McBride plc

Annual report and accounts 2007

More choice for the consumer...

*Adding more

We are Europe's leading provider of Private Label household and personal care products

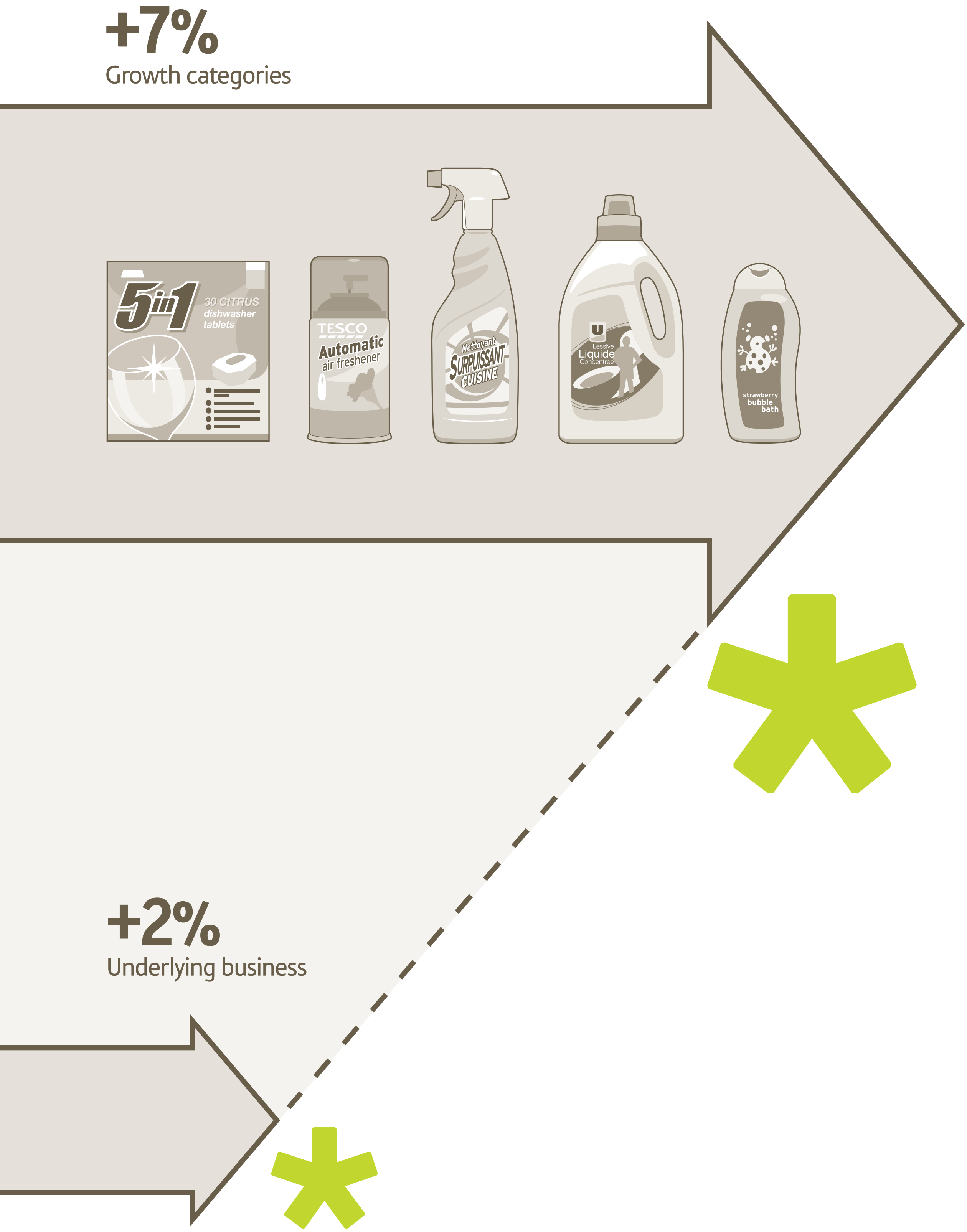
For us, the key to thriving in our dynamic markets is to set the standards, not merely follow them. With our know-how and commitment, we remain aligned with the evolving needs of our customers and our markets. It is this close, proactive relationship that keeps us right at the top of the Private Label sector.

Our dedication to the sustained growth of Private Label category sales has kept us busy this year. Behind the label, we have been adding:

*More growth
*More innovation
*More scale
*More efficiency
*More sustainability

In the following pages, we'll look at each of these areas in detail, revealing some of the stories behind the results. Read on to find out more...

Adding more...



Note: Growth rates represent organic revenue growth between 2006 and 2007.

*Growth

Building share by focusing on growth product categories

We are dedicated to increasing shareholder value and achieving this is linked to medium-term growth. To us, growth revolves around capitalising on two major opportunities: driving the popularity of Private Label as a whole, and increasing our own share of the market. Over the past year, we have identified the greatest potential in the following product categories:

> Automatic dishwashing tablets
> Specialist cleaners
> Liquid laundry detergents
> Air care
> Personal care

We believe these categories offer the most attractive prospects for medium-term growth – and we are harnessing this potential through innovation.

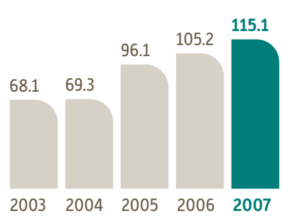
How we are growing our business

Breakdown of Group revenue %

Growth categories
47%

Other products
53%

Development of personal care revenues £m



150%

Expected increase in automatic dishwashing revenues following acquisition of Henkel's European Private Label household products business.

Private Label breakthrough
As the popularity of Private Label spreads across Europe we have been behind some impressive 'firsts'. Working with French supermarket group Système U, we developed a new premium range of Private Label laundry products including laundry powders, liquids, tablets and sachets.

Taking advantage of changes in legislation, Système U was the first retailer to screen an advert for Private Label products on French TV.

At just past midnight on 1 January 2007, French TV broadcast the advert promoting Système U's 3 litre premium laundry liquid – produced by McBride. This partnership led to growth in McBride's sales of laundry liquid products to Système U of around 65% in the year to 30 June 2007.

Air care expansion
The air freshener sector continues to grow in popularity and diversity with an ever-increasing array of formats available from sprays, gels and liquids to electric, timed-release products. Today, choice of product is no longer just about functionality – it reflects changing consumer lifestyles.

In this market, McBride has launched a range of new products, combining air care components and systems from China with locally produced aerosols. Over the past 12 months this has resulted in a 10 percentage point market share gain for Private Label in the UK timed-release sprays market.

Recent launches of Private Label odour neutralising sprays in Europe are also proving extremely successful.

Adding more...


Dexal multiuso
RICARICA
CONCENTRATA
250ml + 750ml = 1500ml
Dexal
multiuso

*Innovation

Applying fresh thinking to support growth

Innovation is the lifeblood of our business. It gives us our commercial edge and drives our success. We are constantly looking for new ways to improve and refine our products to meet consumer trends. Among other successes this has included:

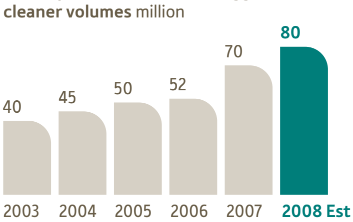
> Developing new packaging and delivery systems
> Creating more effective formulations
> Widening the applications of our products
> Delivering more compact products

These innovations meet emerging customer demands for improved hygiene, greater convenience and environmental sensitivity. Our increasing scale ensures we are able to dedicate more resources than ever to driving new product development and innovation.

Innovation is what sets us apart; it is a crucial commitment as we extend our reach.

How we are applying innovation

Development of McBride's trigger cleaner volumes million



The rise of 'trigger' cleaners
The trigger format for household cleaners is a relatively recent concept. This initial innovation, based on providing greater consumer convenience, has been followed by further innovation as the range of applications has expanded to include oven, kitchen, shower, bathroom and antibacterial cleaners and specific cleaners for glass, carpets and stainless steel.

McBride has consistently applied novel thinking in developing its market position for this delivery format and we now have an estimated 15% share of the combined pan-European branded and Private Label market for trigger cleaners.

Innovative 'trigger and refill' concept*
For us, innovation is not just about new product formulations, it encompasses the whole product offer including packaging, production and marketing. The new trigger and refill bottle concept, developed in our Italian business, is an exciting example of this thinking.

Each product includes an innovative snap-off refill pack, containing a concentrated version of the cleaner. It means, once finished, the bottle can be refilled and used a second time – saving on packaging costs and benefiting the environment. We are now looking at more ways to maximise the potential of this innovative packaging format.

Increasing hygiene awareness
Home hygiene is an increasingly important issue, as reflected in the recent growth of antibacterial cleaners. We have capitalised on this trend by adding value to the sub-sector – focusing heavily on the benefits of high-performance antibacterial cleaners. This is a fast-growing sector and a clear opportunity for us. Last year, Private Label cleaners accounted for 1 in 3 of all UK household cleaners purchased.

Adding more...

*Scale

Increasing scale brings business benefits

We are already Europe's leading provider of Private Label household and personal care products. And last year we reinforced our position, expanding in targeted European markets both organically and through acquisition. This growth in scale enables us to:

> Enhance manufacturing efficiencies
> Extend new product innovation
> Strengthen customer relationships
> Share operational best practice
> Leverage greater purchasing power

The recent acquisitions of both Dasty Italia and Henkel's European Private Label household products business have hugely strengthened our position in key growth markets... and we have plans for further expansion.

Increasing our scale allows us to sharpen our competitive edge, which in turn supports our strategy for growth.

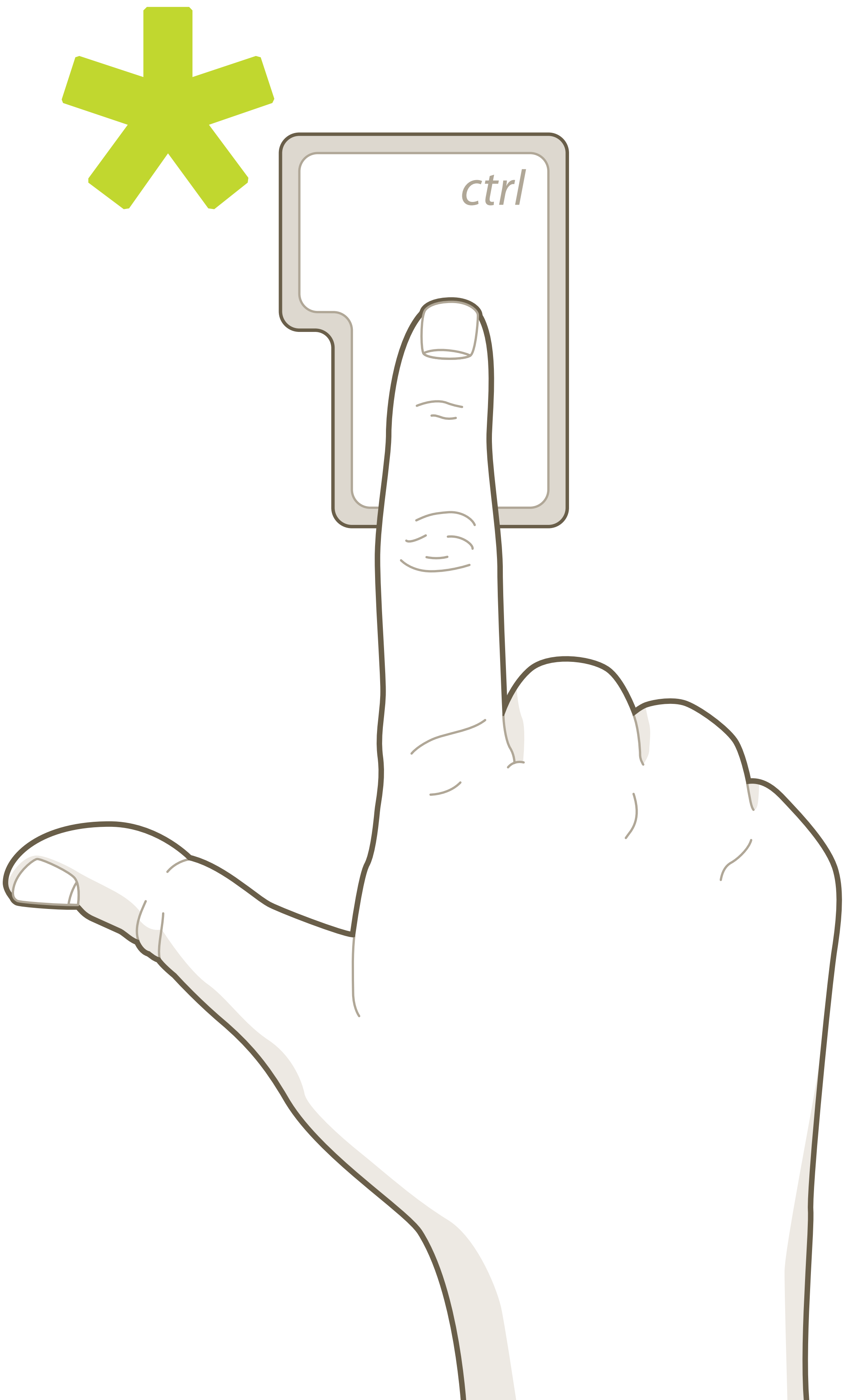
How we are extending our scale

Acquisition of Dasty Italia
We acquired this growing producer of specialist cleaners to achieve a step change in the scale and efficiency of our European specialist cleaners business and to create the market leader in Italian Private Label household products. We have also benefited from Dasty Italia's complementary product range and its strength in the rapidly growing Italian discount sector.

Acquisition of Henkel's European Private Label household products business
This significant acquisition has provided us with the leading European facility for Private Label automatic dishwashing products and a platform for growth in the German market. Our Luxembourg factory has one of the largest production capabilities for automatic dishwashing tablets in Europe and is ideally located to serve our core European markets.

Expanding personal care capacity
Our personal care business continues to deliver strong organic growth. We are now investing to further expand capacity and reduce costs at our Ieper factory – both are key to our continued growth and efficiency.

Adding more...



*Efficiency

Improving efficiency to sharpen our competitive edge

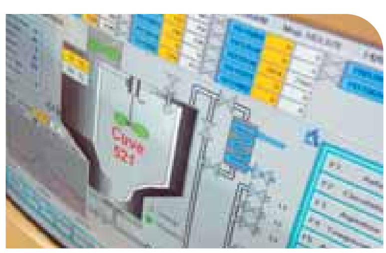
Continuous improvement is at the heart of our culture, whether it is through embracing new technologies or individual development. In the past year, our key focus area has been improving our efficiency and cost profile and we have taken significant steps in this area:

> Enhancing manufacturing processes
> Improving labour productivity
> Focused capital investment
> Greater employee engagement
> Optimising procurement sourcing

Across the Group, hundreds of initiatives, large and small, are continually enhancing our performance. Our SAP information systems support these initiatives and enable us to benchmark how we are improving across the Group.

This unrelenting focus on efficiency ensures we remain a competitive and sustainable business.

How we are enhancing efficiency



£15m

Value of materials sourced from the Far East in the year to 30 June 2007, representing a 100% increase on the prior year.

Labour productivity improvement
Our Western Continental Europe business invested significantly in factory automation and efficiency, to increase capacity, flexibility and productivity. End of line automation, including case packers, auto palletisers and automatic shrink wrappers have all contributed to the achievement of significant labour productivity gains in the business.

Targeting waste
We are continually monitoring our production processes and looking for ways to reduce waste. Initiatives in mixing, filling and bottle blowing have all helped improve manufacturing efficiencies and product yields. These have meant that despite manufacturing increased volumes in our factories, last year total solid waste fell by 8% and the amount of waste relative to production reduced 14%.

One example of improving waste efficiency resulted from shared knowledge across the Group that delivered significant process improvements at product changeovers and has played a key role in reducing waste at our Estaimpuis factory by almost 70% in the last two years.

Alternative sourcing of materials
In 2006 the Group opened an office in Hong Kong to enhance its ability to source raw materials, product components, finished products and machinery at competitive prices from Asia. Sourcing of materials from Asia is expected to play an increasingly important role in the Group's overall cost management activities.

Adding more...

*Sustainability

Setting a vision for long-term sustainable development

We have a clear set of principles that cover all areas of our work, from the environment and health and safety, to how we treat our people, the communities in which we operate and our other stakeholders. Over the past year we have:

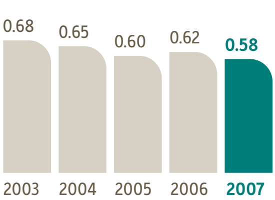
> Improved energy efficiency
> Reduced waste levels
> Enhanced employee participation
> Increased use of recycled materials
> Expanded compact and concentrated product ranges

Ultimately, our business success is linked to improvements in this much wider context. Understanding our external impact is not just essential for the environment, it is also important for improving our own efficiency and cost-effectiveness.

These corporate values are more than purely principles – they define who we are and where we are going.

How we are achieving sustainability

Development of Group energy efficiency
Gigajoules per tonne of production



Boosting energy efficiency
Enhancing our energy efficiency is essential if we are to both reduce our environmental impact and manage our operating costs. Since we started measuring energy efficiency four years ago, we have made steady advances – improving energy efficiency by 14%, despite a significant growth in production of bottles blown in house. Last year alone our energy efficiency improved 6%.

Recent examples of our ongoing drive to enhance energy efficiency are investments in our Bradford, Burnley, Middleton and Sallent sites to replace old air compressor equipment with modern, more energy-efficient variable speed drive compressors.

Packaging reduction
We are the first major Private Label manufacturer to sign up to the Waste and Resources Action Programme's (WRAP) Courtauld Commitment. Launched in 2005, this commitment aims to achieve absolute reductions in packaging waste by March 2010. As part of our involvement, we have been introducing more lightweight bottles, reviewing cap design and reducing outer packaging.

These steps will make our packaging more eco-friendly and help reduce overall carbon emissions. Initial projects have already identified savings of over 300 tonnes of plastic waste within the first year.

Product compaction and concentration*
We are actively developing more concentrated products to help reduce dosage levels, without compromising performance. This brings numerous environmental benefits, reducing the use of packaging and raw materials. In recent years we have made substantial progress in this area.

For example, in laundry powders we have reduced the standard dosage from 135 grams per wash in 1998, to 100 grams last year, and a new product promises a further reduction to 80 grams whilst maintaining washing performance. We are now applying this compaction philosophy across the whole laundry category to reduce dosage levels, pack size, packaging and our impact on the environment.

more...

Contents

Overview of the year

This section provides a summary of who we are and what we do. It includes highlights of our financial and operating performance in the 2007 financial year.

Directors' report

Business review

This section gives details of our business performance in the 2007 financial year. We also provide other important financial information about the Group.

Our governance

Find out who McBride's directors are and how we apply our values to the way we run our business in terms of corporate governance, accountability and corporate social responsibility. The remuneration section explains our pay policies and contains details of the salaries and benefits received by the directors during the year.

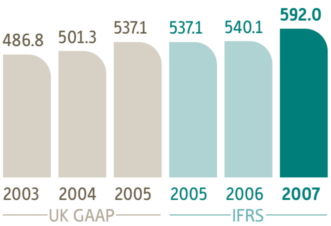
The figures

This section contains all the detailed financial statements and other information shareholders find useful. As well as the statutory accounts, this section contains other useful information for shareholders, a financial calendar for the forthcoming financial year and a summary of financial performance over five years.

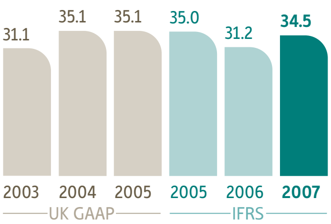
Performance highlights

Key financial trends

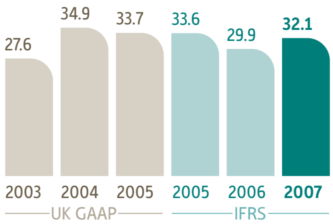
Revenue £m



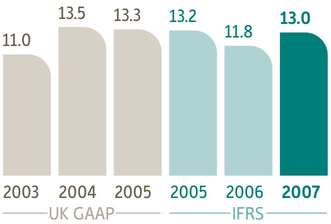
Operating profit £m(1)



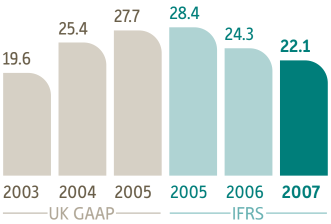
Profit before tax £m(1)



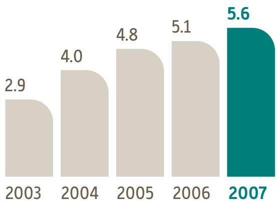
Adjusted basic earnings per share pence(1)



Return on capital employed %(1)



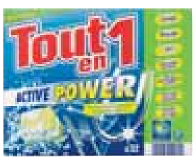
Dividend per share pence



(1) Figures are calculated before amortisation of goodwill and exceptional items under UK GAAP and before amortisation of intangible assets and exceptional items under IFRS.

Growth product categories

Automatic dishwashing tablets



Specialist cleaners

Liquid laundry detergents

Air care

Personal care

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

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

No assurances can be given that the forward-looking statements in this 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 6 to 47, inclusive, of this Annual Report comprise a Report of the Directors 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.

Highlights of the year

- > Total revenue up 10%
- > Adjusted operating profit up 11%(1)
- > Adjusted basic earnings per share up 10%(1)
- > Return on capital employed of 22.1%(1)
- > Total dividend per share up 10%
- > Return to organic growth in Western Continental Europe
- > Significant acquisition activity particularly strengthening Western Continental Europe business

(1) Before amortisation of intangible assets and exceptional items.

Group key performance indicators(1)

Organic revenue growth

+2%

2006: –1%

Return on capital employed

22.1%

2006: 24.3%

Waste efficiency

0.8%

2006: 0.9%

Adjusted basic earnings per share

13.0p

2006: 11.8p

Customer service level

97%

2006: 97%

(1) For a more detailed description of the Group key performance indicators (KPIs) and how they are calculated, see page 10. Year on year trends in the KPIs are discussed in the Chief Executive's review, the divisional reviews and the Group financial review on pages 8 to 22 and the Corporate Social Responsibility report on pages 28 to 29.

Our business

We are Europe's leading provider of Private Label household and personal care products, developing, producing and selling our products to leading retailers primarily in the UK and across Continental Europe. We manage the business through three divisions – UK, Western Continental Europe and Eastern Continental Europe – with sales in all major European markets and many beyond.

No.1
in Private Label household and personal care in Europe

Our product range

Household products

Textile washing
- washing powders, tablets, liquids and sachets
- fabric conditioner
- anti-calc products
- laundry aids

Household cleaning
- all purpose cleaners
- trigger cleaners
- specialist cleaners
- toilet cleaners
- bleach

Dishwashing
- machine dishwash products
- rinse aids
- washing up liquid

Air care
- aerosol
- timed release
- gels
- plug-ins

Personal care products

Body care
- bath and shower gel
- liquid soap
- deodorant
- skin care
- baby care

Hair care
- shampoo
- conditioner
- hair sprays
- styling aids

Men's grooming
- shaving gel
- shaving foam
- after shave
- men's deodorant

Oral care
- toothpaste
- mouthwash

UK
The largest provider of Private Label household and personal care products in the UK, supplied primarily to major UK retail chains such as Aldi, Asda, Co-op, Marks & Spencer, Morrisons, Sainsbury, Tesco and Waitrose.

Share of gross segmental revenue
46% £277m

Western Continental Europe
The largest provider of Private Label household and personal care products in Western Continental Europe. Major geographic markets include France, Italy, Germany, Spain, Belgium and The Netherlands. Customers include Aldi, Auchan, Carrefour, Casino, Denner, DM, Edeka, Eurospin, Intermarché, Lidl, Metro, Plus, REWE and Système U.

Share of gross segmental revenue
50% £304m

Eastern Continental Europe
A major provider of Private Label household and personal care products in Eastern Continental Europe with major geographic markets including Poland, Czech Republic, Hungary, Russia, Slovakia and Ukraine. Customers include Jeronimo Martins, Metro and Tesco.

Share of gross segmental revenue
4% £25m

1.3bn+

products sold per annum

No.1

in UK, France, Italy and Poland

Largest Private Label automatic dishwashing tablets capability in Europe

15%

of total European market for trigger cleaning products

70m

specialist cleaning trigger products sold in Europe in year to 30 June 2007

10%

personal care revenue growth
(three year organic compound annual growth rate)

5,000+

employees at 30 June 2007

Production capabilities of UK business

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

Production capabilities of Western Continental Europe business

Household products	Ieper household	Estaimpuis	Moyaux	Rosporden	Verdun	Bergamo	Solaro	Sallent	Foetz	Ieper personal care
Textile washing		✓	✓	✓		✓	✓	✓	✓	
Dishwashing	✓		✓				✓	✓	✓	
Household cleaners	✓	✓		✓	✓	✓	✓	✓		
Air care				✓						
Personal care products										
Hair care				✓						✓
Body care				✓						✓
Men's grooming				✓						✓
Oral care										✓

Production capabilities of Eastern Continental Europe business

Household products	Strzelce
Textile washing	✓
Dishwashing	✓
Household cleaners	✓
Air care	✓
Personal care products	
Hair care	✓
Body care	✓
Men's grooming	✓
Oral care	

Chairman's statement

"I have taken this role at an exciting time in the Group's development. During the last 12 months, the Group has expanded its scale of operations considerably."

I am delighted to be writing to shareholders for the first time as Chairman of McBride. I have taken this role at an exciting time in the Group's development. During the last 12 months, the Group has expanded its scale of operations considerably, partly through organic growth but also through acquisition, most notably of Dasty Italia and Henkel's European Private Label household products business. These strengthen the Group's position in carefully targeted geographies, products and distribution channels.

Strategy

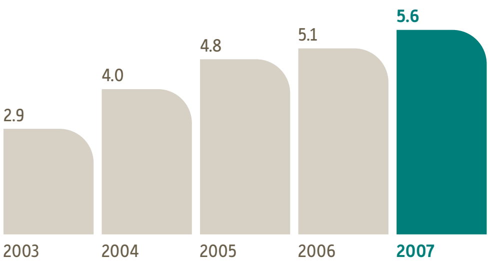
Creating shareholder value is our priority.

Private Label household and personal care products offer attractive and sustainable growth potential across Europe. McBride is the largest participant in these markets and its strategy is based on stimulating further growth in these markets, particularly through focusing on identified growth product categories, category development in partnership with our customers and innovation. Combined with our operational capabilities, relentless focus on improving efficiency and a strong commitment to high-performance leadership and culture, this provides a strong platform to develop the business for the benefit of all our stakeholders.

Results and dividend

Revenues increased by 10% to £592.0 million (2006: £540.1m). Profit after tax attributable to shareholders, before amortisation of intangible assets and exceptional items, increased 10% to £23.1 million (2006: £21.0m) whilst, on the same basis, earnings per share (EPS) increased 10% to 13.0 pence (2006: 11.8p). Reported profits and EPS increased at higher rates primarily reflecting lower exceptional items in the current year. The Group's continued strong cash-generative characteristics have resulted in the Board recommending an increase of 11% in the final dividend to 3.9 pence per share (2006: 3.5p), giving a total dividend per share of 5.6 pence (2006: 5.1p), up 10%.

Dividend per share pence



Board

At the end of June 2007, Lord Allen Sheppard retired from the Board, having been Chairman since the Group's creation in 1993. Allen made a huge contribution to the Group's growth and development over many years and leaves us well placed for the future. On behalf of everyone at McBride, I would like to thank Allen for his commitment and leadership and express our best wishes for the future.

Communicating with shareholders

We aim to stay in contact with shareholders to ensure they understand the strategy we are pursuing for the business. The format of this annual report is intended to improve the quality of information we provide and includes the key performance indicators (KPIs) that we consider in assessing Group and divisional performance.

In a further step to make our shareholder communications more effective, we intend to take the opportunity provided by new legislation to make electronic communications the primary means of distributing our annual report and other shareholder information. For shareholders this should provide increased flexibility regarding how and when to access information as well as greater speed and security in distribution. It will also enable shareholders to share in our commitment to reduce our environmental impact. More details about the practical implications of these proposals and a resolution to enable their implementation is included in the enclosed notice of annual general meeting (AGM) and we hope that you will support us and vote in favour of the relevant resolution at our forthcoming AGM.

Outlook

The Group has made a satisfactory start to the new financial year. With continued focus on efficiency and organic growth, good progress should be made in the current year, in line with the Board's expectations. Market conditions remain very competitive, particularly as raw material costs continue to increase. Our recent acquisitions are delivering the expected increase in financial and operating scale and present opportunities to extract additional value from synergies.

Iain Napier
Chairman

Chief Executive's review

"This has been a year of significant development and achievement for the Group, including a return to broad-based organic revenue growth."

Overview

This has been a year of significant development and achievement for the Group, including a return to broad-based organic revenue growth. The Group also maintained operating margins in a challenging input cost environment and increased profits, earnings per share and dividends at the same time as completing five value enhancing acquisitions.

We have a clear strategy in place to capitalise on the attractive opportunities we see in our end markets to continue delivering value for our shareholders, customers and other stakeholders – not just in the short term but consistently for many years to come.

Markets

McBride operates in large and growing markets.

The West European household and personal care markets had a combined value of £48 billion (at retail selling prices) in 2006 and they grew at 1.8% and 3.7% per annum respectively in the five years to the end of 2006. These trends are expected to continue. McBride's specific Private Label markets have consistently outperformed the overall household and personal care markets, growing by 4.8% and 5.1% per annum respectively across Western Europe in the five years to the end of 2006.

Within McBride's overall markets, there are specific product categories and geographic regions that have particularly attractive dynamics and the Group is focused on many of these to drive superior growth.

In household products, automatic dishwashing products have delivered consistently strong growth – 6.8% per annum across Western Europe in the five years to 2006 – driven by the trend of increasing penetration of automatic dishwashing machines in homes. Above average market growth has occurred over the same period in other household product categories such as air care and household cleaners, driven by factors such as convenience and high levels of product innovation. Personal care products also have a well-established record of superior growth relative to household products, having grown at 3.7% per annum across Western Europe in the five years to the end of 2006.

The countries of Central and Eastern Europe are enjoying outstanding growth in both the household and personal care markets, which had a combined value of £11.6 billion (at retail selling prices) in 2006. Over the five years to the end of 2006, these markets grew at 12% per annum, the high growth reflecting increasing disposable incomes, growing consumer affluence and aspiration and intense focus from industry participants. High growth is forecast by market analysts to continue. McBride has been present in these markets for many years and has benefited from these overall market dynamics. McBride will be looking to capitalise further on the exciting growth potential in these markets in the coming years.

(Source of market data: Euromonitor; market sizes and growth rates based on sterling figures using actual exchange rates.)

Strategy and objectives

McBride has a well-defined strategy for enhancing shareholder value. At its core, it is to lead the growth of Private Label household and personal care products in Europe.

As the largest Private Label producer in these markets, in order to deliver against this strategy we need to demonstrate real commercial leadership continuously. This means developing and maintaining close partnerships with our customers as well as a consistent and intimate understanding of our geographic and product markets. We must also have clarity of purpose in focusing on the most attractive opportunities.

In terms of our customers, the focus is increasingly on devising and implementing Private Label category development plans that drive Private Label growth within their businesses. We are focusing on all retail formats including the convenience and discount sectors.

We have identified five product categories – automatic dishwashing tablets, specialist cleaners, laundry liquids, air care and personal care – that we believe offer the greatest medium term growth prospects.

Innovation and new product development are the lifeblood of our business. Our resources are focused on the key themes of improving the convenience and environmental performance of our products as well as developing more premium product ranges.

Allied to commercial leadership we must deliver outstanding sustained operational performance that positions us as our customers' partner of choice. This means a relentless focus on delivering consistently excellent customer service levels. It also requires continuous attention to reducing costs by leveraging our scale, improving efficiency and intense cost management focus as well as ensuring the sustainability of our activities.

Where appropriate, acquisitions of complementary businesses are considered when they help to accelerate the fulfilment of the Group's strategic objectives.

The year to 30 June 2007 was a successful one for McBride but in our fast-paced business environment we must always be looking forward, looking to capitalise fully on the most attractive opportunities we have identified whilst actively managing challenges as they arise.

To achieve this we are further stepping up the intensity with which we manage the business, reflected in the broader range of business objectives we have set ourselves for the coming year:

- Improve customer partnership and service, category development and product innovation;
- Deliver further improvements in efficiency and reduction in costs;
- Target our identified growth product categories;
- Further improve performance in Western Continental Europe;
- Accelerate growth in Eastern Continental Europe; and
- Take advantage of further suitable acquisition opportunities as they arise.

Chief Executive's review continued

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. Details of the Group's performance against these KPIs can be found on pages 11 to 22 and 28 to 29. They are also summarised on page 3.

KPI	Organic revenue growth	Adjusted basic earnings per share	Return on capital employed	Customer service level(1)	Waste efficiency(1)
Target	We strive to achieve year-on-year growth in underlying revenue across all businesses that are part of the Group.	We seek to provide continuous growth in earnings per share.	We endeavour to provide a return on capital to our shareholders in excess of our cost of capital.	We aim to fulfil customer orders in the correct volumes and within the agreed timescales.	We target annual improvements in the waste efficiency of our business.
Reason for target	Demonstrates the ability of the business to deliver long-term growth without relying on external factors such as acquisitions and exchange rate movements.	Provides a clear indicator of the Group's success in increasing shareholder value from a combination of organic growth, acquisitions and cost efficiency.	Measures the efficiency with which new cash is invested and through which existing capital delivers profit. Enables comparison with Group's cost of capital.	Allow us to maintain and enhance the quality of the Group's customer relationships, providing a strong basis for future development of those relationships.	Provides a key benchmark for assessing Group's success in both optimising efficiency and reducing its environmental impact.
Measure	Reported revenues adjusted to take account of acquisitions and disposals and currency exchange rate movements.	Profit attributable to shareholders before amortisation of intangible assets and exceptional items divided by the number of shares in issue.	Operating profit before amortisation of intangible assets, exceptional items and tax 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.

Reported on in this business review

Group	✓	✓	✓	✓	✓
UK	✓				
WCE	✓				
ECE	✓				

(1) Customer service level and waste efficiency exclude the acquisitions of Schneider, Dasty Italia, Henkel's European Private Label household products business and Darcy Industries.
WCE: Western Continental Europe.
ECE: Eastern Continental Europe.

Business performance

Introduction

Our significant achievements in the year reflect successful execution against the objectives we set ourselves and the outstanding dedication of all our people in making McBride successful.

Most notably, the performance of our existing Western Continental Europe business improved after a difficult period in its main French household products market. The improvement reflects decisive management action to return to top-line growth, exit unprofitable activities and enhance operating efficiencies. We delivered above market organic revenue growth in personal care and Italian and Spanish household products and saw a return to growth in French household products in the second half. Further, profits, margins and return on capital employed were higher in the second half due to the underlying business and the contribution of recent acquisitions.

Our other businesses also performed well. Eastern Continental Europe saw strong double-digit organic revenue growth. The UK delivered higher revenues and profits, driven by the contribution from acquisitions and improved organic revenue growth of 3%.

Performance against objectives

Each year, we establish various objectives to support delivery of our strategy. A summary of progress made against the objectives set for the year ended 30 June 2007 is set out below.

Deliver more organic growth across the Group

The Group delivered 2% organic revenue growth in the year ended 30 June 2007 compared to minus 1% in the prior year. Geographically, strong organic revenue growth was maintained in Eastern Continental Europe and the rate of growth improved in the UK and Western Continental Europe. Organic revenue growth rates also improved from a product perspective, across both household and personal care products.

Group key performance indicator
Organic revenue growth

+2%

2006: –1%

Capitalise on opportunities to strengthen market position through acquisition

The Group completed two major and three 'bolt-on' acquisitions, enhancing its position in targeted geographies, products and distribution channels.

Invest in commercial leadership

We enhanced customer management across the business, most notably in Western Continental Europe and Eastern Continental Europe.

Continuous improvement in operating efficiencies and costs

Labour productivity was enhanced, particularly in Western Continental Europe. In addition, the Group was successful again in leveraging its overheads with its administrative costs increasing by only 6% in the year ended 30 June 2007, well below the rate of revenue growth.

Commercial leadership

Our focus on the growth product categories of automatic dishwashing tablets, specialist cleaners, laundry liquids, air care and personal care produced organic revenue growth in these categories well ahead of the Group average. These product categories accounted for nearly half of Group revenue in the year.

In terms of our customers, we made good progress with selected customers in developing stronger partnerships to drive Private Label growth within their businesses. Where we achieved this more active marketing of their Private Label household and personal care product ranges, encouraging results were seen with increased volumes and new business wins. We have also put significantly more resources closer to our customers through dedicated country and customer teams across our three businesses.

Innovation and new product development are the lifeblood of our business and are critical to supporting McBride's future growth. Our resources are focused on the key themes of improving the convenience and environmental performance of our products and developing more premium product ranges. Developments in the environmental arena are broad, ranging from improving product compaction, increasing the use of recycled materials in our products, reducing packaging and making our products more ecologically sensitive. In particular, the year saw the launch of a record number of ecologically sensitive products for a number of UK retailers.

Operational leadership

Customer service is our main operational priority and a highly visible benchmark that influences directly our ability to maintain commercial leadership and support the Group's overall growth strategy. We measure our success in this area by reference to success in delivering products ordered by customers in the correct volumes and within agreed timescales. McBride sells over 1.3 billion products each year and in 2007 service levels were consistent with the prior year at 97%, with a particularly good performance in the second half which saw service levels reach 98%.

Group key performance indicator
Customer service level

97%

2006: 97%

Chief Executive's review continued

Our focus on cost reduction is built on a culture of continuous improvement with a broad range of current initiatives, such as alternative sourcing of materials, improving labour productivity and enhancing other operating efficiencies such as energy efficiency and levels of waste.

In 2006 the Group opened an office in Hong Kong to enhance its ability to source raw materials, product components, finished products and machinery at competitive prices from Asia. Sourcing of materials from Asia is expected to play an increasingly important role in the Group's overall cost management activities.

Significant advances were made in labour productivity in our Western Continental Europe business, driven by investments to increase automation that enabled headcount to be reduced, as well as continuous improvement activities assisted by greater employee engagement.

Energy efficiency also improved, by around 6% year on year. We also continued to benefit from the ongoing move towards more compact and concentrated products. As well as helping enhance profitability, these developments illustrate our strong commitment to improving the long-term sustainability of our business.

Acquisitions

During the year we made five acquisitions that strengthen the Group's position in our identified growth product categories and our targeted geographic markets and distribution channels, in particular transforming our Western Continental Europe business. The most important of these were the acquisitions of Henkel's European Private Label household products business and Dasty Italia.

The acquisition from Henkel is based mainly on a major automatic dishwashing (ADW) production facility in Luxembourg. It transforms our ADW capability on a Group-wide basis. It also provides a platform to develop further our presence in Germany. The acquisition also includes a smaller specialist cleaners business in the UK. Dasty Italia doubles our scale in Italy, one of our fastest growing household products markets, and brings additional expertise in specialist cleaners. These acquisitions have also significantly increased our penetration of the discount retail sector. The other acquisitions in the year were Coventry Chemicals and Darcy Industries in the UK and Schneider in Poland.

The acquisitions were debt-financed so before the end of the year, the Group, with the support of its bankers, increased its committed debt facilities to £150 million, on no less favourable terms, to reflect the increased scale of the business and provide flexibility to make further acquisitions should suitable opportunities arise.

These acquisitions are expected to enhance earnings per share, before amortisation of intangible assets and exceptional items, in the first full financial year of ownership and overall they are performing in line with plan.

In addition, there are significant opportunities to extract incremental value from these acquisitions. These will be balanced towards cost synergies in the near term. Areas of particular focus will be improving raw material procurement costs, increased internal bottle blowing and reconfiguring our manufacturing capabilities to optimise production efficiency.

Reconfiguring our manufacturing capabilities has commenced with some production having moved between acquired and existing sites to enhance efficiencies. We expect further opportunities to arise as the new financial year progresses.

People

Our business succeeds because of the dedication of our employees. It is their determination and hard work that create value for our shareholders. This year has been particularly notable with us welcoming a large number of new people into the business as a result of our significant acquisition activity. We are working very hard to ensure that we get the best out of our people through continuous improvement in the quality and depth of our management and by setting clear expectations of the performance that the business expects from all employees. Sincerest thanks go to all our employees for their outstanding contributions and ongoing commitment to the success of McBride.

Miles W Roberts
Chief Executive

Highlight: There are significant opportunities to extract incremental value from these acquisitions.

Divisional performance

UK business review

Key developments

	2007	2006	Change
Total reported revenue(1)	**£277.1m**	£249.8m	+11%
Operating profit(2)	**£24.5m**	£22.0m	+11%
Average employee numbers	**2,262**	2,120	+7%
Proportion of revenue in household products	**73%**	73%	0pp
Proportion of revenue in personal care products	**27%**	27%	0pp

> Significant market share gain in both household and personal care products.
> Reported revenue up 11%.
> Organic revenue growth of 3%, with strong growth in personal care.
> Operating profit up in line with revenue growth.
> Three acquisitions completed.
> Significant investments in new production and bottle blowing capacity.
> The Grocer magazine award for Best Own Label Household and Personal Care Products Supplier for seventh successive year.

(1) Revenue by origin.
(2) Before amortisation of intangible assets and exceptional items.

Overview

The UK business had a good year, delivering good organic and acquisition-driven revenue growth, with particularly strong underlying growth in personal care. As a result our shares of the UK household and personal care markets both increased during the year. Our profits also improved, broadly in line with revenue growth.

We successfully completed three acquisitions which, combined with the Sanmex International acquisition late in the prior year, meant significant focus on integrating these new additions to the business. Much of this work is complete and we are looking to extend operational and financial benefits already achieved.

The future remains exciting for the business – we expect continued growth in our business, we see further opportunities to enhance our efficiency, we are determined to continue delivering on customer service and we plan to continue investing behind our growth strategy.

Markets

The overall UK household products market grew 4% in value terms in the year to June 2007, whilst in volume terms it was broadly stable. Private Label performance was similar to the overall market, with 3% value growth, resulting in flat Private Label value and volume shares. The household products market was driven by growth of 7% in air care, 7% in automatic dishwashing products, 5% in fabric conditioner and 4% in household cleaners. Private Label saw similar drivers to the overall market in terms of categories driving growth.

In personal care the overall UK market grew by 2% and 4% in volume and value terms respectively in the year to June 2007, reflecting growth in higher value products and some price inflation. Private Label grew ahead of the market in value terms at 6% over the year, driven by growth in skin care products. Product categories displaying strong growth in the overall market included skin care, liquid soap, shaving products, deodorants and mouthwash. As a result, Private Label's value and volume shares were 18% and 24% respectively (2006: 17% and 25%).

(Source of market data: McBride estimates based on Taylor Nelson Sofres retail selling price data.)

Business performance

During the year there was continued focus on improving operational capability and efficiency through improved working practices and investment in new plant and equipment. In particular, a significant improvement in energy efficiency was achieved in the year.

Significant investment went into both our household and personal care products businesses and into both production assets and further increasing our internal bottle blowing capabilities. A total of £9.1 million (2006: £8.7m) was invested in the year including in production and filling lines for automatic dishwashing tablets, fabric conditioner and bleach. These are all contributing to delivering growth and efficiency in our business.

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Highlight: The UK business had a good year, delivering good organic and acquisition-driven revenue growth.

Acquisitions
During the year, we made three acquisitions, the UK element of the Henkel transaction, Coventry Chemicals and Darcy Industries, for a combined cash consideration of £19.7 million. The Henkel and Darcy Industries acquisitions reflect our objective to increase our presence in our growth product categories, in this case automatic dishwashing tablets and specialist cleaning respectively. Coventry Chemicals brought additional household product volumes, further driving economies of scale.

Significant integration work was completed relating to these acquisitions and that from Sanmex International in the prior year, including transfer of production from Sanmex International and Coventry Chemicals to the Group's existing facilities and completing a SAP system implementation for the UK business acquired from Henkel.

Financial review
Revenue grew by 11% to £277.1 million (2006: £249.8m). With £20.8 million (2006: £1.6m) of revenue attributable to the Sanmex International, Coventry Chemicals, Henkel and Darcy Industries acquisitions, 3% organic revenue growth was achieved.

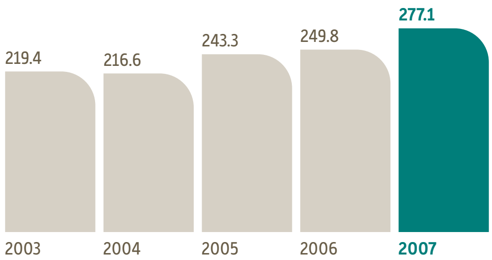
Key performance indicator
UK organic revenue growth

+3%

2006: 0%

The personal care business had a particularly successful year, with organic revenue growth of 12%. In household products underlying revenue was flat, whilst reported revenue was up 10%. The year was also characterised by stronger revenues in the second half reflecting the contribution of acquisitions.

Development in revenues of UK business £m



Our profits also improved, reflecting both increased revenues and our success in minimising the impact of rising input costs. Operating profit, before amortisation of intangible assets and exceptional items, grew in line with revenues to £24.5 million (2006: £22.0m).

Future developments
We expect both the household and personal care products markets to continue growing in the year ahead. Our intention is to continue driving Private Label growth within the market through new product development and further emphasising the value of active management of the Private Label category.

Within the business, now that basic integration of our recent acquisitions is complete, we will be looking to extract sustainable long-term synergies in areas such as procurement, production efficiency across the business and cross-selling opportunities.

We expect our personal care business to continue making good progress, reflecting broadening product coverage and new customer contracts. We are also actively assessing the scope to increase our presence in new distribution channels where the business is currently under-represented.

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Highlight: Three acquisitions were completed in the year, delivering increased presence in our growth product categories and further driving economies of scale.

Divisional performance continued

Western Continental Europe business review

Key developments

	2007	2006	Change
Total reported revenue(1)	**£304.2m**	£280.3m	+9%
Operating profit(2)	**£10.4m**	£9.0m	+16%
Average employee numbers	**2,083**	2,101	–1%
Proportion of revenue in household products	**90%**	89%	+1pp
Proportion of revenue in personal care products	**10%**	11%	–1pp

- > Key French household products market stabilised following extended tough trading conditions.
- > Strong performances in personal care and Italian and Spanish household products.
- > Two major acquisitions, of Henkel's Private Label business and Dasty Italia, transform our business in targeted geographies, products and distribution channels.
- > Reported revenue up 9%, primarily reflecting acquisitions.
- > Improved operating margin of 3.4% (2006: 3.2%) reflecting return to top-line growth, exiting unprofitable contracts, enhanced operating efficiencies and contribution of recent acquisitions.

(1) Revenue by origin.
(2) Before amortisation of intangible assets and exceptional items.

Overview

This year marks a watershed in the development of our business in Western Continental Europe.

In our existing business, although conditions remained tough in our key French household products market, the first signs of stabilisation occurred in the latter part of the year after an extended period of contraction. This reflected our consistent approach to category and account management together with firm actions to improve our costs. As a result, we were able to deliver improving trading results as the year progressed. There is still significant scope to improve the business' financial performance that we are determined to pursue.

We also completed two transformational acquisitions that achieve key strategic benefits of moving us further into our identified growth product categories and targeted geographic markets. They also diversify our revenue streams geographically and significantly progress our plans to expand in the growing discount retail format across Europe.

We are cautiously optimistic about the immediate prospects for the business due to more stable market conditions and the benefits of further planned efficiency improvements and acquisition synergies that are expected to be realised as the new financial year progresses. However, raw material price inflation remains a concern.

Markets

In the year to June 2007, the value of the total household products markets grew in all McBride's core markets in Western Continental Europe, with growth ranging from 2% in France, 4% in Italy and Germany to 9% in Spain. Private Label grew in all these territories in value terms with growth typically ahead of the overall market.

In our largest French market, household and personal care markets grew 2% and 1% respectively compared with a 3% decline in the prior year. Private Label household and personal care products continued the growth reported at the half year with 4% and 6% growth respectively in the year to June 2007 resulting in increased shares of the French market.

Recent legislation to allow supermarkets to advertise their Private Label ranges came into force in France on 1 January 2007 and should provide further impetus for Private Label growth in France. Private Label laundry liquids and automatic dishwashing products both performed well, registering 8% year on year growth.

In Italy, Private Label washing up liquids registered a 12% growth in sales with laundry liquids up 5% whilst Private Label automatic dishwashing products declined 6%.

In Spain, Private Label laundry liquids registered a strong performance, with 22% growth in sales in the year.

(Source of market data: IRI and Secodip.)

Business performance

We entered the year with a tough retail market, particularly in Northern Europe, and continuing significant input cost inflation as well as a recently completed business reorganisation. We were also committed to returning the business to top line growth.

One of the key objectives of the business reorganisation was the creation of a more customer focused environment. In order to return the business to top line growth, it was particularly important that we achieved this with our biggest customers in our main French market and specifically we were able to work more closely with them on the active marketing of their Private

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Highlight: Private Label household products markets grew in all McBride's core markets in Western Continental Europe with growth typically ahead of the overall market.

Label household and personal care product ranges. Where we have been able to give this focus, this approach has already provided encouraging results with increased volumes and new business wins.

Generally we performed in line with or better than the overall Private Label markets in our main territories. In France, personal care strongly outperformed the market whilst in household products, after taking account of exiting less profitable contracts, we broadly maintained share. In Spain, we delivered a particularly strong performance whilst our Italian business also grew ahead of the market, excluding the benefit of the acquisition of Dasty Italia.

We continued our focus on driving improved efficiency, reducing cost and building capability in order to both mitigate the difficult market conditions and position the business to benefit from an upturn in trading conditions. Initiatives included exiting less profitable contracts, improved labour productivity, reducing waste levels, value engineering and alternative sourcing of certain raw materials and components.

The headcount reductions achieved as part of the reorganisation last year were maintained through the year and, combined with investments to increase automation and continuous improvement activities assisted by greater employee engagement, drove a significant year-on-year improvement in labour productivity.

Our capital investment programme was £9.2 million in the year (2006: £10.1m) with the key features being investment to improve efficiency and increase internal bottle blowing in order to reduce total production cost. Our two sites in Ieper saw significant investment, with the personal care facility investing in bottle blowing capability whilst the household products facility introduced additional automation to reduce costs.

Acquisitions

During the year we made two important acquisitions: Henkel's European Private Label household products business and Dasty Italia, for a combined cash consideration of up to £37.2 million.

These acquisitions transform our presence in our identified growth product categories and targeted geographic markets as well as significantly progressing our plans to expand relationships with major participants in the growing discount retail format across Europe. They significantly increase our presence in Italy and Germany, which makes McBride's business more balanced across Western Europe, and are expected to increase the revenues of our Western Continental Europe business by around 35% in a full year.

The acquisition from Henkel is based mainly on a major 45,000 tonne per annum automatic dishwashing production facility in Luxembourg. The acquisition also provides a platform in Germany, where McBride is keen to expand further, and a stronger presence in a number of other markets in Central Europe. Dasty Italia is primarily a producer of specialist cleaners based at a large, modern and well-invested factory that commenced production in 2003 and is near Bergamo, about 30 miles from McBride's existing Italian operation. Combined with our existing business, the acquisition creates the clear leader in Italian Private Label household products.

Financial review

Total Western Continental Europe revenue was up 9% to £304.2 million (2006: £280.3m) primarily reflecting the effect of acquisitions. Currency exchange rate movements adversely affected reported revenues by £3.5 million. Organic revenue, adjusting for acquisitions and disposals and currency exchange rate movements, was broadly flat in the year (2006: –2%) although slightly higher in the second half versus the first half and the prior year second half. We delivered good organic revenue growth in personal care, Italian and Spanish household products and were encouraged by stabilisation in French household products, our largest market, in the second half of the year.

Operating profit, before amortisation of intangible assets and exceptional items, was up 16% to £10.4 million (2006: £9.0m). The increased profitability in the year reflects a strong second half driven by both improved performance in the underlying business and the initial contribution of recent acquisitions. Improvements in the underlying business reflect the decisive management actions taken in areas such as labour productivity outlined above.

Future developments

We are cautiously optimistic about the prospects for the year ahead. Following our acquisitions we have a better diversified business and, since the year end, market conditions have remained stable and consistent with the latter part of the year under review. Our increased focus on account management and category development should add momentum to the recent recovery in performance. Further planned operational and efficiency improvements and synergies flowing from the acquisitions should also support business performance as the new year progresses although continued input cost inflation remains a concern.

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Highlight: The acquisitions of Henkel's European Private Label household products business and Dasty Italia are expected to increase the revenues of our Western Continental Europe business by around 35% in a full year.

Divisional performance continued

Eastern Continental Europe business review

Key developments

	2007	2006	Change
Total reported revenue(1)	**£25.0m**	£21.9m	+14%
Operating profit(2)	**£1.5m**	£1.6m	–6%
Average employee numbers	**341**	295	+16%
Proportion of revenue in household products	**64%**	62%	+2pp
Proportion of revenue in personal care products	**36%**	38%	–2pp

> Total and organic revenue up 14% and 10% respectively.
> Significant investment across the business – in new products, senior management and production capability – to position business for further growth in buoyant markets.
> Increased focus on Russia and CIS states.
> Acquisition of Schneider, a Polish Private Label household products supplier and purchase of 15% minority interest in Intersilesia McBride Polska.

(1) Revenue by origin.
(2) Before amortisation of intangible assets and exceptional items.

Overview

The Eastern Continental Europe business underwent significant change during the year involving investment in new product development, production capability and senior management. These investments started to show tangible benefits as the year progressed. We saw particularly strong performances in our main Polish market, Hungary, the Czech Republic and certain CIS states.

Our business is operating in attractive markets with the household and personal care sectors both demonstrating consistent strong growth and Private Label becoming an increasingly prevalent format as retail consolidation occurs.

We successfully completed and integrated a small acquisition in the year that strengthens our position in the key Polish market and provides us with cost synergy opportunities.

The business has exciting prospects, with plans to grow particularly by leveraging the management and sales infrastructure we now have in place, an increased focus on developing a broader and deeper presence across Eastern Continental Europe and a continuing emphasis on new product development and innovation.

Markets

The household and personal care markets are experiencing dynamic growth across Eastern Continental Europe, reflecting increasing disposable incomes, growing consumer affluence and aspiration and intense focus from industry participants. Growth is particularly strong in Russia and certain other CIS states with, for example, the Russian household and personal care products markets growing by 18% and 20% respectively in value terms in 2006 alone. In McBride's current core Eastern Continental Europe markets of Poland, the Czech Republic, Hungary and Slovakia, the combined household and personal care products markets increased in value terms by 5% and 7% respectively in 2006.

Private Label market shares in these markets are also consistently increasing but they remain at low levels compared to Western Europe, typically no more than 5%, providing ample scope for future growth. This future growth should be supported by the fact that retail growth and consolidation is being led by discounters and international retail chains that are experienced in the use of Private Label in their overall retail offer.

(Source of market data: Euromonitor.)

Business performance

Our Eastern Continental Europe business has developed well since we entered these markets a number of years ago. However, we are confident there is much more we can achieve in the region, making the business a more substantial business in a Group context. Our confidence is founded on the strong growth in household and personal care products being seen in the region, the rapidly increasing share of international retailers and the scope to drive the growth of Private Label market share, capitalising on the significantly increased resources we now have available in the business.

In order to capitalise on these outstanding growth opportunities, we significantly increased investment across the business from undertaking a major new product development programme, substantial enhancements in general management and market facing resources and capital investment across our full production capability. We also purchased the minority interest in our Polish subsidiary, simplifying the management of the business.

The management team was strengthened by new Managing, Finance and Sales Directors and we also placed greater sales and marketing resource in our main target markets.

Highlight: The household and personal care markets are experiencing dynamic growth across Eastern Continental Europe.

We continued the significant increase in investment to expand our Polish production facility to support continued growth in the Eastern Continental Europe region. Capital expenditure of £1.7 million (2006: £0.7m) was incurred. Major investment included adding further bottle blowing machines, mixing and filling facilities, factory capacity and water treatment facilities. The division also underwent significant systems investment to support the growing scale of the business.

Acquisitions and minority interests

We acquired Schneider, a Polish producer of Private Label household products, for £0.8 million in January 2007. The acquisition included a small production facility close to our existing site. In April 2007, we purchased the 15% minority interest in Intersilesia McBride Polska for £1.7 million.

Financial review

Total Eastern Continental Europe revenue rose 14% to £25.0 million (2006: £21.9m) with organic growth of 10% and the remainder attributable to the acquisition of Schneider. The revenue growth primarily reflects strong household product sales in Poland.

Key performance indicator

Eastern Continental Europe organic revenue growth

+10%

2006: +39%

Operating profit, before amortisation of intangible assets and exceptional items, was £1.5 million (2006: £1.6m). Operating profit remained similar to the prior year's level despite strong revenue growth primarily due to the costs of increased new product development, marketing and management resources.

Future developments

We ended the year with strong sales momentum that has carried through into the early part of the current year. In the year ahead we expect to continue our significant focus on new product development with significantly higher new product launch activity. In addition, we expect to benefit from the ongoing major store opening programmes of certain of our major customers, our recently increased focus on some of our smaller markets and leveraging our strengthened management resources.

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Highlight: Total Eastern Continental Europe revenue rose 14% with organic growth of 10%.

Group financial review

Group summary

The Group has continued to focus on delivering shareholder value. The Group achieved broad-based organic and acquisition-led revenue growth with total revenues up 10% to £592.0 million (2006: £540.1m). Group profit before tax, before amortisation of intangible assets and exceptional items, was up 7% to £32.1 million (2006: £29.9m) with earnings per share up 10% to 13.0 pence (2006: 11.8p) on a similar basis, reflecting a lower tax rate. An increase of 11% in the final dividend to 3.9 pence per share (2006: 3.5p) is proposed which if approved would bring the full year dividend per share to 5.6 pence (2006: 5.1p).

Cash flow also improved with cash generated from operations, before exceptional items, of £49.5 million (2006: £45.9m). The Group's continuing strong cash generative characteristics meant that after increasing our dividend payments to shareholders and spending £63.6 million on acquisitions (including assumed debt) and minority shareholding purchases, net debt only increased by £51.8 million to £80.9 million. Pre-exceptional, pre-tax return on average capital employed for the year was 22.1% (2006: 24.3%), substantially above our cost of capital.

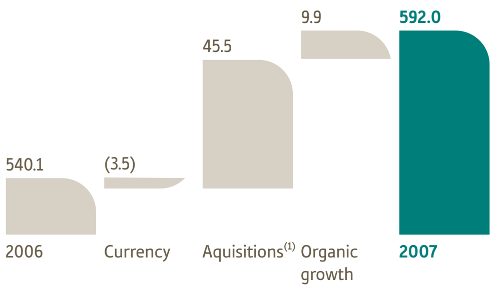
Revenue

Group revenue increased 10% to £592.0 million (2006: £540.1m) with organic revenue growth at constant exchange rates of 2% and personal care products delivering particularly strong growth of 9%. Other key factors benefiting the Group's revenue performance were the acquisitions of Henkel's European Private Label household products business and Dasty Italia and a full year contribution from the business acquired from Sanmex International.

Currency exchange rate movements adversely impacted revenues by £3.5 million and lower local currency revenues were reported in the French and Benelux household products markets. However, we saw stabilisation in our local currency revenues in the second half in our key French household products market.

By geographic origin, UK revenues grew 11% to £277.1 million (2006: £249.8m) with organic growth of 3% and the remainder due to full- or part-year contributions from acquisitions. Revenues in Western Continental Europe increased 9% to £304.2 million (2006: £280.3m) primarily due to the Henkel and Dasty Italia acquisitions. In Eastern Continental Europe, revenues were up 14% to £25.0 million (2006: £21.9m) which was predominantly organically driven.

Group revenue bridge £m



(1) Includes full revenue contribution of acquisitions made in 2007 and incremental revenue contribution of acquisitions made in 2006.

Operating profit

Group operating profit, before amortisation of intangible assets and exceptional items ('adjusted operating profit'), increased 11% to £34.5 million (2006: £31.2m). This reflects improved profitability of the underlying business as well as the contributions from our recent acquisitions. The adjusted operating profit margin was the same as in the prior year at 5.8% with strong control of administrative costs offsetting higher cost of sales and distribution costs. Group reported operating profit increased 17% to £31.9 million (2006: £27.2m), the higher rate of increase relative to adjusted operating profit reflecting the lower level of exceptional items in the current year.

Interest

Reported net finance costs increased to £2.4 million (2006: £1.3m) primarily reflecting increased interest expense arising from a higher debt level to fund the acquisitions in the year.

Exceptional items

There was a £2.1 million pre-tax operating exceptional charge to the income statement in the year (2006: £3.8m). This related to integration costs associated with the recent acquisitions.

Profit before tax and tax charge

Profit before tax for the year was up 14% to £29.5 million (2006: £25.9m) and before amortisation of intangible assets and exceptional items it was up 7% to £32.1 million (2006: £29.9m). The £8.2 million (2006: £7.5m) taxation charge for the year represents a 28% effective tax rate (2006: 29%).

Earnings per share and dividend

Basic earnings per share (EPS) were up 16% to 11.9 pence (2006: 10.3p). Basic EPS, before amortisation of intangible assets and exceptional items, increased 10% to 13.0 pence (2006: 11.8p). The weighted average number of shares in issue in the year used in calculating these EPS figures was 177,405,917 (2006: 177,364,227).

Group key performance indicator

Adjusted basic earnings per share

13.0p

2006: 11.8p

A final dividend of 3.9 pence per share, an increase of 11%, is recommended, giving a full year dividend of 5.6 pence per share, an overall increase of 10%. The final dividend, if approved by shareholders at the AGM on 30 October 2007, will be paid on 30 November 2007 to shareholders on the register on 26 October 2007. The ex-dividend date will be 24 October 2007. The £9.9 million total dividend relating to the year is covered 2.3 times (2006: 2.3 times) by earnings before amortisation of intangible assets and exceptional items.

Cash flow

The Group maintained its strong cash-generative characteristics with net cash inflow from operations, excluding exceptional items, of £49.5 million (2006: £45.9m). This improvement was due primarily to the higher profitability achieved in the year with the net working capital outflow similar to the prior year.

Capital expenditure increased 3% in the year to £20.0 million (2006: £19.5m) with investment supporting selective capacity increases, introduction of more modern efficient production equipment as well as increased investment in the Eastern Continental Europe business. The total capital expenditure figure for the year included £1.0 million invested in the Dasty Italia and Chemolux businesses between their acquisition dates and the year end.

There was significant acquisition activity in the year with expenditure, net of cash acquired, of £59.5 million on five acquisitions made in the year, deferred consideration on a prior year acquisition and purchase of the minority interest in the Group's Polish subsidiary. Ordinary dividend payments were higher at £9.2 million (2006: £8.7m) reflecting the increase in the dividend.

Reflecting the Group's continued strong cash-generative characteristics, after the £59.5 million acquisition net outflow and £4.1 million of acquired debt, the Group's net debt only increased by £51.8 million to £80.9 million (2006: £29.1m).

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

	2007 £m	2006 £m
Opening net debt	**(29.1)**	(24.4)
Cash generated from operations before exceptional items	**49.5**	45.9
Capital expenditure (net)(1)	**(19.9)**	(17.3)
Exceptional items	**(1.7)**	(5.5)
Operating cash flow	**27.9**	23.1
Tax	**(6.3)**	(6.5)
Interest	**(2.0)**	(2.1)
Free cash flow to equity shareholders	**19.6**	14.5
Ordinary dividends	**(9.2)**	(8.7)
Cash flow after interest, tax and dividends	**10.4**	5.8
Acquisitions and disposals(2)	**(59.5)**	(7.3)
Debt assumed with acquisitions	**(4.1)**	–
Ordinary share movements	**0.7**	(2.7)
Other movements	**0.7**	(0.5)
Movement in net debt	**(51.8)**	(4.7)
Closing net debt	**(80.9)**	(29.1)

(1) Net of proceeds from sale of land and buildings.
(2) Includes acquisition of minority interests.

Balance sheet

Net assets increased by £16.4 million in the year to £120.3 million (2006: £103.9m). The amounts of intangible assets, property, plant and equipment, working capital items and debt all increased significantly due primarily to the acquisitions completed in the year.

Liabilities for pensions and other post-employment benefits declined from last year to £6.8 million, net of associated deferred tax asset (2006: £9.9m). The majority of this liability, £5.1 million (2006: £8.5m), relates to the UK defined benefit pension scheme.

The pre-tax, before amortisation of intangible assets and exceptional items, return on average capital employed reduced from 24.3% to 22.1% with the positive influence of increased profitability offset by the fact that, whilst providing returns ahead of the Group's cost of capital, recent acquisitions contributed lower returns on capital than the existing Group average.

Group key performance indicator

Return on capital employed

22.1%

2006: 24.3%

Treasury management

The Group's treasury management activities are focused on ensuring the Group's liquidity (certainty of funding), minimising interest costs, managing the Group's foreign exchange exposure, and minimising interest rate and financial counterparty credit risks on a Group-wide basis.

The treasury function operates within strict policies and guidelines approved by the Board. Compliance with these policies and guidelines is monitored through regular reporting of treasury activities. All borrowings, foreign exchange and interest risk management activities are undertaken only with approved financial institutions. No currency exchange rate related transactions of a purely speculative nature are undertaken.

Liquidity: certainty of funding

The Group aims to retain its gearing at a level such that it is able to access additional debt funding to meet its foreseeable requirements at a reasonable cost. In addition, committed borrowing facilities are maintained at a level that provides certainty of funding to cover not just the forecast needs of the Group and a measure of contingent debt risk, but also to provide a reasonable surplus beyond that to provide some capacity to make acquisitions if suitable opportunities arise. In June 2007, the Group increased its existing revolving credit facility from £100 million to £150 million in order to maintain appropriate levels of liquidity above core funding requirements following the significant debt-funded acquisition activity in the year. At 30 June 2007 the Group's net debt was £80.9 million.

The Group also has access to and renews annually uncommitted short-term money market lines and other borrowing facilities amounting to around £57 million to provide greater flexibility in managing short-term working capital requirements.

Group financial review continued

The Group believes in maintaining close working relationships with all its bankers so that, taking the Group's bank facilities together with its strong operating cash flow generation, the Group is well placed to fund the future development of its business.

Currency exchange rate risks

Transaction exposures

The Group's largest operations in the UK and Western Continental Europe invoice the majority of their customers and incur most of their expenses in their respective local currencies. Accordingly, currency exposure arising from transactions in other currencies is relatively low (less than 10%). Where such exposures are highly probable the Group takes out cover for up to 12 months forward through the use of forward currency contracts.

Translation exposures

A significant proportion of the Group's activities are transacted in Euros. The reporting currency of the Group is Sterling. Movements in the Euro:£ exchange rate have the potential to impact the translation of sales revenue, of debt and other balance sheet items, the translation of profits and cash flows generated primarily in our Western Continental Europe business and the value of the Group's European interests as represented by net assets.

In the year to 30 June 2007, the average Euro:£ exchange rate was approximately 1.48 compared to 1.46 in the prior year, which resulted in an adverse variance to Group revenues of £3.5 million relative to a constant exchange rate position. The variance to profit was more limited due to the current lower margins in the Western Continental Europe business.

The Group hedges the major part of its asset translation risk using Euro-denominated borrowings or other appropriate instruments. Due to the uncertainty attached to profit forecasts and the different accounting treatment of gains or losses on such cover (taken to interest, not operating profit), the Group does not hedge its forecast profit translation exposure, except in relation to the future earnings of foreign acquisitions, where the expected future earnings, acquired as goodwill, are covered along with the net assets acquired by borrowing in the foreign currency to fund the acquisition.

Net asset exposure

The Group also minimises its currency risk by hedging its net net asset currency exposure. The balance sheet is fully hedged with non-Sterling net assets matched against non-Sterling net liabilities on a currency by currency basis through the use of rolling forward currency contracts, so any translational exposures on individual assets or liabilities are matched by offsetting translational exposures on the cover. This cover is maintained and renewed during the year and any increase in net asset exposure is normally covered out as it arises.

However, the Group considers that the relative strength of Sterling or weakness of the foreign currency is relevant also, in order to avoid locking the currency earnings into Sterling at weak conversion rates. As Sterling was unusually strong (buoyed up by interest rate increase expectations) for most of the year, the increase in net assets was not covered as it arose during the year, so the Group was not fully covered at the end of June 2007. Subsequently, though, this net asset exposure has been covered at better rates (giving more Sterling) than if it had been covered during the year.

Credit risk

In common with other companies, the Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. The Group mitigates this risk by dealing mainly with its four principal bankers, always with banks authorised by the relevant country authority, and generally where the amount owed to the bank is more than the amount owed by it. Exposure to counterparties is also reviewed on a regular basis to avoid any excessive reliance on a single counterparty.

Interest rate risk

In the past, when debt levels have been high, the Group has used interest rate costless collars to hedge interest rate risk exposure. However, since early 2007, swap rates have been unusually elevated and the Group has not wished to lock in cover at such high levels. Since summer 2007, though, swap rates have been declining and when they reach more normal levels due consideration will be given to using such instruments again.

Energy and commodity exposure

As many of the Group's products and the containers in which they are sold are derived from oil, and as much of the Group's energy costs are also affected by movements in the price of oil and gas, the Group is investigating whether there could be opportunities to and benefits from arranging cover against exposures of this nature. However, recognising that much of the exposure is indirect and often significantly diluted by the many non-oil price affected activities involved in producing the oil-derived materials that the Group uses, the scope and application of any cover will be complex.

Principal risks and uncertainties

As with most businesses, a range of risks and uncertainties face the Group and the matters described below are not intended to be an exhaustive list of all possible risks and uncertainties.

The Group is subject to risk factors both internal and external to its business. External risks include political and economic conditions, market and competitive developments, supply interruption, regulatory changes, foreign exchange, raw materials, packaging and energy prices, pensions funding, environmental risks, strikes and litigation. Internal risks include risks related to capital expenditure, production capability, systems reliance, acquisitions, legislative and regulatory compliance, human resources and failure of internal controls. The Group's risk management procedures are detailed on pages 33 to 34.

The focus below is on those specific risks and uncertainties that the directors believe could have the most significant impact on the Group's business.

Sustainability of revenue and profits

The Group continues to operate in highly competitive, fast-moving and dynamic markets characterised by increasing threats of customer concentration, growing strength of discount retailers, numerous Private Label and branded competitors, evolving consumer product preferences and selling price pressures. Failure to counter these external market forces and to manage effectively the Group's operations could adversely affect the Group's revenue and profits. To ensure we continue to deliver growth to our shareholders, the Group continues with its strong focus on delivering superior customer service and responsiveness, deepening relationships with its existing customers and seeking out new channels of supply, developing its understanding of the retail market and its customers' expectations across all territories of its operation, developing and offering new product development, innovation and range and category diversification and focusing on driving continuous efficiency improvements across the business.

Acquisition integration

The scale of recent acquisition activity gives rise to risk for the Group in a number of ways including the potential for lost focus on the core business and the potential for adverse impact on customer service levels during factory integration together with the potential risk of skills shortages. This could give rise to a loss of confidence in the Group's ability to continue to service its customers satisfactorily with the potential resultant loss of contracts leading to an adverse impact on the Group's revenue and profits. The Group fully recognises these risks. Full risk assessments are prepared in advance of implementation with the objective of mitigating the potential for any adverse impact on the business during the integration process. Integration activities are fully and carefully considered prior to their implementation. Dedicated integration teams are established and systems support is provided as quickly as possible. Additional resources are committed if required and contact is made with key customers at the earliest opportunity.

Managing procurement costs and availability

McBride is exposed to price and supply fluctuations for its raw materials, packaging and other consumables used in its production processes. If costs rise excessively they could reach levels greater than we could offset or recover and this would have a resultant adverse impact on the Group's profitability. The Group focuses continuously on mitigating these risks through a programme of initiatives, supported by a combination of the purchasing function and technical and operational input, such as product reformulations and the use of alternative materials and alternative sources. The Group has also opened a small sourcing office in Hong Kong to evaluate sourcing opportunities from markets in the Far East. In addition, the Group has a strong focus on improving operating efficiencies through increased asset utilisation and automation, reduced waste and minimising the use of packaging. There is also a risk associated with ensuring the availability of input materials on a consistent basis. Wherever possible, more than one source of supply is identified and key suppliers are audited against their available contingency plans and back-up facilities.

Operational disruption

Given the short lead times and demanding service levels required by customers, disruption to McBride's manufacturing or distribution facilities (for example, by fire, health and safety failure, problems of supply, information systems (IS) failure, workforce action or environmental incident) could adversely affect the Group's performance. Whilst the Group maintains insurance at levels that it believes are appropriate for its industry, some of these operational risks could result in losses and liabilities in excess of its insurance coverage or in uninsured losses and liabilities. These risks are managed through embedded processes including standard operating procedures, asset maintenance, regulatory compliance, dedicated steering groups, monitoring, auditing, consultation, multiple sourcing and disaster recovery plans for manufacturing and distribution facilities.

Systems dependency and reliability

A failure of the Group's SAP IS platform would rapidly impact all sites; therefore, the Group maintains duplicated facilities, as well as off-site back-up and disaster recovery plans. In addition, it invests continuously in its IS infrastructure to support its effectiveness and resilience. Further, all appropriate measures are in place to ensure separation of duties and restricted access to critical production systems to minimise the risk of sabotage by human intervention.

Environmental

The amount of environmental legislation has grown tremendously in recent times. In addition, environmental issues are increasingly driving consumer and retailer behaviour. These emerging trends may give rise to the Group having to develop its operations more quickly than might otherwise have been the case, presenting risks as well as potential opportunities.

Principal risks and uncertainties continued

The Group is also exposed to risks of liabilities inherent in the context of the long-established nature of its operations, including the cost of required remedial action. These also include the potential cost of complying with additional future regulation including changes in production practices and the risk of being subject to claims for personal injury as a result of alleged exposure to hazardous materials or other environmental conditions.

The Group is committed to minimising the environmental impact of its operations. To support its performance in these areas, the Group maintains appropriate robust performance management systems and key performance indicators. It also has a strong focus on achieving exacting external accreditation for its operations. Environmental audits have been undertaken of all key locations. Appropriate actions have been taken in relation to any issues identified in accordance with local legislative and regulatory guidelines. These include consideration of any potential impact on employees as well as neighbouring properties and any potential public health issues.

The Corporate Social Responsibility section of this Business Review and the separate Sustainability Report published on the Group's website at www.mcbride.co.uk provide more information on the Group's approach to environmental, social and governance (ESG) matters.

Human resources

The loss of key managers combined with insufficient planning for management and Board succession, as well as the risk of industrial relations breakdown or strike could adversely impact on the Group's reputation as well as leading to employee morale problems. Well-established procedures are in place covering consultation, employee involvement, works councils, documented grievance and dispute resolution procedures and focus on engendering a culture of consultation. In addition, the Group works hard to ensure effective succession planning for senior employees in order to minimise delays in identifying and recruiting necessary replacements for such employees. Succession planning for senior management is a key issue and is actively considered by the Nomination Committee and the Board. Where employees have access to sensitive data, appropriate measures are in place to prevent its disclosure should an employee leave the Group's employ.

Product safety and quality

The household and personal care products sectors have various product and ingredient issues relating to concerns voiced over the long-term effects of household chemicals on human health and the environment. Failures in product quality controls, the risk of despatch of unsafe product or contravention of labelling regulations and other legislative requirements could lead to damage to the reputation of, and trust in, McBride and adversely affect the Group's business. The Group has comprehensive management processes in place to ensure that its products are both suitable and safe for their intended use. Additionally, regulatory compliance and product safety issues are actively addressed through active membership of relevant industry associations. The Group has established product development and quality management processes to minimise the risk of such failures arising, including a dedicated quality assurance function. Product quality controls include the use of in-house toxicologists supported by independent third-party specialists. In addition, detailed product recall and crisis management procedures are in place and are regularly reviewed. As part of McBride's commitment to continuously improve the safety and environmental sustainability of its products and processes, it has a number of programmes, above and beyond regulatory requirements, to systematically remove specific ingredients from product formulas and packaging specifications.

Foreign currency

As a proportion of the Group's revenue and operating profits are generated in Western Europe, the Group's reported results would be adversely affected by a major weakening of the Euro against Sterling. In the medium term this would be mitigated by a consequent reduction in Euro-denominated raw material and other input costs purchased by the UK business.

Resources and relationships

Resources

McBride has a range of resources that underpin its business and support its strategy. These assist in giving the Group a competitive advantage in the markets in which it operates. We continue to invest in the areas listed below to maintain our leading position in our chosen markets.

Employees

During the year ended 30 June 2007, the Group had an average of 4,697 employees. We recognise that the success of our business is dependent on the quality and commitment of our employees. The quality and effectiveness of the management of the Group's people is therefore critical to the attainment of its business objectives.

The Group is committed to the recruitment, retention and development of its employees and to helping them achieve their full career potential with McBride. All parts of the UK business have Investors in People accreditation. Employee satisfaction is monitored across all parts of the Group through a rolling programme of employee opinion surveys that has been in place for more than 14 years.

Annual performance appraisals are conducted for all employees which provide the opportunity to review performance, clarify responsibilities and objectives, address employees' training and development needs and help match individuals' career aspirations with the business needs of the Group.

The Group is committed to open communication with employees both directly and, where appropriate, via their representatives. This is supported by the regular use of various communication channels such as site visits and open discussions involving senior managers, briefings, listening groups, Q&A sessions, information bulletins and newsletters. In addition, senior management conferences are held regularly to set out the Group's strategy and performance and to provide clear direction on our goals and expectations. This communication process is cascaded through the Group with local management teams communicating local strategy, performance, goals and expectations in the context of the Group position.

We are proud that one of our UK sites was this year's Northern Regional winner in the Business Excellence Awards, recognising the best practice we continue to strive for throughout the business.

Other components of the Group's personnel resources strategy include commitments to the highest possible standards of health and safety, equal opportunities and the provision of market-competitive salaries and benefits.

Reputation and market position

McBride is one of the largest suppliers of Private Label household and personal care products in its major markets in the UK, France, Italy and, increasingly, Poland. The quality of its products and customer service is consistently rated highly in independent surveys. For the seventh consecutive year the UK business won the award for the Best Own Label Household and Personal Care Products Supplier. We value our reputation, both as a supplier of Private Label products and as a key part of the communities in which we operate.

Relationships

McBride works closely with a range of stakeholders who have a significant influence on the ongoing success of the business.

Our customers

The Group's customers are the leading grocery retailers across Europe. We are also increasingly seeking out new channels of distribution. As with all businesses, the Group's future success is dependent on maintaining and developing its relations with current and potential customers in existing as well as new territories. Excellence in customer service is the Group's main operational priority and is a key driver supporting our growth strategy. The Group also works closely with customers to develop new products to meet their requirements through focus on research, innovation and category management. Senior management maintain key customer relations at both corporate and divisional level.

Our consumers

Across Europe, millions of people use the Group's products on a regular basis. Whilst as a Private Label supplier, McBride's primary customer is the retailer, we recognise the value of consumer insight. Through a process driven by category management, new consumer opportunities are conceptualised, developed and validated, ensuring we secure an impressive success rate. This expertise enables McBride to add value to both our own business and that of our customers.

Our suppliers

We rely on a range of suppliers to provide goods and services used in our operations. These include manufacturers of raw materials, packaging and production and information technology equipment and energy suppliers. These relationships are generally managed through our central procurement team supported by the relevant operational teams. We maintain active dialogue with our suppliers with the aim of developing mutually beneficial long-term relationships. This dialogue typically extends from optimising our purchasing arrangements, improving supply chain efficiency, ensuring availability of alternative materials through to reducing the use of packaging and other environmental, social and ethical aspects of our dealings with suppliers.

Board of Directors

1. Iain J G Napier
Non-Executive Chairman (aged 58)
Iain Napier was appointed non-executive Chairman of McBride on 1 July 2007. He is also non-executive Chairman of Imperial Tobacco plc and a non-executive director of Tomkins plc and Collins Stewart plc. He was previously Group Chief Executive of Taylor Woodrow plc. As a former main board Director of Bass plc, he 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. He is also a former non-executive director of BOC Group plc. He became chairman of the Nomination sub-committee of the Board on his appointment at McBride and has subsequently become a member of the Remuneration sub-committee.

2. Miles W Roberts
Chief Executive (aged 43)
Miles Roberts is Chief Executive of McBride, a role he assumed in July 2005 having originally joined the Company as Group Finance Director in January 2002. He is also a member of the Nomination sub-committee of the Board. His experience prior to McBride includes being Group Finance Director of Costain Group plc and Three Valleys Water plc. Miles is also a non-executive director of Care UK plc, Chairman of its Audit Committee and a member of its Remuneration Committee.

3. Robert J Beveridge
Group Finance Director (aged 51)
Bob Beveridge joined McBride in May 2006 as Group Finance Director and Company Secretary. Bob is a Chartered Accountant and was previously Group Finance Director of Marlborough Stirling plc until its acquisition in 2005 by Vertex. Bob's previous experience also includes being Group Finance Director of Cable and Wireless Communications plc and holding senior finance roles over extensive periods at both United Biscuits plc and Mars Inc.

4. Christine A Bogdanowicz-Bindert
Independent Non-Executive Director (aged 56)
Christine Bogdanowicz-Bindert has been a non-executive director of McBride since September 2003 and is a member of the Audit, Remuneration and Nomination sub-committees. Christine is an experienced financier, having worked throughout Europe and the US for the last 30 years. This included experience at the International Monetary Fund in Washington DC, Lehman Brothers Inc in New York and Frankfurt and as a non-executive director of various companies in Poland and the US. Christine became a non-executive director of Ford Financial Europe in September 2005 and is also a member of its Audit Committee.

5. Robert A Lee
Independent Non-Executive Director (aged 60)
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. Bob is a member of the Audit and Nomination sub-committees of the Board and is Chairman of the Remuneration sub-committee.

6. Colin D Smith
Senior Independent Non-Executive Director (aged 60)
Colin Smith has been a non-executive director of McBride since April 2002. His previous experience includes spending 20 years at Safeway plc, the last six years as Chief Executive and, before that, Finance Director. Colin is also Chairman of Assured Food Standards Ltd, Poundland Holdings Ltd and Masstock Group Holdings Limited. Colin is McBride's Senior Independent Director, Chairman of the Audit Committee and a member of the Remuneration and Nomination sub-committees of the Board.

7. Henri Talerman
Non-Executive Director (aged 50)
Henri Talerman has been a non-executive director of McBride since 1993. He is a founding partner of WR Capital Partners, LLC, a private equity investment company engaged in buyouts and MBOs. Until October 2000, he was a Managing Director of Lehman Brothers Inc, managing Lehman's principal investments in Europe and the US. He is a member of several boards of directors of private companies and charitable organisations in the US and Canada.

Corporate social responsibility (CSR) report

Introduction

As a Group we believe in the importance of social responsibility in our business and the contribution it makes to our success. Our approach to the environment, product safety and health and safety in our operations, as well as how we treat our people, our customers, our suppliers, our local communities and other key stakeholders, is embedded in our company culture and values.

Focus on CSR supports our ultimate aim of long-term sustainable development of the business. Further details on our approach are set out in McBride's fourth Sustainability Report, available from the Group's website at www.mcbride.co.uk, which includes detailed information on the activities, data, objectives, compliance status and achievements during the year.

CSR principles

There are a number of core principles in McBride's CSR policy framework. 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. In many areas our standards exceed minimum compliance requirements. McBride utilises standard and consistent procedures, policies and approaches to CSR across the Group, reflecting where necessary local operating and legislative requirements. We have senior management representation on various trade association bodies and we adhere to industry association guidelines. Our corporate social responsibilities apply to every director, manager and employee in all our businesses across our global operations.

The principles governing our activities extend to our supply chain. For example, suppliers are selected not only on the basis of specification, quality, service and economic factors but also 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 activities

The Board has overall responsibility for maintaining and enhancing the Group's CSR policies. The Group Chief Executive is accountable for ensuring that the Group operates in accordance with these policies. The Group monitors the performance of its three divisions through appropriate robust performance management systems and key performance indicators that enhance our ability to monitor and improve performance with health, safety and environment managers present at all sites. Detailed reports are prepared by the three divisions and submitted to the Group's executive directors who report any issues of major significance to the Board. In addition, the Group has a strong focus on achieving exacting relevant external accreditation for its operations.

Ethical conduct

We expect employees to operate to high ethical standards in all their business dealings and ethical policies and guidelines are in place to ensure that employees behave in an appropriate manner. 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 discrimination of any kind. We also comply with applicable national laws and industry standards on working hours. Procedures are in place to prevent unauthorised disclosure of confidential information on the Group to competitors and to prevent any attempt to improperly acquire trade secrets or any other confidential information from competitors. Regular opinion surveys are undertaken of all staff to measure and monitor employee satisfaction within the Company. The results of these surveys are used to improve communication, motivation and engagement across the business.

A whistleblowing procedure provides a vehicle for employees to air concerns about any non-compliance with our policies, procedures or processes or any suspected malpractice.

Environment

The Group is committed to making continuing progress in minimising the environmental impact of its operations. This is supported by comprehensive internal environmental management systems and the use of key performance indicators and achieving external environmental accreditation for its operations. Eight sites hold the ISO 14001 accreditation including the recently acquired Luxembourg site. The Group intends that all its manufacturing sites will achieve this accreditation.

A key environmental impact of the Group is wastewater from our manufacturing processes. None of our sites sends wastewater to the natural environment until it has been treated to make it compatible with its receiving environment. We continue to invest in our wastewater infrastructure including a new effluent treatment plant at our Polish factory. We also focus on improving water efficiency across the Group. Water efficiency is monitored based on tonnes of production per cubic metre of water exiting the business. This measure showed a 10% improvement in the year ended 30 June 2007 relative to the prior year and has improved by 57% over the last four years.

Energy consumption is influenced by changing product mix, operating efficiency and the carbon emissions of not just the Group's operations but also of its supply chain. Energy consumption is most significant in the production of the Group's products (particularly products such as laundry detergents) and the containers/bottles in which products are stored and sold. In relation to containers, the Group looks to minimise where possible supplies of containers from third parties by investing in its own bottle blowing facilities. This brings the benefits of lower costs, greater operating flexibility and elimination of energy consumption in transporting containers to production sites. The Group's own energy use does rise as a consequence of in-house production although in reality this is merely a shift of energy consumption from a third party.

Despite increased production volumes, total Group energy consumption fell 1% in the year ended 30 June 2007 and improved by 6% in terms of gigajoules of energy consumed per tonne of production. The Group is implementing systems that will enable separate capture of energy consumption data for its core production and bottle blowing facilities to enable accurate like-for-like comparisons of energy consumption. Over the last four years, the Group's total energy consumption per tonne of production has fallen 14%. Initiatives such as increasing employee awareness of the need for energy efficiency, improvements in plant maintenance and investment in more efficient compressors have contributed to the improved energy efficiency.

Across the Group, the total amount of waste generated declined by 8% in the year ended 30 June 2007 and has declined by 19% in the last four years. The amount of waste per tonne of production reduced to 0.8% (2006: 0.9%).

Group key performance indicator
Waste efficiency

0.8%
2006: 0.9%

Product safety

McBride is committed to understanding safety issues related to its products and ensuring that they are suitable and safe for their intended use. 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 initiatives on product safety by industry associations such as AISE (The International Association for Soaps, Detergents and Maintenance Products). In 2005, McBride was the second company to join AISE's Charter on Sustainable Development.

Human safety and environmental assessments for household and personal care products are carried out 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. All products are assessed before launch for human health and environmental impact.

Recent product safety activities have included ensuring compliance with the Detergent Regulations that came into force in 2005 and assessing potential labelling changes arising from the amended Dangerous Preparations Directive which came into force in March 2007. We are also involved in assessing the implications of the Global Harmonised System of Classification and Labelling which is currently going through the legislative process. During the year there was no non-compliance with regulations related to customer health and safety and no fines or penalties were incurred.

Animal testing

None of our products are tested on animals. 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 and we maintain contact with our suppliers to ensure that our values on this subject are shared.

Health and safety

McBride strives to maintain a safe workplace in all its operations. We continue to ensure that our business activities are undertaken in a responsible manner and in accordance with statutory legislation and that all employees participate in developing, promoting and maintaining a safe 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 using key performance indicators, external auditing and achieving exacting external health and safety accreditation. Training is provided to ensure compliance with McBride's standards.

All 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 for each site. Four sites hold the OHSAS 18001 occupational health and safety accreditation.

All accidents and major incidents are reported internally and fully investigated to determine appropriate corrective and preventative measures. Where necessary, accidents are reported to official authorities. Incidents that result in more than three days lost time are monitored. In the year ended 30 June 2007, there were 162 such incidents across the Group, an increase of almost one-third over last year. In Europe the increase was lower with 2 sites having fewer accidents and other sites having more accidents but of a less serious nature. In the UK, integration of acquisitions, introduction of new machinery and increased production created extra pressure on space and people. All sites continue to focus on accident reporting, investigation, remedial action as well as proactive safety management.

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.

The Group is involved in a wide range of local community activities including factory visits; providing careers advice for students and school children; providing mentoring support to assist ethnic minority students into employment; providing work experience placements; supporting local charities; and promoting the UK government's 'Skills for Life' strategy that aims to provide literacy, language and numeracy skills to enable employees to function effectively at work and in society.

Corporate governance report

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 Combined Code on Corporate Governance ('The Code'), as issued in July 2003 and further revised in June 2006. We have continued to assess our level of compliance with The Code and disclosures in this year's report describe how the principles are applied. Throughout the year under review, the Board considers that the Company has complied with the governance rules and best practice provisions applying to UK listed companies as contained in Section 1 of The Code.

Composition and independence of the Board
At the end of the year to 30 June 2007, the Board comprised seven directors. There were two executive directors, the Chairman and four non-executive directors. Following Lord Sheppard's announcement last year that he wished to retire, Iain Napier was appointed non-executive Chairman of the Board with effect from 1 July 2007.

The directors' biographies appear on pages 26 to 27 and illustrate the range of experience which ensures an effective Board to lead and control the Group. The executive and non-executive directors have a complementary range of financial, operational and entrepreneurial experience which ensures that no single director is dominant in the decision making process.

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 high level of non-executive representation provides for healthy independent challenge to the executive directors and senior management.

We consider that all the Board's non-executive directors continue to be independent of management in both character and judgement; none of the non-executive directors have any relationships or circumstances which could affect their judgement. Between them, the non-executive directors bring individual contribution to the deliberations of the Board. They have been appointed 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.

The Board recognises and understands investor concerns over longer serving non-executive directors and has specifically considered this matter during the year. Although Henri Talerman has served on the Board since 1993, the Board remains satisfied that he continues to operate in an independent manner, that his performance continues to be effective and that he continues to demonstrate the necessary commitment to his role. Henri has received no form of performance-related pay or share options and he does not have any relationships which could adversely affect his independence. Furthermore, his considerable experience and particular areas of knowledge and expertise in the investor market inform his contributions and continue to add value to the deliberations of the Board. Henri is not a member of any of the Board committees where independence is recommended by The Code.

The role of Senior Independent Non-Executive Director continues to be held by Colin Smith.

In line with The Code, the Company's Articles of Association require all directors to submit themselves for re-election at every third annual general meeting. However, all the non-executive directors and the Chairman have agreed to submit themselves for annual re-election to allow shareholders to have a regular opportunity to reassess the composition of the Board. This also recognises the provisions of The Code in seeking annual re-election of any non-executive directors who have served more than nine years on the Board. The Board is satisfied that all the non-executive directors standing for re-election continue to perform effectively and to demonstrate commitment to their role, 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.

Christine Bogdanowicz-Bindert, Bob Lee, Colin Smith and Henri Talerman shall therefore retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Iain Napier, being subject to election at the first opportunity following his appointment by the directors will also stand for election at this year's Annual General Meeting. The executive directors have agreed to stand for re-election on a bi-annual basis and Miles Roberts, being subject to rotation in accordance with the Company's Articles of Association, will also seek re-election.

Operation of the Board
The Board schedules at least six meetings a year at about 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 the Group, detailed consideration of progress against strategic growth opportunities, and monitoring and approval of major projects including the acquisition of several businesses in the UK, Italy, Poland and Luxembourg. The Board also reviewed and approved annual and medium-term plans, received feedback from presentations to institutional shareholders, approved major capital expenditure investments, approved the full year and interim results statements, reviewed relevant governance matters, approved relevant changes to the capital structure of the Group's subsidiaries and considered relevant health, safety and environmental, Human Resource and succession planning matters.

Attendance at meetings of the Board and at meetings of sub-committees is set out in the table on page 33. Several non-executive director meetings have been held during the year without the executive directors present. The senior independent director and the non-executive directors have also met without the presence of the Chairman to consider the appointment of Lord Sheppard's successor.

There is a clear division of responsibilities between the non-executive Chairman and the Chief Executive. The Chairman, supported by the Secretariat, leads the Board through governance matters, ensures that the meetings of the Board and with shareholders are properly conducted and is responsible for setting the Board agenda. The Chief Executive has day-to-day responsibility for all business of the Group and carries out the agreed strategy and policies of the Board. 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 the Company's operations.

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 non-executive Chairman and supported by the Chief Executive. All directors communicate with each other on a regular basis and contact with senior management within the Company is encouraged. In this regard, senior executives are frequently invited to attend Board meetings to make presentations on specific matters and this serves to facilitate a clearer understanding of business issues. Board papers are prepared and issued prior to each Board meeting to enable directors to give due consideration to all matters in advance of the meeting. Directors are able to take independent professional advice if necessary at the Company's expense.

The Board has a schedule of matters reserved for its consideration. The reserved matters include determination of the overall strategy of the Group, the approval of the annual report and accounts and other financial statements, authorisation of major capital expenditure and acquisitions, ensuring that there are proper internal controls, the approval of banking and other financial arrangements, and the monitoring of operational and trading performance as well as health, safety and environmental matters and risk management procedures.

All directors are entitled to undertake training relevant to their duties. During the year, Miles Roberts continued to receive specialist training in the area of organisational development and Bob Beveridge has attended continuing professional development seminars. 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. The new Chairman is receiving a formal induction programme which includes site visits and operational presentations by senior executives. Ongoing training is provided in the form of regular briefing papers which are submitted to Board members on regulatory/legislative developments on topics of specific relevance to them.

Board performance evaluation

Last year the Board introduced a formal board evaluation process to assess the overall performance of the Board and the contribution made by individual directors. The exercise was devised internally. It was undertaken in an open manner with responses from Board members to detailed questionnaires being analysed and the output summarised for the Board. An analysis of the output and the resulting discussion concluded that the functioning of the Board is largely satisfactory with an open and constructive discussion of issues. The evaluation found that the wide range of skills and experience of the existing directors provides a sound base for the operation of an effective board and that each director makes an effective contribution to the workings of the Board. The output from the exercise was also taken into account when considering whether to put forward each director for re-election at the Annual General Meeting. We are of the view that the Board is best placed to carry out such evaluations without the need to employ the services of an outside agency as this is an appropriate and cost effective procedure. An action plan has subsequently been developed to further improve Board performance with focus on the key themes which emerged from the last evaluation exercise. These included the need to ensure that the Board maintains appropriate focus on the corporate strategy balanced against continuing to monitor progress on the existing business; developing the interface with senior executives within the Company; and further developing succession planning across the Group.

Corporate governance report continued

Operational management of the Group

The management of the Group's business activities is delegated to the Chief Executive. Local operational, commercial, supply chain, finance, development and technical issues are delegated to senior executive management on a structured basis and the Chief Executive is responsible for establishing objectives and monitoring executive actions and performance. Employee and social and community responsibilities are delegated to the Human Resources Director who reports directly to the Chief Executive who in turn holds ultimate responsibility. The Chief Executive is also ultimately responsible for customer service and quality matters although day-to-day management of such matters is delegated to the Managing Directors of the divisions. The relationship between the Board and the Chief Executive is governed by the non-executive directors, particularly through the work of the Board committees.

There are three principal operating divisions, UK, Western Continental Europe and Eastern Continental Europe, each of which is headed by a managing director who is responsible for the operational management of the division. The Chief Executive and Finance Director each 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.

The Chief Executive chairs a monthly meeting of the Group Management Team whose role is to assist with the development and implementation of Group strategy, to consider commercial, financial and operational matters across the Group and to ensure transfer and sharing of knowledge and best practice. This team meets on a monthly basis and is chaired by the Chief Executive. The other members of the team are the Finance Director, the Managing Directors of the UK and Western Continental Europe divisions, the Strategic Development Director, the Director of Purchasing and the Human Resources Director. Other members of the senior management teams are invited to attend as may be deemed appropriate.

Sub-committees of the Board have been established with Charters which detail their composition, activities and duties. They also define the extent of the authority delegated to each sub-committee. The Charters, including the composition of the sub-committees, are frequently reviewed and updated as necessary to ensure ongoing compliance with the provisions of The Code and other guidelines. Copies of the terms of reference, activities, roles and responsibilities of the Board committees are available from the Group's website at www.mcbride.co.uk.

These sub-committees are properly authorised under the constitution of the Company to take decisions and act on behalf of the Board within the guidelines and delegations laid down by the Board. The Board is kept fully informed of the work of these committees with reports being tabled from time to time by the relevant sub-committee chairmen.

Audit Committee

The Audit Committee comprises the three independent non-executive directors and is chaired by Colin Smith who has relevant financial experience and up to date knowledge of financial matters. In line with The Code, the Committee monitors the integrity of the financial statements of the Company, reviews accounting policies and disclosure practices and reviews the internal control and risk management systems. It also reviews the cost effectiveness, independence, objectivity and effectiveness of the audit process and makes recommendations to the Board in relation to the appointment and remuneration of the external auditor. Committee members normally serve for a period of not less than three years and a quorum of the Committee is two members. There are a minimum of three meetings per annum.

The report of the Audit Committee is set out on pages 35 to 36.

Remuneration Committee

The Remuneration Committee comprises the three independent non-executive directors and is chaired by Bob Lee. It 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. It also reviews the Company's management development plans. The Chief Executive is invited to attend the Committee meetings on all matters except those relating to his own remuneration. The composition of the Committee reflects the provisions of The Code. The Committee does not formally retain remuneration consultants but takes professional advice from external advisers as and when required.

The Committee meets at the request of any member but is required to meet at least once in each financial year and a quorum is three members. The members of the Committee have no personal financial interest, other than as shareholders, in the Committee's decisions. They have no conflicts of interest arising from cross directorships with the executive directors nor from being involved in the day-to-day business of the Group.

The report of the Remuneration Committee is set out on pages 42 to 47.

Nomination Committee

The Nomination Committee is chaired by the Chairman of the Board and in addition comprises the other non-executive directors. Subsequent to the year end, the Chief Executive has been appointed a member of the Committee. It is responsible for reviewing the structure, size and composition of the Board as well as considering and recommending the nomination of candidates for appointment as executive or non-executive directors to the Board. Members of the Committee are not involved in matters affecting their own positions.

The Committee meets as appropriate and a quorum is three members, at least two of whom shall be independent non-executive directors.

The report of the Nomination Committee is set out on page 37.

Attendance at meetings

Attendance of individual directors at full Board meetings, meetings of the Audit, Remuneration and Nomination Committees and the Annual General Meeting during the year ended 30 June 2007 is given in the table below:

	Board	Audit	Remuneration	Nomination	AGM
Number of meetings held:	7	3	3	3	1
Number attended:					
Lord Sheppard	7	n/a	n/a	3	1
Mr M W Roberts	7	n/a	n/a	n/a	1
Mr R J Beveridge	7	n/a	n/a	n/a	1
Mrs C A Bogdanowicz-Bindert	7	3	3	3	1
Mr R A Lee	7	3	3	3	1
Mr C D Smith	7	3	3	3	1
Mr H Talerman	7	n/a	n/a	3	1

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

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

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. The Board is kept informed of investors' views through distribution and regular discussion of analysts' and brokers' briefings.

The Chairman and the Senior Independent Non-Executive 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. Following his appointment, the opportunity will be afforded in due course for the new Chairman to meet with major shareholders. Where applicable, non-executive directors proactively seek the views of major shareholders on certain issues.

All members of the Board are present at the Annual General Meeting to respond face-to-face to queries posed by individual shareholders or their representatives. The Chairman also provides an update on current trading conditions. At each Annual General Meeting 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 Company's website.

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 institutional/representative bodies.

Internal control and risk management

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

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. It is designed to manage rather than eliminate the risk of failure to achieve the business objectives and to provide reasonable, but not absolute, assurance that assets are safeguarded against unauthorised use or material loss and that transactions are properly authorised and recorded. The processes in place also assist the Board in identifying whether the Group has any significant failings or weaknesses in its internal control system.

The executive directors are responsible for implementing the risk management strategy and for ensuring its effective operation. Accountability for managing operational risks is delegated to the divisional management teams who review and assess risk management matters as part of their business processes and risk controls and actions are regularly adjusted in response to the changing market environment. Emergency response plans, crisis management plans and operational disaster recovery plans are in place with the objective of minimising the adverse consequences of a serious incident and to ensure that any control failures are suitably escalated to senior management and the Board as necessary. Such procedures are updated regularly and are made available to all senior managers. Progress is overseen by the Audit Committee with an annualised consolidated review of the risk profile of the Group being undertaken to identify any major risk exposure and to consider any appropriate mitigating actions. A whistle-blowing policy is in place for individuals to report suspected breaches of law or regulations or other improprieties.

Corporate governance report continued

The Group's internal control and risk management activities are managed through business risk reviews completed every six months and a supporting detailed set of internal control procedures.

Business risk review
Every six months the divisions undertake a self-audit programme to review their business risks, 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 in terms of their potential impact on the business, and mitigating controls and actions are reviewed by the Audit Committee at least twice a year.

Internal control procedures
Management responsibility and accountability. The Group has clearly defined management responsibility and reporting lines. The Chief Executive and Finance Director meet regularly with divisional management to review progress on financial, commercial, operational, supply chain, human resources, health, safety and environment issues as well as regulatory and legal compliance matters.

Corporate planning. The Group produces a Corporate Plan each year which 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 at a divisional and Group level.

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

Key performance indicator (KPI) benchmarking. A comprehensive set of commercial, operational, financial and people KPIs are reported across the Group. 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 – they were recently updated for the year ending 30 June 2008 in line with the Corporate Plan.

Expenditure approval. Authorisation and control procedures are in place for expenditure on capital projects and a process also exists to review capital expenditure post investment 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 subjects including human resources matters, expenditure, treasury and financial reporting. The Group Finance Manual defines accounting policies and controls to be followed by all Group companies, including reporting responsibilities, approval procedures and a detailed Internal Control Questionnaire which is completed and signed by divisional finance directors each year to confirm compliance.

Internal Audit. An internal audit capability has been established to assess and improve the effectiveness of the risk management, control and governance processes of the Group.

Insurance inspections. Insurance inspections are carried out at all sites and a report is produced for each site outlining risk improvement recommendations.

Cash. The cash position is monitored daily across the Group and variances from expected levels are investigated thoroughly. Working capital balances are analysed in detail and in all cases significant variances against expectations are analysed thoroughly.

Audit Committee. The Audit Committee regularly reviews internal reports and reports from the external auditors. The Committee feeds back the results of its deliberations to the Board taking account of any changes in the nature and extent of any significant risks together with the Group's ability to respond to such changes and after having considered the scope and quality of the ongoing monitoring of risks and the systems of internal control.

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

Board. The Board considers any high level risks at Group level and delegates specific responsibility to members of the Group Management Team to consider and reassess the effectiveness of the existing controls and to identify whether any new actions are necessary to strengthen existing control systems. This exercise also considers whether any new risks have arisen as a result of any control failings or weaknesses and the extent to which any unforeseen outcome may lead to a material impact on the Group's financial performance or condition. The Board also considers the effectiveness of the Company's public reporting processes.

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. 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, that the controls and procedures are adequate and appropriate and that most of the remedial actions have only moderate resource and cost implications.

Audit Committee report

Report of the Audit Committee

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 and internal control, 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 other independent non-executive directors, Bob Lee and Christine Bogdanowicz-Bindert. The Board is satisfied that the Committee members are sufficiently competent in financial matters. Mr Smith is a Fellow of the Institute of Chartered Accountants and has relevant financial experience and up to date knowledge of financial matters.

The Committee's terms of reference were reviewed during the year and some minor amendments were made in line with the latest Turnbull Guidance to ensure that the Committee report to the Board in sufficient detail and with sufficient regularity as to enable the Board to fulfil its duties in the exercise of an appropriate standard of care when reviewing the effectiveness of the Company's internal controls. The Committee's Charter is available on the Group's website at www.mcbride.co.uk.

The Committee met three times during the financial year ended 30 June 2007 in September 2006, February 2007 and May 2007. Subsequent to the year-end, a further meeting took place to consider the outcome of the annual audit for the year ended 30 June 2007. Attendance at meetings by individual members of the Committee is shown in the table on page 33.

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 and major taxation projects. 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 and considered any new or proposed changes in accounting policies or regulatory requirements.

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 evaluated the performance of the external auditors during the year. A proposal on whether to tender the audit firm work was considered during the year and the Committee concluded that, given the performance of the incumbent auditors combined with the general risks associated with changing the audit firm, it would be in the Company's best interests to continue with KPMG and review periodically as required.

The Committee monitored the external audit firm's compliance with applicable ethical guidance and, in addition, considered the independence and the objectivity of the external auditors taking due account of all appropriate guidelines. This included a specific review of the audit firm's own policies, procedures and standards which are in place to assure the Company of its independence, and the fees paid to the auditors and other service providers, for non-audit services were analysed.

The Committee considered and approved the external auditor's fees for the year ended 30 June 2007.

Independent meetings were held between the Sub-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 2008.

Internal audit

As a result of an assessment of the need for an internal audit function, an internal capability has now been established. The initial priorities have been approved by the Audit Committee and a longer term strategy will be developed. In the meantime, the Committee is satisfied that the internal processes and controls currently in place are adequate.

Audit Committee report continued

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 any 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. In future, the internal audit function remit will be extended to include auditing of the business risk review output from the divisions. The Committee has reviewed progress during the year and has concluded that the self-assessment programme has been effective with regular reviews of any risk areas taking place and with reports being tabled on any changes, controls and mitigating actions. More information is reported on pages 33 to 34.

Policies

The Committee reviewed the Company's corporate policies on social and ethical matters, whistleblowing and the provision of non-audit services. It concluded that appropriate key policies appear to be in place to ensure that such reasonable steps have been taken to prevent fraud and to allow any improprieties to be reported. By way of further assurance, an exercise has been initiated to test the measures already in place. Reports on the Group's treasury policy, banking facilities and on IT system developments were reviewed by the Board as a whole.

Non-audit fees

During the year, £0.5 million was payable to KPMG Audit Plc in respect of audit services for the Group. In addition, £0.2 million was payable to the Group's 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 mostly tax and transaction related work. More details of the total non-audit fees paid to the Group's auditors during the year are set out in note 7 to the consolidated financial statements on page 60. 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 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 which is awarded on the basis of service and cost. Work was awarded during the year to three other external advisers for work on financial due diligence work relating to acquisitions and tax. A total of £0.6 million was incurred in relation to these services provided by other advisers.

Nomination Committee report

The role of the Nomination Committee is to assist the Board in reviewing the structure, size and composition of the Board and its sub committees, to identify and nominate candidates to fill Board vacancies, to formulate succession plans for executive and non-executive directors, and to recommend the election or re-election of directors to the Board.

The Committee's terms of reference were reviewed during the year. It was concluded that the Charter complies with all relevant guidelines and operates satisfactorily. However, minor changes were made to reflect the latest UK legislation relating to age discrimination with the removal of any reference to the maximum age of directors. The composition of the Committee has been revised subsequent to the year end to allow the Chief Executive to become a member of the Committee. 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 now comprise all the non-executive directors, Christine Bogdanowicz-Bindert, Bob Lee, Colin Smith and Henri Talerman and the Chief Executive, Miles Roberts. Three meetings of the Committee were held during the year in July 2006, October 2006 and May 2007. These meetings were convened for the purposes of assessing the contributions of the individual directors; to consider their re-election to the Board as appropriate; to review the composition of the sub-committees of the Board and to consider the appointment of a new Chairman to the Board.

Following the announcement of Lord Sheppard's intention to retire from the Board, the Committee put in place an appropriate process to consider his succession. This included the drawing up of a job description and identification of the attributes required together with an assessment of the anticipated time commitment involved. External advisers (Egon Zehnder) were appointed as consultants to identify potential candidates and to advise on the appropriate remuneration. The leading of the process was delegated to a sub-committee comprising Colin Smith as the Senior Independent Non-Executive director, Henri Talerman as the longest serving non-executive director and the Chief Executive. Full and regular contact and consultation was maintained with the other members of the Committee. Following the identification of a candidate of the appropriate calibre with the necessary skills, knowledge and experience to support the strategic and commercial objectives to grow the Group, a meeting of the Committee was convened for the purposes of recommending to the Board the appointment of Mr Iain Napier as the new non-executive Chairman of the Board with an effective commencement date of 1 July 2007. Responsibility for the drawing up of an appropriate Letter of Appointment setting out the terms and conditions, expectations and responsibilities of the role was delegated to the Senior Independent Non-Executive director and the Chief Executive.

A further meeting has been held subsequent to the year-end, the principal activities of which included:

> Assessment of the contributions made by the individual directors prior to recommending their re-election to the Board;
> Consideration of the re-election of the non-executive directors to the Board;
> Consideration of the re-election of the Chief Executive to the Board;
> Consideration of the continuation of Colin Smith in the role of Senior Independent Non-Executive Director;
> Consideration of the independence of Henri Talerman prior to recommending his re-election to the Board; and
> Reviews of the composition of the Remuneration, Audit and Nomination Sub-Committees of the Board.

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

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 234ZZB of the Companies Act 1985. The Group has complied with this requirement in the Business Review, which is presented on pages 6 to 25. 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.

Group results and dividends
The results for the year are set out in the consolidated income statement on page 49 and a discussion of the Group's financial performance and progress are set out in the Business Review on pages 6 to 25. A summary of the results for the year, together with financial key performance indicators discussed on pages 20 to 21, is set out below.

Figures in £m unless otherwise stated	**2007**	2006
Revenue	**592.0**	540.1
Organic revenue growth(1) (2)	**+2%**	-1%
Operating profit	**31.9**	27.2
Adjusted operating profit(3)	**34.5**	31.2
Basic earnings per share	**11.9p**	10.3p
Adjusted basic earnings per share(1) (3)	**13.0p**	11.8p
Dividend per share	**5.6p**	5.1p
Return on capital employed(1) (2) (3)	**22.1%**	24.3%

(1) Indicates Group key performance indicator.
(2) The calculation of organic revenue growth and return on capital employed is explained on page 10.
(3) Before amortisation of intangible assets and exceptional items.

The directors recommend that a final dividend of 3.9 pence (2006: 3.5p) per ordinary share be paid on 30 November 2007 to shareholders on the register at the close of business on 26 October 2007. Combined with the interim dividend already paid, total dividends for the year are 5.6 pence (2006: 5.1p) per ordinary share, an increase of 10%. Further details of dividends are shown in note 10 to the consolidated financial statements on page 62.

Directors
The directors who held office during the year were:

Lord Sheppard	Non-executive Chairman
Mr M W Roberts	Chief Executive
Mr R J Beveridge	Group Finance Director
Mrs C A Bogdanowicz-Bindert	Independent non-executive director
Mr R A Lee	Independent non-executive director
Mr C D Smith	Senior independent non-executive director
Mr H Talerman	Non-executive director

Biographical details of the directors holding office at the date of this report appear on pages 26 to 27.

Information on directors' remuneration and service contracts is given in the Remuneration Report on pages 42 to 47.

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, options and conditional share awards) at 1 July 2006 and 30 June 2007 were:

	At 1 July 2006		
Director	Shares	Options(1)	Conditional share awards(2)
Lord Sheppard	2,100,000	–	–
Mr M W Roberts	2,000	509,615	152,769
Mr R J Beveridge	–	–	–
Mrs C A Bogdanowicz-Bindert	10,000	–	–
Mr R A Lee	5,000	–	–
Mr C D Smith	100,000	–	–
Mr H Talerman	2,500	–	–

	At 30 June 2007		
Director	**Shares**	**Options(1)**	**Conditional share awards(2)**
Lord Sheppard	**2,100,000**	**–**	**–**
Mr M W Roberts	**2,000**	**509,615**	**309,019**
Mr R J Beveridge(3)	**25,000**	**–**	**65,476**
Mrs C A Bogdanowicz-Bindert(3)	**20,000**	**–**	**–**
Mr R A Lee	**5,000**	**–**	**–**
Mr C D Smith	**100,000**	**–**	**–**
Mr H Talerman	**2,500**	**–**	**–**

(1) The options include those held under the 1995 International Executive Share Option Scheme (Unapproved) and the 2002 Unapproved Discretionary Share Option Scheme.
(2) The conditional share awards are awards made under the McBride Long-Term Incentive Plan.
(3) During the year Bob Beveridge acquired 25,000 ordinary shares in the Company and Christine Bogdanowicz-Bindert acquired 10,000 shares.

On 6 July 2007, Iain Napier purchased 4,807 ordinary shares in the Company. There have been no other changes in the directors' interests in the shares of the Company from those detailed above between 30 June 2007 and 5 September 2007. 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 42 to 47.

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 30.

Transactions with directors
Except for service contracts there were no contracts of significance with the Company, or any subsidiary undertaking, subsisting during or at the end of the periods in which any director is or was materially interested.

Indemnification of directors

In accordance with its Articles of Association, 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 purchased and maintained a directors' and officers' liability insurance policy throughout the period.

Neither the Company's indemnity nor insurance provides cover in the event that the director is proved to have acted fraudulently or dishonestly. No claims have been made either during the year nor by the time of approval of this Directors' Report.

Employment policies/employees

Involvement of employees

We recognise our employees as a valuable asset and we focus on helping employees to achieve their full career potential through the provision of training and development opportunities. Our appraisal system is extended to all employees and helps to ensure that individuals' needs are continually assessed. 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, listening groups, information bulletins and Company newsletters. Members of the senior management teams continue to visit the sites regularly and, from time to time, participate in 'Back to the Floor' initiatives and attend 'Q&A' sessions at our management development programmes. 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 are encouraged to become shareholders through participation in the McBride Savings-Related Share Option Scheme. Some employees participate in performance-related bonus schemes and some senior management are eligible to participate in share-based option schemes and the LTIP scheme. Local incentive schemes relating to site performance are available to all site based employees.

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

Employment of disabled persons

We aim to provide a 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 an updated policy on Equal Opportunities and Diversity was published during the year. We place great emphasis on establishing and maintaining a safe working environment for our employees and 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. 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 is provided and every effort is taken to ensure that compulsory redundancies are minimised.

Charitable and political donations

The Group made donations to charities of £20,000 (2006: £30,000) during the year. It is the Group's policy not to make political donations and, accordingly, there were no payments to political organisations during the year (2006: £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 28 to 29 and in the separate 2007 Sustainability Report available from the Group's website at www.mcbride.co.uk.

Research and development

The Group recognises the importance of investing in research and development which brings new product development support for its customers.

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 2007, the amount the Group owed its suppliers represented 85 days' purchases (2006: 88 days). The Company is a holding company and therefore does not have any trade creditors.

Statutory information continued

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 pages 21 to 22 and in note 21 to the consolidated financial statements on pages 68 to 71.

Share capital

Details of the Company's share capital are shown in note 22 to the consolidated financial statements on page 71. The authorised share capital of the Company is £50,000,000 divided into 500,000,000 ordinary shares of 10 pence each. The ordinary shares 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 Companies Act 2006 (formerly section 212 of the Companies Act 1985) 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.

Share repurchases

At the 2006 Annual General Meeting, shareholder approval was granted to allow the Company to repurchase up to 17,660,000 ordinary shares. No shares were repurchased during the last financial year. The existing authority will expire on the date of the 2007 Annual General Meeting 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 employee share schemes.

At the beginning of the financial year, the Company held 1,022,852 ordinary shares as Treasury Shares. During the year, 465,278 and 555,555 shares were transferred out of Treasury into the McBride 2002 Unapproved Discretionary Share Option Scheme and McBride 1995 International Executive Share Option Scheme. At the end of the year, 2,019 shares remained held in Treasury.

Substantial shareholdings

On 5 September 2007 (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 Asset Management	30,872,842	17.1
Allianz Lebensversicherungs AG	16,734,845	9.3
Aberdeen Asset Management	10,329,242	5.7
Barclays Global Investors	9,689,530	5.4
Aberforth Investment Managers	8,254,498	4.6
Legal & General Investment Management	7,725,745	4.3
Scottish Widows Investment Partnership	7,339,652	4.1
Goldman Sachs Asset Management	7,275,206	4.0

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 Company's 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 Annual General Meeting following their appointment. Specific rules regarding the re-election of directors are referred to in the Corporate Governance report.

The Board of Directors may exercise all the powers of the Company subject to the provisions of relevant statutes, the Company's Memorandum of Association and the Articles. The Articles, for instance, contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing and buying back of shares are also included in the Articles and such authorities are renewed by shareholders each year at the AGM. A copy of the Articles is available to view on the Company's website.

The Company is committed to ensuring that it keeps pace with changing legislation and regulation. Accordingly, the directors propose to recommend to shareholders at the Annual General Meeting that the current Articles be updated to reflect the provisions of the new Companies Act 2006 and other relevant guidelines.

Statement of directors' responsibilities

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 the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (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).

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

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 proper accounting records that 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 1985. 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 comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that, to the best of their knowledge and belief, the annual accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the Company's consolidated assets, liabilities, financial position and profit, and that the Business Review includes a fair view of the development and performance of the business and of the Company's position including a description of the principal risks and uncertainties that it faces.

Going concern

After making appropriate enquiries, including a review of budgets and available facilities, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, 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 (as defined in the Companies Act 1985) 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 2007 Annual General Meeting at Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB on 30 October 2007 at 10.30 am is set out in the separate document issued to shareholders with this report.

The annual report and accounts for the year ended 30 June 2007 can be obtained free of charge from the Company's registered office or is available from the Group's website at www.mcbride.co.uk.

Auditors

On the recommendation of the Audit Committee, resolutions are to be proposed at the Annual General Meeting for the reappointment of KPMG Audit Plc 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 2007 is fully disclosed in note 7 to the consolidated financial statements on page 60.

Signed on behalf of the Board

M W Roberts
Director
5 September 2007

Remuneration report

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 it complies with the requirements introduced by the Directors' Remuneration Report Regulations 2002. A resolution will be put to shareholders at the Company's Annual General Meeting inviting them to approve this report.

In accordance with Schedule 7A 'Directors' Remuneration Report' of the Companies Act 1985, those paragraphs that have been audited have been highlighted as such.

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 make recommendations to the Board on remuneration packages for the executive directors and the composition/split of the total compensation packages.

> To review and consider the remuneration packages and terms of employment for other senior executive management.

> To review the implementation and operation of the Company's share option schemes and long-term incentive plan (LTIP).

> 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 usually twice a year, to consider remuneration packages for directors and senior executives including reviews of basic salary, pension rights, bonus and share related awards. In the financial year ended 30 June 2007, the Committee met three times in July 2006, September 2006 and March 2007. Attendance by individual members of the Committee is disclosed in the table on page 33.

The Committee's terms of reference are reviewed regularly to ensure continuing compliance with evolving best practice guidelines. A review this year concluded that the terms comply with relevant guidelines and that the Committee operates satisfactorily. Minor amendments were made to reflect some operational points and to capture the latest guidelines set out in The Code and other relevant institutional recommendations.

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 deal with reviews of the executive directors' performance 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; and to deal with the allocation of LTIP awards.

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 and Iain Napier. A quorum of the Committee is three. Meetings may be attended by the Chief Executive on all matters except those relating to his own remuneration. Support is provided by the Human Resources director and independent advice is sought from external advisers as and when required.

Remuneration policy

Total remuneration potential is designed to be competitive in the relevant market, thereby enabling the Group to attract, retain and motivate high calibre executives whilst ensuring alignment of remuneration policy with strategy and shareholder interests. The policy for executives, including the executive directors, is based on the following core principles:

> Basic salary for all employees is targeted generally at around the median of the Company's comparator group; this can rise to between median and upper quartile for consistently strong or outstanding individual performance.

> For all executives this is combined with performance related variable elements to result in between median and upper quartile total remuneration against delivery of superior business results and returns to shareholders.

> A portfolio of incentives and rewards balance the achievement of short and long-term business objectives.

> The performance conditions for our LTIP are based equally on the measurable delivery of strong growth in total shareholder return and earnings per share and are widely understood by shareholders. The three year vesting term serves to incentivise loyalty and reward superior long-term performance.

> Annual bonuses for the executive directors may be earned up to a maximum of 75% of basic salary, dependent upon a combination of annual profit and specific, measurable, personal objectives based on achievement of a combination of both financial and non-financial goals.

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. For example, for the Chief Executive, market data for the CEO position in companies of comparable size, complexity and international spread in the UK FTSE 250 index is used. A similar approach is taken for other senior executives. Since introducing the LTIP in 2005, there has been no further review of the Company's share-based incentive schemes. However, the Group will continue to keep this under regular review to ensure the schemes' continued effectiveness and compliance with market guidelines and contribution to shareholder value.

The Committee is committed to keeping its policy under regular review, taking into account changes in the competitive environment and in remuneration practices. We also pay due regard to guidelines set by the key institutional shareholder bodies. Arrangements in relation to termination of service contracts have been specifically reviewed and there are no excessive severance arrangements or pension benefits in place for the executive directors. During the year the Committee engaged the services of the independent consultants, Towers Perrin, for support and advice on executive remuneration. Towers Perrin has no other connection with the Company.

Total remuneration

The performance of the executive directors and key members of senior management is reviewed on a regular basis and this is used as a precursor to evaluating their annual remuneration and to establish appropriate incentive schemes. The aim is to provide packages which take account of individual performance whilst remaining sensitive to pay and employment conditions elsewhere in the Group and externally. Current packages typically comprise a mix of performance and non-performance-related elements. Basic salary and benefits-in-kind are the elements of non-performance-related remuneration. This element is reviewed annually with levels set by reference to appropriate external market data. Variable remuneration consists of two fundamental elements: annual cash bonus and discretionary share based awards. These incentives are performance-related and represent a significant part of the executive directors' total potential remuneration. Cash bonuses represent a short-term performance-related element of remuneration with payments linked to annual business targets and by reference to data from comparable companies. Share based awards represent longer-term performance-related elements of remuneration. No new share options have been granted during the year. Awards under the LTIP have been made as disclosed on page 46. The remuneration of the Chairman and the non-executive directors is determined by the Board as a whole taking account of market rates based on independent advice as deemed necessary. Individual directors do not participate in the decisions concerning their own remuneration.

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 benchmarking against competitor company remuneration for similar positions. The Remuneration Committee consults with the Chief Executive and pays due regard to his recommendations for other senior executives. The Committee also has access to professional advice as may be deemed necessary from inside and outside the Company. Salaries are paid monthly in arrears by bank transfer.

Annual bonus

The Remuneration Committee aims to ensure that executive directors and senior executives are fairly rewarded for their contribution to the success of the Group. The bonus structure is actively reviewed on a regular basis with external independent advice. For the year ending 30 June 2008 there is therefore a significant bonus element for the executive directors of up to a maximum of 75% of basic salary. These bonus plans include an element of up to 15% of basic salary based on achievement of specific non-financial goals which are set by the Remuneration Committee and are linked to the strategic objectives of the Group. A further cash bonus of up to 35% of basic salary is linked to achievement of financial goals based on profit after tax targets. In addition, up to 25% of basic salary, subject to achievement of various financial targets, is payable in shares to be retained by the Company for three years and only payable if the executive director remains employed by the Company at the end of that period. Bonuses for other senior executives are linked to achievement of a combination of budgeted financial targets and other non-financial goals. No payments are made if these targets are not reached. All bonuses are non-pensionable. Payments of up to 33% of basic salary were made to the Group's executive directors and senior executives in respect of the year ended 30 June 2007.

Share options

Whilst the directors are not required to hold any qualification shares, the Remuneration Committee believes that share ownership by management serves to strengthen the link between their personal interests and those of shareholders. Acquisition of shares in the Company is therefore encouraged and details of directors' shareholdings are disclosed on page 46. Whilst the executive directors and senior executives are eligible to participate in the Company's share option schemes, no new grants of share options were made during the year ended 30 June 2007. Details of existing share options held by the executive directors are disclosed on page 46.

The Committee's policy has been for share option grants to be limited to twice annual basic salary but for the options not to be issued at a discount and not to be pensionable. No consideration is payable for the grant of an option and vesting of options is subject to the achievement of performance targets over a set performance period. All schemes have a ten-year life span and options are exercisable between three and ten years from the date of grant, subject to satisfaction of performance conditions. Performance criteria have been selected by the Remuneration Committee in accordance with contemporaneous market practice.

The share scheme rules incorporate provisions to allow the Company, at its discretion, to transfer its National Insurance Contributions liability to individual grantees. In the past, the directors chose to exercise this discretion in relation to the exercise of options granted to senior executives across the Group. In the interests of consistency, this policy will be continued for future exercises. Options for the executive directors are exercisable but these have not been exercised to date.

Long-Term Incentive Plan (LTIP)

Shareholders approved the LTIP at the 2005 AGM. 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.

Remuneration report continued

The LTIP operates over a rolling three year period. For awards up to and including those made during the year ended 30 June 2007, half of the shares covered by an award only vest for total shareholder return (TSR) above the median of the comparator group (the FTSE 250 Ex Investment Companies Index) rising on a straight line basis to full vesting on achievement of top decile TSR performance. The other half of the shares covered by an award vest on earnings per share (EPS) growth in excess of RPI plus three per cent. per annum rising on a straight line basis to full vesting at RPI plus five per cent. per annum. The EPS measure will be adjusted to recognise any share buybacks undertaken by the Company.

The Committee considers TSR and EPS to be key long-term measures of the Group's performance and believes that the overall objectives of the LTIP remain relevant to the Company's current circumstances and prospects. In line with its policy to keep the appropriateness of LTIP awards under regular review and having received further independent advice during the year, the Committee has decided to exercise its power to revise the performance conditions to be applied to future awards.

Awards will continue to be subject to achievement of performance criteria based on TSR and EPS with 50 per cent. of each award being based on each target. For the TSR element of an award, 50 per cent. of shares will vest at above median TSR performance, as measured against the comparator group, rising to maximum vesting at the upper quartile. The EPS vesting scale will be stretched so that initial vesting will still require EPS growth in excess of RPI plus three per cent. per annum but full vesting will only occur on achievement of EPS growth of at least RPI plus eight per cent. per annum. The Committee believes the revised conditions are more in line with current market practice whilst continuing to set appropriately demanding targets.

In the year under review, executive directors and senior executives were eligible to receive awards over shares having a market value of up to 100% of basic salary. Details of LTIP awards to the executive directors are disclosed on page 46. It is the Committee's 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 always subject to individual performance and at the discretion of the Committee. Awards for the year ending 30 June 2008 will be considered in due course. In the year ended 30 June 2007, £166,000 was charged to the income statement in respect of the LTIP.

Directors' service contracts

In line with the recommendations of The Code, it is the Committee's policy for directors' service contracts to stipulate a maximum notice period of 12 months. Both Miles Roberts' and Bob Beveridge's contracts stipulate 12 months' notice by both the Company and the director. The current service contracts of the executive directors were entered into on 13 July 2005 with Miles Roberts and 27 April 2006 with Bob Beveridge. All directors' contracts are available for inspection at the Annual General Meeting.

Executive directors

The 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 contracts contain restrictive covenants for periods of up to 6 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 Company allows the executive directors to hold non-executive positions outside the Company subject to Board approval. The Company's policy on retention and disclosure of earnings relating to such positions is set out on page 45.

The Committee recognises the provisions of The Code for compensation commitments to be stipulated in directors' service contracts with regard to early termination. Current practice is not to include liquidated damages clauses. Instead, the Committee places emphasis on mitigation and reserves its position to deal with such matters on a case by case basis acting fairly whilst at the same time taking a robust line. This practice will be kept under review.

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 into defined contribution pension schemes on behalf of Miles Roberts and Bob Beveridge at 35% and 20% of basic salary respectively. 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 and life assurance cover.

Non-executive directors and Chairman

The non-executive directors do not have service contracts but renewable letters of appointment. These were last issued on 1 July 2007 for the Chairman and in July 2004 for the non-executive directors. All the letters of appointment are terminable without payment or compensation on three months' notice. The intention is that the non-executive directors will normally be appointed for an initial period of up to six years. They may subsequently be invited to serve for further three year periods. Any appointment for more than nine years in total will, in any event, 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 Chairman and all the non-executive directors will be 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 Company's Articles of Association. 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. The non-executive directors receive a basic fee.

A supplementary fee is paid to Committee Chairmen and to the Senior Independent Non-Executive 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. Details of the non-executive directors' emoluments are shown in the table at the foot of this page and their shareholdings are disclosed on page 46.

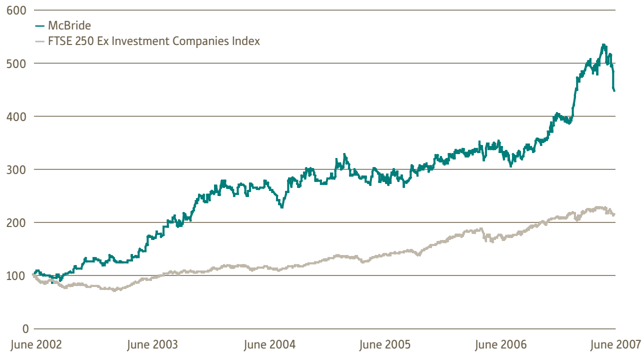
Set out below is information regarding the appointment, election and re-election of the Chairman and the non-executive directors.

Director	Date first appointed to board	Date of last appointment at AGM in	Election or re-election no later than AGM in	Latest letter of appointment
Mr I J G Napier	1 July 2007	n/a	2007	1 July 2007
Mrs C A Bogdanowicz-Bindert	1 September 2003	2006	2007	1 July 2004
Mr R A Lee	1 September 2003	2006	2007	1 July 2004
Mr C D Smith	4 April 2002	2006	2007	1 July 2004
Mr H Talerman	23 May 1993	2006	2007	1 July 2004

Performance graph

The graph on this page charts the total shareholder return (share value movement plus reinvested dividends) (TSR) over the 5 years to 30 June 2007 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 Long-Term Incentive Plan.

Total shareholder return of McBride shares relative to the FTSE 250 Ex Investment Companies Index between 30 June 2002 and 30 June 2007



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. Miles Roberts is a non-executive director of Care UK plc and is Chairman of its Audit Committee and a member of its Remuneration Committee. During the year, he retained earnings of £33,000 relating to this role.

Directors' emoluments and compensation (audited)

The fixed and performance-related elements of directors' remuneration for the year ended 30 June 2007 are set out below:

					Sub-total		Pension contributions		Total remuneration	
Director	Fees £000	Basic salary £000	Bonus £000	Benefits[1] £000	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Executive										
Mr M W Roberts	–	372	122	25	519	443	130	116	649	559
Mr R J Beveridge	–	220	39	11	270	32	39	5	309	37
Non-executive										
Lord Sheppard	108	–	–	–	108	108	–	–	108	108
Mrs C A Bogdanowicz-Bindert	27	–	–	–	27	27	–	–	27	27
Mr R A Lee	30	–	–	–	30	30	–	–	30	30
Mr C D Smith	30	–	–	–	30	30	–	–	30	30
Mr H Talerman	27	–	–	–	27	27	–	–	27	27
Total	222	592	161	36	1,011	697	169	121	1,180	818

(1) The benefits consist of the provision of a company car and fuel or equivalent, private healthcare insurance and life cover.

Remuneration report continued

Directors' interests (audited)

The beneficial interests of the directors (none of the directors held any non-beneficial interests during the year) in the ordinary shares of the Company at 1 July 2006 and 30 June 2007 are set out below:

Director	At 30 June 2007	At 1 July 2006
Lord Sheppard	**2,100,000**	2,100,000
Mr M W Roberts	**2,000**	2,000
Mr R J Beveridge	**25,000**	–
Mrs C A Bogdanowicz-Bindert	**20,000**	10,000
Mr R A Lee	**5,000**	5,000
Mr C D Smith	**100,000**	100,000
Mr H Talerman	**2,500**	2,500

Share options (audited)

Interests of directors in share options at 1 July 2006 and 30 June 2007 are set out below:

Director	Option type	Number of options at 1 July 2006	Granted in year	Exercised in year	Lapsed in year	Number of options at 30 June 2007(1)	Option exercise price (£)(2)	Earliest date of exercise(1)	Expiry date
Mr M W Roberts	ESOS(A)	273,504	–	–	–	273,504	0.585	24 Sept 2005	24 Sept 2012
	ESOS(B)	236,111	–	–	–	236,111	0.72	16 Dec 2005	16 Dec 2012

ESOS(A) = 1995 International Executive Share Option Scheme (Unapproved)
ESOS(B) = 2002 Unapproved Discretionary Share Option Scheme

(1) All the share options outstanding at 30 June 2007 were exercisable at that date as the earliest date of exercise had been reached and the relevant performance criteria (requiring growth in the Group's earnings per share to exceed the increase in RPI by up to 5 percentage points per annum over three financial years) had been achieved in full.
(2) Option exercise price is market value at the date of grant.

No consideration was paid for the grant of any option or award.

The market price of the Company's ordinary shares at 30 June 2007 was 219.25p and the range during the year ended 30 June 2007 was 153.75p to 261.50p.

Long-Term Incentive Plan (audited)

Interests of directors under the McBride plc 2005 Long-Term Incentive Plan at 1 July 2006 and 30 June 2007 are set out below:

Director	Date of award	Number of awards at 1 July 2006	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2007	Share price at date of award (£)	Vesting date
Mr M W Roberts	9 Dec 2005	152,769	–	–	–	152,769	1.5513	8 Dec 2008
	19 Oct 2006	–	156,250	–	–	156,250	1.6650	18 Oct 2009
Mr R J Beveridge	19 Oct 2006	–	65,476	–	–	65,476	1.6650	18 Oct 2009

The performance conditions attaching to existing awards under the plan are:

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. For TSR performance equal to or above the median of the comparator group, awards will vest on a rising scale from nil at median performance to full vesting only if the Company's TSR performance is in the upper decile of the comparator group.

This performance measure has been selected as it is operated in conjunction with the majority of LTIPs in the same sector and the Remuneration Committee wishes to encourage senior executives to focus on ensuring that the Company's return to shareholders is competitive compared to comparable companies.

50% of the award is subject to an earnings per share (EPS) performance condition. Awards subject to the EPS condition will lapse unless the Company's growth in EPS is at least 3 percentage points per annum above the increase in RPI, at which level half the awards subject to the EPS condition will vest. 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 5 percentage points per annum.

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 something which they can directly influence.

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-testing 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
Mr M W Roberts	130
Mr R J Beveridge	39

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 2007

Signed on behalf of the Board

R A Lee
Chairman of the Remuneration Committee

Independent Auditors' report to the members of McBride plc

We have audited the group and parent company financial statements (the 'financial statements') of McBride plc for the year ended 30 June 2007 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on pages 40 to 41.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report set out on pages 6 to 47 is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

> the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 30 June 2007 and of its profit for the year then ended;
> the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
> the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 June 2007;
> the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
> the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB
Registered Auditor
5 September 2007

Consolidated income statement
for the year ended 30 June 2007

	Note	Pre exceptional items 2007 £m	Exceptional items (note 3) 2007 £m	Post exceptional items 2007 £m	Pre exceptional items 2006 £m	Exceptional items (note 3) 2006 £m	Post exceptional items 2006 £m
Revenue	2	**592.0**	**–**	**592.0**	540.1	–	540.1
Cost of sales		**(393.0)**	**–**	**(393.0)**	(355.8)	–	(355.8)
Gross profit		**199.0**	**–**	**199.0**	184.3	–	184.3
Distribution costs		**(39.7)**	**–**	**(39.7)**	(35.2)	–	(35.2)
Administrative costs							
Before amortisation of intangible assets		**(124.8)**	**(2.1)**	**(126.9)**	(117.9)	(3.8)	(121.7)
Amortisation of intangible assets		**(0.5)**	**–**	**(0.5)**	(0.2)	–	(0.2)
Administrative costs including amortisation of intangible assets		**(125.3)**	**(2.1)**	**(127.4)**	(118.1)	(3.8)	(121.9)
Operating profit	2	**34.0**	**(2.1)**	**31.9**	31.0	(3.8)	27.2
Financial income		**4.8**	**–**	**4.8**	3.9	–	3.9
Financial expenses		**(7.2)**	**–**	**(7.2)**	(5.2)	–	(5.2)
Net financing costs	6	**(2.4)**	**–**	**(2.4)**	(1.3)	–	(1.3)
Profit before tax	7	**31.6**	**(2.1)**	**29.5**	29.7	(3.8)	25.9
Taxation	8	**(8.8)**	**0.6**	**(8.2)**	(8.7)	1.2	(7.5)
Profit for the year		**22.8**	**(1.5)**	**21.3**	21.0	(2.6)	18.4
Attributable to:							
Equity holders of the parent		**22.7**	**(1.5)**	**21.2**	20.8	(2.6)	18.2
Minority interest		**0.1**	**–**	**0.1**	0.2	–	0.2
Profit for the year		**22.8**	**(1.5)**	**21.3**	21.0	(2.6)	18.4

All activities relate to continuing operations

	Note			2007			2006
Earnings per ordinary share (pence)	9						
Basic				**11.9**			10.3
Diluted				**11.7**			10.1
Dividends	10						
Paid in year (£m)				**9.2**			8.7
Paid in year (pence per share)				**5.2**			4.9
Proposed (£m)				**6.9**			6.2
Proposed (pence per share)				**3.9**			3.5

Consolidated balance sheet
at 30 June 2007

	Note	2007 £m	2006 £m
Non-current assets			
Intangible assets	11, 12	**41.1**	15.4
Property, plant and equipment	13	**164.3**	130.6
Other non-current assets	14	**0.5**	0.5
Deferred tax	8	**2.6**	5.1
		208.5	151.6
Current assets			
Inventories	15	**59.7**	41.3
Trade and other receivables	16	**130.7**	106.6
Cash and cash equivalents	26	**6.6**	1.3
Assets classified as held for sale	13	**1.3**	–
		198.3	149.2
Total assets		**406.8**	300.8
Current liabilities			
Interest bearing loans and borrowings	20	**9.9**	5.2
Trade and other payables	17	**173.1**	141.7
Current tax payable	8	**1.9**	1.7
Provisions	18	**2.0**	1.3
		186.9	149.9
Non-current liabilities			
Interest bearing loans and borrowings	20	**77.6**	25.2
Pensions and other post-employment benefits	19	**8.9**	13.7
Provisions	18	**1.6**	1.0
Deferred tax	8	**11.5**	7.1
		99.6	47.0
Total liabilities		**286.5**	196.9
Net assets		**120.3**	103.9
Equity			
Issued share capital	22	**17.8**	17.7
Share premium account	24	**141.8**	141.8
Other reserves	24	**(0.2)**	(0.8)
Retained earnings	24	**(39.1)**	(55.2)
Total equity attributable to equity holders of the parent		**120.3**	103.5
Minority interest	24	**–**	0.4
Total equity and reserves	24	**120.3**	103.9

These financial statements were approved by the Board of Directors on 5 September 2007 and were signed on its behalf by:

M W Roberts
Director

Consolidated cash flow statement
for the year ended 30 June 2007

	Note	2007 £m	2006 £m
Profit before tax		**29.5**	25.9
Net financing costs		**2.4**	1.3
Pre-tax exceptional charge in the year		**2.1**	3.8
Share based payments		**0.2**	–
Profit on sale of property, plant and equipment		**(0.1)**	(0.3)
Depreciation		**17.2**	17.8
Amortisation of intangible assets		**0.5**	0.2
Operating cash flow before changes in working capital		**51.8**	48.7
(Increase)/decrease in receivables		**(3.8)**	2.1
(Increase)/decrease in inventories		**(7.1)**	1.5
Increase/(decrease) in payables		**8.6**	(6.4)
Cash flow in respect of exceptional items		**(1.7)**	(5.5)
Cash generated from operations		**47.8**	40.4
Interest paid		**(3.3)**	(2.4)
Taxation paid		**(6.3)**	(6.5)
Net cash from operating activities		**38.2**	31.5
Cash flows from investing activities			
Proceeds from sale of land and buildings		**0.1**	2.2
Acquisition of property, plant and equipment		**(19.8)**	(19.1)
Acquisition of intangible assets		**(0.2)**	(0.4)
Acquisition of businesses, net of cash acquired	4	**(57.8)**	(7.3)
Acquisition of minority interest	4	**(1.7)**	–
Interest received		**1.3**	0.3
Net cash used in investing activities		**(78.1)**	(24.3)
Cash flows from financing activities			
Proceeds from issue of share capital		**0.7**	0.6
Repurchase of own shares		**–**	(3.3)
Increase of borrowings		**49.3**	6.0
Payment of finance lease liabilities		**(0.7)**	(0.4)
Dividends paid		**(9.2)**	(8.7)
Net cash generated/(used) in financing activities		**40.1**	(5.8)
Net increase in cash and cash equivalents		**0.2**	1.4
Cash and cash equivalents at start of year		**(1.3)**	(2.7)
Effect of exchange rate fluctuations on cash held		**0.1**	–
Cash and cash equivalents at end of year		**(1.0)**	(1.3)
Reconciliation of cash and cash equivalents per the balance sheet and cash flow statement			
Cash and cash equivalents per the balance sheet		**6.6**	1.3
Overdrafts		**(7.6)**	(2.6)
Cash and cash equivalents per the cash flow statement	26	**(1.0)**	(1.3)

Reconciliation of net cash flow to movement in net debt

for the year ended 30 June 2007

	Note	2007 £m	2006 £m
Increase in cash and cash equivalents in the year		0.2	1.4
Cash inflow from movement in debt		(49.3)	(6.0)
Movement on finance leases		0.7	0.4
Change in net debt resulting from cash flows		(48.4)	(4.2)
Lease financing acquired with subsidiary		(1.2)	–
Loans acquired with subsidiaries		(2.9)	–
Translation differences		0.7	(0.5)
Movement in net debt in the year		(51.8)	(4.7)
Net debt at the beginning of the year		(29.1)	(24.4)
Net debt at the end of the year	26	(80.9)	(29.1)

Consolidated statement of recognised income and expense

for the year ended 30 June 2007

	2007 £m	2006 £m
Foreign exchange translation differences	(1.1)	0.7
Net gain/(loss) on hedge of net investment in foreign subsidiaries	0.8	(0.7)
Cash flow hedge reserve movement	(0.3)	0.4
Tax on items taken directly to equity	0.1	(0.1)
Actuarial gain/(loss) net of deferred tax	3.1	(0.6)
Income and expense recognised directly in equity	2.6	(0.3)
Profit for the year	21.3	18.4
Total recognised income and expense for the year	23.9	18.1
Attributable to:		
Equity shareholders of the parent	23.8	17.9
Minority interest	0.1	0.2
	23.9	18.1
Total recognised income and expense for the year		18.1
Adjustments relating to implementation of IAS 32 and IAS 39 from 1 July 2005		(1.5)
		16.6

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 1606/202), IFRIC Interpretations and the Companies Act 1985 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 75 to 77.

The consolidated financial statements are prepared on the historical cost basis except where adopted IFRSs require an alternative treatment. The principal variations to historical cost relate to pensions (IAS 19) and financial instruments (IAS 39). These consolidated financial statements are presented in pounds sterling. Sterling is the functional currency of the parent company, McBride plc. All financial information presented has been rounded to the nearest £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 page 56.

The accounting policies, set out below, have been applied consistently to all periods presented in these financial statements, except that the Group has adopted the IFRIC interpretations below with effect from 1 July 2005. Adoption of these interpretations did not have a material effect on the financial statements of the Group.

- IFRIC 4 Determining whether an Arrangement contains a Lease.
- IFRIC 8 Scope of IFRS 2 Share-based Payment.
- IFRIC 9 Reassessment of Embedded Derivatives.

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, potential voting rights that presently are exercisable or convertible are taken into account.

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.

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 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.

Income tax

Current income tax

Income tax on the profit or loss for the year comprises current and deferred 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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill and the initial recognition of assets or liabilities not in business combinations that affect neither accounting nor taxable profit.

Notes to the Group financial statements continued

1) Significant accounting policies continued

Deferred tax is not recognised for temporary differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future and is therefore only provided for known remittances at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are enacted or substantially enacted in respect of the period when the asset is realised or the liability is settled.

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, expected return on pension assets and the interest cost on pension scheme liabilities.

Segments

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which they are declared and approved. Interim dividends are recognised in the period in which they are paid.

Intangible assets

Trade marks and patents

Trade marks and patents obtained on acquisition of businesses are shown at fair value. They have a definite useful life and are carried at fair value at the date of acquisition less accumulated amortisation. Amortisation is calculated on a straight line basis over 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 definite useful life and are carried at fair value at the date of acquisition less accumulated amortisation. 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 for the purposes of impairment testing.

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.

Assets that are being constructed for future use are classified as assets in the course of construction until they are completed. 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.

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

For the purposes of assessing impairment, assets 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 assets (e.g. goodwill, intangible assets and property, plant and equipment) 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 held 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 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.

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. Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases.

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 – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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 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 Group statement of recognised income and expense.

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 issue costs associated with the borrowing. 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 issue costs, and any discount or premium on settlement. Amortisation of gains and losses when liabilities are derecognised is recognised on the finance expense line in the income statement.

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. 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 associates with interest rate and foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions. 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

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 liability 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 income statement 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 Group's own equity instruments.

Share-based payments

The Group has adopted the exemption permitted in IFRS 1 to apply IFRS 2 Share based payments only to share-based payment awards granted after 7 November 2002 and not vested at 1 January 2005.

The Group operates an equity settled share-based compensation plan. 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.

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 2007 was £34.3 million (2006: £15.0m). Further details are given in note 11.

Intangible assets

Intangible assets are fair valued on the acquisition of businesses. The method uses the weighted average cost of capital adjusted to reflect the risk that a specific acquisition has in relation to the market. Typically, cash flows are prepared for at least five years using the after tax cash flow. These cash flows are then adjusted to reflect management'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.

Foreign exchange risk exposure

Note 21 analyses the foreign exchange risk exposure of the Group.

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 determined with independent actuarial advice, resulted in a pre-tax deficit of £7.2 million (2006: £12.3m) being recognised on the balance sheet at 30 June 2007. 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 are disclosed in note 19.

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 following standard has been issued by the IASB and endorsed by the EU but has not been early adopted this year:

- IFRS 7 Financial Instruments – Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital disclosures requires extensive disclosures about the significance of financial instruments for an entity's financial position and performance and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2008 financial statements, may require additional disclosures with respect to the Group's financial instruments and share capital.

The following standard and interpretations have been issued by the IASB but have not yet been endorsed by the European Union:

- IFRS 8 Operating Segments – introduces a management reporting approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. It replaces disclosure requirements in IAS 14 Segment Reporting. IFRS 8, which becomes mandatory for the Group's 2010 financial statements, could change the existing disclosures for segment reporting in the Group's financial statements.
- IFRIC 12 Service Concession Agreements – provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group's 2009 financial statements is not expected to have any impact on the consolidated financial statements.
- IFRIC 14, IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. IFRIC 14, which becomes mandatory for the Group's 2009 financial statements is not expected to have any impact on the consolidated financial statements.

Exchange rates

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

	Average rate		Closing rate	
	2007	2006	2007	2006
Euro	1.48	1.46	1.49	1.45
Polish Zloty	5.74	5.74	5.59	5.90
Czech Koruna	41.8	42.4	42.7	41.3
Hungarian Forint	384.2	372.1	365.0	409.7

2) Segment information

Segment information is presented below in respect of the Group's geographic and business segments. The primary format, geographic segments, is based on the Group's operating divisions and internal reporting structure. 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.

Geographic segments

	United Kingdom		Western Continental Europe		Eastern Continental Europe		Elimination		Total	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
External revenue	274.5	247.3	292.8	271.0	24.7	21.8	–	–	592.0	540.1
Inter-segment revenue	2.6	2.5	11.4	9.3	0.3	0.1	(14.3)	(11.9)	–	–
Total segment revenue	277.1	249.8	304.2	280.3	25.0	21.9	(14.3)	(11.9)	592.0	540.1
Segment profit pre amortisation of intangible assets	24.5	22.0	10.4	9.0	1.5	1.6	(0.1)	–	36.3	32.6
Amortisation of intangible assets	(0.2)	(0.2)	(0.2)	–	(0.1)	–	–	–	(0.5)	(0.2)
Segment profit	24.3	21.8	10.2	9.0	1.4	1.6	(0.1)	–	35.8	32.4
Corporate costs*									(1.8)	(1.4)
Exceptional items (see note 3)									(2.1)	(3.8)
Operating profit									31.9	27.2
Net finance costs									(2.4)	(1.3)
Taxation									(8.2)	(7.5)
Profit for the year									21.3	18.4

*Corporate costs relate primarily to head office costs that are not reallocated to one of the geographic segments.

	United Kingdom		Western Continental Europe		Eastern Continental Europe		Corporate*		Total	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Segment assets	155.4	119.1	231.9	163.2	15.8	12.1	3.7	6.4	406.8	300.8
Segment liabilities	(74.8)	(70.1)	(110.9)	(85.0)	(5.0)	(4.0)	(95.8)	(37.8)	(286.5)	(196.9)
Capital expenditure*	9.1	8.7	9.2	10.1	1.7	0.7	–	–	20.0	19.5
Amortisation and depreciation	7.7	9.0	9.5	8.4	0.5	0.5	–	0.1	17.7	18.0

*Corporate liabilities include external debt and tax liabilities. Capital expenditure includes property, plant and equipment and intangible assets.

Business segments

	Household		Personal care		Total	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Segment revenue	476.9	434.9	115.1	105.2	592.0	540.1
Segment profit before amortisation of intangible assets	26.9	23.3	9.4	9.3	36.3	32.6
Amortisation of intangible assets	(0.4)	(0.1)	(0.1)	(0.1)	(0.5)	(0.2)
Segment profit	26.5	23.2	9.3	9.2	35.8	32.4
Corporate*					(1.8)	(1.4)
Exceptional items (see note 3)					(2.1)	(3.8)
Operating profit					31.9	27.2

*Corporate costs relate primarily to head office costs that are not allocated to one of the business segments.

	Household		Personal care		Corporate		Total	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Segment assets	327.2	229.7	75.9	64.7	3.7	6.4	406.8	300.8
Capital expenditure*	12.9	14.5	7.1	5.0	–	–	20.0	19.5

*Capital expenditure includes property, plant and equipment and intangible assets.

Notes to the Group financial statements continued

2) Segment information continued

External revenue by destination

Segmental information is also presented below in respect of external revenue by destination.

	United Kingdom		Western Continental Europe		Eastern Continental Europe and Rest of World		Total	
	2007 £m	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
External revenue by destination	**261.0**	233.7	**282.6**	263.9	**48.4**	42.5	**592.0**	540.1

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.

There was a £2.1 million pre-tax operating exceptional charge to the income statement in the year relating to the incremental costs of integrating the recently acquired businesses detailed in note 4 and Sanmex International acquired in 2006. This includes disruption costs, asset write offs and consultant costs. The £3.8 million 2006 pre-tax operating exceptional charge included rationalisation of Western Continental Europe's administration costs, £2.5 million, restructuring the UK, £0.5 million and a termination payment and related costs for the previous Chief Executive, £0.8 million.

In terms of segment analysis in note 2, the exceptional charge relates to the UK £0.8 million (2006: £0.5m), Western Continental Europe £0.8 million (2006: £2.5m) and Corporate £0.5 million (2006: £0.8m), on a geographic basis, and household £1.6 million (2006: £2.9m), personal care £nil (2006: £0.1m) and Corporate £0.5 million (2006: £0.8m) on a business basis.

4) Acquisitions

Acquisitions in 2007

Dasty Italia S.p.A.

On 28 February 2007, the Group acquired all of the shares of Dasty Italia S.p.A., a manufacturer of Private Label household cleaning liquids in Italy for a total consideration of £15.9 million.

Henkel's European Private Label household products businesses

On 13 April 2007, the Group acquired all of the shares of Chemolux S.a.r.l., a manufacturer of automatic dishwashing products in both Private Label and branded formats in Luxembourg for a total initial consideration of £22.8 million. The potential consideration for the Chemolux acquisition includes a further £4.7 million contingent on achieving certain operating and financial criteria. At the balance sheet date, it was not probable that any of the criteria would be met and therefore this has not been considered in the amount of initial consideration referred to above. If the situation changes and there is additional consideration, it will be treated as an adjustment to the cost of the acquisition.

On 13 April 2007, the Group also acquired as part of the same negotiation the business and assets of Henkel's UK Private Label household products business for a total consideration of £13.7 million.

Other acquisitions

On 12 September 2006 the Group completed the purchase of the business and assets of Coventry Chemicals Limited, a privately owned UK company, for a total consideration of £2.3 million.

On 2 January 2007 the Group acquired the business and assets of Zaklad Chemiczny Schneider SJ, a privately owned company in Poland, for a total consideration of £0.8 million.

On 27 April 2007 the Group purchased from the Administrator of Darcy Industries Limited the business and assets of this UK company for a total consideration of £4.7 million.

In aggregate, these acquired businesses contributed £36.8 million revenue, including £21.6 million from the former Henkel businesses and £9.3 million from Dasty Italia S.p.A., and £2.0 million operating profit for the periods between their respective acquisition dates and 30 June 2007.

If these acquisitions had been completed on the first day of the financial year, they would have contributed approximately £136 million of revenue to the Group. It would be impractical to disclose the operating profit impact as this would require an evaluation of synergistic benefits and because a significant element of the acquisitions have been incorporated into existing facilities.

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	Dasty Italia S.p.A.		Henkel European Private Label businesses		Other acquisitions		Total		
	Book value £m	Fair value adjustments £m	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	9.6	4.9	17.9	(0.1)	2.4	(0.3)	**29.9**	**4.5**	**34.4**
Intangible assets	–	0.4	–	6.0	0.1	0.1	**0.1**	**6.5**	**6.6**
Working capital	2.6	–	8.3	(1.8)	2.2	(0.8)	**13.1**	**(2.6)**	**10.5**
Cash and cash equivalents	0.7	–	1.6	–	–	–	**2.3**	**–**	**2.3**
Net debt and finance leases	(4.1)	–	–	–	–	–	**(4.1)**	**–**	**(4.1)**
Non-current liabilities	(1.7)	(1.8)	(1.9)	(1.0)	–	(1.0)	**(3.6)**	**(3.8)**	**(7.4)**
	7.1	**3.5**	**25.9**	**3.1**	**4.7**	**(2.0)**	**37.7**	**4.6**	**42.3**
Fair value of assets acquired		10.6		29.0		2.7			**42.3**
Goodwill on acquisition		5.3		7.5		5.2			**18.0**
Total		**15.9**		**36.5**		**7.9**			**60.3**
Satisfied by:									
Cash consideration		15.4		34.7		7.6			**57.7**
Costs associated with the acquisition		0.5		1.8		0.3			**2.6**
Total consideration		**15.9**		**36.5**		**7.9**			**60.3**

The goodwill arising on the acquisitions is mainly attributable to operating synergies obtained by including acquired production in existing plants. Intangible assets mostly relate to the fair value placed on customer relationships along with a small amount attributable to brands.

The fair values of the Henkel identifiable assets and liabilities have been prepared on a provisional basis as a result of the proximity of the acquisition date to the year end.

The value of assets and liabilities recognised on acquisition are their estimated fair values. The Group has stated in its accounting policies the basis of valuing intangible assets acquired on acquisitions.

The £57.8 million cash outflow in the cash flow statement relating to the acquired businesses net of cash acquired represents £60.3 million 2007 acquisition costs plus £0.3 million of final 2006 acquisition costs less £0.5 million of 2007 acquisition costs unpaid at 30 June 2007 less £2.3 million of cash acquired.

Acquisition of minority interest

In April 2007, the Group acquired the remaining 15% interest in Intersilesia McBride Polska Sp. Z.o.o. for £1.7 million, increasing its ownership from 85% to 100%.

Acquisitions in 2006

The Group acquired the household liquids business of Sanmex International Limited, a Private Label supplier, during the year for a total cash consideration of £7.6 million.

	Book value £m	Fair value adjustments £m	Fair value £m
Property, plant and equipment	0.2	–	0.2
Intangible asset	–	0.2	0.2
Inventory	1.1	(0.2)	0.9
	1.3	–	1.3
Goodwill on acquisition			6.3
Total			7.6
Satisfied by:			
Cash consideration			7.3
Costs associated with the acquisition			0.3
Total consideration			7.6

As at 30 June 2006 £7.3 million had been paid with the remaining amount settled in 2007.

The goodwill arising on the acquisition is attributable to additional sales volume acquired and operating synergies obtained from including production in existing plants. Intangible assets mostly relate to customer lists.

The business contributed £1.6 million of revenue between the date of acquisition and the balance sheet date whilst the profit impact was immaterial. It would be impractical to disclose either the revenue or profit impact of this acquisition had it been completed on the first day of the year ended 30 June 2006 because this would depend on an assessment of customer orders and synergistic benefits.

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 arms 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 32.

Remuneration of key management personnel, excluding executive directors, which is disclosed on page 45, is as follows:

	2007 £m	2006 £m
Short-term employee benefits	0.1	0.1
Post-employment benefits	0.1	0.1
Other remuneration	0.6	0.6
Total	0.8	0.8

During the year ended 30 June 2007, 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.

6) Net financing costs

	2007 £m	2006 £m
Fair value gains and interest differentials on derivatives	0.8	1.1
Expected return on pension scheme assets (note 19)	4.0	2.8
Financial income	4.8	3.9
Interest expense on bank loans and overdrafts	(2.8)	(1.5)
Finance charges payable under finance leases	(0.2)	(0.2)
Interest cost on pension scheme liabilities (note 19)	(3.8)	(3.1)
Other finance costs	(0.4)	(0.4)
Financial expense	(7.2)	(5.2)
Net financing cost	(2.4)	(1.3)

7) Profit before tax

Profit before tax is stated after charging:

	2007 £m	2006 £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	0.3
Services relating to taxation	0.1	0.2
Services relating to corporate finance transactions	0.1	–
Depreciation and other amounts written off owned property, plant and equipment	16.9	17.6
Depreciation and other amounts written off leased property, plant and equipment	0.3	0.2
Hire of plant and machinery – rentals payable under operating leases	2.4	2.1
Hire of other assets – rentals payable under operating leases	0.3	0.2
Profit on sale of property, plant and equipment	(0.1)	(0.3)
Research and development costs written off during the year*	5.2	4.0
Government grants towards training	(0.1)	(0.1)
Amortisation of intangible assets	0.5	0.2
Net foreign exchange losses on trading items	–	0.5

*During the years ended 30 June 2006 and 2007, 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

	2007 £m	2006 £m
Current tax:		
UK corporation tax	4.7	5.7
Overseas tax	2.1	1.7
Current tax charge	6.8	7.4
Deferred tax:		
UK	0.7	(0.9)
Overseas	0.7	1.0
Deferred tax charge	1.4	0.1
Total tax charge for the year	8.2	7.5

UK corporation tax is calculated at the United Kingdom standard rate of 30% (2006: 30%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The adjustments recognised in the prior period have been further analysed and reclassified to provide fuller and more meaningful information.

In addition to the tax charged above, a deferred tax charge of £1.4 million (2006: 0.1m) was recognised directly in equity.

Tax reconciliation

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:

	2007 £m	2006 £m
Profit before tax	**29.5**	25.9
Expected tax charge at 30%	**8.8**	7.8
Effect of overseas tax rates	**0.2**	–
Utilisation of tax losses	**(0.4)**	(0.3)
Expenses not deductible for tax purposes	**0.8**	0.6
Tax credits and other relief	**(1.4)**	(0.5)
Other items	**0.2**	(0.1)
Total tax charge for the year	**8.2**	7.5
Effective tax rate	**28%**	29%

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	Goodwill and intangible assets £m	Tax losses £m	Retirement benefit obligations £m	Share based payments £m	Surplus ACT £m	Other £m	Total £m
At 1 July 2005	(15.0)	0.9	1.1	3.4	2.0	5.7	1.3	(0.6)
Transfer to current tax	–	–	–	–	–	(1.1)	–	(1.1)
(Charge)/credit to income statement	(0.7)	(0.4)	(0.4)	0.2	–	1.5	(0.3)	(0.1)
(Charge)/credit to equity	–	–	–	0.2	(0.1)	–	(0.2)	(0.1)
Exchange differences	(0.1)	–	–	–	–	–	–	(0.1)
At 30 June 2006	(15.8)	0.5	0.7	3.8	1.9	6.1	0.8	(2.0)
Transfer to Current tax	–	–	–	–	–	(0.6)	–	**(0.6)**
(Charge)/credit to income statement	1.3	(0.7)	(0.2)	(0.2)	–	(0.2)	(1.4)	**(1.4)**
(Charge)/credit to equity	–	–	–	(1.5)	0.1	–	–	**(1.4)**
Acquisitions	(3.6)	(1.5)	–	–	–	–	1.4	**(3.7)**
Exchange differences	0.3	–	–	–	–	–	(0.1)	**0.2**
At 30 June 2007	**(17.8)**	**(1.7)**	**0.5**	**2.1**	**2.0**	**5.3**	**0.7**	**(8.9)**
Deferred tax asset at 30 June 2007	**(6.7)**	**–**	**0.5**	**2.1**	**2.0**	**5.3**	**(0.6)**	**2.6**
Deferred tax liability at 30 June 2007	**(11.1)**	**(1.7)**	**–**	**–**	**–**	**–**	**1.3**	**(11.5)**
	(17.8)	**(1.7)**	**0.5**	**2.1**	**2.0**	**5.3**	**0.7**	**(8.9)**
Deferred tax asset at 30 June 2006	(7.6)	0.5	0.7	3.8	1.9	6.1	(0.3)	5.1
Deferred tax liability at 30 June 2006	(8.2)	–	–	–	–	–	1.1	(7.1)
	(15.8)	0.5	0.7	3.8	1.9	6.1	0.8	(2.0)

Deferred tax assets and liabilities have been offset where they relate to income taxes by the same authority.

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.

Unremitted earnings of overseas subsidiaries at the balance sheet date totalled £59.8 million (2006: £43.5m).

At the balance sheet date, the Group has unused tax losses of £12.9 million (2006: £11.7m) available for offset against future profits. A deferred tax asset has been recognised in respect of £0.5 million (2006: £2.5m) of such losses. No deferred tax asset has been recognised in respect of the remaining £12.4 million (2006: £9.2m) losses based on current forecast profitability and the unpredictability thereafter of future profit streams. £5.5 million of unrecognised tax losses may be carried forward indefinitely.

At the balance sheet date, the Group had surplus ACT of £6.5 million available to offset against future tax liabilities. A deferred tax asset has been recognised in respect of surplus ACT of £5.3 million. No deferred tax asset has been recognised in relation to the remaining surplus ACT of £1.2 million (2006: £0.4m) due to uncertainty as to future ACT capacity.

In June 2007, a change in the standard rate of UK corporation tax, from 30% to 28%, effective from 1 April 2008, was approved by Parliament. Consequently all deferred tax assets and liabilities arising from temporary differences which are expected to reverse after this date have been remeasured. Other changes were announced as part of this year's Budget in the UK, the legislation for which will be published next year. Accordingly these changes have not been substantially enacted.

Notes to the Group financial statements continued

9) Earnings per share

Basic earnings per ordinary share is calculated on profit after tax and minority interest, 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.

		2007	2006
Total earnings (£m)	a	**21.2**	18.2
Weighted average number of ordinary shares	b	**177,405,917**	177,364,227
Basic earnings per share (pence)	a/b	**11.9**	10.3

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

The Company has three categories of potentially dilutive ordinary shares: share options issued whose exercise price is less than the average price of the Company's ordinary shares during the year, share awards with no option price and shares allocated to an approved Save As You Earn scheme.

		2007	2006
Weighted average number of ordinary shares (million)	b	**177.4**	177.4
Effect of dilutive share options (million)		**0.3**	0.9
Effect of dilutive share awards (million)		**0.8**	0.2
Effect of dilutive SAYE scheme shares (million)		**2.7**	2.5
	c	**181.2**	181.0
Diluted basic earnings per share (pence)	a/c	**11.7**	10.1

Adjusted basic earnings per share applies to earnings excluding exceptional items and amortisation of intangible assets since the directors consider that this gives additional information as to the underlying performance of the Group.

		2007 £m	Restated 2006 £m
Earnings used to calculate basic and diluted EPS	a	**21.2**	18.2
Exceptional items after tax		**1.5**	2.6
Amortisation of intangible assets after tax		**0.4**	0.2
Earnings before exceptional items and amortisation of intangible assets	d	**23.1**	21.0
Adjusted basic earnings per share (pence)	d/b	**13.0**	11.8
Adjusted diluted earnings per share (pence)	d/c	**12.7**	11.6

The 2006 restatement relates to the adjustment to earnings for amortisation of intangible assets not previously included.

10) Dividends

Amounts recognised as distributions to equity holders in the year:

	2007 £m	2006 £m
Final dividend for the year ended 30 June 2006 of 3.5p (2005: 3.3p)	**6.2**	5.9
Interim dividend for the year ended 30 June 2007 of 1.7p (2006: 1.6p)	**3.0**	2.8
	9.2	8.7

Proposed final dividend for the year ended 30 June 2007 of 3.9p (2006: 3.5p)	**6.9**	6.2

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included in these financial statements.

11) Goodwill

	2007 £m	2006 £m
Cost		
1 July	**15.0**	8.7
Exchange adjustment	**0.1**	–
Recognised on buyout of minority interest	**1.2**	–
Recognised on acquisition of subsidiaries and businesses during the period (note 4)	**18.0**	6.3
30 June	**34.3**	15.0

Goodwill relates to multiple sites in the geographic segments identified in note 2 as follows: UK £26.9 million (2006: £12.8m), Western Continental Europe £6.0 million (2006: £2.2m) and Eastern Continental Europe £1.4 million (2006: £nil).

In the opinion of the directors, the assumptions or judgements used in determining the recoverable amount used in determining the impairment of goodwill are unlikely to change in the forseeable future so as to reduce the recoverable amount of any of the group of units indicated above below their carrying value.

Goodwill is not amortised but is tested for impairment on a value in use basis at least annually. To test for impairment five year cash flows are prepared based on the actual results for the current year, the budget and estimates by management of the pre-tax cash flows which are discounted for each cash generating unit. The pre-tax discount rate used, 10%, has been adjusted, where appropriate, for inflation, expected growth and appropriate risk factors. 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. Estimates for growth, which are lower than those indicated by Euromonitor, are taken. Euromonitor is an independent external source producing market research data.

Euromonitor data indicates that household products will, across the Group's principal markets, grow by an average of 2.5% per annum in the 5 years to 2011, with some markets increasing by as much as 3.6% per annum.

12) Other intangible assets

	Patents, brands and trade marks £m	Computer software £m	Customer relationships £m	Total £m
Cost				
At 1 July 2005	–	–	–	–
Additions	0.4	–	–	0.4
Additions from acquisitions	–	–	0.2	0.2
At 30 June 2006	0.4	–	0.2	0.6
Additions	–	0.3	–	**0.3**
Additions from acquisitions	0.2	–	6.4	**6.6**
At 30 June 2007	**0.6**	**0.3**	**6.6**	**7.5**
Amortisation				
At 1 July 2005	–	–	–	–
Provided for in the year	0.2	–	–	0.2
At 30 June 2006	0.2	–	–	0.2
Provided for in the year	0.1	–	0.4	**0.5**
At 30 June 2007	**0.3**	**–**	**0.4**	**0.7**
Net book value				
At 30 June 2007	**0.3**	**0.3**	**6.2**	**6.8**
At 30 June 2006	0.2	–	0.2	0.4

£6.6 million of intangible assets including the fair value of customer relationships (£6.4 million) and the 'Wibra' brand (£0.2 million), were capitalised as a result of the acquisitions the Group made during the year. These intangible assets are being amortised, through the administrative costs line, over a period of up to five years from the date of acquisition. Computer software costs were capitalised in Eastern Continental Europe and are being amortised over the estimated life of the system.

In 2006, the 'Nova' brand trade mark costs were capitalised and are being amortised over three years. The customer relationship addition from acquisitions of £0.2 million relates to the fair value of the customer lists in the Sanmex acquisition and is being amortised over three years.

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	Total
	Freehold £m	Leasehold £m	£m	£m	£m
Cost					
At 1 July 2005	72.8	2.1	248.3	5.0	328.2
Exchange adjustments	0.9	–	2.3	–	3.2
Additions	0.3	–	17.0	1.8	19.1
Acquisitions	–	–	0.2	–	0.2
Disposals	(2.4)	–	(3.4)	–	(5.8)
Transfers	0.1	–	0.2	(0.3)	–
At 30 June 2006	71.7	2.1	264.6	6.5	344.9
Exchange adjustments	(0.7)	–	(3.2)	(0.1)	**(4.0)**
Additions	1.8	–	9.3	8.7	**19.8**
Acquisitions	10.9	5.3	18.2	–	**34.4**
Disposals	(0.4)	–	(0.1)	–	**(0.5)**
Transfers	0.4	–	6.5	(6.9)	**–**
At 30 June 2007	83.7	7.4	295.3	8.2	**394.6**
Less classified as held for sale and shown in current assets*	(1.3)	–	–	–	**(1.3)**
At 30 June 2007	**82.4**	**7.4**	**295.3**	**8.2**	**393.3**
Depreciation					
At 1 July 2005	(18.7)	(0.6)	(179.3)	–	(198.6)
Exchange adjustments	(0.3)	–	(1.5)	–	(1.8)
Charge for the year	(1.5)	(0.1)	(16.2)	–	(17.8)
Disposals	1.0	–	2.9	–	3.9
At 30 June 2006	(19.5)	(0.7)	(194.1)	–	(214.3)
Exchange adjustments	0.2	–	2.2	–	**2.4**
Charge for the year	(1.3)	(0.1)	(15.8)	–	**(17.2)**
Disposals	–	–	0.1	–	**0.1**
At 30 June 2007	**(20.6)**	**(0.8)**	**(207.6)**	**–**	**(229.0)**
Net book value					
At 30 June 2007	**61.8**	**6.6**	**87.7**	**8.2**	**164.3**
At 30 June 2006	52.2	1.4	70.5	6.5	130.6

The net book value of finance leases included within land and buildings above was £6.9 million (2006: £3.4m) and the depreciation charge for the year was £0.3 million (2006: £0.2m).

*The freehold property held for sale was acquired with the Darcy business.

14) Other non current assets

Other non-current assets of £0.5 million (2006: £0.5m) consist of prepayments on leases of land in Western Continental Europe.

15) Inventories

	2007 £m	2006 £m
Raw materials, packaging and consumables	**26.9**	20.3
Finished goods and goods for resale	**32.8**	21.0
Total inventory	**59.7**	41.3

The cost of inventories recognised as an expense and included as cost of goods sold amounted to £340.0 million (2006: £306.6m).

The Group inventory provision recognised in cost of sales at 30 June 2007 was £0.1 million (2006: £0.5m).

The Group does not have any inventories pledged as security for liabilities.

Notes to the Group financial statements continued

16) Trade and other receivables

	2007 £m	2006 £m
Trade receivables	**122.5**	99.7
Other receivables	**4.2**	2.6
Forward contract assets	**0.5**	0.4
Prepayments and accrued income	**3.5**	3.9
Total receivables	**130.7**	106.6

Trade receivables are predominantly denominated in the functional currency of the relevant Group company. Where significant differences arise the Group uses forward contracts to manage the risk (see note 21).

17) Trade and other payables

	2007 £m	2006 £m
Trade payables	**128.2**	101.0
Other taxation and social security	**14.5**	13.2
Other payables	**10.7**	9.9
Accruals and deferred income	**19.7**	16.4
Minority interest put option*	**–**	1.2
Total payables	**173.1**	141.7

*The minority shareholder had a right to exercise a put option which was exercised during the year.

Trade payables are predominantly denominated in the functional currency of the relevant Group company. Where significant differences arise the Group uses forward contracts to manage the risk (see note 21).

18) Provisions

	Plant closure £m	Onerous contracts £m	Leasehold dilapidations £m	Redundancy/ termination £m	Other £m	Total £m
At 1 July 2005	1.3	–	0.9	1.3	1.4	4.9
Exchange adjustments	–	–	–	–	0.1	0.1
Provisions made during the year	–	–	–	3.8	0.5	4.3
Provisions utilised during the year	(1.3)	–	(0.1)	(4.2)	(0.9)	(6.5)
Transfers on disposal	–	–	–	–	(0.5)	(0.5)
At 30 June 2006	–	–	0.8	0.9	0.6	2.3
Provisions made during the year	–	2.1	0.9	–	0.2	**3.2**
Provisions utilised during the year	–	(0.5)	(0.2)	(0.7)	(0.5)	**(1.9)**
At 30 June 2007	**–**	**1.6**	**1.5**	**0.2**	**0.3**	**3.6**
Analysed as:						
Current	–	1.4	0.2	0.2	0.2	**2.0**
Non-current	–	0.2	1.3	–	0.1	**1.6**
Total	**–**	**1.6**	**1.5**	**0.2**	**0.3**	**3.6**

Onerous contracts
These relate to loss making contracts which the Group has assumed as part of the acquisitions completed in the year and are expected to be utilised in the next two years.

Leasehold dilapidations
£0.6 million relates to the outstanding leasehold and dilapidation costs on an unused warehouse in the United Kingdom whose lease expires in December 2008. An additional provision of £0.9 million was made for the dilapidations and site clearance of a freehold and a leasehold taken on with the Darcy acquisition, which is expected to be used over the next four years.

Redundancy/termination
The outstanding balance relates to the UK provision made in 2006.

Other
The other provisions relate primarily to training cost obligations in France and could be utilised over the next four years.

For those provisions that have been discounted, the effect of unwinding the discount 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 £1.7 million (2006: £1.4m).

Financial summary

	2007 £m	2006 £m
Balance sheet		
Deficit on the Scheme (see tables below)	**7.2**	12.3
Deficit/provision on Western Continental Europe post-employment schemes	**1.7**	1.4
	8.9	13.7
Related deferred tax asset	**2.1**	3.8
Income statement expense		
Defined contribution schemes	**0.7**	0.3
Defined benefit schemes and post-employment schemes	**1.7**	2.2
Total amount charged to the income statement	**2.4**	2.5
Statement of recognised income and expense		
Amounts credited/(charged) directly to equity	**4.6**	(0.9)

All actuarial gains are recognised immediately and relate to continuing operations.

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 2006. Following the valuation the Group's ordinary contributions' rates increased, with effect from the beginning of 2007 by between 0% and 10% of pensionable salaries across the various payrolls within the UK. In addition, the Group is currently making 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 2018 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 2009. The Group considers that the contribution rates agreed with trustees at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

A full actuarial valuation of the Scheme was carried out as at 31 March 2006. The results of that valuation have been projected to 30 June 2007 and then updated based on the assumptions disclosed in the table below.

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% 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.

Weighted average assumptions at the end of the period

	2007	2006
Discount rate	**5.8%**	5.4%
Expected return on plan assets	**7.8%**	7.2%
Future salary increases	**3.9%**	3.5%
Inflation rate	**3.3%**	3.0%
Future pension increases	**3.1%**	2.8%

Expected rate of return on plan assets

	2007	2006
Equities	**8.3%**	7.7%
Bonds	**5.6%**	5.0%
Property	**8.3%**	7.7%
Cash	**5.3%**	4.5%

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:

		Life expectancy at age 65 (years)	
	Mortality table	Male	Female
Future pensioners	PMA92 and PFA92 (projected to 2016)	19.5	22.5
Current pensioners	PMA92 and PFA92 (projected to 2006)	18.6	21.5

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.

Notes to the Group financial statements continued

19) Pensions and other post-employment benefits continued

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/decrease by 0.1%	Decrease/increase	2.0
Rate of inflation, salary growth and LPI (limited price indexation)	Increase/decrease by 0.1%	Increase/decrease	2.0
Rate of salary growth	Increase/decrease by 0.1%	Increase/decrease	0.6
Rate of mortality	Change in mortality table*	Increase	8.4

*If the PA92 Medium Cohort improvement factor table, by year of birth, were used rather than the PA92 tables projected to 2016 for non-pensioners and 2006 for pensioners.

Summary of plan assets at the end of the period	2007 £m	2006 £m	2007 %	2006 %
Equities	**50.7**	43.4	**77**	76
Bonds	**11.6**	9.7	**17**	17
Property	**3.3**	2.7	**5**	5
Cash	**0.4**	1.1	**1**	2
Total	**66.0**	56.9	**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:	2007 £m	2006 £m
Charge to the Group income statement		
Current service cost	**1.9**	1.9
Amount charged to operating profit	**1.9**	1.9
Interest on pension liabilities (recognised in finance expense)	**3.8**	3.1
Expected return on scheme assets (recognised in finance income)	**(4.0)**	(2.8)
Amount (credited)/charged to net finance costs	**(0.2)**	0.3
Total included within staff/finance costs	**1.7**	2.2
Credit/(charge) to the Group statement of recognised income and expense before taxation		
Actual return less expected return on pension scheme assets	**4.1**	5.8
Experience gains and losses arising on scheme liabilities	**0.5**	(6.7)
	4.6	(0.9)

The cumulative recognised actuarial gains and losses for the Scheme is £2.1 million gain (2006: £2.5m loss).

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:

	2007 £m	2006 £m
Movement in plan assets		
At 1 July	**56.9**	47.8
Expected return on plan assets	**4.0**	2.9
Actuarial gains	**4.1**	5.8
Employer contributions	**2.2**	1.9
Plan participants' contributions	**0.6**	0.6
Benefits paid	**(1.8)**	(2.1)
At 30 June	**66.0**	56.9
Movement in benefit obligation		
At 1 July	**69.2**	59.0
Service cost	**1.9**	1.9
Interest cost	**3.8**	3.1
Plan participants' contributions	**0.6**	0.6
Actuarial (gains)/losses	**(0.5)**	6.7
Benefits paid	**(1.8)**	(2.1)
At 30 June	**73.2**	69.2
Market value of the Scheme's assets	**66.0**	56.9
Present value of the Scheme's obligations	**(73.2)**	(69.2)
Deficit in the Scheme	**(7.2)**	(12.3)
Related deferred tax asset	**2.1**	3.8
	(5.1)	(8.5)
Analysed as:		
Non-current asset	**2.1**	3.8
Non-current liability	**(7.2)**	(12.3)
	(5.1)	(8.5)
Actual return on Scheme assets	**8.1**	8.6

History of experience gains and losses

	2007 £m	2006 £m	2005 £m
Present value of the Scheme obligations	(73.2)	(69.2)	(59.0)
Fair value of the Scheme assets	66.0	56.9	47.8
Deficit in the Scheme	(7.2)	(12.3)	(11.2)
Difference between expected and actual return on the Scheme's assets:			
Amount	4.1	5.8	3.8
Percentage of the Scheme's assets	6.2%	10.2%	7.9%
Experience gains and losses on the Scheme's liabilities:			
Amount	0.5	(6.7)	(5.4)
Percentage of the present value of the Scheme's liabilities	(0.7%)	9.7%	9.2%
Total amount recognised in the statement of income and expense:			
Amount	4.6	(0.9)	(1.6)
Percentage of the present value of the Scheme's liabilities	(6.3%)	1.3%	2.7%

Expected employer contributions for 2008 are estimated to be £1.9 million.

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

	2007 £m	2006 £m
Unsecured bank loans	76.2	23.9
Finance lease liabilities	1.4	1.3
	77.6	25.2

Current liabilities

	2007 £m	2006 £m
Overdrafts	7.6	2.6
Unsecured bank loans	0.1	–
Invoice selling facility	1.4	2.2
Current portion of finance lease liabilities	0.8	0.4
	9.9	5.2
Total borrowings	87.5	30.4

Bank loans and overdrafts are repayable as follows:

	2007 £m	2006 £m
Less than one year	7.7	2.6
Between one and two years	0.1	0.1
Between two and five years	75.8	23.8
More than five years	0.3	–
Total repayable	83.9	26.5

Finance lease liabilities

	2007			2006		
	Minimum payments £m	Finance charge £m	Present value £m	Minimum payments £m	Finance charge £m	Present value £m
Less than one year	0.9	0.1	0.8	0.5	0.1	0.4
Between one and five years	1.5	0.1	1.4	1.4	0.1	1.3
More than five years	–	–	–	–	–	–
	2.4	0.2	2.2	1.9	0.2	1.7

Material leases relate to land and buildings at Rosporden, France, with the option to buy them for a consideration of €1 at the end of the lease on 1 January 2011 and for plant and equipment at Bergamo acquired with the acquisition of Dasty Italia S.p.A. in Italy where the option to buy is 1% (£26,000) of initial cost.

Notes to the Group financial statements continued

21) Financial 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 operational 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 maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

Hedging

The Group's interest rate risk exposure is primarily to changes in variable interest rates. In the past, the Group has used costless collars to manage its exposure to floating rates on expected borrowing levels. Due consideration will be given to do so again when swap rates return to normal levels. However, since early 2007, swap rates have been unusually elevated and the Group has not wished to lock in cover at such high levels.

The Group classifies interest rate swaps as cash flow hedges and states them at fair value.

Foreign currency risk

The Group incurs foreign currency risk on both transaction exposure and translation exposure.

Transaction risk: Incurred and managed at Group company level on sales and purchases in any currency foreign to that company. Exposure to this is relatively low and is mainly Euro exposures in UK companies.

Group policy is for companies to hedge all such known exposures. Group companies may also hedge highly probable forecast exposures for up to 12 months ahead. Forward exchange contracts are used to hedge these exposures; none of these can have a maturity of more than one year after the balance sheet date.

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 at 1 July 2006 was adjusted against the opening balance of the hedging reserve at that date. The fair value of forward exchange contracts used as hedges of firm commitments and forecasted transactions at 30 June 2007 was £0.5 million (2006: £0.4m) and was recognised on balance sheet within other payables and forward contract assets. During the year £nil (2006: £0.3m) of fair value net loss was recorded in the income statement. No fair value amounts were included in the initial measurement of the acquisition cost or other carrying amount of a non-financial asset or liability (e.g. property, plant and equipment) during the year.

Translation risk: Incurred and identified at Group consolidation level as the net non-sterling assets and liabilities of Group companies. Group policy is to minimise such risk by fully hedging the net asset currency exposure; foreign currency financial liabilities and rolling forward exchange contracts may be designated as net investment hedges.

Euro and Zloty forward contracts were designated as hedges of the Group's investments in its subsidiaries in the Euro zone and Poland. The notional value of these contracts at 30 June 2007 were €70.3 million (2006: €70.3m) and Zloty 47.0 million (2006: Zloty 47.0m). A foreign exchange gain of £0.8 million (2006: £0.7m loss) was recognised in equity 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 consolidated earnings.

For the financial period to 30 June 2007 it is estimated that a general increase by one percentage point in interest rates would have decreased the Group's profit before tax by approximately £1.0 million (2006: £0.3m).

It is estimated that a general increase of one percentage point in the value of the Pound Sterling against other foreign currencies would have decreased the Group's profit before tax by less than £0.1 million for the year ended 30 June 2007 (2006: £0.1m). The impact of forward exchange contracts have been included in this calculation.

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 not normally subject to any interest rate risk as they are non-interest bearing (except where the terms of payment are not adhered to).

2007	Period in which interest rate reprices	Polish Zloty £m	Euro £m	Sterling £m	**Total carrying value 2007 £m**
Financial liabilities:					
Fixed rate	Less than one year	–	(0.8)	–	**(0.8)**
	Between one and two years	–	(0.5)	–	**(0.5)**
	Between two and five years	–	(0.9)	–	**(0.9)**
Floating rate	Less than six months	(0.7)	(2.0)	(6.4)	**(9.1)**
	Between one and two years	–	(0.1)	–	**(0.1)**
	Between two and five years	–	(56.8)	(19.0)	**(75.8)**
	Due after five years	–	(0.3)	–	**(0.3)**
		(0.7)	(61.4)	(25.4)	**(87.5)**
Currency swaps	Less than six months	–	(30.8)	30.8	**–**
Total financial liabilities		(0.7)	(92.2)	5.4	**(87.5)**
Financial assets:					
Floating rate		–	6.1	–	**6.1**
Non interest bearing		0.1	0.3	0.1	**0.5**
Total financial assets		0.1	6.4	0.1	**6.6**
Net financial (liabilities)/assets		**(0.6)**	**(85.8)**	**5.5**	**(80.9)**

2006	Period in which interest rate reprices	Polish Zloty £m	Euro £m	Sterling £m	Total carrying value 2006 £m
Financial liabilities:					
Fixed rate	Less than one year	–	(0.3)	(0.1)	(0.4)
	Between one and two years	–	(0.5)	–	(0.5)
	Between two and five years	–	(0.8)	–	(0.8)
Floating rate	Less than six months	–	(21.0)	(7.6)	(28.6)
	Between one and two years	–	(0.1)	–	(0.1)
		–	(22.7)	(7.7)	(30.4)
Currency swaps	Less than six months	–	(31.7)	31.7	–
Total financial liabilities		–	(54.4)	24.0	(30.4)
Financial assets:					
Non interest bearing		0.6	0.6	0.1	1.3
Total financial assets		0.6	0.6	0.1	1.3
Net financial (liabilities)/assets		0.6	(53.8)	24.1	(29.1)

Floating rate financial liabilities bear interest based on base rates and short-term interbank rates (predominantly LIBOR, with some EURIBOR and some EONIA).

Fixed rate borrowings relate to finance leases which have weighted average interest rates between 3% and 7% (2006: 5% and 7%).

The currency swaps reflect the currency in which the interest is borne.

Excess Sterling cash generated in the UK is recycled internally to the European operations to repay external borrowing and the currency and interest rate effects are corrected by currency swaps.

Notes to the Group financial statements continued

21) Financial risk management continued

Liquidity risk management

The Group's policy is to ensure that it has facilities sufficient to cover its projected level of core funding requirements plus intra month working capital needs and a reasonable level of unexpected contingencies for at least 12 months ahead at reporting dates. The Group maintains sizeable levels of uncommitted facilities to enhance day to day liquidity but it does not rely on any of these in the above calculation.

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.

The Group has a single committed facility. The amount unutilised at the year end was £74.5 million (2006: £66.3m) and the facility has a maturity date in 2011 (2006: 2009).

Fair value disclosure

Fair value of financial assets and liabilities

		2007		2006
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Bank loans, overdrafts and other loans	**(85.3)**	**(85.3)**	(28.7)	(28.7)
Finance lease liabilities	**(2.2)**	**(2.2)**	(1.7)	(1.7)
Total gross borrowings	**(87.5)**	**(87.5)**	(30.4)	(30.4)
Cash and cash equivalents	**6.6**	**6.6**	1.3	1.3
Total net borrowings	**(80.9)**	**(80.9)**	(29.1)	(29.1)
Forward exchange contracts	**0.4**	**0.4**	0.4	0.4
Total	**(80.5)**	**(80.5)**	(28.7)	(28.7)

The fair values of the forward contracts are estimated from market forward exchange rates on 30 June 2007. All contracts mature within one year. The fair values of borrowings are reported at book value as they are all at short term to reset.

Notional value of forward contracts	**2007 £m**	2006 £m
Euros purchased	**30.0**	15.8
US$s purchased	**0.1**	0.4
Euros sold	**(47.3)**	(48.6)
Zlotys sold	**(8.4)**	(8.0)
	(25.6)	(40.4)

Currency risk management – monetary assets and liabilities

The Group's buying and selling activities occur mainly within the same currency zones, so there is relatively little trading exposure. The Group's policy is to cover any such currency exposure. The table below is required to show net exposure by business area. The Group's policy is to endeavour to cover exposures in the business area in which they arise. However, exceptions are permitted where it is commercially advantageous to differ.

The net monetary assets/(liabilities) that are not denominated in their functional currency are shown below. Gains and losses arising from these exposures will be recognised in the income statement.

2007	Sterling £m	Euro £m	Zloty £m	**Total £m**
Euro-zone countries	(0.5)	–	–	**(0.5)**
Poland	(0.3)	(0.2)	–	**(0.5)**
Other	(0.7)	(0.2)	(0.2)	**(1.1)**
Total	**(1.5)**	**(0.4)**	**(0.2)**	**(2.1)**

2006	Sterling £m	Euro £m	Zloty £m	Total £m
Euro-zone countries	(0.3)	–	–	(0.3)
Poland	(0.3)	(0.1)	–	(0.4)
Other	(0.5)	(0.2)	(0.1)	(0.8)
Total	(1.1)	(0.3)	(0.1)	(1.5)

Currency risk management – net asset exposure

As indicated on page 22, it is the objective of the Group to minimise currency risk by hedging its currency exposure.

The Group operates significant trading assets in Continental Europe, denominated in Euros and other European currencies. Although trading activities take place mainly within each currency area, the Group has significant 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 the remaining net exposure to foreign currency assets. The net asset exposure and the effect of the rolling forward contracts is shown below:

Impact of forward contracts on net assets currency exposure

2007	Net assets before hedging £m	Forward contracts £m	**Net assets after hedging £m**
Sterling	71.7	41.4	**113.1**
Euro-zone currencies	39.3	(33.0)	**6.3**
Poland and other	9.3	(8.4)	**0.9**
Total net assets	**120.3**	**–**	**120.3**

2006	Net assets before hedging £m	Forward contracts £m	Net assets after hedging £m
Sterling	47.1	56.6	103.7
Euro-zone currencies	48.8	(48.6)	0.2
Poland and other	8.0	(8.0)	–
Total net assets	103.9	–	103.9

22) Share capital

	Authorised		Allotted, called up and fully paid	
	Number	£m	Number	£m
Ordinary shares of 10 pence each				
At 1 July 2006	500,000,000	50.0	176,596,234	17.7
Shares issued out of Treasury			1,020,833	0.1
Shares issued			70,555	–
At 30 June 2007	**500,000,000**	**50.0**	**177,687,622**	**17.8**

1,020,833 ordinary 10p shares were issued out of Treasury during the year for a consideration of £660,000 in order to satisfy the exercise of employee share options. 70,555 new shares were issued for a consideration of £31,000. There remain 2,019 (£202 nominal value) Treasury shares to satisfy future exercise of employee share options. Since the year end a further 3.2 million shares have been issued to satisfy the Save As You Earn savings scheme that matured in August 2007.

Ordinary shares carry full voting rights and are entitled to attend Company meetings and to receive dividends (see page 40).

23) Employee share schemes

Share options

The table below lists out share option schemes existing between 30 June 2006 and 30 June 2007:

Option type	2006 Option number	Options exercised during year	Weighted average share price (£)	Options cancelled/ lapsed during year	**2007 Option number**	**2007 Exercisable number**	Option exercise price (£)	Earliest exercise date	Expiry date
1995 International Executive Share Option Scheme	829,059	(555,555)	1.74	–	**273,504**	**273,504**	0.585	24/9/2005	24/9/2012
2002 Unapproved Discretionary Share Option Scheme	701,389	(465,278)	1.70	–	**236,111**	**236,111**	0.72	16/12/2005	16/12/2012
1995 Savings Related Share Option Scheme*	3,441,700	(70,555)	2.02	(12,750)	**3,358,395**	**–**	0.445	1/8/2007	31/1/2008
	4,972,148	(1,091,388)		(12,750)	**3,868,010**	**509,615**			

*Scheme rules allow exercise at an earlier date than stated above in certain circumstances for example redundancy, retirement or death in service.

Please refer to page 46 for further details on the options above.

Notes to the Group financial statements continued

23) Employee share schemes continued

McBride Long Term Incentive Plan (LTIP)

The Group operates a performance based LTIP, with a three year vesting period, for senior executives. The percentage of shares 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 46).

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 46).

Fair value of awards granted in 2006 and 2007

The following assumptions were used to determine the fair value of the LTIPs using a variant of the Monte Carlo pricing model:

	2007	2006
Risk-free interest rate	**4.9%**	4.3%
Share price on grant date (pence)	**166.50**	155.13
Index level	**10,340**	8,476
Dividend yield on stock	**3.2%**	3.2%
Dividend yield on index	**2.4%**	2.4%
Volatility for stock	**23.0%**	26.0%
Volatility for index	**13.0%**	11.0%
Expected life of LTIPs	**3 years**	3 years

Expected volatility was determined based on weekly information and over a weighted 3-year period where the annualised standard deviation of the weekly log-normal returns is calculated.

	Number	Weighted fair value (pence)
Issued in the year ended 30 June 2007 – outstanding and not exercisable	**570,461**	**102.3**
Issued in the year ended 30 June 2006 – outstanding and not exercisable	444,442	103.9

The Company recognised total expenses of £166,000 relating to equity-settled share-based transactions in 2007 (2006: £46,000).

24) Reconciliation of movement in equity and reserves

	Issued share capital £m	Share premium account £m	Cash flow hedge reserve £m	Translation reserve £m	Other reserves £m	Retained earnings £m	Total £m	Minority interest £m	Total equity and reserves £m
At 1 July 2005	17.7	141.8	(0.3)	(0.2)	(0.7)	(61.9)	96.4	0.2	96.6
Profit for the year	–	–	–	–	–	18.2	18.2	0.2	18.4
Own shares acquired and held as treasury	(0.1)	–	–	–	–	(1.5)	(1.6)	–	(1.6)
Treasury shares issued to satisfy employee share option exercises	0.2	–	–	–	–	0.4	0.6	–	0.6
Own shares acquired and cancelled	(0.1)	–	–	–	–	(1.0)	(1.1)	–	(1.1)
Movement in cash flow hedge	–	–	0.4	–	–	–	0.4	–	0.4
Foreign exchange translation differences	–	–	–	0.7	–	–	0.7	–	0.7
Net loss on hedge of net investment in foreign subsidiaries	–	–	–	(0.7)	–	–	(0.7)	–	(0.7)
Actuarial loss net of deferred tax	–	–	–	–	–	(0.6)	(0.6)	–	(0.6)
Equity dividends	–	–	–	–	–	(8.7)	(8.7)	–	(8.7)
Tax on share options taken directly to equity	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
At 30 June 2006	17.7	141.8	0.1	(0.2)	(0.7)	(55.2)	103.5	0.4	103.9
Profit for the year	–	–	–	–	–	21.2	21.2	0.1	**21.3**
Treasury shares issued to satisfy employee share option exercises	0.1	–	–	–	–	0.7	0.8	–	**0.8**
Employee share scheme	–	–	–	–	–	0.2	0.2	–	**0.2**
Movement in cash flow hedge	–	–	(0.3)	–	–	–	(0.3)	–	**(0.3)**
Foreign exchange translation differences	–	–	–	(1.1)	–	–	(1.1)	–	**(1.1)**
Net gain on hedge of net investment in foreign subsidiaries	–	–	–	0.8	–	–	0.8	–	**0.8**
Acquisition of minority interest	–	–	–	–	1.2	–	1.2	(0.5)	**0.7**
Actuarial gain net of deferred tax	–	–	–	–	–	3.1	3.1	–	**3.1**
Equity dividends	–	–	–	–	–	(9.2)	(9.2)	–	**(9.2)**
Tax on share options taken directly to equity	–	–	–	–	–	0.1	0.1	–	**0.1**
At 30 June 2007	**17.8**	**141.8**	**(0.2)**	**(0.5)**	**0.5**	**(39.1)**	**120.3**	**–**	**120.3**

The number of Treasury Shares held at 30 June 2007 was 2,019 (2006: 1,022,852).

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.

Other reserves includes the capital redemption reserve.

25) Employee numbers and costs

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

	2007	2006
Operations	**3,855**	3,731
Sales and marketing	**266**	264
Finance and administration	**576**	532
Total full-time equivalent employees	**4,697**	4,527

	2007 £m	2006 £m
The aggregate payroll costs were:		
Wages and salaries	**94.6**	88.7
Share scheme costs	**0.2**	–
Social security costs	**18.3**	18.0
Pension costs	**2.6**	2.2
Total payroll costs	**115.7**	108.9

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.

26) Net debt

	2006 £m	Cash flow £m	Acquisition cash and debt acquired £m	Exchange movement £m	2007 £m
Cash and cash equivalents per the balance sheet	1.3	2.9	2.3	0.1	**6.6**
Overdrafts	(2.6)	(5.0)	–	–	**(7.6)**
Cash and cash equivalents per the cash flow statement	(1.3)	(2.1)	2.3	0.1	**(1.0)**
Debt: Due after one year	(23.9)	(52.9)	–	0.6	**(76.2)**
Debt: Due within one year	(2.2)	3.6	(2.9)	–	**(1.5)**
Finance leases	(1.7)	0.7	(1.2)	–	**(2.2)**
Net debt	(29.1)	(50.7)	(1.8)	0.7	**(80.9)**

	2005 £m	Cash flow £m	Acquisition cash and debt acquired £m	Exchange movement £m	2006 £m
Cash and cash equivalents per the balance sheet	0.3	1.0	–	–	1.3
Overdrafts	(3.0)	0.4	–	–	(2.6)
Cash and cash equivalents per the cash flow statement	(2.7)	1.4	–	–	(1.3)
Debt: Due after one year	(19.1)	(4.3)	–	(0.5)	(23.9)
Debt: Due within one year	(0.5)	(1.7)	–	–	(2.2)
Finance leases	(2.1)	0.4	–	–	(1.7)
Net debt	(24.4)	(4.2)	–	(0.5)	(29.1)

Notes to the Group financial statements continued

27) Commitments

	2007 £m	2006 £m
Capital expenditure		
Contracted but not provided	**3.3**	3.2

Operating leases

Total payments under operating leases analysed over periods when the leases expire are as follows:

Total operating leases	2007 £m	2006 £m
Within one year	**1.8**	1.8
In the second to fifth years inclusive	**3.6**	4.8
	5.4	6.6

Leases of land and building which expire	2007 £m	2006 £m
Within one year	**0.1**	0.1
In the second to fifth years inclusive	**0.4**	–
	0.5	0.1

Other leases which expire	2007 £m	2006 £m
Within one year	**1.7**	1.7
In the second to fifth years inclusive	**3.2**	4.8
	4.9	6.5

Other operating leases relate mainly to plant and equipment.

Company balance sheet
at 30 June 2007

	Note	2007 £m	2006 £m
Fixed assets			
Tangible assets	3	**0.1**	0.1
Investments	4	**155.0**	165.0
		155.1	165.1
Current assets			
Debtors	5	**111.7**	104.6
Total assets		**266.8**	269.7
Current liabilities			
Creditors: Amounts falling due within one year	6	**(80.1)**	(89.0)
Total liabilities		**(80.1)**	(89.0)
Net assets		**186.7**	180.7
Equity			
Called up share capital	7	**17.8**	17.7
Share premium account	8	**141.8**	141.8
Capital redemption reserve	8	**0.5**	0.5
Profit and loss account	8	**26.6**	20.7
Total equity and reserves		**186.7**	180.7

These financial statements were approved by the Board of Directors on 5 September 2007 and were signed on its behalf by:

M W Roberts
Director

Notes to the Company financial statements

1) Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP) and law.

Under Financial Reporting Standard 1, the Company is exempt from the preparation of a cash flow statement on the grounds that it is included within the consolidated accounts.

Under Financial Reporting Standard 8 Related Party Disclosures, the Company is exempt from disclosing related party transactions with entities that are part of the Group.

The principal accounting policies are summarised below.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less any provision for impairment. 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 installments over their estimated useful economic lives as follows:

Computer equipment (including software) – 3 to 5 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.

Leases

Operating leases are charged to the profit and loss account on a straight line basis over the life of the operating lease.

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 230 of the Companies Act 1985, 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 2007 of £14.1 million (2006: £17.7m). Fees payable to the Company's auditors for the audit of the Company's annual accounts were £0.1 million (2006: £0.1m). Fees payable to the Company's auditors for services relating to tax were £0.1 million (2006: £0.1m). The Company had no employees for the year ended 30 June 2007 (2006: nil).

3) Tangible fixed assets

There was no significant movement in the Company's tangible fixed assets of £0.1 million (2006: £0.1m) relating to computer equipment.

4) Investments

	£m
Shares in subsidiary undertakings at cost	
At 30 June 2006	165.0
Exchange adjustment	(0.5)
Liquidation of investment in McBride Euro Finance Limited	(9.5)
At 30 June 2007	**155.0**

Set out below are the principal subsidiary undertakings of the Company whose results are included in the consolidated financial statements as at 30 June 2007. 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	Country of incorporation
Trading subsidiaries	(ordinary shares)	
Robert McBride Ltd*	100%	England
Darcy Limited	100%	England
Darcy Bolton Property Limited	100%	England
McBride S.A.	100%	Belgium
McBride S.r.o.	100%	Czech Republic
McBride S.A.S.	100%	France
Problanc S.A.S.	100%	France
Vitherm S.A.S.	100%	France
Chemolux GmbH	100%	Germany
McBride Hungary Kft	100%	Hungary
McBride S.p.A.	100%	Italy
Dasty Italia S.p.A.	100%	Italy
Chemolux S.a.r.l.	100%	Luxembourg
McBride B.V.	100%	Netherlands
Intersilesia McBride Polska Sp. Z.o.o.	100%	Poland
OOO McBride Russia	100%	Russia
McBride S.A.U.	100%	Spain
Investment companies		
McBride Holdings Limited*	100%	England
McBride CE Holdings Limited	100%	England

*These companies are directly owned subsidiary undertakings of McBride plc ('the Company') with McBride Holdings Limited 100.0% owned and Robert McBride Ltd 57.7% owned by the Company.

5) Debtors: amounts falling due within one year

	2007 £m	2006 £m
Amounts owed by Group undertakings	**109.8**	103.0
Other debtors	**1.2**	0.7
Prepayments and accrued income	**0.7**	0.9
Total debtors	**111.7**	104.6

6) Creditors: amounts falling due within one year

	2007 £m	2006 £m
Bank overdrafts (unsecured)	**0.1**	0.1
Bank loans	**56.7**	3.0
Other creditors	**0.2**	0.1
Amounts owed to Group undertakings	**21.6**	85.2
Accruals and deferred income	**1.5**	0.6
Total creditors	**80.1**	89.0

7) Called up share capital

	Authorised		Allotted, called up and fully paid	
	Number	£m	Number	£m
Ordinary shares of 10 pence each				
At 1 July 2006	500,000,000	50.0	176,596,234	17.7
Shares issued out of Treasury			1,020,833	0.1
Shares issued			70,555	–
At 30 June 2007	**500,000,000**	**50.0**	**177,687,622**	**17.8**

8) Movement on reserves

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m
At 1 July 2006	141.8	0.5	20.7
Retained profit for the year	–	–	5.2
Share issues	–	–	0.7
At 30 June 2007	**141.8**	**0.5**	**26.6**

Own shares (held as Treasury shares)	Number	£m
Ordinary shares of 10 pence each		
At 30 June 2006	1,022,852	0.1
Share issues	(1,020,833)	(0.1)
At 30 June 2007	**2,019**	**–**

Own shares are included within the profit and loss account reserve.

9) Guarantees

The Company has guaranteed the loans and debt of certain subsidiaries up to £4.5 million (2006: £3.0m). The Company is also a cross-guarantor with certain other subsidiaries with an outstanding liability as at the balance sheet date of £18.8 million (2006: £nil).

10) 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 plan 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.

Useful information for shareholders

Company's registered office
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HP9 2FY
Telephone: 01494 607050
Facsimile: 01494 607055

Auditors
KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Solicitors
Ashurst
Broadwalk House
5 Appold Street
London EC2A 2HA

Financial adviser and broker
Dresdner Kleinwort
PO Box 560
20 Fenchurch Street
London EC3M 3LB

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

Fortis Bank S.A./N.V.
Camomile Court
23 Camomile Street
London EC3A 7PP

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

HSBC Bank plc
Home & Eastern Corporate Banking Centre
Altius House
1 North Fourth Street
Milton Keynes MK9 1NE

Registrars
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Telephone: 0870 707 1136
Email: web.queries@computershare.co.uk
Website: www.computershare.com

Financial public relations advisers
Financial Dynamics
Holborn Gate
26 Southampton Buildings
London WC2A 1PB

Financial calendar 2007/08
Dividends

2006/07 final dividend

Ex-dividend date	24 October 2007
Record date	26 October 2007
Final dividend payable	30 November 2007

2007/08 dividends

Interim dividend payable	May 2008
Final dividend payable	November 2008

Other dates

Annual General Meeting	30 October 2007
2007/08 Q1 trading statement	30 October 2007
2007/08 half year end	31 December 2007
2007/08 H1 trading statement	January 2008*
2007/08 interim results announcement	February 2008*
2007/08 interim report circulated	February 2008*
2007/08 year end	30 June 2008
2007/08 full year trading statement	July 2008*
2007/08 annual results announcement	September 2008*

*These dates are provisional and may be subject to change.

Dividend payments
Shareholders may choose to have dividends paid directly into their bank or building society account. This benefits shareholders as the dividend is paid into their account, as cleared funds, on the date the payment is due. Confirmation of payment is contained in a dividend tax voucher which is posted to shareholders' registered addresses at the time of payment. This voucher should be kept safely for future reference.

Shareholders who wish to benefit from this service should complete a dividend mandate form, which can be found attached to the last dividend warrant. Alternatively, the required documentation can be obtained by contacting McBride's registrar using one of the methods outlined below in the section entitled 'Shareholder queries and helpline'.

Shareholder queries
Shareholders who change address, lose their share certificates, wish to amalgamate multiple shareholdings to avoid receiving duplicate documentation, want to have dividends 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 7NH. 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 dividend payment instructions) over the internet, subject to passing an identity check, via the registrar's website at www.computershare.co.uk.

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 5 Lower Grosvenor Place, London SW1W 0EJ or by contacting them on 020 7828 1151.

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.

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 London Stock Exchange announcements, annual reports and company presentations.

Share price history

The following table sets out, for the five financial years to 30 June 2007 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
2003	95	48	66	95
2004	150	92	126	149
2005	172	122	148	150
2006	178	138	159	178
2007	**262**	**154**	**199**	**219**

Unsolicited mail

As the Company's share register is, by law, open to public inspection, shareholders may receive unsolicited mail from organisations that use it as a mailing list. Shareholders wishing to limit the amount of such mail can register online with the Mailing Preference Service at www.mpsonline.org.uk or ask for a registration form from Mailing Preference Service, FREEPOST 29, LON20771, London W1E 0ZT.

Five year financial summary (unaudited)

	IFRS 2007 £m	IFRS 2006 £m	IFRS 2005 £m	UK GAAP 2004 £m	UK GAAP 2003 £m
Results					
Revenue	**592.0**	540.1	537.1	501.3	486.8
Profit before tax(1)	**32.1**	29.9	33.6	34.9	27.6
Profit after tax(1)	**23.2**	21.2	23.5	24.0	19.7
Profit before tax	**29.5**	25.9	30.6	30.2	26.2
Profit after tax	**21.3**	18.4	21.4	20.3	18.3
Earnings					
Adjusted basic earnings per share(1)	**13.0p**	11.8p	13.2p	13.5p	11.0p
Ordinary dividends per share(2)	**5.6p**	5.1p	4.8p	4.0p	2.9p

(1) Profit and adjusted earnings per share are stated under IFRS before exceptional items and amortisation of intangible assets and under UK GAAP before exceptional items and amortisation of goodwill and any related tax.

(2) Interim and proposed final dividend for the year.

The impact on the Group's financial statements as a result of the introduction of IFRS was to require the Group to reflect the following changes:

Employee benefits: The balance sheet is required to reflect the underlying liability of any post-employment retirement schemes. Additionally any holiday pay needs to be accrued.

Goodwill: Goodwill is no longer amortised instead impairment testing must be undertaken annually and any impairment taken to the income statement.

Dividends: Dividends are no longer recognised until approved by shareholders instead they are expensed in the period in which they are paid.

Share-based payments: Where employees receive a benefit as a consequence of shares being issued to them, the cost must be expensed through the income statement.

Leases: Where a long lease on land and buildings is not expected to have its title pass to the Group, the land element should be reclassified as a non-current prepayment.

Income taxes: A deferred tax asset should be recognised for share option schemes not fully vested on the basis of the excess of the market price over the option price.

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Thank you.

This annual report is available at: **www.mcbride.co.uk**

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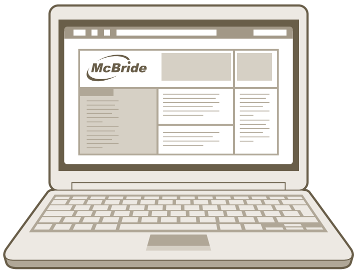

Communicating with our shareholders

Online...
...register to receive electronic shareholder communications
...register to receive email alerts of key announcements
...find out more about McBride

www.mcbride.co.uk

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