launched several products which have been awarded the European eco-labelling flower, including a shower gel and a liquid handwash. As a result, McBride was the first Private Label manufacturer with Ecolabel approval for Personal Care products.

Criteria for achieving Eco label status
The criteria are agreed at European level, following wide consultation with experts, and the label itself is only awarded after verification that the product meets these high environmental and performance standards. Ecolabel criteria are not based on one single factor, but on studies which analyse the impact of the product or service on the environment throughout its life-cycle, starting from raw material extraction in the pre-production stage, through to production, distribution and disposal.

Source: www.ecolabel.eu

Divisional performance

Colin McIntyre
UK Divisional
Managing Director

UK business review

	2011	2010	Change
Total reported revenue[1]	**£310.7m**	£320.3m	-3%
Adjusted operating profit[2]	**£11.9m**	£22.1m	-46%
Average employee numbers	**2,177**	2,268	-4%
Proportion of revenue in Household products	**75%**	74%	+1ppt
Proportion of revenue in Personal Care products	**25%**	26%	-1ppt

[1] Revenue by origin.
[2] Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

- → Revenue declined 3% reflecting the weak consumer demand in the UK market
- → Household Private Label volume share up 3ppt to 30% in last quarter
- → Core product categories sales grew 3%
- → Restructuring programme initiated with £9.2 million pre-tax exceptional charge and £4.0 million of expected annualised cost savings
- → Adjusted operating profit[2] declined by 46%, with return on sales of 3.8% (2010: 6.9%)

Business description

The UK business creates, develops and produces Household and Personal Care products for our Private Label customers. It also produces niche brands such as Surcare, Lime Lite and Oven Pride, and provides contract manufacturing for other Household and Personal Care sector participants. Retail customers include Aldi, Asda, Co-op, Marks & Spencer, Morrisons, Sainsbury's, Tesco and Waitrose.

Overview

Retail sales declined by 5%, offset by increased contract manufacturing sales up 3%. Overall, operating profit margins were impacted by high input costs and very high levels of brander promotions in 2011. A number of contracts were impacted by the recovery of selling price increases, but core category sales outperformed, delivering 3% growth, with particularly strong growth in laundry liquid sachets and gels and speciality cleaners.

In line with the objectives of Project Refresh to improve competitiveness and reduce our cost base, the UK division has entered into a consultation process which might be expected to lead to 300 redundancies, with the closure of the Burnley Household liquids factory and production transferred to other manufacturing sites. In addition, following comprehensive cost saving reviews across all UK sites, a further 40 staff including operational staff at the Bradford site, and administrative and personnel staff at divisional headquarters, will be leaving the business.

A £9.2 million pre-tax exceptional charge has been charged to the income statement relating to this UK divisional restructuring programme.

Markets

The UK Household products market grew by 6% in value terms for the period to July 2011, however the market was down 1% on a volume basis. Laundry liquids, household and toilet cleaners and the Air care sector demonstrated small volume growth with other categories broadly flat. Private Label Household products volume sales were down 3% for the year as a whole, however Private Label volume share recovered significantly in the last quarter of the financial year to 30% the highest quarterly volume share since Q3 2010; Private Label value share also reached a 12 month peak in the last quarter at 18%. The strongest performing categories for Private Label were laundry liquids, tablets and sachets, fabric conditioners, household cleaners and bleach.

The overall UK Personal Care market grew by 2% in value terms on flat volumes for the year to June 2011, reflecting the highly competitive marketplace and promotional activity during the year. The mouthwash, toothpaste and hairspray sectors were the strongest performing sectors.

Private Label Personal Care sales were influenced by the high levels of promotional activity from the brand manufacturers with sales down 3% in value and volume terms. Private Label mouthwash sales grew strongly to reach a 24% volume share of the category. Private Labels held a 28% volume share of the men's shaving products and liquid soap categories and a 33% volume share in bath foams.

Source of market data: McBride estimates based on Kantar Retail retail selling price data.

Key business developments

The competitive environment in the UK market remains challenging, with the continued impact of increases in raw material prices and high levels of brander promotions. As a consequence of this environment, one leading European Private Label competitor exited the UK market during the period.

Actions taken during the year to mitigate these impacts included: further increases in selling prices, continued roll out of Lean manufacturing activities across the supply chain, resulting in improvements in both factory efficiencies and the cost base; initiation of a restructuring programme across the UK sites; and continued development of new products.

The UK business increased its investment in research and development to underpin our objective of providing innovative Private Label Household and Personal Care products for our customers. During the year, the UK business announced an agreement to launch Private Label household cleaning products using Byotrol™ technology and the first antibacterial cleaner was launched in April 2011 with further product extensions planned.

Financial review

Revenue fell by 3% overall to £310.7 million (2010: £320.3m), although core product categories increased by 3%, mainly driven by laundry liquid sachets and gels and speciality cleaners. Contract manufacturing revenue grew by 3%. Adjusted operating profit[2] was down 46% to £11.9 million (2010: £22.1m). This was impacted by the time-lag between raw material input cost increases resulting from higher commodity prices, and the resulting recovery actions taking effect. Capital investment spend in the year was £9.5 million (2010: £9.0m) and included investment for efficiency improvements and capacity expansion.

Future developments

Our ongoing success depends critically upon our ability to provide customers with excellent service levels and competitive and innovative new products. We have continued to increase our level of resource in new product development, as well as investing resource into driving our category management capabilities. McBride continues to press ahead with initiatives outlined in Project Refresh, earlier in the year, to improve operating efficiency, category focus and strengthen key relationships. These activities will continue in the coming year, with specific resource allocated to drive through these key initiatives.

Divisional performance
continued

Andrea Barbier
Western Continental Europe Divisional Managing Director

Western Continental Europe business review

	2011	2010	Change
Total reported revenue[1]	**£405.7m**	£414.0m	-2%
Adjusted operating profit[2]	**£15.4m**	£28.2m	-45%
Average employee numbers	**1,940**	2,078	-7%
Proportion of revenue in Household products	**89%**	88%	+1ppt
Proportion of revenue in Personal Care products	**11%**	12%	-1ppt

[1] Revenue by origin. 2010 restated to reflect internal reorganisation of the management structure which has resulted in responsibility for operations in Luxembourg and Germany being transferred to the Central and Eastern Europe division.
[2] Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

- → Sales in France grew 1% on a constant currency basis
- → Completed the exit from manufacturing at the Solaro site in Italy with business transferred to other factories
- → Adjusted operating profit[2] down 45% due to delay between material input cost rises and implementation of selling price increases
- → Business restructured with commercial responsibility for operations in Luxembourg and Germany transferred to Central and Eastern Europe division

Business description
The Western Continental Europe business creates, develops and produces Household and Personal Care products for our Private Label customers in France, Italy, Spain, Portugal, Belgium, the Netherlands and Scandinavia. Retail customers include Aldi, Auchan, Carrefour, Casino, Eurospin, Intermarché, E Leclerc, and Système U.

Overview
The market remained competitive across the whole of Western Continental Europe with sales flat or down slightly in all core markets with Spain continuing to demonstrate very weak consumer demand. The division was impacted by the lag between implementing selling price increases to our customers following the significant moves in raw material input costs incurred in the first half of the year, resulting in adjusted operating profit[2] down by almost a half, on flat sales.

Last year, we reported the closure of the Solaro factory in Italy; this was completed during the year with business transferred to other factories. A review of our manufacturing footprint in Western Europe has been undertaken as part of Project Refresh and further opportunities to improve our operating efficiency are currently under review.

Markets
In the last year, the Household and Personal Care markets in Western Continental Europe have been impacted by the economic environment and weak economic activity reported in all markets. France is McBride's largest market in Western Continental Europe and the Group is active in both its Household and Personal Care categories.

Retail market data shows that, for Household products, the French market grew in value by 2% in the period to end June 2011, whilst volumes were down 1%. Private Label sales in the hyper- and supermarket sector were down 3% in value terms on volumes 2% lower, whilst the hard discount sector lost further market share, resulting in Private Label Household products volume share remaining broadly flat at 35% (2010: 35%).

The Air care category in particular showed a strong growth with Private Label share reaching 38% by volume and the popularity of Private Label washing up liquid in France remains high with Private Labels maintaining over 57% volume share of the category.

The Personal Care market in France remained broadly flat with Private Label sales down 2% in value terms and 3% by volume. The best performing Private Label sector was men's shaving products reaching a 29% volume share and 18% value share. Private Label liquid soap continues to perform well, accounting for over 50% of the market in volume terms.

In Italy, McBride's second largest market in Western Continental Europe, where the Group operates predominantly in the Household market, the overall market declined by 2% by value whilst Private Label products demonstrated strong growth of 3% year-on-year in the period to May 2011. Private Label share of the household product sector reached 20%, its highest value share with a strong performance in washing up liquids with Private Label holding a 37% value and 44% volume share of the category.

Key business developments
At the start of the financial year, the Western Continental division was restructured with the transfer of the Luxembourg and German operations to the Central and Eastern Europe division.

Throughout Western Europe the market remained highly competitive with flat volumes in many of the core markets. In the Household products category, laundry liquids continue to gain share at the expense of laundry powders. McBride launched Private Label laundry sachets into the French and Italian markets, and concentrated laundry gel formats also gained popularity. In Italy the business successfully launched a machine dishwashing product in gel format and the concept is being examined for other markets.

The Personal Care business in Western Europe was also impacted by weaker demand, with sales and margins impacted by material input costs.

In France, sales for the year were up 1% whilst in Belgium, Holland, Italy and Spain sales were lower due to exiting unprofitable business.

Financial review
Revenue was down 2% at £405.7 million (2010 restated: £414.0m) although on a constant currency basis sales in Western Continental Europe were broadly flat. Adjusted operating profit[2] fell 45% to £15.4 million (2010 restated: £28.2m), reflecting the delay in implementing selling price increases to offset the increased material input costs. Capital expenditure was £11.8 million (2010 restated: £14.2m) reflecting investments mainly in capacity expansion and cost-saving projects.

Future developments
The near-term priority for the business is to continue to improve our manufacturing cost base and operational efficiency with further rationalisation of our manufacturing footprint under review. Further investment is planned in new product development, focused on our core growth categories. Investment in category development and understanding of changes in retail channels and formats will be undertaken to support our customers in maximising the potential for Private Label product ranges going forward. Implementation of selling price increases and tight control of the business unit's cost base will be key to underpinning the performance of the division going forward.

Divisional performance
continued

Grzegorz (Greg) Krol
Central and Eastern Europe Divisional Managing Director

Central and Eastern Europe business review

	2011	2010	Change
Total reported revenue[1]	**£139.7m**	£118.4m	+ 18%
Adjusted operating profit[2]	**£8.9m**	£8.9m	0%
Average employee numbers	**883**	663	+33%
Proportion of revenue in Household products	**84%**	89%	–5ppt
Proportion of revenue in Personal Care products	**16%**	11%	+5ppt

[1] Revenue by origin. 2010 restated to reflect internal reorganisation of the management structure which has resulted in responsibility for operations in Luxembourg and Germany being transferred from Western Continental Europe division.
[2] Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

- → 20% sales growth on constant currency basis, of which 14% was organic growth and 6% acquisitions
- → Successful acquisition and integration of the Brno-based Skincare facility into McBride Central and Eastern Europe
- → Business restructured and strengthened with commercial responsibility for operations in Luxembourg and Germany integrated within the Central and Eastern Europe division
- → Adjusted operating profit[2] in line with prior years despite raw material input cost pressures
- → Continued development of Eastern and Southern areas of region

Business description
The Central and Eastern Europe business creates, develops and produces Household and Personal Care products for major retailers in Germany, Austria, Switzerland, Poland, Hungary, the Czech Republic, Slovakia and Southern and Eastern Europe. Retail customers in the region include Aldi, Biedronka (Jeronimo Martins), Edeka, Schwarz Group (Kaufland and Lidl), Metro (Makro and Real), Carrefour and Tesco.

Overview
The Central and Eastern Europe business has benefited from strong Private Label growth in the region and the integration of the Luxembourg and German operations into the division. Many of Germany's leading grocery, discount and drugstore chains are expanding their operations into Central, Southern and Eastern Europe. The combination of the business units will provide for greater co-operation and opportunities for Private Label development with these large and important customers.

Sales for the enlarged division grew 20% on a constant currency basis, with organic growth contributing 14% and acquisitions contributing 6%. The business delivered a robust performance, with adjusted operating profit[2] in line with the prior year however, operating margin fell from 7.5% to 6.4% due to higher raw material input costs. At the start of the financial year the Group acquired a dedicated Personal Care manufacturing facility in Brno in the Czech Republic. The factory specialises in Skincare ranges and during the year a number of innovative Skincare concepts were developed and launched at the Private Label Manufacturer's Association (PLMA) exhibition held in Amsterdam in May 2011.

Markets
Household and Personal Care markets in Central and Eastern Europe demonstrated a recovery from the economic slowdown with consumer spending in some markets returning to pre-crisis levels; however a number of the former CIS and Baltic states still remain weak. The rapid expansion of modern retail supermarkets, hypermarkets and discount formats in the region is increasing the popularity of these channels as the preferred choice for Household and Personal Care products, and confidence of consumers in Private Label products has increased greatly. In Germany, Private Label Household product sales increased to 41% volume share (2010: 40%) in the period to June 2011.

Retail Private Label sales continue to grow strongly in Eastern Europe, with retailers such as Biedronka in Poland, the drugstore chains DM and Rossman and hard discounters Aldi, Lidl and Kaufland all continuing to expand their operations in the region. Euromonitor reported that in Eastern Europe, Private Label Household products grew by 9% in 2010 whilst the overall market was flat.

Key business developments
In 2011, the Central and Eastern European division was expanded significantly with the integration of the Luxembourg and German operations. In addition, the acquisition of the Brno factory provided the business with not only a dedicated Personal Care factory in the region but also a Centre of Excellence for the production of Skincare products for the Group. The business has further strengthened its management capability in the region to support this enlarged business unit. The German market is now McBride's fourth largest Private Label market after the UK, France and Italy with Poland now our seventh largest market. Sales to Germany, Austria and Switzerland were 28% higher due to the full year impact of contracts gained in 2010. Sales in Poland increased 6% driven by the increasing share of the market held by modern distribution channels. Sales to export markets in the region increased 66% with sales to the Baltic States and Russia recovering strongly.

Products
The acquisition of the Brno facility provides the division with a facility capable of manufacturing higher value Personal Care products such as facial, anti-ageing and men's Skincare ranges. Personal Care products now account for 16% of revenues compared with 11% in 2010. McBride has continued to develop products for key customers in Poland, extending the Private Label categories through product innovation and category management expertise.

McBride has won significant business for scouring cream and all-purpose cleaners sourced from the Strzelce factory in Poland for the German market. In 2011, the business also gained a significant air freshener contract in Germany with the first pump-based air freshener to be produced in Strzelce.

Financial review
Reported Central and Eastern Europe revenue increased 18% to £139.7 million (2010 restated: £118.4m), of which 14% was organic growth, offset by 2% fall due to currency translation and 6% growth arising from the acquisition of Dermacol a.s. in the Czech Republic. Sales to Poland, the Czech Republic, Germany and Southern Europe provided the main sources of growth. Adjusted operating profit[2] at £8.9 million, (2010 restated: £8.9m), was a strong performance with return on sales down from 7.5% to 6.4%. The main drivers of this were higher input costs and product mix. Capital expenditure was £2.5 million (2010 restated: £2.9m) and was mainly focused on capacity expansion and cost-saving investments.

Future developments
The market dynamics in the region remain strong, with further planned store openings in the region by both national and multinational retailers. Most of our customers in the region are continuing to expand and develop their Private Label offer within McBride core categories. The market for Private Label Personal Care products is growing rapidly in Central and Eastern Europe following the dynamic set by the Household product category. The business believes that it is well placed to take advantage of the increasing demand for Private Label Household and Personal Care products across Central and Eastern Europe.

Further resources in new product development programme in the region will focus on developing and improving the Private Label offer in those categories with the greatest growth and margin potential.

Overview
Business review
Governance
Financials
Shareholder information

Corporate social responsibility (CSR)

Our aim is to build a long-term successful and sustainable business based on strong, positive relationships with all our stakeholders. We recognise the importance of social responsibility in our business and the contribution it makes to our success.

Our priorities

1. Environment

We aim to continuously reduce the environmental impact of our operations and products.

2. Health & Safety

We provide safe working environments with comprehensive safety management procedures.

3. People practices

We strive to retain and develop our people to fulfil their potential.

4. Communities

We make a positive contribution, where possible, to the communities in which we operate.

5. Ethics

We have a strong code of ethics and expect all employees to behave with honesty, discretion, integrity and respect at all times.

6. Economy

We provide employment to many people across the world and manufacture and sell products which satisfy basic human needs for personal and household cleanliness at affordable prices.

7. Product responsibility

We are committed to maintaining high standards of effectiveness, safety and compliance with legislation of the products we manufacture.

Introduction

McBride is committed to achieving a long-term successful and sustainable business as Europe's leading provider of Private Label Household and Personal Care products. We acknowledge that a pre-requisite of CSR is our willingness to look beyond our legal obligations and commercial focus to take account of wider social and environmental factors. We believe in the importance of social responsibility in our business and we are very conscious of our role in relation to the community and the impact of our operations on the environment, the marketplace and the workplace. Our approach to the environment, product safety and health and safety in our operations, to how we treat our people, our customers, our suppliers, our local communities and other key stakeholders is embedded in our Company culture and values and outlined in the Sustainability and related policies, published on the Group's website at **www.mcbride.co.uk**.

McBride recognises its obligations to all those with whom it has dealings. We recognise that our reputation and the trust and confidence of those with whom we deal are key to our long-term success, and the protection of these is of fundamental importance. We believe this approach helps to ensure that we have no material social issues of concern.

Further details are set out in our eighth Sustainability Report, published on the Group's website at **www.mcbride.co.uk**, which includes detailed information on the activities, data, objectives, compliance status and achievements during the past year.

Environmental performance

Energy consumption and CO_2 emissions fell

- → Energy use was down 3.9% to 677,094 Gjoule (Gj)
- → CO_2 emissions were down 1.6% to 60,923 tCO_2e
- → After removing green energy CO_2 emissions were 50,449 tCO_2e
- → Water use increased by 7.6% to 1,116,434m^3
- → Effluent discharge up 17% to 21,6281m^3
- → Total waste as % of total production 1.3% (2010: 1.1%)

While in contrast

- → Re-used, recycled and recovered waste improved to 77% of total waste
- → Green energy usage maintained at 21% of total energy

Eco-efficencies[1]

- → Energy efficiency fell 0.4% to 1,608kg/Gj
- → CO_2 efficiency fell 2.8% to 17,868kg/tCO_2 (21,577 taking into account green energy)
- → Water efficiency fell by 11.1% to 975kg production/m^3
- → Effluent efficiency fell by 18% to 5,033kg production/m^3

[1] Eco-efficiencies (kg production per unit) were all adversely impacted by a mix of revised definitions and restatements, lower production volumes and the restructuring of sites and divisions.

Corporate social responsibility (CSR)
continued

CSR principles
There are a number of core principles in McBride's CSR and Sustainability policy framework:

- → Environment – we aim to continuously reduce the environmental impact of our operations and products.
- → Health and Safety – we aim to provide safe working environments underpinned by comprehensive internal safety management procedures and external verification.
- → Employment practices – we strive to develop, motivate and engage our employees to help them give of their best and fulfill their potential. We provide equal opportunity for all and do not tolerate discrimination and unacceptable behaviours.
- → Community – we work closely with the communities where we have our operations to make a positive contribution where possible, recognising there is economic interdependence between ourselves, local businesses and local government.
- → Business ethics – we have a strong code of ethics and expect all employees to behave with honesty, discretion, integrity and respect for all related parties.
- → Economics – our strategic corporate plans are developed recognising the long-term interests of all stakeholders – employees, consumers, customers, suppliers and investors. This takes into account all relevant operational and financial factors which could have short and long-term implications for the Group.
- → Product responsibility – we are committed to high standards of product safety; we take care to understand safety issues related to products and ensure that they are suitable and safe for their intended use.

As a minimum, the Group seeks to comply with existing laws, regulations and best practice guidelines governing its activities in each of the markets in which it operates, and in many areas standards exceed minimum compliance requirements. We have senior management representation on various trade associations and we adhere to industry association guidelines.

Our policies and principles apply to every director, manager and employee in all our businesses across our global operations. They also extend to our supply chain. For example, suppliers are selected not only on the basis of specification, quality, service and economic factors but also, where possible, on their own commitments to minimise the impact of their operations on the environment and to CSR more generally.

Management and governance of the Group's CSR and Sustainability activities
The Board has overall responsibility for maintaining and enhancing the Group's CSR policies, guidelines and code of conduct which are published on the Group's website at **www.mcbride.co.uk**. The Chief Executive is accountable for ensuring that the Group operates in accordance with these policies. The Group monitors the performance of its divisions through rigorous performance management systems and key performance indicators that enhance its ability to monitor and improve performance. Health, safety and environment managers are present at sites. Detailed reports are prepared by the HR Director and submitted to the Group's executive directors who report any issues of major significance to the Board.

Health and Safety Best practice at McBride
The Belgian journal for safety professionals 'Prevent Focus' ran an article in April 2011 on the system in place at Ieper sites for training of temporary staff, especially in relation to health and safety. It was given as an example of good practice and highlights the excellent work undertaken at our sites.
The picture shows temporary staff in the warehouse being trained in safe working procedures.

Environment
The Group is committed to making continuing progress in minimising the environmental impact of its operations and achieving a long-term and sustainable business. We endeavour to comply with and surpass all relevant legislative requirements and industry standards and use the best practicable means to continually improve our environmental performance. This is supported by comprehensive internal environmental management systems, the use of key performance indicators and achieving external environmental accreditation for our operations. Twelve sites now hold the ISO 14001 accreditation and we are working towards accreditation for all our manufacturing sites.

This year's environmental performance has been reported with the assistance of an external consultancy, EQ2. Performance is disappointing although in part this is related to the downturn in production and closure of sites which generates increased waste as materials are transferred between sites. Improvements have been seen in energy consumption and CO_2 emissions, however efficiency in terms of kg product produced per unit energy or CO_2 emissions fell because of the improvements were not sufficient to balance out decreased production. Water consumption and water efficiency also fell, effluent and waste emissions increased.

Energy consumption and CO_2 emissions fell by 3.9 and 1.6% respectively. Water consumption increased by 7.6% year-on-year. The total amount of waste increased 8.4%. The proportion of waste treated sustainably by recycling or recovery increased to 77% of total. Effluent increased by 16.9%.

Health and Safety
McBride strives to maintain a safe workplace at all locations in which it operates. We continue to ensure that our business activities are undertaken in a responsible manner and in accordance with relevant statutory legislation and that all employees participate in the development, promotion and maintenance of a safe and healthy working environment for employees, visitors and the public.

We have comprehensive internal safety management procedures that include maintenance of health and safety policy manuals, verification of regulatory compliance, risk assessment, individual site action plans, safety audits, training, formal incident investigation and provision of occupational health services. There is also a strong focus on the use of key performance indicators, external auditing and achieving exacting external health and safety accreditation for its operations. Internal training is provided to ensure compliance with McBride's standards.

Sites work closely with local enforcing inspectors who make regular visits, not simply to investigate accidents, but also to plan compliance audits and agree priorities. Major exercises are undertaken at our sites, together with local authorities, to test action plans for dealing with site emergencies. Such tests are useful learning exercises for all parties and help to underpin the disaster recovery plans developed for each site. Five factories hold the OHSAS 18001 occupational health and safety accreditation.

All accidents and major incidents are reported internally and are investigated fully to determine appropriate corrective and preventative measures. Incidents that result in more than three days lost time are monitored. In the year ended 30 June 2011, the number of lost time accidents fell to 99, the lowest on record and an 18% improvement on last year. Frequency per 100,000 hours worked fell to 1.0 (2010: 1.3).

Product safety
McBride is committed to understanding safety issues related to its products and for ensuring that they are suitable and safe for their intended use. Our product responsibility policy is published on the Group's website at **www.mcbride.co.uk**. This is supported by comprehensive management systems that reflect legal and regulatory compliance as a minimum standard and cover raw material use and product assessments, labelling and packaging requirements. McBride contributes to voluntary initiatives on product safety by industry associations such as AISE (International Association for Soaps, Detergents and Maintenance Products).

Product safety evaluations are made in our operations without tests on animals. Our animal testing policy statement is published on the Group's website at **www.mcbride.co.uk**. We support the development and acceptance of alternative product safety evaluation methods that reduce or replace the use of animals. We do not request animal testing of products or ingredients by suppliers or other third parties and we maintain contact with our suppliers to ensure that our values on this subject are shared and specific requirements of individual retailers or other third parties are met.

Human safety and environmental assessments for Household and Personal Care products are carried out before launch under the Dangerous Preparations and Cosmetic Products Directives respectively. It is our policy not to sell products involving risks to human safety and/or the environment under normal and foreseeable conditions of use. Work is currently underway, both internally and at industry level in AISE, to facilitate the transition for classification and labelling of household products from the Dangerous Preparations regime to the new Classification, Labelling and Packaging Regulations which become effective from the start of transition in 2013. McBride is fully involved with the industry projects at AISE to help identify the most appropriate in vitro testing strategies and development of an industry network for sharing data and expertise for accurate and appropriate product classification.

Corporate social responsibility (CSR)
continued

The REACh (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulation, for the safe use of chemicals, came into force across Europe in 2007. McBride is predominantly a downstream user of chemicals, supplied mostly by companies within the EU, but it is also a manufacturer of a small number of substances as part of the production process in a very few products. One substance was registered before the first REACh registration deadline of 1 December 2010 for high tonnage substances.

Registration dossiers contain data on the intrinsic properties of a substance and assesses the human health and environmental implications of how the substance is used throughout its lifecycle. It is important therefore that as a downstream user, we ensure that each supplier is aware of our specific uses of chemicals and that these uses are included in the registration dossier. McBride advised all of its suppliers of its uses more than 12 months prior to the first registration deadline. Supported uses are communicated by inclusion in the new extended safety data sheets (SDS), which are now starting to arrive. It will be an ongoing requirement to check that the exposure scenarios included in them contain all uses of interest and that the business complies with any advised operational conditions and risk management measures. In addition, we continue to monitor the Candidate Lists of Substances of Very High Concern from the European Chemicals Agency (ECHA), so that we can respond promptly to any related query from a customer or final consumer of McBride products.

The regulation prescribes new formats and data requirements for SDS for substances and mixtures. The initial phase requires a change in format to allow the ability to incorporate the CLP (Classification, Labelling and Packaging Regulations 2008) and this change has been accommodated within our existing systems. Further phases will require the inclusion of exposure scenarios and generation of fully extended SDS. A project team is currently working on ensuring that McBride SDSs are fully compliant with the requirements.

Employment practices

The success of our business is dependent upon the quality, commitment and behaviour of our employees. Therefore, we provide clear policies and direction to our managers and strive for the highest standards in management practices. We aim to retain and develop our employees and to help them to fulfil their career potential.

We provide equal opportunities for all in recruitment, selection, promotion, employee development, training and reward policies and procedures. We are committed to adherence with international human rights standards. We have no involvement in the use of child labour or forced labour in our business and check the status of our overseas suppliers in this respect. We do not tolerate unfair discrimination of any kind. We also comply with applicable national laws and industry standards on working hours and insist on high standards of personal behaviour from our employees.

We have a well-developed appraisal system, which feeds into a thorough Company-wide talent review process, used to put in place effective personal development plans. Our own Management Development Programme is highly successful and innovative. In 2010, we commenced a major campaign to communicate our Mission, Vision and Principles to all our employees.

Regular opinion surveys are undertaken of all staff to measure and monitor employee satisfaction within the Group. The results of these surveys are used to develop action plans to improve communication, motivation and engagement across the business. The next survey will be completed in the 2011/12 financial year.

Business ethics and relationships

We have in place strong business principles which apply to all employees to set a minimum standard for their behaviour. Failure to comply with our core business principles is a matter for disciplinary action.

We expect employees to operate to high ethical standards in compliance with our Business Sustainability Policy which outlines the principles on business ethics behind our approach to business. All business dealings are expected to be conducted with utmost discretion, integrity and respect for all parties as well as in compliance with local and national legislation. We are committed to providing high quality products and service in line with our customers' expectations; customer service is measured daily and considered to be the primary operational performance indicator across the Group.

We are committed to free and fair competition and we will compete strongly but honestly, whilst ensuring we comply with all relevant Competition Laws. Appropriate training has been provided to all senior executives and managers across the Group.

We employ purchasing procedures that select suppliers, whenever possible, on the basis of specification, quality, service and economic factors and favour those who operate in an ethical and socially responsible manner and who are committed to minimising their impact on the environment. All contracts are based on fairness and equality of treatment for potential suppliers. Under no circumstances are financial inducements or bribes permitted, made or accepted regardless of amount, whether direct or indirect, or to or from third parties.

Procedures are in place to prevent unauthorised disclosure of confidential information about the Group to competitors and to prevent any attempt to improperly acquire trade secrets or any other confidential information from competitors.

A whistle-blowing policy statement provides a procedure for employees to air concerns about any suspected serious malpractice including fraud, corruption, bribery, criminal offence or other failure to comply with legal obligations.

We have introduced a new Anti-Bribery and Corruption Compliance policy which has been rolled out to employees with appropriate training provided to senior executives and managers, and we are developing a programme to ensure our zero tolerance approach to bribery is clearly communicated to relevant third parties, including suppliers. The offering or receiving of bribes or other such facilitation payments for the purpose of obtaining or retaining business or influencing political decisions is strictly forbidden. A Gifts and Hospitality policy has also been formally documented and rolled out to employees. Gifts, other than items of very small intrinsic value, are not accepted. Employees who receive hospitality must not allow themselves to reach a position whereby they might be deemed by others to have been influenced in making a business decision as a consequence.

All these policy documents are displayed on the Group's website at **www.mcbride.co.uk**.

We operate and encourage openness and honesty in all our internal relationships and have systems for colleagues to highlight shortfalls and to suggest improvements to anything in the business. We also have robust procedures for handling all types of issues and grievances. Our managers all received training to form effective relationships with their teams which is based on respect and honesty with openness to new ideas and challenge.

Insider dealing is illegal and not tolerated within the Group; clearance to deal in the Company's shares must be sought by all senior management from the Chief Executive or the Company Secretary prior to dealing. Detailed guidelines on insider dealing are available from the Group's website at **www.mcbride.co.uk**.

It is a matter of policy that the Company does not make contributions or donations for political purposes.

Procedures are in place to deal with conflicts of interest. Any personal interest which may prejudice or might reasonably be deemed by others to prejudice, the impartiality of employees, must be formally declared to a senior manager.

Community activities

McBride seeks to play an active role in the local communities in which it operates. As well as providing significant employment opportunities, we aim to make positive contributions to these communities, building goodwill and a reputation as a good neighbour and employer.

We make donations of laundry and dishwash products to In Kind Direct, which distributes goods to small, local charitable groups throughout the UK. In Kind Direct provides an easy way for manufacturers and retailers to donate surplus stock to voluntary groups, which can help them save money on their running costs and thus provide an enhanced service. More details can be found in the Group's Sustainability Report.

The Group is involved in a wide range of local community activities including undergraduate sponsorships and support of the UK SIFE programme, which works to mobilise university students to make a difference in their communities while developing the skills to become socially responsible business leaders. The Group also provides support for the local statutory authorities via voluntary work and advice, sponsors specific educational awards, provides careers advice for students and school children provides mentoring support to assist ethnic minority students into employment, provides work experience placements, supports local charities, and hosts a wide range of factory visits for educational purposes or to exchange best practice.

Stakeholder relationships and communications

Resources
McBride continues to invest in the resources that they consider are key to maintaining a competitive advantage in the markets in which it operates. We have a strong code of ethics and promote a culture where all employees behave with honesty, discretion and respect when dealing with all stakeholders.

Employees
The Group employed an average of 5,421 people during the year ended 30 June 2011. The effective management of people is critical to achieving our business objectives and we depend on the commitment of our employees.

We recognise that to be successful the business must recruit, retain and develop its employees and help them achieve their full potential. There is a rolling programme of employee opinion surveys across the Group and the UK business has received Investors in People bronze accreditation. We have recently introduced a Group-wide annual appraisal and talent management system which will provide an opportunity for all employees to review their performance and obtain feedback regarding responsibilities and objectives, training and development needs, and link individuals' needs with those of the business.

The Mission, Vision and Principles (MVP) programme is helping to build a workforce that has behaviours and a culture that is aligned to the Company's strategy and objectives. Communication is central to MVP and this is supported around the Group by site visits by senior management, open discussions and briefings, listening groups and Q&A sessions at each site. Regular information bulletins are cascaded down through the business and a management conference is held twice a year to publicise the Group's strategy and performance, and assess how local site objectives support the Group objectives.

The Group continuously seeks to set and maintain very high standards of health and safety, and has a robust management system which is embedded at all sites worldwide. There are a number of policies and procedures in place to guide employees in areas such as equal opportunities in recruitment and development.

Customers
McBride strives for excellence at all times; to be the chosen provider of Private Label Household and Personal Care products to the leading grocery retailers around the world. By working closely with our customers at all levels of the business we can understand and meet their needs through consumer focused product and category development, excellent customer service and a joint focus on minimising cost.

Consumers
Through a clear market and consumer understanding we treat our customer Private Label product offerings like brands in their own right, providing guidance in product and category development and through regular consumer panels, and ongoing product testing ensures our products are delivered with the highest consistent quality.

Suppliers
It is key to the continued success of our business that we have beneficial long-term relationships with suppliers. We rely on the sourcing of goods and services such as raw materials, packaging and indirect services and equipment. The Group is continually seeking to optimise the value of its sourcing, through innovation, proposals from its suppliers and evaluation of alternative suppliers and materials. Given the importance of purchasing costs in our cost structure, as well as the materials in our final products, McBride recognises its responsibility in sourcing products and services in the most cost effective and efficient manner and, to this end, we are constantly searching for suppliers that can meet our evolving demands and can offer alternative sources whilst, at the same time, having regard to environmental, social and ethical aspects of doing business.

Group financial review

Richard Armitage
Group Finance Director

"The Group's initiatives to reduce supply chain costs are progressing to plan."

Group summary
Group revenue was flat year-on-year, being £812.4 million (2010: £812.2m), reflecting 1% growth on a constant currency basis, primarily driven by acquisitions and growth in Central and Eastern Europe and a 1% adverse currency impact due to weakening of the Euro against Sterling to 1.17 (2010: 1.14). Adjusted Group profit before tax[1] decreased by 49% to £22.5 million (2010: £44.4m). Adjusted diluted earnings per share[1] decreased 49% to 9.3 pence (2010: 18.1p). The proposed final payment to shareholders is 4.8 pence per share (2010: 4.8p) which, if approved, will deliver unchanged full year payments to shareholders of 6.8 pence per share (2010: 6.8p), to be remitted through the B Share scheme.

Cash generated from operations, before exceptional items, was £42.6 million (2010: £85.1m). Net debt increased by £23.7 million to £83.7 million (2010: £60.0m). Pre-tax return on average capital employed based on the Group's adjusted operating profit[1] for the year decreased to 14.7% (2010: 25.9%).

Revenue
Group revenue was flat at £812.4 million (2010: £812.2m). The 1% constant currency growth, referred to above, reflects a 20% increase in revenue in Central and Eastern Europe including acquisitions, offset by a 3% decline in revenue in the UK, while revenue in Western Continental Europe was flat. There was 2% constant currency growth in the Group's identified core growth categories with encouraging performances in laundry liquids, machine dishwashing and specialist cleaners.

On the revised segmental reporting basis (see note 2), UK revenues reduced by 3% to £310.7 million (2010: £320.3m) with Household sales flat year on year, but Personal Care showing an 11% decline. Western Continental Europe's revenues declined by 2% to £405.7 million (2010: £414.0m), with the majority of the impact related to adverse currency translation while organic sales were flat. Central and Eastern Europe's revenues increased 18% to £139.7 million (2010: £118.4m), with 14% organic growth and 6% from the Dermacol acquisition, partially offset by a 2% adverse currency translation. Asia revenues were £9.3 million (2010: £1.0m) driven by the Fortlab acquisition.

Operating profit
Adjusted Group operating profit[1] decreased by 42% to £29.0 million (2010: £50.0m). The operating margin reduced from 6.2% to 3.6% reflecting increases in raw material prices and the timelag for recovery from selling price increases. Group reported operating profit fell by 61% to £13.8 million (2010: £35.2m).

On the revised segment reporting basis (see note 2), the adjusted operating profit[1] and margin decreased in both the UK and Western Continental Europe divisions and while the adjusted operating profit[1] remained flat in Central and Eastern Europe division, the operating margin was lower: UK profit was £11.9 million (2010: £22.1m) with a margin of 3.8% (2010: 6.9%), Western Continental Europe profit was £15.4 million (2010: £28.2m) with a margin of 3.8% (2010: 6.8%) and Central and Eastern Europe profit was £8.9 million (2010: £8.9m) with a margin of 6.4% (2010: 7.5%).

Net finance costs
Reported net finance costs increased to £6.7 million (2010: £5.6m), driven primarily by a higher level of debt and amortisation of the fees relating to the €175 million revolving credit facility arrangement agreed in June 2010.

Exceptional items
The Group's initiatives to reduce supply chain costs are progressing to plan. There was a £12.3 million pre-tax operating exceptional charge to the income statement in the year (2010: £12.8m), of which £9.2 million related to a proposed restructuring of the supply chain in the UK, £0.3 million arose in connection with a proposed restructuring of the supply chain in Continental Europe and £1.2 million of additional costs were incurred in relation to the redundancy programme in Italy in addition to which there was an associated £1.6 million asset write-off. In total, the pre-tax operating exceptional charge comprised £4.5 million of redundancy costs, £3.4 million of asset write-offs and £2.8 million of other incremental items, including external consultancy costs, legal fees and site clean up costs. The £1.6 million pre-tax operating charge was in relation to an impairment of an asset held for sale, being the former production site of Solaro, due to the weakening of the Italian property market caused by the adverse economic conditions in Italy.

[1] Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

Group financial review
continued

Profit before tax and tax charge
Profit before tax decreased 76% to £7.1 million (2010: £29.6m) and, on an adjusted basis[1], decreased 49% to £22.5 million (2010: £44.4m). The £1.8 million taxation charge (2010: £7.5m) maintains a 25% effective rate (2010: 25%).

Earnings per share and payments to shareholders
Basic earnings per share (EPS) declined 76% to 2.9 pence (2010: 12.3p). Adjusted basic EPS[1] decreased 49% to 9.4 pence (2010: 18.4p). On an adjusted basis[1], diluted EPS decreased 49% to 9.3 pence (2010: 18.1p). The weighted average issued and diluted number of shares in the year used in calculating these EPS figures were 180.4 million and 182.4 million respectively (2010: 180.3m and 183.2m).

On 24 March 2011, shareholders approved proposals for the implementation of a 'B Share' scheme as a mechanism for making payments to shareholders. This involves the issue of non-cumulative preference shares (known as 'B Shares') in place of income distributions. Shareholders are able to redeem any number of their B Shares for cash. 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 in this way.

Subject to shareholder approval to renew the 'B Share' scheme at the AGM, the Board is recommending the allotment of 48 B Shares (equating to a final dividend of 4.8 pence per share (2010: 4.8p), giving a total allotment for the year of 68 B Shares (6.8 pence per share (2010: 6.8p) in line with the prior year and covered 1.4 times by adjusted basic earnings per share[1] (2010: 2.7 times). The total proposed payments to shareholders for the year amount to £12.2 million.

The Board's policy with regard to payments to shareholders is, in the absence of unforeseen circumstances, that they should be sustainable and paid out of earnings whilst maintaining appropriate cover for the Group's needs. Payments to shareholders are expected to be paid as an interim payment and a final payment.

Cash flow
The Group generated £42.6 million (2010: £85.1m) from operations before exceptional items. This included a £8.4 million net working capital outflow (2010: £6.7m inflow).

Capital expenditure in the year was £24.8 million (2010: £24.3m) which equates to 3% of sales and is broadly in line with depreciation. The main areas of investment were cost-efficiency programmes, new product development, capacity expansion and essential replacement. There was £2.2 million of acquisition spend (net of cash acquired): a £2.1 million payment for the acquisition of Dermacol a.s., and £0.1 million of deferred consideration for the acquisition of Fortlab Holdings Sdn Bhd.

Net interest payments decreased to £4.6 million (2010: £5.9m) mainly due to the £1.5 million of up front fees relating to the new €175 million five-year revolving credit facility which were paid in the prior year. There was a cash outflow of £7.4 million (2010: £4.4m) relating to exceptional items, primarily redundancy and other costs relating to the 2010 restructuring programmes in the UK and Western Continental Europe divisions.

Payments to shareholders were £12.2 million (2010: £11.4m).

Net debt increased by £23.7 million to £83.7 million (2010: £60.0m).

The net debt movement for the year resulting from these activities is illustrated in the table below:

	2011 £m	2010 £m
Opening net debt	**(60.0)**	(82.4)
Cash generated from operations before exceptional items	**42.6**	85.1
Exceptional items	**(7.4)**	(4.4)
Net interest	**(4.6)**	(5.9)
Forward contracts used in net investment hedging	**(0.9)**	(1.4)
Tax	**(7.6)**	(7.8)
Capital expenditure	**(24.8)**	(24.3)
Acquisitions	**(3.1)**[2]	(8.5)[2]
Payments to shareholders	**(12.2)**	(11.4)
Foreign currency translation	**(5.7)**	1.9
Other movements	**–**	(0.9)
Movement in net debt	**(23.7)**	22.4
Closing net debt	**(83.7)**	(60.0)

[2] Includes £0.9 million (2010: £0.1m) loans acquired with subsidiaries.

Balance sheet
Group net assets at the year-end increased to £125.4 million (2010: £124.7m). This was primarily due to a reduction in pension liability and the currency translation effect of a stronger Euro on current and non-current assets, offset by a £23.7 million increase in net debt. The Euro strengthened against Sterling from 1.22 at 30 June 2010 to 1.11 at 30 June 2011.

Liabilities for pensions and other post-employment benefits decreased by £5.2 million from last year to £12.5 million, net of the associated deferred tax asset (2010: £17.7m). This increase was due to a lower deficit in the UK defined benefit pension scheme, from £15.2 million to £10.5 million, driven primarily by an increase in the value of the scheme's assets.

The pre-tax return on average capital employed based on the Group's adjusted operating profit[1] for the year reduced from 25.9% to 14.7%. This decline was driven by a lower profit margin, from 6.2% to 3.6%, and asset turnover reduced from 4.2 to 4.1 times.

[1] Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

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

Access to credit lines
The Group aims to maintain a strong balance sheet, with a relatively conservative level of debt-to-equity gearing. This policy enabled us to secure a €175 million revolving credit facility, which is committed until June 2015, and a £25 million invoice discounting facility until June 2012. In June 2011 the Group completed a new €25 million invoice discounting facility in France, which has a rolling notice period of six months. The Group also has access to working capital facilities amounting to over £45 million, which are generally uncommitted and subject to annual review. We maintain close working relationships with the small number of major banks which provide these credit lines. The Group's credit lines, together with internally-generated cash provide adequate headroom for bolt-on acquisitions and contingencies.

Foreign currency risk
A significant proportion of the Group's net assets are located in Europe and denominated in Euros. The Group is therefore exposed to a translation risk when these net assets are converted into Sterling at each balance sheet date. The Group hedges a substantial part of its foreign net assets with borrowings and swaps denominated in the same currency, in order to mitigate the risk of volatility in reported net assets and key financial ratios as a result of exchange rate fluctuations. The interest on these foreign currency borrowings and swaps provides a natural hedge of the translation exposure on our earnings denominated in the same currencies, and we further reduce that risk by purchasing currency options.

The Group's trading activities are generally invoiced in the domestic currency of the relevant operating entity. However, there are some material cross-border activities which create a transaction risk on conversion into domestic currency. The main such transaction exposure arises in the UK division, which incurs costs denominated in Euros on some of its imported goods. This risk provides a natural hedge to our earnings translation exposure, and we also hedge a proportion of the remaining transaction exposures using forward currency deals on a rolling 12-month basis.

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

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

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

R J Armitage
Group Finance Director

Principal risks and uncertainties

As with most businesses, the Group is subject to risk factors both internal and external to its business. Generic external risks include political and economic conditions, market and competitive developments, supply interruption, regulatory changes, foreign exchange, raw material, packaging and energy prices, pensions funding, environmental risks and litigation. Internal risks include risks related to systems reliance, acquisitions, legislative and regulatory compliance, asset resilience, production capability, human resources, industrial relations and failure of internal controls.

The Group has a well established set of risk management procedures at three different levels: operating company, divisional and Group. These are discussed further in the Corporate Governance Report on pages 60 to 65.

It is recognised that the risks facing the Group will increase or decrease in potential severity or importance dependent on the market and economic climate at any particular time. During the year, the divisions have again revisited their lists of risks and updated and reprioritised such risks to reflect the dynamic environment in which the Group operates. Furthermore, mitigating actions have continued to be implemented to improve certain risks including those which might give rise to operational disruption, product safety or quality issues, systems dependencies and reliability and environmental risks. Accordingly, such risks are deemed to have diminished in potential severity.

Having reviewed its risk profile, the specific risks and uncertainties that the directors believe could have the most significant impact on the Group's business are discussed below. The matters described are not intended to be an exhaustive list of all possible risks and uncertainties.

Type of risk	Context	Risk to McBride	Potential impact	Mitigating factors
Unrecovered cost inflation	The oil and commodity markets are subject to volatility which may result in a rapid increase in base costs.	A large proportion of the Group's spend is on materials, packaging and other consumables used in the production process. Prices may rise at a rate and speed which cannot immediately be fully recovered by the Group through price increases to our customers.	Reduced profitability. Negative impact on volume due to loss of customers when price increases are unavoidable.	→ The Group has continued to develop its focus on improving operating efficiencies through increased asset utilisation and automation, reduced waste and minimising the use of packaging and the use of alternative materials, sources and reformulations. → The Group has in place numerous sustainability initiatives to work with its customers to reduce packaging and to optimise material costs. → The Group invests considerable effort in building relationships with the retailers at the highest possible level to explain the business criticality behind the need for price increases. → There is continued investment to identify alternative procurement sources to mitigate where possible material cost inflation.
Serious loss of volume	The Group is exposed to various external market factors including strong competitor activity as well as increasing rationalisation of the customer base on a global basis. In addition, branded companies have been offering intense promotional activity to consumers at the same time as the Group has continued to seek selling price increases to recover the commodity price effect.	The combination of competitor activity and the inability to obtain selling price increases can give rise to the potential loss of contracts. Customers may seek to source from alternative suppliers. Branded activity can also mean that retailer loyalty can become limited leading to more regular re-tenders of contracts.	Loss of any significant part of the Group's customer base could lead to serious loss of volume with the resultant impact on the sustainability of the Group's revenue and reduced profitability. Loss of volume as consumers are enticed away from the Private Label offering.	→ The Group's strategy is to continue to have a strong commitment to private label category development including investment in new product development to enable us to offer differentiated products. → In addition, focus continues on delivering superior customer service levels, deepening relationships with existing and new customers and seeking out new channels of supply as well as developing our understanding of the retail market and customers' expectations across all territories of operation. → This year, we have taken the opportunity to expand our business into wider categories, for example Skincare with the acquisition of the new business in the Czech Republic. This aims to broaden the range of products offerings available to our customers and, ultimately, to the consumer. → Our high level strategy is to drive specific category plans in key areas through Project Refresh.

The Group has a well established set of risk management procedures at three different levels: operating company, divisional and Group.

Type of risk	Context	Risk to McBride	Potential impact	Mitigating factors
Increasingly competitive market	The Group operates in very competitive markets. Furthermore, weaker consumer demand and spending due to the economic climate has exacerbated the degree of competitiveness in the market place. Retailers are competing aggressively to maintain market share and promotional activity by branded competitors is at record levels.	Lower priced branded competition poses a potential threat to sustainable growth of the private label offering. A general inability to compete could arise should there be inadequate focus on the strategy or failure to address the cost profile in the business or as a result of lack of focus on technical plans, category growth and product development.	Significant loss of contracts. Increased customisation of products could potentially have an adverse impact on profitability. This could ultimately lead to the inability to deliver long term shareholder value.	→ The Group is focused on a multitude of initiatives to ensure that we are able to continue to compete in an increasingly competitive environment. Project Refresh has been announced with the objective of further strengthening and refocusing the Group's business model and ultimately improving our market positioning and operational efficiency.
Supplier failure	The Group depends on close trading relationships with a number of key suppliers across Europe.	Loss of or failure of a key supplier, the inability to source critical materials or poor supplier performance in terms of quality or delivery could seriously disrupt the Group's supply capability.	Significant detrimental effect on the operations of the business. Potential cost implications from having to source from higher cost suppliers leading to reduced profitability.	→ We have established procedures for identifying the possible risks for each key material including possible supply shortages. Suppliers are checked for credit and pre-qualified alternative suppliers have been identified wherever possible. → Suppliers' own contingency plans are also reviewed. Where this is not possible we retain higher levels of safety stocks or we identify options to use alternative materials.
Insufficient liquidity and capital resources	In the current global financial crisis and uncertain economic environment, certain external risks may increase including possible constraints in the liquidity of the debt markets.	Failure to operate within our financial framework could lead to the Group becoming financially distressed. A credit crisis affecting banks and other sectors of the economy could impact the ability of counterparties to meet their financial obligations to the Group.	Inability to support our long term investment programme. Inability to raise capital to fund growth. Loss of shareholder value.	→ The Group has established a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity and to constrain the level of assessed capital at risk for the purposes of positions taken in financial instruments. → Commercial credit risk is measured and controlled to determine the Group's total credit risk and our banking facilities have been successfully renegotiated during the year. → Monthly divisional and Treasury Committee reviews have been established.

Board of Directors

Group Management Team

Board of Directors

1. Iain J G Napier
Chairman
Chairman of the Nomination and member of the Remuneration sub-committees
Iain Napier was appointed Chairman of McBride in July 2007. He is also Chairman of Imperial Tobacco Group plc, Chairman of John Menzies plc and a non-executive director of William Grant & Sons Holdings Limited and Molson Coors Brewing Company (a US quoted company). He was previously Group Chief Executive of Taylor Woodrow plc from 2002 to 2006. As a former main Board director of Bass plc, Iain was Chief Executive of Bass Leisure and then Chief Executive of Bass Brewers and Bass International Brewers. Following the sale of the Bass beer business in 2000 he became Vice President UK and Ireland for Interbrew SA until August 2001.

2. Chris D Bull
Chief Executive
Member of the Nomination sub-committee
Chris Bull was appointed Chief Executive of McBride in May 2010. Chris was previously the Chief Customer Officer of Unilever Plc. He had an extensive international career with Unilever covering 25 years and between 2003 and 2007 was CEO of Unilever Poland and Baltics. He has been CEO of sizeable divisions in Unilever, and in his earlier career managed manufacturing operations, building on his qualification as a graduate engineer.

3. Richard J Armitage
Group Finance Director
Richard Armitage was appointed Group Finance Director of McBride in November 2009. Richard was previously Finance Director of Premier Foods' Grocery Division. Prior to that, he spent 16 years in the chemical industry working for ICI and Courtaulds in a number of senior financial management positions.

4. Colin D Smith OBE
Senior Independent Non-Executive Director
Chairman of the Audit and member of the Nomination and Remuneration sub-committees
Colin Smith has been a non-executive director of McBride since April 2002. He has extensive experience in the food retail industry including 20 years at Safeway plc where he was CEO from 1993 to 1999 and, before that, Finance Director. He is also Chairman of Poundland Group Holdings Ltd and a non-executive director of Hilton Food Group plc. He has previously held chairmanships at food and agriculture businesses Assured Food Standards, Masstock Group Holdings Limited and Blueheath Holdings plc. He is a Fellow of the Institute of Chartered Accountants. Colin was appointed an OBE in the 2011 New Years Honours List for services to Assured Food Standards.

5. Bob A Lee
Independent Non-Executive Director
Chairman of the Remuneration and member of the Nomination and Audit sub-committees
Bob Lee has been a non-executive director of McBride since September 2003. Bob has over 35 years' experience in the petrochemical and allied industries. He was employed by Dow Chemicals for 28 years in various international senior management roles. In 1997 Bob joined the management team that led the demerger of Octel Corp (now Innospec Inc) to become an independent NYSE-listed petroleum additive company. Since 2000 he has been running a private packaging technology company, Advanced Plastics Technologies Luxembourg S.A., and in 2011 he became a director of Plastic Packaging & Training Consulting Company of Amman, Jordan.

6. Christine A Bogdanowicz-Bindert
Independent Non-Executive Director
Member of the Audit, Remuneration and Nomination sub-committees
Christine Bogdanowicz-Bindert has been a non-executive director of McBride since September 2003. She has also been a non-executive director and member of the Audit Committee of FCE Bank plc (Ford Financial Europe) since 2005. Christine is an experienced international financier having held senior positions in banking and financial institutions in Europe and the US for over 35 years. She started her career as a risk analyst in Germany, was an economist at the International Monetary Fund in Washington DC and was a Senior Vice President at Shearson Lehman Hutton Inc in New York. In 1990, after the Iron Curtain came down, she started a corporate finance boutique covering Poland.

7. Jeff Carr
Independent Non-Executive Director
Member of the Audit, Remuneration and Nomination sub-committees
Jeff Carr joined the Board as a non-executive director on 1 February 2011. He has been Finance Director of FirstGroup plc since 2009 and was previously Group Finance Director at easyJet plc and, prior to that, held a number of senior financial roles at Associated British Foods plc, Reckitt Benckiser plc, Grand Metropolitan plc and Unilever plc. Jeff has extensive international financial experience in Europe, the Americas and Australasia.

8. Sandra Turner
Independent Non-Executive Director
Member of the Audit, Remuneration and Nomination sub-committees
Sandra joined the Board as a non-executive director on 1 August 2011. She was a member of the Tesco senior management team for over 20 years, holding commercial and operational roles in the UK and Ireland, and was Commercial Director of Tesco Ireland between 2003 and 2009. Sandra is a non-executive director of Carpetright plc and Huhtamäki Oyj, and was previously a non-executive director of Northern Foods plc.

Group Management Team

Chris Bull
Chief Executive (see Board of Directors)

Richard Armitage
Group Finance Director (see Board of Directors)

9. Carole Barnet
Group Company Secretary
Carole joined McBride in 1981 and was appointed as Company Secretary of Robert McBride Ltd in 1996. She was appointed Company Secretary of McBride plc in 2010, having held the position of Deputy Company Secretary since 2002. Carole has a degree in German and is a Fellow of the Institute of Chartered Secretaries and Administrators.

10. Colin McIntyre
UK Divisional Managing Director
Colin joined McBride in 1990 and has progressed through the Company being appointed as the Divisional Managing Director for the UK division in July 2008. He was formerly General Manager of the Burnley factory, UK Logistics Director and most recently Operations Director of the Western Continental European division. Colin is chairman of the UK Cleaning Products Industry Association (UKCPI). He previously worked for Milliken Industries and he has a degree in Chemistry.

11. Andrea Barbier
Western Continental Europe Divisional Managing Director
Andrea joined McBride in May 2009 as the Divisional Managing Director for Western Continental European. Most recently, Andrea was President and CEO of Yves St Laurent Beauté, Paris, and prior to this was General Manager, Latin America, for L'Oréal Paris. His early career was in sales and marketing with Kraft Foods in Italy. Andrea is an Italian citizen and has an MBA from Bocconi University and a Law degree from Milan.

12. Grzegorz (Greg) Krol
Central and Eastern Europe Divisional Managing Director
Greg joined McBride in February 2009 as the Divisional Managing Director for the Central and Eastern European division. Previously, he was Managing Director of Nestlé UK Chilled Foods. He has extensive international experience including assignments in Austria and Germany. Greg is a Polish citizen and has a PhD from the London School of Economics.

13. Thibaut Eissautier
Group Purchasing Director and Head of Group R&D
Thibaut was appointed Group Purchasing Director of McBride in July 2007 and also appointed as Head of Group R&D in November 2010. Prior to joining McBride, Thibaut was Vice President International Purchasing at Scotts Miracle-Gro for four years, and before that he worked for 15 years at Procter & Gamble in numerous global and regional purchasing roles. Thibaut is a French citizen and has broad international experience. He has an MBA from the University of Chicago and a BA in Economics from Rider College.

14. Tim Seaman
Strategic Development Director
Tim has worked for McBride for 25 years and has responsibility for developing business outside our core markets, including the expanding operations in the Far East. Prior to this he was Managing Director for our UK division for seven years and he has recently been appointed Chairman of the of the Pension Fund Trustees. Tim is a Chartered Management Accountant (ACMA) and has a degree in Business Studies.

15. Malcolm Allan
Group HR Director
Malcolm joined McBride in 1987 and has worked in purchasing, distribution and Total Quality Management and HR. He has been Group HR Director since 1993 and is also responsible for Health, Safety and Environmental issues worldwide. Prior to joining McBride Malcolm held HR positions in Central Government, RHM and Foseco Minsep and he has a degree in Maths.

Corporate governance report

Code compliance

The McBride Board recognises that it is accountable to shareholders for the Group's activities and is responsible for the effectiveness of its corporate governance practices. We remain committed to maintaining high standards of corporate governance and endorse the provisions set out in the UK Corporate Governance Code (the Code), as published by the Financial Reporting Council (FRC). We have assessed our level of compliance with the Code and disclosures in this year's report describe how the main principles are applied. The Board considers that, throughout the year under review, the Company has complied with the Code's provisions. It is recognised that with effect from April, having served on the Board for nine years, Colin Smith is no longer deemed to be independent under the Code. Although Colin is deemed to remain independent of management, he will stand down from the Board at the end of the 2011 AGM. The Board will also consider the issue of using some form of external facilitation for its performance evaluation exercise during the year ending 30 June 2012.

Composition

At 30 June 2011 the Board comprised seven members: two executive directors, the non-executive Chairman and four non-executive directors. Jeff Carr joined the Board on 1 February 2011 as a non-executive director. Since 30 June 2011 the composition and balance of the Board has been strengthened further by the appointment of a fifth non-executive director, Sandra Turner, who joined the Board on 1 August 2011. The executive directors are supported by the senior executives within the Group and, in particular, by the Group Management Team (GMT), whose composition and role are outlined on page 59.

The directors' biographies appear on page 59 and illustrate the range of experience which ensures an effective Board to lead and control the Group. The size of the Board allows individuals to communicate openly and freely and to make a personal contribution through the exercise of their individual skills and experience. The directors have a complementary range of financial, commercial, operational and entrepreneurial experience and we believe the Board has a good balance of skills, experience, diversity, independence and knowledge of the Company. No single director is dominant in the decision making process.

The non-executive directors have been appointed on merit and for their specific areas of expertise and knowledge and their wide ranging experience and backgrounds ensure that they can debate matters constructively in relation to both the development of strategy and performance against the objectives set out by the Board. Specific skills include expertise in the sourcing of key raw materials, experience of the retail markets and knowledge of financial and investment markets.

Independence

We consider that all five non-executive directors and the Chairman are independent of management in both character and judgement and none of the directors have any relationships or circumstances which could affect their judgement. The Board has satisfied itself that there is no compromise to the independence of those directors who have other appointments in outside entities. We believe that the balance between non-executive and executive representation encourages healthy independent challenge to the executive directors and senior management.

The role of senior independent non-executive director has been held by Colin Smith since July 2004. Colin has given notice that he will resign from the Board at the conclusion of the 2011 AGM and Bob Lee will replace him as Senior Independent Director from that date.

Procedures are in place to capture the disclosure by directors of any situations which may conflict with the Company's interests and also for the consideration and authorisation of any such conflicts by the Board, in accordance with the Company's Articles of Association (the Articles). All such disclosures are recorded and compliance is reviewed at each Board meeting. The procedures allow for the imposition of limits or conditions by the Board when authorising any conflict, if they think this is appropriate. These procedures have been applied during the year and are included as a regular item for consideration by the Board at its meetings.

Director elections and re-elections

In accordance with the Articles, Jeff Carr and Sandra Turner, having been appointed by the Board since the last AGM, will resign at the forthcoming AGM and, being eligible, will offer themselves for election by the shareholders.

In line with the Code, the Articles require the directors to submit themselves for re-election at every third AGM. However, for a number of years all the directors have agreed to submit themselves for annual re-election, as recommended in the Code. Accordingly, Iain Napier, Christine Bogdanowicz-Bindert, Bob Lee, Colin Smith, Chris Bull and Richard Armitage will retire at the AGM and, with the exception of Colin Smith, will offer themselves for re-election.

The Board is satisfied that, following this year's evaluation process, all the directors standing for election or re-election continue to perform effectively and demonstrate commitment to their roles, including commitment of time for Board and committee meetings as well as any other duties which may be undertaken by them from time to time. 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 to the Company's satisfaction.

All directors proposed to shareholders for election or re-election are accompanied by a biography and a description of the skills and experience that the Company considers are relevant. Voting levels at the 2010 AGM demonstrated continued support for all directors who held office at that time.

Items reserved for the Board

Matters reserved for the Board include items as summarised below:

- → Strategy and management
  - – approval of long-term objectives, strategy and business plans for the Group
  - – decisions relating to acquisitions, disposals and major items of capital expenditure
- → Corporate structure
- → Financial reporting and controls
  - – approval of the annual report and accounts and other financial statements, and confirmation that these statements give a true and fair view of the financial status of the Group
  - – approval of banking facilities and significant changes in accounting policies or practices
- → Director appointments and remuneration
- → Internal control and risk management
- → Corporate social responsibility
- → Corporate governance
  - – ensuring the independence of non-executive directors
  - – review of policies and procedures
  - – review of the work and effectiveness of the Board and its sub-committees
- → Succession planning.

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 since the year end principally to recognise that succession planning is deemed to be a matter for the whole Board.

Business model and strategy

Details of the Company's business model, how it is working to generate and sustain long-term value and details of the Board's strategy for ensuring the Company meets its objectives are set out in the Business Review section on pages 8 to 59.

Operation of the Board

In carrying out its 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 and the GMT, the Group's trading performance and reviews of Group health and safety and business risks.

The executive directors are obliged to review and discuss with the Board all strategic projects or developments and all material matters currently or prospectively affecting the Company and its performance. The Board delegates its authority for executive management of the Company to the Chief Executive, subject to monitoring by the Board and those items referred to above.

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 seven formal Board meetings were held and the principal matters considered included:

- → regular reviews of the operational and trading performance of and prospects for the Group
- → review of Project Refresh and other related initiatives
- → approval and monitoring of major projects including consideration of potential acquisitions
- → evaluation of potential new corporate development and growth opportunities for the Group
- → review of key corporate policies to reflect best practice and/or improved ways of working; e.g. relating to sustainability, insider dealings, Group authority levels, non-audit and whistleblowing
- → approval of the Group annual and medium-term plans
- → review of feedback from presentations to institutional shareholders
- → approval of major capital expenditure investments and the full year and interim results statements
- → review of relevant governance matters and legislative developments
- → approve changes to the Group's banking facilities
- → consider relevant health, safety and environmental matters
- → consideration of the B Share scheme and recommendation to shareholders for its approval
- → approval of a new anti-bribery and corruption policy.

Attendance at meetings of the Board and its sub-committees is set out in the table on page 63. At least one formal and several informal non-executive director meetings have been held during the year without the executive directors being present. The Senior Independent Director and the non-executive directors have also met without the presence of the Chairman as part of the Board performance evaluation exercise.

There is a clear division of responsibilities between the Chairman and the Chief Executive. The Chairman is responsible for leading the Board and ensuring it operates effectively. Supported by the Company Secretary, the Chairman is responsible for setting the agenda for Board meetings and ensures that Board and shareholder meetings are properly conducted. The Chief Executive, supported by the GMT, has day-to-day responsibility for all business of the Group and for implementing the agreed strategy and policies of the Board.

A strong feature of the Board's effectiveness is an open style of management and a free flow of information between the executives and non-executives. This is encouraged by the Chairman and supported by the Chief Executive. All directors communicate with each other on a regular basis and contact with senior executives within the Company is encouraged. In this regard, members of the GMT and/or other senior executives are frequently invited to attend Board meetings to make presentations on matters of strategic importance, e.g. Project Refresh, and this serves to facilitate a clearer understanding of business issues.

Board papers are prepared and issued 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.

Corporate governance report
continued

Board performance evaluation

The Board runs an annual formal evaluation to assess the overall performance of the Board and the contribution made by individual directors. The exercise during the year also covered a review of the effectiveness of the work of the sub-committees of the Board. The process is undertaken in an open manner with responses from each director to detailed questionnaires being submitted to the Company Secretary. These are then discussed on a one-to-one basis by the Chairman and the individual director. Feedback on the effectiveness and performance of the sub-committees is considered by the respective committee chairmen with the Chairman. The directors (led by the Senior Independent Director and in the absence of the Chairman) convene a separate meeting to discuss the performance of the Chairman. Due to the size of the Board we are of the view that the Board is best placed to carry out such evaluation. However, the Board is mindful of the recommendation under the Code that this exercise should be externally facilitated at least every three years. During the coming year we will consider the engagement of some form of external facilitation to assist with the evaluation. The current internal evaluation process is co-ordinated and overseen by the Company Secretary who liaises with the Chairman and the Senior Independent Director to summarise the output from the discussions and the conclusions are reported by the Chairman to the whole Board.

The results of this year's evaluation process found that the Board and its committees continue to perform well. The Audit Committee is seen to be effective with its work being further supported during the year by the appointment of a Head of Internal Audit. The work of the Remuneration Committee is being further supported by the appointment of an independent external firm. The non-executive directors are comfortable about their knowledge and skills and their ability to challenge the executive directors. The directors are satisfied that they are kept up to date with legislative changes as they affect the Group and with the information they receive about business and trading performance and developments. Meetings with senior management from the various sites across the Group have taken place during the year to help broaden the understanding of the non-executive directors of the operational needs of the organisation. This has further assisted the directors to feel more able to contribute to meaningful discussions on strategy with particular reference being placed during the year on Project Refresh.

Areas for improvement, arising from the evaluation exercise for the forthcoming year, include succession planning for senior management and timeframes sufficient to allow the Board to consider external announcements.

Induction, development and support

All new directors receive formal and in-depth induction programmes involving 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 by the Group's legal advisers, Addleshaw Goddard. Jeff Carr and Sandra Turner have both undertaken their induction training.

The Company places importance on ongoing training and development to ensure directors have the skills and knowledge to discharge their duties effectively. Training and development take the form of regular briefing papers on regulatory/legislative developments and on other topics of specific relevance to them, including their duties and obligations as directors of a listed company. Additionally, all directors are entitled to undertake external training relevant to their particular duties. During the year, Colin Smith and Bob Lee (as chairmen of the Audit and Remuneration Committees respectively) continued to attend updates and discussion meetings held by leading advisory bodies.

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.

Operational management of the Group

The relationship between the Board and the Chief Executive is governed by the non-executive directors, particularly through the work of the Board sub-committees under which the non-executive directors take active roles to influence and challenge the work, performance and recommendations of the Chief Executive and his executive management. The Board takes overall responsibility for approving Group policies, including those relating to social responsibility and business ethics, health and safety, and sustainability and environmental matters, 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 and then cascaded throughout the organisation via the GMT and the divisional management teams. The management of the Group's business activities is also delegated to the Chief Executive who is ultimately responsible for establishing objectives and monitoring executive actions and performance.

The Chief Executive chairs a monthly meeting of the GMT whose role is to assist with the development and implementation of the Group's strategy, culture and commercial plan, to consider commercial, financial and operational matters, allocate resources across the Group and ensure transfer and sharing of knowledge and best practice. In addition to the Chief Executive, the members of the team are the Group Finance Director, the Managing Directors of each division, the Group Purchasing Director, the Human Resources Director, the Strategic Development Director and the Company Secretary. Members of the senior management teams are invited to attend as may be deemed appropriate.

Local operational, commercial, supply chain, finance, development and technical issues are delegated via the GMT to senior executive management on a structured basis. Employee and social and community responsibilities are delegated to the Group Human Resources Director who reports directly to the Chief Executive. The Chief Executive is also ultimately responsible for health and safety and environmental as well as for customer service and quality matters, although day-to-day management is delegated to the Managing Directors of each division.

The Company comprises three reportable divisions: UK; Western Continental Europe; and Central and Eastern Europe. Each division is headed by a Managing Director who is responsible for its operational management. The Chief Executive and the Group Finance Director both attend regular trading meetings with the management of each division in which they review all significant issues, including customer service, trading and operational performance, forecasts, working capital, people development, capital investment proposals, health and safety and environmental issues. Reports on progress are tabled at each Board meeting.

Board committees

The Board has an Audit Committee, a Nomination Committee and Remuneration Committee. Each 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. The Charters were last updated in June 2011. Copies of the committee Charters are available from the Group's website at **www.mcbride.co.uk**.

The committees are each properly authorised to take decisions and act on behalf of the Board within the guidelines and delegations laid down in its Charter. The Board is kept fully informed of the work of the committees with reports being tabled from time to time by the relevant committee chairmen. Each committee may access independent advice as required and each is supported by the Company Secretary. Reports for each of the committees follow, detailing their membership, roles and activities. The duties of each committee are summarised below:

Audit Committee

- → monitors the integrity of the financial and regulatory reporting process of the Group and reviews the Group's accounting policies and disclosure practices
- → reviews and recommends the Board to approve all financial statements and announcements
- → reviews the effectiveness of the Group's internal controls and risk management systems
- → oversees the Company's relations with the external auditor, actively considering the cost effectiveness, objectivity and effectiveness of the external audit process and making recommendations to the Board in relation to the appointment and remuneration of the external auditor.

The report of the Audit Committee is set out on pages 66 to 67.

Remuneration Committee

- → reviews the overall remuneration policy and makes recommendations to the Board on remuneration for the executive directors and monitors the level and structure of remuneration for key senior executives
- → reviews the Company's talent and management development plans
- → principal activities of the Committee during the period were:
  - to deal with reviews of the executive directors' performances over the year against objectives
  - to establish objectives for the new financial year
  - to consider related pay award proposals
  - to consider senior executive salary reviews and bonus and incentive scheme payments
  - to deal with the allocation of LTIP awards
  - review of the Company's new talent management process.

The report of the Remuneration Committee is set out on pages 70 to 76.

Nomination Committee

- → responsibility for reviewing the structure, size and composition of the Board
- → considering and recommending the nomination of candidates for appointment as executive or non-executive directors to the Board.

The report of the Nomination Committee is set out on pages 68 to 69.

Attendance at meetings

Attendance of individual directors at meetings during the year ended 30 June 2011 is given in the table below:

	Board	Audit	Remuneration	Nomination	General	AGM
Number of meetings held:	7	3	3	3	1	1
Number of meetings attended:						
Iain Napier	7	n/a	3	3	1	1
Chris Bull	7	n/a	n/a	3	1	1
Richard Armitage	7	n/a	n/a	n/a	1	1
Christine Bogdanowicz-Bindert[(2)]	7	3	3	2	1	1
Jeff Carr[(1)]	3	1	1	1	1	–
Bob Lee	7	3	3	3	1	1
Colin Smith[(2)]	7	3	3	2	1	1

'n/a' indicates the director is not a member of the committee.

[(1)] Jeff Carr's attendance is shown following his appointments to the Board (on 1 February) and the Committees (on 9 June).
[(2)] Christine Bogdanowicz-Bindert and Colin Smith were unable to attend one Nomination Committee meeting due to prior business commitments. They had each received relevant supporting information and had the opportunity to communicate their views and comments on the matters to be discussed in advance of the meeting.

Directors are not present in meetings when matters relating to them are being discussed.

Corporate governance report
continued

Relations with shareholders
The Board places considerable importance on the maintenance of effective, balanced communications with all shareholders. Meetings with analysts and institutional shareholders are held at the time of the interim and final results. These provide the opportunity for shareholders to assess the Group's performance and prospects and to explore the Group's approach to corporate governance matters. The executive directors also regularly meet face to face with analysts, brokers and fund managers to further promote a better understanding of the business and its strategic development; during the year approximately 73 meetings were held in the UK and 22 in the USA. The Board is kept informed of investors' views through distribution and regular discussion of analysts' and brokers' briefings and a summary of investor opinion feedback. The Board also receives reports on the output from surveys carried out by various investor research bodies. The Chairman and the Senior Independent Director are available to discuss governance and strategy with major shareholders should such a request be made and both are prepared to contact individual shareholders should any specific areas of concern or enquiry be raised. Where applicable, the views of major shareholders are sought on certain issues. For example, a number of institutional investors were consulted in advance of the implementation of the B Share scheme where it was felt that those investors might experience legislative or other difficulties with the scheme. We respond throughout the year to correspondence received from individual shareholders on a wide range of issues and we also participate in a number of surveys and questionnaires submitted by a variety of investor research bodies.

All the directors are present at the AGM to respond to queries posed by individual shareholders or their representatives. The Chairman also provides an update on current trading conditions. At each AGM the Chairman reports, after each show of hands, details of all proxy votes lodged for and against each resolution, and the number of abstentions. Subsequently, the results are also published on the Group's website at **www.mcbride.co.uk**.

Information on share capital and other matters
The information about share capital required to be included in this corporate governance report can be found in the Statutory Information section on pages 77 to 81 of the Directors' Report.

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

Overview
The risk management procedures remain broadly the same as were in place in 2010 but have been enhanced by the use of the newly formed internal audit function which has completed a number of exercises during the year to test controls that are in place and to recommend further improvements where appropriate.

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 risks 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.

The Board delegates responsibility to members of the GMT 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.

Business risk review
The Group's internal control and risk management activities are managed through business risk reviews and a supporting detailed set of internal control procedures. The internal audit resource serves to provide assurances to the Audit Committee that relevant controls and actions are in place. Whistleblowing procedures are in place for individuals to report suspected breaches of law or regulations or other serious malpractices. Following the introduction of the Bribery Act the Group implemented an anti-bribery and corruption policy which extends to all the Group's business dealings and transactions in all countries in which it or its subsidiaries and associates operate.

The divisions have continued to undertake their internal self-assessment programmes during the year to review their business risks and to rate their impact and review actions and internal controls to mitigate them. The review ensures that business risk assessment is integral to general business processes and ensures that risks are reviewed on a regular basis taking account of the dynamic nature of both the business and the external environment in which the Group operates. Risks are assessed both at divisional and at Group level in terms of their potential impact on the business, mitigating controls and actions and the risk reports are reviewed by the Audit Committee. The reviews consider all aspects of the Group's activities, including financial, commercial, supply chain, employee and operational impacts, including environmental, social and governance risk, and major project activities. The principal risks and uncertainties faced by the Group are reported on pages 56 to 57.

Key control procedures
Management responsibility and accountability. The Group has clearly defined management responsibility and reporting lines. The Chief Executive and Finance Director meet monthly with the UK, Western Continental Europe and Central and Eastern Europe senior management teams to review progress on financial, commercial, operational, supply chain, HR, health, safety and environmental issues as well as regulatory and legal compliance matters.

Corporate planning process. The Group updates its three year Corporate Plan each year and this is approved by the Board. It focuses on the market environment, Group strategy and objectives, actions to achieve them and implementation through the divisions. Strengths, weaknesses, risks and opportunities are highlighted on a divisional and Group level. The implementation of the Plan is monitored via the progress of key project plans in the monthly GMT meetings, and through a system of measurement that aims to give early warning of any failure to meet Plan targets.

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

Financial reporting. Detailed management accounts are prepared each month, consolidated and reviewed in detail with each division and the GMT. The analysis provided includes commercial, operational, environmental, financial and people Key Performance Indicators (KPIs), and is reviewed against targets.

Key performance indicator benchmarking. A comprehensive set of commercial, operational, financial and non-financial KPIs are reported each month up to Group level. Performance against targets and sharing of best practice are discussed regularly at meetings at site, division and Group levels. The adequacy and suitability of existing KPIs are reviewed regularly.

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

Documented policies. There are documented policies for a range of areas including HR matters, expenditure, treasury and financial reporting. The Group Finance Manual is updated annually and incorporates accounting, tax and treasury policies. It also includes reporting responsibilities, capital expenditure approval procedures and a detailed Internal Control Questionnaire (ICQ). The ICQ is completed and signed by divisional Managing Directors and Finance Directors each year to confirm their compliance with core control procedures in operation across the Group. The Group Finance Manual also includes a Group Authority Levels document which details matters reserved for the Board, Remuneration Committee, Audit Committee, Chief Executive, Finance Director, divisional Managing Directors, HR Director, Company Secretary and the Group Purchasing Director. During the year the Company adopted a new policy following the introduction of the Bribery Act on 1 July 2011.

Finance function independence. The Finance function is encouraged to act independently of general management in the course of its preparation of monthly accounts and exercising of control procedures. A monthly accounts review takes place between the Financial Controller and each divisional Finance Director during which the accounts are reviewed in the context of Group policy and any areas of judgement discussed.

Site property surveys. Independent surveys are carried out on a regular basis by insurers, supported by our brokers, and detailed risk recommendations are submitted and acted upon by site management. This covers all sites in the Group insurance programme.

Internal audit. Our Head of Internal Audit continues to evaluate and improve the effectiveness of the risk management, control and governance processes of the Group submitting regular detailed reports to the Audit Committee and identifying any relevant corrective actions which continue to be audited until such actions have been effected. At the start of each financial year a programme is agreed. From time to time a specific matter arises that needs to be addressed quickly and is added to the programme.

Cash. The cash position at Group and operational level is monitored daily and variances from forecast levels are investigated thoroughly. Working capital balances are analysed in detail, including a monthly review at Group level, and in all cases significant variances are analysed thoroughly.

External auditors. The auditors add a further independent perspective on certain aspects of the internal financial control system as a result of their work.

The Board has reviewed the effectiveness of the systems of internal controls 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. There are documented policies on a range of subjects, clearly defined lines of responsibility and forums to review performance and highlight issues at site, division, Group and Board levels. This process has been in place for the year under review and has remained in place up to the date of approval of the Directors' Report. All risks are regularly reviewed and the key corporate risks are referred to in the Business Review section of this report. The Board has concluded that the key business risks of McBride are well controlled and that the controls and procedures are adequate and appropriate.

Audit Committee report

Colin Smith
Senior Independent Non-Executive Director
Committee Chairman

Bob Lee
Independent Non-Executive Director

Christine Bogdanowicz-Bindert
Independent Non-Executive Director

Jeff Carr
Independent Non-Executive Director

Sandra Turner
Independent Non-Executive Director

Introduction

The role of the Audit Committee is to assist the Board in fulfilling its responsibilities regarding the integrity of the Company's financial statements, reviewing risk management, internal control and the effectiveness of the Company's internal audit function, monitoring compliance with legal and regulatory requirements, the performance, independence, appointment, re-appointment and remuneration of external auditors, and reviewing the Company's financial reporting standards.

Composition of the Audit Committee

The composition of the Committee fully reflects the provisions of the Code. The Chairman is Colin Smith and the other members are the independent non-executive directors, Bob Lee and Christine Bogdanowicz-Bindert who served on the Committee for the whole year. Jeff Carr was appointed as an additional member of the Committee during the year and Sandra Turner subsequently joined the Committee on her appointment to the Board on 1 August 2011. The Board is satisfied that the Committee members are sufficiently competent in financial matters. Colin Smith and Jeff Carr are both members of the Institute of Chartered Accountants and have relevant financial experience and up-to-date knowledge of financial matters. After Colin steps down from the Committee following the AGM, Jeff will replace him as Chairman.

The Committee's terms of reference were reviewed during the year and amendments have been made to reflect the latest recommendations made by the FRC and other relevant guidelines, including a review of systems and controls for the prevention of bribery and corruption. The Committee's Charter is available from the Group's website at **www.mcbride.co.uk**.

The Committee met three times during the financial year ended 30 June 2011 in August 2010, February 2011 and June 2011. Subsequent to the year end, a further meeting has taken place to consider the outcome of the annual audit for the year ended 30 June 2011. Attendance at meetings by the members of the Committee is shown in the table on page 63.

Principal activities

During the year, the principal activities of the Committee were as follows:

Financial statements

The Committee received regular reports on the Group's trading performance and considered reports from the external auditors and the Group Finance function on both the interim and full year financial statements. Any critical reporting issues were discussed and the going concern assumptions and the Group's compliance with accounting standards and with Stock Exchange and legal requirements were considered. The Committee received regular reports on audit-related, treasury and taxation matters. The Committee also reviewed the financial disclosures made by the Group.

Accounting policies

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

External auditors

The Committee received reports from the external auditors including proposals on the audit strategy for the year and reviews on the scope and outcome of the interim and year end audits and on control and accounting developments.

The Committee monitored the external audit firm's compliance with applicable ethical guidance and, in addition, considered their independence and objectivity taking due account of all appropriate guidelines. The risk of KPMG Audit Plc leaving the market is considered remote since they are one of the top four accounting firms in the UK.

As part of the decision to recommend to the Board the re-appointment of KPMG Audit Plc, the Audit Committee has taken into account the tenure of the auditors and considered whether there should be a full tender process. The incumbent firm has held the appointment since flotation of the Company in 1993 during which time their performance has been subject to rigorous annual evaluation and there has been the benefit of consistency of approach. The Committee is aware of the FRC guidance relating to the appointment of the external audit firm and has decided to undertake a full tender during the course of the next financial year.

There are no contractual obligations restricting the Committee's choice of external auditors.

The Committee considered and approved the external auditors' fees for the year ended 30 June 2011.

Independent meetings were held between the Committee members and the external auditors in the absence of the executive directors and between the Chairman of the Committee and the external auditors.

The Committee has recommended to the Board the re-appointment of KPMG Audit Plc for the year ending 30 June 2012, subject to the outcome of the tender process.

Internal audit

The Head of Internal Audit attended meetings of the Committee to review the activities of the internal audit function. This entailed detailed reviews of the audit work undertaken and their findings and, where appropriate, corrective actions were recommended.

Risk management and internal control

The Committee received reports relating to the Company's approach to internal control and risk management activities. A self-assessment programme continued to operate during the year. This exercise is based on regular reviews of detailed Business Risk Registers, assesses the adequacy of the control mechanisms in place to mitigate the risks and identifies any relevant action points necessary to further protect the Company's position. Within this process, risks are proactively as well as reactively assessed on a regular basis within the divisions. The Committee has reviewed progress during the year and has concluded that the self-assessment programme has continued to be effective with regular reviews of any risk areas taking place. More information is reported on pages 56 to 57.

Policies

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

Non-audit fees

During the year £0.5 million was payable to the auditors in respect of audit services for the Group. In addition, £0.2 million was payable to the auditors for non-audit services where they were best placed to undertake the work due to their knowledge of the business or as a by-product of the audit function; this was primarily tax-related work. More details of the total non-audit fees paid to the auditors during the year are set out in note 7 to the consolidated financial statements on page 100.

We have in place a policy in relation to the provision of non-audit services which has been designed to preserve the independence of the 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 they are excluded. In accordance with this policy, other providers are considered for non-audit work that is awarded on the basis of service and cost. This policy has recently been reviewed and updated for compliance with the external auditors' ethical standards. A copy of the policy is published on the Group's website at **www.mcbride.co.uk**.

Work was awarded during the year to other professional services firms for work relating to the B Share scheme implementation, financial due diligence relating to acquisitions and other tax and accounting advisory services. A total of £0.4 million was incurred in relation to these services.

Overview

As a result of its work during the year, the Audit 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.

Nomination Committee report

Iain Napier
Non-Executive Chairman
Committee Chairman

Christine Bogdanowicz-Bindert
Independent Non-Executive Director

Jeff Carr
Independent Non-Executive Director

Bob Lee
Independent Non-Executive Director

Sandra Turner
Independent Non-Executive Director

Chris Bull
Chief Executive

Colin Smith
Senior Independent Non-Executive Director

Role and Membership

The principal role of the Nomination Committee is to assist the Board in reviewing the structure, size and composition of the Board and its committees. The Committee agrees the skills and profile specification for new appointments and identifies and nominates candidates to fill Board vacancies. The Committee is also responsible for recommending the election or re-election of directors to the Board. The Committee's terms of reference were reviewed during the year and minor changes made to reflect the actual operation of the Committee. It was concluded that the Charter complies with all relevant guidelines and operates satisfactorily. The Committee's Charter is available from the Group's website at **www.mcbride.co.uk**.

The Committee's Chairman is the Chairman of the Board and the other members comprise all the non-executive directors, Christine Bogdanowicz-Bindert, Jeff Carr, Bob Lee and Sandra Turner, and the Chief Executive Chris Bull. Colin Smith who has been a member of the Committee will step down after the conclusion of the 2011 AGM.

Work of the Committee during the year

Three meetings of the Committee were held during the year, in July 2010, January 2011 and June 2011.

The meeting held in July 2010 was convened for the purposes of assessing the contributions of the individual directors in light of the output received from the Board Performance Evaluation exercise and, accordingly, to consider their re-election to the Board at the 2010 AGM as appropriate and to review the composition of the committees of the Board. The re-appointments of both the Senior Independent Director and the Chairman were also considered and affirmed.

Formal and tailored induction programmes were also drawn up for both the new non-executive directors.

During the year, the Committee reviewed the requirements for the retirement of directors at the 2011 AGM. The provisions of the Code were considered and it was agreed that all directors would be required to retire and seek re-appointment by shareholders at every AGM in the future. The desirability of appointing new non-executive directors to the Board was also considered.

At the meeting in June 2011, the Committee met for the purposes of:
- Assessing the contributions made by the individual directors prior to recommending their re-election to the Board;
- Considering the re-election of the non-executive directors and of the Chairman to the Board;
- Considering the re-election of the executive directors to the Board;
- Reviewing the composition of the Remuneration, Audit and Nomination Committees.

Work of the Committee during the year continued

The meeting also addressed the question of putting in place relevant succession plans to ensure that there is continuity of appropriate executive resource at and immediately below Board level. The matter of succession planning has subsequently been deemed to be a matter for the Board as a whole. The Chief Executive has been requested to consider this matter and to develop a programme for Board consideration.

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

Renewal of non-executive appointments

The Committee noted the recommendation under the Code for non-executive directors, who had served on the Board for more than nine years, to retire. The appointment of Colin Smith, who had served on the Board since 2002, was therefore duly considered and Colin indicated his intention to stand down from the Board and its committees with effect from the conclusion of the 2011 AGM. He will also resign his position as Senior Independent Director.

Christine Bogdanowicz-Bindert will also have served a full nine-year term during the course of 2012 and has notified her intention to stand down from the Board and its committees with effect from the end of the calendar year.

Taking due account of the need to refresh the Board, searches were commissioned to identify potential new candidates as non-executive directors.

Conduct of non-executive searches

The Committee discussed the appropriate role specifications bearing in mind the developing focus on the value of Board diversity. It was agreed that this should also include the skills suitable specifically for Audit Committee membership.

Independent consultants were appointed to conduct the searches. Lists of names were shared with Committee members and potential candidates were duly interviewed.

Appointments of Jeff Carr and Sandra Turner as independent non-executive directors

Searches were commissioned with the assistance of external consultants. The process was led by a Steering Group comprising the Chairman, the Chief Executive and the Senior Independent Director. Contact continued to be maintained with the remaining members of the Committee on a regular basis to ensure they were fully engaged and had relevant opportunity to provide input to the decision-making process.

It was agreed that appropriate focus must be directed towards engaging candidates of the right calibre and experience. Various potential candidates were identified and shortlisted candidates were subsequently interviewed by members of the Committee and appropriate references sought.

In January 2011, the Committee was pleased to recommend to the Board the appointment of Jeff Carr. Jeff was also considered to have the relevant financial expertise suitable for Audit Committee chairmanship in due course.

Subsequently, in June 2011, the Committee was also pleased to recommend to the Board the appointment of Sandra Turner, who has strong blue chip credentials and particular retail expertise, as an additional independent non-executive director.

Senior Independent Director

Recognising that Colin Smith intended to stand down from the Board with effect from the 2011 AGM, the Committee also gave due consideration to the appointment of a new Senior Independent Director and duly endorsed, for Board approval, the proposal that Bob Lee should be appointed as Colin's successor in this role following the 2011 AGM.

I J G Napier
Chairman

Remuneration report

Bob Lee
Independent Non-Executive Director
Committee Chairman

Christine Bogdanowicz-Bindert
Independent Non-Executive Director

Colin Smith
Senior Independent Non-Executive Director

Iain Napier
Non-Executive Chairman

Jeff Carr
Independent Non-Executive Director

Sandra Turner
Independent Non-Executive Director

This report, prepared on behalf of the Board, sets out the policy and disclosures on remuneration for the executive and non-executive directors of the Board. It takes full account of the Code and the latest ABI/NAPF guidelines and has been prepared in accordance with the provisions of section 421 of the Act. A resolution will be put to shareholders at the Company's AGM inviting them to approve this report.

Terms of reference and activities in the year

Both the constitution and operation of the Remuneration Committee comply with the principles incorporated in the Code.

The Committee is responsible for determining the remuneration policy for the executive directors and for key senior executives. The main duties of the Committee are:

- To review the ongoing appropriateness and relevance of the remuneration policy;
- To follow formal and transparent procedures regarding executive remuneration and remuneration packages;
- To consider and make recommendations to the Board on remuneration issues for the executive directors and other senior executives taking into account the interests of relevant stakeholders;
- To review the implementation and operation of the Company's share option schemes, bonus schemes and long-term incentive plan (LTIP); and
- To review the Company's management development plans.

The Committee is authorised by the Board to investigate any matters within its terms of reference. It meets as frequently as needed, but at least twice a year, to consider remuneration packages for directors and senior executives including reviews of basic salary, pension rights, bonus and share based awards. In the financial year ended 30 June 2011 the Committee met three times, in July 2010, August 2010 and June 2011. Subsequent to the year end, one further meeting of the Committee has taken place in August 2011. Attendance by individual members of the Committee is disclosed in the table on page 63.

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 duties of the Committee. The Charter setting out the constitution and terms of reference of the Remuneration Committee is available from the Group's website at **www.mcbride.co.uk**.

The principal activities of the Committee during the period were to review the performance and related pay award proposals of the Chief Executive and Finance Director; to agree objectives for the executive directors; to consider senior executive salary reviews and bonus scheme payments; to review share schemes' conditions and terms; to deal with the allocation of LTIP awards; to review the plans for management development and talent management. The Committee also considered the latest proposed changes to corporate governance guidelines relating to remuneration matters.

Composition of the Remuneration Committee

The composition of the Committee comprises the independent non-executive directors and the Chairman of the Company. Bob Lee is Chairman of the Committee with the other members being Christine Bogdanowicz-Bindert, Colin Smith, Iain Napier, and Jeff Carr and Sandra Turner who joined the Committee on 9 June 2011 and 1 August 2011 respectively. A quorum of the Committee is two members. Meetings may be attended by the Chief Executive on all matters except those relating to his own remuneration. Support is provided by the Group's Human Resources Director who also serves as Secretary to the Committee. During the year we sought advice from the independent consultants, Towers Watson, on executive remuneration. Towers Watson has no other connection with the Company. Aon Hewitt Limited (operating through the brand Hewitt New Bridge Street (HNBS)), were formally appointed by the Committee with effect from May 2011 as independent external advisors for the purposes of providing professional advice to guide the Committee in their decision-making. Neither Aon Hewitt Limited nor any other part of the Aon Corporation Group provided other services to the Company during the year.

Remuneration policy

The basic principles that guide remuneration policy for executives, including the executive directors, include:

- Salaries should be reviewed annually taking into account both internal and prevailing market conditions. It is the Committee's objective to set basic salaries around the median of the Group's comparator benchmark. This can rise to between median and upper quartile for consistently strong or outstanding individual performance, or start at below median for new appointees developing into a role.
- In accordance with the core principles of the Code, consideration should be given to general pay and employment conditions across the Group. The Committee is kept abreast of such matters via regular interaction with the Company's HR function.
- The Group's approach for all employees, including executives, should be 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.
- For all executives, basic salaries should be combined with performance-related variable elements.
- Performance conditions for variable pay should be set independently by the Committee at the outset of each year and assessed by the Committee both quantitatively and qualitatively at the end of each performance period.
- Both short and long-term rewards should be linked to performance as well as to Company strategy to maximise long-term shareholder value.
- Executives should develop and be encouraged to hold a shareholding as this represents the best way to align their interests with those of shareholders.
- The personal objectives for executives are reviewed by the Committee to ensure they adequately reflect the strategic aims of the Group. Good governance and best practice should be reviewed.
- The Committee should consult with the Chief Executive and pay due regard to his recommendations for other senior executives. Individual directors should not be involved in the decisions concerning their own remuneration.
- Any significant pay awards or incentive payments should take due account of the economic background and the external environment. There should be a justification given for any awards that may not appear appropriate in the prevailing climate.
- In general, environmental, social and governance issues should also be taken into account and the remuneration policy should neither encourage nor reward irresponsible behaviour in this regard.
- The Committee should consider the extent to which payment of bonuses can be justified if the Company suffers a material negative effect.

The Committee believes that this policy provides an appropriate balance between fixed remuneration, short-term bonus and long-term incentives. The Committee is committed to keeping its policy under regular review, taking into account changes in the competitive environment, in remuneration practices and in guidelines set by the key institutional shareholder bodies.

The Committee carefully considers on a regular basis the market positioning of the remuneration of all executives for whose remuneration it is responsible against the most recent and relevant market data available. When conducting its most recent review of the remuneration of the executive directors, the Committee took account of pay levels and structures in two benchmark comparator groups as follows: (i) a group of UK listed manufacturing companies that supply goods to supermarkets and (ii) a group of pan-sector companies who share similar characteristics to McBride in terms of market capitalisation and turnover. The review indicated that executive director base salary levels were broadly consistent with the Committee's intended market positioning but that annual bonus potential and, as a result, the potential total pay package was significantly below the market median.

In light of this review, the Committee made the following key decisions for executive director pay in 2011/12:

- Salaries will be frozen at 2010/11 levels.
- A challenging vesting schedule will continue to apply to LTIP awards granted in 2011/12 with limited vesting at threshold performance levels for both TSR and EPS performance measures.
- There will be an increase in maximum bonus opportunity to 100% of salary, of which a maximum of 70% will be paid in cash. The Committee took account of the increased bonus opportunity when setting the targets for the 2011/12 bonus.

Remuneration report
continued

Composition of packages
Basic salary, pension and benefits-in-kind are the elements of non-performance-related remuneration. Variable remuneration – which comprises a significant portion of the overall package – consists of two elements: annual cash bonus and share-based awards. The remuneration of the Chairman and the non-executive directors is payable solely in cash fees and is not performance-related. Further details of the constituent elements of the packages are described below.

Basic salaries
The basic salaries of executive directors and senior executives are reviewed annually taking into account individual experience, performance and responsibilities as well as pay awards made to other employees and pay practices of relevant comparator companies as described above. The percentage increases for executives' base salaries effective from 1 August 2010 were generally the same as the average for other employees of the Group located in the same region. Base salaries effective from 1 August 2011 for the executive directors were frozen at the levels set in the previous financial year. Therefore, the base salaries of the executive directors for the forthcoming year are Chris Bull £400,000, and Richard Armitage £260,000. Salaries are paid monthly in arrears by bank transfer.

Annual bonus
The objective of the annual bonus is to (i) incentivise delivery of the Group's objectives (ii) enhance performance against key financial and non-financial targets and (iii) ensure that executive directors and senior executives are fairly rewarded for their contribution to the success of the Group. The bonus structure is subject to regular review.

For the 2010/11 year, the maximum bonus opportunity for the Chief Executive and the Group Finance Director was 80% and 75% of salary respectively. For the Chief Executive, a bonus of up to 35% of salary could be earned by reference to performance against a sliding scale of challenging profit after tax targets. In addition, a further 15% of salary could be earned for performance against specific, measurable personal targets directly linked to key strategic business deliverables. Both these elements of the bonus were payable in cash. In addition, the Chief Executive could earn up to a further 30% of salary depending upon performance exceeding targeted profit. This element of the bonus is payable in shares to be retained by the Company for three years and only payable if the Chief Executive remains employed by the Group at the end of that period. The Group Finance Director's bonus opportunity for the 2010/11 year was structured in the same manner but with percentages of salary for each element at 35%, 15% and 25% respectively.

The bonuses earned in the 2010/11 year by the Chief Executive and Group Finance Director amount to £20,000 (5% of basic salary) and £18,200 (7% of basic salary) respectively. The bonuses earned were based on partial achievement of the personal targets set and are payable in cash. No deferred bonuses have been earned.

For the 2011/12 year, the maximum bonus opportunity for the Chief Executive and the Group Finance Director will be 100% of salary. A bonus of up to 50% of salary can be earned by reference to performance against a sliding scale of challenging profit after tax targets. In addition, a further 20% of salary can be earned for performance against specific, measurable personal targets (such as net debt and achieving restructuring savings). Both these elements of the bonus are payable in cash. In addition, the executive directors can earn a further up to 30% of salary depending upon performance (based on profit after tax targets exceeding those which earned 50%). This element of the bonus is payable in shares to be retained for three years and only payable if the executives remain employed by the Group at the end of that period.

Shareholdings
The Committee believes that share ownership by management serves to strengthen the link between their personal interests and those of shareholders. A scheme for executive directors, non-executive directors and other senior executives to achieve a minimum shareholding is in place which serves to encourage the acquisition of shares in the Company. Details of directors' shareholdings are disclosed on page 75.

Long-Term Incentive Plan (LTIP)
Shareholders approved the 2005 LTIP at the 2005 AGM and, since that date, the LTIP has been the sole long-term incentive arrangement operated for the executive directors. It is the Committee's current intention that long-term incentives will continue to be provided under the LTIP and that phased awards will be made on an annual basis, but subject always to individual performance and at the discretion of the Committee.

The LTIP's objectives are to align the long-term interests of shareholders and management; to reward achievement of long-term stretching targets; and to recruit, retain and motivate management of the required calibre. Awards are made to executive directors and to senior executives who are not Board members but who have a significant influence over the Group's ability to meet its strategic objectives. Whilst it is not a requirement of the LTIP, executives are encouraged to use the scheme to increase their share ownership in the Company. The maximum award level under the LTIP is 100% of salary, the level at which it is intended to make grants in the 2011/12 year.

The LTIP operates over a rolling three-year period with vesting of shares dependent on achievement of relative total shareholder return (TSR) and earnings per share (EPS) measures. For awards made during the 2010/11 year, the vesting schedule set out below applies:

Relative TSR condition
The FTSE 250 excluding Investment Companies Index is used as the comparator group for TSR. Performance is measured over three financial years. 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 Group	% of award vesting (max 50%)
Below the median	0%
Equal to the median	0%
Upper quartile	50%
Intermediate performance	Straight-line vesting

EPS condition
EPS growth is measured over a period of three financial years. The EPS figure used will be adjusted to exclude the effects of amortisation of intangible assets and exceptional items and as necessary to recognise any share buy backs undertaken by the Company. The figure used will be independently audited and disclosed in the Annual Report.

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

Awards granted in 2011/12 will continue to be subject to achievement of performance criteria based on TSR and EPS with 50% of each award being based on each target. However, the EPS vesting schedule will be revised as follows:

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

The Committee considers that this approach aligns with the key long-term measures of the Group's performance.

In the year under review, executive directors and senior executives were eligible to receive awards in a range of up to 80% of basic salary. Details of LTIP awards to the executive directors are disclosed on page 76. The fair value of the year's LTIP awards to executive directors and senior executives at the date of grant was £1.6 million or 26% of their aggregate basic salaries. Detailed assumptions used in calculating the fair value of the awards are outlined in note 23 to the consolidated financial statements on page 117. In the 2010/11 year, £54,000 (2009/10: charge of £1,103,000) was credited to the income statement in respect of the LTIP.

The relevant three-year period relating to the 2008/09 LTIP grant concluded on 30 June 2011 (although no current executive director holds such an award). The EPS condition was not achieved but the TSR element was partially achieved, resulting in a 48.9% payout (158,946 shares and the cash equivalent of 277,312 shares under the cash LTIP) to vest in October 2011, the third anniversary of the grant.

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

The contracts contain restrictive covenants for periods of up to six months post employment relating to non-competition, 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 and the Group Finance Director stipulate six months' notice by both the Company and the director. All directors' contracts are available for inspection at the AGM. The Committee recognises the provisions of the Code for compensation commitments to be stipulated in directors' service contracts with regard to early termination. It is not our policy to include liquidated damages clauses. Instead, the Committee places emphasis on mitigation. Directors' contracts confirm that the Company has the option to pay notice month by month; and it would therefore cease if the dismissed director obtained other employment. There are no excessive severance arrangements or pension benefits in place for the executive directors.

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.

Other benefits
The Company pays a cash sum in lieu of a pension contribution for Chris Bull at 25% of basic salary and on behalf of Richard Armitage pays into a defined contribution pension scheme at 20% of basic salary. Chris Bull has agreed in writing that this payment relieves the Company of any liability for pension provision on his behalf. In addition, the executive directors enjoy similar benefits to many other employees of the Group including private medical insurance, a fully expensed car or equivalent cash allowance and life assurance cover.

Remuneration report
continued

Directors' service contracts continued

Non-executive directors and Chairman

The non-executive directors and Chairman serve on the basis of renewable letters of appointment which are terminable at the discretion of either party upon three months' notice. The letters of appointment for the newly appointed non-executive directors, Jeff Carr and Sandra Turner, were entered into on 24 January 2011 and 24 June 2011 respectively. The Chairman's letter was last issued in August 2011, together with letters for the relevant non-executive directors.

The Chairman and all the non-executive directors remain subject to re-election by shareholders on an annual basis. Their appointments may be terminated without compensation in the event of them not being re-elected by shareholders or otherwise in accordance with the Articles. Any appointment for more than nine years in total will be subject to annual shareholder approval but, in addition, will be considered taking into account 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 to the role.

The fees for the Chairman and the non-executive directors are set by the full Board and are determined by reference to fees paid by other companies of similar size and complexity and reflect the amount of time they are expected to devote to the Group's activities during the year. These fees were last reviewed in July 2009, with the assistance of Towers Watson. The Chairman receives a fee of £150,000 and non-executive directors receive a basic fee of £40,000 per annum.

A supplementary fee of £4,000 is paid to Committee Chairmen and to the Senior Independent Director to reflect their additional responsibilities. No element of their fees is performance-related and they are not eligible to participate in bonus or share incentive schemes. Their services do not qualify for pension purposes or other benefits.

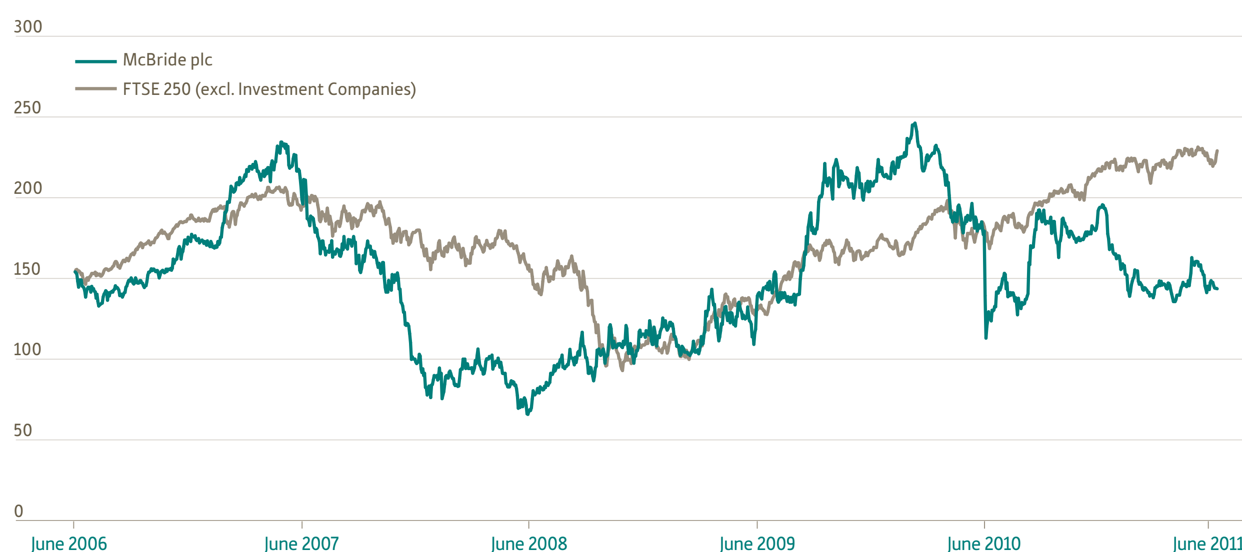
Set out below is information regarding the dates of the letters of appointment and notice periods for the Chairman and the non-executive directors.

Director	Date first appointed to the Board	Date of last election at AGM in	Re-election no later than AGM in	Notice period	Compensation upon early termination	Latest letter of appointment
Iain Napier	1 July 2007	2010	2011	3 months	None	31 Aug 2011
Christine Bogdanowicz-Bindert	1 Sept 2003	2010	2011	3 months	None	31 Aug 2011
Jeff Carr	1 Feb 2011	n/a	2011	3 months	None	24 Jan 2011
Bob Lee	1 Sept 2003	2010	2011	3 months	None	31 Aug 2011
Colin Smith	4 Apr 2002	2010	2011	3 months	None	31 Aug 2010
Sandra Turner	1 Aug 2011	n/a	2011	3 months	None	24 June 2011

Performance graph

The graph below charts the total shareholder return (share value movement plus reinvested dividends) (TSR) over the five years to 30 June 2011 of shares in McBride plc compared with that of a hypothetical holding in the FTSE 250 Ex. Investment Companies Index. The directors consider this index to be an appropriate comparator group for assessing the Company's TSR because it provides a well defined, understood and accessible benchmark and the TSR of the Company's shares relative to that of this index is one of the key performance measurements used to determine the extent of vesting of awards under the Company's LTIP.

Total shareholder return of McBride plc shares relative to the FTSE 250 Ex. Investment Companies between 30 June 2006 and 30 June 2011



External appointments

Executive directors are permitted, where appropriate and with Board approval, to assume non-executive directorships of other organisations. It is generally accepted that the holding of a non-executive directorship with another company should not adversely affect the ability of an executive director to perform his/her role and responsibilities properly. In fact, the holding of such an external position may enhance the individual director's experience which could serve to strengthen his/her performance and contribution to the Company. Where the Company releases executive directors to carry out non-executive duties, they will be required to disclose the fact that they retain any earnings and, if so, the amount of such remuneration. Neither of the current executive directors hold any external directorships currently.

Directors' emoluments (audited)

The fixed and performance-related elements of directors' remuneration for the year ended 30 June 2011 are set out below:

						Sub-total		Pension contributions		Total remuneration	
Director	Executive pension contributions[1]/non-executive fees £000	Basic salary £000	Cash bonus £000	Deferred shares bonus £000	Benefits[2] £000	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000	Year ended 30 June 2011 £000	Year ended 30 June 2010 £000
Executive											
Chris Bull	100	400	20	–	11	531	83	–	–	531	83
Richard Armitage	–	259	18	–	11	288	296	52	33	340	329
Miles Roberts	–	–	–	–	–	–	393	–	126	–	519
Non-executive											
Iain Napier	150	–	–	–	–	150	150	–	–	150	150
Christine Bogdanowicz-Bindert	40	–	–	–	–	40	40	–	–	40	40
Bob Lee	44	–	–	–	–	44	44	–	–	44	44
Colin Smith	48	–	–	–	–	48	48	–	–	48	48
Jeff Carr[3]	17	–	–	–	–	17	–	–	–	17	–
Total	399	659	38	–	22	1,118	1,054	52	159	1,170	1,213

[1] Fees in respect of Chris Bull relate to a cash payment of £100,000 which was made in lieu of pension contributions.
[2] The benefits consist of the provision of a company car and fuel, private healthcare insurance and life cover.
[3] The figures for Jeff Carr are for the period since his date of appointment to the Board on 1 February 2011.

Directors' interests (audited)

The beneficial interests of the directors in the ordinary shares of the Company at 1 July 2010 and 30 June 2011 are set out on page 78.

Director	At 30 June 2011	At 30 June 2010
Iain Napier	54,807	44,807
Chris Bull	250,000	250,000
Richard Armitage	20,000	20,000
Christine Bogdanowicz-Bindert	20,000	20,000
Jeff Carr	–	–
Bob Lee	5,000	5,000
Colin Smith	100,000	100,000

There have been no changes in shareholdings between 30 June 2011 and the date of this report.

Remuneration report
continued

Long-Term Incentive Plan (audited)

Interests of directors under the McBride plc 2005 Long-Term Incentive Plan at 1 July 2010 and 30 June 2011 are set out below:

Director	Date of award	Number of awards at 1 July 2010	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2011	Market price at date of award (£)	Vesting date
Richard Armitage	18 Feb 2010	61,922	–	–	–	61,922	2.2700	19 Feb 2013
	16 Sept 2010	–	106,267	–	–	106,267	1.8350	17 Sept 2013
Chris Bull	16 Sept 2010	–	174,387	–	–	174,387	1.8350	17 Sept 2013

The performance conditions attaching to awards under the plan are:

a. 50% of the award is subject to a total shareholder return (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.

This performance measure has been selected as it is consistent with the majority of LTIPs in the same sector and the Remuneration Committee wishes to encourage senior executives to give attention to medium-term as well as short-term returns to shareholders.

b. 50% of the award is subject to an earnings per share (EPS) performance condition. For the 2010 LTIPs, awards subject to the EPS condition will lapse unless the Company's growth in EPS (adjusted to exclude the effects of amortisation of intangible assets and exceptional items) is in excess of four percentage points per annum above the increase in the UK Retail Prices Index (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 eight percentage points per annum.

For the 2009 awards, (applicable to the February 2010 LTIPs), 50% of the award will vest on a scale rising from growth in EPS in excess of five percentage points per annum above the increase in RPI to full vesting at RPI plus ten percentage points.

This performance measure has been selected because EPS is one of the key performance indicators used in the business and is a measure well understood by the senior executive team. It is also something which they can influence directly.

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 of the performance conditions.

Pensions (audited)

The following table shows details of pension payments into money purchase schemes for the executive directors:

Director	Current year payments £000
Richard Armitage	52

Payments to third parties

There have been no payments made to third parties for making available the services of the directors.

Approved by the Board on 5 September 2011

Signed on behalf of the Board by

R A Lee
Chairman of the Remuneration Committee

Statutory information

Principal activity

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

Business review

The Group is required to produce a business review complying with the requirements of section 417 of the Companies Act 2006 (the Act). The Group has complied with this requirement in the Business Review, which is presented on pages 8 to 59 of this Directors' Report. This incorporates a detailed review of the Group's activities, its business performance and developments during the year and an indication of likely future developments.

Corporate governance statement

The corporate governance statement, as required by Rule 7.2.1 of the FSA's Disclosure and Transparency Rules, is set out on page 82 of this Directors' Report.

FSA Disclosure and Transparency Rules

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

Group results and payments to shareholders

The results for the year are set out in the consolidated income statement on page 84 and a discussion of the Group's financial performance and progress are set out in the Business Review on pages 8 to 59. A summary of the results for the year, together with financial key performance indicators is set out below.

Figures in £m unless otherwise stated	2011	2010
Revenue	**812.4**	812.2
Organic revenue growth[1][2]	**+0%**	+0%
Operating profit	**13.8**	35.2
Adjusted operating profit[3]	**29.0**	50.0
Diluted earnings per share	**2.9p**	12.1p
Adjusted diluted earnings per share[1][3]	**9.3p**	18.1p
Payments to shareholders per share	**6.8p**	6.8p
Return on capital employed[1][2][3]	**14.7%**	25.9%

(1) Indicates Group key performance indicator.
(2) The calculation of organic revenue growth and return on capital employed is explained on page 5.
(3) Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations and any non-cash financing costs from unwind of discount on initial recognition of contingency consideration and any related tax. Details of exceptional items are set out in note 3 to the consolidated financial statements on page 97.

Payments to shareholders

On 24 March 2011 the shareholders approved proposals 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. Subject to shareholder approval at each AGM, it is the Company's intention that, for the foreseeable future, all payments to shareholders will be made in this way.

Subject to shareholder approval to renew the B Share scheme at the AGM, the Board is recommending the allotment of 48 B Shares (equating to a final dividend of 4.8 pence) per share (2010: 4.8 pence), giving a total allotment for the year of 68 B Shares (equating to 6.8 pence) per share (2010: 6.8 pence). Further details of payments to shareholders are shown in note 10 to the consolidated financial statements on page 103.

Directors

The directors who held office during the year were:

Iain J G Napier	Chairman
Chris D Bull	Chief Executive
Richard J Armitage	Group Finance Director
Christine A Bogdanowicz-Bindert	Independent non-executive director
Jeff Carr	Independent non-executive director (appointed 1 February 2011)
Bob Lee	Independent non-executive director
Colin D Smith	Senior independent non-executive director

Sandra Turner was appointed as a non-executive director with effect from 1 August 2011.

Biographical details of the directors appear on page 59.

Information on directors' remuneration and service contracts is given in the Remuneration Report on pages 70 to 76.

Statutory information
continued

Directors and their interests

The beneficial interests of the directors (none of the directors had any non-beneficial interests during the year) in the share capital of the Company (in terms of shares and conditional share awards) at 1 July 2010 and 30 June 2011 were:

	At 30 June 2010	
Director	Shares	Conditional share awards[1]
Iain Napier	44,807	–
Chris Bull	250,000	–
Richard Armitage	20,000	61,922
Christine Bogdanowicz-Bindert	20,000	–
Bob Lee	5,000	–
Colin Smith	100,000	–

	At 30 June 2011	
Director	**Shares**	**Conditional Share awards[1]**
Iain Napier[2]	**54,807**	**–**
Chris Bull	**250,000**	**174,387**
Richard Armitage	**20,000**	**168,189**
Christine Bogdanowicz-Bindert	**20,000**	**–**
Jeff Carr	**–**	**–**
Bob Lee	**5,000**	**–**
Colin Smith	**100,000**	**–**
Sandra Turner	**–**	**–**

[1] The conditional share awards are awards made under the McBride Long-Term Incentive Plan.
[2] During the year Iain Napier acquired 10,000 ordinary shares in the Company.

There have been no changes in the directors' interests in the shares of the Company from those detailed above between 30 June 2011 and 5 September 2011. None of the directors had any interest in the shares of any subsidiary company. Further details of options and conditional share awards held by the directors are set out in the Remuneration Report on pages 70 to 76.

Election and re-election of directors

Details of all directors offering themselves for election or re-election can be found in the Corporate Governance Report on page 60.

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. Following changes to company law, 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 by the time of approval of this Directors' Report.

Employment policies/employees

Involvement of employees

Our continued success depends on having a skilled and motivated workforce. We endeavour to create a culture whereby employees are recognised as a valuable asset. The Company is continuing to implement initiatives to engage employees with the business and to ensure they feel valued in an environment where they can make a positive contribution. There is a focus on helping employees to give of their best at work and to achieve their full career potential through the provision of training and development opportunities and to enhance individual performance we have a coaching programme as an element of our training resource. Our appraisal system is extended to all employees and helps to ensure that individuals' performance is assessed objectively and their training and development is defined systematically and in relation to business needs. There is a structured talent review process across the Group which seeks to identify those of potential on a fully inclusive basis. The outcomes are re-assessed every year and the process is used to obtain peer group feedback and draw up tailored personal development plans. We continue to run our own innovative Management Development Programme supported by specific modular training which is available to all relevant employees. The content of the programme itself is regularly reviewed to ensure it keeps pace with changing business needs.

Employment policies/employees continued

Involvement of employees continued

In the UK we operate a First-Line Management programme which extends over seven modules. A new programme was introduced during the year, Shaping Our Coaching Culture, which supports the existing programme to develop a coaching culture within the business. All sites have their own training professionals. We acknowledge that team working is invaluable in helping to deliver our goals and this is actively encouraged through cross-fertilisation of ideas both across functions and across territories so that best practice is shared at every opportunity. We have wide-ranging employee policies in place to help provide guidance and to set the standards expected of our employees in all their business dealings. These policies are made available to employees on a regular basis.

We are committed to employee consultation by way of regular briefings, partnership councils, listening groups, information bulletins and newsletters. Many departments also hold annual 'away days' which provide the opportunity for a cross-section of colleagues to contribute to the development and realisation of business plans for their departments, and we have bi-annual conferences for managers. Members of the senior management teams regularly visit the sites. They also attend our management development programmes for Q&A sessions. These exercises provide the opportunity for open questioning from employees and encourage two-way dialogue. Most sites are actively engaged in involvement initiatives to allow all employees to understand and relate to our business goals and many sites hold open days to allow employees' families to see the environment in which their family members work.

Reward and recognition

Eligible employees participate in performance-related bonus schemes and some senior management participate in a Long-Term Incentive Plan (LTIP). Local incentive schemes relating to site performance are available to most site based employees and in 2009 the Company offered a three-year Save As You Earn Scheme to eligible employees based in the UK.

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

Employment of disabled persons

We aim to provide a 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, or, 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. 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 and support and guidance are provided and every effort is made to ensure that compulsory redundancies are minimised.

Charitable and political donations

The Group made monetary donations to charities of £11,000 (2010: £1,500) during the year, mainly to small local community charities in the UK, Poland and Czech Republic, and to the Red Cross. We also made donations to In Kind Direct of laundry and cleaning products with a value of approximately £35,000. It is the Group's policy not to make political donations and, accordingly, there were no payments to political organisations during the year (2010: £nil).

Environment

The Group recognises the importance of responsible environmental management and its obligations to protect the environment. The Group therefore gives high priority to all environmental matters relevant to its business. Further information appears in the Corporate Social Responsibility Report on pages 46 to 51 and in the separate Sustainability Report available from the Group's website at **www.mcbride.co.uk**.

Statutory information
continued

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 £10.1 million (2010: £6.9m).

Supplier payment policy and practice
Group companies do not comply with any payment code but agree terms and conditions under which business transactions with their suppliers are conducted. Payments are then made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions. At 30 June 2011, the amount the Group owed its suppliers represented 86 days' purchases (2010: 83 days). The Company is a holding company and therefore does not have any trade creditors.

Financial instruments
Information on the Group's financial risk management objectives, policies and activities and on the exposure of the Group to relevant risks in respect of financial instruments is set out on page 55 and in note 21 to the consolidated financial statements on pages 112 to 116.

Share capital
Details of the Company's share capital are shown in note 22 to the consolidated financial statements on page 116.

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 792 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, 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 2010 AGM, shareholder approval was granted to allow the Company to repurchase up to 18,022,000 ordinary shares. The existing authority will expire on the date of the 2011 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 824,498 ordinary shares as treasury shares. During the financial year 900,000 shares, representing 0.5% of called up and fully paid share capital, were repurchased for a paid consideration of £1,319,251 and 533,620 shares were transferred; at the end of the year 1,190,878 shares remained held in Treasury. Treasury shares are currently being accumulated to meet options under the SAYE scheme to be exercised in 2012 and the remainder of the shares required will be acquired by a block listing.

Substantial shareholdings
On 5 September 2011 (being the latest practical date prior to the date of this report), the Company had been notified of the following interests amounting to 3% or more of its issued share capital.

Shareholder	Number of shares	%
Invesco Perpetual	29,160,004	16.2
Franklin Templeton	27,146,625	15.1
Delta Lloyd Asset Management	27,000,000	15.0
Allianz Global Investors	10,582,777	5.9
Aberdeen Asset Management	8,565,436	4.8
Legal & General Investment Management	6,625,033	3.7
Brandes Investment Partners	6,577,759	3.7

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. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole.

Articles of Association
The Articles give power to the Board to appoint directors, but also require directors to retire and submit themselves for election at the first AGM following their appointment. Specific information regarding the re-election of directors is contained in the Corporate Governance Report on page 60.

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

Articles of Association continued
In addition, the Act requires a director of a company who is in any way interested in a contract or proposed contract with the Company to declare the nature of his 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 so permit; the Company's Articles do permit such authorisation.

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

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 8 to 59. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 53 to 55. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risks.

The Group meets its funding requirements through internal cash generation and bank credit facilities, most of which are committed until June 2015 as described in note 21 to the financial statements. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate comfortably within its current bank facilities. Following preliminary discussions with its bankers, the directors are confident that the Group will be able to extend or refinance these facilities as and when required.

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

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

Annual General Meeting
The notice convening the Company's 2011 AGM at Centre Point, 103 New Oxford Street, London, WC1A 1DD on 24 October 2011 at 2.30 pm is set out in a separate document issued to shareholders.

The annual report and accounts for the year ended 30 June 2011 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.

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 KPMG Audit Plc (subject to the outcome of the tender process) 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 2011 is fully disclosed in note 7 to the consolidated financial statements on page 100.

Signed on behalf of the Board

C A Barnet
Company Secretary
5 September 2011

Statement of directors' responsibilities
in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent 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 parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent 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 parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate, accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 pages 58 to 59, 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.

Signed on behalf of the Board

C D Bull
Chief Executive
5 September 2011

Independent Auditors' report
to the members of McBride plc

We have audited the financial statements of McBride plc for the year ended 30 June 2011 set out on pages 84 to 124. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 82, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at **www.frc.org.uk/apb/scope/private.cfm**.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 60 to 65 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 81, in relation to going concern;
- the part of the Corporate Governance Statement on page 60 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Robert Brent (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL
5 September 2011

Consolidated income statement
for the year ended 30 June 2011

	Note	Pre exceptional items 2011 £m	Exceptional items (see note 3) 2011 £m	Post exceptional items 2011 £m	Pre exceptional items 2010 £m	Exceptional items (see note 3) 2010 £m	Post exceptional items 2010 £m
Revenue	2	**812.4**	**–**	**812.4**	812.2	–	812.2
Cost of sales		**(547.6)**	**–**	**(547.6)**	(515.4)	–	(515.4)
Gross profit		**264.8**	**–**	**264.8**	296.8	–	296.8
Distribution costs		**(54.3)**	**–**	**(54.3)**	(54.0)	–	(54.0)
Administrative costs							
Before amortisation of intangible assets		**(181.5)**	**(12.3)**	**(193.8)**	(192.8)	(12.8)	(205.6)
Amortisation of intangible assets		**(2.9)**	**–**	**(2.9)**	(2.0)	–	(2.0)
Administrative costs including amortisation of intangible assets		**(184.4)**	**(12.3)**	**(196.7)**	(194.8)	(12.8)	(207.6)
Operating profit	2	**26.1**	**(12.3)**	**13.8**	48.0	(12.8)	35.2
Financial income		**4.3**	**–**	**4.3**	3.8	–	3.8
Financial expenses							
Before unwind of discount on contingent consideration		**(10.8)**	**–**	**(10.8)**	(9.4)	–	(9.4)
Unwind of discount on contingent consideration		**(0.2)**	**–**	**(0.2)**	–	–	–
Net financing costs including unwind of discount on contingent consideration	6	**(6.7)**	**–**	**(6.7)**	(5.6)	–	(5.6)
Profit before tax	7	**19.4**	**(12.3)**	**7.1**	42.4	(12.8)	29.6
Taxation	8	**(4.9)**	**3.1**	**(1.8)**	(10.7)	3.2	(7.5)
Profit for the year attributable to equity holders of the parent		**14.5**	**(9.2)**	**5.3**	31.7	(9.6)	22.1

All activities relate to continuing operations

	Note			2011			2010
Earnings per ordinary share (pence)	9						
Basic				**2.9**			12.3
Diluted				**2.9**			12.1

Consolidated statement of comprehensive income
for the year ended 30 June 2011

	Note	2011 £m	2010 £m
Profit for the year		**5.3**	22.1
Other comprehensive income/(expense)			
Foreign exchange translation differences		**11.0**	(3.1)
Net (loss)/gain on hedge of net investment in foreign subsidiaries		**(8.5)**	2.5
Effective portion of changes in fair value of cash flow hedges		**1.8**	(2.0)
Net changes in fair value of cash flow hedges transferred to profit or loss		**2.1**	0.9
Actuarial gain/(loss) on defined benefit pension schemes	19	**4.5**	(4.3)
Taxation relating to components of other comprehensive income	8	**(2.3)**	1.5
Total other comprehensive income/(expense)		**8.6**	(4.5)
Total comprehensive income for the year		**13.9**	17.6

Consolidated balance sheet
at 30 June 2011

Company name: **McBride plc**
Registered number: **2798634**

	Note	2011 £m	Restated 2010 £m
Non-current assets			
Intangible assets	11, 12	**38.6**	38.3
Property, plant and equipment	13	**190.9**	179.9
Other non-current assets	14	**0.6**	0.6
Deferred tax	8	**2.5**	2.9
		232.6	221.7
Current assets			
Inventories	15	**81.6**	69.9
Trade and other receivables	16	**154.6**	137.4
Derivative financial instruments	21	**1.5**	3.4
Cash and cash equivalents	25	**9.6**	5.0
Assets classified as held for sale	13	**4.8**	2.9
		252.1	218.6
Total assets		**484.7**	440.3
Current liabilities			
Interest bearing loans and borrowings	20	**47.3**	15.4
Trade and other payables	17	**221.6**	199.8
Derivative financial instruments	21	**3.0**	5.5
Current tax payable		**0.9**	3.5
Provisions	18	**6.1**	5.1
		278.9	229.3
Non-current liabilities			
Interest bearing loans and borrowings	20	**46.0**	49.6
Pensions and other post-employment benefits	19	**16.2**	23.6
Trade and other payables	17	**6.3**	0.6
Provisions	18	**0.5**	1.1
Deferred tax	8	**11.4**	11.4
		80.4	86.3
Total liabilities		**359.3**	315.6
Net assets		**125.4**	124.7
Equity			
Issued share capital	22	**18.1**	18.1
Share premium account		**139.9**	143.5
Other reserves		**6.1**	(3.8)
Retained earnings		**(39.3)**	(33.7)
Equity attributable to owners of the Company		**124.8**	124.1
Non-controlling interests		**0.6**	0.6
Total equity and reserves		**125.4**	124.7

These financial statements were approved by the Board of Directors on 5 September 2011 and were signed on its behalf by:

C D Bull
Director

Consolidated cash flow statement
for the year ended 30 June 2011

	Note	2011 £m	2010 £m
Profit before tax		**7.1**	29.6
Net financing costs	6	**6.7**	5.6
Pre-tax exceptional charge in the year	3	**12.3**	12.8
Share-based payments	23	**0.3**	1.7
(Profit)/loss on sale of non-current assets	7	**(0.5)**	0.1
Depreciation	13	**24.8**	26.6
Amortisation of intangible assets	12	**2.9**	2.0
Operating cash flow before changes in working capital		**53.6**	78.4
Increase in receivables		**(7.9)**	(4.0)
Increase in inventories		**(5.9)**	(1.8)
Increase in payables		**5.4**	13.0
Additional cash funding of pension scheme		**(2.6)**	(0.5)
Cash flow in respect of exceptional items		**(7.4)**	(4.4)
Cash generated from operations		**35.2**	80.7
Interest paid		**(4.6)**	(6.0)
Taxation paid		**(7.6)**	(7.8)
Net cash from operating activities		**23.0**	66.9
Cash flows from investing activities			
Proceeds from sale of non-current assets		**1.2**	0.2
Acquisition of property, plant and equipment		**(24.1)**	(24.2)
Acquisition of intangible assets	12	**(0.7)**	(0.1)
Acquisition of businesses, net of cash acquired	4, 17	**(2.2)**	(8.4)
Interest received		**–**	0.1
Forward contracts used in net investment hedging		**(0.9)**	(1.4)
Net cash used in investing activities		**(26.7)**	(33.8)
Cash flows from financing activities			
Proceeds from issue of share capital		**0.1**	0.3
Repurchase of own shares		**(1.3)**	(1.4)
Redemption of B Shares	10	**(3.5)**	–
Increase in borrowings		**55.3**	5.5
Repayment of borrowings		**(33.6)**	(16.2)
Payment of finance lease liabilities		**(0.6)**	(0.7)
Dividends paid	10	**(8.7)**	(11.4)
Net cash used in financing activities		**7.7**	(23.9)
Net increase in cash and cash equivalents		**4.0**	9.2
Cash and cash equivalents at start of year		**(1.1)**	(10.3)
Effect of exchange rate fluctuations on cash held		**(0.3)**	–
Cash and cash equivalents at end of year	25	**2.6**	(1.1)
Reconciliation of cash and cash equivalents per the balance sheet and cash flow statement			
Cash and cash equivalents per the balance sheet		**9.6**	5.0
Overdrafts		**(7.0)**	(6.1)
Cash and cash equivalents per the cash flow statement	25	**2.6**	(1.1)

Reconciliation of net cash flow to movement in net debt
for the year ended 30 June 2011

	Note	2011 £m	2010 £m
Increase in cash and cash equivalents in the year		**4.0**	9.2
Cash (inflow)/outflow from movement in debt		**(21.7)**	10.7
Movement on finance leases		**0.6**	0.7
Change in net debt resulting from cash flows		**(17.1)**	20.6
Debt acquired with subsidiaries		**(0.9)**	(0.1)
Exchange movements		**(5.7)**	1.9
Movement in net debt in the year		**(23.7)**	22.4
Net debt at the beginning of the year		**(60.0)**	(82.4)
Net debt at the end of the year	25	**(83.7)**	(60.0)

Consolidated statement of changes in equity
for the year ended 30 June 2011

	Issued share capital £m	Share premium account £m	Cash flow hedge reserve £m	Translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity and reserves £m
At 1 July 2009	18.0	143.5	(3.5)	0.9	0.5	(40.9)	118.5	–	118.5
Profit for the year	–	–	–	–	–	22.1	22.1	–	22.1
Other comprehensive income/(expense):									
Foreign exchange translation differences	–	–	–	(3.1)	–	–	(3.1)	–	(3.1)
Net gain on hedge of net investment in foreign subsidiaries	–	–	–	2.5	–	–	2.5	–	2.5
Effective portion of changes in fair value of cash flow hedges	–	–	(2.0)	–	–	–	(2.0)	–	(2.0)
Net changes in fair value cash flow hedges transferred to profit or loss	–	–	0.9	–	–	–	0.9	–	0.9
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	(4.3)	(4.3)	–	(4.3)
Taxation relating to components of other operating income	–	–	–	–	–	1.5	1.5	–	1.5
Total comprehensive income/(expense):	–	–	(1.1)	(0.6)	–	19.3	17.6	–	17.6
Transactions with owners of the Company:									
Share based payments	–	–	–	–	–	1.1	1.1	–	1.1
Equity dividends	–	–	–	–	–	(11.4)	(11.4)	–	(11.4)
Own shares acquired and held as treasury shares	–	–	–	–	–	(1.4)	(1.4)	–	(1.4)
Shares issued to satisfy share option exercises	0.1	–	–	–	–	0.2	0.3	–	0.3
Acquisition of businesses	–	–	–	–	–	–	–	0.6	0.6
Related tax movements	–	–	–	–	–	(0.6)	(0.6)	–	(0.6)
At 30 June 2010	18.1	143.5	(4.6)	0.3	0.5	(33.7)	124.1	0.6	124.7
Profit for the year	–	–	–	–	–	5.3	5.3	–	**5.3**
Other comprehensive income/(expense):									
Foreign exchange translation differences	–	–	–	11.0	–	–	11.0	–	**11.0**
Net loss on hedge of net investment in foreign subsidiaries	–	–	–	(8.5)	–	–	(8.5)	–	**(8.5)**
Effective portion of changes in fair value of cash flow hedges	–	–	1.8	–	–	–	1.8	–	**1.8**
Net changes in fair value cash flow hedges transferred to profit or loss	–	–	2.1	–	–	–	2.1	–	**2.1**
Actuarial gain on defined benefit pension schemes	–	–	–	–	–	4.5	4.5	–	**4.5**
Taxation relating to components of other operating income	–	–	–	–	–	(2.3)	(2.3)	–	**(2.3)**
Total comprehensive income/(expense):	–	–	3.9	2.5	–	7.5	13.9	–	**13.9**
Transactions with owners of the Company:									
Share based payments	–	–	–	–	–	0.6	0.6	–	**0.6**
Issue of B Shares	–	(3.6)	–	–	–	–	(3.6)	–	**(3.6)**
Redemption of B Shares	–	–	–	–	3.5	(3.5)	–	–	**–**
Equity dividends	–	–	–	–	–	(8.7)	(8.7)	–	**(8.7)**
Own shares acquired and held as treasury shares	–	–	–	–	–	(1.3)	(1.3)	–	**(1.3)**
Shares issued to satisfy share option exercises	–	–	–	–	–	0.1	0.1	–	**0.1**
Related tax movements	–	–	–	–	–	(0.3)	(0.3)	–	**(0.3)**
At 30 June 2011	**18.1**	**139.9**	**(0.7)**	**2.8**	**4.0**	**(39.3)**	**124.8**	**0.6**	**125.4**

The number of treasury shares held at 30 June 2011 was 1,190,878 (2010: 824,498).

Cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to transactions that have not occurred.

Translation reserve includes cumulative exchange differences arising from the translation of foreign subsidiaries into sterling.

Notes to the Group financial statements

1. Significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU) (adopted IFRS) in accordance with EU law (IAS Regulation EC 1606/2002) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company has elected to prepare the parent company's financial statements in accordance with UK GAAP. These are presented on pages 120 to 124.

McBride plc is the Group's ultimate parent company. McBride plc is a limited liability company incorporated and domiciled in England. The address of McBride plc's registered office is 28th Floor, Centre Point, 103 New Oxford Street, London, WC1A 1DD. Copies of the Annual Report are available at this address.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 8 to 59. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 53 to 55. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risks.

The Group meets its funding requirements through internal cash generation and bank credit facilities, most of which are committed until June 2015 as described in note 21 to the financial statements. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate comfortably within its current bank facilities. Following preliminary discussions with its bankers, the directors are confident that the Group will be able to extend or refinance these facilities as and when required.

The Group has a robust business model with a relatively conservative level of debt-to-equity gearing. As a result, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the consolidated financial statements are prepared on the going concern basis and on the historical cost basis except where adopted IFRS require an alternative treatment. The principal variations to historical cost relate to pensions (IAS 19), certain financial instruments (IAS 39) and non-current assets held for sale (IFRS 5).

The comparative information has been restated as follows:

- → The segmental information and goodwill allocation by cash generating units have been restated to reflect an internal group re-organisation and the impact is disclosed in note 2; and
- → Acquisition accounting adjustments have been finalised in relation to the acquisition of Fortlab Holdings Sdn Bhd. The comparative information has been restated in accordance with IFRS 3 'Business Combinations'. The impact of this restatement is to reduce trade and other payables and goodwill by £0.1 million.

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year; or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of adopted IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed on pages 94 to 95.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements with the following exceptions:

The minor amendments to a number of standards set out in the IASB's 2009 Annual Improvements project, including operating segments, share-based payments, leases, intangible assets and financial instruments.

Amendment to IFRS 2 'Share-based Payment – Group Cash-settled Share-based Payment Transactions' which clarifies the scope of IFRS 2 and the accounting for Group cash-settled share-based payment transactions in the financial statements of individual group entities.

Amendment to IAS 32 'Financial Instruments: Presentation – Classification of Rights Issues' which requires an issue to all existing shareholders of rights to acquire additional shares to be recognised in equity, regardless of the currency of the shares.

IFRIC 17 'Distributions of Non-Cash Assets to Owners' which specifies how an entity should account for distributions of non-cash assets to its owners.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' which addresses the accounting required by an entity that issues equity instruments in order to settle a financial liability in part or in full.

The adoption of these amendments and interpretations has had no significant impact on the Group's results or net assets.

1. Significant accounting policies continued

Basis of preparation continued

Adjusted results

The Group believes that adjusted operating profit and adjusted earnings per share (see note 9) provide additional useful information to shareholders on the underlying performance achieved by the Group. These measures are used for internal performance analysis and short and long term incentive arrangements for employees. Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

Following the adoption in 2010 of the revised accounting standard for acquisition accounting, IFRS 3 'Business Combinations', contingent consideration that is deferred and subject to performance targets is required to be re-measured at the balance sheet date during the deferral period. Should the post acquisition performance, which is reflected in underlying earnings, fall short of expectations the contingent consideration may be decreased with a corresponding credit to the income statement. This credit offsets to an extent the shortfall in post acquisition performance. Likewise should the post acquisition profit exceed expectations the deferred consideration liability may increase and this results in a charge to the income statement, this time offsetting the higher underlying post acquisition performance. Management consider that such movements in the deferred consideration distort the underlying post acquisition performance of the acquired business and therefore will include these as adjusting items.

In order to align with accounting for such movements as adjusting items, unwinding of discounts on initial recognition of contingent consideration arising on business combinations are also removed from adjusted results. This has not led to any restatement of comparative results since the Group recognised contingent consideration where the effect of discounting is greater than £0.1 million in its financial statements for the current year.

Basis of consolidation

The Group financial statements consist of the financial statements of McBride plc (the Company) and all its subsidiary undertakings (collectively referred to as 'the Group').

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, contracts or agreements with non-controlling interests and potential voting rights that presently are exercisable or convertible are taken into account.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests are not recognised when the Group is contractually committed to purchase the remaining shares in the consolidated subsidiary that it does not already legally own. In these situations, the non-controlling shareholder is not considered to have present access to the economic benefits associated with the underlying ownership interests in the subsidiary.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Accounting policies of subsidiaries acquired have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised gains and losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes contingent consideration, measured at its acquisition date fair value. Subsequent changes in the fair value of contingent consideration are adjusted against the cost of acquisition when they qualify as measurement period adjustments or otherwise are accounted for as fair value changes in profit or loss. Such contingent consideration liabilities are discounted and the discount on initial recognition is unwound and recognised in the income statement.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date. If the initial accounting for a business combination is incomplete by the end of a reporting period in which the combination occurs, the Group reports provisional amounts.

Provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date. The measurement period is the period from the date of the acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Notes to the Group financial statements
continued

1. Significant accounting policies continued

Business combinations continued
The Group has adopted the exemption permitted in Revised IFRS 3 'Business Combinations' to apply the standard only to business combinations after 1 July 2009. The accounting for business combinations transacted prior to this date have not been restated and the following principal elements were different:

- Directly attributable costs were included as part of the cost of an acquisition; and
- Subsequent adjustments to the contingent consideration affected the recorded goodwill.

Foreign currencies
In line with the exemption permitted under IFRS 1, the Group elected to reset the foreign currency translation reserve to zero at 1 July 2004, the date of transition.

Transactions in foreign currencies are translated to the respective functional currency of Group entities at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. The income and expenses of subsidiaries whose functional currency is not sterling are translated at the average rates of exchange for the year.

The assets and liabilities of overseas subsidiaries are translated at the closing rates of exchange ruling at the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the acquired company and recorded initially at the transaction date exchange rate and thereafter at the closing rate of exchange ruling at the balance sheet date.

Differences arising on retranslation are taken directly to a separate component of equity. Exchange differences arising from the retranslation of a net investment in a foreign operation less exchange differences on foreign currency borrowings and foreign currency forward contracts which effectively hedge that operation are taken to equity. On disposal of a foreign operation, accumulated exchange differences are recognised in the income statement as a component of the gain or loss on disposal.

Revenue
Revenue in the income statement represents the amounts, net of trade discounts and rebates and excluding value added tax, derived from the provision of goods to third-party customers during the year. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably and receipt of payment is probable, typically on delivery and acceptance of the goods by the customer.

Exceptional items
The Group presents certain items as 'exceptional'. These are items which, in management's judgement, need to be disclosed by virtue of their size or incidence in order to obtain a proper understanding of the financial information.

Taxation
Income tax on the profit or loss for the year comprises current and deferred tax.

Current income tax
Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax
Deferred tax is recognised using the balance sheet liability method on taxable temporary differences between the tax base and the accounting base of items included in the balance sheet of the Group. Certain temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences related to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. No deferred tax liability has been recognised in respect of investments as it is not probable that any taxable gains will arise in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates prevailing at the year end unless future tax rates have been enacted or at least substantively enacted.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Net financing costs
Net financing costs comprise interest payable on bank loans, overdrafts and finance leases, fair value gains and interest on differentials on derivatives, interest receivable on funds invested, the unwinding of discounts on initial recognition of deferred consideration in respect of acquisitions, expected return on pension assets and the interest cost on pension scheme liabilities.

Segments
In accordance with IFRS 8 'Operating Segments', the identification of the Group's operating segments is based on internal management reporting as reviewed by the chief operating decision maker in order to assess performance and allocate resources. Transfer prices between segments are set on an arm's length basis. Segment revenue includes transfers between segments, which are eliminated on consolidation. Segment profit is shown net of adjustments to eliminate profit on such transfers.

1. Significant accounting policies continued

Segments continued
Segment operating profit is determined on an underlying basis, excluding amortisation of intangible assets, exceptional items and unallocated corporate expenses, as this is believed to be more representative of the underlying performance of each operating segment.

From 1 July 2010, an internal re-organisation of the management structure has resulted in responsibility for operations in Luxembourg and Germany being transferred from Western Continental Europe to Central and Eastern Europe (formerly Eastern Continental Europe). Following this re-organisation, the Group is managed on a geographical basis in the following regions – United Kingdom, Western Continental Europe and Central and Eastern Europe. The amounts shown for the year ended 30 June 2010 have been restated to reflect the new operating segments and the impact of this restatement is disclosed in note 2.

Payments to shareholders
On 24 March 2011, the shareholders of the Company passed a resolution to make payments to shareholders via the issue and subsequent redemption of B Shares. Subject to shareholder approval at each AGM, it is the Company's intention that, for the foreseeable future, all payments to shareholders will be made in this way. B Shares are recognised as liabilities when they are issued and are held at amortised cost from the date of issue until redeemed. Prior to this shareholder resolution, payments to shareholders were made by payment of dividends which were recognised in the Group's financial statements in the period in which they were paid.

Intangible assets
Trade marks and patents
Trade marks and patents obtained on acquisition of businesses are shown at fair value. They have a finite useful life and are carried at fair value at the date of acquisition less accumulated amortisation or any impairment loss. Amortisation is calculated on a straight line basis up to three years.

Brand names and customer relationships and lists
Brand names and customer relationships and lists obtained on acquisition of businesses are shown at fair value. They have a finite useful life and are carried at fair value at the date of acquisition less accumulated amortisation or any impairment loss. Amortisation is calculated on a straight line basis over their economic life, typically of up to five years.

Computer software
Computer software is carried at cost less any accumulated amortisation or any impairment loss. Externally acquired computer software and software licences are capitalised and amortised on a straight line basis over their useful economic lives of three to five years. Costs relating to development of computer software for internal use are capitalised once the recognition criteria are met. When the software is available for its intended use, these costs are amortised over the estimated useful life of the software.

Goodwill
In line with the exemption permitted under IFRS 1 the Group elected to apply IFRS 3 'Business Combinations' prospectively from 1 July 2004 (the transition date) rather than restate previous business combinations. As a result the carrying amount of goodwill in the Group balance sheet at 1 July 2004 has been brought forward without adjustment. In respect of acquisitions prior to 1 July 2004, goodwill represents the amount recognised under the Group's previous accounting framework.

Goodwill represents the excess of cost of an acquisition over the Group's interest in the net fair value of identifiable net assets and contingent liabilities of a business at the date of acquisition. Goodwill on acquisitions is included in intangible assets. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

The Group assesses the carrying value of goodwill for impairment annually or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Goodwill is allocated to cash generating units, these being the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and for impairment testing. Further details are given in note 11.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight line basis and charged to the income statement over the estimated useful life of the asset as follows:

Freehold buildings	– over 50 years
Leasehold buildings	– life of the lease
Plant and machinery	– 8 to 10 years
Computer equipment	– 3 to 5 years
Motor vehicles	– 4 years
Moulding equipment	– 3 to 5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and revised if necessary.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount as determined by the Group's policy for impairment of non-financial assets below.

Notes to the Group financial statements
continued

1. Significant accounting policies continued
Property, plant and equipment continued
Assets that are being constructed for future use are classified as assets in the course of construction until such time as they are brought into use by the Group. Assets in the course of construction includes all directly attributable expenditure including borrowing costs. Upon completion they are transferred to the appropriate category within property, plant and equipment. No depreciation is charged on these items until after they have been transferred.

Non-current assets held for sale
Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Impairment
Non-financial assets
For the purposes of assessing impairment, non-financial assets (e.g. goodwill, intangible assets and property, plant and equipment) are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). At each balance sheet date, the Group reviews the carrying amounts of its non-financial assets excluding goodwill which is tested for impairment annually to determine whether there are any indications of impairment. If any such indication exists, the asset's recoverable amount is estimated and if this is found to be less than the carrying amount, then the carrying amount is reduced to its recoverable amount. An impairment charge is recognised in the income statement in the year in which it occurs and is applied first against the goodwill attributable to the relevant cash generating unit. The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate reflecting the risks inherent in the asset.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Financial assets
For financial assets such as trade receivables, provisions for impairment are made when there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade receivable is determined to be uncollectable it is written off, firstly against any provision available and then to the income statement. Subsequent recoveries of amounts previously provided for are credited to the income statement.

Leased assets
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term unless there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term. In such cases, the leased asset is depreciated over its estimated useful economic life. Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The value of any lease incentive received to take on an operating lease is recognised as deferred income and is released over the life of the lease.

Inventories
Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis.

Finished goods and work in progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

1. Significant accounting policies continued
Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if these are repayable on demand and part of the Group's cash management policy.

Employee benefits
In respect of defined benefit pension schemes, the pension surplus/deficit recognised in the balance sheet represents the difference between the fair value of plan assets and the present value of the defined benefit obligation at the balance sheet date. The net defined benefit obligation is determined using assumptions determined by the Group by qualified actuaries using the projected unit credit actuarial valuation method. The income statement charge is split between an operating service cost and financing income and charge. Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions from the plan.

Payments to defined contribution schemes are recognised as an expense as they fall due. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at the fair value of the consideration received net of directly attributable issue costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any directly attributable issue costs, and any discount or premium on settlement. Costs capitalised on initial recognition are amortised on the finance expense line in the income statement, and are written-off on derecognition of the liability.

Contingent liabilities and assets
A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. If the possibility of outflow in settlement is remote, a contingent liability is not recognised but is disclosed in the notes to the financial statements. When an outflow becomes probable, it is recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the Group's control. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

Derivative financial instruments
The Group does not enter into speculative derivative contracts. The Group uses derivative financial instruments such as foreign currency forward contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions. Foreign currency forward contracts are also used to hedge net investment in foreign operations. Such derivative financial instruments are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments and is the amount that the Group would receive or pay to terminate the swap at the balance sheet date. Changes in fair value are immediately recognised in the income statement except where hedge accounting is applicable (see below).

Hedge accounting
Cash flow hedge
For the purposes of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction.

In relation to cash flow hedges where forward foreign currency contracts are used to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of a non-monetary asset or liability, then, at the time the asset or liability is recognised, the associated gain or loss that had previously been recognised in equity is included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

Notes to the Group financial statements
continued

1. Significant accounting policies continued
Hedge accounting continued
Cash flow hedge continued
For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged firm commitment affects the income statement, for example when the future cash flow actually occurs.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

Hedging of net investment
Foreign currency differences arising on the retranslation of a financial instrument designated as a hedge of a net investment in a foreign operation are recognised directly in equity to the extent that the hedge is effective. To the extent the hedge is ineffective, such differences are recognised in the income statement. On the disposal of a foreign operation the cumulative amount in equity is transferred to the income statement as an adjustment to the gain or loss on disposal.

Share capital
Ordinary shares are classified as equity. Where the Company purchases its own shares, the consideration paid including any directly attributable incremental costs, is deducted from the equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Treasury shares
Own equity instruments which are reacquired (Treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments. Proceeds from the sale of treasury shares are recognised in equity.

Share-based payments
The Group operates both equity-settled and cash-settled share-based compensation plans. Equity-settled share-based payments are measured at fair value at the date of grant. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest unless the options do not vest as a result of a failure to satisfy market conditions. Fair value is measured by use of a relevant pricing model by an external valuer. Further details are given in note 23.

Cancellations of equity instruments are treated as an acceleration of the vesting period and any outstanding charge is recognised as an expense immediately.

For cash-settled share-based payments a liability is recognised based on the fair value of the payment earned by the balance sheet date.

Accounting judgements and estimates
Management discussed with the audit committee the development, selection and disclosure of the Group's critical accounting policies and judgements and the application of them.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2011 was £34.9 million (2010 restated: £32.9m). Further details including sensitivities are given in note 11.

Intangible assets
Intangible assets acquired in relation to business combinations are recognised at fair value. Such intangible assets are valued using discounted cash flow models which use the weighted average cost of capital adjusted to reflect the risk that a particular acquisition would have for a market participant. Typically, cash flows are prepared for at least five years using the after tax cash flow. These cash flows are then adjusted to reflect a market participant's judgement for risk. Where a brand is identified as having future value then the value is ascertained by use of a post-tax royalty cash flow over the five years.

Impairment reviews in respect of intangible assets are performed when an event indicates that an impairment review is necessary. Examples of such triggering events include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses or a significant reduction in cash flows.

Contingent consideration on acquisitions
Contingent consideration relating to acquisitions has been included based on management estimates of the most likely outcome of performance criteria including the level of future revenue and profitability of the acquiree business. Further detail on the movements in contingent consideration related to acquisitions are given in note 17.

Pension and other post employment benefits
The Group's defined benefit pension schemes and similar arrangements are assessed at least annually in accordance with IAS 19. The accounting valuation, which is based on assumptions taking into account independent actuarial advice, resulted in a pre-tax deficit of £14.2 million (2010: £21.1m) being recognised on the balance sheet at 30 June 2011. The size of the deficit is sensitive to the market value of the assets held by the schemes, the discount rate used, actuarial liabilities, mortality and other demographic assumptions and the level of contributions. Further details including sensitivities are disclosed in note 19.

1. Significant accounting policies continued
Accounting judgements and estimates continued
Provisions
As described in the policy above, the Group measures provisions at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date. Estimates are made taking account of information available and different possible outcomes. Further details are disclosed in note 18.

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are disclosed in note 8.

Accounting Standards issued but not adopted
The Group does not currently believe the adoption of the following standard and interpretation which have been issued by the IASB and IFRIC and endorsed by the EU will have a material impact on the financial statements of the Group:
- Amendment to IAS 24 'Related Party Disclosures' which clarifies the definition of a related party and provides some exemptions for government related entities. This amendment becomes mandatory for the Group's 2012 Financial Statements.
- Amendment to IFRIC 14 'Prepayments on a Minimum Funding Requirement' which permits a voluntary prepayment of a minimum funding requirement to be recognised as an asset. This amendment will become mandatory for the Group's 2012 financial statements.

The following standard and amendments have been issued by the IASB, but are yet to be endorsed by the EU and have not been early adopted this year. The effect of adoption is currently being considered:
- The IASB's annual improvements project was published in May 2010. The project makes minor amendments to a number of Standards in areas including consolidation, business combinations and financial instruments. Most of the changes become mandatory for the Group's 2012 Financial Statements.
- Amendment to IAS 12 'Deferred tax: recovery of underlying assets' which requires that deferred tax on non-depreciable assets measured using the valuation model should be calculated on a sale basis. This amendment will become mandatory for the Group's 2013 Financial Statements.
- Amendment to IFRS 7 'Disclosures – Transfers of financial assets' which requires additional disclosures regarding the risk exposures relating to transfers of financial assets. This amendment will become mandatory for the Group's 2012 Financial Statements.
- IFRS 9 'Financial Instruments' is being issued in stages and the IASB intends for the standard to eventually replace IAS 39 'Financial Instruments: recognition and Measurement'. The standard covers the classification, measurement and derecognition of financial assets and financial liabilities. For financial assets it requires classification and measurement in either the amortised cost or fair value category. For a company's own debt held at fair value, the standard requires the movement in the fair value as a result of changes in the company's own credit risk to be included in other comprehensive income. The IASB intends to expand IFRS 9 to add new requirements for impairment and hedge accounting and to become a complete replacement of IAS 39 by the end of 2011. The standard will become mandatory for the Group's 2014 financial statements.
- IFRS 10 'Consolidated Financial Statements' which replaces parts of IAS 27 'Consolidated and Separate Financial Statements' and all of SIC-12 'Consolidation – Special Purpose Entities', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The remainder of IAS 27 now contains accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not applicable to the Group's consolidated financial statements. The standard will become mandatory for the Group's 2014 financial statements.
- IFRS 11 'Joint Arrangements' which replaces IAS 31 'Interests in Joint Ventures' and SIC 13 'Jointly Controlled Entities – Non-monetary Contributions by Venturers', requires a single method, known as the equity method, to account for interests in jointly controlled entities which is consistent with the accounting treatment currently applied to investments in associates. The standard will become mandatory for the Group's 2014 financial statements.
- IFRS 12 'Disclosure of Interest in other Entities' which sets out disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11. The standard will become mandatory for the Group's 2014 financial statements.
- IFRS 13 'Fair Value Measurement' which provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The standard will become mandatory for the Group's 2014 financial statements.

Exchange rates
The exchange rates against sterling used for the periods were as follows:

	Average rate		Closing rate	
	2011	2010	**2011**	2010
Euro	**1.17**	1.14	**1.11**	1.22
Polish Zloty	**4.63**	4.66	**4.41**	5.05
Czech Koruna	**28.7**	29.3	**26.9**	31.4
Hungarian Forint	**320.3**	308.9	**294.0**	348.2
Malaysian Ringgit	**4.90**	4.81	**4.85**	4.84

Notes to the Group financial statements
continued

2. Segment information

In accordance with IFRS 8 'Operating Segments', the identification of the Group's operating segments is based on internal management reporting as reviewed by the Group Management Team in order to assess performance and allocate resources. Transfer prices between segments are set on an arm's length basis. Segment revenue and profit include transfers between segments, which are eliminated on consolidation.

Segment operating profit is determined on an adjusted basis excluding adjusting items set out in note 1 and unallocated corporate expenses, as this is believed to be more representative of the underlying performance of each operating segment.

From 1 July 2010, an internal re-organisation of the management structure has resulted in responsibility for operations in Luxembourg and Germany being transferred from Western Continental Europe to Central and Eastern Europe (formerly Eastern Continental Europe). Following this re-organisation, the Group is managed on a geographical basis in the following regions – United Kingdom, Western Continental Europe and Central and Eastern Europe. The amounts shown for the year ended 30 June 2010 have been restated to reflect the new operating segments and the impact of the restatement is that Western Continental Europe's revenue and segment profit has reduced by £70.4 million and £6.4 million respectively, offset by an increase to revenue and segment profit of Central and Eastern Europe by £83.1 million and £6.4 million respectively. The inter-segment elimination of revenues has increased by £12.7 million.

Geographic segments

	United Kingdom		Western Continental Europe		Central and Eastern Europe		Elimination/Asia[1]		Total	
	2011 £m	2010 £m	2011 £m	Restated 2010 £m	2011 £m	Restated 2010 £m	2011 £m	Restated 2010 £m	2011 £m	2010 £m
External revenue	**304.6**	316.9	**366.2**	384.4	**133.9**	110.9	**7.7**	–	**812.4**	812.2
Inter-segment revenue	**6.1**	3.4	**39.5**	29.6	**5.8**	7.5	**(51.4)**	(40.5)	**–**	–
Total segment revenue	**310.7**	320.3	**405.7**	414.0	**139.7**	118.4	**(43.7)**	(40.5)	**812.4**	812.2
Segment profit	**11.9**	22.1	**15.4**	28.2	**8.9**	8.9	**–**	(0.4)	**36.2**	58.8
Amortisation of intangible assets									**(2.9)**	(2.0)
Corporate costs									**(7.2)**	(8.8)
Exceptional items (see note 3)									**(12.3)**	(12.8)
Reported operating profit									**13.8**	35.2
Net financing costs									**(6.7)**	(5.6)
Reported profit before tax									**7.1**	29.6

[1] Includes Asia £9.3m sales (2010: £1.0m) of which £1.6m are intergroup (2010: all intergroup) and Asia operating profit of £nil (2010: loss of £0.4m).

	United Kingdom		Western Continental Europe		Central and Eastern Europe		Corporate[2]		Total	
	2011 £m	2010 £m	2011 £m	Restated 2010 £m	2011 £m	Restated 2010 £m	2011 £m	Restated 2010 £m	2011 £m	Restated 2010 £m
Segment assets	**164.7**	174.9	**226.3**	191.1	**76.6**	52.9	**17.1**	21.4	**484.7**	440.3
Segment liabilities	**(113.3)**	(104.2)	**(143.2)**	(133.9)	**(37.3)**	(19.4)	**(65.5)**	(58.1)	**(359.3)**	(315.6)
Capital expenditure[3]	**9.5**	13.9	**11.8**	14.2	**11.8**	2.9	**0.3**	4.8	**33.4**	35.8
Amortisation and depreciation	**9.8**	9.7	**12.4**	13.6	**5.1**	5.2	**0.4**	0.1	**27.7**	28.6

[2] Corporate liabilities include external debt and tax liabilities.
[3] Capital expenditure includes property, plant and equipment, intangible assets and amounts payable (including contingent consideration) in respect of acquisitions.

For the year ended 30 June 2011 the amounts payable in respect of the acquisition of Dermacol a.s. are shown in Central and Eastern Europe. For the year ended 30 June 2010 the amounts payable in respect of the acquisitions of Homepride Limited and Fortlab Holdings Sdn Bhd are shown within United Kingdom and Corporate respectively.

Business segments

	Household		Personal Care		Total	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Segment revenue	**667.4**	667.5	**145.0**	144.7	**812.4**	812.2
Segment profit	**34.3**	51.4	**1.9**	7.4	**36.2**	58.8
Amortisation of intangible assets					**(2.9)**	(2.0)
Corporate costs					**(7.2)**	(8.8)
Exceptional items (see note 3)					**(12.3)**	(12.8)
Reported operating profit					**13.8**	35.2
Net financing costs					**(6.7)**	(5.6)
Reported profit before tax					**7.1**	29.6

2. Segment information continued

Geographical information

The Group's revenue from external customers by country of destination and information about its non-current assets (non-current assets excluding deferred tax assets) by geographical location are presented below:

Revenue from external customers by country of destination

	2011 £m	Restated 2010 £m
United Kingdom	**284.8**	296.2
Foreign countries		
France	**220.2**	224.3
Italy	**73.3**	77.8
Other Western Continental Europe	**79.5**	91.4
Central and Eastern Europe and Rest of World	**154.6**	122.5
Total revenue	**812.4**	812.2

Non-current assets by geographical location

	2011 £m	Restated 2010 £m
United Kingdom	**87.3**	93.1
Foreign countries		
Belgium	**52.9**	47.9
Italy	**26.3**	24.6
France	**14.9**	13.7
Other Western Continental Europe	**10.1**	9.7
Central and Eastern Europe and Rest of World	**38.6**	29.8
Total non-current assets	**230.1**	218.8

3. Exceptional items

The Group presents certain items as 'exceptional'. These are items which, in management's judgement, need to be disclosed by virtue of their size or incidence in order to obtain a proper understanding of the financial information.

	2011 £m	2010 £m
Charged to operating profit		
Reorganisation and restructuring costs		
– Redundancy	**(4.5)**	(5.4)
– Restructuring and business reorganisation costs	**(2.8)**	(2.4)
	(7.3)	(7.8)
Impairment of property, plant and equipment (see note 13)	**(3.4)**	(5.0)
Impairment of asset held for sale (see note 13)	**(1.6)**	–
Total charged to operating profit	**(12.3)**	(12.8)
Taxation related to exceptional items	**3.1**	3.2
Total credited to taxation	**3.1**	3.2
Total charged to profit for the year	**(9.2)**	(9.6)

Year ended 30 June 2011

During 2011, the Group initiated a programme of supply chain restructuring to address the challenges of a weak consumer environment and high material costs. As part of this programme the Group has undertaken a comprehensive cost saving review at all of its sites.

The UK division has commenced discussions with employee stakeholders on proposals that might be expected to lead to a further 300 UK redundancies out of a total UK workforce of approximately 2,100. To date around 40 UK staff, including operational staff at the production facility in Bradford and administrative and personnel staff at the UK divisional head office, have been made redundant. There was a £9.2 million pre-tax operating charge to the income statement in the year relating to this UK divisional restructuring programme. Included in this charge was £4.5 million for redundancy, £3.2 million for asset write offs and £1.5 million of other charges, mainly consultancy costs.

As disclosed in note 27, the Group has announced a supply chain restructuring in its Western Continental Europe and Central and Eastern Europe divisions. There was a £0.3 million pre-tax operating charge to the income statement in the year in relation to these restructuring initiatives. Included in this charge was £0.2 million for asset write offs and £0.1 million of other charges, mainly legal fees.

There was a £1.2 million pre-tax operating charge to the income statement in the year in relation to the 2010 restructuring programme in Western Continental Europe, which comprised other charges, mainly consultancy and site clean up costs. In addition, the Group is still in the process of selling the freehold land and buildings relating to the former site at Solaro. Due to the weakness of the Italian property market caused by adverse economic conditions in Italy including lack of availability of credit the sale has taken longer than expected to complete and sale proceeds are likely to be lower than previously expected. There was a £1.6 million pre-tax operating charge to the income statement in the year in relation to an impairment charge for this asset held for sale.

Year ended 30 June 2010

The £12.8 million 2010 pre-tax operating exceptional charge related to redundancy programmes in the Western Continental Europe and UK divisions and included £5.4 million for redundancy, £5.0 million for asset write offs and £2.4 million of other charges, mainly consultants, logistics and storage costs.

Segment information

In terms of the segment analysis in note 2, the exceptional charge relates to the UK £9.2 million (2010: £3.6m) and Western Continental Europe £3.1 million (2010: £9.2m), on a geographic basis, and Household £12.0 million (2010: £12.6m) and Personal Care £0.3 million (2010: £0.2m) on a business basis.

Notes to the Group financial statements
continued

4. Acquisitions

Acquisitions in 2011

On 1 September 2010, the Group acquired 70% of the share capital of Dermacol a.s., a manufacturer of Skincare products based in the Czech Republic, for an expected consideration of £6.1 million (CZK 183 million), of which £2.3 million (CZK 70 million) was paid on completion, £2.0 million (CZK 60 million) is payable within one year and a further five payments are payable from 2013 to 2017 inclusive, based on Dermacol's sales during the period. The Group has also agreed to purchase the remaining 30% of the shares in late 2017 for a consideration based on the operating profit of Dermacol a.s. in the 2017 financial year. The total consideration cannot exceed a maximum of £21.7 million (CZK 650 million). At the acquisition date, the amount accrued by the Group which discounts future contingent cash payments to their fair value at the date of acquisition was £7.0 million (CZK 208 million).

As noted above, the Group has committed to the purchase of the 30% of shares in Dermacol a.s. that it did not legally acquire at the acquisition date and has recognised a financial liability in relation to the deferred consideration payable for the purchase of the remaining shares. The Directors have elected to account for the non-controlling interests in Dermacol a.s. under the anticipated acquisition method. Under the anticipated acquisition method the interests of the non-controlling shareholder are derecognised when the Group's liability relating to the purchase of its shares is recognised. The recognition of the financial liability implies that the interests subject to the forward purchase are deemed to have been acquired already. Therefore the corresponding interests are presented as already owned by the Group even though legally they are still non-controlling interests. The £3.6 million (CZK 107 million) financial liability recognised by the Group forms part of the contingent consideration for the acquisition. All components of contingent consideration will be carried at fair value in future accounting periods and any adjustments arising reflected in the income statement.

All incremental transaction costs related to the acquisition have been recognised in the income statement. The goodwill arising on the acquisition of Dermacol a.s. is mainly attributable to the workforce in place, a base for future growth of the Group's Skincare business and access to a low cost location for production. Intangible assets acquired with Dermacol a.s. mainly relate to the fair value placed on customer relationships and software.

Dermacol a.s. contributed £7.0 million revenue and operating profit of less than £0.1 million for the period between the date of acquisition and 30 June 2011.

If the acquisition had been completed on the first day of the financial year, it would have contributed approximately £8.3 million of revenue and £0.1 million of operating profit to the Group.

	Dermacol a.s.		
	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired:			
Property, plant and equipment	9.2	(1.7)	7.5
Intangible assets	0.2	0.3	0.5
Working capital	1.0	(0.2)	0.8
Cash and cash equivalents	0.2	–	0.2
Debt	(0.9)	–	(0.9)
	9.7	(1.6)	8.1
Fair value of assets acquired			8.1
Goodwill on acquisition			1.2
Total			**9.3**
Satisfied by:			
Cash paid			2.3
Contingent consideration			7.0
Cash consideration			**9.3**

Acquisitions in 2010 (restated)

Homepride Limited

On 4 December 2009, the Group acquired 100% of the share capital of Homepride Limited, a UK supplier of specialist household cleaning products, including Ovenpride, to a number of leading retailers for a gross consideration of £4.9 million.

The goodwill arising on the acquisition of Homepride is mainly attributable to operating synergies obtained from the acquisition, including those related to purchasing, customer service and distribution channels. Intangible assets acquired with Homepride relate to the fair value placed on the Ovenpride brand and customer relationships.

Fortlab Holdings Sdn Bhd

On 9 June 2010, the Group completed the acquisition of 85% of the share capital of Fortlab Holdings Sdn Bhd (FHSB), a Malaysian-based manufacturer of personal care products in both Private Label and branded formats with operating facilities in Kuala Lumpur and Ho Chi Minh City, Vietnam for a consideration of up to £4.2 million (RM20.3 million), of which £4.0 million (RM19.3 million) was paid on completion and up to £0.2 million (RM1.0 million) is payable within one year. The amount accrued by the Group at 30 June 2010 was £0.1 million (RM0.4 million), being £0.1 million lower than previously stated to reflect the consideration paid in the six months ended 31 December 2010.

The Group has entered into a put/call option to acquire the remaining shareholding in FHSB for up to £1.2 million (RM5.5 million). The consideration payable is dependent on the financial performance of the Fortlab business for the years ended 30 June 2012 or 30 June 2013 depending on the date on which the option is exercised. The amount payable under the terms of the put/call option will be at least £0.6 million (RM2.7 million). The amount accrued by the Group at 30 June 2010 was £0.6 million (RM2.7 million).

4. Acquisitions continued

Acquisitions in 2010 (restated) continued

Under the terms of the put/call option, the holders of the remaining shares in FHSB will benefit from any appreciation in value of the shares but the value of its investment cannot fall below the prescribed minimum amount, whereas the Group has the risks and rewards of ownership of the remaining shares in FHSB even though it does not legally own them. Accordingly, the Directors have determined that the non-controlling shareholder in FHSB does not have present access to the economic benefits associated with the underlying ownership interests of the remaining FHSB shares and have accounted for the non-controlling interests in FHSB (except as outlined in the footnote below) under the anticipated acquisition method. Under the anticipated acquisition method the interests of the non-controlling shareholder holding the put option are derecognised when the Group's liability relating to the put option is recognised. The recognition of the financial liability implies that the interests subject to the put option are deemed to have been acquired already. Therefore the corresponding interests are presented as already owned by the Group even though legally they are still non-controlling interests. The £0.6 million financial liability recognised by the Group forms part of the contingent consideration for the acquisition.

The goodwill arising on the acquisition of FHSB is mainly attributable to the workforce in place and operating synergies. Intangible assets acquired with FHSB mainly relate to the fair value placed on the customer relationships.

In aggregate, these acquired businesses contributed £3.0 million revenue and £1.0 million operating profit for the periods between their respective acquisition dates and 30 June 2010.

If these acquisitions had been completed on the first day of the financial year, they would have contributed approximately £10.9 million of revenue and £1.6 million of operating profit to the Group in the year ended 30 June 2010.

The acquisitions had the following effect on the Group's assets and liabilities on their respective acquisition dates:

	Homepride Limited		Fortlab Holdings Sdn Bhd		Total		
	Book value £m	Fair value adjustments £m	Book value £m	Fair value adjustments £m	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired:							
Property, plant and equipment	–	–	3.2	0.2	3.2	0.2	3.4
Intangible assets	–	1.4	0.1	0.1	0.1	1.5	1.6
Working capital	0.7	(0.3)	1.9	(0.4)	2.6	(0.7)	1.9
Cash and cash equivalents	0.2	–	0.3	–	0.5	–	0.5
Debt	–	–	(0.1)	–	(0.1)	–	(0.1)
Non-current liabilities	–	–	(0.3)	–	(0.3)	–	(0.3)
Non-controlling interests[1]	–	–	(0.5)	(0.1)	(0.5)	(0.1)	(0.6)
	0.9	1.1	4.6	(0.2)	5.5	0.9	6.4
Fair value of assets acquired		2.0		4.4			6.4
Goodwill on acquisition		2.9		0.3			3.2
Total		**4.9**		**4.7**			**9.6**
Satisfied by:							
Cash paid		4.9		4.0			8.9
Contingent consideration		–		0.7			0.7
Cash consideration		**4.9**		**4.7**			**9.6**

[1] Fortune Organics (F.E.) Sdn Bhd is a 55% owned subsidiary of Fortlab Holdings Sdn Bhd which had net assets at the acquisition date at a book value of £1.1 million and with a provisional fair value of £1.3 million. The Group has not entered into any agreement to acquire the remaining shares in this subsidiary.

Notes to the Group financial statements
continued

5. Related party transactions

In the course of normal operations, related party transactions entered into by the Group have been contracted on an arm's length basis.

(i) Transactions with key management personnel

Key management personnel include individuals that are not executive directors of the Group but do have authority and responsibility for planning, directing and controlling activities of the key operating divisions as disclosed in the segmental analysis. They are members of the Group Management Team as described on page 59.

Remuneration of key management personnel, including executive Directors is as follows:

	2011 £m	2010 £m
Short-term employee benefits	2.0	2.6
Post-employment benefits	0.2	0.3
Termination benefits	0.6	–
Share-based payments	–	0.3
Total	**2.8**	3.2

During the year ended 30 June 2011, there were no other material transactions or balances between the Group and its key management personnel or members of their close families.

(ii) Transactions with pension and post-employment schemes

Transactions between the Group and its pension and post-employment schemes are disclosed in note 19.

(iii) Transactions with non-wholly owned subsidiaries

The Group entered into the following transactions (2010: none) with McBride Czech a.s. of which the Group owned 70% at 30 June 2011:

Nature of transactions	Balances (owed by)/due to the Group at 30 June 2011 £m	Value of transactions 2011 £m
Recharge of costs	0.2	0.2
Sale of goods	–	0.1
Management charges	0.1	0.1
Funding loan	0.5	–
Interest on funding loan	–	–[1]
Total	**0.8**	**0.4**

[1] Amount of interest charged on funding loan was less than £0.1m.

6. Net financing costs

	2011 £m	2010 £m
Interest on deposits	0.1	0.1
Expected return on pension scheme assets (see note 19)	4.2	3.6
Other interest	–	0.1
Financial income	**4.3**	3.8
Interest expense on bank loans and overdrafts	(3.4)	(3.0)
Fair value losses and interest differentials on derivatives	(0.4)	(0.5)
Finance charges payable under finance leases	(0.1)	(0.1)
Interest cost on pension scheme liabilities (see note 19)	(4.8)	(4.6)
Unwind of discount on contingent consideration (see note 17)	(0.2)	–
Other net finance costs	(2.1)	(1.2)
Financial expense	(11.0)	(9.4)
Net financing cost	**(6.7)**	(5.6)

7. Profit before tax

Profit before tax is stated after charging/(crediting):

	2011 £m	2010 £m
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.1	0.1
Fees payable to the Company's auditor and network firms for other services:		
The audit of accounts of the Company's subsidiaries pursuant to legislation	0.4	0.4
Services relating to taxation	0.1	0.2
All other services	0.1	0.1
Depreciation and other amounts written off owned property, plant and equipment	24.1	25.8
Depreciation and other amounts written off leased property, plant and equipment	0.7	0.8
Impairment of property, plant and equipment (see note 13)	3.4	5.0
Impairment of assets held for sale (see note 13)	1.6	–
Hire of plant and machinery – rentals payable under operating leases	3.6	3.3
Hire of other assets rentals payable under operating leases	1.3	1.2
(Profit)/loss on sale of property, plant and equipment	(0.5)	0.1
Research and development costs written off during the year[2]	10.1	6.9
Acquisition related costs	0.1	0.7
Government grants towards training	–	(0.1)
Amortisation of intangible assets (see note 12)	2.9	2.0
Net foreign exchange losses/(gains) on trading items	0.1	(0.1)

[2] During the years ended 30 June 2010 and 2011, all research and development expenditure was expensed as incurred as the criteria for capitalising development expenditure were not met.

8. Taxation

Analysis of tax charge in income statement

	2011 UK £m	2011 Overseas £m	2011 Total £m	2010 UK £m	2010 Overseas £m	2010 Total £m
Current tax expense:						
Current period	–	5.0	5.0	1.1	9.0	10.1
Adjustment for prior periods	–	(0.1)	(0.1)	–	–	–
	–	4.9	4.9	1.1	9.0	10.1
Deferred tax (credit)/expense:						
Origination and reversal of temporary differences	(2.1)	(0.9)	(3.0)	0.8	(3.4)	(2.6)
Reduction in the UK tax rate	(0.1)	–	(0.1)	–	–	–
	(2.2)	(0.9)	(3.1)	0.8	(3.4)	(2.6)
Total tax (credit)/charge in income statement	(2.2)	4.0	1.8	1.9	5.6	7.5

UK corporation tax is calculated at the United Kingdom standard rate of 27.5% (2010: 28.0%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Tax recognised in equity and statement of other comprehensive income (OCI)

	2011 Equity £m	2011 OCI £m	2010 Equity £m	2010 OCI £m
Effective portion of changes in fair value of cash flow hedges	–	(0.5)	–	0.6
Net changes in fair value of cash flow hedges transferred to profit or loss	–	(0.6)	–	(0.3)
Share-based payments	(0.3)	–	(0.6)	–
Actuarial (gains)/losses related to the defined benefit pension scheme	–	(1.2)	–	1.2
	(0.3)	(2.3)	(0.6)	1.5

Reconciliation of effective tax rate

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

	2011 %	2011 £m	2010 %	2010 £m
Profit after tax		5.3		22.1
Tax charge		1.8		7.5
Profit before tax		7.1		29.6
Tax charge using the Company's domestic tax rate	28%	2.0	28%	8.3
Effect of tax in foreign jurisdictions	10%	0.7	2%	0.8
Non-deductible expenses	25%	1.8	6%	1.7
Tax incentives	-18%	(1.3)	-6%	(1.7)
Utilisation of tax losses	-17%	(1.2)	-5%	(1.5)
Change in rate of UK corporation tax	-2%	(0.1)	–	–
Other differences	0%	–	–	(0.1)
Over provision in prior years	-2%	(0.1)	–	–
Total tax charge for the year	**25%**	**1.8**	25%	7.5

Notes to the Group financial statements
continued

8. Taxation continued

Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements during the current and prior reporting period.

Deferred tax asset/(liability)	Accelerated tax depreciation £m	Intangible assets £m	Tax losses £m	Retirement benefit obligations £m	Share based payments £m	Surplus ACT £m	Other £m	Total £m
At 1 July 2009	(20.3)	(3.3)	0.6	4.7	1.0	4.1	1.3	(11.9)
Credit/(charge) to income statement	1.9	(1.1)	1.3	–	0.5	–	–	2.6
Credit to other comprehensive income	–	–	–	1.2	–	–	0.3	1.5
Charge to equity	–	–	–	–	(0.6)	–	–	(0.6)
Acquisitions	(0.4)	–	–	–	–	–	–	(0.4)
Exchange movements	0.5	–	(0.1)	–	–	–	(0.1)	0.3
At 30 June 2010	(18.3)	(4.4)	1.8	5.9	0.9	4.1	1.5	(8.5)
Credit/(charge) to income statement	2.8	1.0	(0.7)	(1.1)	0.1	–	1.0	3.1
Charge to other comprehensive income	–	–	–	(1.2)	–	–	(1.1)	(2.3)
Charge to equity	–	–	–	–	(0.3)	–	–	(0.3)
Acquisitions	–	–	–	–	–	–	–	–
Exchange movements	(1.3)	–	0.2	–	–	–	0.2	(0.9)
At 30 June 2011	**(16.8)**	**(3.4)**	**1.3**	**3.6**	**0.7**	**4.1**	**1.6**	**(8.9)**
Deferred tax asset at 30 June 2011	**–**	**–**	**1.3**	**3.6**	**0.7**	**4.1**	**(7.2)**	**2.5**
Deferred tax liability at 30 June 2011	**(16.8)**	**(3.4)**	**–**	**–**	**–**	**–**	**8.8**	**(11.4)**
	(16.8)	**(3.4)**	**1.3**	**3.6**	**0.7**	**4.1**	**1.6**	**(8.9)**
Deferred tax asset at 30 June 2010	–	–	1.8	5.9	0.9	4.1	(9.8)	2.9
Deferred tax liability at 30 June 2010	(18.3)	(4.4)	–	–	–	–	11.3	(11.4)
	(18.3)	(4.4)	1.8	5.9	0.9	4.1	1.5	(8.5)

Other includes £7.2 million (2010: £9.8m) to reflect offset of taxes levied by the same taxation authority where the Group has a legally enforceable right of offset.

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

Deferred tax is measured at the tax rates that are enacted or substantively enacted at the reporting date.

Unremitted earnings of overseas subsidiaries at the balance sheet date totalled £106.5 million (2010: £100.1m).

At the balance sheet date, the Group had unused tax losses of £7.8 million (2010: £14.0m) available for offset against future profits. A deferred tax asset has been recognised of £1.3 million (2010: £1.8m) of these losses. No deferred tax asset has been recognised in respect of the remaining losses due to the unpredictability of future profit streams. £1.1 million (2010: £2.0m) of unrecognised tax losses may be carried forward for offset against future profits.

At the balance sheet date, the Group had surplus ACT of £9.0 million (2010: £6.5m) available to offset against future tax liabilities. A deferred tax asset has been recognised in respect of surplus ACT of £4.1 million (2010: £4.1m). No deferred tax asset has been recognised in relation to the remaining surplus ACT of £4.9 million (2010: £2.4m) due to uncertainty as to future ACT capacity.

9. Earnings per share

Basic earnings per ordinary share is calculated on profit after tax, attributable to equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the year in accordance with IAS 33.

		2011	2010
Total earnings (£m)	a	5.3	22.1
Weighted average number of ordinary shares	b	180,407,938	180,276,613
Basic earnings per share (pence)	a/b	**2.9**	12.3

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

During the year, the Company had two categories of potentially dilutive ordinary shares: share awards with no option price and shares allocated to an approved Save As You Earn scheme.

		2011	2010
Weighted average number of ordinary shares (million)	b	180.4	180.3
Effect of dilutive share awards (million)		1.1	1.6
Effect of dilutive SAYE scheme shares (million)		0.9	1.3
	c	182.4	183.2
Diluted earnings per share (pence)	a/c	**2.9**	12.1

Adjusted basic earnings per share applies to earnings excluding adjusting items as defined in note 1 since the directors consider that this gives additional information as to the underlying performance of the Group.

		2011 £m	2010 £m
Earnings used to calculate basic and diluted EPS	a	5.3	22.1
Exceptional items after tax		9.2	9.6
Amortisation of intangible assets after tax		2.2	1.5
Unwind of discount on contingent consideration after tax		0.2	–
Earnings before adjusting items	d	16.9	33.2
Adjusted basic earnings per share (pence)	d/b	**9.4**	18.4
Adjusted diluted earnings per share (pence)	d/c	**9.3**	18.1

10. Payments to shareholders

Payments to shareholders from 24 March 2011 represent the nominal value of B Shares issued. The total amounts recognised as distributions to equity holders in the year were as follows:

	2011 £m	2010 £m
Final dividend for the year ended 30 June 2010 of 4.8p (2009: 4.3p)	8.7	7.8
Issue of B Shares in lieu of interim dividend for the year ended 30 June 2011 of 2.0p	3.6	–
Interim dividend for the year ended 30 June 2010 of 2.0p	–	3.6
	12.3	11.4
Proposed issue of B Shares in lieu of final dividend for the year ended 30 June 2011 of 4.8p	8.6	–
Proposed final dividend for the year ended 30 June 2010 of 4.8p	–	8.7

The proposed final payment is subject to approval by shareholders at the Annual General Meeting and has not been included in these financial statements.

On 24 March 2011, shareholders approved proposals 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 (known as 'B Shares') in place of income distributions. Shareholders are able to redeem any number of their B Shares for cash. Any B Shares retained attract a dividend of 75 per cent of LIBOR on the 0.1p nominal value of each share, paid on a twice-yearly basis.

Movements in the B Shares during the year were as follows:

	2011 Number	2011 Nominal value £m	2010 Number	2010 Nominal value £m
Issued and fully paid				
At 1 July	–	–	–	–
Issued to equity shareholders	3,607,902,100	3.6	–	–
Redeemed	(3,471,530,095)	(3.5)	–	–
At 30 June	136,372,005	0.1	–	–

Notes to the Group financial statements
continued

11. Goodwill

	2011 £m	Restated 2010 £m
Cost		
1 July	**32.9**	29.7
Acquisitions (see note 4)	**1.2**	3.2
Exchange movements	**0.8**	–
30 June	**34.9**	32.9

In the year ended 30 June 2011, the Group completed the acquisition of Dermacol a.s.

In the year ended 30 June 2010, the Group completed the acquisitions of Homepride Limited and Fortlab Holdings Sdn Bhd.

Goodwill acquired in a business combination is allocated, at acquisition, to the Group's cash generating units (CGUs) that are expected to benefit from that business combination.

Aggregate carrying amounts of goodwill allocated to each CGU by segment are as follows:

	2011 £m	Restated 2010 £m
UK	**22.3**	22.3
Western Continental Europe	**9.3**	8.7
Central and Eastern Europe	**3.0**	1.6
Corporate[1]	**0.3**	0.3
30 June	**34.9**	32.9

[1] Goodwill arising on the acquisition of Fortlab Holdings Sdn Bhd is shown within Corporate (see note 4).

The net book value of goodwill by CGU was as follows:

	2011 £m	Restated 2010 £m
Acquired with UK Household liquids businesses	**14.8**	12.6
Acquired with Dasty business	**7.1**	6.5
Acquired with UK Air care businesses	**6.4**	6.4
Acquired with WCE Household liquids business	**2.2**	2.2
Other CGUs without significant goodwill	**4.4**	5.2
30 June	**34.9**	32.9

Goodwill of £2.2 million has been transferred from other CGUs to the UK Household liquids CGU following the announcement of the proposed UK supply chain restructuring.

Impairment testing of goodwill

Goodwill is not amortised but is subject to annual impairment testing, or more frequent testing if there are indications of impairment. The recoverable amounts of the CGUs are determined from value in use calculations that are prepared based on the actual results for the current year, the budget for the year to June 2012, estimates by management of the pre-tax cash flows for a further four years to June 2016 and a terminal value calculated by taking the cash flows beyond June 2016 into perpetuity. To arrive at the value in use, the forecast cash flows for each CGU are then discounted at a discount rate that reflects the risks inherent in each CGU. Assumptions used to calculate future cash flows are based on historic trends adjusted for external market information for specific product categories. Revenue growth and input cost inflation are, by their very nature in a consumer product industry, difficult to forecast.

Key assumptions used in value in use calculation

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates – reflect management's estimate of the risk-adjusted weighted average cost of capital (WACC) for each CGU, which is based on the pre-tax Group WACC of 10.5% (2010: 10.9%) which has been adjusted, where appropriate, for inflation, expected growth and appropriate risk factors. Management used a different WACC for the goodwill impairment testing of the following CGUs: Intersilesia (12.0%), Fortlab Holdings Sdn Bhd (17.5%) and Dermacol (22.0%).

Raw material price, direct and indirect cost inflation – budgets are prepared using the most up-to-date price and forecast price data available. Beyond the period for which forecasts are available management's best estimate of changes to input costs are used.

Growth rate estimates – reflect management expectations of volume growth, which are in line with those indicated by Euromonitor. Euromonitor is an independent external source producing external market research data. Euromonitor data indicates that overall Household products markets in the 5 years from 2011 to 2015 will be broadly flat for all categories of Household products and will grow by around 1% for all categories of Personal Care products in Western Europe. Over the same time period, within Household Euromonitor data suggests that certain product categories, such as Laundry Liquids and Machine Dishwash will grow by as much as 5% in Western Europe and within Personal Care, the Skincare category is expected to grow by over 3% in the UK market. Euromonitor data indicates that growth in markets in Eastern Europe and the Far East will be substantially higher than in Western markets with growth rates in Household and Personal Care products respectively in the 5 years from 2011 to 2015 in Eastern Europe of 2% and 4%, in Malaysia of 1% and 3% and in Vietnam of 5% and 4%.

11. Goodwill continued

Sensitivity to changes in assumptions

The economic climate in the principal geographical markets in which the Group has operations has been reflected in the discount rate and other assumptions used by the Group in its goodwill impairment testing. The Group has conducted sensitivity analysis and details in respect of the two CGUs where a reasonably possible change in key assumptions used in the impairment testing would cause the carrying value to exceed its recoverable amount are provided below:

The key assumptions for discount rate, inflation rate and growth rate used in the most recent value-in-use calculation in the year ended 30 June 2011 are as follows:

	2011 Pre-tax discount rate	2011 Cost inflation rate	2011 Growth rate	2010 Pre-tax discount rate	2010 Cost inflation rate	2010 Growth rate
Acquired with Dasty business	**10.5%**	**2.0%**	**0.0%**	10.9%	1.9%	0.0%
Acquired with WCE Household liquids business	**10.5%**	**2.0%**	**0.0%**	10.9%	1.8%	0.0%

The table below shows the sensitivity of the goodwill to each of the key assumptions separately. The values shown for each particular key assumption are those which when combined with all other key assumptions per the value-in-use calculations performed by management would result in a value-in-use equal to the carrying value of the relevant CGU:

	2011 Headroom above carrying amount £m	2011 Pre-tax discount rate %	2011 Cost inflation rate %	2011 Growth rate %	2010 Headroom above carrying amount £m	2010 Pre-tax discount rate %	2010 Cost inflation rate %	2010 Growth rate %
Acquired with Dasty business	**40.4**	**32.9**	**3.7**	**(1.7)**	22.8	19.3	3.5	(1.5)
Acquired with WCE Household liquids business	**3.6**	**18.1**	**3.2**	**(1.2)**	3.7	20.9	3.0	(1.1)

12. Other intangible assets

	Patents, brands and trade marks £m	Computer software £m	Customer relationships £m	Other £m	Total £m
Cost					
At 1 July 2009	1.6	0.4	7.9	–	9.9
Additions	–	0.1	–	–	0.1
Acquisitions (see note 4)	0.8	–	0.8	–	1.6
Exchange movements	–	–	(0.2)	–	(0.2)
At 30 June 2010	2.4	0.5	8.5	–	11.4
Additions	–	0.5	–	0.2	**0.7**
Acquisitions (see note 4)	–	0.2	0.3	–	**0.5**
Disposals	(0.4)	–	–	–	**(0.4)**
Exchange movements	–	0.1	0.2	–	**0.3**
At 30 June 2011	**2.0**	**1.3**	**9.0**	**0.2**	**12.5**
Amortisation					
At 1 July 2009	0.5	0.2	3.5	–	4.2
Provided for in the year	0.3	0.1	1.6	–	2.0
Exchange movements	–	–	(0.2)	–	(0.2)
At 30 June 2010	0.8	0.3	4.9	–	6.0
Provided for in the year	0.2	0.2	2.5	–	**2.9**
Disposals	(0.3)	–	–	–	**(0.3)**
Exchange movements	–	–	0.2	–	**0.2**
At 30 June 2011	**0.7**	**0.5**	**7.6**	**–**	**8.8**
Net book value					
At 30 June 2011	**1.3**	**0.8**	**1.4**	**0.2**	**3.7**
At 30 June 2010	1.6	0.2	3.6	–	5.4

13. Property, plant and equipment

	Land and buildings		Plant, machinery, computer equipment and motor vehicles	Payments on account and assets in the course of construction	
	Freehold £m	Leasehold £m	£m	£m	Total £m
Cost					
At 1 July 2009	94.7	8.9	368.4	12.1	484.1
Exchange movements	(1.8)	(0.3)	(7.7)	0.1	(9.7)
Additions	0.4	–	18.8	6.9	26.1
Acquisitions (see note 4)	–	2.4	1.0	–	3.4
Disposals	–	–	(5.0)	–	(5.0)
Transfers	0.5	–	14.4	(14.9)	–
Reclassified as held for sale[1]	(6.6)	–	–	–	(6.6)
At 30 June 2010	87.2	11.0	389.9	4.2	492.3
Exchange movements	6.5	0.6	19.8	0.1	27.0
Additions	1.3	0.1	12.3	9.7	23.4
Acquisitions (see note 4)	5.3	–	2.2	–	7.5
Disposals	(0.3)	–	(12.5)	–	(12.8)
Transfers	0.1	–	8.8	(8.9)	–
Reclassified as held for sale[2]	(0.7)	–	(15.7)	–	(16.4)
At 30 June 2011	**99.4**	**11.7**	**404.8**	**5.1**	**521.0**
Depreciation					
At 1 July 2009	(27.0)	(0.9)	(267.0)	–	(294.9)
Exchange movements	0.3	0.1	5.3	–	5.7
Charge for the year	(2.2)	(0.1)	(24.3)	–	(26.6)
Impairment charge[1]	(1.7)	–	(3.3)	–	(5.0)
Disposals	–	–	4.7	–	4.7
Reclassified as held for sale[1]	3.7	–	–	–	3.7
At 30 June 2010	(26.9)	(0.9)	(284.6)	–	(312.4)
Exchange movements	(1.9)	–	(13.0)	–	(14.9)
Charge for the year	(3.3)	(0.4)	(21.1)	–	(24.8)
Impairment charge (see note 3)	(0.9)	–	(2.5)	–	(3.4)
Disposals	0.3	–	11.9	–	12.2
Reclassified as held for sale[2]	0.3	–	12.9	–	13.2
At 30 June 2011	(32.4)	(1.3)	(296.4)	–	(330.1)
Net book value					
At 30 June 2011	**67.0**	**10.4**	**108.4**	**5.1**	**190.9**
At 30 June 2010	60.3	10.1	105.3	4.2	179.9

[1] During the year ended 30 June 2010 the Group closed the site in Solaro, Italy as part of a restructuring of its Italian operations and also announced a restructuring programme in its UK division. This resulted in an impairment charge of £5.0m which is included within the exceptional charge for 2010 (see note 3).
[2] During the year ended 30 June 2011 the Group entered into an agreement with a customer to sell certain plant and equipment located at its site at Foetz on expiry in 2012 of a toll manufacturing contract with that customer and has commenced marketing of one of its freehold land and buildings in Poland for which the Group expects to complete a sale in the next year. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' these assets have been reclassified to assets held for sale.

The net book value of finance leases included within land and buildings and plant, machinery, computer equipment and motor vehicles above was £7.2 million (2010: £5.8m) and the depreciation charge for the year was £0.7 million (2010: £0.8m).

The movements in assets held for sale were as follows:

	Freehold land and buildings £m	Plant, machinery, computer equipment and motor vehicles £m	Total £m
Carrying amount			
At 1 July 2010	2.9	–	2.9
Exchange movements	0.2	0.1	0.3
Reclassified from property, plant and equipment	0.4	2.8	3.2
Impairment charge (see note 3)	(1.6)	–	(1.6)
At 30 June 2011	**1.9**	**2.9**	**4.8**

The Group is still in the process of selling the freehold land and buildings relating to the former site at Solaro. Due to the weakness of the Italian property market caused by adverse economic conditions in Italy including lack of availability of credit the sale has taken longer than expected to complete and sale proceeds are likely to be lower than previously expected. There was a £1.6 million pre-tax operating charge to the income statement in the year in relation to an impairment charge for this asset held for sale. The Group expects to complete a sale of this property during the year ended 30 June 2012.

14. Other non-current assets

Other non-current assets of £0.6 million (2010: £0.6m) consist of prepayments on leases of land and interest-free loans to the local government both in Western Continental Europe.

15. Inventories

	2011 £m	2010 £m
Raw materials, packaging and consumables	**40.6**	34.4
Finished goods and goods for resale	**41.0**	35.5
Total inventories	**81.6**	69.9

The cost of inventories recognised as an expense and included as cost of goods sold amounted to £483.5 million (2010: £449.4m).

The Group inventory provision recognised in cost of sales at 30 June 2011 was £2.1 million (2010: £2.7m).

During the year £1.5 million of provisions were utilised (2010: £0.3m).

The Group does not have any inventories pledged as security for liabilities.

16. Trade and other receivables

	2011 £m	2010 £m
Trade receivables	**145.4**	128.3
Other receivables	**3.7**	5.5
Prepayments and accrued income	**5.5**	3.6
Total receivables	**154.6**	137.4

Trade receivables have been reported in the balance sheet net of provisions as follows:

	2011 £m	2010 £m
Total trade receivables	**146.7**	130.1
Less: impairment provision for trade receivables	**(1.3)**	(1.8)
Net trade receivables per the balance sheet	**145.4**	128.3

The movements in the provision account are as follows:

	2011 £m	2010 £m
At 1 July	**1.8**	2.6
Acquisitions	**0.1**	–
Charged to current year income statement	**5.8**	4.5
Utilisation	**(6.4)**	(5.3)
At 30 June	**1.3**	1.8

Impairment of trade receivables charged during the year is included as part of other operating expenses.

As at 30 June 2011, trade receivables of £4.3 million (2010: £3.5m) were past due but not impaired. These relate to a number of external parties where there is no expectation of default. The ageing analysis of these trade receivables is shown in the table below. Based on past experience the Group believes no impairment allowance is necessary in respect of trade receivables not past due.

	2011 £m	2010 £m
Not overdue	**141.1**	124.8
Past due less than one month	**3.8**	3.6
Between one and three months	**0.5**	0.5
Between three and six months	**0.3**	0.6
Over six months	**1.0**	0.6
	146.7	130.1

There is no material difference between the above amounts for trade and other receivables and their fair value, due to the short term duration of the majority of trade and other receivables.

The maximum amount of credit risk with respect to customers is represented by the carrying amount on the balance sheet. Credit terms for customers are determined in individual operating divisions, taking into account their financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors.

Trade receivables are predominantly denominated in the functional currency of the relevant Group company. Where significant balances arise in other currencies, the Group uses forward contracts to manage the exchange rate risk (see note 21).

17. Trade and other payables

	2011 £m	Restated 2010 £m
Trade payables	**169.5**	141.4
Other taxation and social security	**16.9**	17.1
Unredeemed B Shares	**0.1**	–
Other payables	**14.2**	18.8
Accruals and deferred income	**18.7**	22.4
Contingent consideration on acquisitions (see below)	**8.5**	0.7
Total payables	**227.9**	200.4

Trade payables are predominantly denominated in the functional currency of the relevant Group company. Where significant balances arise in other currencies, the Group uses forward contracts to manage the exchange rate risk (see note 21).

The movement in contingent consideration on acquisitions during the year was:

	2011 £m	Restated 2010 £m
At 1 July	**0.7**	–
Acquisitions (see note 4)	**7.0**	0.7
Consideration paid	**(0.1)**	–
Unwind of discount (see note 6)	**0.2**	–
Exchange movements	**0.7**	–
At 30 June	**8.5**	0.7
Analysed as:		
Current	**2.2**	0.1
Non-current	**6.3**	0.6
Total	**8.5**	0.7

18. Provisions

	Onerous contracts £m	Leasehold dilapidations £m	Redundancy/ termination £m	Other £m	Total £m
At 1 July 2009	0.7	0.6	1.4	0.1	2.8
Exchange movements	–	–	(0.1)	(0.1)	(0.2)
Provisions made during the year	–	–	5.4	2.7	8.1
Provisions utilised during the year	(0.5)	(0.2)	(3.1)	(0.7)	(4.5)
At 30 June 2010	0.2	0.4	3.6	2.0	6.2
Exchange movements	–	–	0.1	0.1	0.2
Provisions made during the year	0.1	0.3	4.5	2.7	7.6
Provisions utilised during the year	(0.2)	(0.1)	(3.4)	(3.7)	(7.4)
At 30 June 2011	**0.1**	**0.6**	**4.8**	**1.1**	**6.6**
Analysed as:					
Current	0.1	0.6	4.8	0.6	6.1
Non-current	–	–	–	0.5	0.5
Total	**0.1**	**0.6**	**4.8**	**1.1**	**6.6**

Onerous contracts
The onerous contracts relate to equipment that is expected to be scrapped as part of the supply chain restructuring initiated in the year to 30 June 2011 (see note 3) and this amount will be incurred over the remainder of the lease term.

Leasehold dilapidations
£0.6 million relates to dilapidations and site clearance of a freehold and a leasehold taken on with the Darcy acquisition in 2007 and this amount is expected to be incurred in the year to 30 June 2012.

Redundancy/termination
The outstanding balance relates to the supply chain restructuring initiated in the year to 30 June 2011 and further redundancy costs arising from the restructuring programme in the Western Continental Europe division which commenced in the year to 30 June 2010 (see note 3) and these amounts are expected to be incurred in the year to 30 June 2012.

Other
The other provisions relate to the consultancy and legal costs in connection with the supply chain restructuring initiated in the year to 30 June 2011 (see note 3) for which the costs are expected to be incurred in the year to 30 June 2012 and to training cost obligations in France for which the timing of the costs is uncertain.

For those provisions that have been discounted, the effect of unwinding the provision is not material.

19. Pensions and other post-employment benefits
The Group operates a number of pension schemes. Within the UK, it operates the Robert McBride Pension Fund (the Scheme), which is a final salary pension scheme, and also defined contribution schemes. Together these schemes cover most of the Group's UK employees. In addition, the Group operates a number of smaller pension and other post-employment schemes in Western Continental Europe that are devised in accordance with local conditions and practices in the countries concerned. The fair value of the Group's non-UK liabilities has been estimated to be £2.0 million (2010: £2.5m).

Financial summary

	2011 £m	2010 £m
Balance sheet		
Deficit on the Scheme (see tables below)	14.2	21.1
Deficit/provision on Western Continental Europe post-employment schemes	2.0	2.5
	16.2	23.6
Related deferred tax asset on the Scheme	3.7	5.9
Income statement expense		
Defined contribution schemes	1.2	1.2
Defined benefit schemes and post-employment schemes	1.5	2.1
Total amount charged to the income statement	2.7	3.3
Statement of comprehensive income		
Amounts credited/(charged) directly to other comprehensive income	4.5	(4.3)

19. Pensions and other post-employment benefits continued

UK defined benefit scheme
In 2002, the Scheme was closed to new entrants and a new defined contribution scheme for UK employees was established.

The Scheme's assets are held in external funds administered by trustees and managed professionally. Regular assessments are carried out by independent actuaries and the long-term contribution rates decided on the basis of their recommendations.

The most recently completed triennial actuarial valuation of the Scheme was performed by an independent actuary for the trustees of the Scheme and was carried out as at 31 March 2009. The results of that valuation have been projected to 30 June 2011 and then updated based on the assumptions disclosed below. Following the valuation, the Group has increased its level of additional monthly contributions over and above the ordinary contributions. The Group has agreed with the trustees that it will aim to eliminate the deficit by 2026 and that the Group will monitor funding levels on an annual basis. The next triennial valuation is due to be completed as at 31 March 2012. Expected employer contributions for 2012 are currently estimated to be £3.3 million.

The expected rate of return on assets is the weighted average of the expected returns on each major category of asset at the balance sheet date. Bond returns are taken to be equal to the relevant gross redemption yields available. For equities and property, more judgement is required and it has been assumed that those assets will achieve a return of 3.5% and 3.0% respectively above the gross redemption yield on long term fixed interest government bonds. Other plan assets consist of commodities, hedge funds, infrastructure and convertibles and the weighted average risk premium for these elements has been assumed at 2.8% above the gross redemption yield on long term fixed interest government bonds. A deduction is made for the expected level of the Scheme's expenses.

In 2010, the UK Government changed the inflation measure used to determine the minimum pension increases to be applied to the statutory index-linked features of retirement benefits from the retail Prices Index (RPI) to the Consumer Prices Index (CPI). In general, annual CPI increases have been lower than annual RPI increases and therefore the change has reduced the overall liabilities of the Scheme. The UK Accounting Standards Board has published guidance on how to account for this situation for companies that report under UK GAAP. Urgent Issues Task Force (UITF) Abstract 48 'Accounting implications of the replacement of the retail prices index with the consumer prices index for retirement benefits, sets out how to apply the requirements of the UK standard FRS 17, 'Retirement Benefits', to the change from using RPI to using CPI. The Group considers that this guidance is relevant and useful when determining how to account for this change under its IFRS accounting policies as the requirements of FRS 17 are substantially the same as the equivalent requirements of IAS 19 'Employee Benefits'. As the Scheme was not obligated to increase deferred pensions in line with RPI, the change to using CPI is considered to be a change in the increase assumption, and gives rise to an actuarial gain in accordance with IAS 19. The change to CPI affects only revaluation of pensions in deferment and has no impact on pensions already in payment.

The Fund's benefits were changed with effect from 1 April 2011. From this date, future increases to Pensionable Salaries were limited to 2% per annum, or RPI if lower. A deferred benefit underpin was also put into place at the time of the benefit change. This means that, in respect of service before 1 April 2011, members' benefits will be at least as great as those they would have received had they opted out of the Scheme at that date. Service after 31 March 2011 will accrue on the new benefit scale.

Weighted average assumptions at the end of the period

	2011	2010
Discount rate	5.6%	5.4%
Expected return on plan assets	6.3%	6.1%
Future salary increases	2.0%	2.8%
Inflation rate (RPI)	3.4%	3.1%
Inflation rate (CPI)	2.6%	n/a
Future pension increases – accrued pre 1 April 2011	3.4%	3.1%
Future pension increases – accrued post 31 March 2011	2.4%	n/a

Expected rate of return on plan assets

	2011	2010
Equities	7.5%	7.5%
Bonds	4.8%	5.3%
Property	7.0%	7.0%
Cash	4.0%	4.0%
Other	6.8%	6.7%

Notes to the Group financial statements
continued

19. Pensions and other post-employment benefits continued

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice. Mortality rates used are based upon:

	Mortality table	Life expectancy at age 65 (years) Male	Female
Future pensioners	112% of PCMA00 and 118% of PCFA00 (projected by birth year using medium cohort factors)	22.0	23.8
Current pensioners	112% of PCMA00 and 118% of PCFA00 (projected by birth year using medium cohort factors)	20.8	22.8

Sensitivity analysis for the principal assumptions used to measure the Scheme's liabilities shows how the measurement of the Scheme's liabilities would have been affected by changes in the relevant assumption at the balance sheet date. For the purposes of this disclosure all other assumptions are taken to be held constant.

The sensitivities regarding the principal assumptions used to measure the Scheme's liabilities are set out below:

Assumption	Change in assumption	Impact on liabilities	%
Discount rate	Increase by 0.5%	Decrease	8.1
Rate of inflation, salary growth and LPI (limited price indexation)	Increase by 0.5%	Increase	9.6
Rate of salary growth	Decrease by 0.1%	Decrease	0.0
Rate of mortality	Change in mortality table[1]	Increase	5.9

[1] If the death rates used are 112% for males and 118% for females of the '2000 series' standard tables, projected by year of birth using long cohort factors with a 1% floor rather than medium cohort factors. These alternative projections make a greater allowance for future improvements in life expectancy to improve over time due to improvements in medical treatments and other lifestyle factors such that younger members who have not yet reached pensionable age are expected to live longer than current pensioner members.

Summary of plan assets at the end of the period

	2011 £m	2010 £m	2011 %	2010 %
Equities	**46.9**	37.0	**62**	54
Bonds	**16.6**	20.1	**22**	30
Property	**0.1**	2.8	**–**	4
Cash	**0.2**	2.2	**–**	3
Other	**11.8**	6.2	**16**	9
Total	**75.6**	68.3	**100**	100

The Scheme has no investment in the Group's equity securities or in property used by the Group.

Charges on the basis of the assumptions above were:

	2011 £m	2010 £m
Charge to the Group income statement		
Current service cost	**1.5**	1.1
Curtailment gain	**(0.6)**	–
Amount charged to operating profit	**0.9**	1.1
Interest on pension liabilities (recognised in financial expense)	**4.8**	4.6
Expected return on scheme assets (recognised in financial income)	**(4.2)**	(3.6)
Amount charged to net financial costs	**0.6**	1.0
Total included within staff/finance costs	**1.5**	2.1
Credit/(charge) to the consolidation statement of comprehensive income before taxation		
Actual return less expected return on pension scheme assets	**0.8**	9.8
Experience gains and losses arising on scheme liabilities	**3.7**	(14.1)
	4.5	(4.3)

The cumulative recognised actuarial gains and losses for the Scheme is £9.4 million loss (2010: £13.9m loss).

19. Pensions and other post-employment benefits continued

Fair value of assets and liabilities of the Scheme

The fair value of the Scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the Scheme's liabilities were:

	2011 £m	2010 £m
Movement in plan assets		
At 1 July	**68.3**	54.9
Expected return on plan assets	**4.2**	3.6
Actuarial gains	**0.8**	9.8
Employer contributions	**3.9**	2.0
Plan participants' contributions	**0.7**	0.6
Benefits paid	**(2.3)**	(2.6)
At 30 June	**75.6**	68.3
Movement in benefit obligation		
At 1 July	**89.4**	71.6
Service cost	**1.5**	1.1
Interest cost	**4.8**	4.6
Plan participants' contributions	**0.7**	0.6
Gain on curtailment	**(0.6)**	–
Actuarial gain from adoption of CPI	**(2.5)**	–
Other actuarial (gains)/losses	**(1.2)**	14.1
Benefits paid	**(2.3)**	(2.6)
At 30 June	**89.8**	89.4
Market value of the Scheme's assets	**75.6**	68.3
Present value of the Scheme's obligations	**(89.8)**	(89.4)
Deficit in the Scheme	**(14.2)**	(21.1)
Related deferred tax asset	**3.7**	5.9
	(10.5)	(15.2)
Analysed as:		
Non-current asset	**3.7**	5.9
Non-current liability	**(14.2)**	(21.1)
	(10.5)	(15.2)
Actual return on Scheme assets	**5.0**	13.4

History of experience gains and losses

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of the Scheme obligations	**(89.8)**	(89.4)	(71.6)	(71.7)	(73.2)
Fair value of the Scheme assets	**75.6**	68.3	54.9	63.8	66.0
Deficit in the Scheme	**(14.2)**	(21.1)	(16.7)	(7.9)	(7.2)
Difference between expected and actual return on the Scheme's assets:					
Amount	**0.8**	9.8	(13.8)	(8.4)	4.1
Percentage of the Scheme's assets	**1.1%**	14.3%	(25.1%)	(13.2%)	6.2%
Experience gains and losses on the Scheme's liabilities:					
Amount	**3.7**	(14.1)	4.1	6.4	0.5
Percentage of the present value of the Scheme's liabilities	**(4.1%)**	15.8%	(5.7%)	(8.9%)	-0.7%
Total amount recognised in the statement of recognised income and expense:					
Amount	**4.5**	(4.3)	(9.7)	(2.0)	4.6
Percentage of the present value of the Scheme's liabilities	**(5.0%)**	4.8%	13.5%	2.8%	(6.3%)

Notes to the Group financial statements
continued

20. Interest bearing loans and borrowings
This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

Non-current liabilities

	2011 £m	2010 £m
Unsecured bank loans	**45.6**	49.5
Finance lease liabilities	**0.4**	0.1
	46.0	49.6

Current liabilities

	2011 £m	2010 £m
Overdrafts	**7.0**	6.1
Unsecured bank loans	**0.4**	0.1
Invoice selling facility	**39.5**	8.9
Current portion of finance lease liabilities	**0.4**	0.3
	47.3	15.4
Total borrowings	**93.3**	65.0

Bank loans and overdrafts are repayable as follows:

	2011 £m	2010 £m
Less than one year	**7.4**	6.2
Between one and two years	**0.3**	0.2
Between two and five years	**45.3**	49.3
More than five years	**–**	–
Total repayable	**53.0**	55.7

Finance lease liabilities

	2011			2010		
	Minimum payments £m	**Finance charge £m**	**Present value £m**	Minimum payments £m	Finance charge £m	Present value £m
Less than one year	**0.5**	**0.1**	**0.4**	0.4	0.1	0.3
Between one and five years	**0.4**	**–**	**0.4**	0.1	–	0.1
	0.9	**0.1**	**0.8**	0.5	0.1	0.4

Material leases relate to plant and machinery at Brno and Bergamo where the options to buy at the end of the lease are for nominal amounts.

21. Financial instruments and treasury risk management
Exposures to credit, interest rate and currency risk arise in the normal course of the Group's business. Risk management policies and hedging activities are outlined below. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates in accordance with Group policy.

Credit risk
Trading exposures are monitored and managed by Group operating companies against agreed policy levels. Credit insurance is employed where it is considered to be cost-effective. Financial exposures are incurred only with financial institutions appointed as Group company bankers and approved at Group level.

At the balance sheet date there were no significant concentrations of credit risk. The majority of the trade receivables exposure is in the UK and Euro zone with retail customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Impairment losses on trade receivables have been disclosed in note 16.

21. Financial instruments and treasury risk management continued

Interest rate risk
The Group is exposed to changes in prevailing interest rates on its primarily floating-rate debt. The Group has partially covered this risk with interest rate swaps, which had the effect of fixing the rate on a notional principal debt amount of €55 million (2010: €60m). The Group classifies such swaps as cashflow hedges and states them at fair value, which amounted to a loss of £2.0 million (2010: £3.2m) recognised on the balance sheet.

Foreign currency risk
The Group is exposed to foreign currency transaction and translation risks.

Transaction risk arises on sales and purchases denominated in currencies other than the respective functional currency of each Group company. The magnitude of this exposure is relatively low, because the substantial majority of our sales and purchases are denominated in functional currency.

The Group's policy is to fully hedge such exposures as soon as they become committed. In addition, Group companies are required to hedge a proportion of their highly probable forecast exposures, on a rolling 12-month basis. The Group hedges these exposures using outright forward currency contracts.

For accounting purposes the Group classifies its forward exchange contracts hedging firm commitments and forecasted transactions as cash flow hedges, where they meet the hedge accounting criteria, and they are recorded at fair value. The fair value of forward exchange contracts used as hedges of firm commitments and forecasted transactions at 30 June 2011 was a gain of £1.5 million (2010: £1.3m loss) and was recognised on balance sheet within other payables and non-trade receivables. During the year, £0.1 million (2010: £0.1m net gain) of fair value net loss was recorded in the income statement. The cash flows for the forward contracts are expected to occur substantially within the next financial year, at the same time as the underlying forecasted transactions.

Translation risk arises at the consolidated Group level, on earnings and net assets denominated in currencies other than pounds sterling. The Group's policy is to hedge a substantial proportion of overseas net assets, using foreign currency borrowings and swaps, in order to mitigate the risk of volatility in reported net assets and key financial ratios as a result of exchange rate fluctuations. The interest on these foreign currency borrowings and swaps provides a natural hedge of the translation exposure on our earnings denominated in the same currencies.

Euro, Polish Zloty (Zloty) and Malaysian Ringgit (RM) forward contracts were designated as hedges of the Group's investments in its subsidiaries in the Euro zone, Poland and Malaysia. The notional value of these contracts at 30 June 2011 were €25.8 million (2010: €20.8m), Zloty 50.0 million (2010: Zloty 55.0m) and RM9.0 million (2010: RM19.4m). A foreign exchange loss of £4.0 million (2010: £0.5m gain) was recognised in other comprehensive income on the contracts. Foreign currency risk exposure may also arise on financial assets and liabilities. Group policy allows for such currency exposure to be economically hedged with forward contracts.

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of net financing costs (see note 6).

Sensitivity analysis
In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings.

Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on future consolidated earnings.

For the financial period to 30 June 2011 it is estimated that a general increase or decrease by 100 basis points in interest rates would have increased or decreased the Group's profit before tax by approximately £0.8 million (2010: £0.6m), excluding the impact of the interest rate swaps. Including the swaps reduces the impact on profit before tax to £0.1 million (2010: £0.1m).

It is estimated that a general increase of 10 percentage points in the value of the Pound Sterling against other foreign currencies would have decreased the Group's profit before tax by £1.9 million for the year ended 30 June 2011 (2010: £2.3m) due to translation of foreign subsidiaries' profits, assuming all other variables remained constant. A decrease of 10 percentage points in the value of the Pound Sterling against other foreign currencies would have increased profit before tax by £2.3 million (2010: £2.9m). A decrease of 10 percentage points in the value of the Pound Sterling against other foreign currencies would have increased net assets by £3.9 million (2010: £3.0m). An increase of 10 percentage points in the value of the Pound Sterling against other foreign currencies would have decreased net assets by £3.5 million (2010: £2.5m).

Notes to the Group financial statements
continued

21. Financial instruments and treasury risk management continued

Interest rate risk management quantification

This table analyses the currency and interest rate composition of the Group's financial assets and liabilities excluding short-term trade receivables and payables as they are non-interest bearing and therefore not normally subject to any interest rate risk, except in certain instances where the terms of payment are not adhered to.

2011	Period in which interest rate re-prices	Euro £m	Sterling £m	Other currencies £m	Impact of Euro interest rate swaps £m	**Total carrying value 2011 £m**
Financial liabilities:						
Fixed rate	Less than one year	–	–	(0.9)	–	**(0.9)**
	Between one and two years	(0.2)	–	(0.5)	–	**(0.7)**
	Between two and five years	(0.1)	–	–	(49.7)	**(49.8)**
Floating rate	Less than one year	(21.7)	(24.2)	(0.5)	–	**(46.4)**
	Between one and two years	–	–	–	–	**–**
	Between two and five years	(45.2)	–	–	49.7	**4.5**
		(67.2)	(24.2)	(1.9)	–	**(93.3)**
Currency swaps	Less than six months	(23.3)	36.5	(13.2)	–	**–**
Total financial liabilities		(90.5)	12.3	(15.1)	–	**(93.3)**
Financial assets:						
Floating rate		3.3	5.6	0.7	–	**9.6**
Total financial assets		3.3	5.6	0.7	–	**9.6**
Net financial (liabilities)/assets		(87.2)	17.9	(14.4)	–	**(83.7)**

2010	Period in which interest rate re-prices	Euro £m	Sterling £m	Other currencies £m	Impact of Euro interest rate swaps £m	Total carrying value 2010 £m
Financial liabilities:						
Fixed rate	Less than one year	(0.3)	–	–	(12.3)	(12.6)
	Between one and two years	–	–	(0.1)	–	(0.1)
	Between two and five years	–	–	–	(36.8)	(36.8)
Floating rate	Less than one year	(5.5)	(9.2)	(0.4)	–	(15.1)
	Between one and two years	(0.1)	–	(0.1)	–	(0.2)
	Between two and five years	(49.3)	–	–	49.1	(0.2)
		(55.2)	(9.2)	(0.6)	–	(65.0)
Currency swaps	Less than six months	(17.0)	31.9	(14.9)	–	–
Total financial liabilities		(72.2)	22.7	(15.5)	–	(65.0)
Financial assets:						
Floating rate		2.4	0.5	2.1	–	5.0
Total financial assets		2.4	0.5	2.1	–	5.0
Net financial (liabilities)/assets		(69.8)	23.2	(13.4)	–	(60.0)

Floating rate financial liabilities bear interest based on base rates and short-term interbank rates (predominantly LIBOR, EURIBOR and some EONIA).

Fixed rate borrowings relate to finance leases, which have weighted average interest rates between 2% and 10% (2010: 2% and 10%), and the impact of the €55 million (2010: €60m) interest rate swaps from LIBOR to 3.72% (2010: 3.88%).

The currency swaps reflect the currency in which the interest is borne.

21. Financial instruments and treasury risk management continued

Liquidity risk management

On 15 June 2010 the Group concluded a new €175 million revolving credit facility, which is provided by four major banks and remains committed until June 2015. The Group is required to comply with certain undertakings which are typical for unsecured borrowing facilities. These include financial covenants regarding interest cover and debt cover, as these ratios are defined in the facility agreement. The Group was fully compliant with all such undertakings and covenants at 30 June 2011. Further liquidity is provided by a £25 million (2010: £25m) UK sales invoice selling facility, which is committed until June 2012, and a similar €25 million French facility which was concluded in June 2011 and has a rolling notice period for termination of six months.

The amount unutilised in the revolving credit facility at the year end was £112.9 million (2010: £94.2m).

The maturity profile of the Group's financial liabilities, excluding short-term creditors such as trade payables and accruals, which form part of the Group's day-to-day operating cycle, is disclosed in note 20. Maturity of all short-term trade payables is less than one year.

The table below details the Group liquidity analysis for its derivative financial instruments, based on undiscounted net cash inflows and outflows. When the amount payable is not fixed, the amount disclosed has been determined by reference to market yield curves prevailing at the reporting date.

	Due				
2011	less than 1 month	1-3 months	3 months-1 year	1-5 years	Total
Net settled:					
Foreign currency contracts	–	–	–	–	**–**
Interest rate swaps	–	(0.3)	(0.5)	(1.3)	**(2.1)**
Gross settled:					
Foreign currency contracts	0.3	0.4	0.7	–	**1.4**
Currency swaps	(0.6)	(0.4)	–	–	**(1.0)**
	(0.3)	**(0.3)**	**0.2**	**(1.3)**	**(1.7)**
2010					
Net settled:					
Foreign currency contracts	–	0.3	0.4	–	0.7
Interest rate swaps	(0.1)	(0.4)	(0.8)	(1.9)	(3.2)
Gross settled:					
Foreign currency contracts	(0.1)	(0.2)	(2.0)	(0.1)	(2.4)
Currency swaps	1.9	0.5	–	–	2.4
	1.7	0.2	(2.4)	(2.0)	(2.5)

Currency risk management – net asset exposure

As indicated on page 113, it is the objective of the Group to minimise currency risk by hedging its currency exposure.

The Group operates significant businesses in Continental Europe, denominated in Euros and other European currencies and in South East Asia. The Group has exposure to movements in exchange rates on net assets. In order to hedge these exposures the Group arranges foreign currency funding, both internal and external, and uses forward contracts to hedge part of the remaining net exposure to foreign currency assets in line with Group policy. The net asset exposure and the effect of the rolling forward contracts is shown below.

Impact of forward contracts on net assets currency exposure

2011	Net assets before hedging £m	Forward contracts £m	**Net assets after hedging £m**
Sterling	53.1	36.5	**89.6**
Euro	50.7	(23.3)	**27.4**
Other	21.0	(13.2)	**7.8**
Total net assets attributable to the owners of the Company	**124.8**	**–**	**124.8**

2010	Net assets before hedging £m	Forward contracts £m	Net assets after hedging £m
Sterling	63.8	31.9	95.7
Euro	42.2	(17.0)	25.2
Other	18.1	(14.9)	3.2
Total net assets attributable to the owners of the Company	124.1	–	124.1

Notes to the Group financial statements
continued

21. Financial instruments and treasury risk management continued

Fair value disclosure

The Group has adopted the amendment to IFRS 7 for financial instruments at fair value. The amendment requires disclosure of fair value measurements by level.

Level 1: Quoted prices for identical instruments
Level 2: directly or indirectly observable market inputs
Level 3 inputs which are not based on observable market data

At 30 June 2011 the Group Book and fair values of its financial assets and liabilities are disclosed in the table below, including the fair value level measurement used on assets and liabilities carried at fair value:

	2011		2010 Restated	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Financial assets and liabilities carried at fair value				
Forward exchange contracts assets (level 2)	**1.5**	**1.5**	3.4	3.4
Forward exchange contracts liabilities (level 2)	**(1.0)**	**(1.0)**	(2.3)	(2.3)
Interest rate swaps (level 2)	**(2.0)**	**(2.0)**	(3.2)	(3.2)
Contingent consideration on acquisitions (level 3)[1]	**(8.5)**	**(8.5)**	(0.6)	(0.6)
Financial assets and liabilities carried at amortised cost				
Bank loans, overdrafts and other loans	**(92.5)**	**(92.5)**	(64.6)	(64.6)
Finance lease liabilities	**(0.8)**	**(0.8)**	(0.4)	(0.4)
Cash and cash equivalents	**9.6**	**9.6**	5.0	5.0
Trade and other payables	**(202.4)**	**(202.4)**	(182.6)	(182.6)
Unredeemed B Shares	**(0.1)**	**(0.1)**	0.0	0.0
Trade receivables	**145.4**	**145.4**	128.3	128.3
Total	**(150.8)**	**(150.8)**	(117.0)	(117.0)

[1] The contingent consideration (see note 17) has been recorded at fair value based on the probabilities of the conditions of the earn-out/buy-out being met.

Notional value of forward contracts	2011 £m	2010 £m
Euros purchased	**31.8**	42.4
Euros sold	**(34.1)**	(39.1)
Polish Zlotys sold	**(11.3)**	(10.9)
Malaysian Ringgits sold	**(1.9)**	(4.0)
US Dollars purchased	**1.8**	2.8
Sterling purchased	**0.2**	0.1
	(13.5)	(8.7)

Capital risk management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an efficient capital structure to manage the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders and issue new shares or buy back existing shares.

The Group is committed to maintaining a debt/equity capital structure that is sufficiently robust so as to ensure continued access to a broad range of financing sources and thus be able to maintain sufficient flexibility to pursue commercial opportunities. To achieve this, the Group monitors a range of financial measures including net debt, net interest cover, debt cover and gearing.

22. Share capital

	Authorised		Allotted, called up and fully paid	
	Number	£m	Number	£m
Ordinary shares of 10 pence each				
At 1 July 2010	500,000,000	50.0	181,040,301	18.1
At 30 June 2011	**500,000,000**	**50.0**	**181,040,301**	**18.1**

At 30 June 2011 a total of 1,190,878 Treasury Shares with £119,088 nominal value (2010: 824,498 shares with £82,450 nominal value) were held to satisfy future exercises of employee share options.

Ordinary shares carry full voting rights and ordinary shareholders are entitled to attend Company meetings and to receive payments (see page 80).

23. Employee share schemes

Share options

The table below shows the movements in the share option scheme during the year:

Option type	2010 Option number	Options granted in the year number	Options exercised during year	Weighted average share price (£)	Options cancelled/ lapsed during year	**2011 Option number**	**2011 Exercisable number**	Option exercise price (£)	Earliest exercise date	Expiry date
2009 Savings Related Share Option Scheme	3,689,583	–	(119,554)	0.935	(272,946)	**3,297,083**	**–**	0.935	30 Mar 2012	29 Sept 2012
	3,689,583	–	(119,554)		(272,946)	**3,297,083**	**–**			

McBride Long-Term Incentive Plan (LTIP)

The Group operates a performance based LTIP, comprising both equity-settled and cash-settled awards with a three year vesting period, for senior executives. The percentage of the award vesting is dependent on the performance of the Group against the following criteria:

Total shareholder return (TSR): 50% of the award relates to comparing the TSR of McBride shares with the TSR of the companies in the FTSE 250 Ex Investment Companies Index (see page 74).

Earnings per share (EPS): 50% of the award relates to comparing the EPS growth of the Group with movements in the retail price index (see page 73).

Fair values of awards granted in 2010 and 2011

The following assumptions were used to determine the fair value of the LTIPs using a variant of the Monte Carlo pricing model:

	2011	2010
Risk-free interest rate	**2.0%**	2.6%
Discounted share price on grant date (pence)	**167.33p**	202.94p
Dividend yield on stock	**3.7%**	3.5%
Dividend yield on index	**2.5%**	2.7%
Volatility for stock	**62.0%**	55.0%
Volatility for index	**26.0%**	30.0%
Expected life of LTIPs	**3 years**	3 years

Expected volatility was determined based on weekly information and over a weighted three year period where the annualised standard deviation of the weekly log-normal returns is calculated.

	Number of awards granted	Weighted fair value (pence)
Issued in the year ended 30 June 2011 – outstanding and not exercisable	**1,120,543**	**131.3**
Issued in the year ended 30 June 2010 – outstanding and not exercisable	793,641	158.5

The Company recognised total expenses of £0.5 million relating to share-based transactions in 2011 (2010: £1.7m), of which £0.6 million (2010: £1.1m) related to equity-settled share-based transactions, and there was a credit of £0.1 million to cash-settled share-based transactions (2010: £0.6m expense). At 30 June 2011, the total amount accrued in relation to cash-settled share-based transactions was £0.3 million (2010: £0.7m). During the year, 0.4 million shares relating to both TSR and EPS elements of the LTIP award granted during the year ended 30 June 2008 vested having met the performance criteria. In addition, LTIP awards to certain former senior executives satisfied performance criteria resulting in the vesting of 0.1 million shares and cash LTIP payments of £0.2m relating to both TSR and EPS elements of the LTIP award granted during the year ended 30 June 2009. For the LTIP award granted during the year ended 30 June 2009, 0.2 million shares relating to the TSR element of the award are expected to vest having met the performance criteria. For the cash LTIP award granted during the year ended 30 June 2009, payments equivalent to the value of 0.3 million shares relating to the TSR element of the award are expected to be made following achievement of the performance criteria. At 30 June 2011, 0.3 million shares relating to subsequent grants have lapsed.

Notes to the Group financial statements
continued

24. Employee numbers and costs

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

	2011	2010
Operations	**4,494**	4,285
Sales and marketing	**419**	332
Finance and administration	**508**	478
Total full-time equivalent employees	**5,421**	5,095

	2011 £m	2010 £m
The aggregate payroll costs were:		
Wages and salaries	**129.4**	133.6
Share scheme costs	**0.5**	1.7
Social security costs	**26.7**	26.2
Pension costs	**2.1**	2.3
Total payroll costs	**158.7**	163.8

Pension costs include the current service costs for defined benefit schemes and payments to defined contribution schemes but exclude defined benefit scheme costs included within net financing costs.

25. Net debt

	2010 £m	Cash flow £m	Cash and debt acquired (note 4) £m	Exchange movements £m	2011 £m
Cash and cash equivalents per the balance sheet	5.0	4.0	0.2	0.4	**9.6**
Overdrafts	(6.1)	(0.2)	–	(0.7)	**(7.0)**
Cash and cash equivalents per the cash flow statement	(1.1)	3.8	0.2	(0.3)	**2.6**
Debt: Due after one year	(49.5)	8.5	–	(4.6)	**(45.6)**
Debt: Due within one year	(9.0)	(30.2)	–	(0.7)	**(39.9)**
Finance leases	(0.4)	0.6	(0.9)	(0.1)	**(0.8)**
Net debt	(60.0)	(17.3)	(0.7)	(5.7)	**(83.7)**

	2009 £m	Cash flow £m	Cash and debt acquired (note 4) £m	Exchange movements £m	2010 £m
Cash and cash equivalents per the balance sheet	2.8	1.7	0.5	–	5.0
Overdrafts	(13.1)	7.0	–	–	(6.1)
Cash and cash equivalents per the cash flow statement	(10.3)	8.7	0.5	–	(1.1)
Debt: Due after one year	(58.3)	7.0	(0.1)	1.9	(49.5)
Debt: Due within one year	(12.7)	3.7	–	–	(9.0)
Finance leases	(1.1)	0.7	–	–	(0.4)
Net debt	(82.4)	20.1	0.4	1.9	(60.0)

26. Commitments

	2011 £m	2010 £m
Capital expenditure		
Contracted but not provided	**4.0**	3.5

Operating leases

Total payments under operating leases analysed over periods when the leases expire are as follows:

Total operating leases	2011 £m	2010 £m
Within one year	**5.0**	4.4
In the second to fifth years inclusive	**8.1**	9.2
After five years	**4.6**	6.7
	17.7	20.3

Leases of land and buildings which expire	2011 £m	2010 £m
Within one year	**1.6**	1.6
In the second to fifth years inclusive	**3.3**	3.7
After five years	**4.6**	6.7
	9.5	12.0

Other leases which expire	2011 £m	2010 £m
Within one year	**3.4**	2.8
In the second to fifth years inclusive	**4.8**	5.5
After five years	**–**	–
	8.2	8.3

Other operating leases related mainly to plant and equipment.

27. Subsequent events

In line with the re-structuring plan announced under its strategy review, Project Refresh, the Group made a further announcement on 5 September 2011 setting out proposals to rationalise its Auto-Dishwash production in Europe. Under these proposals, the Group would move its Auto-Dishwash tablet and Anti-Calc tablet production lines from its factory at Moyaux in France to its factory at Foetz in Luxembourg.

The Group also announced on 5 September 2011 that its agreement with a customer to toll-manufacture Auto Dishwash tablets at Foetz would come to an end by mutual consent on 31 March 2012.

These developments could result in redundancies at each site, regarding which consultation has commenced with local employee representative bodies.

Company balance sheet

at 30 June 2011

	Note	2011 £m	2010 £m
Fixed assets			
Tangible assets	3	0.3	0.3
Investments	4	157.5	157.0
		157.8	157.3
Debtors: Amounts falling due within one year	5	113.7	119.6
Cash and cash equivalents		5.0	–
Creditors: Amounts falling due within one year	6	(57.6)	(49.6)
Provisions: Amounts falling due within one year	7	(0.4)	–
Net current assets		60.7	70.0
Total assets less current liabilities		218.5	227.3
Creditors: Amounts falling due after more than one year	8	(45.2)	(49.1)
Net assets		173.3	178.2
Capital and reserves			
Called up share capital	9	18.1	18.1
Share premium account	10	139.9	143.5
Capital redemption reserve	10	4.0	0.5
Profit and loss account	10	11.3	16.1
Total equity and reserves		173.3	178.2

These financial statements were approved by the Board of Directors on 5 September 2011 and were signed on its behalf by:

C D Bull
Director

McBride plc
Registered number: 2798634

Notes to the Company financial statements

1. Presentation of the financial statements and accounting policies

Description of business

McBride plc is the parent company of the McBride Group of companies which are Europe's leading provider of Private Label Household and Personal Care products.

Preparation of financial statements

The separate financial statements of the Company, which are prepared under the going concern basis, are drawn up in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and presented as required by the Companies Act 2006. They have been prepared under the historical cost convention, modified to include revaluation to fair value of certain financial instruments. They are presented in Pounds Sterling being the Company's functional currency.

Under FRS 1, 'Cash flow statements', the Company is exempt from the preparation of a cash flow statement on the grounds that it is included within the consolidated accounts.

Under FRS 8, 'Related Party Disclosures', the Company is exempt from disclosing related party transactions with entities that are wholly owned subsidiaries of the Company.

Under FRS 29, 'Financial Instruments: Disclosures', the Company is exempt from publishing financial instruments disclosures on the grounds that they are included within the consolidated accounts.

Changes in accounting policies

FRS 20 'Share-based payments' (amendment) – Group Cash-settled Share-based payment transactions
The amendment to FRS 20 has been adopted from 1 July 2010. It clarifies that the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. Adoption of this standard does not have a material impact on the financial position or performance of the Company.

Improvements to FRSs
The 2009 improvements to FRSs were issued as a collection of minor amendments to standards, primarily to remove inconsistencies and to clarify wording. The Company has adopted these amendments from 1 July 2010. None of the improvements have impacted the financial position or performance of the Company.

Accounting policies

The principal accounting policies are summarised below.

Investments

Fixed asset investments in subsidiaries are held at cost less any provision for impairment. The carrying value of investments are reviewed for impairment when there is an indication that the investment might be impaired. Any provision resulting from an impairment review is charged to the income statement in the year concerned. For investments in subsidiaries acquired for consideration, including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Tangible fixed assets

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment (including software)	– 3 to 5 years
Furniture and fittings	– 8 to 10 years

Foreign exchange

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Financial instruments

Financial assets and financial liabilities are recognised on the Company balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments
Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at the fair value of the consideration received net of directly attributable issue costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account directly attributable issue costs, and any discount or premium on settlement. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowing.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

Notes to the Company financial statements
continued

1. Presentation of the financial statements and accounting policies continued

Derivative financial instruments

The Company does not enter into speculative derivative contracts. The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. Derivative financial instruments such as foreign currency forward contracts and interest rate swaps are used to hedge these risks. Such derivative financial instruments are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments and is the amount that the Company would receive or pay to terminate the swap at the balance sheet date. Changes in fair value are immediately recognised in the income statement. The Company has not designated any derivatives for the purposes of hedge accounting.

Payments to shareholders

On 24 March 2011, the shareholders of the Company passed a resolution to make payments to shareholders via the issue and subsequent redemption of B Shares. Subject to shareholder approval at each AGM, it is the Company's intention that, for the foreseeable future, all payments to shareholders will be made in this way. B Shares are recognised as liabilities when they are issued and are held at amortised cost from the date of issue until redeemed. Prior to this shareholder resolution, payments to shareholders were made by payment of dividends which were recognised in the Group's financial statements in the period in which they were paid.

Treasury shares

Own equity instruments which are reacquired (Treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments. Proceeds from the sale of treasury shares are recognised in the profit and loss reserve.

Leases

Operating leases are charged to the profit and loss account on a straight-line basis over the life of the operating lease. The value of any lease incentive received to take on an operating lease is recognised as deferred income and is released over the period to the next rent review.

Share-based payments

Where a parent company grants share-based payments to employees of a subsidiary and such share-based compensation is accounted for as equity- or cash-settled in the consolidated financial statements of the parent, the subsidiary is required to record an expense for such compensation in accordance with FRS 20, 'Share-Based Payments', with a corresponding increase recognised in equity of £0.6 million and decrease in recognised liabilities of £0.1 million. Consequently, the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £0.5 million (2010: £1.7m) with a net credit to equity/liability for the same amount.

Taxation

Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantively enacted by the balance sheet date.

The Company accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Deferred tax is measured at the tax rates that are enacted or substantively enacted at the reporting date.

Contingent liabilities

When the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2. Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 30 June 2011 of £8.5 million (2010: loss of £2.1m). Fees payable to the Company's auditors for the audit of the Company's annual accounts were £0.1 million (2010: £0.1m). Fees payable to the Company's auditors for services relating to tax were £nil (2010: £nil). The Company had no employees for the year ended 30 June 2011 (2010: nil).

3. Tangible fixed assets

During the year ended 30 June 2011, there were £nil of additions to the Company's tangible fixed assets (2010: £0.1m). At 30 June 2011, the Company had tangible fixed assets relating to furniture and fittings of £0.3 million (2010: £0.3m) and computer equipment of £nil (2010: £nil).

4. Investments

	£m
Shares in subsidiary undertakings at cost	
At 1 July 2010	157.0
Share-based payment granted to employees of subsidiaries	0.5
At 30 June 2011	**157.5**

4. Investments continued

Set out below are the principal subsidiary undertakings of the Company whose results are included in the consolidated financial statements as at 30 June 2011. The country of incorporation is also the principal country of operation.

The main business activity of the major operating subsidiaries involves the manufacture and distribution of Household and Personal Care products. A full list of subsidiaries is filed with the Registrar of Companies.

Company	Ownership (ordinary shares)	Country of incorporation
Trading subsidiaries		
Robert McBride Limited[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
Problanc 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[2]	85.0%	Malaysia
McBride B.V.	100.0%	Netherlands
Intersilesia McBride Polska Sp. Z.o.o.	100.0%	Poland
OOO McBride Russia	100.0%	Russia
McBride S.A.U.	100.0%	Spain
Newlane Cosmetics Company Limited	92.5%	Vietnam
Investment companies		
McBride Holdings Limited[1]	100.0%	England
McBride CE Holdings Limited	100.0%	England
McBride Australia PTY Limited	100.0%	Australia
McBride Hong Kong Holdings Limited	100.0%	Hong Kong
CNL Holdings Sdn Bhd[3]	92.5%	Malaysia
Fortlab Holdings Sdn Bhd[2]	85.0%	Malaysia
Fortune Organics (F.E.) Sdn Bhd[4]	46.8%	Malaysia

(1) These companies are directly owned subsidiary undertakings of McBride plc (the Company) with McBride Holdings Limited 100.0% owned and Robert McBride Limited 57.7% owned by the Company.

(2) As disclosed in note 4 to the consolidated financial statements these companies are accounted for using the anticipated acquisition method and no non-controlling interests have been recognised.

(3) This company is 50% owned by McBride Hong Kong Holdings Limited and 50% held by Fortlab Holdings Sdn Bhd therefore the effective indirect ownership by the Company of this investment company and Newlane Cosmetics Company Limited, its wholly owned subsidiary, is 92.5%. However as disclosed in note 4 to the consolidated financial statements these companies are accounted for using the anticipated acquisition method and no non-controlling interest has been recognised.

(4) This company is 55% owned by Fortlab Holdings Sdn Bhd and therefore the effective indirect ownership of this investment company and its wholly owned subsidiary by the Company is 46.8%. As disclosed in note 4 to the consolidated financial statements, its parent company has been accounted for using the anticipated acquisition method. As a result no non-controlling interest in respect of the parent company has been recognised and the non-controlling interest in this investment company in the consolidated financial statements is 45%.

5. Debtors: amounts falling due within one year

	2011 £m	2010 £m
Amounts owed by Group undertakings	**108.9**	112.7
Foreign currency contracts	**0.2**	–
Forward contract assets	**–**	1.5
Deferred tax assets (note 11)	**0.9**	1.0
Other debtors	**3.4**	4.2
Prepayments and accrued income	**0.3**	0.2
Total debtors	**113.7**	119.6

6. Creditors: amounts falling due within one year

	2011 £m	2010 £m
Bank overdrafts (unsecured)	**–**	0.4
Amount relating to cash-settled share-based payments granted to employees of subsidiaries	**0.5**	0.6
Forward contract liabilities	**0.2**	–
Interest rate swaps	**2.0**	3.2
Unredeemed B Shares	**0.1**	–
Other creditors	**0.5**	0.3
Amounts owed to Group undertakings	**53.5**	43.5
Accruals and deferred income	**0.8**	1.6
Total creditors	**57.6**	49.6

On 24 March 2011, shareholders approved proposals 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 (known as 'B Shares') in place of income distributions. Shareholders are able to redeem any number of their B Shares for cash. Any B Shares retained attract a dividend of 75 per cent of LIBOR on the 0.1p nominal value of each share, paid on a twice-yearly basis.

Movements in the B Shares during the year were as follows:

	2011 Number	2011 Nominal value £m	2010 Number	2010 Nominal value £m
Issued and fully paid				
At 1 July	**–**	**–**	–	–
Issued to equity shareholders	**3,607,902,100**	**3.6**	–	–
Redeemed	**(3,471,530,095)**	**(3.5)**	–	–
At 30 June	**136,372,005**	**0.1**	–	–

7. Provisions: amounts falling due within one year

	2011 £m
At 1 July 2010	**–**
Provided in year	**1.3**
Utilised in year	**(0.9)**
At 30 June 2011	**0.4**

Notes to the Company financial statements
continued

8. Creditors: amounts falling after more than one year

	2011 £m	2010 £m
Bank loans	**45.2**	49.1

9. Called up share capital

	Authorised		Allotted, called up and fully paid	
	Number	£m	Number	£m
Ordinary shares of 10 pence each				
At 1 July 2010 and at 30 June 2011	**500,000,000**	**50.0**	**181,040,301**	**18.1**

At 30 June 2011 a total of 1,190,878 Treasury Shares with £119,088 nominal value (2010: 824,498 shares with £82,450 nominal value) were held to satisfy future exercises of employee share options.

10. Movement on reserves

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m
At 1 July 2010	143.5	0.5	16.1
Retained loss for the year	–	–	(0.2)
Equity granted to employees of subsidiaries	–	–	0.6
Additional amounts received relating to issue of shares	–	–	0.1
Issue of B Shares	(3.6)	–	–
Redemption of B Shares	–	3.5	(3.5)
Own shares acquired and held as treasury shares	–	–	(1.3)
Related tax movements	–	–	(0.5)
At 30 June 2011	**139.9**	**4.0**	**11.3**

11. Deferred tax

	Share-based payments £m	Other £m	Total £m
Deferred tax asset at 1 July 2010	0.9	0.1	1.0
Credit to income statement	0.1	0.3	0.4
Charge to equity	(0.3)	(0.2)	(0.5)
Deferred tax asset at 30 June 2011	**0.7**	**0.2**	**0.9**

12. Guarantees

The Company has guaranteed the loans and debt of certain subsidiaries up to £14.0 million (2010: £13.3m).

13. Share-based payments

The Company has no employees. Shares in the Company have been granted to employees of the Group as part of the share-based payment plans and recharged to the employing company on the basis of the actual cost as calculated by the number of employees benefiting from any share issue. See note 23 to the consolidated financial statements for more detail on the Group's share-based payment plans.

14. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

Leases of land and buildings which expire	2011 £m	2010 £m
Within one year	–	–
In two to five years	**0.3**	0.3
In over five years	–	–
	0.3	0.3

15. Related party transactions

In the year ended 30 June 2011, the Company recharged to McBride Czech a.s. costs paid for on its behalf of £0.2 million.

The balance was still outstanding at 30 June 2011. In the year ended 30 June 2010, there were no transactions between the Company and any of its non-wholly owned subsidiaries.

Useful information for shareholders

Company's registered office
28th Floor
Centre Point
103 New Oxford Street
London WC1A 1DD
Telephone: 020 7539 7850
Facsimile: 020 7539 7855

Auditors
KPMG Audit Plc
15 Canada Square
London E14 5GL

Joint financial advisers and brokers
Investec
2 Gresham Street
London EC2V 7QP

Panmure Gordon
Moorgate Hall
155 Moorgate
London EC2M 6XB

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

Fortis Bank S.A./N.V.
5 Aldermanbury Square
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
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0870 707 1136
Email: web.queries@computershare.co.uk
www.computershare.com

Financial public relations advisers
Financial Dynamics
Holborn Gate
26 Southampton Buildings
London WC2A 1PB

Financial calendar

Next key dates for shareholders

Annual General Meeting (Centre Point, London)	24 October 2011
2010-11 Q1 interim management statement	24 October 2011
Ex-entitlement to B Shares date (ex-dividend date for final dividend)	26 October 2011
Record date for entitlement to B Shares (final dividend)	28 October 2011
Record date for entitlement to B Share dividend payable on B Shares issued and not previously redeemed	28 October 2011
Credit CREST accounts with B Share entitlements	31 October 2011
Latest date for receipt by Registrar of completed election forms and submitting CREST elections	14 November 2011
Despatch of cheques in respect of B Shares which have been redeemed	25 November 2011
Payment into bank accounts in respect of B Shares which have been redeemed by certificated shareholders who have valid mandate instructions in place	25 November 2011
Despatch of share certificates for B Shares not being redeemed	25 November 2011
Payments on redeemed B Shares issued in CREST	25 November 2011
Payments of B Share dividend, payable on B Shares issued and not previously redeemed	25 November 2011

Other dates

2011-12 half year-end	31 December 2011
2011-12 H1 trading statement	January 2012[1]
2011-12 interim results announcement	February 2012[1]
2011-12interim report circulated	February 2012[1]
2011-12 Q3 interim management statement	April 2012
2011-12 B Share scheme allotments (interim)	May 2012[1]
2011-12 year end	30 June 2012
2011-12 full year trading statement	July 2012[1]
2011-12annual results announcement	September 2012[1]
2011-12 B Share scheme allotments (final)	November 2012[1]

[1] 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 dividend payment advice which is posted to shareholders' registered addresses at the time of payment. This payment advice should be kept safely for future reference.

Shareholders who wish to benefit from this service should complete the relevant section of the election form accompanying the notice of annual general meeting. Alternatively, the required documentation can be obtained by contacting the Company's registrar using one of the methods outlined below.

Shareholder queries
Shareholders who change address, lose their share certificates, wish to amalgamate multiple shareholdings to avoid receiving duplicate documentation, want to have payments paid directly into their bank account or otherwise have a query or require information relating to their shareholding should contact the Company's registrar.

This can be done by writing to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ. Alternatively, shareholders can contact Computershare on the dedicated McBride shareholder information telephone line: 0870 707 1136 or email their enquiry to web.queries@computershare.co.uk, indicating they are a McBride shareholder.

Shareholders are also able to access and amend details of their shareholding (such as address and distribution payment instructions), subject to passing an identity check, via the registrar's website at **www.computershare.com**.

Electronic communications
Shareholders are now able to register to receive communications from McBride electronically. This service enables shareholders to tailor their communication requirements to their needs.

McBride is encouraging shareholders to use this service to elect to receive all communications electronically which enables more secure and prompt communication and allows shareholders to:
- → Receive electronic notification via email and the internet of the publication and availability of statutory documents such as financial results, including annual and interim reports
- → Access details of their individual shareholding quickly and securely online
- → Amend their details (such as address or bank details)
- → Choose the way dividends are received
- → Submit AGM/EGM proxy voting instructions.

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

Registration for this service is via the eTree™ campaign run by Computershare, McBride's registrars, in conjunction with The Woodland Trust. You can register directly by visiting **www.etreeuk.com/mcbrideplc** and following the online instructions. Alternatively, you can access the service via the investor relations section of McBride's website at **www.mcbride.co.uk** or via our registrar's website at **www.computershare.com**.

When you register for electronic communications, a tree will be planted on your behalf with the Woodland Trust's 'Tree For All' scheme in a UK area selected for reforestation.

Online shareholder services
McBride provides a number of services online in the investor relations section of its website at **www.mcbride.co.uk**, where shareholders and other interested parties may:
- → View and/or download annual and interim reports.
- → Check current or historic share prices (there is a historic share price download facility).
- → Check the amounts and dates of historic dividend payments.
- → 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 2011, 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
2007	262	154	199	219
2008	236	73	138	78
2009	150	83	116	145
2010	247	114	196	130
2011	**192**	**125**	**155**	**138**

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

MPS is an independent organisation which offers a free service to the public within the UK such that registering with them will help stop most unsolicited consumer advertising material.

Five year financial summary (unaudited)

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Results					
Revenue	**812.4**	812.2	792.4	700.9	592.0
Profit before tax(1)	**22.5**	44.4	31.0	21.3	32.1
Profit after tax(1)	**16.9**	33.2	23.2	15.6	23.2
Profit before tax	**7.1**	29.6	22.2	15.7	29.5
Profit after tax	**5.3**	22.1	16.6	11.5	21.3
Earnings					
Adjusted diluted earnings per share(1)	**9.3**	18.1	12.8	8.6	12.7
Shareholder payments per share(2)	**6.8**	6.8	6.0	5.6	5.6

(1) Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.
(2) Interim and proposed shareholder payments for the year.

WARNING TO SHAREHOLDERS – BOILER ROOM SCAMS
McBride shareholders are advised to be aware of the following advice which has been developed by the Financial Services Authority (FSA) and the Institute of Chartered Secretaries and Administrators (ICSA).

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the FSA (FSA) has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:
- → Make sure you get the correct name of the person and organisation
- → Check that they are properly authorised by the FSA before getting involved by visiting **www.fsa.gov.uk/register/**
- → Report the matter to the FSA either by calling 0845 606 1234 or visiting **www.moneymadeclear.fsa.gov.uk**
- → If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at **www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml**

Details of any share dealing facilities that the company endorses will be included in company mailings.

More detailed information on this or similar activity can be found on the CFEB website **www.moneymadeclear.fsa.gov.uk**

Definitions and glossary of terms

Our aim is to use plain English in this Annual Report and Accounts. However, where necessary, we do use a number of technical terms and/or abbreviations and we summarise the principal ones below, together with an explanation of their meanings. The descriptions below are not formal legal definitions.

A

Acquisition cost
The amount of cash or cash equivalents paid or payable and the fair value of other consideration given to acquire an asset at the time of its acquisition.

Adjusted diluted earnings per share
Profit attributable to shareholders before adjusting items divided by the weighted average number of shares in issue, on assumption of conversion of all potentially dilutive ordinary share options and awards with no option price.

Adjusted operating profit
Operating profit before adjusting items.

Adjusting items
Adjusting items are those amendments that the Group makes because it believes doing so provides useful information to shareholders to assist their understanding of the underlying performance achieved by the Group (for more information see page 89).

Annual General Meeting (AGM)
Meeting of shareholders of the Company held each year to consider ordinary and special business as provided in the Notice of AGM.

B

Board
The Board of directors of the Company (for more information see pages 58 and 59).

C

Carbon Disclosure Project
The Carbon Disclosure Project is an independent non-for-profit organisation which holds a database of primary corporate climate change data to which the Group has submitted information on data from its operations.

Carrying value
The amount at which an asset or a liability is recorded in the balance sheet.

Cash flow statement
Statement showing movements of cash and cash equivalents during an accounting period, classified by three types of activity: operating activities, investing activities and financing activities.

Central and Eastern Europe
The principal countries included within Central and Eastern Europe are Germany, Austria, Switzerland, Poland, the Czech Republic, Hungary, Slovakia, Cyprus, Greece, Baltic and Balkan states and former CIS countries.

Combined Code
The Combined Code on Corporate Governance, soon to be replaced by the UK Corporate Governance Code, being guidance on how companies should be governed, applicable to UK listed companies, including McBride plc.

Company, McBride, the Group, we, our or us
We use terms 'the Company', 'McBride', 'the Group', 'we', 'our' or 'us' to refer to either McBride plc itself or to McBride plc and its subsidiaries collectively, depending on context.

Consolidated financial statements
Financial statements that include the results and financial position of the Group, i.e. the Company and its subsidiaries together, as if they were a single entity.

Constant currency
Restated comparative information using the same exchange rates as for the current financial year. Comparatives adjusted at constant currency enable comparison with current year figures without the effect of movements in exchange rates.

Contingent consideration
The amount of cash or cash equivalents that may become payable in the future for the acquisition of an asset.

Corporate social responsibility (CSR)
The concept whereby companies integrate economic, social and environmental concerns in their business operations and in their interaction with their stakeholders. McBride recognises its obligations to all those with whom it has dealings.

Customer service level
Volume of products delivered in the correct amounts and within agreed timescales relative to the total volumes ordered by the customers.

E

Earnings per share
Profit after tax attributable to shareholders divided by the weighted average number of ordinary shares in issue during the year.

Energy efficiency
The value of production in tonnes relative to the amount of energy used which is measured in Giga joules.

Exceptional items
Items which fall outside of and are incremental to the normal course of business which in management's judgement, need to be disclosed by virtue of their size or incidence in order to obtain a proper understanding of the financial information.

F

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Financial year
McBride's financial year is the year from 1 July to 30 June.

FRS
UK Financial Reporting Standards as issued by the UK Accounting Standards Board. These apply to the parent company's financial statements which are prepared in accordance with UK GAAP.

FTSE4Good
An index of leading companies which meet globally recognised standards of corporate responsibility. McBride has been a member of FTSE4Good since 2009.

G

Group Management Team (GMT)
The team of senior divisional managers responsible for development and implementation of the Group strategy, culture and commercial plan, for allocating resources and ensuring transfer of knowledge and best practice. The GMT is chaired by the Chief Executive.

Growth categories
Product categories chosen by McBride for particular focus because they offer the highest growth and profit potential. Currently within Household these are laundry liquids, machine dishwashing, specialist cleaners and non-aerosol Air care and in Personal Care these are Skincare, male grooming and oral care.

GW
Gigawatt, being an amount of power equal to 1 billion watts (109 watts).

GWh
Gigawatt hours, being an amount of energy equal to delivering 1 billion watts of power for a period of one hour.

H

HSE
Health and Safety Executive, the main safety regulator in the UK.

Household products
Products to clean or freshen households and laundry, including laundry powder and liquids, dishwashing products, household cleaners, toilet cleaners and Air care products.

I

IFRS
The International Financial Reporting Standards as issued by the International Accounting Standards Board, and adopted for use in the European Union (EU) in accordance with EU law and the Companies Act 2006. IFRS is also used as a term to describe international generally accepted accounting principles as a whole. These apply to the Group's financial statements which are prepared in accordance with IFRS as adopted by the EU.

L

Lost time accidents
An accident arising out of McBride's operations which leads to an injury where the employee or contractor normally has time off the following day or shift following the incident. It relates to one specific (acute) identifiable incident which arises at McBride's premises, plant or activities, which was reported at the time and was subject to appropriate investigation.

Lost time frequency
The number of lost time accidents per 100,000 hours worked in a 12 month period.

N

Net debt
The total of loans (both long and short term), overdrafts and finance lease commitments less cash and cash equivalents.

O

Organic revenue growth
Sales revenues adjusted to exclude any impact of acquisitions, disposals and currency exchange rate movements.

P

Personal Care products
Personal care and toiletry products including baby care, bath and shower products, hair care, body care, men's grooming, oral care and Skincare.

Private Label products
Products which are manufactured exclusively to be sold under the retailers' trade mark, also known as store brands, distributor brands, own labels and own brands.

Definitions and glossary of terms
continued

R

REACh
'Registration, Evaluation, Authorisation and Restriction of Chemicals' legislation regarding the safe use of chemicals.

Return on capital employed (ROCE)
Operating profit before adjusting items as a percentage of the net assets excluding net debt.

S

Segment reporting
Financial information based on the consolidated financial statements, reported by the Group's operating segments (UK, Western Continental Europe and Central and Eastern Europe).

Subsidiary
A company or other entity that is controlled by McBride plc.

T

Treasury Shares
Shares that have been repurchased by the Company but not cancelled. In accordance with the authority granted by shareholders at the AGM, such shares can be sold for cash or, in appropriate circumstances, used to meet obligations under employee share schemes.

U

UK
The United Kingdom, comprising England, Wales, Scotland and Northern Ireland.

UK GAAP
Generally accepted accounting principles in the UK.

W

Waste efficiency
The volume of waste in tonnes relative to the total production tonnage.

Water usage efficiency
The volume of production in tonnes relative to the amount of water (cubic metres) used in the business.

Western Continental Europe
The principal countries included within Western Continental Europe are Belgium, France, Italy, Holland, Portugal, Spain and Scandinavian countries.

Where to find us

Head Office
McBride plc
28th Floor
Centre Point
103 New Oxford Street
London WC1A 1DD
United Kingdom
Telephone: +44 207 539 7850
Facsimile: +44 207 539 7855
www.mcbride.co.uk

UK
Robert McBride Ltd
Middleton Way
Middleton
Manchester M24 4DP
Telephone: +44 161 653 9037
Facsimile: +44 161 655 2278
www.mcbride.co.uk

Western Continental Europe
McBride SA
6 Rue Moulin Masure
7730 Estaimpuis
Belgium
Telephone: +32 56 48 2111
Facsimile: +32 56 48 2110
www.mcbride.co.uk

Central and Eastern Europe
McBride Polska
ul. Matejki 2a
47100 Strzelce Opolskie
Poland
Telephone: +48 774 049100
Facsimile: +48 774 049101
www.mcbride.co.uk

South East Asia/Australasia
For all sales enquiries please contact:
McBride Hong Kong
Unit 06, 26th Floor
No. 1 Hung To Road
Kwun Tong
Kowloon
Hong Kong
Telephone: +852 2790 8480
Facsimile: +852 2790 8484
www.mcbride.asia

McBride Australia Pty Ltd
Suite 7, 400 Canterbury Road
Surrey Hills
Melbourne 3127
Australia
Telephone: +61 3 9831 2216
Facsimile: +61 3 9831 0423
www.mcbride-anz.com.au

Our operations in Asia/Australasia comprise:
McBride Zhongshan Ltd
Jianye Road
Zhongshan Torch High-tech Industrial Development Zone
Zhongshan
Guangdong
PR China
528437
Telephone: +86 7608589803
Facsimile: +86 7608589903
www.mcbride.asia

Fortune Laboratories Sdn Bhd (Fortlab)
Wisma Fortune, No 4, Jalan 16/12
Section 16, 40200 Shah Alam
Selangor Darul Ehsam
Kuala Lumpur
Malaysia
Telephone: +603 5510 0385
Facsimile: +603 5511 2105
www.fortlab.com

Newlane Cosmetics Co Ltd
22 VSIPII, Street 1, Vietnam Singapore Industrial Park II
Binh Duong Industry – Service – Urban Complex
Hoa Phu Ward
Thu Dau Mot Town
Binh Duong Province
Vietnam
Telephone: +84 650 389 536
Facsimile: +84 650 389 535
www.fortlab.com

Our online resources

McBride communicates it's financial and sustainability performance as well as providing additional information about the Group at its website: **www.mcbride.co.uk**

McBride's Annual Report and Accounts are available to view online or to download from: **www.mcbride.co.uk/investors/welcome**

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

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

Acknowledgements

Design and production: The College www.thecollege.uk.com

Principal photography: Ian Routledge

Printing and paper: This report has been printed by The Colourhouse, a Carbon Footprint Approved Company. The Paper is produced using 100% chlorine-free (ECF) bleaching process and contains material sourced from responsibly managed and sustainable forests together with recycled fibre, certified in accordance with the Forest Stewardship Council (FSC).

Both the paper and the printer involved in the production support the growth of responsible forest management and are both accredited to ISO 14001. The printer also holds FSC status.

If you have finished reading the report and no longer wish to retain it, please pass it on to other interested readers, return it to McBride plc or dispose of it in your recycled paper waste. Thank you.

This Annual Report is available at: **www.mcbride.co.uk**

When you have finished with this Report please recycle it

MIX
Paper from responsible sources
FSC® C016713

McBride plc
28th Floor
Centre Point
103 New Oxford Street
London WC1A 1DD
United Kingdom

Telephone: +44 (0)20 7539 7850
Facsimile: +44 (0)20 7539 7855

www.mcbride.co.uk

Scan this code with your smartphone and go directly to McBride – Solutions for Private Label

FTSE4Good

McBride has been accepted into the FTSE4Good Index of leading companies which meet globally recognised corporate responsibility standards.

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