McBride

Delivering in today's markets*

McBride plc
Annual report and accounts 2008

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.

We consistently deliver our strategy through:

- → Growth
- → Efficiency
- → Scale
- → Innovation
- → Sustainability

We believe the key to managing our company effectively is consistency. That is why our strategy has remained unchanged.

Over the next few pages we will demonstrate our ability to deliver in today's markets.

Q&A

How we are delivering in today's markets

Miles W Roberts
Chief Executive

What is your strategy to deliver value in today's markets?

Our strategy* has remained consistent for a number of years. As Europe's leading Private Label supplier, our aim is to lead the growth of Private Label Household and Personal Care products.

We achieve this through:

- → **Growth** – focus on sectors with the highest growth potential like Personal Care and automatic dishwashing tablets as well as investing for growth in Eastern Europe
- → **Efficiency** – continuous improvement and capital investment to stay ahead and deliver value to our customers
- → **Scale** – to give us an advantage in costs, operating efficiency and partnerships with customers and suppliers
- → **Innovation** – development of both new and existing products to meet real consumer needs
- → **Sustainability** – improving both our products and operating practices to reduce our impact on the environment

Our key role is to develop and supply products for sale under retailer's own brands which compete directly with the major branded product offerings. We do this through understanding consumer and customer needs and by dedicating resources to both the improvement of existing products and the development of new and replacement products. We aim to provide the best quality and service of any of our competitors and allow our retail customers to differentiate themselves with unique Private Label products.

Our relative scale provides advantages to our customers and ourselves. In our key markets our scale is comparable to that of our multinational branded competitors. The advantages can be seen in the quality and value of our relationships with suppliers and retailers. Our factories are largely dedicated to specific product types and therefore provide economies of scale and good returns on capital investment.

We operate in very large and growing markets. The economic environment is favourable to the Private Label categories which have grown strongly over the past years. Our development is focused on the faster growth categories with strong consumer benefits. For example laundry liquids which are preferred by consumers to powders because of the quality of the washing performance, automatic dishwashing tablets growing as the ownership of dishwashing machines increases, Personal Care and air care in line with lifestyle changes, and specialist cleaners for different roles in the house such as degreasing, disinfecting, polishing and refreshing.

Continuous improvement of our production processes is central to our culture and, across our business, teams work on projects to increase our efficiency. Capital investment is weighted heavily in favour of factory automation and energy reduction. We continuously challenge and modify product specifications to optimise product performance and costings.

We are committed to reducing the environmental impact of our operations. Our factories are mostly close to our customers to minimise distribution costs. We manufacture over 80% of our own bottles and recycle and recover over 70% of our waste. Each year we publish our Sustainability Report which describes our progress towards a sustainable business model.

Examples of our strategy in action are contained in the following pages of the annual report:

→ **Growth p09**
→ **Efficiency p10**
→ **Scale p11**
→ **Innovation p12**
→ **Sustainability p29**

Where do you see your opportunities for growth?

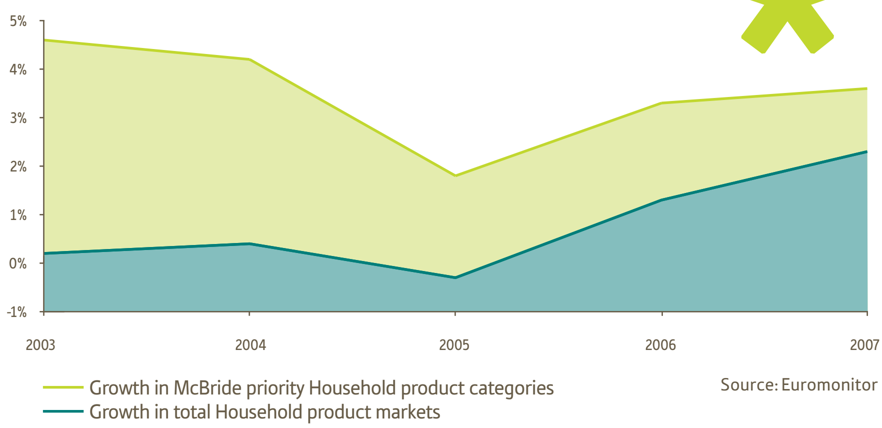
Our strategy is to focus resources on specific, fast growing Household product categories* including automatic dishwashing tablets, specialist cleaners, air care and laundry liquids and also the Personal Care sector which offer the highest growth and profit potential.

These Household categories have been identified due to their historical growth and also their value added properties. These products are more complex than others and increasingly satisfy consumer needs for convenience, performance and environmental impact. They are also growing faster than the total market.

In Personal Care we already have a strong growth record with 12% per annum revenue growth over the last five years. This sector remains an attractive growth opportunity for McBride as Personal Care still accounts for less than 20% of our revenues whilst the overall Personal Care market is far larger than the Household products market across Europe. In addition, Private Label is consistently increasing its share of the European Personal Care market displaying continued dynamic growth. This exciting combination provides McBride with significant opportunities for the future.

Eastern Europe is another strategic priority driven by increasing retail concentration and the recent entrance of the discount format into the region. It is our fastest growing region and yet Private Label is only at the early stages of its development with the last year beginning to show the significant potential that we believe lies ahead in Private Label across this region.

Annual growth in Western Europe Household product markets



Source: Euromonitor

Q&A

How we are delivering in today's markets

"...ongoing shift towards private-label products..."
Leading French retailer – July 2008

"Conversely, own labels continued to grow both in volume and in value."
Leading European retailer – July 2008

How do you see Private Label products performing in the current economic environment and the impact on McBride?

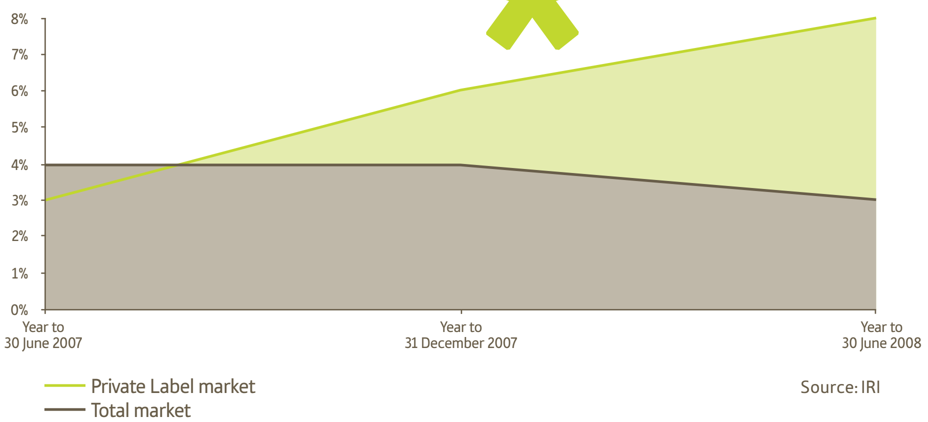
The current economic environment in McBride's main markets is characterised by rising inflation, falling economic growth and increasing unemployment, placing real downward pressure on consumers' disposable incomes and impacting consumer confidence. This is favourable to Private Label products which offer an equivalent quality to brands at significantly lower prices.

As a result of these factors, in Western Europe there is increasing evidence that Private Label's excellent performance and value characteristics are changing consumer expenditure habits. This can be seen from developments such as discount retailers, that generally stock mainly Private Label products, enjoying stronger growth than the overall grocery retail market, much more aggressive advertising and promotion of Private Label by retailers and recent retailer data pointing clearly to the growth of Private Label's market share.

The Household and Personal Care markets in Italy* and France have shown accelerating growth in Private Label at a time when overall market growth has been subsiding. In Eastern Europe, the key factor for Private Label development is the continuing strength of store opening programmes of expanding international retailers that are bringing Private Label to consumers in the region for the first time. In the UK Private Label share has been stable for a number of years.

We are already Europe's leading provider of Private Label Household and Personal Care products and are committed to maintaining this position through product innovation and improving value for money.

Italian Household products market growth



On the acquisitions front, 1) How are you progressing with the integration of last year's acquisitions? 2) Do you have any plans for further acquisitions?

The integration of last year's acquisitions has been completed effectively thanks to the commitment and focus of all the integration project teams across the Group. The acquisitions performed well in their first full year of ownership. Revenues were ahead of plan at Dasty.* With cost synergies also achieved, particularly in procurement and from production transfers between our existing Italian site and Dasty's sites, profitability also progressed strongly. In addition, in relation to the acquisition from Henkel significant work was completed in transferring production of various products from Henkel's factories to various McBride production sites.

In the UK, we completed integration of the acquisitions of Henkel's UK Household products business and Darcy Industries. We have also closed the Bolton factory that formed part of the Darcy Industries acquisition. We are now looking to extend the benefits of our UK acquisitions by closing our facility in Coventry and downsizing production at Warrington with production being transferred to our newly purchased facility in St Helens.

Going forward, the Group will continue to look for value enhancing acquisition opportunities particularly in our key growth Household and Personal Care categories and in Eastern Europe.

In terms of your competitive position, how far do you think you can go on improving your cost base?

We have a well-established continuous improvement programme across all our business development and manufacturing processes. The business culture of openness, ambition and team working is geared towards sharing of best practice, aimed at driving production efficiencies, reducing waste and improving yields.

Capital investment has been increased across the Group particularly in cost saving projects such as increasing the amount of bottles blown in-house, filling lines and end of line automation.

In the UK, the acquisition of the modern, well-invested production facility at St Helens* has enabled the business to review its manufacturing asset base, with the result that our manufacturing site in Coventry will be closed, production at Warrington downsized and production merged into the St Helens facility. The business will continue to explore options for further rationalisation opportunities ensuring McBride maintains its competitive position going forward and we have announced a restructuring of our UK central functions to drive further cost improvements.

↓ Gentelle
The friendly hippos are part of the rebranding of our Gentelle range of baby care products, which will be produced at the St Helens facility.

Q&A

How we are delivering in today's markets

← i-clean
An innovative range of trigger cleaners with a patented refill enables the trigger and bottle to be reused up to 10 times. An intelligent approach to cleaning and reducing waste.

How are you innovating in challenging times?

Challenging times create many opportunities for product innovation. The key to unlocking the potential is to understand the consumer, their existing priorities and primary needs, and to dovetail these consumer needs with future trends and forecast changes. This process provides the basis for concept development that is targeted, relevant and appropriate for the market and the consumer.

In today's market place, price, product performance, environmental impact and waste reduction are all key themes that are impacting consumer choice.

The ability to adopt an open-minded approach to creative inputs and sources of ideas or concepts is a strength within McBride and is nurtured to ensure we maintain a creative environment within the business.

We have a proven track record in product development and increased our investment in research and development from £5.2 million to £5.9 million in the year. Recent product launches such as concentrated laundry liquids, new eco ranges and the novel i-clean range of trigger cleaners* illustrate the continuing stream of new product introductions designed to keep McBride in step with the changing demands of our customers and consumers.

How are you making your business more sustainable?

McBride has been actively involved in driving the concept of Sustainable Cleaning through the AISE (International Association for Soaps, Detergents and Maintenance Products) and was the first company in Europe to pass the second verification of the new Charter for Sustainable Cleaning.

The unprecedented increases in raw material input costs underpins the need to build sustainability into our business processes through:

- → Developing more compact and concentrated products
- → Reducing packaging and increasing recycling
- → Increasing manufacturing efficiency
- → Reducing waste, particularly the proportion unrecovered
- → Reducing energy use

We are the first Private Label manufacturer to sign up to the Waste and Resources Action Programme (WRAP) Courtauld Commitment in the UK aiming to achieve an absolute reduction in packaging waste by 2010 by designing sustainability into our new product development initiatives. As part of our involvement we have been introducing more lightweight bottles, reviewing cap design and reducing outer packaging.*

Recent launches of phosphate-free laundry and automatic dishwashing tablets reflect our objective to meet the proposals from DEFRA (Department for Environment, Food and Rural Affairs) to reduce phosphate levels in laundry products by 2015.

At our Household products factory in Ieper we are just completing the installation of 5,000 solar panels which will generate 1.35 MW of electricity per annum, roughly the amount required to run our Personal Care factory next door.

We are committed to continuing these initiatives and creating an even more sustainable business for the future.

→ **Reduced packaging waste**
18% savings – equivalent to nearly 300 tonnes per annum – in the weight of 500ml washing up liquid bottle in the UK was awarded 'Best in Class' by WRAP.

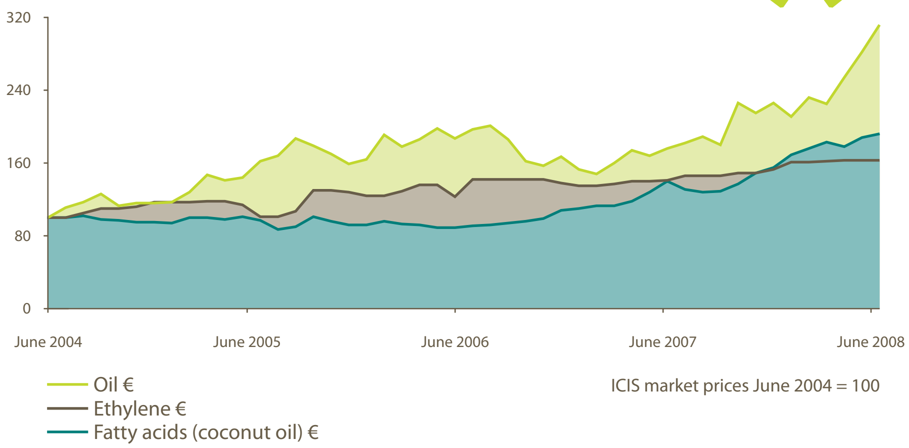
How are you managing the inflationary input cost environment?

Like all consumer goods companies, we have faced unprecedented raw material input pressures during the last financial year driven by significant increases in a number of key commodity prices, in particular oil and its derivatives.*

In response, we have taken a number of mitigating actions including new purchasing strategies, identifying alternative sources and ingredients for our products and leveraging our purchasing scale. In production we are increasing efficiency through improved yields and labour productivity and we continue to focus on opportunities for value engineering and more economic, lighter weight pack formats for our products. Ultimately, the level of cost inflation has meant that we had to obtain price increases from our customers.

Going forward, we will strive to maintain our competitiveness and will use our scale and expertise across the business to continue managing our margins.

Development of prices of crude oil and other key raw material feedstocks (June 2004 to June 2008)



Growth product categories

We have a clear strategy of focusing resources on the automatic dishwashing tablets, Personal Care, air care, laundry liquids and specialist cleaners product categories which offer the highest growth and profit potential.

Automatic dishwashing tablets
Automatic dishwashing tablets are a key long-term growth Household product category, reflecting the continuing rise in ownership of automatic dishwashing machines across Europe. Our purchase of Chemolux in 2007 has enhanced Group capabilities in this category as well as increasing sales by over 150%. We have also recently introduced new product concepts such as phosphate-free tablets.

Personal Care
Personal Care remains an attractive growth opportunity for McBride as it currently accounts for less than 20% of Group revenue whilst the overall Personal Care market is far larger than the Household products market. Recent new contract wins and investment in broadening our range of Personal Care products will help us build on the 8% per annum organic growth of the last three years.

Air care
The air care sector has attractive growth dynamics with consumers continuing to search for new fragrances and delivery formats. Recent innovation in timed-release air fresheners and attractive spray fresheners is stimulating increased demand. We recently commissioned a new factory in China to produce sophisticated, cost effective air care products for our retail customers.

Laundry liquids
The convenience of laundry liquids has resulted in the category gaining market share from traditional laundry powders. McBride is at the forefront of developments in new super concentrated liquids that reduce environmental impact through reduced transportation and packaging costs as well as delivering associated cost improvements.

Specialist cleaners
McBride is one of Europe's leading producers of specialist cleaners, particularly in trigger format. The acquisition of Dasty Italia further enhanced our capability in this category. The range of applications for specialist cleaners continues to expand and a new range of specialist cleaners for the car care market represents a further extension of our presence in this category.

Contents

Directors' report

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 2008 financial year.

Business review

This section gives details of our business performance in the 2008 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

Highlights of the year

- → Total revenue up 18% to £700.9 million
- → Adjusted operating profit was £27.0 million[(1)]
- → Adjusted diluted earnings per share of 8.6 pence[(1)]
- → Full year dividend unchanged at 5.6 pence per share
- → Strong net cash generated from operations of £49.4 million[(1)]
- → Year end net debt of £103.3 million (2007: £80.9m)

(1) Adjusted operating profit, adjusted diluted earnings per share and net cash generated from operations are calculated before amortisation of intangible assets and exceptional items.

Key performance indicators

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

KPI	Organic revenue growth	Adjusted diluted earnings per share[(1)]	Return on capital employed	Customer service level	Waste efficiency
Measure	Reported revenues adjusted to take account of acquisitions and disposals and currency exchange rate movements.	Profit attributable to shareholders before amortisation of intangible assets and exceptional items divided by the average diluted number of shares.	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.

(1) For a detailed description of the calculation of adjusted diluted earnings per share see note 9 of the consolidated financial statements on page 63.

Key financial trends[1]

Revenue
£m

08	700.9
07	592.0
06	540.1
05	537.1
04	501.3

Operating profit[2]
£m

08	27.0
07	34.5
06	31.2
05	35.0
04	35.1

Profit before tax[2]
£m

08	21.3
07	32.1
06	29.9
05	33.6
04	34.9

Adjusted diluted earnings per share[2]
pence

08	8.6
07	12.7
06	11.6
05	12.7
04	13.0

Return on capital employed[2]
%

08	12.8
07	22.1
06	24.3
05	28.4
04	25.4

Dividend per share
pence

08	5.6
07	5.6
06	5.1
05	4.8
04	4.0

(1) Data for 2004 is prepared under UK GAAP and for 2005 onwards under IFRS.
(2) Figures are calculated before amortisation of goodwill and exceptional items under UK GAAP and before amortisation of intangible assets and exceptional items under IFRS.

Group key performance indicators[1]

Organic revenue growth

-2%

2007: +2%

Return on capital employed

12.8%

2007: 22.1%

Waste efficiency[2]

1.2%

2007: 1.0%

Adjusted diluted earnings per share

8.6p

2007: 12.7p

Customer service level[3]

96%

2007: 97%

(1) For a more detailed description of the Group key performance indicators (KPIs) and how they are calculated, see page opposite. 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 30.
(2) Waste efficiency includes all the Group's sites except Bolton where production was wound down and the site closed in 2007 and the St Helens site acquired in April 2008. The prior year data has been restated from 0.8% as a result of improved data capture in Continental Europe.
(3) Customer service level excludes the acquisitions of Dasty Italia, Chemolux and Darcy Industries. 2007 data excluded these acquisitions as well as Henkel's UK Household products business.

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. With our market knowledge, development skills, manufacturing scale and technical know-how, we remain aligned to the changing needs of our retail customers and consumers. It is this proactive relationship with our customers that keeps us top of the Private Label sector.

Our product range

Household products

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

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

Dishwashing
- automatic dishwash tablets, powder and liquids
- rinse aids
- washing up liquids

Air care
- timed release
- plug-ins
- aerosols
- car freshners
- gels

Personal Care products

Body care
- bath and shower gels
- liquid soaps
- skin care
- baby care
- deodorants

Hair care
- shampoos
- conditioners
- hairsprays
- styling aids

Men's grooming
- shaving foam
- after shave
- men's deodorants
- men's shower

Oral care
- toothpaste
- mouthwash

Our business units

UK

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

Share of gross segmental revenue

08	41%	£297.3m
07	46%	£277.1m
06	45%	£249.8m

Western Continental Europe

The Western Continental Europe business creates, develops and produces Household and Personal Care products, primarily in Private Label format, for major retailers with activities focused in France, Italy, Spain, Germany, Belgium and The Netherlands. It also produces niche brands such as Actiff, Yplon, Cobra, Bonaria and Isabel and provides contract manufacturing for other Household and Personal Care sector participants, most notably Henkel and Oriflame. Retail customers include Aldi, Auchan, Carrefour, Casino, DM, Esselunga, Eurospin, Intermarché, Lidl, Metro, Plus, REWE and Système U.

Share of gross segmental revenue

08	55%	£395.4m
07	50%	£304.2m
06	51%	£280.3m

Eastern Continental Europe

The Eastern Continental Europe business creates, develops and produces Household and Personal Care products, primarily in Private Label format, for major retailers with activities focused in Poland, Hungary, Czech Republic and Slovakia. It also produces niche brands such as Yplon and Avea and provides contract manufacturing for other Household and Personal Care sector participants in the region. Retail customers in the region include Biedronka (Jeronimo Martins), Kaufland (Lidl), Metro (Makro and Real) and Tesco.

Share of gross segmental revenue

08	4%	£32.1m
07	4%	£25.0m
06	4%	£21.9m

No.1

Here are some of the products that have made us the No.1 producer of Private Label products in Europe.

↑ The Co-op Eco powder
The demand for more eco friendly products has resulted in developments of a number of phosphate-free laundry products including powders and tablets.

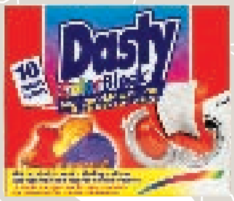
← Avea bar soap
McBride is continuing to grow its Personal Care sales in Eastern Europe with range extension and rebranding of the highly successful Avea Personal Care range.

← C1000 power cleaner
McBride's acquisition of Chemolux has provided the opportunity to expand its distribution of specialist cleaners into the German and Dutch markets.

↑ Eco ranges
Consumer demand in France for more environmentally friendly products has resulted in the launch of a wide range of eco products.

↑ Lejía bleach
Our Spanish business continues to show strong growth. During the year the business continued to develop new business in the specialist cleaners and laundry liquids sectors, including trigger cleaners with bleach.

↑ Yplon washing up liquid
McBride has seen strong expansion into the developing markets of Eastern Europe. The Yplon brand is well established in these markets and recent investment in range extension, brand development and distribution channels should support future growth.



↑ Dasty
The Dasty acquisition was successfully integrated into McBride during the year. Private Label continues to gain share of the Italian Household market providing further opportunities for growth and product development.

Our production capabilities

UK business

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

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										✓

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

"Our products deliver outstanding value and quality to consumers across Europe and have never been more relevant than in the current environment where disposable incomes are under significant pressure."

Iain J G Napier
Chairman

Introduction

This year was characterised by the impact of significant and rapidly escalating input costs. Our product pricing was adjusted to reflect this environment and there is intense focus on other initiatives to ensure the Group continues to deliver outstanding value products to its customers and consumers. Management have handled the considerable cost and pricing pressures very professionally in difficult circumstances. The resilience demonstrated by the Group combined with the strength of its business model provide confidence that it will continue to develop even in today's challenging economic environment.

Our strategy is to lead the growth of Private Label Household and Personal Care products in Europe through a focus on identified growth product categories, category development in partnership with our customers and innovation. In addition, we intend to intensify our focus on growing our business in Eastern Europe.

Our identified growth categories of automatic dishwashing tablets, specialist cleaners, laundry liquids, air care and Personal Care collectively delivered a more robust organic revenue growth performance than the overall Group. The acquisitions completed late last year are performing well, further validating our chosen focus growth product categories, in which the majority of the acquired businesses operate.

Innovation remained a strong feature, with a particular focus on developments to enhance further the environmental performance of the Group's products. This has enabled us to launch a number of exciting product concepts such as phosphate-free laundry and automatic dishwashing tablets, a patented reusable trigger cleaner product range and various products with significantly reduced packaging.

Our continued commercial leadership combined with our constant focus on driving efficiency across the business will ensure that we continue to develop the business for the benefit of all our shareholders.

← **Coop Eco - tablets**
Phosphate-free automatic dishwashing tablets provide an environmentally friendly option for Italian consumers.

← **Gentelle product range**
McBride has relaunched and expanded its highly successful Gentelle range of baby care products across the UK.

Employees

We are fortunate to have a forward-looking, ambitious management team which is energetic in its pursuit of high quality products providing outstanding value to customers and consumers. Thanks go to all of our people for their commitment and efforts during a year when significant demands have been made on them.

Board

A number of changes to the composition of the Board were announced during the year. Bob Beveridge resigned in May 2008 although he remains with the Group as Company Secretary. Since the year end we have welcomed Ian Johnson to the Board as our new Finance Director. In addition, we announced that Henri Talerman will be standing down as a non-executive director with effect from the forthcoming Annual General Meeting after 15 years on the Board. I would like to thank Bob and Henri for their contributions to the Board.

Results and dividend

Revenues increased by 18% to £700.9 million (2007: £592.0m). Profit after tax attributable to shareholders, before amortisation of intangible assets and exceptional items, was £15.6 million (2007: £23.1m) whilst, on the same basis, diluted earnings per share was 8.6 pence (2007: 12.7p). The reduction in earnings reflects primarily the impact of the time lag between cost increases and raising prices and lower promotional volumes whilst pricing actions were under discussion with our customers.

At the year end, net debt was £103.3 million (2007: £80.9m) with continued delivery of positive operating cash flows offset by the impact of the strengthening of the Euro against Sterling on Euro-denominated debt.

The Board is recommending a maintained final dividend of 3.9 pence per share (2007: 3.9p), giving a total dividend for the year of 5.6 pence per share (2007: 5.6p) which is 1.5 times covered by post-tax profit, before amortisation of intangible assets and exceptional items, for the year (2007: 2.3 times).

Dividend per share
pence

Looking to the future

Over the last year we have updated shareholders regularly about the unprecedented input cost pressures on the business. As a result of this environment, we have worked to address the higher costs with our customer base including implementing increased selling prices.

At the same time we are determined to deliver a step change in our efficiency and we have specific initiatives underway to reconfigure our UK manufacturing capabilities as we extend the integration of recent acquisitions. This will create an even leaner, fitter business with lower overheads once fully implemented, towards the end of the current financial year.

We have made a satisfactory start to the new financial year. We continue our strategy to be the leading provider of Private Label Household and Personal Care products in Europe. We are also maintaining our strong focus on product development, customer service and driving operational efficiencies so that we remain the partner of choice for all our customers.

Our products deliver outstanding value and quality to consumers across Europe and have never been more relevant than in the current environment where disposable incomes are under significant pressure. We are confident in the opportunities ahead for the business and I look forward to reporting further progress in developing the potential for your company.

Overview of the year
Business review
Our governance
The figures

Chief Executive's review

"We are stepping up our focus on driving down our cost base and enhancing efficiency at the same time as prioritising product categories and geographies and maintaining our commitment to new product development."

Miles W Roberts
Chief Executive

Overview

The business made satisfactory progress in many areas although ultimately the significant increase in our input costs, driven by the sharp rise in the oil price, shaped our financial performance in the year. In particular, whilst firm action was taken to mitigate the impact of higher input costs, including obtaining selling price increases, the time lag between increased costs and raising prices and the associated business disruption adversely impacted overall growth and profitability. As a result, our financial performance in the year fell below our original expectations.

The industry, market and competitive environment

The Household and Personal Care markets in which McBride operates are large and dynamic with their long-term growth driven by levels of disposable income, the rate of household formation and new product innovations that reflect lifestyle changes or deliver improved performance or greater convenience.

The industry is highly competitive, with McBride competing, as a well established leading provider of Private Label products, in partnership with its customers, with a small number of major multinational branded companies. We also compete with a large number of small and generally local Private Label companies. McBride differentiates itself mainly through its focus on Private Label category development, higher growth categories, new product development and strong operational efficiency and procurement capabilities that enable it to deliver outstanding value products to its customers and ultimate consumers.

The Private Label segment of the European Household and Personal Care markets has generally outperformed overall market growth as a result of consolidation in the retail sector and the increasing focus of major retailers on differentiating their offer through their own brand product portfolio. It also reflects growing consumer recognition of the quality and value of Private Label products as well as the significant success of the discount format across Europe where Private Label is often the only product format on sale.

In Western Europe, the Household and Personal Care markets had a combined value of £48 billion (at retail selling prices) in 2007 and they grew at 0.8% and 3.0% per annum respectively in the five years to the end of 2007. McBride's specific Private Label markets have consistently outperformed the overall Household and Personal Care markets, growing by 2.2% and 3.4% per annum respectively in the five years to the end of 2007 across Western Europe.

Within Household products, McBride's targeted product categories continue to outperform the overall market. Automatic dishwashing products have delivered consistently strong growth – 7.2% per annum across Western Europe in the five years to 2007 – driven by the trend of increasing penetration of automatic dishwashing machines in homes. Similar trends have been seen in McBride's other targeted Household categories of specialist cleaners, laundry liquids and air care.

Eastern Europe is experiencing strong growth in both the Household and Personal Care markets which had a combined value of £12 billion (at retail selling prices) in 2007. Over the five years to the end of 2007, these markets grew at 8.9% per annum, the high growth reflecting increasing disposable incomes and consumer affluence and greater product availability driven by retail consolidation.

Source of market data: Euromonitor

Business performance

Geographic and product performance

The year saw contrasting fortunes across the Group's geographic and product activities. Significantly, the Group's established strategic priorities of Eastern Europe, Personal Care and selected Household product categories continued to see strong performance.

In Eastern Continental Europe organic revenue growth to our core retail customers was 16%. The key organic growth drivers were very strong performances in territories such as Hungary and the Czech Republic combined with successful new product innovation, continued aggressive store opening programmes by major customers and their focus on Private Label.

We also made good progress in Personal Care, achieving 5% organic revenue growth in the year, meaning that our Personal Care business has achieved compound annual organic revenue growth of 8% in the last three years. Growth was broad based across all three divisions and in terms of product categories, with Western Continental Europe achieving 8% organic growth and superior growth occurring in hair care. Our performance also benefited from some key new customer wins and our expansion into premium product segments.

What is your strategy to deliver value in today's markets?

Growth

McBride is pursuing a growth agenda focused on selected Household product categories, Personal Care and Eastern Continental Europe.

In relation to Eastern Europe our confidence in the long-term growth opportunities is supported by a number of factors.

Modern retail format
Modern retailers – the primary sellers of Private Label products – are growing rapidly in Eastern Europe (at 11% per annum over the last five years*) taking share from traditional retailers and benefiting from increasing consumer affluence. This growth is expected to continue particularly in less developed retail markets like Romania and Ukraine. We expect major customers to grow by at least 10% per annum in the coming years through new store openings in our existing regional markets.

Increasing prosperity
The economies of Eastern Europe are growing rapidly with long-term real annual GDP growth typically above 5%. This is bringing increasing affluence which in turn is driving consumer spending. Regional macroeconomic performance is expected to remain robust for the forseeable future.

Rising Household and Personal Care demand
Eastern Europe has some of the largest Household and Personal Care markets in Europe – e.g. Russia and Poland ranked 5th and 8th. They are also growing rapidly – 9% per annum in the five years to 2007 in Eastern Europe versus 2% in Western Europe.* Superior growth is forecast to continue as consumption levels converge with Western Europe.

Growing Private Label market share
Private Label market shares in Household and Personal Care are low in Eastern Europe relative to Western Europe, 1-2% in value terms across the region.* The current low base provides significant future growth potential.

Building McBride's capability in Eastern Europe
McBride's Eastern Continental Europe business has been transformed recently – revenues have doubled in three years. We have the capability to capitalise on future growth opportunities, having recently invested significantly in our management team, production capability and product innovation.

Source of market data: Euromonitor *

Chief Executive's review continued

What is your strategy to deliver value in today's markets?

Efficiency

Improving efficiency and reducing costs is key to McBride setting the Private Label standards.

A key part of driving continuous efficiency gains is achieved through capital investment. A significant element of our capital expenditure programme is devoted to improving efficiency every year and we target rapid paybacks on the use of our capital resources in this area. This year approximately £10 million* was spent in driving future cost reductions across the Group.

Major investments in boosting efficiency included installation of substantial internal bottle blowing capacity at our Personal Care facility in Ieper in Belgium. We are now able to produce 60 million bottles per annum at the site. This brings business benefits through reduced product costs and a more efficient supply chain as well as improving our carbon footprint by eliminating transportation of empty bottles to Ieper.

During the year we also devoted significant investment at our Burnley and Ieper Household products facilities to automation. In Burnley a state-of-the-art high speed filling line was installed. Meanwhile in Ieper, we added automation in terms of sorting and packing once product filling is completed. This is now enabling automatic case production and packing, palletising and shrink-wrapping. Both these investments have enabled ongoing cost savings.

A major installation of solar panels is nearing completion at our Ieper Household products facility that supports both our efficiency and sustainability agendas, by reducing our reliance on externally purchased, mainly fossil fuel derived energy sources.

We will continue our focus on identifying opportunities to drive efficiency enhancements across the Group through targeted capital investment with good paybacks.

*

Our identified growth Household product categories of automatic dishwashing tablets, specialist cleaners, laundry liquids and air care continued to outperform our overall Household products organic revenue growth. The main area of weakness was Household products in our UK and French markets. This was attributable to a number of factors including reduced promotional activity during pricing negotiations that had a consequential effect on volumes, overcapacity and declining demand in certain categories such as laundry powder.

Raw materials
McBride entered the year with concerns about the input cost environment but the subsequent speed and severity of inflation in these costs meant that achieving selling price increases became a key priority for the business whereas historically we have generally been able to absorb input price rises through productivity gains and value engineering.

Efficiency gains
During the year, we continued to make incremental gains from improved efficiencies; for example, automation of our production facilities. We have also initiated a programme to reconfigure our manufacturing capabilities in the UK as we extend the integration of prior year acquisitions. We recently purchased a modern, well-invested production facility in St Helens into which we will be transferring production from facilities in Coventry and Warrington. This will result in the closure of our facility in Coventry and the downsizing of the site at Warrington. This project is expected to deliver overhead savings of approximately £1 million per annum from the latter part of the current financial year with anticipated one off costs, to be charged in the same year, of approximately £2 million, primarily related to redundancies and remaining property lease obligations.

Building on our experience since opening an office in Hong Kong in 2006, we recently commissioned a small factory in Guangdong, China that will focus initially on production of air care products for sale in Europe. This facility will bring efficiencies from low cost production and should enhance our competitive positioning in this attractive product category.

← **Ultima**
Concentrated laundry liquids, such as the Ultima range for Waitrose, are rapidly gaining share in the UK laundry market and have a lower environmental impact than traditional laundry liquids.

Value engineering

Value engineering is a permanent feature of our product development activities and consistent with our commitment to minimise our impact on the environment. During the year, we increased our investment in this area which, for example, enabled us to significantly reduce costs through product reformulation and 'lightweighting' of product containers.

Procurement

Our procurement activities have been significantly strengthened in recent years resulting in a more global and centralised approach that was critical to the Group's performance during the year.

Recent acquisitions

In the prior year, the Group made a number of acquisitions, including Dasty Italia, Darcy Industries and Henkel's European Private Label Household products business. The acquisitions added substantial capability in the Household growth product categories of automatic dishwashing tablets and specialist cleaners. Dasty Italia also materially strengthened our position in the rapidly growing Italian Private Label market. The overall performance of these acquisitions has been fully in line with our expectations, validating not only our growth product category focus but also the Group's ability to identify and implement complementary acquisitions successfully. We have an outstanding query in respect of one acquisition that may be the subject of a formal claim by us in due course.

Customer service

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. Our customer service level across the Group in the year was 96% (2007: 97%) with the reduction from the prior year driven exclusively by operating a number of Personal Care sites at overcapacity. The new site at St Helens creates new capacity to address this issue.

Group key performance indicator
Customer service level
→ **96%**
2007: 97%

What is your strategy to deliver value in today's markets?

Scale

Scale sharpens our competitive advantage in many areas.

Not only is McBride the leading provider of Private Label Household and Personal Care products in Europe, but it is also one of the largest participants in the whole industry in key markets such as the UK, France and Italy. Enhancing scale ultimately brings substantial benefits to our stakeholders:

- → Strengthening customer and supplier partnerships
- → Enhancing efficiencies and unit costs
- → Leveraging greater purchasing power for the benefit of customers and shareholders
- → Delivering outstanding value products to customers and consumers
- → Enhanced and more varied careers for employees
- → Increasing resources focused on improving sustainability

Our strategy continues to focus on building scale positions in our priority product and geographic markets. This will allow us to further enhance efficiencies, deliver greater value and support long-term business sustainabiilty.

Scale benefits

Dasty Italia acquisition synergies
Following its recent acquisition, we have delivered substantial cost synergies at Dasty Italia, with our scale helping to achieve procurement cost reductions and manufacturing efficiencies.

Procurement
Our scale has given us enhanced procurement capabilities that have been critical in mitigating the effects of rapidly rising input costs through improving pricing, better market intelligence and longer-term agreements.

St Helens production facility
Our new production facility in St Helens* is allowing us to capture scale benefits by consolidating production from recently acquired facilities in Coventry and Warrington.

*


Chief Executive's review continued

What is your strategy to deliver value in today's markets?

Innovation

Innovation drives our commercial edge, our ability to expand our product offer and ultimately supports our future growth.

In today's market place, product development is based on meeting consumers' increasing needs for:

- Product performance
- Environmental impact
- Improved delivery systems
- Waste reduction

Our new product development process aims to ensure that our concept development is targeted, relevant and appropriate to meeting these needs.

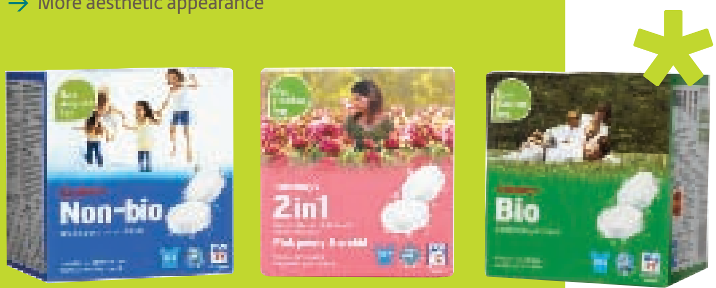
Recent launches of concentrated laundry products, eco product ranges, innovative trigger cleaners and phosphate-free automatic dishwashing and laundry tablets reflect our continuing stream of new product innovation.

In the past, most laundry detergents sold across Europe contained sodium tripolyphosphate, a very effective agent which prevents re-deposition of dirt onto fabric. Phosphate has been implicated in the eutrophication of surface waters. Therefore McBride is gradually moving from phosphate to zeolite-based formulations.

The development of effective phosphate-free laundry tablets* has been a priority in the business. We have recently launched a new laundry tablet which not only performs better than the phosphate containing tablets but has a novel octagonal shape and additional environmental benefits in lower freight costs.

The new phosphate-free tablet delivers:

- Improved tablet dissolution
- A significant saving in chemical usage
- Major reduction in product packaging
- Significantly reduced supply chain carbon footprint
- More aesthetic appearance



New product development
We are encouraged by the pipeline of exciting new product developments in the year which should support McBride's overall growth strategy. Key initiatives have been focused on the environmental performance of our products. Notable developments included the launch of new phosphate-free laundry and automatic dishwashing tablets which will make a major contribution to reducing phosphates in domestic waste water. We are also in the process of launching a Household trigger cleaner range with a patented soluble sachet refill which can more than halve packaging waste. In addition, we have launched a range of super concentrated liquids in both laundry and dishwashing categories.

Performance against objectives
A year ago, we established a number of key objectives for the year to 30 June 2008 and below we report on the progress made against these objectives.

Improve customer partnership and service, category development and product innovation
Notwithstanding the cost pressures, we have increased our investment in new products and more efficient and effective formulations. We also continue to seek to reduce the environmental impact of our products through decreased use of certain ingredients, such as phosphates, and reduced packaging, for example, the use of refill sachets and 'lightweighting' of product containers.

Deliver improvements in efficiency and reduction in costs
A number of programmes to improve efficiency and reduce costs were implemented or commenced during the year including increased internal bottle blowing, the UK manufacturing reconfiguration referred to above and commissioning our new air care production facility in China. In addition, excluding the impact of prior year acquisitions, energy consumption fell by 2%.

→ Marks & Spencer Personal Care
The Group continues to expand its Personal Care activities. The success in gaining a major toiletries contract with Marks & Spencer in 2007 was a major development for the business.

Target our identified growth product categories
Our growth product categories are automatic dishwashing tablets, specialist cleaners, laundry liquids, air care and Personal Care that delivered 1% organic revenue growth compared to a 2% decline in organic revenue for the Group.

Further improve performance in Western Continental Europe
Our Western Continental Europe business benefited from the full year impact of the acquisitions of Dasty Italia and Henkel's European Private Label Household products business. These acquisitions, together with other actions, enhanced the business mix towards our targeted growth categories.

Accelerate growth in Eastern Continental Europe
McBride's Eastern Continental Europe business had a good year with reported revenue increasing 28% to £32.1 million (2007: £25.0m). This compares with reported revenue growth in the previous year of 14%. More importantly, organic revenue growth remained robust at 8% or 16% in our core retail sales activities. The key organic growth drivers were very strong performances in territories such as Hungary and the Czech Republic combined with successful new product innovation and continued aggressive store opening programmes by major customers.

Take advantage of further suitable acquisition opportunities
During the year we continued to consider acquisitions that are consistent with our product and geographic priorities although ultimately none were pursued, primarily reflecting recent macroeconomic uncertainties and value expectations. We expect to return more actively to the acquisition agenda once these concerns subside.

← Eco-friendly washing up liquid
One of a range of products specially developed by McBride to be friendly to the environment and certified by the European 'Ecolabel'. Specifications include high concentration, natural perfumes, biodegradability and recyclable packaging.

People
Significant demands were placed on many of our employees during the year and their response to the challenges has been exemplary. There have been many outstanding contributions during the year and I want to acknowledge a few examples:

- The resources and dedication of the many people engaged in alleviating the significant input cost inflation we have had to address including our production and technical teams in pursuing efficiency and value engineering opportunities
- Our procurement team's success in accessing new raw materials sources and adopting novel purchasing strategies
- Significant work on acquisition integration including IT and managing production transfers from outside as well as between Group sites, particularly in Western Continental Europe
- Delivering significant investment projects such as the acquisition of a new site in St Helens, the bottle blowing project in our Ieper Personal Care factory and establishing our manufacturing facility in China

Our people are critical to the continued success of McBride and I thank them all for their continuing commitment to the Group's development during a challenging year.

Objectives for the current year
The critical objective for the current year is to continue to manage the impact of volatility in input costs.

With the UK manufacturing reconfiguration underway, we are also stepping up our focus on driving down our cost base and enhancing efficiency across the Group.

We will also drive growth in priority categories and geographies and continue to focus on new product development.

Divisional performance

UK business review

Key developments

	2008	2007	Change
Total reported revenue(1)	**£297.3m**	£277.1m	+7%
Operating profit(2)	**£15.2m**	£24.5m	-38%
Average employee numbers	**2,414**	2,262	+7%
Proportion of revenue in Household products	**73%**	73%	+0pp
Proportion of revenue in Personal Care products	**27%**	27%	+0pp

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

- Challenging year primarily reflecting harsh input cost environment
- Mitigating actions taken to minimise impact of increased costs
- Reported revenue up 7% with good progress by acquisitions and organic growth in Personal Care
- Household products impacted by lower promotional volumes during price negotiations
- Operating profit was £15.2 million (2007: £24.5m)
- Acquired modern production site to support Personal Care growth and manufacturing reconfiguration

Business description

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

Overview

The UK business had a very challenging year, primarily reflecting market dislocation caused by rapidly increasing input costs. The extent of these cost pressures meant it was necessary to raise selling prices and the time lag between cost increases and raising prices put a short-term pressure on profitability. Volumes were also affected, primarily in certain Household product categories, as retailers focused on price negotiations.

However, good progress was made in a number of focus areas. The recently acquired businesses delivered financial and operational performances in line with our expectations and we were able to commence work on cost reduction with additional cost saving opportunities to come. Further, we delivered robust organic growth in Personal Care.

Whilst the near term business outlook is dependent on stability in the raw materials cost environment, we expect to make further progress in Personal Care. Significant additional focus is being placed on reducing exposure to oil-related costs and enhancing our products' environmental performance whilst delivering greater value to consumers. We also intend to implement further cost saving initiatives.

Markets

The UK Household products market is relatively mature. Long-term shifts in demand are taking place including a trend towards concentrated laundry liquids and fabric conditioners as well as compacted powders which, whilst being higher value products, have contributed to 2% lower volumes for the market as a whole in the year to June 2008. In the same period, the total UK market increased by 1% in value terms, driven by inflation.

Private Label performed behind the market, reflecting lower promotional activity in the year, with declines in value and volume terms of 3% and 4% respectively. The best performing categories by value in Household products were laundry liquids, fabric conditioners, specialist cleaners and automatic dishwashing tablets, broadly consistent with McBride's identified growth product categories.

In the product categories where McBride has a significant presence, the overall UK Personal Care market grew by 1% in both value and volume terms in the year to June 2008, reflecting growth in product categories such as toothpaste, mouthwash, deodorants and liquid soap.

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

Key business developments

Coming into the year, our priorities were to continue driving Private Label growth in our product categories, to extract sustainable synergies from prior year acquisitions, to continue delivering premium growth in Personal Care and to expand our distribution channels. However, the input cost inflation during the year presented a significant challenge to the business, with our key priority becoming the delivery of a range of actions to protect margins in this difficult environment.

These actions included increasing selling prices, in line with much of the industry, as well as a heightened focus on offsetting cost pressures through value engineering and efficiency improvements. Successful initiatives in these areas included diversifying the range and sources of raw materials and 'lightweighting' of packaging, including the plastic containers used for our products. Our capital investment also focused on cost reduction activities.

← FCUK range
The embossed and shaped aerosols have created a visually appealing men's grooming range for FCUK.

The process of increasing selling prices disrupted the business, particularly due to a material reduction in promotional activity. This was evident in lower sales volumes through the middle part of the financial year although volumes recovered towards the end of the year as Private Label products recovered lost market share. Our strategic focus on Personal Care continues to be vindicated with organic revenue growth of 4%, well ahead of the overall Private Label market, with notable strength in men's grooming and skin care.

We completed significant work in integrating the prior year acquisitions of Henkel's UK Private Label Household products business and Darcy Industries. Overall, the acquired businesses traded in line with plan. We also closed the Bolton factory that formed part of the Darcy Industries acquisition. Our new St Helens site will be an important part of our asset portfolio going forwards providing much needed capacity and capability, increased scope for rationalising production and further opportunity to achieve productivity and service improvements.

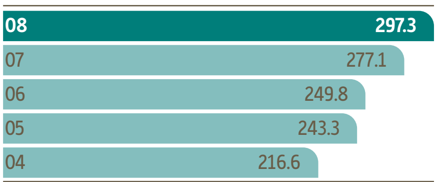
Financial review

Revenue grew by 7% to £297.3 million (2007: £277.1m). With £42.0 million (2007: £10.5m) of revenue attributable to prior year acquisitions, organic revenue declined 4%, reflecting lower volumes in Household, with Personal Care having another successful year, with organic revenue growth of 4%.

Key performance indicator
UK organic revenue growth
→ **-4%**
2007: +3%

Operating profit, before amortisation of intangible assets and exceptional items, declined to £15.2 million (2007: £24.5m) reflecting reduced Household volumes, the time lag between cost increases and raising prices and costs associated with increased investment in plant and product innovation.

Development in revenues of UK business
£m



Our capital investment in the year was focused on building incremental capacity in areas with good growth opportunities, such as Personal Care, on improving efficiencies and reducing unit costs and supporting innovation and new product development. Major projects in the year included additions to internal bottle blowing capabilities in Burnley and our Personal Care facility in Bradford and additions to production and filling lines for automatic dishwashing tablets, air care, bleach and aerosols. We invested a total of £12.4 million in the year (2007: £9.1m).

Future developments

The business' near term performance is supported by implementation of price increases to reflect the current input cost environment although further volatility could continue to have an impact.

We also continue to press ahead with initiatives to improve efficiency. In April 2008, we purchased a large modern manufacturing facility in St Helens that provides us with the opportunity to exit or rationalise production at recently acquired sites in Coventry and Warrington which, once implemented, will deliver significant efficiencies. We have also recently announced a further restructuring involving our central functions that is expected to lead to additional cost savings.

We also expect our Personal Care business to continue its recent record of robust organic growth, reflecting ongoing new customer contract wins, broadening product coverage and the potential to utilise the St Helens facility to produce categories such as skin care where McBride is currently under-represented.

Divisional performance continued

Western Continental Europe business review

Key developments

	2008	2007	Change
Total reported revenue(1)	**£395.4m**	£304.2m	+30%
Operating profit(2)	**£11.4m**	£10.4m	+10%
Average employee numbers	**2,286**	2,083	+10%
Proportion of revenue in Household products	**91%**	90%	+1pp
Proportion of revenue in Personal Care products	**9%**	10%	-1pp

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

- → Resilient performance in difficult input cost environment with improving demand as year progressed
- → Robust performance by recent Dasty Italia and Chemolux acquisitions
- → 8% organic growth in Personal Care
- → Lower organic Household revenue with weakness in France offsetting growth elsewhere
- → Revenue up 30%, with flat organic revenues and the remainder due to acquisitions and currency
- → Operating profit up 10% to £11.4 million (2007: £10.4m) with contribution of recent acquisitions offsetting decline in underlying business

Business description

The Western Continental Europe business creates, develops and produces Household and Personal Care products, primarily in Private Label format, for major retailers with activities focused in France, Italy, Spain, Germany, Belgium and The Netherlands. It also produces niche brands such as Actiff, Yplon, Cobra, Bonaria and Isabel and provides contract manufacturing for other Household and Personal Care sector participants, most notably Henkel and Oriflame. Retail customers include Aldi, Auchan, Carrefour, Casino, DM, Esselunga, Eurospin, Intermarché, Lidl, Metro, Plus, REWE and Système U.

Overview

The Western Continental Europe business delivered a resilient performance in a difficult input cost environment with our recent acquisitions performing well and the underlying business achieving robust revenues and volumes despite difficult market conditions. Our Personal Care business continues to expand rapidly and, outside France, Household products' performance was also pleasing, improving as the year progressed. Nevertheless, reflecting the time lag between cost increases and raising prices, profitability was below original expectations.

The near term priority for the business is to continue managing effectively the effects of the recent input cost environment. Private Label continues to see good growth across Western Europe in both Household and Personal Care and there are opportunities to reinforce its position by emphasising its outstanding value at a time of economic uncertainty and pressure on consumers' disposable incomes. We are also actively reviewing opportunities to improve efficiency by reconfiguring our production capabilities across Western Europe.

Markets

In the last year, the Household and Personal Care markets in Western Continental Europe have been increasingly affected by the growing macroeconomic uncertainties. Market growth rates have moderated to varying degrees in the countries in which McBride has a significant presence.

France is McBride's largest market in Western Continental Europe and the Group is active in both its Household and Personal Care markets. In Household products, the market has gone from a growth rate of 2% last year to a decline of 3% in the year to July 2008. Over the same period, Private Label has maintained an annual growth rate of 3-4%, gaining significant market share as consumers increasingly take advantage of the value and quality offered by Private Label. Growth in Private Label was driven by automatic dishwashing products, washing up liquid, specialist cleaners and air care.

The French Personal Care market also declined in the year to July 2008, by 1% in value terms, following the same level of decline in the prior year. At the same time, the French Private Label Personal Care market grew by 1%, with growth concentrated in shower gel, soap and deodorant products.

In Italy, McBride's second largest market in Western Continental Europe, where the Group operates predominantly in the Household market, the overall Household market continued its recent trend of growing at 3-4% per annum in value terms. Private Label has continued the pattern of accelerating outperformance relative to the overall market reported at the half year with annual growth in value terms of 8% seen in the year to June 2008. Overall market growth was supported by strength in washing up liquid and automatic dishwashing products which were also features of Private Label growth but with Private Label outperformance driven by very rapid growth in laundry liquids.

Source of market data: IRI and Secodip

Specialist cleaners
New formulations to meet the increasing demand for products with a lower environmental impact are continually being developed.

Key business developments

The business performed satisfactorily in the face of very challenging market conditions. In particular, our prior year acquisitions contributed strongly in revenue and profit terms in line with expectations set at the time of acquisition.

Whilst the extent of cost increases meant it was inevitable that price increases were required, we had significant success in minimising these through active management in procurement as well as value engineering. We also achieved further operational efficiencies, for example reducing headcount through investment in automation.

The acquisitions of Chemolux (Henkel's Continental European Private Label Household products business) and Dasty Italia bring significant opportunity in our targeted growth product categories and, particularly with Dasty, a geographic market with strong Private Label growth. At Dasty, we have achieved significant cost synergies, particularly in procurement, but also from production transfers between our existing Italian site and Dasty's sites. Meanwhile, at Chemolux significant work was completed to transfer production of non-automatic dishwashing products from outside the Group to various McBride production sites.

In the underlying business, sales performance strengthened as the year progressed with improvement seen across both Household and Personal Care sectors.

In the Household products business, there was good sales growth in automatic dishwashing products offset by ongoing declines in laundry powder. Belgium and The Netherlands delivered good growth with success in increasing penetration of key retail accounts and retailers placing greater emphasis on Private Label sales. Complementing the success at Dasty, our existing Italian business performed satisfactorily. The only significant area of sales underperformance was in our Household products business in France. This was attributable to exiting contracts with unacceptable profitability together with strong competitive pressures.

Our increasing focus on Personal Care delivered strong organic growth once more with a particularly good performance in the hair care category. Progress in establishing growth in higher value sectors, such as premium hair care and shower gels, was also a feature of the second half.

Financial review

Total Western Continental Europe revenue was up 30% to £395.4 million (2007: £304.2m) reflecting the effect of acquisitions (22%) and positive currency exchange rate movements (8%). The underlying business delivered a resilient performance with an excellent performance in Personal Care, which delivered 8% organic revenue growth, offsetting a reduction in organic revenue in Household. Aggregate revenue from the prior year acquisitions was ahead of plan.

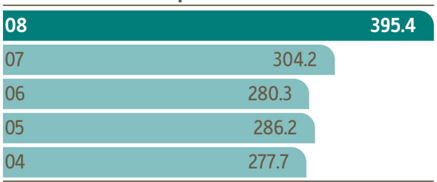
Key performance indicator

Western Continental Europe organic revenue growth

→ 0%

2007: 0%

Development in revenues of Western Continental Europe business £m



Operating profit, before amortisation of intangible assets and exceptional items, was up 10% to £11.4 million (2007: £10.4m). The increased profits reflect the contribution from the acquisitions of Dasty Italia and Chemolux with profits in the underlying business declining due to higher input costs.

Capital expenditure increased significantly in the year to £13.0 million (2007: £9.2m) reflecting investment at recent acquisitions as well as the translation effect of the Euro strengthening against Sterling. Nevertheless, capital investment was higher in the underlying business with major projects at our two sites in Ieper with the Personal Care facility completing a further increase in bottle blowing capability whilst the Household products facility introduced additional automation to reduce costs.

Future developments

The near term priority for the business is to continue managing effectively the effects of the recent input cost environment.

The more subdued economic conditions in Western Europe provide opportunities to reinforce the value of our Private Label offering and our category development plans are focused on communicating that value to consumers as pressure on their disposable income grows. Within Private Label we will continue to build on our success in developing a more substantial Personal Care business and leading the development of more environmentally sensitive product ranges.

We also intend to extend the efficiency gains achieved in the business in order to minimise costs and, in addition, are actively reviewing opportunities to reconfigure our production capabilities across Western Europe to drive more substantial cost savings.

Divisional performance continued

Eastern Continental Europe business review

Key developments

	2008	2007	Change
Total reported revenue(1)	**£32.1m**	£25.0m	+28%
Operating profit(2)	**£2.1m**	£1.5m	+40%
Average employee numbers	**413**	341	+21%
Proportion of revenue in Household products	**64%**	64%	+0pp
Proportion of revenue in Personal Care products	**36%**	36%	+0pp

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

- → Reported revenue up 28% with organic retail revenue growth of 16%
- → Significant growth in Hungary and the Czech Republic
- → Operating profit up 40% reflecting revenue growth, improved efficiency and leverage of overheads
- → Further development of eastern and southern areas of region underway

Business description

The Eastern Continental Europe business creates, develops and produces Household and Personal Care products, primarily in Private Label format, for major retailers with activities focused in Poland, Hungary, Czech Republic and Slovakia. It also produces niche brands such as Yplon and provides contract manufacturing for other Household and Personal Care sector participants. Retail customers in the region include Biedronka (Jeronimo Martins), Kaufland (Lidl), Metro (Makro and Real) and Tesco.

Overview

The Eastern Continental Europe business had a successful year. Our business is operating in attractive markets with the Household and Personal Care sectors both demonstrating consistent strong growth driven by increasing consumer demand and Private Label becoming increasingly important for our customers as retail consolidation occurs.

The business has exciting prospects, with plans to grow particularly by diversifying its geographic presence across Eastern Continental Europe and a continuing emphasis on new product development and innovation.

Markets

The Household and Personal Care markets of Eastern Continental Europe continue to be very dynamic, reflecting increasing consumer affluence and aspiration, with growing consumption of Household and Personal Care products and intense focus from manufacturers. In McBride's current core markets in the region of Poland, Hungary, Czech Republic and Slovakia, the combined Household and Personal Care markets increased in value terms by 4% and 5% respectively in 2007. In other markets further east and south, growth rates are significantly higher, for example Romania, 12% and 10%; and Ukraine, 13% and 16%, in both cases in Household and Personal Care respectively.

Private Label market shares in the region 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 positive outlook should be supported by retail growth and consolidation 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

Key business developments

The Eastern Continental Europe business had a good year, achieving overall revenue growth of 28%, reflecting increases in both Household and Personal Care. Operating profit increased ahead of revenue growth reflecting the substantial investment made in the business in recent years.

The key performance driver in the year was our success in capitalising on the expansion of major retail customers to drive Private Label sales through a combination of strong new product development and innovation, competitive pricing and significantly improved customer service and product availability. In particular, outstanding growth was achieved in Hungary and the Czech Republic.

← **Yplon bleach range**
McBride continues to expand its product capabilities in Eastern Europe. Last year, success in new product development resulted in significant volume gains in both Yplon branded bleach and Private Label bleach.

In Household products, the best performing product categories were fabric conditioners and bleach, reflecting recent investment in new product development whilst in Personal Care, strong growth was seen in our bath and shower ranges.

Whilst driving the commercial aspects of the business, we also delivered enhancements in operational performance with a significant reduction in our waste levels. This reflects further investment in the management team and additional control and visibility provided by the SAP information technology system installed in 2007.

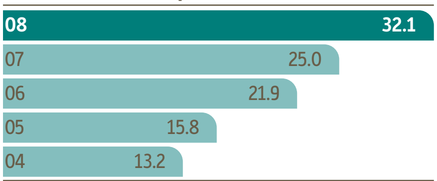
The business continued to invest in its management resources to support its growth ambitions. During the year, new senior personnel in logistics and supply chain and human resources were appointed, supplementing the significant resources that were added in the prior year.

Financial review

Reported Eastern Continental Europe revenue increased 28% to £32.1 million (2007: £25.0m) with organic growth of 8% or 16% in our core retail sales activities. The remaining revenue growth was attributable primarily to significant strengthening of the Polish Zloty against Sterling and the full year effect of the Schneider acquisition completed in the prior year. Revenue increased at similar rates in both Household and Personal Care products with Household's share of total divisional revenue remaining at 64% (2007: 64%).

Key performance indicator
Eastern Continental Europe organic revenue growth
→ 8%
2007: 10%

Development in revenues of Eastern Continental Europe business £m



Operating profit, before amortisation of intangible assets and exceptional items, was £2.1 million (2007: £1.5m). Operating profit growth reflected not only increased revenues but also improved discipline in pricing of new business and leveraging the overhead resources invested in the business in the previous year.

Capital expenditure declined to £0.8 million (2007: £1.7m) following significant investment in the prior year in new systems, bottle blowing machines and mixing and filling facilities.

Future developments

A combination of the overall market environment and initiatives we are pursuing give us confidence that there are significant opportunities for further rapid development of our activities in Eastern Europe.

In the year ahead we expect to benefit in our Private Label activities from the ongoing significant store opening programmes and recent acquisitions of major customers. Further, we will start investing to diversify the Group's geographic presence in Eastern Continental Europe. The Group will also seek to further strengthen the business through a stronger focus on products with greater growth and margin potential, supported by new product development and innovation.

Overview of the year
Business review
Our governance
The figures

Group financial review

Group summary

Group revenue increased 18% to £700.9 million (2007: £592.0m) driven by robust performances from the 2007 acquisitions and the impact of the strengthening of the Euro and Polish Zloty. Group profit before tax, before amortisation of intangible assets and exceptional items, was £21.3 million (2007: £32.1m). This reduction in profitability primarily reflected the impact of the difficult input cost environment and higher finance costs driven by a higher average debt level following the acquisitions in late 2007. Diluted earnings per share, before amortisation of intangible assets and exceptional items, was 8.6 pence (2007: 12.7p). The proposed final dividend is being maintained at 3.9 pence per share which, if approved, would maintain the full year dividend at 5.6 pence per share.

Despite the adverse market conditions, cash flow remained strong, with net cash generated from operations, before exceptional items, of £49.4 million (2007: £49.5m). Net debt increased by £22.4 million to £103.3 million (2007: £80.9m) with £19.5 million of this increase primarily due to the strengthening of the Euro against Sterling. Pre-tax return on average capital employed, before amortisation of intangible assets and exceptional items, for the year was 12.8% (2007: 22.1%).

Revenue

Group revenue increased 18% to £700.9 million (2007: £592.0m). This increase reflects a 15% incremental contribution from prior year acquisitions and a 5% translation benefit from the strengthening of the Euro and Polish Zloty against Sterling, partially offset by a 2% decline in organic revenues (at constant exchange rates). The decline in organic revenue reflects a 4% reduction in Household sales partially offset by a 5% increase in Personal Care, with growing demand across all three business divisions.

Group revenue bridge

£m

(1) The figure for acquisitions represents incremental revenue in 2007-08 from prior year acquisitions.

By geographic origin, UK revenues grew 7% to £297.3 million (2007: £277.1m) with an 11% incremental contribution from acquisitions and a 4% organic reduction. Revenues in Western Continental Europe increased 30% to £395.4 million (2007: £304.2m) reflecting a 22% contribution from acquisitions, flat organic sales and an 8% currency translation benefit. Eastern Continental Europe's revenues improved 28% to £32.1 million (2007: £25.0m) comprising a 4% incremental contribution from acquisitions, an 8% increase in organic sales and a 16% currency translation benefit.

Operating profit

Group operating profit, before amortisation of intangible assets and exceptional items (adjusted operating profit), declined 22% to £27.0 million (2007: £34.5m). The operating margin declined from 5.8% to 3.9% with the main drivers being a significant increase in raw materials, fuel and other input costs, and higher administration costs mainly due to acquisitions, partially offset by selling price increases, operational efficiencies and purchasing savings. Group reported operating profit declined 33% to £21.4 million (2007: £31.9m), the higher rate of decline relative to adjusted operating profit reflecting the higher level of amortisation of intangible assets and exceptional items in the current year.

Net finance costs

Reported net finance costs increased to £5.7 million (2007: £2.4m), reflecting an increased interest expense arising from a higher average debt level following the acquisitions in late 2007, and also higher interest rates.

Exceptional items

There was a £4.0 million pre-tax operating exceptional charge to the income statement in the year (2007: £2.1m). £3.1 million of this related to redundancy programmes in the UK and Western Continental Europe divisions and £0.9 million to the costs of an aborted acquisition.

Profit before tax and tax charge

Profit before tax reduced to £15.7 million (2007: £29.5m) and, excluding amortisation of intangible assets and exceptional items, was £21.3 million (2007: £32.1m). The £4.2 million taxation charge (2007: £8.2m) represents a 27% effective rate, compared to 28% in 2007 and 29% in 2006.

Earnings per share and dividend

Basic earnings per share (EPS) declined 46% to 6.4 pence (2007: 11.9p). Adjusted basic EPS (ie before amortisation of intangible assets and exceptional items) decreased 33% to 8.7 pence (2007: 13.0p). On an adjusted basis, diluted EPS declined 32% to 8.6 pence (2007: 12.7p). The weighted average issued and diluted number of shares in the year used in calculating these EPS figures were 180.1 million and 181.6 million respectively (2007: 177.4m and 181.2m).

Group key performance indicator

Adjusted diluted earnings per share

→ **8.6p**

2007: 12.7p

A final dividend of 3.9 pence per share is recommended, giving a full year dividend of 5.6 pence per share, the same level as the prior year. The final dividend, if approved by shareholders at the AGM on 27 October 2008, will be paid on 28 November 2008 to shareholders on the register on 24 October 2008. The ex-dividend date will be 22 October 2008. The £10.1 million total dividend relating to the year is covered 1.5 times (2007: 2.3 times) by post-tax profit before amortisation of intangible assets and exceptional items.

Cash flow

The Group maintained its strong cash-generative characteristics despite the reduction in operating profit, with net cash generated from operations, before exceptional items, of £49.4 million (2007: £49.5m). This included a £0.5 million net working capital inflow (2007: £2.3m outflow).

Capital expenditure increased 33% in the year to £26.5 million (2007: £20.0m) with the main increases in investment focused on cost saving, new product development and essential replacement. There were no businesses acquired in the year (2007: £57.8m).

Net interest payments increased to £7.3 million (2007: £3.2m) reflecting primarily the higher average debt levels following the acquisitions completed late in 2007.

There were total payments of £11.4 million (2007: £1.2m receipts) related to the settlement of Euro currency net investment hedging contracts, with the substantial increase relative to the prior year due to the significant strengthening of the Euro against Sterling.

There was a cash outflow of £4.6 million (2007: £1.7m) relating to exceptional items, primarily related to redundancy programmes in the UK and Western Continental Europe divisions.

Ordinary dividend payments were higher at £10.1 million (2007: £9.2m) reflecting the increase in the final dividend for 2007 paid in 2008 over the final dividend for 2006 paid in 2007.

Net debt increased by £22.4 million to £103.3 million (2007: £80.9m), with £19.5 million of this increase due to exchange rate movements, primarily the strengthening of the Euro against Sterling on translation of Euro-denominated debt and settlement of Euro currency net investment hedging contracts.

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

	2008 £m	2007 £m
Opening net debt	**(80.9)**	(29.1)
Cash generated from operations before exceptional items	**49.4**	49.5
Exceptional items	**(4.6)**	(1.7)
Net interest	**(7.3)**	(3.2)
Forward contracts used in net investment hedging	**(11.4)**	1.2
Tax	**(3.8)**	(6.3)
Capital expenditure	**(26.5)**	(20.0)
Acquisitions(1)	**–**	(59.5)
Ordinary dividends	**(10.1)**	(9.2)
Translation	**(8.1)**	0.7
Other movements	**–**	(3.3)
Movement in net debt	**(22.4)**	(51.8)
Closing net debt	**(103.3)**	(80.9)

(1) Acquisitions in 2007 includes £1.7 million paid to purchase minority interests in a subsidiary.

Balance sheet

Group net assets at the year end reduced by £1.4 million to £118.9 million (2007: £120.3m). Increases in net debt, fixed assets and working capital were all mainly due to exchange rate movements. The Euro strengthened against Sterling from 1.49 at 30 June 2007 to 1.26 at 30 June 2008.

Liabilities for pensions and other post-employment benefits increased by £1.0 million from last year to £7.8 million, net of associated deferred tax asset (2007: £6.8m). The majority of this liability, £5.7 million (2007: £5.1m), 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 22.1% to 12.8%. This reduction reflects lower returns on capital in the organic business, with the returns on the 2007 acquisitions remaining stable.

Group key performance indicator
Return on capital employed
→ **12.8%**
2007: 22.1%

Group financial review continued

Treasury management

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

Access to credit lines

The Group aims to maintain a strong balance sheet, with a relatively conservative level of debt to equity gearing. This has enabled us to secure a £150 million revolving credit facility, which remains committed until February 2011. The Group also has access to working capital facilities amounting to around £60 million, which are generally uncommitted and subject to annual review. We maintain a close working relationship with the small number of major banks which provide these credit lines.

These credit facilities provide assurance that the Group is able to meet all of its foreseeable funding requirements. Together with the Group's strong cash flow generation, they also provide headroom for bolt-on acquisitions and contingencies.

Foreign currency risk

A substantial proportion of the Group's net assets are located in Europe and denominated in Euros. The Group is therefore exposed to a translation risk, when these net assets are converted into Sterling at each balance sheet date. The Group has historically managed this exposure by hedging most of its foreign net assets with borrowings or currency swaps denominated in the same currency. The resulting foreign currency interest also provides a hedge against the risk, on conversion into Sterling, of the Group's overseas earnings.

However, the strength of the Euro against Sterling in the year to 30 June 2008 has had an adverse impact on our reported levels of net debt and interest. We intend to mitigate these effects, in future, by adopting a more balanced net asset hedging policy. The new policy will help to mitigate the risk of volatility in our key financial ratios, as a result of foreign currency movements.

The Group's trading activities are generally invoiced in the domestic currency of the relevant operating entity. However, there are some material cross-border activities which create a transaction risk on conversion into domestic currency. The main such exposure arises in the UK division, which incurs costs denominated in Euros on some of its imported goods. Our policy is to mitigate this risk, by hedging a proportion of the forecast exposures on a rolling 12-month basis, using forward currency deals.

Interest rate risk

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

Credit risk

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

Commodity price risk

The Group is exposed to changes in raw material prices, some of which may be indirectly linked to that of oil. There is generally no liquid or cost-effective market for direct trading of such exposures. Where liquid markets do exist, there may not be an acceptable level of correlation with the price of our particular commodities. However, the Group continues to investigate the practicalities and merits of hedging its exposure to rising commodity prices.

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 material, packaging and energy prices, pensions funding, environmental risks, and litigation. Internal risks include risks related to systems reliance, acquisitions, legislative and regulatory compliance, capital expenditure, production capability, human resources, strikes and failure of internal controls.

The Group has a well established set of risk management procedures at three different levels i.e. operating company, division and Group. These are discussed further in the Corporate Governance report on pages 31 to 35.

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. These are based on the most recent Group Risk review by the Board in July 2008.

Sustainability of revenue and profits

McBride is exposed to price and supply fluctuations for its raw materials, packaging and other consumables used in its production processes. The past year has seen unprecedented raw material price inflation, driven particularly by the increase in the oil price. As we had previously anticipated, these external market forces adversely affected the Group's revenue and profits as the effort required to manage the consequences of price increases is substantial and diverts customers' attention away from promotions and product developments.

To mitigate this impact, the Group has a strong focus on improving operating efficiencies through increased asset utilisation and automation, reduced waste and minimising the use of packaging. It also maintains a programme of initiatives, supported by a combination of the purchasing, technical and operational teams, such as the use of alternative materials and sources and product reformulations. The Group has also opened a sourcing office in Hong Kong and has commenced sourcing certain products from markets in the Far East. In addition, the Group continues its strong focus on delivering superior customer service levels, 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 focussing on driving continuous efficiency improvements across the business. It is also committed to securing price increases where necessary to cover residual cost inflation.

Systems dependency and reliability

A failure of the Group's SAP information systems platform would rapidly impact all sites after a few hours, which in turn would damage business and customer relationships. Damage could be caused by accident, by software or hardware failure, or by sabotage.

To mitigate this risk the Group has a resilient network design and maintains duplicated facilities, as well as off-site back-up and disaster recovery plans which provide full back-up services within four hours. In addition, it invests continuously in its information systems infrastructure to support its effectiveness and resilience and a methodology of testing disaster recovery plans is being developed. Appropriate measures are in place to ensure separation of duties and restricted access to critical production systems to minimise against the risk of sabotage by human intervention.

Acquisition integration

The scale of the recent and possible future acquisition activities 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 as existing people become increasingly stretched.

To mitigate this risk integration teams are established under the leadership of experienced managers to review the issues in depth and develop detailed project plans. Additional resources are hired to backfill gaps in the existing business; generally, these are interim resources to allow cost to be incurred for the minimum period of time.

As acquisition activity increases, the risk arises of items materialising which could not be identified or quantified during due diligence activities. To mitigate this risk, where due diligence cannot provide the necessary degree of assurance, specific representations and warranties are sought from the vendor. Where uncertainty exists, earn-outs can provide a final degree of protection.

People risks

The main people risks are the loss of key managers, insufficient planning for management and Board succession, as well as the risk of industrial relations breakdown or strike; all of these 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. Employee morale is measured regularly through the Employee Opinion Survey and mitigating actions are taken when required. In addition, the Group has a well-established process for talent management and succession planning for senior employees. Succession planning for executive management

Principal risks and uncertainties continued

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.

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 failure, workforce action or environmental incident) could adversely affect the Group's performance. Whilst the Group maintains insurance based on 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.

This risk is managed through well-established 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.

Each year we work with our insurers to visit all sites and prepare risk recommendations for each site. These are followed through during the following 12 months and this programme has resulted in lower levels of property insurance premium. A Business Interruption Study was also undertaken last year based on one of our largest factories and in the coming year this study will be extended to cover inter-group dependencies.

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 evolve its operations more quickly than might otherwise have been the case, presenting risks as well as potential opportunities.

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 strong focus on achieving exacting external accreditation for its operations. Environmental audits have been undertaken of all key locations. Any issues have been identified and appropriate actions are taken in accordance with local legislative and regulatory guidelines. These include consideration of any potential impact on both employees as well as neighbouring properties and any potential public health issues.

The Corporate Social Responsibility report on pages 28 to 30 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.

Product safety and quality

The Household and Personal Care products sectors have various product and ingredient issues associated with 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 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 formulae and packaging specifications.

Foreign currency

The Group operates in many European countries but reports its results in Sterling and it is therefore exposed to the impact of fluctuations in prevailing exchange rates on items denominated in other currencies, primarily the Euro. The recent strengthening of the Euro has impacted the Group's results in a number of ways. In particular, reported consolidated net debt has increased due not just to the effect of the strengthening of the Euro on Euro-denominated debt but also to payments resulting from this strength under hedges to protect the Sterling value of the net assets of non-UK subsidiaries. Conversely, we have benefited from the impact of a stronger Euro on the Group's revenues, operating profits and net assets which arise in the Euro area. Significant foreign currency exposures are regularly reviewed by our Group Treasury Committee, and are subject to hedging in accordance with approved treasury policies. Nevertheless, the Group could be impacted in future by significant exchange rate fluctuations.

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 2008, the Group had an average of 5,124 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, annual programme of employee opinion surveys that have been in place for more than 15 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 twice per annum 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 holding similar conferences to communicate local strategy, performance, goals and expectations in the context of the Group position.

Other components of the Group's personnel strategy include commitments to high standards of health and safety, equal opportunities for all in recruitment, promotion, development, traininng and reward policies and procedures.

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. We value our reputation, both as a supplier of Household and Personal Care products and as a key part of the communities in which we operate.

Relationships

McBride has a strong code of business ethics and expects all employees to behave with honesty, discretion, integrity and respect for all parties with whom business is transacted, including customers, suppliers, contractors and agents.

Our customers

The Group's customers are the leading grocery retailers across Europe. Like all businesses, the Group's future success is dependent on maintaining and developing its relations with current and potential customers. 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. Senior management maintain key customer relations at both corporate and business unit level.

Our consumers

Millions of people use the Group's products on a regular basis. However, as a Private Label supplier, the Group has limited direct contact with the ultimate users of its products. Nevertheless, the Group has developed considerable consumer expertise through extensive experience in Private Label category development, the use of consumer panels as part of new product development processes and active monitoring of market developments by our marketing teams. This expertise enables us 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 and 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

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1. Iain J G Napier
Non-Executive Chairman (aged 59)

Iain Napier was appointed non-executive Chairman of McBride in July 2007. He is also non-executive Chairman of Imperial Tobacco plc and a non-executive director of Collins Stewart plc and Molson Coors Brewing Company. 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 Chairman of the Nomination sub-committee of the Board and a member of the Remuneration sub-committee.

2. Miles W Roberts
Chief Executive (aged 44)

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 and Nominations Committee.

3. Ian R Johnson
Group Finance Director (aged 43)

Ian Johnson joined McBride in August 2008 as Group Finance Director. Ian is a Chartered Accountant. Prior to joining McBride, he was Commercial Director of Taylor Wimpey plc's operations in the US. His previous experience also includes being Group Financial Controller of Taylor Woodrow plc and Regus plc as well as working at Exel plc in various financial roles.

4. Colin D Smith
Senior Independent Non-Executive Director (aged 61)

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, as Finance Director. Colin is also Chairman of Assured Food Standards Ltd and Poundland Holdings Ltd. 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.

5. Robert A Lee
Independent Non-Executive Director (aged 61)

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. Christine A Bogdanowicz-Bindert
Independent Non-Executive Director (aged 57)

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.

7. Henri Talerman
Non-Executive Director (aged 51)

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. Henri will stand down as a non-executive director from the next Annual General Meeting on 27 October 2008.

Corporate social responsibility (CSR) report

Introduction
McBride is committed to achieving a long-term successful and sustainable business as Europe's leading provider of Private Label Household and Personal Care products. We believe in the importance of social responsibility in our business and the vital contribution it makes to our success. Our approach to the environment, product safety and health and safety in our operations, to how we treat our people, our customers, our suppliers, our local communities and other key stakeholders is embedded in our company culture and values and outlined in the Policy on Social Responsibility and Business Ethics, published on the Group's website at **www.mcbride.co.uk**.

In short, McBride recognises its obligations to all those with whom it has dealings. The reputation of the Group and the trust and confidence of those with whom it deals are among its most vital resources, and the protection of these is of fundamental importance.

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

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

- → The Environment and Sustainability – we aim to continuously reduce the environmental impact of our operations and products
- → Health and Safety – we aim to provide safe working environments underpinned by comprehensive internal safety management procedures and external accreditation
- → Employment Practices – we strive to retain and develop our employees and to help them to fulfil their potential. We provide equal opportunity for all and do not tolerate discrimination and unacceptable behaviours
- → The Community – we work closely with the communities within which we operate to reduce any adverse impact and make a positive contribution where possible
- → Business Ethics – we have a strong code of ethics and expect all employees to behave with honesty, discretion, integrity and respect for all related parties

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

Our policies and principles apply to every director, manager and employee in all our businesses across our global operations. They also extend to our supply chain. For example, suppliers are selected not only on the basis of specification, quality, service and economic factors but also 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 which are published on the Group's website at **www.mcbride.co.uk**. 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 rigorous performance management systems and key performance indicators that enhance its ability to monitor and improve performance. Health, safety and environment managers are present at 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.

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

This year's environmental performance has been heavily influenced by two factors, namely the full year impact of prior year acquisitions which have added 14% to production volumes in the year and an increase in the proportion of bottles blown in-house rather than bought in. As we outlined in last year's report, the Group looks to minimise where possible supplies of plastic containers from third parties by investing in its own blow moulding facilities. This brings the benefits of lower costs, greater operating flexibility and elimination of energy consumption in transporting empty 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 to the Group. In the year ended 30 June 2008, therefore, energy consumption rose by 12% and CO_2 emissions by 11%; however, on a like for like basis there was a year-on-year reduction of between 1% and 2%.

Water consumption increased by 8% year-on-year but was down 5% excluding the impact of acquisitions. Water efficiency is monitored based on tonnes of production per cubic metre of water used by the business. This measure declined by 4% in the year ended 30 June 2008 relative to the prior year, partially reversing the previous year's improvement of 10%.

Another key measure of eco-efficiency is production per tonne of effluent produced; this worsened by 1% but has improved by over 60% in the last five years.

Although the total amount of waste rose by 15%, the equivalent figure excluding acquisitions was flat year on year. The proportion of waste recycled and recovered increased by 3% to 71% (excluding acquisitions) and total waste relative to production volume was 1.2% (1.1% excluding acquisitions) (2007: 1.0% excluding acquisitions).

As a member of the Courtauld Commitment supported by WRAP (Waste and Resources Action Programme), we have continued to take an industry lead in lightweighting packaging of our products. In particular, McBride's work in reducing the weight of its washing up liquid bottles was awarded 'Best in Class' by WRAP in the UK and will reduce product packaging by around 18%.

The development of our i-clean range of refillable trigger cleaners and the development of phosphate free laundry tablets and phosphate free automatic dishwashing tablets further demonstrate the Group's commitment to setting the standards in delivering more environmentally friendly products. In May 2008, McBride became the first company to achieve certification under the revised AISE Charter for Sustainable Cleaning, enabling the Group to continue to use the Charter logo on products which it manufactures.

Health and safety

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

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

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 developed for each site. Five factories hold the OHSAS 18001 occupational health and safety accreditation, one more than last year.

All accidents and major incidents are reported internally and are investigated fully to determine appropriate corrective and preventative measures. Incidents that result in more than three days lost time are monitored. In the year ended 30 June 2008, there were 160 such incidents across the Group, 2 below last year.

Sadly, in June 2008, for the first time in over 20 years, we have had a fatality at work in the business. The incident at our Polish factory involved an external contractor. The Board is extremely concerned about this incident and full investigations are being conducted. We await final reports and will implement any recommendations. Meanwhile, all other sites have reviewed their procedures to ensure we are fully compliant with both internal Health and Safety policies and external regulatory requirements.

What is your strategy to deliver value in today's markets?

Sustainability

Sustainability is an integral step in our product and packaging development processes.

Innovative packaging
McBride's focus on sustainability and support for WRAP's (Waste and Resources Action Programme) Courtauld Commitment to reduce packaging waste, combined with escalating packaging costs, has driven the Group's development of novel packaging concepts to build additional sustainability into its business.

Washing up liquid bottles
A series of adjustments to the construction of the bottle (and bottle cap) used for our washing up liquids in the UK has reduced the amount of plastic used by over 18%, equivalent to nearly 300 tonnes per annum.* We continue to work on similar projects in other product categories and geographies that we expect to deliver further significant sustainability gains.

This project achieved 'Best in Class' status from WRAP in 2008.

Use of recycled polymer in packaging
McBride commenced research on incorporating recycled polyethylene terephthalate (PET) plastic polymer into its product containers and during the year started producing certain Personal Care products using this packaging. Projects such as these will help support increases in recycling of plastics and corresponding reductions in waste. They should also lower energy use and carbon emissions as less energy is required to re-use recycled PET than to produce new PET. In the long-term they could also reduce demand for new PET, potentially helping to reduce polymer costs.

-300 tonnes*

By adjusting our packaging we have reduced the amount of plastic used in just one of our product categories by nearly 300 tonnes per annum.

Corporate social responsibility (CSR) report continued

Product safety

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

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

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.

The REACh (Registration, Evaluation, Authorisation and Restriction of Chemicals) legislation, regarding the safe use of chemicals, came into force across Europe in 2007 with the first formal actions required in mid-2008. In the interim, efforts have been targeted on data gathering and we now have a database that will support our REACh requirements and evidence our REACh compliance.

Employment practices

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

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

Regular opinion surveys are undertaken of all staff to measure and monitor employee satisfaction within the Group. The results of these surveys are used to improve communication, motivation and engagement across the business.

Business ethics and relationships

We expect employees to operate to high ethical standards in compliance with our Policy on Social Responsibility and Business Ethics which outlines the principles behind our approach to business. All business dealings are expected to be conducted with utmost discretion, integrity and respect for all parties as well as in compliance with local and national legislation. While respecting the privacy of its employees, McBride expects them to be law-abiding and not to demonstrate anti-social behaviour which could adversely affect the reputation of the Group.

We are committed to providing high quality products and service in line with our customers' expectations; customer service is measured daily and considered to be the primary operational performance indicator across the Group.

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

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

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

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

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 statement

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. For the financial year under review, we are governed by and endorse the provisions set out in The Combined Code on Corporate Governance (The Code), as 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. The Board considers that, throughout the year under review, 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 with the exception of the composition of the Nomination Committee which, following the appointment of the Chief Executive, strictly speaking comprised 50% independent non-executive directors rather than the majority recommended by The Code. It is deemed appropriate for the Chief Executive to be actively involved in matters of appointment to the Board and the balance will be redressed when Henri Talerman steps down at the next Annual General Meeting.

Composition and independence of the Board

For most of the year to 30 June 2008, the Board had seven members, comprising two executive directors, the Chairman and four non-executive directors. However, the Group Finance Director, Bob Beveridge, was absent for most of the year due to an extended period of illness. In his absence, the Group appointed an interim finance director although he was not formally a member of the Board. Ultimately, Bob Beveridge resigned from the Board with effect from 29 May 2008 and a new Group Finance Director was appointed with effect from 18 August 2008.

The directors' biographies appear on page 27 and illustrate the range of experience which ensures an effective Board to lead and control the Group. The size of the Board allows individuals to communicate openly and freely and to make a personal contribution through the exercise of their individual skills and experience. The 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 high level of non-executive representation encourages healthy independent challenge to the executive directors and senior management. The non-executive directors 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.

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. Henri Talerman who has served on the Board since 1993, has, in the opinion of the Board, continued to operate in an independent manner, but has now announced his intention to stand down from the Board with effect from the next Annual General Meeting.

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. Iain Napier, Christine Bogdanowicz-Bindert, Bob Lee and Colin Smith shall therefore retire at the Annual General Meeting and, being eligible, offer themselves for re-election. 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.

The new Group Finance Director, Ian Johnson, is also standing for election at this year's Annual General Meeting to allow shareholders to ratify the appointment made by the directors during the year. The executive directors have agreed to stand for re-election on a bi-annual basis. The Chief Executive, Miles Roberts, was re-elected to the Board at the 2007 Annual General Meeting and will not therefore be subject to re-election this year.

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 and prospects for the Group, approval and monitoring of major projects including the integration of acquisitions, as well as evaluation and approval of potential new corporate development and growth initiatives for the Group. 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 and legislative developments, approved changes to the Group's banking facilities and the capital structure of the Group's subsidiaries and considered relevant health, safety and environmental, senior management recruitment 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 (both formal and informal) 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 as part of the Board Performance evaluation exercise.

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 for implementing 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.

Corporate governance report continued

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, approval of the annual report and accounts and other financial statements and confirmation that these statements provide a true and fair view of the financial status of the Group, authorisation of major capital expenditure, disposals and acquisitions, ensuring the existence of 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. It also governs matters relating to appointments and the remuneration of board members, reviews senior management performance, is responsible for corporate social responsibility policy setting and corporate governance and authorises significant corporate restructuring programmes. The schedule of matters has been reviewed by the Board during the year and a copy is available from the Group's website at **www.mcbride.co.uk**.

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 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. Following his appointment, the new Chairman received a formal induction programme which included 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 and on other topics of specific relevance to them and the Group.

Board performance evaluation

There is in place a formal board evaluation process to assess the overall performance of the Board and the contribution made by individual directors. The exercise was extended during the year to capture the work of the sub-committees for the first time. The process is undertaken in an open manner with responses from Board members to detailed questionnaires being discussed on a one to one basis between the Chairman and the individual director. Feedback on the effectiveness and performance of the sub-committees is considered by the respective committee Chairmen with the Chairman of the Board. The Chairman and the Senior Independent Director meet to summarise the output from the discussions and the conclusions are reported by the Chairman to the whole Board.

An analysis of the output and the resulting discussion supported the view that the functioning of the Board is very effective in a difficult market with good mutual respect between colleagues, leading to 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 its sub-committees. The most significant issue raised was succession planning and the Board will devote more time to this important activity in the coming year and seek more exposure to level 2 and 3 managers. The remuneration committee will seek more detailed trend information as an input to the pay review process. The output from the exercise was taken into account when considering whether to put forward each director for re-election at the Annual General Meeting. The exercise was devised internally and co-ordinated by the Chairman; 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.

Operational management of the Group

The relationship between the Board and the Chief Executive is governed by the non-executive directors, particularly through the work of the Board committees. The Board takes overall responsibility for approving Group policies, including those relating to Social Responsibility and Business Ethics, Health and Safety, and Sustainability and Environmental matters, copies of which are available on the Group's website. The implementation of these policies is delegated to the Chief Executive and then cascaded throughout the organisation via the Secretariat and the divisional management teams. The management of the Group's business activities is also delegated to the Chief Executive who is ultimately responsible for establishing objectives and monitoring executive actions and performance. Local operational, commercial, supply chain, finance, development and technical issues are delegated to senior executive management on a structured basis. Employee and social and community responsibilities are delegated to the Group Human Resources Director who reports directly to the Chief Executive. The Chief Executive is also ultimately responsible for customer service and quality matters although day-to-day management of such matters is delegated to the Managing Directors of the divisions.

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 the Group 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 the Group's strategy and commercial plan, to consider commercial, financial and operational matters across the Group and to ensure transfer and sharing of knowledge and best practice. In addition to the Chief Executive, the members of the team are the Group Finance Director, the Managing Directors of the three principal operating divisions, the Director of Purchasing, the Human Resources Director, the Group Strategic Development Director and the Group's Legal Advisor. 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. 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 Committee monitors the integrity of the financial reporting process of the Group and reviews the Group's accounting policies and disclosure practices. It reviews and recommends the Board to approve all financial statements and announcements. The Committee also reviews the effectiveness of the Group's internal controls and risk management systems. It oversees the Company's relations with the external auditor, actively considering the cost effectiveness, independence, objectivity and effectiveness of the external audit process and making recommendations to the Board in relation to the appointment and remuneration of the external auditor. The Committee has in place a clear policy on the use of external auditors for non-audit services, a copy of which is available from the Group's website at **www.mcbride.co.uk**. Non-audit work is awarded in line with this policy. To the extent that such services are carried out by the incumbent auditor, the Committee takes active account of the relevant ethical guidelines published both by the industry and the audit firm itself.

The report of the Audit Committee is set out on pages 36 to 37.

Remuneration Committee

The Remuneration Committee comprises the three independent non-executive directors and the Chairman of the Board. The Committee 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 two 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 principal activities of the Committee during the period were to deal with reviews of the executive directors' performances over the year against objectives; to establish objectives for the new financial year; to consider related pay award proposals; to consider senior executive salary reviews and bonus and incentive scheme payments; to consider and agree a remuneration package for the new Group Finance Director; and to deal with the allocation of LTIP awards.

The report of the Remuneration Committee is set out on pages 43 to 48.

Nomination Committee

The Nomination Committee is chaired by the Chairman of the Board and in addition comprises the other non-executive directors and the Chief Executive. 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 38.

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 2008 is given in the table below:

	Board	Audit	Remuneration	Nomination	AGM
Number of meetings held:	7	3	4	3	1
Number attended:					
Mr I J G Napier(1)	7	n/a	3	3	1
Mr M W Roberts	7	n/a	n/a	3	1
Mr R J Beveridge(2)	0	n/a	n/a	n/a	0
Mrs C A Bogdanowicz-Bindert	7	3	4	3	1
Mr R A Lee	7	3	4	3	1
Mr C D Smith(1)	6	3	4	3	1
Mr H Talerman(1)	6	n/a	n/a	3	1

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

(1) Mr Napier was unable to attend one meeting of the Remuneration Committee and Mr Smith and Mr Talerman were unable to attend one meeting of the Board due to other commitments. All had received relevant papers and had the opportunity to communicate their views and comments on the matters to be discussed in advance of the meetings.
(2) Mr Beveridge was absent due to an extended period of illness.

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

Overview of the year
Business review
Our governance
The figures

Corporate governance report continued

Relations with shareholders

The Board places considerable importance on the maintenance of effective, balanced communications with all shareholders. Meetings with analysts and institutional shareholders are held at the time of the interim and final results. These provide the opportunity for shareholders to assess the Group's performance and prospects and to explore the Group's approach to corporate governance matters. The executive directors also regularly meet face to face with analysts, brokers and fund managers to further promote a better understanding of the business and its strategic development. The Board is kept informed of investors' views through distribution and regular discussion of analysts' and brokers' briefings and a summary of investor opinion feedback. The Board also receives reports on the output from surveys carried out by various investor research bodies. The Chairman and the Senior Independent 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 was offered for major shareholders to meet with the new Chairman and a number took up this opportunity. Where applicable, the views of major shareholders are sought on certain issues.

All members of the Board are present at the Annual General Meeting to respond 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 Group's website at.

We respond throughout the year to correspondence received from individual shareholders on a wide range of issues and we also participate in a number of surveys and questionnaires submitted by a variety of investor research bodies.

Internal control and risk management

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

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 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.

Whistleblowing procedures are in place for individuals to report suspected breaches of law or regulations or other serious malpractices.

The Group's internal control and risk management activities are managed through business risk reviews and a supporting detailed set of internal control procedures. A combination of internal and external resource has been established to work on internal audit projects and to provide assurances to the Audit Committee that relevant controls and actions are in place.

Business risk review

The divisions have continued to undertake their internal self-audit programmes during the year 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 both at divisional and at Group level in terms of their potential impact on the business, mitigating controls and actions and the risk reports are reviewed by the Audit Committee.

Internal control procedures

Management responsibility and accountability. The Group has clearly defined management responsibility and reporting lines. The Chief Executive and Group 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. The implementation of the Plan is monitored via the progress of key project plans in the monthly Group Management Team meeting.

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.

Financial reporting. Detailed management accounts are prepared each month, consolidated in a single system and reviewed in detail with the Divisional and Group Management Teams. Analyses include a comprehensive set of commercial, operational, environmental, financial and people key performance indicators (KPIs) which 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. Divisional managing directors and finance directors are asked to sign a detailed Internal Control Questionnaire to confirm their compliance with the Group Accounting Manual and specifically to confirm the adequacy and accuracy of accounting provisions.

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 the detailed Internal Control Questionnaire.

Internal audit. A combination of internal and external resources 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. Quarterly face to face meetings have been established to ensure regular progress reports are given to insurers against the risk recommendations identified.

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 and that the controls and procedures are adequate, appropriate and of reasonable cost.

Audit Committee report

Introduction

The role of the Audit Committee is to assist the Board in fulfilling its responsibilities regarding the integrity of the Company's financial statements, reviewing risk management 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 to reflect the latest best practice guidelines and the Companies Act 2006. The Committee's Charter is available from the Group's website at **www.mcbride.co.uk**.

The Committee met three times during the financial year ended 30 June 2008 in September 2007, February 2008 and May 2008. Subsequent to the year-end, a further meeting took place to consider the outcome of the annual audit for the year ended 30 June 2008. 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 reporting

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.

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

External auditors

The Committee received reports from the external auditors, KPMG Audit Plc, 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 concluding that this was satisfactory. The Committee will continue to periodically review their performance.

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 2008.

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

The Committee has recommended to the Board the re-appointment of KPMG Audit Plc for the year ending 30 June 2009.

Risk management and internal control

The Committee received reports relating to the Company's approach to internal control and risk management activities. The Business Risk Review process continued to operate during the year. This exercise is based on divisional self-assessment of all business risks, including the assessment of the adequacy of the control mechanisms in place to mitigate the risks and identification of relevant action points necessary to further protect the Company's position. Within this process, risks are proactively as well as reactively assessed on a regular basis within the divisions. The Committee has reviewed progress during the year and has concluded that the self-assessment programme has been effective with regular reviews of any risk areas taking place and with reports being tabled on any changes, controls and mitigating actions.

In May 2008, the Committee reviewed a paper by management on the internal control procedures. These include clear responsibility and reporting lines, detailed planning and monitoring processes, detailed expenditure approval limits and controls, a wide range of documented policies and an annual internal control questionnaire signed by managing directors and finance directors. Cash is monitored daily at Group and operational levels and variances from expected levels are investigated thoroughly. Internal audit projects have been carried out by a combination of internal and external resources. The Committee is satisfied that the internal processes and controls currently in place are adequate.

Policies

The Committee reviewed the Company's corporate policies on Social and Ethical matters and the provision of non-audit services. It concluded that appropriate key policies appear to be in place to ensure that reasonable steps have been taken to prevent fraud and to allow any improprieties to be reported. The whistleblowing process has been refreshed and recommunicated across the Group. Reports on the Group's treasury policy and banking facilities were reviewed by the Board as a whole.

Non-audit fees

During the year £0.2 million was payable to the Group's auditors, KPMG Audit Plc, 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 tax 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 61. During the same year, £0.5 million was payable to KPMG Audit Plc in respect of audit services for the Group.

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. This policy is published on the Group's website at **www.mcbride.co.uk**. It aims to avoid any conflict of interest by specifying the type of non-audit work for which (i) the auditors can be engaged without referral to the Audit Committee, (ii) for which a case-by-case decision is necessary, and (iii) 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 one other professional services firm for work on financial due diligence work relating to acquisitions and tax. A total of £0.3 million was incurred in relation to these services.

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 have been made to reflect the appointment of the Chief Executive to the Committee during the year and to incorporate reference to the new directors' duties now codified under the Companies Act 2006. The Committee's Charter is available from the Group's website at **www.mcbride.co.uk**.

The Committee's Chairman is the Chairman of the Board and the other members comprise all the non-executive directors, Christine Bogdanowicz-Bindert, Bob Lee, Colin Smith, Henri Talerman and the Chief Executive, Miles Roberts. Mr Talerman will relinquish his position on the Committee when he stands down from the Board after this year's Annual General Meeting.

Three meetings of the Committee were held during the year in July 2007 and two in May 2008. 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 Group Finance Director to the Board following agreement with the previous Group Finance Director, Bob Beveridge, to relinquish his directorship position after an extended period of absence due to illness. Bob Beveridge retains his position as Company Secretary.

The Board had been operating supported by the services of an interim Finance Director. The Committee now deemed it appropriate for the Group Finance Director to be replaced on a permanent basis and an appropriate process was put in place to identify and nominate a suitable candidate to fill the vacancy. This included the drawing up of a specification for the role detailing the career experience, capabilities and other attributes desired of a new appointee with the objective of ensuring that the successful candidate had the necessary skills and knowledge to support the strategic and commercial plans to grow the Group. External advisers were appointed as consultants to facilitate the search. The process was overseen by the Chief Executive with shortlisted candidates being interviewed by the Chairman, the Chief Executive and the Human Resources Director. Full and regular contact and consultation was maintained with the other members of the Committee and meetings were duly convened for the purposes of considering the profile of the final shortlisted candidates and of recommending to the Board the appointment of Ian Johnson as the new Group Finance Director with an effective commencement date of 18 August 2008. Responsibility for the drawing up of an appropriate service contract setting out the terms and conditions, expectations and responsibilities of the role was assumed by the Remuneration Committee.

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 independent non-executive directors and of the Chairman to the Board;
- → Consideration of the continuation of Colin Smith in the role of Senior Independent Non-Executive Director;
- → 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 50 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	2008	2007
Revenue	**700.9**	592.0
Organic revenue growth(1)(2)	**-2%**	+2%
Operating profit	**21.4**	31.9
Adjusted operating profit(3)	**27.0**	34.5
Diluted earnings per share	**6.3p**	11.7p
Adjusted diluted earnings per share(1)(3)	**8.6p**	12.7p
Dividend per share	**5.6p**	5.6p
Return on capital employed(1)(2)(3)	**12.8%**	22.1%

(1) Indicates Group key performance indicator.
(2) The calculation of organic revenue growth and return on capital employed is explained on page 2.
(3) Before amortisation of intangible assets and exceptional items. Details of exceptional items are set out in note 3 to the consolidated financial statements on page 60.

The directors recommend that a final dividend of 3.9 pence (2007: 3.9p) per ordinary share be paid on 28 November 2008 to shareholders on the register at the close of business on 24 October 2008. Combined with the interim dividend already paid, total dividends for the year are 5.6 pence (2007: 5.6p) per ordinary share, the same as in 2007. Further details of dividends are shown in note 10 to the consolidated financial statements on page 63.

Directors
The directors who held office during the year were:

Mr I J G Napier	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 page 27.

Information on directors' remuneration and service contracts is given in the Remuneration Report on pages 43 to 48.

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 2007 and 30 June 2008 were:

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

	At 30 June 2008(3)		
Director	**Shares**	**Options(1)**	**Conditional share awards(2)**
Mr I J G Napier(4)	**34,807**	**–**	**–**
Mr M W Roberts(4)	**9,500**	**509,615**	**472,062**
Mr R J Beveridge	**25,000**	**–**	**65,476**
Mrs C A Bogdanowicz-Bindert	**20,000**	**–**	**–**
Mr R A Lee	**5,000**	**–**	**–**
Mr C D Smith	**100,000**	**–**	**–**
Mr H Talerman(4)	**36,068**	**–**	**–**

(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) At the date of resignation for Bob Beveridge.
(4) During the year Iain Napier acquired 34,807 ordinary shares in the Company, Miles Roberts acquired 7,500 shares and Henri Talerman acquired 33,568 shares.

There have been no changes in the directors' interests in the shares of the Company from those detailed above between 30 June 2008 and 3 September 2008. 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 47 to 48.

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 31.

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.

Overview of the year
Business review
Our governance
The figures

Statutory information continued

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 or qualifying indemnity provisions have been made either during the year or 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 also have a structured management review process and have developed our own programme for Management Development and Modular training. All sites have their own training professionals. We acknowledge that team working is invaluable in helping to deliver our goals and this is actively encouraged through cross-fertilisation of ideas both across functions and across territories so that best practice is shared at every opportunity. We have wide ranging employee policies in place to help provide guidance and to set the standards expected of our employees in all their business dealings. These policies are made available to employees on a regular basis.

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

Reward and recognition

Eligible employees participate in performance related bonus schemes and some senior management participate in share-based option schemes and the LTIP scheme. Local incentive schemes relating to site performance are available to most site based employees.

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

Employment of disabled persons

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

Equal opportunities

It is our policy to ensure equal opportunity in recruitment, selection, promotion, employee development, training and reward policies and we have an Equal Opportunities and Diversity policy in place which is monitored through the human resources function. It is a key objective to ensure that successful candidates for appointment and promotion are selected taking account of individual ability, skills and competencies without regard to age, gender, race, religion, disability or sexual orientation. We place great emphasis on establishing and maintaining a safe working environment for our employees. If an employee is injured during the course of his employment, the incident is thoroughly investigated and, where appropriate, rehabilitation support is provided to help the employee to return to work as soon as possible. Wherever a restructuring programme is undertaken, great care is taken to ensure that all relevant communications, consultations and support and guidance 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 £17,000 (2007: £20,000) 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 (2007: £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 to30 and in the separate 2008 Sustainability Report available from the Group's website at **www.mcbride.co.uk**.

Research and development

The Group recognises the importance of investing in research and development which brings new product development support for its customers, research into new products and materials and further development of existing products. Research and development expenditure in the year was £5.9 million (2007: £5.2m).

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 2008, the amount the Group owed its suppliers represented 79 days' purchases (2007: 85 days). The Company is a holding company and therefore does not have any trade creditors.

Financial instruments

Information on the Group's financial risk management objectives, policies and activities and on the exposure of the Group to relevant risks in respect of financial instruments is set out on page 22 and in note 21 to the consolidated financial statements on pages 71 to74.

Share capital

Details of the Company's share capital are shown in note 22 to the consolidated financial statements on page 74. 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 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 2007 Annual General Meeting, shareholder approval was granted to allow the Company to repurchase up to 18,080,000 ordinary shares. The existing authority will expire on the date of the 2008 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 2,019 ordinary shares as Treasury Shares. During the financial year, 750,000 shares were repurchased (£75,000 nominal value) for a consideration of £1,361,877 and all of these shares were held as Treasury shares. At the end of the year, 752,019 shares remained held in Treasury.

Substantial shareholdings

On 3 September 2008 (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	30,134,555	16.7
Aberdeen Asset Management	21,364,845	11.9
Allianz Lebensvericherungs AG	16,734,845	9.3
Aberforth Investment Managers	9,520,065	5.3
AXA SA	9,309,253	5.2
Legal & General Investment Management	8,542,301	4.7
Goldman Sachs Asset Management	6,752,120	3.7
Barclays Global Investors	5,444,767	3.0

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 on page 31.

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 Annual General Meeting. A copy of the Articles is available from the Group's website at **www.mcbride.co.uk**.

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 further updated to reflect the latest provisions of the Companies Act 2006.

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 (IFRS) 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.

Statutory information continued

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

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 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 2008 Annual General Meeting at Centre Point, 103 New Oxford Street, London, WC1A 1DD on 27 October 2008 at 2.30 pm is set out in a separate document issued to shareholders.

The annual report and accounts for the year ended 30 June 2008 are available from the Group's website at **www.mcbride.co.uk** or can be obtained free of charge from the Company's registered office.

Auditors

On the recommendation of the Audit Committee, 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 2008 is fully disclosed in note 7 to the consolidated financial statements on page 61.

Signed on behalf of the Board

R J Beveridge
Company Secretary
3 September 2008

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 complies with the requirements of the Directors' Remuneration Report Regulations 2002 and the latest ABI/NAPF guidelines. 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 at least 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 2008, the Committee met four times in July 2007, September 2007, February 2008 and May 2008. Subsequent to the year-end, one further meeting of the Committee has taken place. 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 the latest guidelines from the ABI and NAPF, the latest version of The Code and the Companies Act 2006.

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' performances over the year against objectives; to establish objectives for the new financial year; to consider related pay award proposals; to consider senior executive salary reviews and bonus scheme payments; to consider and agree a remuneration package for the new Group Finance Director; 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 two members. Meetings may be attended by the Chief Executive on all matters except those relating to his own remuneration. Support is provided by the Group's Human Resources director 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 Group's comparator benchmark; 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 conditional upon delivery of superior business results and returns to shareholders.
- A balance of short and long-term incentives to motivate the achievement of both 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 (TSR) and earnings per share (EPS), both of which are widely understood by shareholders. The three year vesting term serves to incentivise loyalty and reward superior long-term performance.
- Annual bonuses may be earned up to a maximum of 75% of basic salary for the executive directors and up to 50% for other senior executives, dependent upon a combination of achieving the annual budgeted profit and also specific, measurable, personal objectives. Some of these personal objectives are related to environmental and social matters.

The Committee believes that this policy provides an appropriate balance between basic salary, short-term bonus and long-term incentives. It is committed to keeping its policy under regular review, taking into account changes in the competitive environment, in remuneration practices and in guidelines set by the key institutional shareholder bodies. There are no excessive severance arrangements or pension benefits in place for the executive directors. During the year we continued to benefit from the services of the independent consultants, Towers Perrin, for support and advice on executive remuneration. Towers Perrin has no other connection with the Company.

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 same 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.

Remuneration report continued

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 establishing 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 partially based on achievement of annual budget profit targets and partially based on achievement of specific, measurable personal objectives. 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 pages 47 to 48. 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 was reviewed in July 2007 with the benefit of external independent advice from Towers Perrin.

For the executive directors there is a significant bonus element of up to a maximum of 75% of basic salary. These bonus plans comprise up to 35% of basic salary linked to achievement of budgeted profit after tax targets and a further element of up to 15% based on achievement of specific, measurable, personal objectives. In addition, up to 25% of basic salary, subject to achievement of 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 objectives which include environmental, social and governance based objectives. No payments are made if these targets are not reached. All bonus awards are non-pensionable and expressed as a percentage of basic salary only, excluding any allowances in lieu of pension contributions. Payments of up to 5% of basic salary are payable to the Group's executive directors and senior executives in respect of the year ended 30 June 2008.

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 47. No new grants of share options have been made since the introduction of the LTIP in 2005 and there is currently no intention to issue further share options except under the LTIP.

Details of existing share options granted to Miles Roberts in 2002 are shown on page 47. Share option grants were issued at market value and are non-pensionable. No consideration was payable for the grant of an option and vesting of options was 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. Options for Miles Roberts are exercisable but have not been exercised to date.

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.

Long-Term Incentive Plan (LTIP)

Shareholders approved the 2005 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.

The LTIP operates over a rolling three year period with vesting of shares dependent on achievement of total shareholder return (TSR) and earnings per share (EPS) measures. The FTSE 250 Ex Investment Companies Index is used as the comparator group for TSR. For awards made during the year ended 30 June 2008, vesting under the LTIP will only start if TSR is above the median of the comparator group (50% of each award) and if EPS (adjusted to exclude the effects of amortisation of intangible assets and exceptional items) growth is in excess of the Retail Prices Index (RPI) plus 3 percentage points per annum (remaining 50% of each award). For maximum vesting, TSR needs to be in the top quartile of the comparator group and EPS growth needs to be at least RPI plus 8 percentage points per annum, both at levels designed to be geared towards very high performance.

In line with its policy to keep the appropriateness of LTIP awards under regular review, 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% of each award being based on each target. The vesting conditions for the TSR element of an award will also remain the same as currently. However, the EPS vesting scale will be amended so that whilst initial vesting will still require EPS growth in excess of RPI plus 3 percentage points per annum, full vesting will only occur on achievement of EPS growth of at least RPI plus 5 percentage points per annum. The Committee believes the revised conditions are more appropriate in the current economic environment whilst continuing to set appropriately demanding targets.

The EPS measure will be adjusted as necessary to recognise any share buy backs undertaken by the Company. The TSR measure is based upon the average of three months share prices immediately preceding the relevant performance date. The Committee considers TSR and EPS to be key long-term measures of the Group's performance and believes that the current LTIP scheme remains appropriate to the Group's current circumstances and prospects.

In the year under review, executive directors and senior executives were eligible to receive awards in a range of up to 100% of basic salary. Details of LTIP awards to the executive directors are disclosed on pages 47 to 48. The fair value of the year's LTIP awards to executive directors and senior executives at the date of grant was £0.9 million or 25% of their aggregate basic salaries. Detailed assumptions used in calculating the fair value of the awards are outlined in note 23 to the consolidated financial statements on page 75. In the year ended 30 June 2008, £38,000 (2007: £166,000) was charged to the income statement in respect of the LTIP.

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. A decision on awards for the year ending 30 June 2009 will be considered in due course.

Directors' service contracts

Executive directors

Service contracts provide for the executive directors to provide services to the Company on a full-time basis. The contracts contain, in addition to remuneration terms, details of holiday and sick pay entitlement, restrictions and disciplinary matters.

The 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 Group subject to Board approval. The Company's policy on retention and disclosure of earnings relating to such positions is set out on page 46.

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 Ian Johnson's contracts stipulate 12 months' notice by both the Company and the director. The current service contracts of the current executive directors were entered into on 13 July 2005 with Miles Roberts and 23 May 2008 with Ian Johnson. All directors' contracts are available for inspection at the Annual General Meeting. The Committee recognises the provisions of The Code for compensation commitments to be stipulated in directors' service contracts with regard to early termination.

It is not our policy to include liquidated damages clauses. Instead, the Committee places emphasis on mitigation. Directors' contracts confirm that the Company has the option to pay notice month by month; and it would therefore cease if the dismissed executive obtained other employment.

There are no agreements between the Company and its directors or employees providing for additional compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that may occur in the event of a takeover bid.

Other benefits

The Company pays into a defined contribution pension scheme on behalf of Miles Roberts at 35% of basic salary. Bob Beveridge received a payment in lieu of pension scheme participation which is separately disclosed on page 46. 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 and Chairman do not have service contracts but renewable letters of appointment. These were last issued in May 2007 for the Chairman and in July 2007 for the other non-executive directors. 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 are 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.

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

Director	Date first appointed to the Board	Date of last election at AGM in	Re-election no later than AGM in	Notice period	Compensation upon early termination	Latest letter of appointment
Mr I J G Napier	1/7/2007	2007	2008	3 months	None	25/5/2007
Mrs C A Bogdanowicz-Bindert	1/9/2003	2007	2008	3 months	None	26/7/2007
Mr R A Lee	1/9/2003	2007	2008	3 months	None	26/7/2007
Mr C D Smith	4/4/2002	2007	2008	3 months	None	26/7/2007
Mr H Talerman	23/5/1993	2007	*	3 months	None	26/7/2007

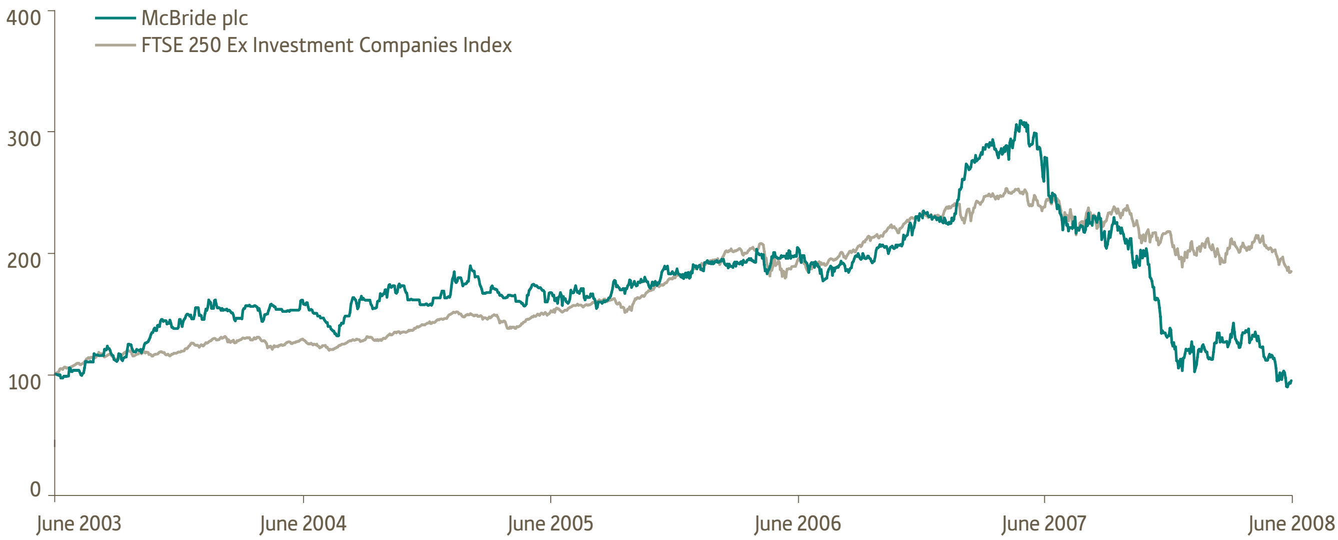
* Mr Talerman has announced his intention to stand down as a non-executive director of the Company with effect from the next Annual General Meeting of the Company in October 2008 and will therefore not be seeking re-election at this meeting.

Remuneration report continued

Performance graph

The graph below charts the total shareholder return (share value movement plus reinvested dividends) (TSR) over the five years to 30 June 2008 of shares in McBride plc compared with that of a hypothetical holding in the FTSE 250 Ex Investment Companies Index. The directors consider this index to be an appropriate comparator group for assessing the Company's TSR because it provides a well defined, understood and accessible benchmark and the TSR of the Company's shares relative to that of this index is one of the key performance measurements used to determine the extent of vesting of awards under the Company's LTIP.

Total shareholder return of McBride plc shares relative to the FTSE 250 Ex Investment Companies Index between 30 June 2003 and 30 June 2008



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, Chairman of its Audit Committee and a member of its Remuneration Committee and Nominations Committee. During the year, he retained earnings of £34,000 (2007: £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 2008 are set out below:

					Sub-total		Pension contributions(1)(4)		Total remuneration	
Director	Fees £000	Basic salary(1) £000	Bonus(2) £000	Benefits(1)(3) £000	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Executive										
Mr M W Roberts	–	398	20	25	443	519	139	130	582	649
Mr R J Beveridge	–	122	10	11	143	270	36	39	179	309
Non-executive										
Mr I J G Napier	125	–	–	–	125	–	–	–	125	–
Mrs C A Bogdanowicz-Bindert	32	–	–	–	32	27	–	–	32	27
Mr R A Lee	36	–	–	–	36	30	–	–	36	30
Mr C D Smith	40	–	–	–	40	30	–	–	40	30
Mr H Talerman	32	–	–	–	32	27	–	–	32	27
Lord Sheppard	–	–	–	–	–	108	–	–	–	108
Total	265	520	30	36	851	1,011	175	169	1,026	1,180

(1) The figures for Bob Beveridge for the year ended 30 June 2008 are for the period up to the date of his resignation from the Board on 29 May 2008.
(2) The bonus for Bob Beveridge related to performance in the year ended 30 June 2007.
(3) The benefits consist of the provision of a company car and fuel, private healthcare insurance and life cover.
(4) In the case of Bob Beveridge the amounts shown as pension contributions were paid as salary.

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 2007 and 30 June 2008 are set out below:

Director	At 30 June 2008(1)	At 1 July 2007
Mr I J G Napier	**34,807**	–
Mr M W Roberts	**9,500**	2,000
Mr R J Beveridge	**25,000**	25,000
Mrs C A Bogdanowicz-Bindert	**20,000**	20,000
Mr R A Lee	**5,000**	5,000
Mr C D Smith	**100,000**	100,000
Mr H Talerman	**36,068**	2,500

(1) At the date of resignation for Bob Beveridge.

Share options (audited)

Interests of directors in share options at 1 July 2007 and 30 June 2008 are set out below:

Director	Option type	Number of options at 1 July 2007	Granted in year	Exercised in year	Lapsed in year	Number of options at 30 June 2008(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 2008 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 2008 was 77.25 pence and the range during the year was 73 pence to 236 pence.

Long-Term Incentive Plan (audited)

Interests of directors under the McBride plc 2005 Long-Term Incentive Plan at 1 July 2007 and 30 June 2008 are set out below:

Director	Date of award	Number of awards at 1 July 2007	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2008(1)	Market 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	156,260	–	–	–	156,250	1.6650	18 Oct 2009
	9 Oct 2007	–	163,043	–	–	163,043	1.8850	8 Oct 2010
Mr R J Beveridge	19 Oct 2006	65,476	–	–	–	65,476	1.6650	18 Oct 2009

(1) At the date of resignation for Bob Beveridge.

Remuneration report continued

Long-Term Incentive Plan (audited) continued

The performance conditions attaching to 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. The 2005 and 2006 awards will start to vest on a sliding scale if TSR performance is equal to or above the median of the comparator group, with full vesting only if the Company's TSR performance is in the upper decile of the comparator group. TSR performance conditions changed from 2007 onwards such that for those later awards full vesting is dependent upon an upper quartile TSR performance.

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

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 (adjusted to exclude the effects of amortisation of intangible assets and exceptional items) is at least 3 percentage points per annum above the increase in the UK Retail Prices Index (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 for the 2005 and 2006 awards and by at least 8 percentage points for the 2007 awards.

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-setting of the performance conditions.

Pensions (audited)

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

Director	Current year payments £000
Mr M W Roberts	**139**

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 3 September 2008

Signed on behalf of the Board by

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 2008 which comprise the Consolidated Income Statement, the Group and Parent Company Balance Sheets, the Group 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 auditor

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 41 to 42.

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 is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review section of the Directors' Report.

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 2006 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 2008 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 2008;
→ 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
3 September 2008

Consolidated income statement
for the year ended 30 June 2008

	Note	Pre exceptional items 2008 £m	Exceptional items (note 3) 2008 £m	Post exceptional items 2008 £m	Pre exceptional items 2007 £m	Exceptional items (note 3) 2007 £m	Post exceptional items 2007 £m
Revenue	2	700.9	–	700.9	592.0	–	592.0
Cost of sales		(470.9)	–	(470.9)	(393.0)	–	(393.0)
Gross profit		230.0	–	230.0	199.0	–	199.0
Distribution costs		(47.2)	–	(47.2)	(39.7)	–	(39.7)
Administrative costs							
Before amortisation of intangible assets		(155.8)	(4.0)	(159.8)	(124.8)	(2.1)	(126.9)
Amortisation of intangible assets		(1.6)	–	(1.6)	(0.5)	–	(0.5)
Administrative costs including amortisation of intangible assets		(157.4)	(4.0)	(161.4)	(125.3)	(2.1)	(127.4)
Operating profit	2	25.4	(4.0)	21.4	34.0	(2.1)	31.9
Financial income		6.0	–	6.0	4.8	–	4.8
Financial expenses		(11.7)	–	(11.7)	(7.2)	–	(7.2)
Net financing costs	6	(5.7)	–	(5.7)	(2.4)	–	(2.4)
Profit before tax	7	19.7	(4.0)	15.7	31.6	(2.1)	29.5
Taxation	8	(5.3)	1.1	(4.2)	(8.8)	0.6	(8.2)
Profit for the year		14.4	(2.9)	11.5	22.8	(1.5)	21.3
Attributable to:							
Equity holders of the parent		14.4	(2.9)	11.5	22.7	(1.5)	21.2
Minority interest		–	–	–	0.1	–	0.1
Profit for the year		14.4	(2.9)	11.5	22.8	(1.5)	21.3

All activities relate to continuing operations

	Note	2008	2007
Earnings per ordinary share (pence)	9		
Basic		6.4	11.9
Diluted		6.3	11.7
Dividends	10		
Paid in year (£m)		10.1	9.2
Paid in year (pence per share)		5.6	5.2
Proposed (£m)		7.0	6.9
Proposed (pence per share)		3.9	3.9

Consolidated balance sheet
at 30 June 2008

	Note	2008 £m	2007 £m
Non-current assets			
Intangible assets	11, 12	**42.1**	41.7
Property, plant and equipment	13	**187.3**	164.3
Other non-current assets	14	**0.5**	0.5
Deferred tax	8	**–**	2.6
		229.9	209.1
Current assets			
Inventories	15	**66.0**	59.6
Trade and other receivables	16	**135.3**	130.6
Cash and cash equivalents	26	**4.4**	6.6
Assets classified as held for sale	13	**0.9**	0.9
		206.6	197.7
Total assets		**436.5**	406.8
Current liabilities			
Interest bearing loans and borrowings	20	**24.5**	9.9
Trade and other payables	17	**183.3**	173.1
Current tax payable		**–**	1.9
Provisions	18	**2.0**	2.0
		209.8	186.9
Non-current liabilities			
Interest bearing loans and borrowings	20	**83.2**	77.6
Pensions and other post-employment benefits	19	**10.0**	8.9
Provisions	18	**–**	1.6
Deferred tax	8	**14.6**	11.5
		107.8	99.6
Total liabilities		**317.6**	286.5
Net assets		**118.9**	120.3
Equity			
Issued share capital	22	**18.0**	17.8
Share premium account	24	**143.0**	141.8
Other reserves	24	**0.3**	(0.2)
Retained earnings	24	**(42.4)**	(39.1)
Total equity and reserves	24	**118.9**	120.3

These financial statements were approved by the Board of Directors on 3 September 2008 and were signed on its behalf by:

M W Roberts
I R Johnson
Directors

Consolidated cash flow statement
for the year ended 30 June 2008

	Note	2008 £m	2007 £m
Profit before tax		15.7	29.5
Net financing costs		5.7	2.4
Pre-tax exceptional charge in the year		4.0	2.1
Share based payments		–	0.2
Loss/(profit) on sale of property, plant and equipment		0.1	(0.1)
Depreciation		21.8	17.2
Amortisation of intangible assets		1.6	0.5
Operating cash flow before changes in working capital		**48.9**	**51.8**
Decrease/(increase) in receivables		8.7	(3.8)
Increase in inventories		–	(7.1)
(Decrease)/increase in payables		(8.2)	8.6
Cash flow in respect of exceptional items		(4.6)	(1.7)
Cash generated from operations		**44.8**	**47.8**
Interest paid		(7.5)	(3.3)
Taxation paid		(3.8)	(6.3)
Net cash from operating activities		**33.5**	**38.2**
Cash flows from investing activities			
Proceeds from sale of land and buildings		0.1	0.1
Acquisition of property, plant and equipment		(26.4)	(19.8)
Acquisition of intangible assets		(0.1)	(0.2)
Acquisition of businesses, net of cash acquired		–	(57.8)
Acquisition of minority interest		–	(1.7)
Interest received		0.2	0.1
Forward contracts used in net investment hedging		(11.4)	1.2
Net cash used in investing activities		**(37.6)**	**(78.1)**
Cash flows from financing activities			
Proceeds from issue of share capital		1.5	0.7
Repurchase of own shares		(1.4)	–
Increase of borrowings		32.5	53.7
Repayment of borrowings		(20.2)	(4.4)
Payment of finance lease liabilities		(0.9)	(0.7)
Dividends paid		(10.1)	(9.2)
Net cash generated from financing activities		**1.4**	**40.1**
Net (decrease)/increase in cash and cash equivalents		**(2.7)**	**0.2**
Cash and cash equivalents at start of year		(1.0)	(1.3)
Effect of exchange rate fluctuations on cash held		0.3	0.1
Cash and cash equivalents at end of year		**(3.4)**	**(1.0)**
Reconciliation of cash and cash equivalents per the balance sheet and cash flow statement			
Cash and cash equivalents per the balance sheet		4.4	6.6
Overdrafts		(7.8)	(7.6)
Cash and cash equivalents per the cash flow statement	26	**(3.4)**	**(1.0)**

Reconciliation of net cash flow to movement in net debt
for the year ended 30 June 2008

	Note	2008 £m	2007 £m
(Decrease)/increase in cash and cash equivalents in the year		(2.7)	0.2
Cash inflow from movement in debt		(12.3)	(49.3)
Movement on finance leases		0.9	0.7
Change in net debt resulting from cash flows		**(14.1)**	**(48.4)**
Lease financing acquired with subsidiary		–	(1.2)
Loans acquired with subsidiaries		–	(2.9)
Finance lease additions		(0.2)	–
Translation differences		(8.1)	0.7
Movement in net debt in the year		**(22.4)**	**(51.8)**
Net debt at the beginning of the year		(80.9)	(29.1)
Net debt at the end of the year	26	**(103.3)**	**(80.9)**

Consolidated statement of recognised income and expense

for the year ended 30 June 2008

	2008 £m	2007 £m
Foreign exchange translation differences	19.8	(1.1)
Net (loss)/gain on hedge of net investment in foreign subsidiaries	(18.9)	0.8
Effective portion of changes in fair value cash flow hedges	(0.6)	(0.2)
Net changes in fair value of cash flow hedges transferred to profit or loss	0.2	(0.1)
Tax on items taken directly to equity	0.6	(1.4)
Actuarial (loss)/gain	(2.0)	4.6
Income and expense recognised directly in equity	(0.9)	2.6
Profit for the year	11.5	21.3
Total recognised income and expense for the year	10.6	23.9
Attributable to:		
Equity shareholders of the parent	10.6	23.8
Minority interest	–	0.1
	10.6	23.9

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) 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 78 to 80.

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 certain 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 57.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. In addition the Group has adopted IFRS 7 Financial Instruments – Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures. Adoption of these standards did not have a material effect on the amounts recognised in the financial statements of the Group.

In accordance with IFRS 3 Business Combinations, adjustments to provisional fair values have been recognised by adjusting comparative information for the prior year.

Basis of consolidation

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

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, 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.

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. Hence, deferred tax in relation to investment in subsidiaries is 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 substantively 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 up to three years.

Brand names and customer relationships and lists

Brand names and customer relationships and lists obtained on acquisition of businesses are shown at fair value. They have a 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, these being the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and for impairment testing.

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.

Overview of the year
Business review
Our governance
The figures

Notes to the Group financial statements continued

1) Significant accounting policies continued

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 is applied first against the goodwill attributable to the relevant cash generating unit. The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate reflecting the risks inherent in the asset.

For 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 and work in progress – 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. Costs capitalised on initial recognition are amortised on the finance expense line in the income statement, and are written-off on derecognition of the liability.

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

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

Derivative financial instruments
The Group does not enter into speculative derivative contracts. The Group uses derivative financial instruments such as foreign currency forward contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions. 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.

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 gain or loss on disposal.

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

Treasury shares
Own equity instruments which are reacquired (Treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the 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 2008 was £36.0 million (2007: £34.9m). Further details are given in note 11.

Notes to the Group financial statements continued

1) Significant accounting policies continued

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 taking in to account independent actuarial advice, resulted in a pre-tax deficit of £7.9 million (2007: £7.2m) being recognised on the balance sheet at 30 June 2008. 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 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.

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

- Revised IAS 1 Presentation of Financial Statements – requires changes in the format of financial statements and permits some changes in terminology. The impact of Revised IAS 1, which becomes mandatory for the Group's 2010 financial statements could change the existing presentation of the consolidated financial statements.
- Revised IAS 23 Borrowing Costs – requires borrowings directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale, to be capitalised as part of the cost of the asset. Revised IAS 23 which becomes mandatory for the Group's 2010 financial statements is not expected to materially affect the consolidated financial statements.
- Revised IFRS 3 Business Combinations and Revised IAS 27 Consolidated and Separate Financial Statements – changes the accounting for business combinations and transactions with minorities. These standards which are mandatory for the Group's 2010 financial statements are only to be applied prospectively and therefore there is no restatement of transactions prior to the effective date.
- 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 13 Customer loyalty programmes – addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 financial statements is not expected to have any material impact on the consolidated financial statements.
- IFRIC 14, IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The impact of IFRIC 14, which becomes mandatory for the Group's 2009 financial statements is currently being considered.
- Amendment to IFRS 2 Share-based payment – Vesting Conditions and Cancellations defines vesting and non-vesting conditions and clarifies their accounting treatment. The impact of this amendment which becomes mandatory for the Group's 2009 financial statements is currently being considered.
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements provides exemptions from the requirement to classify as a liability for certain financial instruments under which an entity has an unavoidable obligation to deliver cash, and sets out detailed definitions and circumstances that must be met before these exemptions are available. These amendments which become mandatory for the Group's 2009 financial statements are being considered.

Exchange rates

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

	Average rate		Closing rate	
	2008	2007	**2008**	2007
Euro	**1.37**	1.48	**1.26**	1.49
Polish Zloty	**4.95**	5.74	**4.23**	5.59
Czech Koruna	**36.1**	41.8	**30.2**	42.7
Hungarian Forint	**346.8**	384.2	**297.0**	365.0

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	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
External revenue	**292.5**	274.5	**377.2**	292.8	**31.2**	24.7	**–**	–	**700.9**	592.0
Inter-segment revenue	**4.8**	2.6	**18.2**	11.4	**0.9**	0.3	**(23.9)**	(14.3)	**–**	–
Total segment revenue	**297.3**	277.1	**395.4**	304.2	**32.1**	25.0	**(23.9)**	(14.3)	**700.9**	592.0
Segment profit before amortisation of intangible assets	**15.2**	24.5	**11.4**	10.4	**2.1**	1.5	**(0.1)**	(0.1)	**28.6**	36.3
Amortisation of intangible assets	**(0.5)**	(0.2)	**(1.0)**	(0.2)	**(0.1)**	(0.1)	**–**	–	**(1.6)**	(0.5)
Segment profit	**14.7**	24.3	**10.4**	10.2	**2.0**	1.4	**(0.1)**	(0.1)	**27.0**	35.8
Corporate costs*									**(1.6)**	(1.8)
Exceptional items (see note 3)									**(4.0)**	(2.1)
Operating profit									**21.4**	31.9
Net finance costs									**(5.7)**	(2.4)
Taxation									**(4.2)**	(8.2)
Profit for the year									**11.5**	21.3

* 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	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Segment assets	**165.4**	155.4	**247.0**	231.9	**22.3**	15.8	**1.8**	3.7	**436.5**	406.8
Segment liabilities	**(92.1)**	(74.8)	**(120.8)**	(110.9)	**(6.7)**	(5.0)	**(98.0)**	(95.8)	**(317.6)**	(286.5)
Capital expenditure*	**12.4**	9.1	**13.0**	9.2	**0.8**	1.7	**0.3**	–	**26.5**	20.0
Amortisation and depreciation	**8.7**	7.7	**14.1**	9.5	**0.6**	0.5	**–**	–	**23.4**	17.7

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

Business segments

	Household		Personal Care		Total	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Segment revenue	**575.0**	476.9	**125.9**	115.1	**700.9**	592.0
Segment profit before amortisation of intangible assets	**21.9**	26.9	**6.7**	9.4	**28.6**	36.3
Amortisation of intangible assets	**(1.5)**	(0.4)	**(0.1)**	(0.1)	**(1.6)**	(0.5)
Segment profit	**20.4**	26.5	**6.6**	9.3	**27.0**	35.8
Corporate costs*					**(1.6)**	(1.8)
Exceptional items (see note 3)					**(4.0)**	(2.1)
Operating profit					**21.4**	31.9

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

	Household		Personal Care		Corporate		Total	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Segment assets	**346.2**	327.2	**88.5**	75.9	**1.8**	3.7	**436.5**	406.8
Capital expenditure*	**16.4**	12.9	**9.8**	7.1	**0.3**	–	**26.5**	20.0

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

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	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
External revenue by destination	**279.3**	261.0	**362.1**	282.6	**59.5**	48.4	**700.9**	592.0

Overview of the year
Business review
Our governance
The figures

Notes to the Group financial statements continued

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 £3.1 million pre-tax operating exceptional charge to the income statement in the year relating to redundancy programmes in the UK and Western Continental Europe divisions. There was also a £0.9 million pre-tax operating exceptional charge to the income statement relating to the costs of an aborted acquisition. This included third party advisor and consultant costs.

The £2.1 million 2007 pre-tax operating exceptional charge included the incremental costs of integrating acquired businesses. This comprised disruption costs, asset write offs and consultant costs.

In terms of segment analysis in note 2, the exceptional charge relates to the UK £2.0 million (2007: £0.8m), Western Continental Europe £1.3 million (2007: £0.8m) and Corporate £0.7 million (2007: £0.5m), on a geographic basis, and Household £2.9 million (2007: £1.6m), Personal Care £0.4 million (2007: £nil) and Corporate £0.7 million (2007: £0.5m) on a business basis.

4) Acquisitions

On 13 April 2007, and 27 April 2007, the Group acquired all of the shares of Chemolux S.a.r.l., and the business and assets of Darcy Industries Limited respectively. Due to the proximity of these acquisitions to the 30 June 2007 year end, the fair values of their identifiable assets and liabilities were prepared on a provisional basis in the prior year. These fair values have been finalised in the current year in accordance with IFRS 3 Business Combinations which allows fair values to be finalised within twelve months of acquisition. For Chemolux the finalisation of these fair values resulted in an increase in inventory provisions of £0.1 million, a decrease in trade and other receivables of £0.1 million and a decrease in trade and other payables of £0.1 million resulting in a net increase in goodwill of £0.1 million. For Darcy the finalisation of these fair values resulted in a decrease in property plant and equipment of £0.4 million and an increase in trade and other payables of £0.1 million, resulting in a net increase in goodwill of £0.5 million. The table below shows the impact of both the initial and additional fair value adjustments on the Group's assets and liabilities, with Chemolux part of the Henkel businesses and Darcy included in other acquisitions. These adjustments to provisional fair values have been recognised by adjusting comparative information for the prior year.

	Henkel European Private Label businesses			Other acquisitions			Total			
	Book value £m	Fair value adjustments as previously disclosed £m	Additional fair value adjustments relating to Chemolux £m	Book value £m	Fair value adjustments as previously disclosed £m	Additional fair value adjustments relating to Darcy £m	**Book value £m**	**Fair value adjustments as previously disclosed £m**	**Additional fair value adjustments £m**	**Fair value £m**
Net assets acquired:										
Property, plant and equipment	17.9	(0.1)	–	2.4	(0.3)	(0.4)	**20.3**	**(0.4)**	**(0.4)**	**19.5**
Intangible assets	–	6.0	–	0.1	0.1	–	**0.1**	**6.1**	**–**	**6.2**
Inventories	8.9	(1.1)	(0.1)	2.2	(0.8)	–	**11.1**	**(1.9)**	**(0.1)**	**9.1**
Trade and other receivables	11.5	1.2	(0.1)	–	–	–	**11.5**	**1.2**	**(0.1)**	**12.6**
Trade and other payables	(12.1)	(1.9)	0.1	–	–	(0.1)	**(12.1)**	**(1.9)**	**–**	**(14.0)**
Cash and cash equivalents	1.6	–	–	–	–	–	**1.6**	**–**	**–**	**1.6**
Net debt and finance leases	–	–	–	–	–	–	**–**	**–**	**–**	**–**
Non-current liabilities	(1.9)	(1.0)	–	–	(1.0)	–	**(1.9)**	**(2.0)**	**–**	**(3.9)**
	25.9	**3.1**	**(0.1)**	**4.7**	**(2.0)**	**(0.5)**	**30.6**	**1.1**	**(0.6)**	**31.1**
Fair value of assets acquired		29.0	(0.1)		2.7	(0.5)				**31.1**
Goodwill on acquisition		7.5	0.1		5.2	0.5				**13.3**
Total		**36.5**	**–**		**7.9**	**–**				**44.4**
Satisfied by:										
Cash consideration		34.7			7.6					**42.3**
Costs associated with the acquisition		1.8			0.3					**2.1**
Total consideration		**36.5**			**7.9**					**44.4**

Additionally, Dasty Italia S.p.A. was acquired in the prior year with an asset fair value of £10.6 million and goodwill arising of £5.3 million. There were no fair value adjustments in respect of this or other acquisitions.

We have an outstanding query in respect of one acquisition that may be the subject of a formal claim by us in due course. It is not currently possible to determine either the amount or timing of any potential receipt in settlement of this query and therefore no adjustment has been made to fair value.

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 46, is as follows:

	2008 £m	2007 £m
Short-term employee benefits	0.1	0.1
Post-employment benefits	0.1	0.1
Other remuneration	0.9	0.6
Total	1.1	0.8

During the year ended 30 June 2008, 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

	2008 £m	2007 £m
Interest on deposits	0.2	–
Fair value gains and interest differentials on derivatives	0.7	0.8
Expected return on pension scheme assets (note 19)	5.1	4.0
Financial income	6.0	4.8
Interest expense on bank loans and overdrafts	(6.7)	(2.8)
Finance charges payable under finance leases	(0.2)	(0.2)
Interest cost on pension scheme liabilities (note 19)	(4.3)	(3.8)
Other finance costs	(0.5)	(0.4)
Financial expense	(11.7)	(7.2)
Net financing cost	(5.7)	(2.4)

7) Profit before tax

Profit before tax is stated after charging:

	2008 £m	2007 £m
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.1	0.1
Fees payable to the Company's auditor and network firms for other services:		
The audit of accounts of the Company's subsidiaries pursuant to legislation	0.4	0.4
Services relating to taxation	0.2	0.1
Services relating to corporate finance transactions	–	0.1
Depreciation and other amounts written off owned property, plant and equipment	21.0	16.9
Depreciation and other amounts written off leased property, plant and equipment	0.8	0.3
Hire of plant and machinery – rentals payable under operating leases	2.9	2.4
Hire of other assets – rentals payable under operating leases	0.7	0.3
Loss/(profit) on sale of property, plant and equipment	0.1	(0.1)
Research and development costs written off during the year*	5.9	5.2
Government grants towards training	(0.1)	(0.1)
Amortisation of intangible assets	1.6	0.5
Net foreign exchange gains on trading items	(0.5)	–

* During the years ended 30 June 2007 and 2008, 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

	2008 £m	2007 £m
Current tax:		
UK corporation tax	0.4	4.7
Overseas tax	1.6	2.1
Current tax charge	2.0	6.8
Deferred tax:		
UK	1.2	0.7
Overseas	1.0	0.7
Deferred tax charge	2.2	1.4
Total tax charge for the year	4.2	8.2

UK corporation tax is calculated at the United Kingdom standard rate of 29.5% (2007: 30%) of the estimated assessable profit for the year.

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

In addition to the tax charged above, a deferred tax charge of £1.4 million (2007: £1.4m) was recognised directly in equity.

Notes to the Group financial statements continued

8) Taxation continued

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:

	2008 £m	2007 £m
Profit before tax	**15.7**	29.5
Expected tax charge at 29.5%/30%	**4.6**	8.8
Effect of overseas tax rates	**0.3**	0.2
Utilisation of tax losses	**(0.2)**	(0.4)
Expenses not deductible for tax purposes	**1.5**	0.8
Tax credits and other reliefs	**(2.7)**	(1.4)
Other items	**0.7**	0.2
Total tax charge for the year	**4.2**	8.2
Effective tax rate	**27%**	28%

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 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)
(Charge)/credit to income statement	(1.1)	(1.2)	1.4	(0.4)	–	(0.7)	(0.2)	**(2.2)**
(Charge)/credit to equity	–	–	–	0.5	(2.0)	–	0.1	**(1.4)**
Exchange differences	(2.0)	(0.2)	0.1	–	–	–	–	**(2.1)**
At 30 June 2008	**(20.9)**	**(3.1)**	**2.0**	**2.2**	**–**	**4.6**	**0.6**	**(14.6)**
Deferred tax asset at 30 June 2008	**–**	**–**	**2.0**	**2.2**	**–**	**4.6**	**(8.8)**	**–**
Deferred tax liability at 30 June 2008	**(20.9)**	**(3.1)**	**–**	**–**	**–**	**–**	**9.4**	**(14.6)**
	(20.9)	**(3.1)**	**2.0**	**2.2**	**–**	**4.6**	**0.6**	**(14.6)**
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)

Other includes £8.8 million to reflect offset of taxes levied by the same taxation authority where McBride has a legally enforceable right of offset.

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

Unremitted earnings of overseas subsidiaries at the balance sheet date totalled £91.3 million (2007: £59.8m).

At the balance sheet date, the Group had unused tax losses of £15.4 million (2007: £12.9m) available for offset against future profits. A deferred tax asset has been recognised in respect of £1.8 million (2007: £0.5m) of such losses. No deferred tax asset has been recognised in respect of the remaining £13.6 million (2007: £12.4m) losses due to the unpredictability of future profit streams. £3.9 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 £4.5 million. No deferred tax asset has been recognised in relation to the remaining surplus ACT of £2.0 million (2007: £1.2m) due to uncertainty as to future ACT capacity.

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.

		2008	2007
Total earnings (£m)	a	11.5	21.2
Weighted average number of ordinary shares	b	180,121,808	177,405,917
Basic earnings per share (pence)	a/b	6.4	11.9

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

During the year, the Company had 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.

		2008	2007
Weighted average number of ordinary shares (million)	b	180.1	177.4
Effect of dilutive share options (million)		0.3	0.3
Effect of dilutive share awards (million)		1.1	0.8
Effect of dilutive SAYE scheme shares (million)		0.1	2.7
	c	181.6	181.2
Diluted earnings per share (pence)	a/c	6.3	11.7

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.

		2008 £m	2007 £m
Earnings used to calculate basic and diluted EPS	a	11.5	21.2
Exceptional items after tax		2.9	1.5
Amortisation of intangible assets after tax		1.2	0.4
Earnings before exceptional items and amortisation of intangible assets	d	15.6	23.1
Adjusted basic earnings per share (pence)	d/b	8.7	13.0
Adjusted diluted earnings per share (pence)	d/c	8.6	12.7

10) Dividends

Amounts recognised as distributions to equity holders in the year:

	2008 £m	2007 £m
Final dividend for the year ended 30 June 2007 of 3.9p (2006: 3.5p)	7.0	6.2
Interim dividend for the year ended 30 June 2008 of 1.7p (2007: 1.7p)	3.1	3.0
	10.1	9.2
Proposed final dividend for the year ended 30 June 2008 of 3.9p (2007: 3.9p)	7.0	6.9

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

	2008 £m	2007 £m
Cost		
1 July	34.9	15.0
Exchange adjustment	1.1	0.1
Recognised on buyout of minority interest	–	1.2
Recognised on acquisition of subsidiaries and businesses during the period	–	18.6
30 June	36.0	34.9

Goodwill relates to multiple sites in the geographic segments identified in note 2 as follows: UK £27.5 million (2007: £27.4m), Western Continental Europe £6.6 million (2007: £6.1m) and Eastern Continental Europe £1.9 million (2007: £1.4m). The adjustment to goodwill to finalise provisional fair values has been recognised by adjusting comparative information for the prior year.

In the opinion of the directors, the assumptions or judgements used in determining the recoverable amount used in testing goodwill for impairment are unlikely to change in the foreseeable 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 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 3% per annum in the five years to 2012, with some markets increasing by as much as 5% per annum.

Notes to the Group financial statements continued

11) Goodwill continued

Value in Use calculations:

Aggregate carrying amounts of goodwill allocated to each cash generating unit (CGU) are as follows:

	2008 £m	2007 £m
Acquired Sanmex Household liquids business	**6.4**	6.4
Acquired Henkel Household business	**7.4**	7.6
Acquired Dasty business	**6.2**	5.3
Acquired Aircare business	**6.4**	6.4
Multiple units without significant goodwill	**9.6**	9.2
30 June	**36.0**	34.9

Using the acquired Aircare business as an example as it has the greatest impact from changes in sensitivities; the cash flows for this CGU were based on the latest budget for the financial year to June 2009, a further nine years were extrapolated using revenue growth rates based upon UK market data from Euromonitor for the first four years (2% growth), and management's best estimate for the remaining five years (1.5% growth). Ten year cash flows were used as management believe these best reflect the nature of the returns generated by the business. Direct and indirect costs were inflated by 3.5% in the first year and decreased to 2% by year five and then held constant at 2% for the remaining years to reflect management's best estimate of short to long-term changes in input costs and internal synergies. The cash flows were then discounted back based on the pre-tax group weighted average cost of capital of 10%, adjusted by 2% on management's estimate of the risk on specific product and geographic market of the CGU. This showed the recoverable amount to be in excess of the goodwill carrying value. For the goodwill to suffer impairment either the discount rate would have to increase by 6% or volumes would have to fall by 5% from the base assumptions.

The same approach has been applied to the other CGUs but the actual assumptions used were tailored to their specific circumstances.

12) Other intangible assets

	Patents, brands and trade marks £m	Computer software £m	Customer relationships £m	Total £m
Cost				
At 1 July 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
Additions	–	0.1	–	**0.1**
Exchange movements	–	–	0.9	**0.9**
At 30 June 2008	**0.6**	**0.4**	**7.5**	**8.5**
Amortisation				
At 1 July 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
Provided for in the year	0.1	0.1	1.4	**1.6**
Exchange movements	–	–	0.1	**0.1**
At 30 June 2008	**0.4**	**0.1**	**1.9**	**2.4**
Net book value				
At 30 June 2008	**0.2**	**0.3**	**5.6**	**6.1**
At 30 June 2007	0.3	0.3	6.2	6.8

13) Property, plant and equipment

	Land and buildings Freehold £m	Land and buildings Leasehold £m	Plant, machinery, computer equipment and motor vehicles £m	Payments on account and assets in the course of construction £m	Total £m
Cost					
At 1 July 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	10.5	5.3	18.2	–	34.0
Disposals	(0.4)	–	(0.1)	–	(0.5)
Transfers	0.4	–	6.5	(6.9)	–
At 30 June 2007	83.3	7.4	295.3	8.2	394.2
Less classified as held for sale and shown in current assets*	(0.9)	–	–	–	(0.9)
At 30 June 2007	82.4	7.4	295.3	8.2	393.3
Exchange adjustments	8.9	0.9	26.5	0.2	**36.5**
Additions	0.9	0.1	11.5	13.7	**26.2**
Disposals	(0.1)	–	(1.3)	–	**(1.4)**
Transfers	0.2	–	14.1	(14.3)	**–**
At 30 June 2008	**92.3**	**8.4**	**346.1**	**7.8**	**454.6**
Depreciation					
At 1 July 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)
Exchange adjustments	(2.2)	0.1	(15.6)	–	**(17.7)**
Charge for the year	(1.8)	(0.1)	(19.9)	–	**(21.8)**
Disposals	–	–	1.2	–	**1.2**
At 30 June 2008	**(24.6)**	**(0.8)**	**(241.9)**	**–**	**(267.3)**
Net book value					
At 30 June 2008	**67.7**	**7.6**	**104.2**	**7.8**	**187.3**
At 30 June 2007	61.8	6.6	87.7	8.2	164.3

The net book value of finance leases included within land and buildings and plant, machinery, computer equipment and motor vehicles above was £7.4 million (2007: £6.9m) and the depreciation charge for the year was £0.8 million (2007: £0.3m).

* The freehold property held for sale was acquired with the Darcy business and its sale was completed shortly after 30 June 2008.

14) Other non-current assets

Other non-current assets of £0.5 million (2007: £0.5m) consist of prepayments on leases of land in Western Continental Europe.

Notes to the Group financial statements continued

15) Inventories

	2008 £m	2007 £m
Raw materials, packaging and consumables	**31.7**	26.8
Finished goods and goods for resale	**34.3**	32.8
Total inventories	**66.0**	59.6

The cost of inventories recognised as an expense and included as cost of goods sold amounted to £411.8 million (2007: £340.0m).

The Group inventory provision recognised in cost of sales at 30 June 2008 was £0.4 million (2007: £0.1m). During the year £0.3 million of provisions were released.

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

16) Trade and other receivables

	2008 £m	2007 £m
Trade receivables	**127.4**	122.4
Other receivables	**4.1**	4.2
Forward contract assets	**–**	0.5
Prepayments and accrued income	**3.8**	3.5
Total receivables	**135.3**	130.6

Trade receivables have been reported in the balance sheet net of provisions as follows:

	2008 £m	2007 £m
Total trade receivables	**129.5**	124.2
Less: impairment provision for trade receivables	**(2.1)**	(1.8)
Net trade receivables per the balance sheet	**127.4**	122.4

The movements in the provision account are as follows:

	2008 £m	2007 £m
At 1 July	**1.8**	1.7
Charged to current year income statement	**4.0**	3.4
Reductions/releases	**(3.7)**	(3.3)
At 30 June	**2.1**	1.8

Impairment of trade receivables charged during the year is included as part of other operating expenses.

As at 30 June 2008, trade receivables of £9.4 million (2007: £7.3m) were past due but not impaired. These relate to a number of external parties where there is no expectation of default. The ageing analysis of these trade receivables is shown in the table below. Based on past experience the Group believes no impairment allowance is necessary in respect of trade receivables not past due.

	2008 £m	2007 £m
Not overdue	**118.0**	115.1
Past due less than one month	**7.6**	6.4
Between one and three months	**1.5**	1.1
Between three and six months	**0.5**	0.4
Over six months	**1.9**	1.2
	129.5	124.2

There is no material difference between the above amounts for trade and other receivables and their fair value, due to the short term duration of the majority of trade and other receivables.

The maximum amount of credit risk with respect to customers is represented by the carrying amount on the balance sheet. Credit terms for customers are determined in individual operating divisions, taking into account their financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors.

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

17) Trade and other payables

	2008 £m	2007 £m
Trade payables	**139.4**	128.2
Other taxation and social security	**13.8**	14.5
Forward contract liabilities	**0.4**	–
Other payables	**11.2**	10.7
Accruals and deferred income	**18.5**	19.7
Total payables	**183.3**	173.1

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

18) Provisions

	Onerous contracts £m	Leasehold dilapidations £m	Redundancy/ termination £m	Other £m	Total £m
At 1 July 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
Exchange adjustments	0.1	–	–	–	**0.1**
Provisions made during the year	–	–	3.1	(0.1)	**3.0**
Provisions utilised during the year	(1.7)	(0.2)	(2.9)	0.1	**(4.7)**
At 30 June 2008	**–**	**1.3**	**0.4**	**0.3**	**2.0**
Analysed as:					
Current	–	1.3	0.4	0.3	**2.0**
Non-current	–	–	–	–	**–**
Total	**–**	**1.3**	**0.4**	**0.3**	**2.0**

Onerous contracts
These relate to loss making contracts which the Group assumed as part of the acquisitions completed in the prior year.

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, and £0.7 million relates to dilapidations and site clearance of a freehold and a leasehold taken on with the Darcy acquisition in 2007.

Redundancy/termination
The outstanding balance relates to the provision made in the year to 30 June 2008.

Other
The other provisions include training cost obligations in France.

For those provisions that have been discounted, the effect of unwinding the provision is not material.

19) Pensions and other post-employment benefits
The Group operates a number of pension schemes. Within the UK, it operates the Robert McBride Pension Fund (the Scheme), which is a final salary pension scheme, and also defined contribution schemes. Together these schemes cover most of the Group's UK employees. In addition, the Group operates a number of smaller pension and other post-employment schemes in Western Continental Europe that are devised in accordance with local conditions and practices in the countries concerned. The fair value of the Group's non-UK liabilities has been estimated to be £2.1 million (2007: £1.7m).

Financial summary

	2008 £m	2007 £m
Balance sheet		
Deficit on the Scheme (see tables below)	**7.9**	7.2
Deficit/provision on Western Continental Europe post-employment schemes	**2.1**	1.7
	10.0	8.9
Related deferred tax asset on the Scheme	**2.2**	2.1
Income statement expense		
Defined contribution schemes	**1.0**	0.7
Defined benefit schemes and post-employment schemes	**1.0**	1.7
Total amount charged to the income statement	**2.0**	2.4
Statement of recognised income and expense		
Amounts (charged)/credited directly to equity	**(2.0)**	4.6

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

Notes to the Group financial statements continued

19) Pensions and other post-employment benefits continued

UK defined benefit scheme

In 2002 the Scheme was closed to new entrants and a new defined contribution scheme for UK employees was established.

The Scheme's assets are held in external funds administered by trustees and managed professionally. Regular assessments are carried out by independent actuaries and the long-term contribution rates decided on the basis of their recommendations.

The most recently completed triennial actuarial valuation of the Scheme was performed by an independent actuary for the trustees of the Scheme and was carried out as at 31 March 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 the 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 2008 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 3.5% 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

	2008	2007
Discount rate	**6.5%**	5.8%
Expected return on plan assets	**8.1%**	7.8%
Future salary increases	**3.9%**	3.9%
Inflation rate	**3.9%**	3.3%
Future pension increases	**3.7%**	3.1%

Expected rate of return on plan assets

	2008	2007
Equities	**8.7%**	8.3%
Bonds	**5.9%**	5.6%
Property	**8.2%**	8.3%
Cash	**5.0%**	5.3%

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 2030)	20.5	23.4
Current pensioners	PMA92 and PFA92 (projected to 2017)	19.6	22.5

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.

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	0.5
Rate of mortality	Change in mortality table*	Increase	5.7

* If the PA92 Medium Cohort improvement factor table, by year of birth, were used rather than the PA92 tables projected to 2030 for non-pensioners and 2017 for pensioners.

Summary of plan assets at the end of the period

	2008 £m	2007 £m	2008 %	2007 %
Equities	**48.7**	50.7	**77**	77
Bonds	**11.5**	11.6	**18**	17
Property	**2.7**	3.3	**4**	5
Cash	**0.9**	0.4	**1**	1
Total	**63.8**	66.0	**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:

	2008 £m	2007 £m
Charge to the Group income statement		
Current service cost	**1.8**	1.9
Amount charged to operating profit	**1.8**	1.9
Interest on pension liabilities (recognised in financial expense)	**4.3**	3.8
Expected return on scheme assets (recognised in financial income)	**(5.1)**	(4.0)
Amount credited to net financial costs	**(0.8)**	(0.2)
Total included within staff/finance costs	**1.0**	1.7
(Charge)/credit to the Group statement of recognised income and expense before taxation		
Actual return less expected return on pension scheme assets	**(8.4)**	4.1
Experience gains and losses arising on scheme liabilities	**6.4**	0.5
	(2.0)	4.6

The cumulative recognised actuarial gains and losses for the Scheme is £0.1 million gain (2007: £2.1m gain).

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:

	2008 £m	2007 £m
Movement in plan assets		
At 1 July	**66.0**	56.9
Expected return on plan assets	**5.1**	4.0
Actuarial (losses)/gains	**(8.4)**	4.1
Employer contributions	**2.3**	2.2
Plan participants' contributions	**0.7**	0.6
Benefits paid	**(1.9)**	(1.8)
At 30 June	**63.8**	66.0
Movement in benefit obligation		
At 1 July	**73.2**	69.2
Service cost	**1.8**	1.9
Interest cost	**4.3**	3.8
Plan participants' contributions	**0.7**	0.6
Actuarial gains	**(6.4)**	(0.5)
Benefits paid	**(1.9)**	(1.8)
At 30 June	**71.7**	73.2
Market value of the Scheme's assets	**63.8**	66.0
Present value of the Scheme's obligations	**(71.7)**	(73.2)
Deficit in the Scheme	**(7.9)**	(7.2)
Related deferred tax asset	**2.2**	2.1
	(5.7)	(5.1)
Analysed as:		
Non-current asset	**2.2**	2.1
Non-current liability	**(7.9)**	(7.2)
	(5.7)	(5.1)
Actual return on Scheme assets	**(3.2)**	8.1

Notes to the Group financial statements continued

19) Pensions and other post-employment benefits continued

History of experience gains and losses

	2008 £m	2007 £m	2006 £m	2005 £m
Present value of the Scheme obligations	**(71.7)**	(73.2)	(69.2)	(59.0)
Fair value of the Scheme assets	**63.8**	66.0	56.9	47.8
Deficit in the Scheme	**(7.9)**	(7.2)	(12.3)	(11.2)
Difference between expected and actual return on the Scheme's assets:				
Amount	**(8.4)**	4.1	5.8	3.8
Percentage of the Scheme's assets	**(13.2%)**	6.2%	10.2%	7.9%
Experience gains and losses on the Scheme's liabilities:				
Amount	**6.4**	0.5	(6.7)	(5.4)
Percentage of the present value of the Scheme's liabilities	**(8.9%)**	(0.7%)	9.7%	9.2%
Total amount recognised in the statement of recognised income and expense:				
Amount	**(2.0)**	4.6	(0.9)	(1.6)
Percentage of the present value of the Scheme's liabilities	**2.8%**	(6.3%)	1.3%	2.7%

Expected employer contributions for 2009 are estimated to be £2.1 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

	2008 £m	2007 £m
Unsecured bank loans	**82.1**	76.2
Finance lease liabilities	**1.1**	1.4
	83.2	77.6

Current liabilities

	2008 £m	2007 £m
Overdrafts	**7.8**	7.6
Unsecured bank loans	**0.1**	0.1
Invoice selling facility	**15.7**	1.4
Current portion of finance lease liabilities	**0.9**	0.8
	24.5	9.9
Total borrowings	**107.7**	87.5

Bank loans and overdrafts are repayable as follows:

	2008 £m	2007 £m
Less than one year	**7.9**	7.7
Between one and two years	**0.1**	0.1
Between two and five years	**81.7**	75.8
More than five years	**0.3**	0.3
Total repayable	**90.0**	83.9

Finance lease liabilities

	2008			2007		
	Minimum payments £m	Finance charge £m	**Present value £m**	Minimum payments £m	Finance charge £m	Present value £m
Less than one year	1.0	0.1	**0.9**	0.9	0.1	0.8
Between one and five years	1.2	0.1	**1.1**	1.5	0.1	1.4
	2.2	**0.2**	**2.0**	2.4	0.2	2.2

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 where the option to buy is 1% (£31,000) of initial cost.

21) Financial instruments and treasury risk management

Exposures to credit, interest rate and currency risk arise in the normal course of the Group's business. Risk management policies and hedging activities are outlined below. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates in accordance with Group policy.

Credit risk

Trading exposures are monitored and managed by 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 majority of the trade receivables exposure is in the UK and Euro zone with retail customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Impairment losses on trade receivables have been disclosed in note 16.

Interest rate risk

Hedging

The Group is exposed to changes in prevailing interest rates on its primarily floating-rate debt. On 30 June 2008, the Group had partially covered this risk by entering into an interest rate swap, which had the effect of fixing the rate on a notional principal debt amount of €30 million until 30 September 2013. The Group classifies such swaps as cash flow hedges and states them at fair value, which amount was immaterial at 30 June 2008. The cash flows for the interest rate swaps will occur every quarter to 2013, at the same time as the expected cash flows on the underlying hedged item.

Foreign currency risk

The Group is exposed to foreign currency transaction and translation risks.

Transaction risk arises on sales and purchases denominated in currencies other than the respective functional currency of each Group company. The magnitude of this exposure is relatively low, because the substantial majority of our sales and purchases are denominated in functional currency.

The Group's policy is to fully hedge such exposures as soon as they become committed. In addition, Group companies are required to hedge a proportion of their highly probable forecast exposures, on a rolling 12-month basis. The Group hedges these exposures using outright forward currency contracts.

For accounting purposes the Group classifies its forward exchange contracts hedging firm commitments and forecasted transactions as cash flow hedges where they meet the hedge accounting criteria and they are recorded at fair value. The fair value of forward exchange contracts 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 2008 was a loss of £0.6 million (2007: £0.2m loss) and was recognised on balance sheet within other payables and other receivables. During the year £nil (2007: £nil) of fair value net loss was recorded in the income statement. The cash flows for the forward contracts are expected to occur within the next financial year, at the same time as the underlying forecasted transactions.

Translation risk arises at the consolidated Group level, on earnings and net assets denominated in currencies other than pounds sterling. The Group's previous policy was to fully hedge our overseas net assets, using foreign currency borrowings and swaps. The interest on these foreign currency borrowings and swaps provides a natural hedge of the translation exposure on our earnings denominated in the same currencies. However, during the year ended 30 June 2008, this policy was refined in order to mitigate the risk of volatility in the Group's key financial ratios as a result of fluctuations in exchange rates.

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 2008 were €36.6 million (2007: €70.3m) and Zloty 42.0 million (2007: Zloty 47.0m). A foreign exchange loss of £11.9 million (2007: £0.8m gain) 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 future consolidated earnings.

For the financial period to 30 June 2008 it is estimated that a general increase by 100 basis points in interest rates would have decreased the Group's profit before tax by approximately £0.9 million (2007: £1.0m), excluding the impact of the interest rate swaps. Including the swaps reduces the impact on profit before tax to £0.7 million.

It is estimated that a general increase of 10 percentage points in the value of the Pound Sterling against other foreign currencies would have decreased the Group's profit before tax by less than £0.7 million for the year ended 30 June 2008 (2007: £0.8m) assuming all other variables remained constant.

Notes to the Group financial statements continued

21) Financial instruments and treasury risk management continued

Interest rate risk management quantification

This table analyses the currency and interest rate composition of the Group's financial assets and liabilities excluding short-term trade receivables and payables as they are not normally subject to any interest rate risk as they are non-interest bearing, except in certain instances where the terms of payment are not adhered to.

2008	Period in which interest rate reprices	Polish Zloty £m	Euro £m	Sterling £m	Other £m	Total carrying value 2008 £m
Financial liabilities:						
Fixed rate	Less than one year	(0.1)	(0.8)	–	–	**(0.9)**
	Between one and two years	(0.1)	(0.6)	–	–	**(0.7)**
	Between two and five years	(0.1)	(0.3)	–	–	**(0.4)**
Floating rate	Less than six months	(0.9)	(2.5)	(20.2)	–	**(23.6)**
	Between one and two years	–	(0.1)	–	–	**(0.1)**
	Between two and five years	–	(70.7)	(11.0)	–	**(81.7)**
	Due after five years	–	(0.3)	–	–	**(0.3)**
		(1.2)	(75.3)	(31.2)	–	**(107.7)**
Currency swaps	Less than six months	(3.9)	(32.2)	36.1	–	**–**
Total financial liabilities		(5.1)	(107.5)	4.9	–	**(107.7)**
Financial assets:						
Floating rate		0.6	2.7	0.7	0.4	**4.4**
Total financial assets		0.6	2.7	0.7	0.4	**4.4**
Net financial (liabilities)/assets		**(4.5)**	**(104.8)**	**5.6**	**0.4**	**(103.3)**

The table above does not include the impact of the €30 million interest rate swap from variable to fixed which will mature in 2013.

2007	Period in which interest rate reprices	Polish Zloty £m	Euro £m	Sterling £m	Other £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)

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% (2007: 3% and 7%), and the impact of the €30 million interest rate swap from Euribor to 4.96%.

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.

Liquidity risk management

The Group has a £150 million revolving credit facility, which is provided by four major banks and remains committed until February 2011. The Group is required to comply with certain undertakings which are typical for unsecured borrowing facilities. These include financial covenants regarding interest cover and debt cover, as these ratios are defined in the facility agreement. The Group was fully compliant with all such undertakings and covenants at 30 June 2008. Further liquidity is provided by a UK sales invoice selling facility, which amounted to £18 million at 30 June 2008. The latter facility was increased to £25 million in August 2008, when the committed availability period was also extended to February 2011.

The amount unutilised in the revolving credit facility at the year end was £68.6 million (2007: £74.5m).

The maturity profile of the Group's financial liabilities, excluding short-term creditors such as trade payables and accruals, which form part of the Group's day to day operating cycle, is disclosed in note 20. Maturity of all short term trade payables and forward contracts are less than one year.

Fair value disclosure

Fair value of financial assets and liabilities	2008 Book value £m	2008 Fair value £m	2007 Book value £m	2007 Fair value £m
Bank loans, overdrafts and other loans	**(105.7)**	**(105.7)**	(85.3)	(85.3)
Finance lease liabilities	**(2.0)**	**(2.0)**	(2.2)	(2.2)
Total gross borrowings	**(107.7)**	**(107.7)**	(87.5)	(87.5)
Cash and cash equivalents	**4.4**	**4.4**	6.6	6.6
Total net borrowings	**(103.3)**	**(103.3)**	(80.9)	(80.9)
Forward exchange contracts	**(0.4)**	**(0.4)**	0.4	0.4
Trade and other payables	**(169.1)**	**(169.1)**	(158.6)	(158.6)
Trade receivables	**127.4**	**127.4**	122.4	122.4
Total	**(145.4)**	**(145.4)**	(116.7)	(116.7)

The fair values of the forward contracts are estimated from market forward exchange rates on 30 June 2008. 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. Fair value differences on the interest rate swaps entered into on 30 June 2008 were not material.

Notional value of forward contracts	2008 £m	2007 £m
Euros purchased	**27.1**	30.0
US$s purchased	**0.8**	0.1
Euros sold	**(28.9)**	(47.3)
Zlotys sold	**(9.9)**	(8.4)
Sterling purchased	**0.5**	–
	(10.4)	(25.6)

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 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.

2008	Sterling £m	Euro £m	Zloty £m	Total £m
Euro-zone countries	(1.5)	–	–	**(1.5)**
Other	(1.2)	(1.1)	–	**(2.3)**
Total	**(2.7)**	**(1.1)**	**–**	**(3.8)**

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)

Notes to the Group financial statements continued

21) Financial instruments and treasury risk management continued

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 businesses in Continental Europe, denominated in Euros and other European currencies. The Group has exposure to movements in exchange rates on net assets. In order to hedge these exposures the Group arranges foreign currency funding, both internal and external, and uses forward contracts to hedge 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

2008	Net assets before hedging £m	Forward contracts £m	**Net assets after hedging £m**
Sterling	59.2	39.0	**98.2**
Euro-zone currencies	44.7	(29.0)	**15.7**
Poland and other	15.0	(10.0)	**5.0**
Total net assets	**118.9**	**–**	**118.9**

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

Capital risk management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to manage the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders and issue new shares or buy back existing shares.

The Group is committed to maintaining a debt/equity capital structure that is sufficiently robust so as to ensure continued access to a broad range of financing sources and thus be able to maintain sufficient flexibility to pursue commercial opportunities. To enable this the Group monitors a range of financial measures including net debt, net interest cover, debt cover and gearing.

22) Share capital

	Authorised		Allotted, called up and fully paid	
	Number	£m	Number	£m
Ordinary shares of 10 pence each				
At 1 July 2007	500,000,000	50.0	177,687,622	17.8
Shares issued			3,350,660	0.3
Shares repurchased			(750,000)	(0.1)
At 30 June 2008	**500,000,000**	**50.0**	**180,288,282**	**18.0**

3,350,660 ordinary 10p shares were issued during the year for a consideration of £1,491,044 in order to satisfy the exercise of employee share options. 750,000 ordinary shares (£75,000 nominal value) were repurchased by the Company to be held as Treasury Shares making a total of 752,019 Treasury Shares (£75,202 nominal value) held at 30 June 2008 to satisfy future exercises of employee share options.

Ordinary shares carry full voting rights and are entitled to attend Company meetings and to receive dividends (see page 41).

23) Employee share schemes

Share options

The table below lists out share option schemes existing between 30 June 2007 and 30 June 2008:

Option type	2007 Option number	Options exercised during year	Weighted average share price (£)	Options cancelled/ lapsed during year	**2008 Option number**	**2008 Exercisable number**	Option exercise price (£)	Earliest exercise date	Expiry date
1995 International Executive Share Option Scheme	273,504	–	–	–	**273,504**	**273,504**	0.585	24/9/2005	24/9/2012
2002 Unapproved Discretionary Share Option Scheme	236,111	–	–	–	**236,111**	**236,111**	0.72	16/12/2005	16/12/2012
1995 Savings Related Share Option Scheme	3,358,395	(3,350,660)	1.88	(7,735)	**–**	**–**	0.445	1/8/2007	31/1/2008
	3,868,010	(3,350,660)		(7,735)	**509,615**	**509,615**			

Please refer to page 47 for further details on the options above.

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 48).

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 48).

Fair values of awards granted in 2007 and 2008

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

	2008	2007
Risk-free interest rate	**4.9%**	4.9%
Discounted share price on grant date (pence)	**171.50p**	151.50p
Index level	**11,428**	10,340
Dividend yield on stock	**3.2%**	3.2%
Dividend yield on index	**2.1%**	2.4%
Volatility for stock	**23.0%**	23.0%
Volatility for index	**15.0%**	13.0%
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 of awards granted	Weighted fair value (pence)
Issued in the year ended 30 June 2008 – outstanding and not exercisable	**746,398**	**122.3**
Issued in the year ended 30 June 2007 – outstanding and not exercisable	570,461	102.3

The Company recognised total expenses of £nil million relating to equity-settled share-based transactions in 2008 (2007: £0.2m). The first LTIP awards made during the year ended 30 June 2006 will not vest due to performance criteria not being met. Additionally, at 30 June 2008, 92,230 of the awards relating to subsequent grants have lapsed.

Notes to the Group financial statements continued

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 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	–	–	–	–	–	4.6	4.6	–	4.6
Equity dividends	–	–	–	–	–	(9.2)	(9.2)	–	(9.2)
Tax on items taken directly to equity	–	–	–	–	–	(1.4)	(1.4)	–	(1.4)
At 30 June 2007	17.8	141.8	(0.2)	(0.5)	0.5	(39.1)	120.3	–	120.3
Profit for the year	–	–	–	–	–	11.5	11.5	–	**11.5**
Movement in cash flow hedge	–	–	(0.4)	–	–	–	(0.4)	–	**(0.4)**
Foreign exchange translation differences	–	–	–	19.8	–	–	19.8	–	**19.8**
Net loss on hedge of net investment in foreign subsidiaries	–	–	–	(18.9)	–	–	(18.9)	–	**(18.9)**
Own shares acquired and held as Treasury shares	(0.1)	–	–	–	–	(1.3)	(1.4)	–	**(1.4)**
Shares issued to satisfy employee share option exercises	0.3	1.2	–	–	–	–	1.5	–	**1.5**
Actuarial loss	–	–	–	–	–	(2.0)	(2.0)	–	**(2.0)**
Equity dividends	–	–	–	–	–	(10.1)	(10.1)	–	**(10.1)**
Tax on share options taken directly to equity	–	–	–	–	–	(2.0)	(2.0)	–	**(2.0)**
Tax on items taken directly to equity	–	–	–	–	–	0.6	0.6	–	**0.6**
At 30 June 2008	**18.0**	**143.0**	**(0.6)**	**0.4**	**0.5**	**(42.4)**	**118.9**	**–**	**118.9**

The number of Treasury shares held at 30 June 2008 was 752,019 (2007: 2,019).

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:

	2008	2007
Operations	**4,345**	3,855
Sales and marketing	**282**	266
Finance and administration	**497**	576
Total full-time equivalent employees	**5,124**	4,697

	2008 £m	2007 £m
The aggregate payroll costs were:		
Wages and salaries	**111.4**	94.6
Share scheme costs	**–**	0.2
Social security costs	**20.8**	18.3
Pension costs	**2.8**	2.6
Total payroll costs	**135.0**	115.7

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

	2007 £m	Cash flow £m	New finance leases £m	Exchange movement £m	2008 £m
Cash and cash equivalents per the balance sheet	6.6	(3.1)	–	0.9	**4.4**
Overdrafts	(7.6)	0.4	–	(0.6)	**(7.8)**
Cash and cash equivalents per the cash flow statement	(1.0)	(2.7)	–	0.3	**(3.4)**
Debt: Due after one year	(76.2)	2.2	–	(8.1)	**(82.1)**
Debt: Due within one year	(1.5)	(14.5)	–	0.2	**(15.8)**
Finance leases	(2.2)	0.9	(0.2)	(0.5)	**(2.0)**
Net debt	(80.9)	(14.1)	(0.2)	(8.1)	**(103.3)**

	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)

27) Commitments

	2008 £m	2007 £m
Capital expenditure		
Contracted but not provided	**4.1**	3.3

Operating leases

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

Total operating leases	2008 £m	2007 £m
Within one year	**2.0**	1.8
In the second to fifth years inclusive	**7.9**	3.6
After five years	**7.5**	–
	17.4	5.4

Leases of land and buildings which expire	2008 £m	2007 £m
Within one year	**1.0**	0.1
In the second to fifth years inclusive	**3.3**	0.4
After five years	**7.5**	–
	11.8	0.5

Other leases which expire	2008 £m	2007 £m
Within one year	**1.0**	1.7
In the second to fifth years inclusive	**4.6**	3.2
	5.6	4.9

Other operating leases related mainly to plant and equipment.

28) Subsequent events

On 4 August 2008, the Group announced its intention to close its Coventry factory and to scale down its activities in Warrington with production to be transferred to a new facility in St Helens. Formal consultations have commenced with employee representatives. On 3 September 2008, an announcement was made on further restructuring in the UK.

Company balance sheet
at 30 June 2008

	Note	2008 £m	2007 £m
Fixed assets			
Tangible assets	3	**0.4**	0.1
Investments	4	**155.0**	155.0
		155.4	155.1
Debtors: Amounts falling due within one year	5	**145.2**	111.7
Creditors: Amounts falling due within one year	6	**(28.3)**	(80.1)
Net current assets		**116.9**	31.6
Total assets less current liabilities		**272.3**	186.7
Creditors: Amounts falling due after more than one year	7	**(81.5)**	–
Net assets		**190.8**	186.7
Capital and reserves			
Called up share capital	8	**18.0**	17.8
Share premium account	9	**143.0**	141.8
Capital redemption reserve	9	**0.5**	0.5
Profit and loss account	9	**29.3**	26.6
Total equity and reserves		**190.8**	186.7

These financial statements were approved by the Board of Directors on 3 September 2008 and were signed on its behalf by:

M W Roberts
I R Johnson
Directors

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.

Under Financial Reporting Standard 29, Financial Instruments: Disclosures, the Company is exempt from publishing financial instruments disclosures on the grounds that they are included within the consolidated accounts.

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
Furniture and fittings	– 8 to 10 years

Foreign exchange

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

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 2008 of £14.1 million (2007: £14.1m). Fees payable to the Company's auditors for the audit of the Company's annual accounts were £0.1 million (2007: £0.1m). Fees payable to the Company's auditors for services relating to tax were £0.1 million (2007: £0.1m). The Company had no employees for the year ended 30 June 2008 (2007: nil).

3) Tangible fixed assets

During the year ended 30 June 2008, there were additions of £0.3 million to the Company's tangible fixed assets relating to furniture and fittings (2007: £nil). Depreciation in relation to these additions amounted to £nil (2007: £nil). There were no other significant movements in the Company's other tangible fixed assets relating to computer equipment of £0.1 million (2007: £0.1m).

4) Investments

	£m
Shares in subsidiary undertakings at cost	
At 30 June 2007 and 30 June 2008	**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 2008. 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 Zhongshan Ltd	100%	China
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
McBride Hong Kong Holdings Ltd	100%	Hong Kong

* 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.

Notes to the Company financial statements continued

5) Debtors: amounts falling due within one year

	2008 £m	2007 £m
Amounts owed by Group undertakings	**143.0**	109.8
Other debtors	**1.7**	1.2
Prepayments and accrued income	**0.5**	0.7
Total debtors	**145.2**	111.7

6) Creditors: amounts falling due within one year

	2008 £m	2007 £m
Bank overdrafts (unsecured)	**0.4**	0.1
Bank loans	**–**	56.7
Other creditors	**0.4**	0.2
Amounts owed to Group undertakings	**26.6**	21.6
Accruals and deferred income	**0.9**	1.5
Total creditors	**28.3**	80.1

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

	2008 £m	2007 £m
Bank loans	**81.5**	–
	81.5	–

8) Called up share capital

	Authorised		Allotted, called up and fully paid	
	Number	£m	Number	£m
Ordinary shares of 10 pence each				
At 1 July 2007	500,000,000	50.0	177,687,622	17.8
Shares issued			3,350,660	0.3
Shares repurchased			(750,000)	(0.1)
At 30 June 2008	**500,000,000**	**50.0**	**180,288,282**	**18.0**

9) Movement on reserves

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m
At 1 July 2007	141.8	0.5	26.6
Retained profit for the year	–	–	4.0
Shares issued/repurchased	1.2	–	(1.4)
At 30 June 2008	143.0	0.5	29.2

Own shares (held as Treasury shares)

	Number	£m
Ordinary shares of 10 pence each		
At 1 July 2007	2,019	–
Shares repurchased	750,000	0.1
At 30 June 2008	752,019	0.1

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

10) Guarantees

The Company has guaranteed the loans and debt of certain subsidiaries up to £13.0 million (2007: £4.5m). The Company is also a cross-guarantor with certain other subsidiaries with an outstanding liability as at the balance sheet date of £nil (2007: £18.8m).

11) Share-based payments

The Company has no employees. Shares in the Company have been granted to employees of the Group as part of share-based payment plans and recharged to the employing company on the basis of the actual cost as calculated by the number of employees benefiting from any share issue.

Useful information for shareholders

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Financial Dynamics
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26 Southampton Buildings
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Financial calendar

Next key dates for shareholders

2007-08 final dividend	
Ex-dividend date	22 October 2008
Record date	24 October 2008
Final dividend payable	28 November 2008
Annual General Meeting (Centre Point, London)	27 October 2008
2008-09 H1 interim management statement	27 October 2008

Other dates

2008-09 half year end	31 December 2008
2008-09 H1 trading statement	December 2008*
2008-09 interim results announcement	February 2009*
2008-09 interim report circulated	February 2009*
2008-09 H2 interim management statement	April 2009*
2008-09 interim dividend payable	May 2009*
2008-09 year end	30 June 2009
2008-09 full year trading statement	July 2009*
2008-09 annual results announcement	September 2009*
2008-09 final dividend payable	November 2009*

* 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'.

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 6ZZ. Alternatively, shareholders can contact Computershare on the dedicated McBride shareholder information telephone line: 0870 707 1136 or email their enquiry to web.queries@computershare.co.uk, indicating they are a McBride shareholder.

Shareholders are also able to access and amend details of their shareholding (such as address and dividend payment instructions) over the internet, subject to passing an identity check, via the registrar's website at www.computershare.co.uk.

Overview of the year
Business review
Our governance
The figures

Useful information for shareholders continued

Electronic communications

Shareholders are now able to register to receive communications from McBride electronically. This service enables shareholders to tailor their communication requirements to their needs.

McBride is encouraging shareholders to use this service to elect to receive all communications electronically which enables more secure and prompt communication and allows shareholders to:

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

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

Registration for this service is via the eTree™ campaign run by Computershare, McBride's registrars, in conjunction with The Woodland Trust. You can register directly by visiting www.etreeuk.com/mcbrideplc and following the online instructions. Alternatively, you can access the service via the investor relations section of McBride's website at **www.mcbride.co.uk** or via our registrar's website at www.computershare.co.uk.

When you register for electronic communications, a tree will be planted on your behalf with the Woodland Trust's 'Tree For All' scheme in a UK area selected for reforestation.

Online shareholder services

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

- View and/or download annual and interim reports.
- Check current or historic share prices (there is a historic share price download facility).
- Check the amounts and dates of historic dividend payments.
- Use interactive tools to calculate the value of shareholdings and chart McBride ordinary share price changes against indices.
- Register to receive email alerts regarding press releases, including regulatory news announcements, annual reports and company presentations.

ShareGift

McBride supports ShareGift, the share donation charity (registered charity number 1052686). ShareGift was set up so that shareholders who have only a very small number of shares which might be considered uneconomic to sell are able to dispose of them by donating them for the benefit of UK charities. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK charities. Donating shares to charity gives rise neither to a gain nor a loss for UK Capital Gains purposes and UK taxpayers may also be able to claim income tax relief on the value of the donation.

Further information about donating shares to ShareGift is available either from its website at www.ShareGift.org, by writing to ShareGift at 17 Carlton House Terrace, London SW1Y 5AH or by contacting them on 020 7930 3737.

Even if the share certificate has been lost or destroyed, the gift can be completed. The service is generally free. However, there may be an indemnity charge for a lost or destroyed share certificate where the value of the shares exceeds £100.

Share price history

The following table sets out, for the five financial years to 30 June 2008, 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
2004	150	92	126	149
2005	172	122	148	150
2006	178	138	159	178
2007	262	154	199	219
2008	**236**	**73**	**138**	**78**

Unsolicited mail

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

MPS is an independent organisation which offers a free service to the public within the UK such that registering with them will help stop most unsolicited consumer advertising material.

Five year financial summary (unaudited)

	IFRS 2008 £m	IFRS 2007 £m	IFRS 2006 £m	IFRS 2005 £m	UK GAAP 2004 £m
Results					
Revenue	**700.9**	592.0	540.1	537.1	501.3
Profit before tax(1)	**21.3**	32.1	29.9	33.6	34.9
Profit after tax(1)	**15.6**	23.2	21.2	23.5	24.0
Profit before tax	**15.7**	29.5	25.9	30.6	30.2
Profit after tax	**11.5**	21.3	18.4	21.4	20.3
Earnings					
Adjusted diluted earnings per share(1)	**8.6p**	12.7p	11.6p	12.7p	13.0p
Ordinary dividends per share(2)	**5.6p**	5.6p	5.1p	4.8p	4.0p

(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.

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