Annual Report 2005

working together... to deliver growth

McBride

Over 1.2 billion units last year

in over 50 product categories

in over 80 countries

Our aim is to be the number one supplier of Private Label Household and Personal Care products throughout the major European markets.

This requires McBride to be the most competitive in terms of price, service and innovation. This will be enabled by creating a culture within the company that promotes confidence, team-working, open-mindedness, respect for colleagues and an attitude of striving to improve in conjunction with clear consistent objectives.

Financial and commercial highlights

+7.1%

Group turnover was £537.1 million

+3.8%

Overheads reduced by £4.7 million, a 3.8% reduction over the year (administrative costs pre exceptional items)

+2.3%

Reported Group operating profit was £31.1 million

+1.5%

Profit after tax was £20.6 million

+20.0%

Total dividends for the year were 4.8p per share

+9.1%

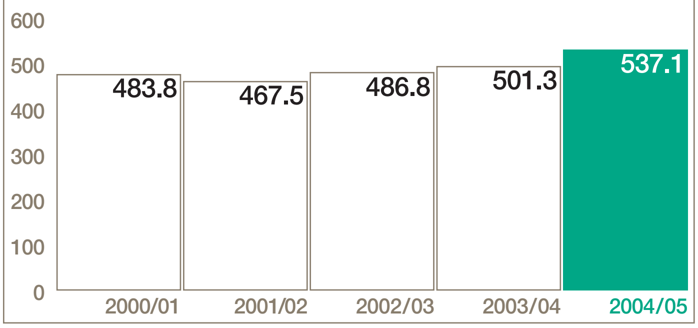
Return on capital employed was 27.7% (based on operating profit pre exceptional items)

Group turnover increased by £35.8 million, including a £26.4 million contribution from Aerosol Products Limited (APL)

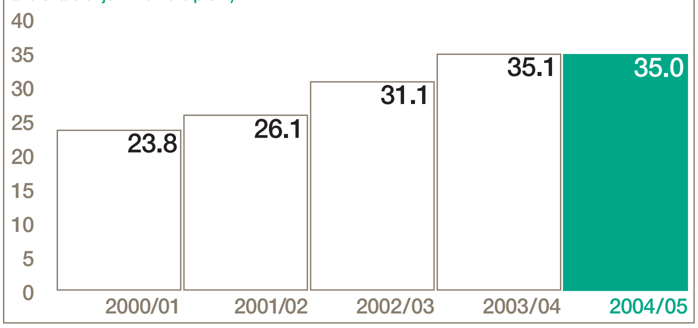
Cost rationalisation measures reduced overheads, pre exceptional items and before goodwill amortisation, from £124.4 million to £119.7 million

Return on capital employed improved from 25.4% to 27.7%, reflecting a continuing focus on asset utilisation

Turnover (£m)
(prior years restated)

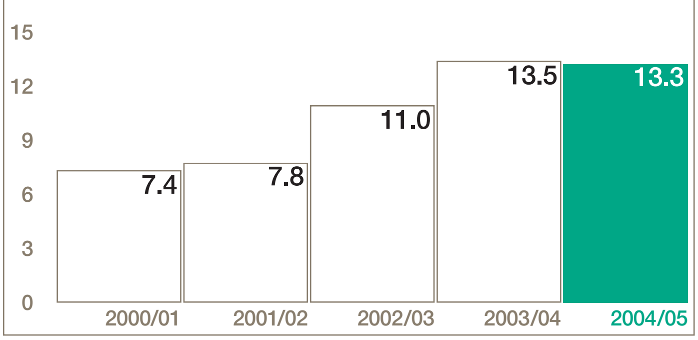


Operating profit (£m)
(pre goodwill amortisation, exceptional items and share of joint venture profit)

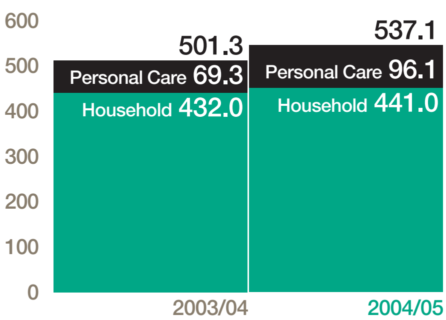


Dividend per share (pence per share)

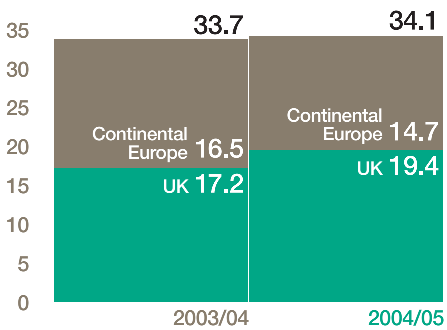
Earnings per share (pence per share)
(pre goodwill amortisation and exceptional items)



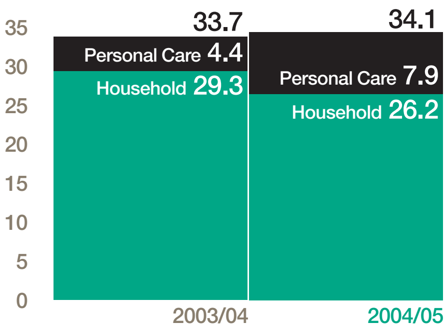
Turnover by product group (£m)



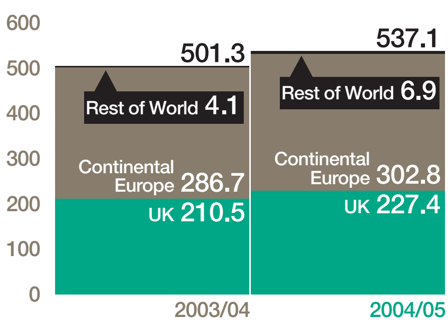
Operating profit by origin (£m)
(excluding exceptional items)



Operating profit by product group (£m)
(excluding exceptional items)



Turnover by destination (£m)



Turnover by destination (£m)	2000/01 Restated	2001/02 Restated	2002/03 Restated	2003/04	2004/05
UK	226.3	213.7	212.1	210.5	227.4
Continental Europe	227.3	249.7	271.0	286.7	302.8
Rest of World	4.1	4.1	3.7	4.1	6.9
Total	457.7*	467.5	486.8	501.3	537.1

*excludes Wrafton

Turnover	2000/01 Restated	2001/02 Restated	2002/03 Restated	2003/04	2004/05
UK	49.4%	45.7%	43.6%	42.0%	42.3%
Non UK	50.6%	54.3%	56.4%	58.0%	57.7%

Operating profit by origin (£m)	2000/01	2001/02	2002/03	2003/04	2004/05
UK	13.3	15.0	16.8	17.2	19.4
Continental Europe	6.4	9.8	12.9	16.5	14.7
Total	19.7	24.8	29.7	33.7	34.1

Margin	2000/01 Restated	2001/02 Restated	2002/03 Restated	2003/04	2004/05
UK	5.7%	6.6%	7.7%	7.9%	8.0%
Non UK	2.8%	4.1%	4.8%	5.8%	5.0%

United Kingdom

UK sales grew 8% to £227.4 million.

Operating profit excluding exceptional items grew 12.8% to £19.4 million.

Continental Europe

Continental European sales rose 5.6% to £302.8 million, due to increasing market share of Private Label products.

However, operating profit excluding exceptional items declined by 10.9% to £14.7 million due to the combined impact of selling price deflation and higher input costs.

Group overview

Core markets

McBride UK
UK and Ireland

Private Label market characteristics

Europe's most sophisticated Private Label market with a 41.5% volume share across all categories in 2004. Private Label Household cleaners reached 33.8% volume share with Private Label Personal Care volume share at 22.4%. McBride enjoys market leadership in UK Private Label Household cleaners and Personal Care products.

McBride operations

Six factories

2,168 employees

Producing: laundry detergents, household cleaners, dishwashing products, aircare products, personal care products and aerosols.

Main business activity

Household products
75%

Personal Care products
25%

Household products

Personal Care products

The McBride Group consists of a collection of companies as listed on page 72, which are located in the Group's major markets. The principal company of the Group is McBride plc, registered in England (the Company).

McBride Continental Europe (CE)

Austria, Belgium, France, Germany, Italy, The Netherlands, Portugal, Spain and Switzerland

All category Private Label share has been increasing rapidly in Europe, with year-on-year volume growth up by 9% in Germany and France, 8% in Spain, 7% in Belgium and 11% in Italy. Private Label Household volume growth ranged from 10% in France to 3% in The Netherlands. Growth of Private Label Personal Care share was even higher with France, Italy, Belgium and The Netherlands enjoying double-digit growth. McBride CE holds important shares in these markets and continues to strengthen its position.

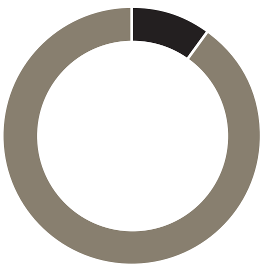
Eight factories in four countries
(France x 3, Belgium x 3, Spain x 1, Italy x 1)

1,825 employees

Producing: laundry detergents, household cleaners, aircare products, dishwashing products, personal care products and aerosols.

Household products
90%

Personal Care products
10%



McBride International

Poland, Czech Republic, Hungary, Central and Eastern Europe, the Nordic States and Rest of World

Western supermarket chains and, more recently, the discount chains have started to expand into the major markets of Central and Eastern Europe. This is driving the growth of Private Label in the region. In the period 2000 to 2003 all category Private Label share grew by over 150% in Central and Eastern Europe. The entry of discount chains into the Nordic and Baltic markets is also increasing the development of Private Label in these markets. McBride, with its local production and sales offices, is well placed to benefit from these growth opportunities.

One factory in Southern Poland
Two sales offices: Prague (Czech Republic) and Budapest (Hungary)

203 employees

Producing: laundry detergents, household cleaners, dishwashing products and personal care products.

Household products
48%

Personal Care products
52%

Chairman's statement

Specific strategies are being identified to ensure that the Group benefits from its unique position as the largest supplier of Private Label Household and Personal Care products in Europe.

Lord Sheppard Chairman

Summary of results

The operating results for the year ending 30 June 2005 showed a solid performance. This performance was achieved against the backdrop of a very tough market environment throughout Europe, characterised by a combination of continued selling price deflation and higher input costs impacted by the high price of oil. Actions taken to offset these adverse cost influences have included growing sales at the same time as improving operational efficiency.

During the year it was announced that the factory in Bampton, England, would be closed, with production moving to the Aerosol Products Limited (APL) site at Hull. The result of this closure will be to improve efficiency through the sharing of overheads and better asset utilisation. Further reviews of the cost base are continuing.

Particular focus is being given to improving the results of the Continental European operations, an area of substantial opportunity for the Group. The management has been changed and strengthened and the early signs of success are encouraging.

The Group continues to put significant energy and management focus into maintaining the cash generation capability of the business. This has led to a further lowering of the Group's net debt to £24.4 million.

The Board

After the year-end on 12 July 2005 it was announced that Mike Handley had stepped down as Chief Executive and resigned as a director of the company with immediate effect to pursue other opportunities. We wish him well for the future.

He has been succeeded as Chief Executive by Miles Roberts, previously the Finance Director.

Miles joined the Group in early 2002 as Finance Director and for the last 12 months has also successfully taken responsibility for the UK business. He has played a central role in the significant improvements in both profitability and cash flow achieved since 2002.

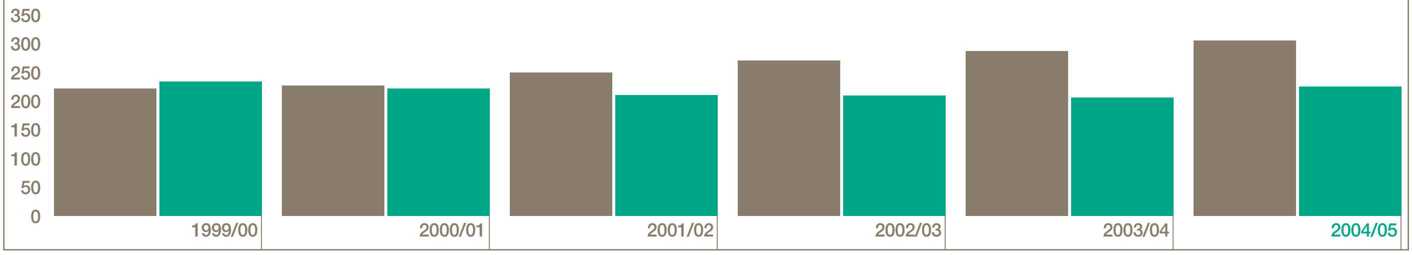
The company is currently in the process of recruiting a new Finance Director for the Group.

Specific strategies are being identified to ensure that the Group becomes the most competitive supplier in the marketplace in terms of efficiency, service and quality.

These results have been achieved in challenging market conditions and demonstrate the underlying strength of our business.

Geographical sales split (£m)

Sales to Continental Europe and Rest of World reached £300 million for the first time and confirms the importance of these markets for the Group.



Governance

During the year the Board considered at length the issue of Corporate Governance. Following this review various changes have been made that include the membership and charters of various Board sub-committees. We continue to keep abreast of developments.

Strategy

One of the initial priorities for the new Chief Executive is to review and update the business plan for the Group. This plan will encompass all aspects of the objectives and management of the business. Specific strategies are being identified to ensure that the Group becomes the most competitive supplier in the marketplace in terms of efficiency, service and quality. This will underpin profitability and cash flow.

Shareholder returns/Dividend policy

The Group is committed to providing sustainable improvements in the returns to shareholders, taking into account the medium-term funding requirement of the business. The Group intends to use the combination of a progressive dividend policy and share repurchase as appropriate.

The business plan currently being developed will include a review of future returns to shareholders in conjunction with investment opportunities.

During the year the Group embarked on a share buy-back programme that resulted in the purchase of 6.125 million shares. Subject to market conditions the Board intends to continue the share repurchase programme.

Given the low gearing and strength of cash generation, the Board is recommending a final dividend of 3.3 pence per share to be paid on 25 November 2005. The total dividend will be 4.8 pence per share, a 20.0% increase over last year.

Workforce

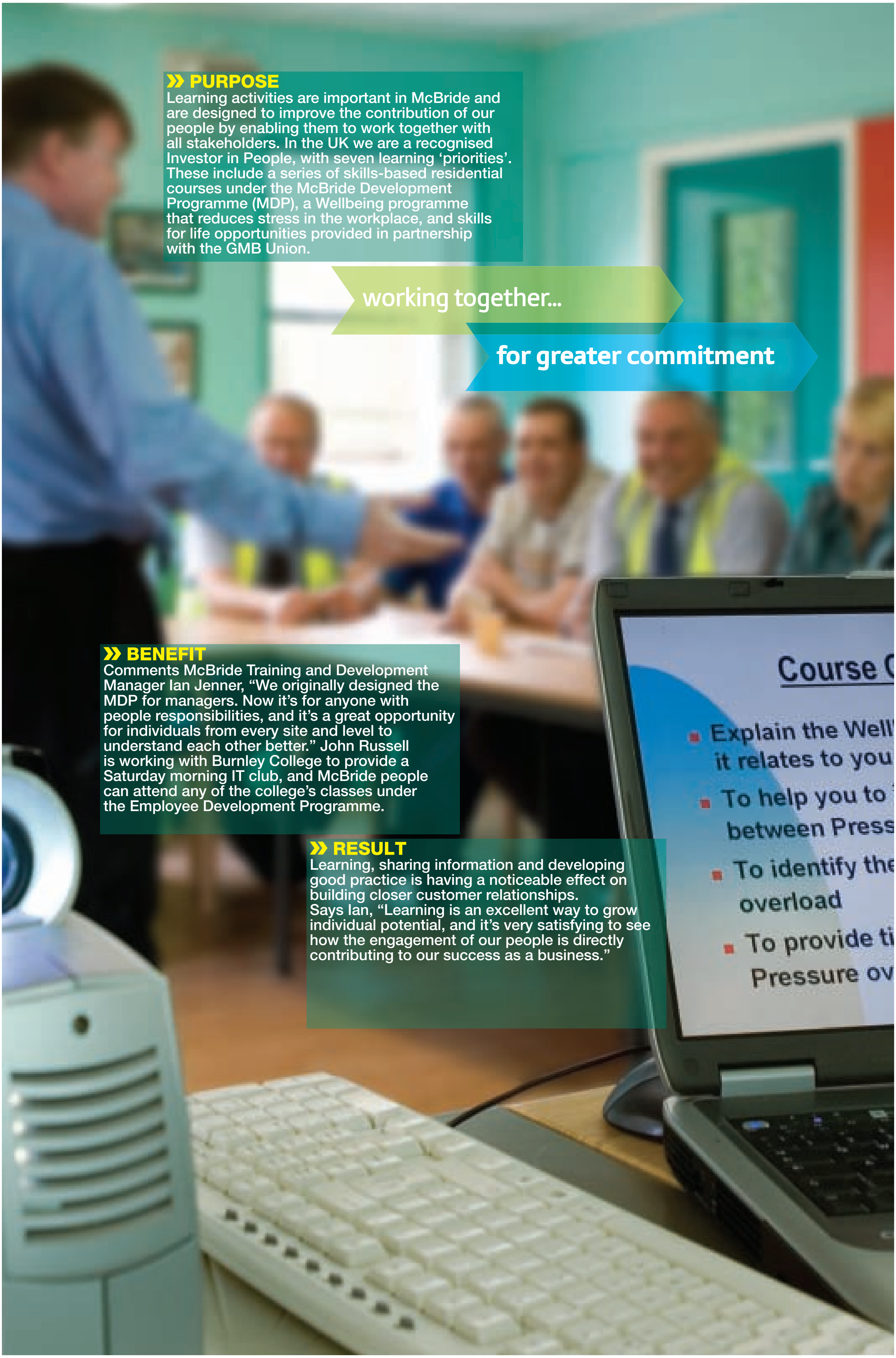
The current trading environment means that it is even more important that the business ensures it is the most competitive in our industry.

The improvements made this year are due to the efforts, commitment and contribution of our staff. We continue to develop and encourage behavioural values that we believe are fundamental to the overall prosperity of the Group.

Current trading and outlook

These results have been achieved in challenging market conditions and demonstrate the underlying strength of our business. Initiatives continue to be launched to further improve our competitiveness and more are planned.

Since the year-end, trading has been in line with our expectations and we anticipate the first half outturn being in line with that of the second half of the year just ended. As a number of these efficiency and growth initiatives are only now taking effect, we anticipate these measures beginning to benefit the second half performance.



» PURPOSE

Learning activities are important in McBride and are designed to improve the contribution of our people by enabling them to work together with all stakeholders. In the UK we are a recognised Investor in People, with seven learning ‘priorities’. These include a series of skills-based residential courses under the McBride Development Programme (MDP), a Wellbeing programme that reduces stress in the workplace, and skills for life opportunities provided in partnership with the GMB Union.

working together...

for greater commitment

» BENEFIT

Comments McBride Training and Development Manager Ian Jenner, “We originally designed the MDP for managers. Now it’s for anyone with people responsibilities, and it’s a great opportunity for individuals from every site and level to understand each other better.” John Russell is working with Burnley College to provide a Saturday morning IT club, and McBride people can attend any of the college’s classes under the Employee Development Programme.

» RESULT

Learning, sharing information and developing good practice is having a noticeable effect on building closer customer relationships.
Says Ian, “Learning is an excellent way to grow individual potential, and it’s very satisfying to see how the engagement of our people is directly contributing to our success as a business.”

working together... to maintain market edge

» PURPOSE

"Great management and back-up constantly gives McBride the edge." These words of Booker buyer Clive Wilson, quoted in The Grocer magazine, reflect the company's reputation for speed to market with new products. One driver of this edge is McBride's regular product development meeting, where people from marketing, packaging, manufacturing and other functions meet to discuss new opportunities.

» BENEFIT

This is a well-established source of innovation within the company, driving new ideas and accelerating speed to market for its products. But, according to McBride's Bradford factory General Manager David Blacketer, it's about more than that. "It explores improving value for ourselves and our customers without increasing consumer costs. So, for example, by redesigning or even removing a heavy transit tray, we reduce distribution and recycling costs with no impact on the consumer."

» RESULT

With over 100 years' combined industry experience at each meeting, these meetings have been the force behind many McBride innovations, including liquid textile wash capsules, as well as rapid response to market trends and countless time, cost and resource-saving initiatives. "It helps keep us at the forefront of Private Label," says David.

Chief Executive's review

Working together – to deliver growth

The business is well positioned as Europe's largest dedicated supplier of Private Label Household and Personal Care products. We strongly believe our people are the key differentiator.

Miles Roberts Chief Executive

When I joined the company in 2002 as Finance Director, I was impressed by the underlying fundamentals of the McBride Group: its position as the largest dedicated supplier of Private Label products throughout Europe, the scale of its operations, the professionalism of the employees and its cash generation capacity. All characteristics still hold true today despite a very different market environment to the one prevailing when I joined.

During these three years in the business, a key influence which underpins the business is the relationships not only with customers and suppliers but also across the Group. It is the strength of these relationships that has enabled the Group to deliver the results reported here.

As Chief Executive of the Group it is my objective to build on these core fundamentals and develop the Group to enable it to fulfil the aspirations of all our stakeholders and realise its full potential.

Strategy

McBride plc comprises three operating divisions: McBride UK, McBride Continental Europe (CE) and McBride International. The performance and review of each business unit is reported separately by the respective Managing Directors within this report.

On accepting the appointment of Chief Executive in July this year, I have initiated, with the Planning team of McBride plc and the operating divisions, the development of divisional and Group business plans covering the medium term.

These plans will include a comprehensive review of each business in terms of markets, products, operations and competitors to provide a clear understanding of the requirements that will enable McBride to realise its full potential. This will require McBride to be the most competitive in terms of price, service and innovation. This will be enabled by creating a culture within the company that promotes confidence, team-working, open-mindedness, respect for colleagues and an attitude of striving to improve in conjunction with clear consistent objectives.

The overall results for the Group were broadly flat compared to last year. Price deflation, combined with raw material cost increases, was largely offset by sales growth, lower overheads and the acquisition of the remaining equity of APL. A full financial review of the year ended 30 June 2005 is included on pages 20 to 23.

The financial results of the Continental European division fell below internal expectations. The management in this division has been changed and strengthened to improve future performance. Many initiatives have recently been introduced, it is expected that these will start to take effect during the second half of the current year.

I have initiated, with the Planning team of McBride plc and the three operating divisions, the development of divisional and Group business plans covering the medium term.

Operations

The Group employs over 4,000 people throughout Europe. Our reputation for Private Label development, speed of response and supply chain expertise arises from the combination of the size and scale of our manufacturing assets and the experience and skills of our people.

The business currently has 15 sites in six countries; six in the UK, at Barrow, Burnley, Bradford, Middleton and Hull plus Bampton in Devon, the closure of which was announced in July this year. The production of Bampton will be transferred to other locations in the Group. On the Continent, McBride has three factories in Belgium, three factories in France, and one factory each in Italy, Spain and Poland.

Production technology of the business includes laundry powders, liquids, tablets and sachets, Household cleaners in a range of formats, Personal Care products and aerosols.

This year £17.5 million of additional capital was invested in our operations compared with £17.3 million in 2003/04. The investment was targeted towards cost reduction projects as well as some capacity expansion.

Creating a management team

A new Group management team has been created comprising the three business unit Managing Directors, the Directors of Planning and Human Resources and the Finance Director.

The primary responsibility for this team will be the development, implementation and delivery of the business plan.

The balance of resources between the operational divisions and head office will be adjusted. This will see the appointment of a small number of additional resources to the centre. This is to support the development and implementation of various Group wide initiatives.

A new Group management team has been created comprising the three business unit Managing Directors, the Directors of Planning and Human Resources and the Finance Director.

Sustainable development

In a year that has seen the oil price reaching historic highs, increasing costs of energy and materials, McBride's commitment to practising sustainable development by being business-efficient remains as strong as ever. It is therefore pleasing to report that the Group improved its output of product per GJ of energy consumed by 7%, and product per tonne of CO_2 equivalents by 5.0%. Our output per tonne of waste produced improved by 7.8% and the production per m^3 of effluent generated was up 30%. These are very satisfying achievements but the business realises it still has much more to aspire to in these areas.

Over the following pages, the Managing Directors of our three business units present their summaries of their business units' performance and the teamwork and initiatives that have contributed to this year's performance.

McBride UK business review

The UK business enjoys market leadership in Private Label Household and Personal Care products, supplying all the major UK retailers. It is a high volume, very fast moving business, manufacturing and delivering to very short lead-times. Each year approximately 2,500 products are launched from a total portfolio of 3,500 products.

Tim Seaman Managing Director

Key achievements

- Sales volume increased on Household products by 4.5% and Personal Care liquid products by 4.0%.
- Continuous improvement initiatives, management focus and employee involvement resulted in operational efficiency improvements at all production sites.
- The acquisition of the remaining 50% shareholding held by our Joint Venture partners in Aerosol Products Limited (APL) in September 2004 allowed us to complete the implementation of our enterprise-wide SAP system. The last site, APL at Hull, successfully went live in October 2004.
- For the fifth year running McBride was voted by UK retailers the No 1 Private Label Household and Personal Care products supplier in The Grocer magazine survey.
- Overhead costs were tightly controlled and reduced year on year whilst protecting customer service.
- Bi-annual employee opinion surveys showed further improvements. These are a key measure of our people management and involvement practices.

Market

The UK Household products market is relatively mature. However, there has been slow but steady volume growth in our Household Private Label sector over the past three years, as consumers continue to realise the value for money of supermarket Private Labels and retailers act to increase their profit mix. In the 12 months ending 30 June 2005, Private Labels were 34.5% of this market by volume and 23.7% by value.

Personal Care is a more fashion-orientated and fragmented market with a high level of branded emotional attraction. However, after some years of slow decline, we now see the Private Label position stabilising and demonstrating slight volume growth of 2.6% in the last 12 months.

Sales

Our market has been relatively static but exceptionally competitive over the last few years and in 2004/05 both Private Label Household and Personal Care products suffered price deflation. However, the Private Label sector market volume growth and our own ability to support our customers' promotional sales volumes were reflected in our Household sales volume growth of 4.5% and Personal Care liquids volume growth of 4%.

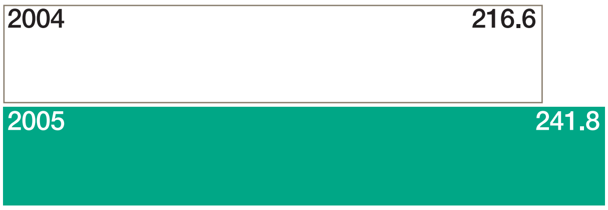
We also successfully implemented during the year a Personal Care product strategy to develop and supply premium products, such as designer haircare products, to our major supermarket customers.

These products returned some value back to the market and were just a small example of an extremely important part of our business: that is our ability to devise a product strategy and then to develop and launch the products efficiently and at a fast pace. This product development capability relies not only upon the individual skills of our people but also on our own internal processes which have been developed and improved over many years.

An important part of one such process are our multi-functional product development meetings, which are held regularly at all our production sites and involve all major disciplines within the business. It is not unusual for such a meeting to involve sales, marketing, development, quality, purchasing, commercial finance, engineering, packaging, logistics and senior general management.

The ability to bring together this breadth of skills, often with over 100 years of Private Label experience, is, we believe, a real source of competitive advantage for McBride. Teams like these focus on providing solutions which ensure our customers receive the best possible service.

Sales by origin (£m)



At our textile washing powder site in Barrow, an investment in a new state-of-the-art filling line has reduced waste and improved line efficiencies.

Leeanne Robinson technical co-ordinator at APL Hull site was awarded the H.W. Hibbott Memorial Prize for gaining the top mark of all entrants in this years Society of Cosmetic Scientists examinations.

Employees at the Burnley factory celebrate their third Business Excellent Northwest Region Award in the 'People and People Results' category.

Although we are first and foremost a Private Label supplier, we do develop and sell our own niche and budget brands. We have been very successful in growing both our sensitive skin range, Surcare, and our budget brand range Clean n' Fresh.

Operations

As a Private Label company a *key business goal* is that of *customer service*. We continually strive to improve our internal processes to meet the ever-increasing demands of our customers. In our increasingly competitive market it is essential that our operations not only fully support our customer service objective but are as effective and efficient as we can economically achieve. There is no doubt that our investment in enterprise-wide systems implemented over the past few years has greatly improved our ability to control our operational processes and achieve major cost improvements.

When we assess any improvements our goal is always *best value* and this goal also drives our investment policy. Our capital investments over the last 12 months have therefore included both capacity-enhancing investments and those aimed at cost reduction. These investments together with operational improvements and very tight control of overheads have allowed us to mitigate the effect of the increased raw materials prices we have experienced over the last 12 months.

During last year we invested approximately £4.5 million in successful cost reduction projects including end of line automation projects. At Barrow, our textile washing powder site, an investment in a new state-of-the-art filling line has reduced our waste levels and unit labour cost whilst improving line efficiencies.

People

We are convinced that the resourcefulness and adaptability of our people allows us to continue to win in a very demanding environment.

We encourage all our employees to contribute and be fully involved in our business, and there are a number of initiatives aimed at progressing this objective. All areas of our business have IiP accreditation and the wide range of training and learning initiatives throughout the company are, we believe, *best in class*.

We have well-established consultation procedures with employees and with representative groups and trade unions. Our people policies and the practices that follow we are at, or above, the industry standard. Regular opinion surveys are used to gauge employee opinion and take actions where we can further improve our performance, and our regular *people reviews,* held in every area of the business, allow us to encourage improvement and share best practice.

Health, safety and environment

Our commitment to the effective management of Health and Safety continues and we are pleased that lost time accidents and total accidents both reduced in the year by 14% and 12% respectively. Our own Safety Management System played a key role in this result.

Environmental awareness and improvements continue at all sites and four sites are working towards their Integration Pollution Prevention and Control Accreditation in September 2006.

We also fully contributed towards the development of the European Detergents Association Charter for Sustainable Development and McBride was awarded the right to use the Sustainable Cleaning logo.

McBride Continental Europe (CE) business review

McBride CE is the largest supplier of Private Label Household and Personal Care products on the European Continent, where we supply all the major retailers. The business has eight manufacturing sites, located in Belgium, France, Italy and Spain, employing nearly 2,000 people.

Marc Raes Managing Director

Introduction

Private Label has continued to show strong growth in all our markets, primarily driven by increased retail concentration. McBride CE has a leading position in several markets where we offer a wide product range. The production sites are category specialised and cover liquids, powders, tablets and aerosols.

Key achievements

- Total sales up 5.6% on the prior year.
- Sales volume increased on Household Products by 5.5% and Personal Care products by 9.9%.
- Sales of textile washing products increased by 7.8% in the period.
- The closure and transfer of production of the Breda factory to other sites in the business was completed smoothly.
- Introduction of *Investors in People*.
- The full implementation of the Balanced Scorecard management tool.

Market

The Private Label market in Europe has continued to expand over the past year, with growth rates varying from 2% to 10% per year depending on the country and category. This growth is being driven by the increasing consolidation of Europe's leading retailers. This provides the ideal environment for Private Label to grow its share of trade. McBride CE holds an important share in many countries in Continental Europe, particularly in France, the Group's second largest market after the UK.

The table opposite, based on the latest information from the Private Label Manufacturers Association (PLMA) for 2003/04, illustrates the strong growth of Private Label, especially volume growth in France for Household Care products was 10.4%, and double digit growth of Personal Care products in Belgium, France, The Netherlands and Italy. We are well positioned to benefit from these growing markets.

Sales

The year as a whole has been again a year of growth but the European market remains very competitive. This growth has been built on our product innovation, low cost base and focus on customer service. Going forward, McBride CE needs to build on its market position in each country and further improve its competitiveness.

France continues to be McBride CE's largest market with retail sales up 4.9% over last year. Sales increases were realised in Belgium, Germany and The Netherlands. Sales in Spain and Italy suffered slight declines.

Over the year, sales of Household products grew by 3.9% in value. Contributing to this growth were textile washing products up 7.8%, with textile washing liquid products a key factor in this growth. Other product sectors which performed well included automatic machine dishwashing products and Household cleaners.

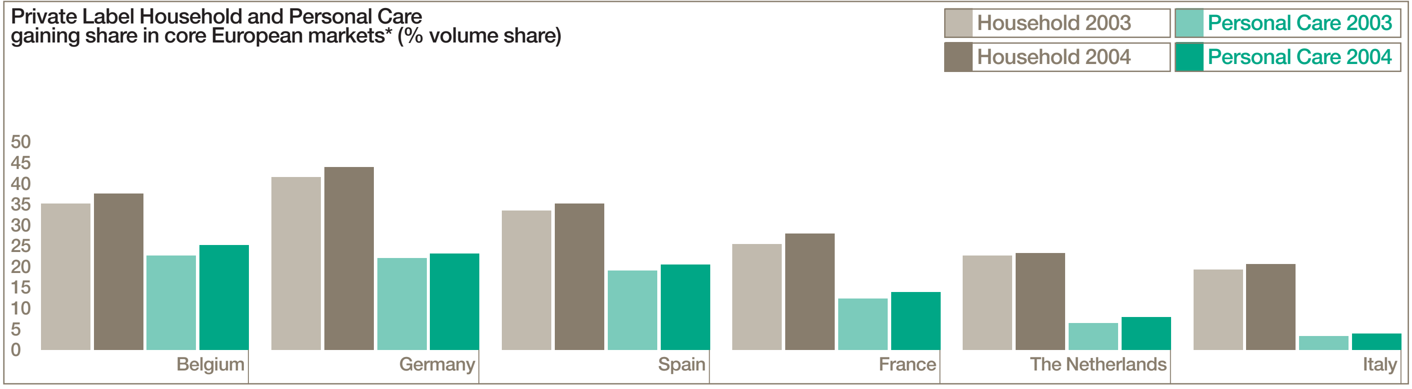
In Personal Care we have continued to build on recent trends with an 11.1% value growth, with haircare and liquid handsoap sectors performing well.

The McBride CE business is well placed and has the capabilities to exploit the increasing market acceptance of Private Label products throughout Europe.

Sales by origin (£m)

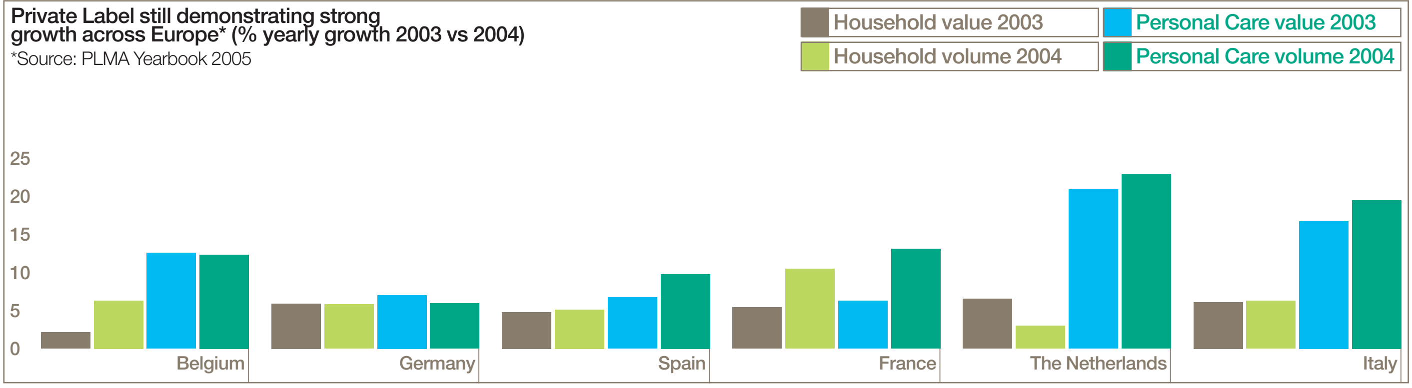
Major investments are planned in filling line automation in our largest factories in Belgium and Spain.

Private Label Household and Personal Care gaining share in core European markets* (% volume share)



Private Label still demonstrating strong growth across Europe* (% yearly growth 2003 vs 2004)

*Source: PLMA Yearbook 2005



Operations

The new management team has the objective to improve competitiveness to meet the continuing challenging market conditions.

Specific projects planned include improvements in waste and labour efficiency. Additionally major investments are planned in blow moulding capacity and filling line automation in our largest factories in Belgium and Spain.

Early indications are encouraging but their effects will not be seen until the second half of the current year.

During the year the factory in Breda, The Netherlands, was successfully closed and production transferred to our factories in Belgium. Further reviews of the asset base and overheads are underway.

People

Introduction of the *Investors in People* concept and 360° management feedback into the McBride CE business contributes to the full involvement of all our employees in the key business processes.

The full implementation of the Balanced Scorecard management tool into the McBride CE business provides overall monitoring and steering of all key business processes and sets the basis for the continuous improvement which we have embedded in the business.

Our current size and expertise, continuous improvement approach and commitment to further investment in our business make us a strategic player and partner in these growth markets. We therefore believe that this will further strengthen our performance and will realise our mission to be the preferred partner for our customers. All McBride CE personnel are dedicated to this ambition.

Health, safety and environment

Our continued focus on quality, health, safety and the environment was confirmed in the full Group ISO 9000 certification and the introduction of a professional policy and management system. The formalisation of these processes allows us to secure these improvements and helps us to achieve the high standards to which we aspire. McBride CE contributed towards the development of the European Detergents Association Charter for Sustainable Development and McBride was awarded the right to use the Sustainable Cleaning logo.

During the year the business was involved in implementing label changes required to meet the forthcoming European Detergent regulations. This involved changes to some 3,200 labels and 300 different products which required outstanding teamwork across the business.

McBride International business review

Our growth over the last three years has focused on Central and Eastern Europe where we now supply Household and Personal Care products to all major international supermarket chains. During the year Private Label sales have grown 20%. A key strength has been the local production facility based in Poland.

Bernard Edmunds Managing Director

Introduction

McBride International covers the export activities of the Group. The core regions covered by McBride International include Central and Eastern Europe (CEE), the Nordic and Baltic countries, the Middle East and Africa. The acquisition of a factory in Poland in 1998 provided a local manufacturing capability to enhance our competitiveness in the region. Over the last five years significant investment has been made to expand the capacity and ranges of the factory.

Key achievements

- Investment in Poland to produce textile powder and cream cleaner.
- Restructuring of distributor networks.
- Development of product ranges in premium Household and Personal Care sectors.
- Winning a major multinational contract to be packed in Poland.
- Improved working capital with lower stock levels.
- 20% growth in Private Label sales.
- 10% increase in liquid filling capacity in Poland.

Market

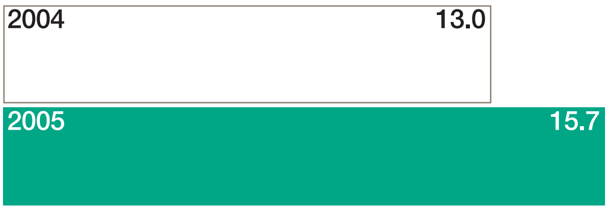
McBride International has responsibility for all markets outside the pre May 2004 EU territories, with the majority of its sales (nearly 80%) from the CEE region.

McBride International is active across the majority of the countries in CEE with either sales offices or local distributors. The new accession states added a further 75 million consumers to the existing 378 million of the EU. The candidate markets of Romania, Bulgaria and Turkey add a further 100 million consumers.

Expansion by West European multinational retailers into CEE has been extensive and already consolidation of the retail sector is underway. Over the last year the market has started to see a significant entrance of the discount format into the region. All of these factors have contributed to the growing demand from retailers in the region for Private Label products.

All category Private Label share in CEE has grown substantially by 153% between 2000 and 2003, compared with 20% in the top five European countries. Private Label Household products grew 150% with Private Label Personal Care growth of over 200% in these countries.

These factors provide the exciting and dynamic market environment in which we are competing.



Nearly every major supermarket chain operating in CEE has products supplied by McBride International.

The Nova range of hairsprays and styling gels, developed in the UK, continues to be one of the division's leading export brands.

Recent developments have included premium ranges of Household and Personal Care products for the Polish market.

Sales

In line with increasing demand for Private Label and value-for-money products in CEE we have seen strong growth in our core countries of Poland, Hungary and the Czech Republic with sales up 13.6%, 22.0% and 14.3% respectively.

Nearly every major supermarket chain operating in CEE has products supplied by McBride International, amounting to over 400 Private Label contracts – a great success.

A joint approach between the UK and Polish marketing teams, with input from the Czech Republic and Hungarian sales managers, was undertaken for the development of two new brand ranges, Blick for Household products and Avea in the Personal Care sector.

This development has resulted in new customer gains for McBride in Nordic and Baltic states, CEE, Russia and the CIS states.

The Russian market is expected to grow significantly in the next few years and, to start to capture this opportunity, a new distributor has been appointed.

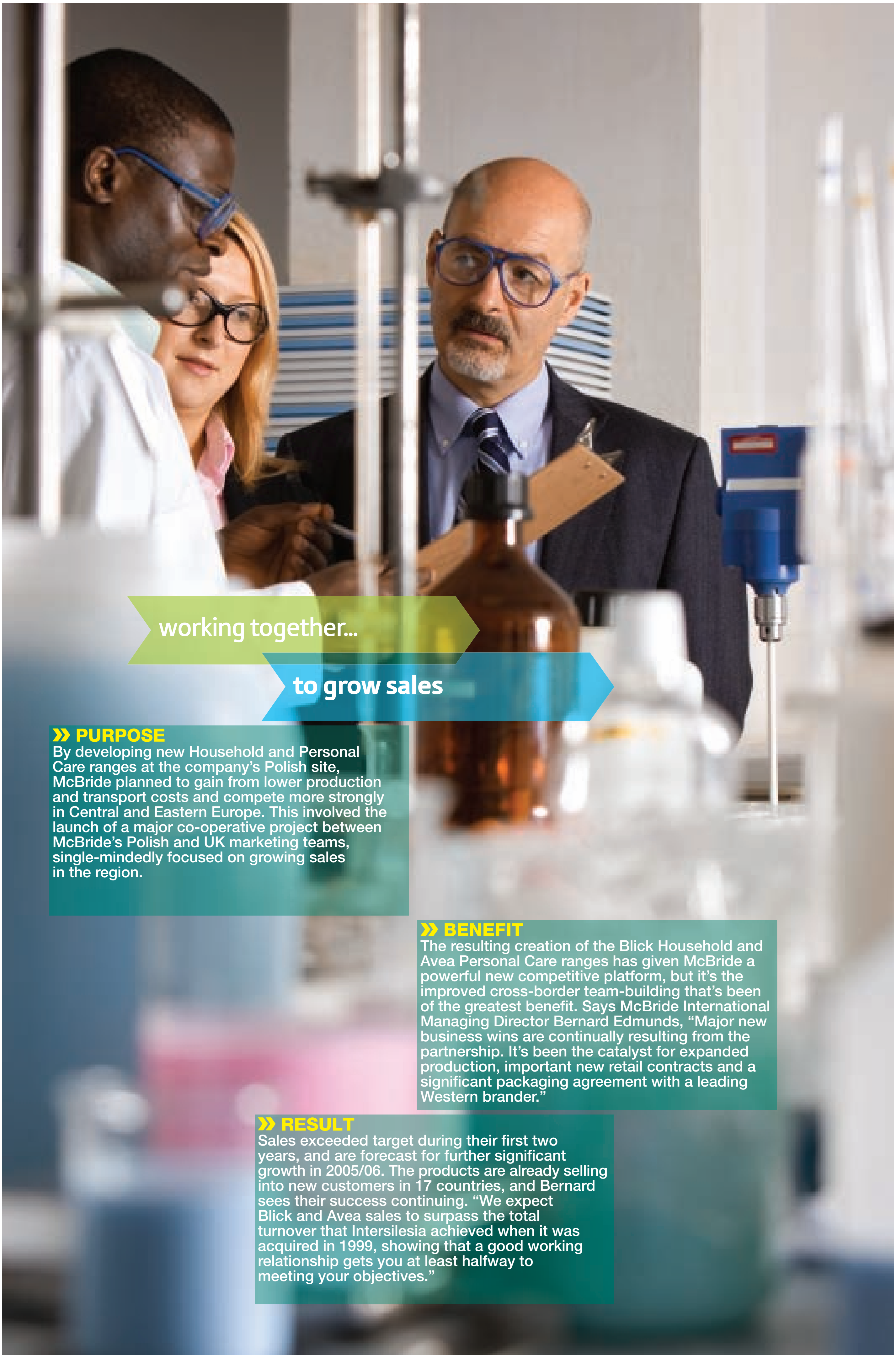
Operations

The product range offered from our factory in Poland has been expanded during the year to include textile washing powders and cream cleaner products.

Investment in our Polish factory has been substantial and it now employs nearly 200 people, which has resulted in strong local and export sales growth.

People

Strong relationships, both with our customers across a number of countries and internally within the McBride business, are key to delivering our objectives.



working together...

to grow sales

» PURPOSE

By developing new Household and Personal Care ranges at the company's Polish site, McBride planned to gain from lower production and transport costs and compete more strongly in Central and Eastern Europe. This involved the launch of a major co-operative project between McBride's Polish and UK marketing teams, single-mindedly focused on growing sales in the region.

» BENEFIT

The resulting creation of the Blick Household and Avea Personal Care ranges has given McBride a powerful new competitive platform, but it's the improved cross-border team-building that's been of the greatest benefit. Says McBride International Managing Director Bernard Edmunds, "Major new business wins are continually resulting from the partnership. It's been the catalyst for expanded production, important new retail contracts and a significant packaging agreement with a leading Western brander."

» RESULT

Sales exceeded target during their first two years, and are forecast for further significant growth in 2005/06. The products are already selling into new customers in 17 countries, and Bernard sees their success continuing. "We expect Blick and Avea sales to surpass the total turnover that Intersilesia achieved when it was acquired in 1999, showing that a good working relationship gets you at least halfway to meeting your objectives."

working together... for closer involvement

PURPOSE

"At McBride, the whole business is based on the faith placed in its people." So says Phil Lewis of McBride's Burnley manufacturing plant, where members of the shop floor team often conduct site tours for customers and other visitors. "People are sometimes surprised that managers don't act as guides," Phil continues. "But it should be this way – the people who work on the production lines know and understand them best."

BENEFIT

The Burnley tours are a powerful way of enabling staff to express their pride in their workplace, drawing on their enthusiasm to convey important McBride qualities such as technical expertise and commitment. "They're helping make the Burnley site a better place to work for all staff, because they enable people at every level to feel fully involved," says Phil.

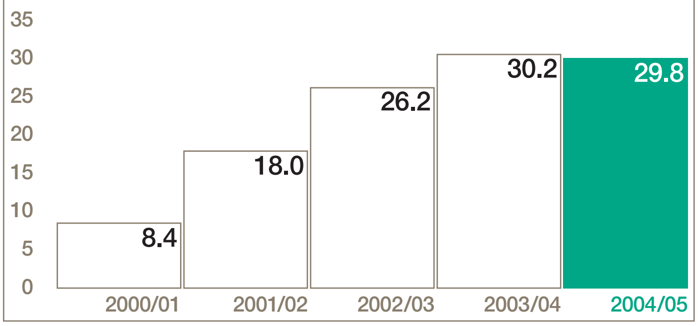
RESULT

"We always receive good feedback from our customers, impressed by the depth of knowledge shown," Phil adds. "The tours make a strong statement about the quality of our people and the relationship between staff and management." The trust customers place in McBride and its workforce make this a particularly important message. As Phil continues, "Involving shop floor staff in our public face is helping us build even stronger customer relationships."

Financial review

The continuing focus on operational improvements, asset utilisation and cash generation has enabled the Group to largely offset the effects of selling price deflation and high input costs to further improve the return on capital employed.

Profit before tax (£m)
(before taking £15.8 million write-off of goodwill in the joint venture in the 2002 results)



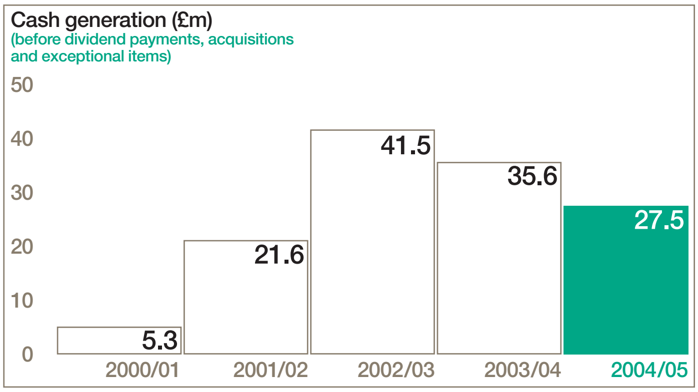
These financial results reflect an ongoing focus on cost, operational improvements, asset utilisation and cash generation, which have enabled the Group to mitigate the effects of selling price deflation and higher input costs. Profit after tax, excluding exceptional items, improved slightly to £22.7 million (2004: £22.6m). Operating cash flow, excluding exceptionals, remained strong at £27.5 million. The pre tax return on average capital employed continued to increase to 25.3% (2004: 22.9%) and to 27.7% excluding exceptional items (2004: 25.4%), reflecting improved asset utilisation resulting from tight control of capital expenditure and also tight control of working capital.

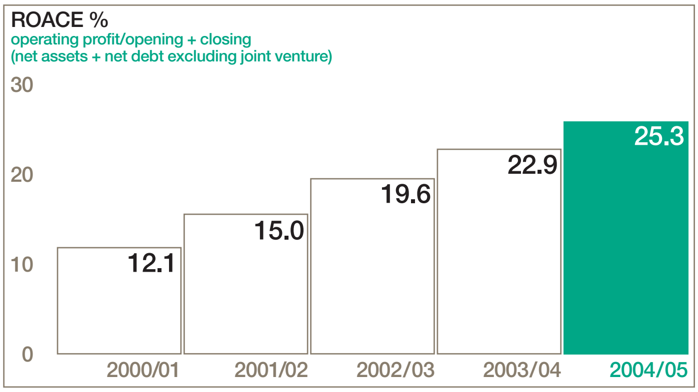
Turnover improved over the previous year by £35.8 million to £537.1 million including a £26.4 million first time contribution from Aerosol Products Limited (APL). The 1.9% turnover improvement excluding APL was driven by a 3.4% increase in core Private Label business partially offset by lower contract manufacturing sales. In terms of geographic split the core business growth is led by Continental Europe, up 5.4%, with UK up 0.7%. There was no significant currency impact year on year as average exchange rates were broadly the same.

Group operating profit, before exceptional items and goodwill amortisation, reduced slightly to £35.0 million (2004: £35.1m) with volume growth, operational efficiencies and reduced overheads largely offsetting selling price deflation and higher material input costs. The UK's results improved due to the inclusion of APL for the first time and margin levels were maintained. CE's operating profit fell in both absolute and margin terms.

The Group's net interest expense, excluding its share of the APL joint venture interest, increased from £0.7 million in 2004 to £1.3 million. External interest expense has continued to fall, reflecting lower debt levels and further improved borrowing margins. However, this improvement was offset by a reduction in interest income due to the consolidation of APL.

At the pre tax level the joint venture broke even for the period prior to becoming a subsidiary on 6 September 2004.





The underlying cash generation in the year remained strong, with operating cash flow at £27.5 million.

Excluding financing, APL acquisition, dividends and £3.7 million exceptional costs.

The pre tax return on average capital employed continued to increase to 25.3% and to 27.7% excluding exceptional items, reflecting improved asset utilisation resulting from tight control of capital expenditure and also tight control of working capital.

The £9.2 million taxation charge for the year represents a 30.0% effective rate based on profit before tax excluding goodwill amortisation. The improvement on the prior year (2004: 31.8%) primarily resulted from the utilisation of losses.

The level of capital expenditure remained fairly flat at £17.5 million (2004: £17.3m). Included in the year's total spend was £1.8 million relating to the closure of the Breda plant and transfer of its production.

The underlying cash generation in the year remained strong, with operating cash flow – excluding financing, APL acquisition, dividends and £3.7 million exceptional costs – at £27.5 million. This result included a continuing improvement in working capital. Exceptional costs incurred in the year included all the £3.3 million 2004 Breda site closure exceptional item and £0.4 million of this year's £3.0 million exceptional item. The capital expenditure level remained below depreciation. Outflows included £2.8 million re the APL acquisition (net of £0.2 million cash acquired) and £5.6 million on the share repurchase programme (net of shares issued for cash). The net debt level reduced £7.0 million in the year to £24.4 million, reflecting a gearing level of 25% (2004: 34%).

The maturity profile of net debt at 30 June 2005 was £1.0 million after two years and £19.7 million between one and two years, with the balance being current.

Operating exceptional items

There were £3.0 million of pre tax operating exceptional costs in the year. £1.3 million of this relates to the closure of the production plant at Bampton, Devon and transfer of those activities to another UK site, reflecting the continuing Group focus on underperforming assets. The closure and transfer will be completed by the end of December 2005.

The remaining £1.7 million exceptional cost relates to a Group wide rationalisation exercise, £1.0 million in the UK and £0.7 million in Continental Europe, mainly in Italy. The £3.0 million total charge relates mainly to redundancy costs.

Aerosol Products Limited (APL) acquisition

The Group acquired the remaining 50% equity interest in APL on 6 September 2004 for £1.0 million generating £1.1 million of goodwill on acquisition. In addition the £2.0 million consideration in respect of the June 2002 financial restructure, deferred until July 2005, was brought forward and settled.

Breda plant closure status

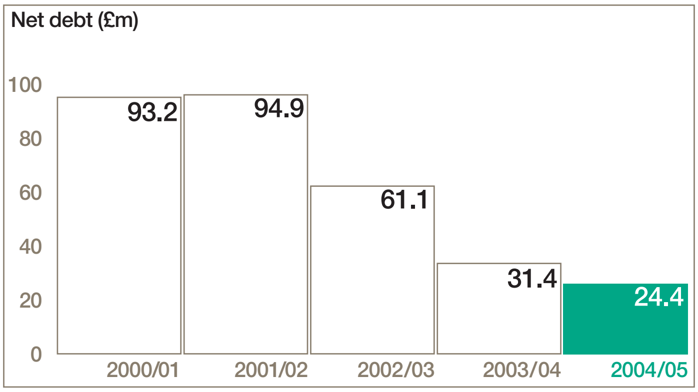
All the £3.3 million 2004 exceptional charge relating to the closure of the Breda plant and transfer of its business to other Group locations was spent during the year. The total project capital expenditure was £5.3 million, slightly above the £5.0 million planned. Property disposal proceeds, estimated at £1.0 million, are still expected in 2005/06.

Treasury management – funding

In the autumn of 2002 a five-year committed multi currency revolving credit facility of £90 million along with a two-and-a-half year £20 million committed non-recourse invoice selling facility were negotiated to meet medium term funding requirements. As consistent strong cash flow has reduced the Group's funding requirements, the above facilities have been voluntarily reduced to a single committed facility of £65 million. In addition the margins have been renegotiated down from between 85bp and 130bp previously to between 60bp and 90bp, depending on the Group's financial performance.

To meet short term requirements to manage working capital the Group also has access to uncommitted short term money market lines and other borrowing facilities.

All borrowings and foreign exchange activities undertaken as a result of underlying trade transactions are with approved financial instruments.



Currency exchange exposure

The Group covers all trade transactional currency exposure for up to 12 months forward where the exposure is highly probable, through the use of forward currency contracts.

The Group also minimises its currency risk by hedging its net asset currency exposure. The balance sheet is fully hedged with non-sterling net assets matched against non-sterling net liabilities on a currency by currency basis through the use of rolling forward currency contracts.

The Group does have some Sterling/Euro exposure on future profits and part of this is hedged through the use of forward currency contracts.

The majority of currency exposures arising from trade transactions were covered at the start of the financial year. The Group has taken forward foreign exchange contracts to cover expected currency transactional and translational exposures during the year to June 2006. No transactions of a purely speculative nature are undertaken.

Interest rate risk exposure

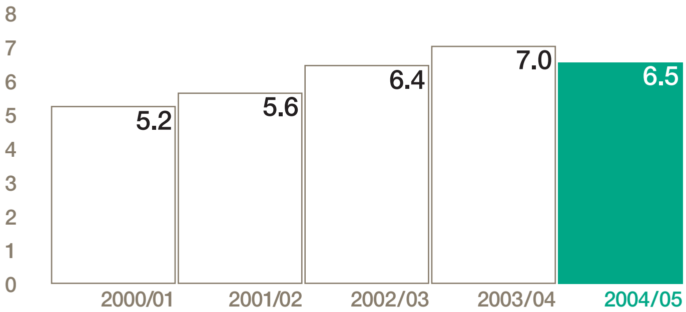
Interest rate costless collars were used in the year to June 2005 to hedge overall interest rate exposure.

International Financial Reporting Standards

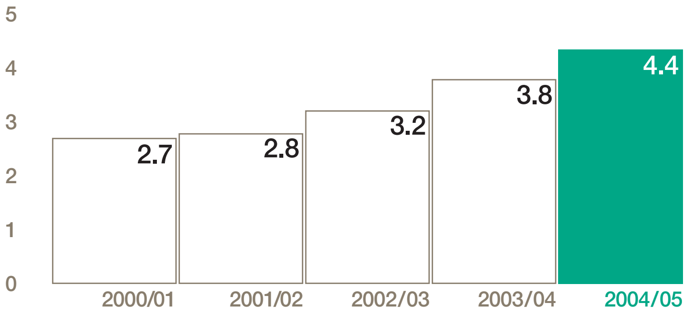
The Group is required to prepare its financial statements for the year ended 30 June 2006 and all subsequent periods in accordance with International Financial Reporting Standards (IFRS). This requires an opening balance sheet as at 30 June 2004 to be prepared under IFRS together with a full profit and loss account, balance sheet and cash flow statement for the year ended 30 June 2005 for comparative purposes. The Group intends to announce the financial impact of the IFRS restatement on the year ended 30 June 2005 in November 2005, in advance of announcing its first IFRS results for the six months ended 31 December 2005.

The review of the impact of the change to IFRS has continued during the year including restating the 30 June 2004 balance sheet. The principal areas in which the adoption of IFRS is expected to impact the Group's financial statements continue to be pensions, goodwill, financial instruments, deferred tax, leases and the presentation of dividends.

Return on sales (%)
(operating profit pre goodwill amortisation, exceptional items and share of joint venture profit)



Asset turnover
turnover/opening + closing
(net assets + net debt excluding joint venture)



SAP is a key business tool in the Group's continuing focus on asset utilisation and production cost efficiencies. Going forward the focus of systems development will be on asset management, production planning and logistics.

The proposed final dividend payable on 25 November 2005 is 3.3 pence, up 17.9% on 2004.

Systems

The Group's primary financial and operating systems are based on SAP which is operated at all operating units. Additional applications creating an increasingly integrated environment have continued to be rolled out. The SAP systems cover most aspects of manufacturing, stock, delivery and financial control and are an integral part of the business. SAP is a key business tool in the Group's continuing focus on asset utilisation and production cost efficiencies.

Going forward the focus of systems development will be on asset management, production planning and logistics.

Pension accounting

The Group has continued to account for pensions in accordance with Statement of Accounting Practice 24 (SSAP 24). An updated actuarial valuation of the UK defined benefit scheme was carried out as at 1 January 2005 with the deficit for past service liabilities being reduced to £1.5 million from the £4.0 million deficit valuation carried out the previous year. Under SSAP 24 this liability will be recovered over 12 years which is the average remaining service life of the current members.

Under FRS 17 rules, the valuation of the scheme at 30 June 2005 showed assets amounting to £47.9 million (2004: £39.0m) and the liabilities to £59.0 million (2004: £49.0m) leaving a shortfall of £7.8 million after deferred tax. The reasons for the difference with SSAP 24 are a different valuation date and approach.

Share repurchases

Following on from the statement made by the Chairman in last year's annual report about the intention to buy back company shares, 6,125,000 shares were repurchased during the year including 1,525,000 shares which were held as treasury shares at 30 June 2005 to be used for the anticipated exercise of SAYE share options soon after the year end. The remaining 4,600,000 shares were repurchased for cancellation. There were also 5,032,029 shares issued in order to satisfy the exercise of employee share options in the year. The number of issued ordinary shares therefore reduced in the year from 177,809,468 to 176,716,497.

Earnings per share and dividends

The weighted average number of shares in issue during the year was 177,122,822 (2004: 177,666,200). Basic earnings per share continued to rise, to 11.6 pence, up 1.8% on 2004.

The proposed final dividend payable on 25 November 2005 is 3.3 pence, up 17.9% on 2004. This final dividend together with the interim dividend brings the full year dividend to 4.8 pence, a 20.0% increase on 2004.

PURPOSE

As a McBride Customer Logistics contact, Pam Whiteley created a new way of doing the job – for the first time introducing monthly meetings, weekly updates and daily contact to keep customers fully informed on all aspects of their stock control. “I knew I could make a real difference to the relationship by taking the initiative and ensuring they never received any surprises,” she says.

working together...

to deliver competitiveness

BENEFIT

Pam’s approach meant her clients could use their sales and stock data with complete confidence, covering new products, volumes, service levels and more. “Among other benefits, it meant they could immediately and precisely track the performance of promotions to ensure future improvements,” she says. This has strengthened McBride’s relationship with some of its most important customers, enabling rapid, informed action for continued competitiveness.

RESULT

This pioneering approach to the job has now been adopted for all McBride Customer Logistics contacts. Pam has been promoted to manage McBride’s Forecasting Department, so she can now spread her attitude to work even more widely among colleagues. “You can’t just leave it, you have to live and breathe it,” she says.

working together...

to support the community

» PURPOSE

McBride's Middleton factory near Rochdale is in an area of relatively high long-term unemployment. The company is active in helping the community, both as a major employer and commercial advisor to Real Deal, a local independent social enterprise that focuses on training and employment, where McBride Technical Manager Janet Lawrence is the main external director and Chairman elect.

» BENEFIT

Says Janet, "At Real Deal, our greatest strength is the ability to provide the practical training people need to prepare them specifically for the real jobs that we know are coming up through our contacts with local businesses. This matches the needs of applicants with those of employers, creating an unparalleled service that delivers better career opportunities and prospects to benefit the entire community."

» RESULT

McBride is the only business on the Board of Real Deal and helped it overcome some early struggles to become one of the UK's most successful independent enterprises and an effective contributor to the local economy. According to Janet, "Real Deal confronts the difficulties people face here – it's an excellent example of business in the community, and is reducing the number of unemployed local people."

Directors

01

Lord Sheppard of Didgemere, KCVO, Kt
Chairman (aged 72)
Lord Sheppard has been non-executive Chairman of the company since the buy-in in 1993 and from 1987 to 1996 he was Chairman of Grand Metropolitan plc. He is currently Chairman of Namibian Resources plc, OneClickHr plc and the Unipart Group of Companies, and Chancellor of Middlesex University. He is also President of London First, and Vice-President of Business in the Community. Lord Sheppard is Chairman of the Nomination sub-committee of the Board of McBride plc.

02

Miles W Roberts
Chief Executive (aged 41)
Miles Roberts joined McBride in January 2002 as Group Finance Director from Costain Group plc where he was also the Group Finance Director. Previously he was the Finance Director of Three Valleys Water plc. In November 2004, Miles assumed a wider role within McBride, being appointed Chairman of Robert McBride Ltd, the UK trading subsidiary, in addition to his Finance role. With effect from 12 July 2005, Miles took over the role of Chief Executive following the resignation of Mike Handley. During the last financial year, Miles was appointed a non-executive director of Care UK plc and is Chairman of its Audit committee.

03

Colin D Smith
Senior Independent Non-Executive Director (aged 58)
Colin Smith joined the Board as a non-executive director in April 2002. He was a main board Director of Safeway plc for 15 years, the last 6 years as Chief Executive and before that, Finance Director. Colin is also Chairman of Assured Food Standards Ltd, Poundland Holdings Ltd and Blueheath Holdings plc. Colin is the Senior Independent Director, Chairman of the Audit Committee and a member of the Remuneration and Nomination sub-committees of the Board of McBride plc.

04

Henri Talerman
Non-Executive Director (aged 48)
Henri Talerman has been a non-executive director of the company since May 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 in the US and Canada.

05

Christine A Bogdanowicz-Bindert
Non-Executive Director (aged 54)
Christine Bogdanowicz-Bindert joined the Board as a non-executive director on 1 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. With effect from 1 September 2005, Christine was appointed to the Board of Ford Financial Europe where she will also be a member of its Audit committee.

06

Robert A Lee
Non-Executive Director (aged 58)
Robert Lee joined the Board as a non-executive director on 1 September 2003. Robert has over 35 years' experience in the petrochemical and allied industries. He was employed by Dow Chemicals for 28 years in a variety of international senior management positions. In 1997, he joined a new management team established at Octel Corp, enabling its demerger to become an independent publicly quoted petroleum additive company, listed on the NYSE. Robert is a member of the Audit and the Nomination sub-committees of the Board of McBride plc and assumes the role of Chairman of the Remuneration sub-committee with effect from 1 August 2005.

Directors' report

The directors of McBride plc have pleasure in presenting to shareholders their Annual Report together with the audited, consolidated financial statements for the year ended 30 June 2005.

Principal activities and future development

The Group has manufacturing operations in six European countries with 15 factories. The principal activities of the Group continue to be the manufacture of Private Label and minor brand Household and Personal Care products. Details of the business and its activities during the year are set out in the Chief Executive's and divisional business reviews on pages 10 to 17. During the year, work has continued on developing the Group's strategic plans encompassing all aspects of the objectives and management of the business. Specific strategies are being identified to underpin sales growth, to achieve profit aspirations and to improve the cost base to enable the Group to respond to the market environment.

Information on the Group's financial performance and progress are set out in the Financial review on pages 20 to 23. In the view of the Board, the Group's likely future development will continue to focus on the main product categories in which it currently operates.

Results and dividends	2005 £m	2004 £m
Group operating profit	**31.1**	30.4
Share of joint venture's operating profit	**0.1**	0.8
Interest	**(1.4)**	(1.0)
Taxation	**(9.2)**	(9.9)
Minority interest	**(0.1)**	(0.1)
Profit for the financial year after providing for taxation and minority interest	**20.5**	20.2
Dividends per ordinary share	**4.8p**	4.0p

If approved by shareholders, a final dividend of 3.3 pence per share (£5.9m) will be paid on 25 November 2005 to ordinary shareholders on the register at the close of business on 28 October 2005.

Directors

The directors who held office during the year were:

Lord Sheppard of Didgemere – Non-executive Chairman
Michael Handley – Chief Executive and Deputy Chairman (resigned on 12 July 2005)
Miles W Roberts – Group Finance Director
Christine A Bogdanowicz-Bindert – Independent non-executive Director
Robert A Lee – Independent non-executive Director
Colin D Smith – Senior Independent non-executive Director
Henri Talerman – Non-executive Director

Corporate Governance

Compliance

The Company recognises the importance of high standards of corporate governance and endorses the provisions set out in The Combined Code Principles of Good Governance and Code of Best Practice, ('The Code') as issued in July 2003 and which replaces the Combined Code issued in June 1998. During the year, the Company has regularly and actively reviewed its level of compliance with The Code and disclosures in this year's Report describe the ways in which the Company applies the principles and reflect the significant steps which have been taken towards ensuring full compliance with The Code. The Company has complied throughout the period under review with the provisions of Section 1 of The Code, with the exceptions of (a) the remuneration of the Chairman which is fixed by the Board as a whole rather than the Remuneration Committee (B.2.2) since the Chairman's performance is held as a matter for the Board as a whole (excluding the Chairman), (b) developing a formal process for Board Performance evaluation (A.6.1) which is currently under development, and (c) the composition of the Remuneration and Nomination sub-committees of the Board (B.2.1/A.4.1), which have subsequently been addressed as outlined in this report and where necessary, new policies have been developed and adopted by the Board to demonstrate the Company's commitment to compliance with The Code and related guidance. The Remuneration sub-committee of the Board has continued to develop its policy during the course of the year and consideration is being given to introducing a Long Term Incentive Plan (LTIP) for the executive directors and senior executives and shareholders approval will be sought as appropriate.

Board composition and independence
The directors who continue to hold office, together with their biographical details, are shown on pages 26 and 27.

At the end of the year to 30 June 2005, the Board comprised seven directors. There were two executive directors, the Chairman and four non-executive directors. After the year end, on 12 July 2005, Mr M Handley stepped down as Chief Executive and resigned as a director with immediate effect. The Nomination Committee considered succession and concluded that Mr M W Roberts was ideally suited to meet the challenges and should be appointed in his place as Chief Executive. A Group Finance Director is being recruited.

The Board considers all its non-executive directors to be independent in character and judgement. None of the non-executive directors have any relationships or circumstances which could affect their judgement. It is recognised that under The Code, the Chairman and Mr H Talerman are not deemed to be independent due to their length of service. In this regard, they have resigned their positions on Board Committees to the extent that independence is recommended. The Board believe that the considerable experience and particular areas of knowledge and expertise of both the Chairman and Mr Talerman are invaluable and their ongoing contributions offer continuity and added value to the deliberations of the Board. The role of senior independent non-executive director is held by Mr C D Smith.

The Board's strong non-executive element continues to be based on each non-executive director being independent of management. Between them, the non-executive directors bring a broad range of relevant experience and independent judgement to the Group and their wide ranging experience and backgrounds ensure that they can debate and constructively challenge management in relation to both the development of strategy and performance against the objectives set out by the Board. The non-executive directors have been appointed for their specific areas of expertise and knowledge, which bring complementary skills to the Board. The non-executive directors have undertaken some specific training relevant to their duties. Specifically during the year, Mrs Bogdanowicz-Bindert attended a course at Harvard Business School on "Audit Committees in a New Era of Governance". Mr Smith regularly attends meetings of the KPMG Audit Committee Institute. Ongoing training is provided in the form of regular briefing papers which are submitted to Board members on regulatory/legislative developments on topics of specific relevance to them. Induction programmes are undertaken by newly appointed members of the Board including site visits and strategic and operational presentations by senior executives. For the future, both individual and collective training needs will be identified and considered as part of the Board evaluation process which is to be developed during the course of the 2005/06 year.

In accordance with the provisions of The Code, there is a clear division of responsibilities between the non-executive Chairman and the Chief Executive. The Chairman leads the Board and has assessed the overall performance of the Board and the contribution made by individual directors. A formal process of Board Performance evaluation is to be developed for the future. The Chairman, supported by the Secretariat leads the Board through governance matters. 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.

The Company's Articles of Association currently require one third of the directors to stand for re-election every year. At the Annual General Meeting, approval will be sought from shareholders to adopt new Articles of Association for the Company. This will include an amendment to bring the re-election of directors in line with The Code by recommending that all directors must submit themselves for re-election at every third annual general meeting. Notwithstanding this change, all the non-executive directors and the Chairman have agreed to submit themselves for annual re-election to allow shareholders to have a regular opportunity to reassess the composition of the Board. This also recognises the provisions of The Code in seeking annual re-election of any non-executive directors who have served more than nine years on the Board. Accordingly, Lord Sheppard, Mr H Talerman, Mrs C A Bogdanowicz-Bindert, Mr R A Lee and Mr C D Smith shall retire at the Annual General Meeting and, being eligible, offer themselves for re-election. New directors are subject to election at the first opportunity following their appointment.

Board responsibilities
The Board members recognise that they are collectively responsible for the success of the Company and individually they are all fully aware of their responsibilities to set the Company's strategic aims and ensure that the necessary resources are available to facilitate achievement of the Company' objectives. The Board recognises its responsibility to represent and promote the interests of shareholders and its accountability to shareholders for the performance and activities of the Group. At the same time, the Board recognises the responsibility of the executive directors to manage the Group's activities. The Board has approved a revised Schedule of Matters specifically reserved to it for decision. This Schedule recognises that in certain situations, the Board's decision will be subject to shareholder approval. The Schedule aims to ensure that the Board maintains ultimate control over strategy, significant investment and capital expenditure, capital structure, corporate actions, mergers and acquisitions, legal and regulatory developments, appointments to the Board and remuneration of the executive directors and senior executive management, performance on health, safety and environmental matters and financial reporting and internal control matters. The management of the Group business activities is overseen by the Chief Executive and the various Board committees. Local operational, commercial, supply chain, finance, human resource, development and technical issues are delegated to senior executive management on a structured basis and the Chief Executive is responsible for monitoring executive actions and performance. The relationship between the Board and the Chief Executive is governed by the non-executive directors, particularly through the work of the Board committees of which they are members. Any matter requiring a decision by the Board is supported by a paper analysing all relevant aspects of the proposal and every opportunity is provided for full discussion and challenge by all members of the Board.

In accordance with the Company's Articles of Association, directors are granted an indemnity to the extent permitted by law in respect of liabilities incurred as a result of their office. In respect of those liabilities for which directors may not be indemnified, the Company purchased and maintained a directors' and officers' liability insurance policy throughout the period. Neither the Company's indemnity nor insurance provides cover in the event that the director is proved to have acted fraudulently or dishonestly. No claims have been made either under the indemnity or the insurance policy.

Directors' report continued

Board proceedings
The Board meets formally at least six times a year at about two-monthly intervals and meets further as necessary to consider specific matters. Attendance by individual directors at meetings of the Board and at meetings of sub-committees on which they serve is set out in the table shown below on page 31. Several non-executive director meetings have been held during the year without the executive directors present. The senior independent director and the non-executive directors have also met without the presence of the Chairman to consider his re-election to the Board.

A strong feature of the Board's effectiveness is an open style of management and 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 members of the Board communicate with each other on a regular basis and reports are circulated to all directors on relevant matters to enable them to discharge their duties. This ensures comprehensive reviews at Board meetings and frequent contact between meetings. The Board regularly reviews its strategic planning, investment and acquisition proposals and ongoing performance against budget. Board papers are prepared and issued a week prior to each Board meeting to enable the directors to give due consideration to all matters in advance of the meeting. Directors are free to take independent professional advice if necessary at the Company's expense and contact with senior management within the Company is encouraged to facilitate a clearer understanding of business issues.

Sub-committees
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 have been updated to accord with the provisions of The Code and other guidelines and the composition of the Sub-Committees has been further revised to reflect full compliance with The Code. Copies of the Charter terms of reference, activities, roles and responsibilities of the Board Committees are available on the Group's website at www.mcbride.co.uk.

- **Audit Committee** – the Committee operates in accordance with a Charter that determines its terms of reference. During the year, the Committee comprised (and continues to comprise) Mr C D Smith as Chairman, who is deemed to have relevant and recent financial experience, and two other independent non-executive directors, Mr R A Lee and Mrs C A Bogdanowicz-Bindert. The 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 and the Committee is authorised by the Board to investigate any activity within its terms of reference. The business of the Committee takes full account of The Code and is responsible for reviewing, on behalf of the Board, the Group's accounting and financial policies and disclosure practices, its internal controls and the nature, results, recommendations and services of the external auditors. A report of the activities of the Audit Committee during the year ended 30 June 2005 is included on page 35.

- **Remuneration Committee** – this Committee also operates in accordance with a Charter that defines its terms of reference and is responsible for the review of remuneration policies for the executive directors, key senior managers and for reviewing management development matters within the Group. During the year, the Committee comprised the Chairman of the Board (until 23 July 2004) and all the non executive directors. Mr Talerman relinquished both his Chairmanship and membership of the Committee with effect from 1 August 2005 and the Committee now comprises Mr Lee as Chairman, and the two independent non-executive directors, Mr Smith and Mrs Bogdanowicz-Bindert. The Chief Executive is invited to attend the Committee meetings on all matters except those relating to his own remuneration.

  The Committee does not formally retain remuneration consultants but takes professional advice from external advisers as and when required. Consultants have been appointed during the year for the purposes of considering and evaluating potential Long Term Incentive Plans and to provide advice on executive directors' packages and non-executive director fees.

  The Committee meets at the request of any member but at least once in each financial year and a quorum is three members. The members of the Committee have no personal financial interest, other than as shareholders, in the Committee's decisions. They have no conflicts of interest arising from cross-directorships with the executive directors nor from being involved in the day-to-day business of the Company. A full report of the Remuneration Committee is set out on pages 36 to 41.

- **Nomination Committee** – this Committee's Charter also defines its terms of reference. The Committee 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 is also responsible for making recommendations to the Board on the continuation in service of any director who has reached the age of 70. In this regard, the appointment of Lord Sheppard has been considered by the remaining members of the Committee who have recommended his re-election to the Board subject to approval by the shareholders at the Annual General Meeting.

  During the year, the membership of the Committee comprised the Chairman, all the non-executive directors and the Chief Executive. This has been revised with effect from 12 July 2005 when the Chief Executive stepped down. The Committee now comprises Lord Sheppard as Chairman together with all the non-executive directors – Mr Smith, Mr Talerman, Mrs Bogdanowicz-Bindert and Mr Lee. This provides a majority of independent non-executive directors and fully complies with The Code. The Committee meets as appropriate but at least once per annum and the quorum is three members, at least two of whom shall be independent non-executive directors. A report on the activities of the Nomination Committee during the year ended 30 June 2005 is included on page 36.

  The Chairmen of the Committees or in their absence an alternate, attend the Annual General Meetings of the Company to respond to any shareholder questions on the activities of the Committees.

- **Group Management Team** – in addition, the Group Management Team exists to consider commercial, financial and operational matters across the Group. This Committee generally meets twelve times per annum and is chaired by the Chief Executive. The other members of the team are the Group Finance Director, the Managing Directors of the geographically based operating companies, the Director of Planning and the Human Resources Director. Other members of the senior management teams are invited to attend as may be deemed appropriate. Brief biographical details of the Team are set out opposite:

Tim Seaman is Managing Director of Robert McBride Ltd, managing the UK business. He has worked for McBride for 21 years including the roles of Commercial Director, Managing Director at the Burnley site and Managing Director of the UK Household business. Tim is CIMA qualified and he previously held senior positions with Denbyware in Canada, and within the Smurfit Group.

Marc Raes is currently fulfiling the role of interim Managing Director of the CE business. He is also Group Purchasing Director. He has worked for the Company for 15 years, having undertaken roles in Commercial, Finance, Planning and Personnel. Marc has held previous senior posts in Sperry, New Holland and Joris Veneer Mill and has an Economics qualification.

Bernard Edmunds is Managing Director of the International Division. He has been with the Group for nearly 20 years, during which time he has held senior positions in Aerosols manufacturing, Contract Packing and International sales. Bernard has previously held senior positions in other FMCG companies and has over 35 years experience working in International markets.

Chris Coxon is Director of Planning. He has worked for the Group for 19 years in a variety of roles including Business Development Director, Business Systems Programme Director, Purchasing Director and Managing Director Personal Care. Before joining McBride, he held senior positions with Beresford plc, Nokia Group and Dalgety plc.

Malcolm Allan is Human Resources Director for Robert McBride Ltd and co-ordinates all personnel and safety matters for the Group. He has worked for the Company for 18 years and held posts in Purchasing and Distribution as well as Personnel. He has worked previously for The Ministry of Defence, RHM and Foseco Minsep.

Attendance at meetings

During the year ended 30 June 2005, there were six Board meetings, three Audit Committee meetings, four Remuneration Committee meetings and two Nomination Committee meetings. Attendance at these meetings by individual directors is given in the table below:

Number of meetings attended	Board	Audit	Remuneration	Nomination
Lord Sheppard of Didgemere	6			2
Mike Handley	6			1
Miles Roberts	6			
Christine Bogdanowicz-Bindert	6		4	2
Robert Lee	6	3	4	2
Colin Smith	6	3	4	2
Henri Talerman	6	3	4	2

NB. The composition of the Sub-Committees of the Board has been revised during the year as indicated in this report.

(a) Audit Committee – Lord Sheppard and Mr Talerman stepped down and Mr Lee was appointed with effect from 23 July 2004.
(b) Remuneration Committee – Lord Sheppard was replaced by Mrs Bogdanowicz-Bindert with effect from 23 July 2004, and Mr Talerman has stepped down with effect from 1 August 2005 and has been replaced as Chairman by Mr Lee.
(c) Nomination Committee – Mrs Bogdanowicz-Bindert and Mr Lee were appointed to the Committee with effect from 23 July 2004, and Mr Handley stepped down with effect from 12 July 2005.

Relationship with shareholders

The Board places considerable importance on the maintenance of good communications especially with institutional shareholders. Meetings with analysts and institutional shareholders are held on a regular basis at the time of the Interim and Final results. These provide the opportunity for shareholders to assess the Company's performance and prospects and to explore the Company's approach to corporate governance matters. The executive directors of McBride plc regularly meet face-to-face with analysts, brokers and fund managers. The Board, and in particular the non-executive directors, are kept informed of investors' views through distribution and regular discussion of analysts' and brokers' briefings. The proposed format and content of analysts' briefings are reviewed by the full Board with all members having the opportunity to comment and amend as they deem appropriate. The Board keeps shareholders regularly appraised of the performance of the Company through the Annual Report and Accounts, regular announcements to the London Stock Exchange and, at the half year, an Interim report is published. 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. The Senior Independent Director is available to attend meetings with a range of major shareholders to enable him to listen to their views, issues and concerns. Both the Chairman and the Senior Independent Non Executive are prepared to contact individual shareholders should any specific areas of concern or enquiry be raised. All members of the Board are present at the Annual General Meeting to respond face-to-face to queries posed by individual shareholders or their representatives. Where applicable, non-executive directors will proactively seek the views of major shareholders on certain issues, such as LTIPs. The Annual General Meeting provides an opportunity for any shareholder to ask questions and the Chairman provides a statement on the current trading conditions. All proxy votes are declared after the show of hands on each Resolution tabled to the Annual General Meeting. The Company responds throughout the year to correspondence received from individual shareholders on a wide range of issues and also participates in a number of surveys and questionnaires submitted by a variety of institutional/representative bodies.

Internal control and risk management

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. It is designed to manage rather than eliminate the risk of failure to achieve the business objectives and to provide reasonable, but not absolute, assurance that the assets are safeguarded against unauthorised use or material loss and that transactions are properly authorised and recorded. A detailed Group-wide internal audit project was undertaken during 2003/04. The exercise incorporated an analysis of the major risks, reviewed the mechanisms in place to mitigate those risks, assessed the controls in place, and recommended various action points to be considered by the relevant management teams. The key recommendation was that more benchmarking and sharing of good and best practice should take place across the organisation, and that a self-audit programme should be introduced to ensure that the assessment of business risks be incorporated as part of the general business processes and to ensure that risks are reviewed on a regular basis in the future. This process has continued during the year ended 30 June 2005. A decision as to whether to establish an internal audit function will be made by the Audit Committee during the course of the 2005/06 year. The Executive directors are responsible for implementing the risk management strategy and for ensuring that an appropriate framework is in place to ensure effective operation of the strategy across the Group. The local senior management teams review and assess risk management matters as part of their business processes and risks, controls and actions are regularly adjusted in response to the changing market environment. Progress is overseen by the Audit Committee with an annualised consolidated review of the risk profile of the Company being undertaken to identify any major risk exposures and to consider any appropriate mitigating actions. A whistleblowing policy is in place for individuals to report suspected breaches of law or regulations or other improprieties.

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

The Board confirms that there is an ongoing process for identifying, evaluating and managing risks faced by the Company. 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 Board has concluded that the key business risks of McBride are well controlled, and that most of the remedial actions have only moderate resource and cost implications.

The key corporate risks include:

- **Sales Risks:** loss of a customer and protection of Private Label market share. The Group's core business is supplying Household and Personal Care products to the major retailers throughout Europe. Loss of any of the largest customers would have financial as well as reputational consequences. We place great importance on the assurance of continuity of supply to our customers, and management of our supply chain is subject to specific key performance indicators which are reviewed on a daily basis to ensure that satisfactory and cost effective customer service is maintained at all times. We concentrate on building customer consultation on a peer group basis at all functional levels. Our risk management processes incorporate regular reviews of the controls in place relating to the safety, quality and availability of our products to ensure that we are able to satisfy the requirements of our customers. We are constantly developing new product development ideas and pride ourselves in our speed of response to customer demands.

- **Economic Risks:** selling price erosion and sensitivity to input material price fluctuations. We recognise that we operate within the competitive Retail market. This, combined with any exposure to excessive raw material commodity-driven price increases, has potential adverse financial implications for the Group. We have identified a number of controls, and actions are in place to mitigate these risks including focus on all aspects of costs and maximisation of the effective use of our productive assets.

- **Product Risks:** the risk of product failure due to safety, quality or release of unsafe product into the market are recognised as potential reputational risks. We have established management and product development processes which include testing of the product itself and the packaging together with full product safety assessments and all relevant quality assurance processes before release of product to market. Product safety controls include in-house toxicologists supported by third parties including independent specialists and membership of external organisations. In addition, detailed product recall and crisis management procedures are in place and are regularly reviewed.

- **Health, Safety and Environmental Risks:** we recognise the importance of ensuring ongoing compliance with developing health, safety and environmental legislation. All operations now benefit from integration and cross-fertilisation of shared best practice. Systems have been developed and consistent standards are adopted to minimise any risk of breach of legislation. Appropriately qualified health, safety and environmental officers are engaged at all sites supported by expertise from the Central functions. We recognise the importance of managing all aspects of the business to minimise the impact of our operations on the environment. Most of our sites are long established manufacturing companies and the potential for environmental contamination is inherent in the operations. We have a strong Environmental Management System in place at the majority of our sites and a further rollout is planned. We are developing and using key performance indicators to facilitate the monitoring of eco-efficiencies and to monitor improvements in the environmental arena.

Internal control

The main features are:

- A 3-year strategic planning process is in place with the objective of continuing to improve the existing business through sales growth, operational efficiency, asset utilisation, cost control and staff participation. These plans are discussed by the Board and are subject to regular assessment, updating and follow-up.
- Benchmarking and the sharing of best practice is used widely across the Group, not least in the field of comparing and contrasting site performance in terms of production and labour efficiencies, waste levels, capacity utilisation, stock, as well as customer and supplier service levels.
- Working with external advisers, benchmarking is used to compare independent assessments of fire protection risks, management and housekeeping controls, policies, procedures and documentation.

- Human capital risks are also assessed.
- The Group organisation has well defined management responsibility and reporting lines. The Chief Executive and Finance Director meet monthly with the UK and CE senior management teams to formally review progress on financial, commercial, operational, supply chain, personnel, health, safety and environmental as well as regulatory and legal compliance matters.
- There is a comprehensive annual budgeting system with ultimate approval by the Board. Financial performance of the subsidiaries is monitored centrally and updated forecasts are prepared and challenged on a regular basis.
- A formal process exists for ensuring that key risks affecting all the Group's operations are identified and assessed on a regular basis, together with the controls in place to mitigate these risks.
- There are well-defined policies relating to personnel issues and subsidiaries report regularly on health, safety and environmental matters. The Board regularly reviews overall performance.
- The Audit Committee meets regularly to review internal reports and reports from the external auditors.
- Authorisation and control procedures have been developed for expenditure on capital projects. Those for operating costs and contractual commitments have been reviewed.
- Area and functional business risk reviews are undertaken regularly with any high risk areas retained under the remit of the Audit Committee. Mitigating controls and actions are identified with progress assessed at regular intervals.
- The activity of reviewing the Risks, Controls and Actions drawn from detailed Business Risk Registers compiled by an independent auditor has been absorbed as an integral part of business operational management.
- The effectiveness of the Group's internal controls is monitored through a self-audit programme to assess all operational, financial and strategic risks and controls on a regular basis.
- 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.

Directors' interests: share capital

The interests of the directors in the shares of the Company at the beginning and the end of the financial year were:

	Lord Sheppard		Mr M Handley		Mr M W Roberts		Mr C D Smith	
	Non Beneficial	Beneficial	Non Beneficial	Beneficial	Non Beneficial	Beneficial	Non Beneficial	Beneficial
Ordinary shares at 30 June 2004	–	2,090,000	181,152	2,020,848	–	2,000	–	100,000
Purchased/(sold) during the year	–	10,000	(181,152)	(418,000)	–	–	–	–
Purchased shares at 30 June 2005	–	2,100,000	–	1,602,848	–	2,000	–	100,000

	Mr H Talerman		Mr R A Lee		Mrs C A Bogdanowicz-Bindert	
	Non Beneficial	Beneficial	Non Beneficial	Beneficial	Non Beneficial	Beneficial
Ordinary shares at 30 June 2004	–	–	–	5,000	–	5,000
Purchased/(sold) during the year	–	2,500	–	–	–	–
Ordinary shares at 30 June 2005	–	2,500	–	5,000	–	5,000

During the year to 30 June 2005, Lord Sheppard and Mr H Talerman acquired 10,000 and 2,500 ordinary shares in the Company respectively. Mr M Handley sold his total holding of non-beneficial shares and also 418,000 beneficial shares. Between 30 June and 7 September 2005 there were no changes in the Directors' interests shown.

Save for service agreements 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. None of the Directors holds shares beneficially in any subsidiary undertaking.

Directors' responsibility for the preparation of financial statements

The Companies Act 1985 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the year, and of the profit and loss for that period. In preparing 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;
- State whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Group will continue in business.

The directors consider that in preparing the financial statements on pages 48 to 70 the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the Annual Reports and the Financial Statements published on the Group's website.

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.

Going concern basis

After appropriate consideration the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Group has, therefore, continued to adopt the going concern basis in preparing these financial statements.

Donations

Donations made during the year amounted to £29,000 (2004: £13,000). There were no political donations made in the year (2004: £nil).

Payments to creditors

Group companies agree terms and conditions for business transactions with their suppliers. Payments are then made in accordance with these terms, subject to agreed terms and conditions being met by the suppliers. The number of supplier days represented by trade creditors for the Group was calculated at 87 as at 30 June 2005, split 72 UK and 99 Europe. The Company has no trade creditors.

Non-audit fees

During the year, £0.2 million was paid to KPMG Audit Plc for services where the Group's auditors were best placed to undertake the work due to their knowledge of the business or as a by-product of the audit function. This was mostly tax-related work. Other providers are considered for non-audit work and assessed on the basis of service and cost. Work was awarded to other external advisors during the year for advice on IFRS and Italian audit and tax. A non-audit policy has been adopted during the year. This policy has been designed to preserve the independence of the auditors in performing the statutory audit and aims to avoid any conflict of interest by specifying the type of non-audit work for which the auditors can be engaged without referral to the audit committee, for which a case-by-case decision is necessary, and from which they are excluded.

Share repurchases

At the 2004 Annual General Meeting, shareholder approval was granted to allow the Company to repurchase up to 17,773,240 ordinary shares. 6,125,000 shares were repurchased (£612,500 nominal value) during the financial year for a consideration of £9.3 million of which 1,525,000 were held as Treasury shares. The directors intend to continue with this exercise after the end of the close period. The existing authority will expire on the date of the next Annual General Meeting when the directors will be seeking authority from the 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.

Substantial shareholdings on 7 September 2005

The Company's register of substantial interests in shares showed the Company had been notified of the following interests of 3% or more of its issued share capital.

	Numbers of shares	Percentage holdings
Invesco Asset Management	33,470,104	18.79%
AXA Investment Managers (UK)	10,476,451	5.88%
Arnhold & S Bleichroeder Advisers	9,505,960	5.34%
Hermes Pensions Management	9,465,934	5.31%
Barclays Global Investors	8,819,296	4.95%
Aberdeen Asset Managers	7,532,129	4.23%
Legal & General Investment Management	6,432,621	3.61%

Annual General Meeting

The Annual General Meeting will be held at Butcher's Hall, Bartholomew Close, London EC1A 7EB on 31 October 2005 at 12 noon.

The notice convening the meeting is sent to shareholders separately with this report, together with an explanation of the items of special business to be transacted at the meeting.

Copies of the Annual Report and Accounts for the year ended 30 June 2005 can be obtained free of charge from the Company's registered address, or downloaded from the Company's website at www.mcbride.co.uk.

Auditors

On the recommendation of the Audit Committee, a resolution is to be proposed at the Annual General Meeting for the reappointment of KPMG Audit Plc as auditors of the Company.

By Order of the Board
Mr M W Roberts
Secretary
7 September 2005

Report of the Audit Committee

The role of the Audit Committee is to assist the Board in fulfiling 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, the independence, the appointment, re-appointment and remuneration of external auditors, and reviewing the Company's financial reporting standards. Mr C D Smith has recent and relevant financial experience.

Audit Committee

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 and no changes were proposed. A copy of the Committee's Charter can be viewed on the Company's website.

The composition of the Committee fully reflects the provisions of The Code and the current membership is set out on page 30. The Board is satisfied that the Committee members are sufficiently competent in financial matters.

The Committee met three times during the financial year ended 30 June 2005 in September 2004, February 2005 and May 2005. Subsequent to the year-end, a further meeting took place to consider the outcome of the annual audit for the year ended 30 June 2005. Attendance at meetings by individual members of the Committee is shown in the table on page 31.

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

Financial statements

The Committee received regular reports on the Group's trading performance and considered reports from the external auditors and the Group Finance Director 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 as well as a report on the legal requirement for listed companies to prepare an Operating and Financial Review for the year ending 30 June 2006.

Accounting policies

The Committee received regular updates on technical reporting issues and on critical accounting policies including progress towards adoption of the International Financial Reporting Standards which will apply to the Group for the year ending 30 June 2006.

It considered any new or proposed changes in accounting policies or regulatory requirements and discussed and agreed the Group's accounting treatment with the external auditors.

External auditors

The Committee received reports from the external auditors including proposals on the audit strategy for the year and reviews on the scope and outcome of the interim and year-end audits, including consideration of matters relating to governance and control and accounting developments.

Recognising the ICAEW guidelines, rotation had been considered by the Committee and a new audit partner was appointed at the beginning of the 2004/05 financial year. The Committee will consider whether to tender the audit firm work during the 2005/06 financial year. The Committee evaluated the performance of the external auditors concluding that this was satisfactory. 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, including a review of the audit and non-audit fees paid to the external auditors and other service providers.

The Committee considered and approved the external auditor's fees for the 2004/05 year and also reviewed the accounting principles, policies and financial disclosures made by the Group.

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

The Committee has recommended to the Board the re-appointment of KPMG Audit Plc for the 2005/06 financial year.

Risk management & internal control

The Committee received reports relating to the Company's approach to internal control and risk management. A detailed assessment of the major risks faced by the Group had been undertaken previously by an external consultant. This exercise reviewed the control mechanisms in place to mitigate any risks, recommended relevant action points, and generated detailed Business Risk Registers, which formed the basis for the introduction of a self-audit programme. The Committee has reviewed progress during the year and has concluded that the self-audit programme has been successful with regular reviews of any risk areas taking place and with reports being tabled on any changes, controls and mitigating actions. More information is reported on pages 32 and 33. The Committee is satisfied that the process and controls in place are adequate. The need, or otherwise, for an internal audit function to be established will be reviewed during the 2005/06 financial year.

Policies

The Committee also reviewed the Company's Social and Ethical Policy and Whistleblowing Policy and recommended for adoption by the Board a new policy on Non-Audit work taking into account the requirement to ensure that the provision of such services does not impair the external auditors' independence or objectivity. The Audit Committee has sought and received assurances from the auditors about their policies and procedures for maintaining objectivity and independence including information about compliance with their internal ethical guidance. Reports on the Group's Treasury policy, banking facilities and on IT system developments were reviewed by the Board as a whole.

Report of the Nomination Committee

Nomination Committee

The role of the Nomination Committee is to assist the Board in reviewing the structure, size and composition of the Board and its subs committees, in identifying and nominating candidates to fill Board vacancies, in formulating succession plans for all executive and non-executive directors, in recommending continuation in service of directors over the age of 70 and for re-election of directors to the Board. The Committee's composition was updated during the year following the appointment of two new non-executive directors to the Board. Subsequent to the year end, the terms of reference and composition have been further updated to reflect the latest developments in corporate governance as set out in The Code. A copy of the Committee's Charter can be viewed on the Company's website.

The current membership of the Sub-Committee is set out on page 30.

The Committee met twice during the financial year ended 30 June 2005, in July 2004 and in May 2005.

During the period, the principal activities of the Committee included:

- A recommendation that all non executive directors and the Chairman should stand for annual re-election.
- A recommendation that the role of senior independent director be assumed by Mr Smith, recognising that Mr Talerman is no longer deemed to be independent under corporate governance guidelines.
- Reviews of the composition of the Remuneration, Audit and Nomination Sub-Committees of the Board.
- Consideration of the re-appointment of the Chairman to the Board.
- A review of the performance of the Board as a whole and the contributions made by the individual directors.
- Assessing the contributions made by the individual directors with a view to recommending their re-election to Board.
- A review of the appointment letters for the non-executive directors.

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

There were no new appointments to the Board during the year. Any new appointments in the future will be made paying due regard to the provisions of The Code.

Report of the Remuneration Committee

This report prepared on behalf of the Board, sets out the policy and disclosures on remuneration for the executive and non-executive directors of the Board. It takes full account of The Code and it complies with the requirements introduced by the Directors' Remuneration Report Regulations 2002. This report will be put to an advisory vote of the Company's shareholders at the Annual General Meeting.

Remuneration Committee

Terms of Reference

The Committee is governed by a Charter which has been further revised to reflect the provisions of The Code. This was adopted by the full Board on 28 July 2005. The Committee is authorised by the Board to investigate any matters within its terms of reference. 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:

- Reviewing the ongoing appropriateness and relevance of the remuneration policy.
- Making recommendations to the Board on remuneration packages for the executive directors and the composition/split of the total compensation packages.
- Reviewing and considering the remuneration packages and terms of employment for other senior executive management.
- Reviewing the operation and implementation of the Company's share option schemes.
- Reviewing the Company's management development programmes.

The Committee meets as frequently as needed, and at least once a year to consider remuneration packages for directors and senior executives including reviews of base salary, pension rights, bonus and share related grants. In the 2004/05 financial year, the Committee met four times in September 2004, November 2004, January 2005 and May 2005. Attendance by individual members of the Committee is shown in the table on page 31.

Membership
The Committee now comprises three non-executive directors. The composition of the Committee was revised during the year with Lord Sheppard being replaced by Mrs Bogdanowicz-Bindert with effect from 23 July 2004. Since the year end, the composition has been further revised with effect from 1 August 2005 when Mr H Talerman stepped down so that the Committee comprises exclusively independent non-executive members. The Chairmanship has been assumed by Mr R A Lee with the other members being Mrs C A Bogdanowicz-Bindert, and Mr C D Smith. A quorum of the Committee is three. Meetings are attended by the Chief Executive on all matters except those relating to his own remuneration.

Remuneration policy
The Remuneration Committee has a policy for the remuneration of executive directors and senior executives which aims to ensure that packages offered are competitive and designed to attract, retain and motivate executives of the required calibre whilst giving due consideration to the provision of The Code. The objective of the policy is to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. The key principles of the policy are set out below.

The Committee is committed to keeping its policy under regular review and, in this context, it engaged the services of and took specific guidance from the independent consultants, Watson-Wyatt LLP, to advise on non-executive director fees, remuneration packages and contractual issues for the executive directors and the development proposals for a Long Term Incentive Plan for the directors and senior executives. Watson-Wyatt have no other connection with the Company. This is in line with the Committee's commitment to take account of changes in the trading environment and in remuneration practices. The objective is to align the remuneration policy for executive directors and other key senior executives with the Company's strategy. In this regard, and in line with the Committee's commitment to review the balance between fixed and variable elements of remuneration, Long Term Incentive Plans are being designed to take account of the best interests of the Company and its shareholders and to pay due recognition to market practice and competitor analysis. The objective is to operate in line with best practice providing a strong link to individual and Company performance and promoting alignment of interests between employees and shareholders. Total remuneration will continue to be benchmarked against competitors as well as market rates. The Committee has also agreed that variable elements of remuneration for the executive directors should be balanced between financial and non-financial goals and that the non-financial goals should be focused, measurable and as specific as possible with timetables set for achievement. The Committee recognise that the implementation of strategic objectives may not be precisely measurable and that evaluation of these targets should be similar to a discretionary element of the bonus award process. The Committee's policy is to pay due regard to guidelines set by the key institutional shareholder bodies.

Long Term Incentive Plans
It is recognised that the primary focus of institutional shareholders is to link Long Term Incentive Plans with performance conditions. It is further recognised that shareholders are increasingly seeking more demanding performance targets based on City expectations. Account has been taken of the recommendation that any proposals be considered with the Company's major shareholders and, in this regard, the Committee will seek input on the final proposals prior to tabling a resolution to shareholders. Briefly the objectives of the new Long Term Incentive Plan ('the Plan') would be 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. The proposed Plan would operate over a rolling 3-year period with vesting of shares dependent on achievement of EPS and TSR measures. The FTSE 250 would be used as the comparator group for TSR. Performance would be rewarded only for above median performance on a rising scale up to the top decile and EPS would have to exceed RPI by more than 3% per annum.

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 pre-cursor to evaluating their annual remuneration and to establishment of 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 Company 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. Bonuses represent a short-term performance-related element of remuneration with payments linked to annual business targets and by reference to data from comparable companies. Share based awards represent longer-term performance-related elements of remuneration, although no new share options have been granted during the year. 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.

Base salaries
The base 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.

Directors' report continued

Annual bonus
The Remuneration Committee aims to ensure that directors and senior executives are fairly rewarded for their contribution to the success of the Group. For the year to 30 June 2006 there is therefore a significant bonus element which varies from 15% up to 50% of basic pay to executives' remuneration. Bonuses, which are non-pensionable, are linked to the achievement of budgeted cash and profit targets. Only for results in excess of the budget are bonuses earned at the higher levels. Bonuses of between 0% and 10% were paid to the Group's executives and senior executives in respect of the year ended 30 June 2005.

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 are shown in the table on page 33. Whilst the executive directors and senior executives are eligible to participate in the Company's share option schemes, no new grants of executive share options were awarded during the year. Details of existing share options held by the executive directors are shown on page 40.

The Committee's policy has been for share option grants to be limited to twice annual basic salary but for the options not to be issued at a discount and not to be pensionable. No consideration is payable for the grant of an option and vesting of options is subject to the achievement of performance targets over a set performance period. All schemes have a ten year life span and options are exercisable after three years from the date of grant, subject to satisfaction of performance conditions, until ten years after the date of grant. Performance criteria have been selected by the Remuneration Committee in accordance with contemporaneous market practice. Details for each scheme are set out on page 41.

The share scheme rules incorporate provisions to allow the Company, at its discretion, to transfer its National Insurance Contributions (NICs) liability to individual grantees. During the year ended 30 June 2005, the directors chose to exercise this discretion in relation to the exercise of options granted to senior executives across the Group. In the interests of consistency, this policy will be continued for future exercises. Options for the executive directors do not fall due for exercise until later in the calendar year. Details are shown in the table on page 40.

Directors' service contracts
In line with the recommendations of the Code, it is the Committee's policy for directors' service contracts to stipulate a maximum notice period of 12 months and, in this regard, Mr M Handley's contract was amended reducing the notice period from two years to one year. His contract therefore stipulated 12 months' notice by the Company and 12 months' notice by the director. Mr M W Roberts' contract stipulates 12 months' notice by the Company and 12 months' by the director. All directors' contracts are available for inspection at the Annual General Meeting.

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

The agreements 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 of confidential information. In addition, they provide for the Group to own any intellectual property rights created by the directors in the course of their employment. The Company allows the executive directors to hold non-executive positions outside the Company subject to Board approval. The Company's policy on retention and disclosure of earnings relating to such positions is set out on page 40.

The Committee recognises the provisions of The Code for compensation commitments to be stipulated in directors' service contracts in regard to early termination. Current practice is not to include such provisions in order to enable the Committee to respond appropriately to particular circumstances. However, the Committee will keep this practice under review. In the event of termination of an executive director's contract, the Committee's policy is to deal fairly with such cases whilst at the same time taking a robust line in minimising any compensation.

Other benefits
The Company pays into defined contribution pension schemes on behalf of Mr M W Roberts based upon basic salary at 35%. Mr Handley's pension contributions were based on 50% of salary. 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

The non-executive directors do not have service contracts but renewable letters of appointment. These were re-issued on 1 July 2004.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 non-executive directors will be subject to re-election by the 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 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 the non-executive directors are expected to devote to the Group's activities during the year. Advice has also been taken from Watson-Wyatt during the year. The non-executive directors receive a basic fee. A supplementary fee is paid to Committee Chairmen and to the Senior Independent non-executive director to reflect their additional responsibilities. No element of their fees is performance-related and they are not eligible to participate in bonus or share incentive schemes. Their services do not qualify for pension purposes or other benefits. Details of the non-executive directors' shareholdings and emoluments are shown on pages 33 and 40.

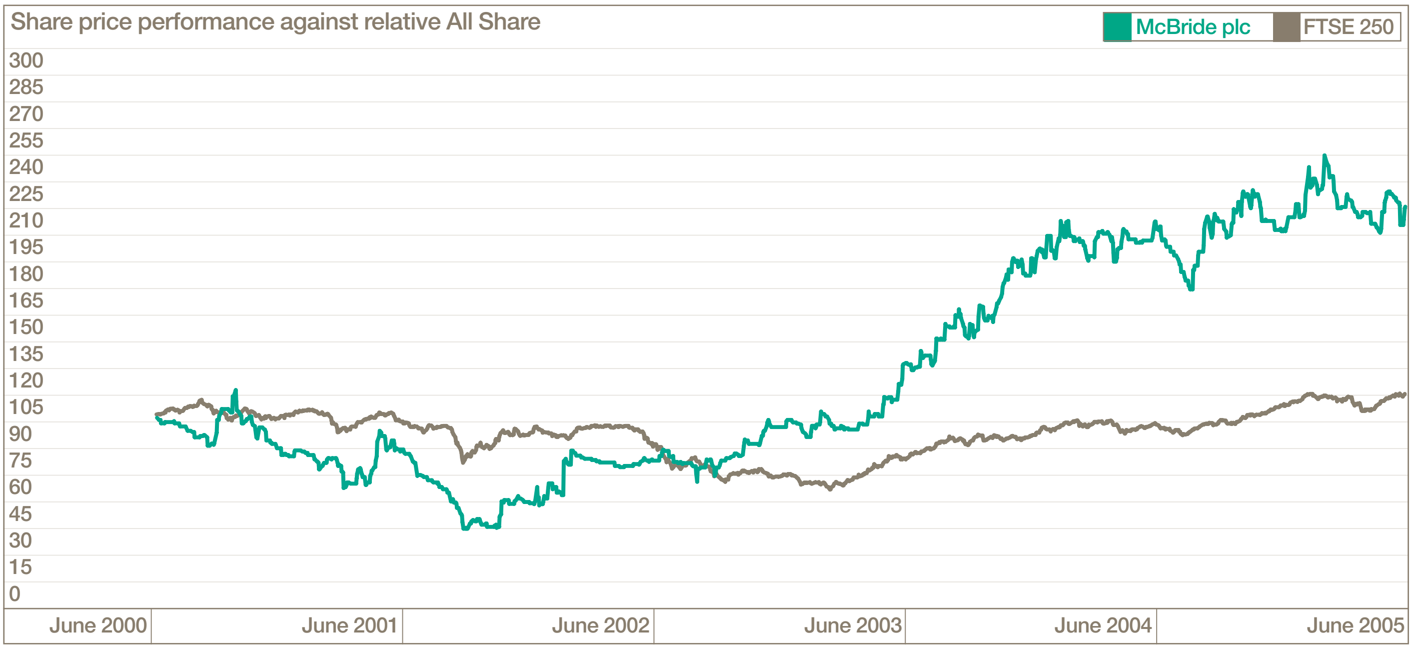
Set out below is information regarding the dates of the letters of appointment, notice periods, etc for the non-executive directors.

	Date first appointed to board	Date of last appointment at AGM in	Re-election no later than AGM in	Notice period	Compensation upon early termination	Latest letter of appointment
Lord Sheppard of Didgemere	23 May 1993	2004	2005	3 months	None	01 July 2004
Henri Talerman	23 May 1993	2004	2005	3 months	None	01 July 2004
Colin Smith	4 April 2002	2004	2005	3 months	None	01 July 2004
Robert Lee	1 September 2003	2004	2005	3 months	None	01 July 2004
Christine Bogdanowicz-Bindert	1 September 2003	2004	2005	3 months	None	01 July 2004

Performance graph

The following line graph shows, for the financial year ended 30 June 2005 and for each of the previous five financial years, the total shareholder return on a holding of the Company's ordinary shares compared with a hypothetical holding of shares made up of shares of the same kind and number as those by reference to the FTSE 250 index. The directors consider this index to be appropriate because the FTSE 250 index provides a well defined, understood and accessible benchmark.

Total shareholder return has been calculated on the basis of share price performance and dividends.



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. Accordingly, 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. Whilst in his role as Chief Executive, Mr M Handley was non-executive Chairman of Macphie of Glenbervie Ltd in Scotland and held a seat on the Board of the AISE. Mr M Roberts is a non-executive director of Care UK plc and is Chairman of their Audit Committee. During the year, he retained earnings of £8,300.

Directors' emoluments & compensation

Breakdown of Remuneration

The fixed and performance-related elements of directors' remuneration for the year ending 30 June 2005 are illustrated in the table below:

Directors' emoluments (Audited)

					Sub-total		Pension contributions		Total remuneration	
	Fees £000	Basic salary £000	Bonus £000	Benefits* £000	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Executive										
Mr M Handley	–	420	–	39	459	596	210	184	669	780
Mr M W Roberts	–	222	–	16	238	299	78	66	316	365
Non-executive										
Lord Sheppard**	106	–	–	–	106	100	–	–	106	100
Mr H Talerman (USA)	30	–	–	–	30	27	–	–	30	27
Mr C D Smith	30	–	–	–	30	27	–	–	30	27
Mrs C A Bogdanowicz–Bindert	27	–	–	–	27	20	–	–	27	20
Mr R A Lee	27	–	–	–	27	20	–	–	27	20
	220	642	–	55	917	1,089	288	250	1,205	1,339

* The benefits consist of the provision of a company car and fuel, private healthcare insurance and life cover.
** Lord Sheppard funds his own office expenses.

Share Options (Audited)

Details of the share options held by the directors at 1 July 2004 and 30 June 2005 are set out below:

	Option Type	As at 01 Jul 04 Number	Granted Number	Exercised Number	Lapsed Number	As at 30 Jun 05 Number	Option Price (£)*	Earliest Date of Exercise	Expiry Date
M Handley	ESOS (1)	292,553	–	–	–	292,553	1.88	6 July 1998	5 July 2005
	SAYE	37,191	–	–	–	37,191	0.445	1 Aug 2007	31 Jan 2008
	ESOS (2)	555,555	–	–	–	555,555	0.585	24 Sept 2005	24 Sept 2012
	ESOS (3)	465,278	–	–	–	465,278	0.72	16 Dec 2005	16 Dec 2012
M W Roberts	ESOS (2)	273,504	–	–	–	273,504	0.585	24 Sept 2005	24 Sept 2012
	ESOS (3)	236,111	–	–	–	236,111	0.72	16 Dec 2005	16 Dec 2012

* Option price is market value at the date of grant
ESOS (1) = 1995 Executive Share Option Scheme
SAYE = 1995 Savings-Related Share Option Scheme
ESOS (2) = 1995 International Executive Share Option Scheme (Unapproved)
ESOS (3) = 2002 Unapproved Discretionary Share Option Scheme

The Board have exercised their discretion in accordance with the scheme rules and allowed Mr Handley to retain his share options provided they are exercised within 12 months of his Termination Date being 30 September 2005.

No consideration was paid for the grant of any option.

The market price of the Company's ordinary shares at 30 June 2005 was 150.0p and the range during the financial year was 121.5p to 171.5p.

Share Option Schemes continued
The performance criteria relating to the various grants of executive share options are as follows:

1995 Executive Share Option Scheme
These Options were granted at an exercise price of £1.88 and expired on 5 July 2005. They were exercisable at any time from 3 years after the date of grant to 10 years after the date of grant. However, at the end of this period, the exercise price was underwater and the options lapsed.

1995 International Executive Share Option Scheme (Unapproved)
Performance was measured by comparing EPS reported for the financial year ended 30 June 2001 with EPS reported for the financial year ending 30 June 2004. Under these criteria, options would not vest at all unless growth in earnings per share exceeded the increase in RPI over the same period by 3% per annum, at which level only one half of the options would vest. For performance above this level, options would vest on a rising scale, with full vesting only if growth in earnings per share exceeded the increase in RPI by at least 5% per annum. If the minimum performance criteria were not been achieved, the options would lapse. To the extent that the performance criteria were only partially met, the options would lapse in part. The criteria have been met in full and 4,919,784 options were exercised by senior executives at the end of March 2005. The options granted under this scheme to the executive directors fall due later in the calendar year. Details are shown on page 40.

2002 Unapproved Discretionary Share Option Scheme
Performance is measured by comparing EPS reported for the financial year ended 30 June 2002 with EPS reported for the financial year ending 30 June 2005. Under these criteria, options will not vest at all unless growth in earnings per share exceeds the increase in RPI over the same period by 3% per annum, at which level only one half of the options will vest. For performance above this level, options will vest on a rising scale, with full vesting only if growth in earnings per share exceeds the increase in RPI by at least 5% per annum. If the minimum performance criteria have not been achieved, the options lapse. To the extent that the performance criteria are only partially met, the options lapse in part.

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

	Current year payments £000
Mr M Handley	210
Mr M W Roberts	78

Compensation for past directors
The compensation paid to Mr Handley following his resignation as a director was in line with his notice period with the payment broadly representing one year's salary and with the option to convert pension contributions to salary provided there is no additional cost to the Company. Payments are to be made in monthly instalments or until other employment is obtained.

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

The directors' remuneration report was approved by the Board and signed on its behalf by Mr M W Roberts, Company Secretary, on 7 September 2005.

Social, Environmental and Ethical ("SEE") performance review

McBride plc is a large and complex manufacturing and distribution company. We operate across Europe from the UK in the West, across Central Europe (CE) and into Central Eastern Europe (CEE) and with offices in the Czech Republic, Hungary and Russia. We manufacture in six countries but supply product across Europe, and, through our International business, export to many other regions. Although the three manufacturing parts of the business (UK, CE and CEE) operate separately, we are intent on rolling out standard and consistent procedures, policies and approaches across the Group. In this regard, experiences, best practice and the consequences of developing legislation are shared across the Group through cross-fertilisation of ideas and through a culture of team working. This review serves to outline our approach to corporate social responsibility on a Group-wide basis.

Philosophy

The Board recognises the importance of compliance with, not only health, safety and environmental standards, but also on improving ethical and social performance. It considers legislative compliance as the minimum operating standard and regularly takes account of the significance of SEE matters and their potential impact to the business of the Company. Wherever economically viable, we strive to surpass the minimum standard and operate using best available techniques. A process of continuous improvement is adopted at all manufacturing facilities to ensure that legislative compliance is maintained throughout the business. We have senior management representation on various trade associations and we comply with industry association guidelines. We place great emphasis on and pride ourselves in ensuring that neither the Group's integrity nor its reputation are damaged as a result of its dealings with any of its stakeholders. As a result, a policy has been developed and is issued on an annual basis to all senior management addressing the issues of social responsibility and business ethics. In addition, we are committed to the concept of sustainable development. In this context, a further Sustainable Development Report has been prepared which addresses issues from the innovation of new products, through the protection of our natural environment via prudent use of resources and waste minimisation, to the welfare and development of our people.

Risk identification and management

We recognise that our success depends on the ability to service customers at the right price, with the right quality and on time. SEE matters are included in the overall risk and control framework of the Business Risk Review process outline on pages 32 and 33. This process has confirmed that the key areas which necessitate continuing close focus include protection of our assets; containment of our costs; management of our supply chain; maximising cost effective use of our productive assets; nurturing our new product development processes; ensuring speed to market; and training and developing our employees.

Accountability for managing operational risks is clearly delegated to line management but the Board receives regular reports to enable it to assess risks and opportunities and to satisfy itself that appropriate controls and actions are in place to minimise any adverse exposure to either the Company or its stakeholders. Emergency Response Plans and full Crisis Management procedures are in place to ensure that any control failures are escalated to senior management and the Board as necessary. These procedures are documented and are reviewed on a six-monthly basis to ensure that effective communication and reporting channels exist in the event of any adverse event. In addition, operational Disaster Recovery Plans are in place across the UK and CE. These are revised annually and seek to ensure that, in the event of a serious incident, the sites are able to respond in a timely manner to minimise the consequences of any loss and to maximise the ability to continue to service its customers.

Sustainable development

We have published a further Sustainable and Development Report which covers activities for all our sites. This report reflects the Groups commitment to the concept of sustainable development recognising that this represents an intrinsic element of running a good, efficient, effective and profitable business. It sets out the Group's policy and approach to such matters as well as including information and data relating to the extent of our compliance, and records our achievements during the year. In the interests of benefiting consumers and local communities as far as possible, we are committed to minimising waste, maximising efficient use of our assets, manufacturing safe products and protecting our environment. In this context, a further £1.2 million has been spent during the year on health, safety and environmental improvement projects.

As a member of the European Federation of Soap and Detergent Manufacturers (AISE), we played a lead role in the development of the Sustainable Development Charter and became the second company to be officially accepted into the scheme giving us the right to use the Charter logo on our products.

A summary of the Sustainable Development Report is enclosed with this Annual Report and Accounts. A copy of the full report is available on the Company's website at www.mcbride.co.uk. The report includes detailed information on the activities, data, objectives, compliance status and achievements for the Group during the year. Set out below is a precis of some of the key messages incorporated within the report in relation to health, safety, environmental, social and community activities.

Health and safety

Management of health and safety has continued to play an important part in the overall management of activities for the Group. Detailed health, safety and environmental reports are prepared by the operating companies each year and submitted to the Board for review. Regular monitoring of controls takes place on at least a quarterly basis and the executive directors review health, safety and environmental matters with the local senior management teams on a monthly basis. Responsibility for the health, safety and the environment is defined in detail by our Safety Management System (SMS) which ensures that all managers' duties are specified. Our Human Resource directors manage central teams with responsibility for co-ordinating activities. Each site has a health and safety manager, all of whom have or are working towards qualifications recognised under national legislation. In addition, internal training is provided to ensure compliance with McBride's standards. All sites have a system in place for the provision of occupational health services although the level of resource depends on local legal requirements and the relative risk base of each facility.

The development and implementation of health and safety management systems specific to the needs of the Company continue to be a key focus of activity. Group policies have been developed covering all health and safety activities and these policies are translated into internal standards for each site. Our SMS aims to manage health and safety based on risk assessment and compliance with appropriate legislation. The system was originally developed in the UK and, during the year, particular attention has been paid to helping the CE management team to extend implementation of the system, aided by the UK team. In addition, the UK have benefited from the CE approach to safety which focuses on the integration of health and safety with environmental and quality systems. These examples of sharing best practice continue to be developed across the Group with risk assessment, risk management and continuous improvement being the key themes serving to constantly update action plans. Health and safety training also continues to be a constant activity at all sites and, during the year, the Competency Based Training (CBT) developed in the UK in 2003/04 has been made available to CE for use and modification to fit local needs and language.

Internal audits of activities and legislative compliance are carried out by site on a regular basis. Independent audits are also carried out in the UK (historically by RoSPA) with scores continuing to increase. All sites are now rated good or excellent, showing clear progress in the management of safety. In CE, Ieper Personal Care achieved OHSAS 18001 certification during the year and Ieper Household was re-certified.

Verification of regulatory compliance is a primary requirement of the health and safety policy. All sites work closely with locally appointed inspectors who make regular visits to the sites, not simply to investigate accidents, but also to plan audits of compliance and to agree priorities. Good working relationships have been developed and are working to the benefit of all parties. During the year, a major exercise was undertaken at the Rosporden site, together with the local authorities, to test the action plan required under the COMAH Directive in the event of an exploding gas tank. A similar major exercise was undertaken at Moyaux in conjunction with the Municipal fire brigade. Such tests serve as useful learning exercises for all parties and help to underpin the Disaster Recovery plans which have been developed for all sites.

All accidents and major incidents are reported internally and fully investigated to determine appropriate corrective and preventative measures. Where necessary, accidents are reported to official authorities. At Group level, the number of accidents/incidents increased during the year although the UK saw a decrease of 14% on last year and three sites in CE had fewer accidents. Further details are provided in the Sustainable Development Report.

Key health and safety achievements during the year include:

- Reduction in UK accident statistics following revised accident investigation procedure and training.
- Reduction in Sallent accident rates due to increased focus on risk assessment with an awareness and elimination of risks campaign.
- OHSAS 18001 certification achieved in Ieper Personal Care and retained in Ieper Household.
- Continued development of H&S manual with revised and rewritten chapters, manual made available to CE.
- Increased contact between CE and UK with visits in both directions and improved access to shared information.

Product safety

We also have in place policies and guidelines relating to product safety, covering raw material use and product assessments, legal labelling and packaging requirements. We have also followed a voluntary agreement between the Detergent Industry and the European Commission on the labelling of detergents and cleaning products which has resulted in us being able to comply with the new EU Detergent Regulations which come into effect in October 2005. In the UK, "The Green Claims Code", which requires all environmental claims for products to be specific, supportable, relevant and not misleading to the consumer, has also been followed. Products are assessed before launch in technical evaluations and occasionally in consumer test panels. We handle complaints on our own products and for some retailers. Complaints are acknowledged within 48 hours of receipt and all are fully investigated to determine cause. During the year, there have been no non-compliances with regulations concerning customer health and safety and no fines or penalties have been incurred.

We have a policy of not testing products on animals, nor requesting animal testing of products or ingredients by any supplier or third party. Human safety and environmental impacts are assessed for all Household products under the requirements of the revised Dangerous Preparations Directive and for Personal Care products under the Cosmetic Products Directive. It is our policy that products involving risks to human safety and/or to the environment under normal and foreseeable conditions of use will not be sold. The impact of transportation during the distribution of products is also recognised and we do ensure that vehicles are loaded and utilised as efficiently as possible. The impacts of our finished products in use on emission to water, air and land are also assessed on an individual product basis in accordance with appropriate directives and regulations with particular focus on the use of bio-degradable alternatives as they become available.

Environmental

We recognise the importance of managing all aspects of the business to minimise the impacts of our operations on the environment. The Board regularly receive reports on environmental compliance and the Chief Executive ensures that responsibility is held at the highest level by delegating operational responsibility to the local managing directors. Each manufacturing operation has its own manager who is responsible for environmental issues. Support and advice is provided by central functions who assume responsibility for auditing both the manufacturing facilities and the management systems. The development and use of environmental key performance indicators will enable the central functions to monitor eco-efficiencies and to identify trends in improvements.

It remains our intention to strive to introduce our Environmental Management System (EMS) to all our manufacturing sites. Over 90% of sites already have EMS in place and four sites are now certified to ISO 14001 standard. Our commitment to minimising the impacts of our operations on the environment is demonstrated by driving down energy consumption; reduction of waste across the supply chain; minimising and controlling the discharge of liquid and atmospheric effluents; most eco-efficiency data showing positive trends; employing purchasing procedures that favour the choice of suppliers who are committed to minimising the impact of their operations on the environment; ensuring that staff and contractors are made aware of their ethical and social responsibilities at work; regularly monitoring and enhancing our EMS and performance.

The key achievements in the environmental arena during the year include:

- Investment in waste water systems and renovation of the sewer system at the Estaimpuis site.
- Closure of the Breda plant to eliminate some environmental risks.
- ISO 14001 certification at four sites.
- UK registration with the Environment Agency in line with the Hazardous Waste Regulations 2005.
- Progressing IPPC applications at relevant UK sites.
- Participation in the United Nations World Environment Day 2005 with the UK business recognised as one of the Top Ten Companies for promoting pledges for environmental improvements.

We also recognise the importance of understanding and managing the aspects of bio-diversity that are affected by our operations. The biggest impact on the environment continues to be waste water from our manufacturing processes. None of our sites sends untreated waste water directly to the natural environment and all waste water is treated in order to make it compatible with its receiving environment. The only significant process emissions to air relate to propellant gas emissions from the aerosol filling processes. The main threat to the land from our production sites lies in the potential pollution of soil due to leaks. To avoid this, where possible, all materials are stored above ground. Any underground bulk storage tanks are regularly inspected. In addition, soil investigations have been undertaken at four CE sites during the year and surveys of three UK sites have been carried out as part of the IPPC permit application process.

During the year, we have continued to focus on the key objectives of reducing energy and water consumption. Full details and data are included in the Sustainable Development Report but, in summary, despite increased production, consumption of energy has reduced giving a year on year improvement in energy usage of 7%, water consumption has also reduced with CE showing a 30% improvement over a 5 year period; and we continue to focus on improving water efficiency across the Group through recycling, the installation of semi-closed loops, improved cleaning methods and the use of heat exchangers.

Community

We are very conscious of the need to minimise the impact of our operations on the surrounding community. All sites maintain dialogue with their neighbours presenting opportunities for regular and frequent contact where problems can be discussed and resolved. In addition, we are involved in local activities in a variety of different ways including factory visits; the provision of careers advice for students and school children; providing advice to smaller companies; giving financial assistance to community efforts; providing work experience placements; maintaining close relationships with local universities and colleges; supporting bursaries and scholarships to undergraduate students often resulting in active recruitment and partnership/development opportunities; promoting literacy and numeracy. Further, in the interests of maintaining good relationships with the local community, senior management are actively encouraged to maintain positive relationships, where appropriate, with local authorities and regulatory bodies.

The McBride Charitable Trust continued during the year to support charitable efforts. For the year ended 30 June 2005, the Trust made financial contributions of £30,847. Separately, employees raised over £11,000 for charity. The Group has been a member of the Business in the Community (BiTC), and the award-winning Child Care Scheme, established in partnership with a local Council, has continued to run. Local charities benefit, not only from financial donations, but also from employees offering their services either through volunteer offices or through mentoring activities.

Particular causes supported during the year include several humanitarian aide efforts across the Group; events to bring industry and education closer together; support of several students in work experience placements benefiting both the Company and assisting the students to complete educational projects; continuation of the McBride Bursary and Scholarship Awards; and provision of coaching and counselling to overseas students. We take pride in all of these activities. In addition, we have supported the UK Government's "Skills for Life" Strategy with the objective of providing literacy, language and numeracy skills to enable employees to function effectively at work and in society.

Ethical conduct

We expect our employees to operate against high ethical standards in areas such as adherence to all legislative and regulatory guidelines, in its business relationships and as regards human rights. Unethical behaviour is not acceptable and written policies on harassment, equality and wellbeing are in place to ensure that employees behave in an appropriate manner. Established standards of operating with suppliers and customers are in place covering, for example, the prohibition of giving and receiving bribes and gifts. Supplier audits also address issues of environmental as well as social and ethical conduct.

Our Social and Ethical policy provides a practical set of guidelines for employees to ensure they exercise acceptable standards of behaviour in all their business dealings. The policy is issued on an annual basis to all relevant employees and procedures are being developed to introduce audits against compliance with the objective of ensuring consistent implementation of the policy. A whistleblowing policy is also in place.

Customers

As a major supplier of product to the retailers, we recognise the importance of ensuring that there is no adverse impact on the reputation of our customers.

It is fundamental to our ethos that the social impacts of our products, their safety, quality and availability must satisfy the requirements of our customers and their consumers. We are committed to providing quality and reliable service to our customers and customer service is a key operational goal across the Group. Measurement of customer service levels on a daily basis is a key area of focus. In addition, customer consultation and maintenance of good relationships with customers is of paramount importance across all activities of the business, not only in the Commercial field, but also as regards Logistics and Product and Technical Development.

Employees

During the course of the year, we employed an average of 4,208 people, of whom 2,180 were employed in the UK. We recognise that our employees are a valuable asset and it is our policy to ensure that they are retained and developed to support achievement of our goals. It is our policy to ensure equal opportunity in recruitment, selection, promotion, employee development, training and reward policies. We place great emphasis on establishing and maintaining a safe working environment for our employees and it is a key objective to ensure that successful candidates for appointment and promotion are selected taking account of individual ability, skills and competencies without regard to age, gender, race, religion, disability or sexual orientation. If 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. Full and fair consideration is given to the employment and opportunities for training and development of people with disabilities according to their skills and capacities. 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, every effort is taken to ensure that compulsory redundancies are minimised. In any event, all relevant support and guidance is provided as appropriate. Decisions are communicated, employees are consulted and the implications for individuals are duly considered.

Involvement of employees is one of our key goals. We are committed to employee consultation by way of regular briefings, listening groups, information bulletins and Company newsletters. The Chief Executive continues to hold senior management conferences on a six-monthly basis to ensure that all staff are aware of the business performance and to provide a clear direction on our goals and expectations. This also presents the opportunity to reiterate the Group's vision, strategy, values and business objectives. This communication process is cascaded down through the Group with the local UK and CE senior management teams holding similar conferences to communicate the local goals, targets and the values across the rest of the business. In addition, members of the senior management teams regularly visit the sites and, from time-to-time, participate in our "Back to the Floor" initiative and visit management development programmes. These exercises provide the opportunity for open questioning from employees and for two-way dialogue to take place. Most sites are actively engaged in involvement initiatives to ensure that all employees understand and relate to the business goals and many sites hold open days to allow employee families to see the environment in which their family members work.

We acknowledge that team working is invaluable in helping to deliver the Company goals. This is actively encouraged through cross-fertilisation of ideas both across functions and across territories so that best practice is shared at every opportunity.

Eligible employees are encouraged to become shareholders through participation in the McBride Savings-Related Share Option Scheme. Some employees participate in performance-related bonus schemes and some senior management are eligible to participate in share-based option schemes. Local incentive schemes relating to site performance are available to all site based employees.

Wherever possible, employees are encouraged to participate in local community activities. A particular success has been the support for "Real Deal", a local social enterprise focussing on training and employment.

Understanding employee satisfaction levels is monitored through a rolling programme of Opinion Surveys. This has been in place for more than 10 years and is carried out at all sites across Europe and for our Central staff. We also continue to provide training and development opportunities for all employees and annual appraisals are well established. We have continued to develop our Wellbeing and Capability policies and all parts of the UK have Investor in People accreditation with some sites being re-accredited during the year. Partnerships or Works Councils (joint management/employee consultation groups) operate at all UK and CE facilities. During the year, the Burnley site received a third Business Excellence Award as winner of the People and People Practices category in the North West region.

Independent Auditors' report to the members of McBride plc

We have audited the financial statements on pages 48 to 70. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors'

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on pages 33 to 34, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the group is not disclosed.

We review whether the corporate governance statement on page 28 reflects the company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules, 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, including the corporate governance statement and the unaudited part of the directors' remuneration 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.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 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 financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 2005 and of the profit of the group for the year then ended; and

- 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.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
7 September 2005

Consolidated profit and loss account

for the year ended 30 June 2005

	Note	Pre exceptional items 2005 £m	Exceptional items (note 3) 2005 £m	Post exceptional items 2005 £m	Pre exceptional items 2004 £m	Exceptional items 2004 £m	Post exceptional items 2004 £m
Turnover							
Group and share of joint venture		**539.5**	**–**	**539.5**	517.8	–	517.8
Less: share of joint venture's turnover		**(2.4)**	**–**	**(2.4)**	(16.5)	–	(16.5)
Group turnover	2	**537.1**	**–**	**537.1**	501.3	–	501.3
Cost of sales		**(348.4)**	**–**	**(348.4)**	(309.5)	–	(309.5)
Gross profit		**188.7**	**–**	**188.7**	191.8	–	191.8
Distribution costs		**(34.0)**	**–**	**(34.0)**	(32.3)	–	(32.3)
Administrative costs							
Before goodwill amortisation		**(119.7)**	**(3.0)**	**(122.7)**	(124.4)	(3.3)	(127.7)
Goodwill amortisation		**(0.9)**	**–**	**(0.9)**	(1.4)	–	(1.4)
Administrative costs including goodwill amortisation		**(120.6)**	**(3.0)**	**(123.6)**	(125.8)	(3.3)	(129.1)
Group operating profit	2	**34.1**	**(3.0)**	**31.1**	33.7	(3.3)	30.4
Share of joint venture's operating profit		**0.1**	**–**	**0.1**	0.8	–	0.8
Total operating profit: Group and share of joint venture		**34.2**	**(3.0)**	**31.2**	34.5	(3.3)	31.2
Group interest receivable	6	**1.4**	**–**	**1.4**	1.8	–	1.8
Group interest payable and similar charges	6	**(2.7)**	**–**	**(2.7)**	(2.5)	–	(2.5)
Share of joint venture's interest payable and similar charges		**(0.1)**	**–**	**(0.1)**	(0.3)	–	(0.3)
Profit on ordinary activities before taxation	7	**32.8**	**(3.0)**	**29.8**	33.5	(3.3)	30.2
Group tax on profit on ordinary activities	8	**(10.1)**	**0.9**	**(9.2)**	(10.9)	1.0	(9.9)
Profit on ordinary activities after taxation		**22.7**	**(2.1)**	**20.6**	22.6	(2.3)	20.3
Equity minority interest		**(0.1)**	**–**	**(0.1)**	(0.1)	–	(0.1)
Profit for the year		**22.6**	**(2.1)**	**20.5**	22.5	(2.3)	20.2
Dividends paid and proposed	9	**(8.5)**	**–**	**(8.5)**	(7.1)	–	(7.1)
Retained profit for the year		**14.1**	**(2.1)**	**12.0**	15.4	(2.3)	13.1
Earnings per ordinary share (pence)	10						
Basic				**11.6**			11.4
Diluted				**11.1**			10.9
Basic before goodwill amortisation and operating exceptional items				**13.3**			13.5
Dividend per share (pence)	9			**4.8**			4.0

All Group results relate to continuing operations.

Balance sheet
at 30 June 2005

	Note	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Fixed assets					
Intangible assets	11	**7.8**	7.6	**–**	–
Tangible assets	12	**130.1**	124.6	**0.1**	0.1
Investments	13	**–**	–	**164.8**	164.7
Total fixed assets		**137.9**	132.2	**164.9**	164.8
Current assets					
Stocks	14	**41.3**	38.8	**–**	–
Debtors	15	**106.3**	114.9	**54.3**	43.8
Cash at bank and in hand		**0.3**	0.2	**–**	–
		147.9	153.9	**54.3**	43.8
Creditors: amounts falling due within one year	16	**(155.4)**	(151.0)	**(51.4)**	(42.4)
Net current (liabilities)/assets		**(7.5)**	2.9	**2.9**	1.4
Total assets less current liabilities		**130.4**	135.1	**167.8**	166.2
Creditors: amounts falling due after more than one year	17	**(20.7)**	(28.1)	**–**	–
Provisions for liabilities and charges	18	**(12.4)**	(14.1)	**–**	–
Investment in joint venture					
Share of gross assets		**–**	3.9	**–**	–
Share of gross liabilities		**–**	(5.1)	**–**	–
Net investment in joint venture		**–**	(1.2)	**–**	–
Net assets		**97.3**	91.7	**167.8**	166.2
Capital and reserves					
Called up share capital	19	**17.7**	17.8	**17.7**	17.8
Share premium account	21	**141.8**	139.4	**141.8**	139.4
Capital redemption reserve	21	**0.6**	–	**0.6**	–
Profit and loss account	21	**(63.0)**	(65.5)	**7.7**	9.0
Equity shareholders' funds		**97.1**	91.7	**167.8**	166.2
Equity minority interest		**0.2**	–	**–**	–
Total capital employed		**97.3**	91.7	**167.8**	166.2

These financial statements were approved by the Board of Directors on 7 September 2005 and were signed on its behalf by:

M W Roberts
Director

Consolidated cash flow statement

for the year ended 30 June 2005

	Note	2005 £m	2005 £m	2004 £m	2004 £m
Net cash inflow from operating activities	26		**51.1**		62.4
Returns on investments and servicing of finance	27		**(2.6)**		1.0
Taxation			**(7.2)**		(10.6)
Net cash flow after taxation and finance costs			**41.3**		52.8
Cash expenditure on fixed assets		**(17.5)**		(17.3)	
Disposal of fixed assets		**–**		0.1	
Net cash outflow on capital expenditure			**(17.5)**		(17.2)
APL acquisition/deferred consideration payment	4		**(2.8)**		–
Equity dividends paid			**(7.6)**		(7.3)
Cash inflow before financing			**13.4**		28.3
Ordinary shares repurchased less issued for cash			**(5.6)**		–
Movement in debt and lease financing	28		**(8.6)**		(26.8)
Net cash outflow from financing			**(14.2)**		(26.8)
(Decrease)/increase in cash in the year	29		**(0.8)**		1.5

Reconciliation of net cash flow to movement in net debt

for the year ended 30 June 2005

	Note	2005 £m	2004 £m
(Decrease)/increase in cash in the year	29	**(0.8)**	1.5
Cash outflow from movement in debt	29	**8.2**	26.4
Movement on finance leases	29	**0.4**	0.4
Change in net debt resulting from cash flows		**7.8**	28.3
Lease financing acquired with subsidiary		**(0.3)**	–
Other new lease financing		**(0.1)**	–
Translation differences	29	**(0.4)**	1.4
Movement in net debt in the year		**7.0**	29.7
Net debt at the beginning of the year		**(31.4)**	(61.1)
Net debt at the end of the year		**(24.4)**	(31.4)

Consolidated statement of total recognised gains and losses

for the year ended 30 June 2005

	2005 £m	2004 £m
Profit for the financial year	**20.5**	20.2
Unrealised foreign currency differences	**(0.2)**	(0.1)
Total recognised gains and losses for the financial year	**20.3**	20.1

Reconciliation of movements in consolidated shareholders' funds

for the year ended 30 June 2005

	Note	2005 £m	2004 £m
Profit for the financial year		**20.5**	20.2
Equity dividends		**(8.5)**	(7.1)
Retained profit		**12.0**	13.1
Ordinary shares repurchased less issued – share capital	19	**(0.1)**	–
Ordinary shares repurchased less issued – reserves	21	**(6.3)**	0.1
Unrealised foreign currency differences		**(0.2)**	(0.1)
Opening equity shareholders' funds		**91.7**	78.6
Closing shareholders' funds		**97.1**	91.7

Notes to the financial statements

1 Accounting policies

Except where referred to below, the following accounting policies have been applied consistently in dealing with the items that are considered material to the Group's financial statements. The financial statements are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted by the directors are described below, except that the directors have invoked the true and fair override when reporting the value of investments as fully explained in note 13 to these accounts and when reporting the value of goodwill on the Aerosol Products Limited acquisition as explained in note 4.

The phased adoption of FRS 17 – Retirements benefits involves significant disclosure changes to both the profit & loss account and balance sheet. The Accounting Standards Board have deferred full implementation to periods starting on or after 1 January 2005. The company is required and continues to apply SSAP 24 – Accounting for pension costs for reporting profit and loss and balance sheet items and in addition provides the additional FRS 17 disclosure under the transitional requirements.

Basis of preparation

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate the financial statements of McBride plc and all its subsidiary undertakings. These financial statements are made up to 30 June 2005.

On the acquisition of a business fair values are attributed to the Group's share of the separable assets. Where the fair value of consideration given and associated costs exceed the fair values attributable to these assets the difference is treated as goodwill and capitalised in the balance sheet in the year of acquisition.

The results and cashflows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition and up to the date of disposal.

Turnover

Turnover represents the amounts, net of discounts and rebates, excluding value added tax, derived from the provision of goods and services to third party customers during the period. Sales are recognised upon receipt of confirmation that the goods despatched have been accepted by the customer.

Goodwill

For acquisitions of a business, purchased goodwill is capitalised in the year in which it arises and is amortised in equal installments over its useful economic life up to a maximum of 20 years.

The profit or loss on the disposal of a business includes the attributable amount of any goodwill relating to that business not previously charged through the profit and loss account.

Capitalised goodwill in respect of subsidiaries is included within intangible fixed assets. In accordance with FRS 10, the value of goodwill will be subject to review at the end of the first financial year following acquisition and may be subject to review at the end of the accounting period in which events or changes in circumstances indicate that the carrying value may not be recoverable.

Goodwill that arose on businesses acquired prior to the introduction of FRS 10, in the year commencing 1 July 1998 will remain written off to reserves. In the event of subsequent disposal of any of these businesses, the attributable goodwill will be charged or credited in the profit and loss account in determining the profit or loss on sale. A credit of an equal amount to reserves ensures that there is no impact on shareholders' funds.

Fixed asset and depreciation

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:

Freehold buildings	– 50 years
Leasehold land and buildings	– life of lease
Plant and machinery	– 8 to 10 years
Computer equipment (including software)	– 3 to 5 years
Motor vehicles	– 4 years
Moulding equipment	– 3 to 5 years

No depreciation is provided on freehold land or assets in the course of construction. Where an estimate of the useful lives of assets is revised, the remaining net book value at the date of revision is written off over the revised estimated useful life.

Investments

In the consolidated accounts, the Group accounts for its subsidiaries in accordance with FRS 2. Investments are stated at cost less provision for any impairment in value.

Stock

Stock is stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, standard cost adjusted for current purchase pricing is used. For work in progress and finished goods manufactured by the Group, cost is taken as production cost which includes an appropriate portion of attributable overhead. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. The profit and loss accounts and cash flows of such undertakings are consolidated at the average rates of exchange during the period. Exchange differences arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases
Assets acquired under finance leases, where McBride has the risks and rewards of ownership, are capitalised in the balance sheet and depreciated over their useful lives. The interest element is charged to the profit and loss account over the term of the contract. Operating leases are charged to the profit and loss account on a straight line basis over the life of the operating lease.

Pensions
The Group operates two material defined benefit pension schemes for UK employees, both of which are closed to new employees, the Robert McBride Pension Fund, which was closed to new employees in July 2001 and the Robert McBride Barrow Site Retirement Benefit Scheme. There is also a defined contribution scheme for new employees who are not eligible for the defined benefit scheme.

The assets of all the schemes are held separately from those of the Group in independently administered funds. The regular cost of providing defined benefits are charged to profit in accordance with SSAP 24, Accounting for pension costs, over the period benefiting from employee service. The notes to the accounts contain additional information as required by FRS 17 – Retirement Benefits, under the transitional rules. Variations from regular cost are spread over the remaining service lives of employees in the schemes. The pension cost is assessed by independent qualified actuaries.

Financial instruments
The Group does not enter into speculative derivative contracts. All instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

Transactions denominated in foreign currencies are recorded at the rate ruling on the date of the transaction, unless matching forward foreign exchange contracts have been entered into, in which case the rate specified in the relevant contract is used. At the balance sheet date unhedged monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date.

Research and development expenditure
Expenditure on research and development is charged to the profit and loss account in the period in which it is incurred.

Notes to the financial statements continued

1 Accounting policies continued

Exchange rates

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

	2005	2004
Average rate:		
Euro	**1.46**	1.46
Polish Zloty	**6.14**	6.75
Czech Koruna	**44.86**	47.09
Hungarian Forint	**361.3**	375.9

	2005	2004
Closing rate:		
Euro	**1.48**	1.49
Polish Zloty	**5.99**	6.70
Czech Koruna	**44.51**	47.45
Hungarian Forint	**365.7**	373.8

2 Segmental information

	2005 £m	2004 £m
Turnover by destination is analysed by geographical area as follows:		
UK	**227.4**	210.5
Continental Europe	**302.8**	286.7
Rest of world	**6.9**	4.1
Group turnover	**537.1**	501.3
Share of joint venture's turnover	**2.4**	16.5
Turnover by destination	**539.5**	517.8

	2005 £m	2004 £m
Turnover by geographical origin is analysed as follows:		
UK	**241.8**	216.6
Continental Europe	**295.3**	284.7
Group turnover	**537.1**	501.3
Share of joint venture's turnover	**2.4**	16.5
Turnover by origin	**539.5**	517.8

	2005 £m	2004 £m
Turnover by class of business is analysed as follows:		
Household products	**441.0**	432.0
Personal Care products	**96.1**	69.3
Group turnover	**537.1**	501.3
Share of joint venture's turnover	**2.4**	16.5
Total turnover by class of business	**539.5**	517.8

2 Segmental Information continued

Operating profit by geographical origin is analysed as follows:	2005 £m	2004 £m
UK – pre exceptional items	**19.4**	17.2
Continental Europe – pre exceptional items	**14.7**	16.5
Exceptional items (see note 3)	**(3.0)**	(3.3)
Group operating profit	**31.1**	30.4
Non-operating items	**–**	0.5
Net interest payable	**(1.3)**	(0.7)
Profit on ordinary activities before tax	**29.8**	30.2

The UK business includes total goodwill amortisation of £0.7 million (2004: £1.2m).
The Continental Europe business includes goodwill amortisation of £0.2 million (2004: £0.2m).
The £3.0 million exceptional items splits out into £2.3 million UK and £0.7 million Europe (2004: £3.3m, all Continental Europe).

Operating profit by class of business is analysed as follows:	2005 £m	2004 £m
Household products – pre exceptional items	**26.2**	29.3
Personal care products – pre exceptional items	**7.9**	4.4
Exceptional items (see note 3)	**(3.0)**	(3.3)
Group operating profit	**31.1**	30.4
Non-operating items	**–**	0.5
Net interest payable	**(1.3)**	(0.7)
Profit on ordinary activities before tax	**29.8**	30.2

The household products business includes goodwill amortisation of £0.9 million (2004: £1.4m).
The £3.0 million exceptional items (2004: £3.3m) all relate to the household products segment.

Non-operating items consist of the following:	2005 £m	2004 £m
Share of joint venture's operating profit	**0.1**	0.8
Share of joint venture's interest payable and similar charges	**(0.1)**	(0.3)
Total non-operating items before tax	**–**	0.5
Share of joint venture's tax charge on ordinary activities	**–**	–
Total non-operating items after tax	**–**	0.5

Net assets by geographical origin are analysed as follows:	2005 £m	2004 £m
UK	**54.9**	60.8
Continental Europe	**83.5**	78.5
Total operating assets and liabilities	**138.4**	139.3
Non-operating liabilities	**(41.1)**	(47.6)
Net assets	**97.3**	91.7

Non operating liabilities include cash less short and long-term borrowings, provisions for liabilities and charges and dividends.

It is not possible to provide a meaningful analysis of the net assets by class of business as a number of the Group's operating sites manufacture both Private Label Household and Personal Care products.

3 Operating exceptional item

The Group announced on 23 June 2005 its intention to close the production plant at Bampton, UK and transfer those activities to the Aerosol Products Limited's site in Hull. The Bampton site will continue to be used for sales and marketing activities. A provision of £1.3 million has been charged to the profit and loss account. An additional £1.7 million provision has also been charged relating to a Group wide rationalisation exercise, £1.0 million in the UK and £0.7 million in Continental Europe. The £3.0 million total pre-tax charge is accounted for as an operating exceptional item. As at 30 June 2005 £2.6 million of this total cost is included in provisions (see note 18).

The £3.3 million 2004 pre tax exceptional item related to the Breda plant closure in The Netherlands and transfer of those activities to other Group locations. The company is continuing to operate as a selling operation.

Notes to the financial statements continued

4 Aerosol products Limited acquisition

The Group acquired the remaining 50% equity interest of Aerosol Products Limited (APL) on 6 September 2004. Previously it was a 50% joint venture partner, and since then it has been consolidated as a 100% subsidiary. The consideration was £1.0 million. In addition an early payment was made of the £2.0 million deferred from the financial restructuring in 2002. The £2.8 million net outflow on the cash flow statement includes £0.2 million cash acquired on the acquisition.

APL's profit and loss account from the beginning of their financial year to the date of acquisition, 1 July 2004 to 6 September 2004, can be seen below:

	Year ended 30 June 2004 £m	Period ended 6 September 2004 £m
Turnover	33.0	4.8
Operating Profit	1.3	0.1
Net interest payable	(0.6)	–
Profit on ordinary activities before / and after taxation	0.7	0.1

Fifty percent of the assets and liabilities of APL as acquired on 6 September 2004 are set out below:

	Book value £m	Fair value adjustment £m	Fair value £m
Tangible fixed assets	2.3	1.1	3.4
Net current liabilities	(3.3)	–	(3.3)
Total assets less current liabilities	(1.0)	1.1	0.1
Creditors: amounts falling due after more than one year	(0.2)	–	(0.2)
Net assets	(1.2)	1.1	(0.1)
Goodwill			1.1
Purchase price			1.0

The purchase price was satisfied by cash. The £1.1 million adjustment reflects the fair value adjustment on valuation of the 50% of the tangible fixed assets acquired in accordance with FRS 2 Accounting for subsidiary undertakings. In accordance with FRS 2, and in order to give a true and fair view, purchased goodwill has been calculated as the sum of the goodwill arising on each purchase of the shares in APL, being the difference at the date of each purchase between the fair value of the consideration given and the fair value of the identifiable assets and liabilities attributable to the interest purchased. This represents a departure from the statutory method, under which goodwill is calculated as the difference between cost and fair value on the date that APL became a subsidiary undertaking. The statutory method would not give a true and fair view because it would result in the Group's share of APL's retained reserves during the period that it was a joint venture being characterised as goodwill. The effect of this departure is to decrease the goodwill and reserves by £4.0 million.

5 Transactions with related party

The Group had a related party, Aerosol Products Limited (APL) until 6 September 2004 when it purchased the remaining 50% equity interest (see note 4). For the period it was a related party Robert McBride Limited purchased £4.7 million (2004: £33.9m) of finished goods from APL for resale on behalf of APL, under a management agreement whereby Robert McBride Limited was responsible for the onward sales and sales ledger management.

6 Group interest analysis

	2005 £m	2004 £m
Interest receivable and similar income	**1.4**	1.8
Interest payable on bank loans and overdrafts, and similar expense	**(2.5)**	(2.4)
Finance leases	**(0.2)**	(0.1)
Interest payable and similar charges	**(2.7)**	(2.5)
Total Group finance and interest cost	**(1.3)**	(0.7)

7 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2005 £m	2004 £m
Auditors' remuneration:		
– Audit services	0.4	0.4
– Tax services	0.2	0.2
Depreciation and other amounts written off owned tangible fixed assets	18.4	18.4
Depreciation and other amounts written off leased tangible fixed assets	0.2	0.1
Hire of plant and machinery – rentals payable under operating leases	1.4	1.9
Hire of other assets – rentals payable under operating leases	0.8	–
Loss on sale of tangible fixed assets	0.1	–
Research and development costs written off during the year	4.5	4.7

Audit services for the Company total £0.1 million (2004: £0.1m).
Tax services for the Company total £0.1 million (2004: £0.2m).

8 Taxation

Taxation on the profit of the Group

	2005 £m	2004 £m
UK corporation tax at 30%	4.6	6.7
Overseas taxation – current	3.9	5.1
Utilisation of prior period provisions	–	(0.2)
Current tax charge for the year	8.5	11.6
UK deferred tax charge/(credit)	0.4	(0.8)
Overseas taxation – deferred charge/(credit)	0.3	(0.9)
Deferred tax movement for the year	0.7	(1.7)
Group tax on profit on ordinary activities	9.2	9.9
Current tax is reconciled to a notional 30% of profit before taxation as follows:		
Expected tax charge	9.0	9.1
Overseas tax rates	0.3	0.8
Losses (utilised)/created	(0.8)	0.6
Timing differences – other	0.6	0.5
Permanent differences	(0.2)	0.8
Adjustments to tax charge in respect of prior periods	(0.4)	(0.2)
Current tax charge for the year	8.5	11.6

The effective tax rate of 30%, based on profit before tax excluding goodwill amortisation, reflects a combination of inherited tax losses, movements on deferred tax, and the recovery of Advance Corporation Tax (ACT).

9 Dividends

	2005 £m	2004 £m
Dividends on ordinary shares:		
– Interim 1.5 pence per share (2004: 1.2 pence)	2.6	2.1
– Proposed Final 3.3 pence per share (2004: 2.8 pence)	5.9	5.0
Total dividends	8.5	7.1

The interim dividend was paid on 27 May 2005.

Notes to the financial statements continued

10 Earnings per ordinary share

Basic earnings per share

Earnings per ordinary share is calculated on profit after tax and minority interest in accordance with FRS 14.

The calculation of earnings per ordinary share for the year ended 30 June 2005 is based on 177,122,822 ordinary shares of 10 pence each which is the weighted average number of ordinary shares in issue during the year (2004: 177,666,200).

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares, those share options issued whose market price and exercise price is less than the average price of the Company's ordinary shares during the year and shares allocated to an approved Save As You Earn scheme.

	2005 Millions	2004 Millions
Weighted average number of ordinary shares in issue	177.1	177.7
Effect of dilutive share options	3.2	3.4
Effect of dilutive SAYE scheme shares	3.6	3.4
Total number of shares for the purposes of calculating diluted earnings per share	183.9	184.5

Adjusted basic earnings per share before goodwill amortisation and operating exceptional items

Adjusted earnings per share is shown by reference to earnings before goodwill amortisation and operating exceptional items since the directors consider that this gives a more meaningful measure of the underlying performance of the Group. Earnings before goodwill amortisation and operating exceptional items are calculated as follows:

	2005 £m	2004 £m
Earnings used to calculate Basic and Diluted EPS	20.5	20.2
Goodwill amortisation	0.9	1.4
Operating exceptional items after tax	2.1	2.3
Adjusted earnings	23.5	23.9

	Earnings per share 2005 p	Earnings per share 2004 p
Basic EPS	11.6	11.4
Goodwill amortisation	0.5	0.8
Operating exceptional items after tax	1.2	1.3
Basic EPS before goodwill amortisation and operating exceptional items	13.3	13.5
Diluted earnings per ordinary share	11.1	10.9

11 Intangible assets: Goodwill

	Total £m
Cost	
At 1 July 2004	14.2
Additions	1.1
Disposals	–
At 30 June 2005	**15.3**
Amortisation	
At 1 July 2004	(6.6)
Charge for the year	(0.9)
Disposals	–
At 30 June 2005	**(7.5)**
Net book value	
At 1 July 2004	7.6
At 30 June 2005	**7.8**

The £1.1 million additions to goodwill relates to the APL acquisition (see note 4).

In accordance with the accounting policy for goodwill, described in note 1, goodwill arising on acquisitions since 1 July 1998 has been capitalised and is being amortised over 20 years, except that goodwill on the acquisition of the liquids business of Nichol Beauty Products Limited and the assets of Valley Chemicals Limited are being amortised over 5 years, and goodwill on APL is amortised over 10 years as these are deemed to be appropriate periods. Nichol Beauty Products was fully amortised in the year.

12 Tangible fixed assets

	Land and buildings		Plant and machinery, computer equipment and motor vehicles	Payments on account and assets in the course of construction	Total
	Freehold £m	Long leasehold £m	£m	£m	£m
Cost					
At 1 July 2004	69.2	2.7	231.3	4.6	307.8
Exchange adjustments	0.6	–	1.1	–	1.7
Additions	0.9	–	16.5	0.1	17.5
Acquisitions	2.1	–	2.7	0.8	5.6
Disposals	–	–	(3.8)	–	(3.8)
Transfers	–	–	0.5	(0.5)	–
At 30 June 2005	**72.8**	**2.7**	**248.3**	**5.0**	**328.8**
Depreciation					
At 1 July 2004	(17.1)	(0.6)	(165.5)	–	(183.2)
Exchange adjustments	(0.1)	–	(0.5)	–	(0.6)
Charge for the year	(1.5)	(0.1)	(17.0)	–	(18.6)
Disposals	–	–	3.7	–	3.7
At 30 June 2005	**(18.7)**	**(0.7)**	**(179.3)**	**–**	**(198.7)**
Net book value					
At 1 July 2004	52.1	2.1	65.8	4.6	124.6
At 30 June 2005	**54.1**	**2.0**	**69.0**	**5.0**	**130.1**

There was no significant movement in the Company's tangible fixed assets of £0.1 million at 30 June 2005 (2004: £0.1m). It is included above within the plant and machinery, computer equipment and motor vehicles category.

The net book value of finance leases included within tangible fixed assets above was £4.2 million (2004: £4.2m) and the depreciation charge for the year was £0.2 million (2004: £0.1m).

Notes to the financial statements continued

13 Investments

Company	£m
Shares in subsidiary undertakings at cost	
At 30 June 2004	164.7
Exchange on Euro investment	0.1
At 30 June 2005	**164.8**

The investment in McBride Euro Finance Limited is Euro denominated and has been financed by an equivalent Euro loan. Both the loan and investment are revalued.

In the year ending 30 June 2003, the business assets of McBride Aircare Limited were transferred to Robert McBride Limited. Both companies are ultimately wholly owned subsidiaries of McBride plc. The cost of the Company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. No adjustment has been made to the combined carrying value of the Company's investments in these subsidiaries or reflected in the Group's financial statements. Schedule 4 of the Companies Act 1985 requires that the investment be written down and that the amount be charged as a loss in the Company's profit and loss account. However if the adjustment were made the directors consider that as there has been no loss to the Company it would fail to give a true and fair view of the Company's profit and loss for the year. The trade and assets have simply been transferred from one wholly owned subsidiary to another. Therefore, the directors consider that this policy is necessary to present a true and fair view as to the Company's trading performance and have invoked the true and fair override for the presentation of these financial statements. The effect of this departure was to increase the Company's profit for 2003 by £5.5 million and its investment in subsidiary undertakings by the same amount. The Group accounts were not affected by the transfer.

Set out below are the principal subsidiary undertakings of the Group whose results are included in the Group financial statements as at 30 June 2005. All subsidiaries incorporated in Great Britain are registered in England and Wales. The country of incorporation is also the principal country of operation.

The main business activity of the 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
Subsidiaries		
Robert McBride Ltd*	100%	Great Britain
McBride S.A.S. (changed name from Yplon S.A.S.)	100%	France
McBride S.A. (changed name from Yplon N.V./S.A.)	100%	Belgium
McBride S.p.a. (changed name from General Detergents S.p.A.)	100%	Italy
McBride S.A. (changed name from Productos Quimicos Arco Iris S.A.)	100%	Spain
McBride B.V.**	100%	The Netherlands
Problanc S.A.S.	100%	France
Intersilesia McBride Polska Sp. Z.o.o.	85%	Poland
Vitherm S.A.S.	100%	France
McBride Hungary Kft	100%	Hungary
McBride s.r.o.	100%	Czech Republic
McBride Euro Finance Ltd*	100%	Great Britain
Aerosol Products Ltd (see note 4)	100%	Great Britain
OOO McBride Russia	100%	Russia
Investment companies		
McBride Holdings Ltd*	100%	Great Britain
McBride CE Holdings Ltd	100%	Great Britain

* These companies are wholly owned subsidiary undertakings of McBride plc the Company.
** During the year Grada B.V. and Trimoteur Operations Europe B.V. merged into McBride B.V.

14 Stock

	2005 £m	2004 £m
Raw materials/packaging and consumables	**17.5**	15.2
Work in progress	**1.6**	1.4
Finished goods and goods for resale	**22.2**	22.2
Total stocks	**41.3**	38.8

15 Debtors

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Amounts falling due within one year				
Trade debtors	**100.0**	109.2	**–**	–
Amounts owed by Group undertakings	**–**	–	**52.5**	42.9
Other debtors	**2.7**	2.9	**1.2**	0.1
Prepayments and accrued income	**3.6**	2.8	**0.6**	0.8
Total debtors	**106.3**	114.9	**54.3**	43.8

16 Creditors: Amounts falling due within one year

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Bank overdrafts (unsecured)	**3.0**	2.0	**0.1**	0.1
Bank loans	**0.5**	1.2	**–**	–
Finance leases	**0.5**	0.3	**–**	–
Trade creditors	**101.5**	94.0	**0.5**	0.2
Amounts owed to Group undertaking	**–**	–	**42.8**	35.8
Corporation tax payable	**2.0**	1.2	**–**	0.1
Other taxation and social security	**11.7**	10.9	**–**	–
Other creditors	**10.0**	16.2	**–**	0.1
Accruals and deferred income	**20.3**	20.2	**2.1**	1.1
Dividends proposed on equity shares	**5.9**	5.0	**5.9**	5.0
Total creditors falling due within one year	**155.4**	151.0	**51.4**	42.4

The Group's utilisation under the non-recourse invoice selling facility is included above. The margins on borrowings reported above vary between 35bps and 100bps over local market rates. There is a £9.9 million reclassification in the 2004 Group numbers from accruals into trade creditors relating to goods received not invoiced.

17 Creditors: Amounts falling due after more than one year

	2005 £m	2004 £m
Bank loans	**19.1**	26.3
Finance leases	**1.6**	1.8
Total creditors falling due after more than one year	**20.7**	28.1

These are repayable by installments:		
Between one and two years	**19.7**	26.5
Between two and five years	**0.9**	1.1
After five years	**0.1**	0.5
Total creditors falling due after more than one year	**20.7**	28.1

The borrowings under the Group's revolving credit term facility are at margins ranging between 70 bps and 90 bps over relevant interbank rates.

The bank loans above are not secured on the Group's assets.

18 Provisions for liabilities and charges

	Group deferred tax £m	Group other £m	Group total £m
At 30 June 2004	4.8	9.3	**14.1**
Transfer to current tax	0.6	–	**0.6**
Profit and loss charge	0.7	2.9	**3.6**
Utilised during the year	–	(5.9)	**(5.9)**
At 30 June 2005	6.1	6.3	**12.4**

'Other' provisions mainly relate to 2005 exceptional costs (see note 3) and leasehold dilapidations. There were no provisions or deferred tax balances in the Company at 30 June 2005 or 30 June 2004.

The amount of the full potential deferred taxation provision can be analysed as follows:

Group	2005 £m	2004 £m
Difference between accumulated depreciation and capital allowances	**15.0**	13.6
Other timing differences	**(8.9)**	(8.8)
Deferred tax liability	**6.1**	4.8

Included within other timing differences are assets recognised in respect of unutilised losses and available ACT. Insufficient evidence exists to recognise assets in respect of other unrelieved losses and ACT of £4.6 million (2004: £2.8m).

19 Called up share capital

	Authorised		Allotted, called up and fully paid	
	Number	£m	Number	£m
Ordinary shares of 10 pence each				
At 1 July 2004	500,000,000	50.0	177,809,468	17.8
Shares issued	–	–	5,032,029	0.5
Shares repurchased	–	–	(6,125,000)	(0.6)
At 30 June 2005	500,000,000	50.0	176,716,497	17.7

5,032,029 ordinary 10p shares were issued during the year for a consideration of £2,928,023 in order to satisfy the exercise of employee share options. Additionally 6,125,000 ordinary shares were repurchased by the Company, 4,600,000 for cancellation and 1,525,000 (£152,500 nominal value) to be held as Treasury Shares for the expected future exercise of other share options.

20 Share options

The following share option schemes over the Company's ordinary shares are outstanding as at 30 June 2005:

Option type	Option number	Option price (£)	Earliest exercise date	Expiry date
1995 Executive Share Option Scheme	1,063,417	1.88	6 July 1998	5 July 2005
1995 International Executive Share Option Scheme	984,022	1.88	6 July 1998	5 July 2005
1995 International Executive Share Option Scheme	829,059	0.585	24 September 2005	24 September 2012
2002 Unapproved Discretionary Share Option Scheme	701,389	0.72	16 December 2005	16 December 2012
1995 Savings Related Share Option Scheme	1,457,270	0.445	1 August 2005	31 January 2006
1995 Savings Related Share Option Scheme	3,734,608	0.445	1 August 2007	31 January 2008
	8,769,765			

21 Movement on reserves

Group	Share premium account £m	Capital redemption reserve £m	Goodwill eliminated directly against reserves £m	Cumulative retained profit £m	Profit and loss account £m
At 30 June 2004	139.4	–	(146.4)	80.9	(65.5)
Retained profit for the year	–	–	–	12.0	12.0
Share issues	2.4	–	–	–	–
Share repurchases – for cancellation	–	0.5	–	(6.9)	(6.9)
– held as treasury shares	–	0.1	–	(2.4)	(2.4)
Unrealised foreign currency differences	–	–	–	(0.2)	(0.2)
At 30 June 2005	141.8	0.6	(146.4)	83.4	(63.0)

Company	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m
At 30 June 2004	139.4	–	9.0
Retained profit for the year	–	–	8.0
Share issues	2.4	–	–
Share repurchases – for cancellation	–	0.5	(6.9)
– held as treasury shares	–	0.1	(2.4)
At 30 June 2005	141.8	0.6	7.7

In accordance with the exemption allowed by Section 230 of the Companies Act 1985 the Company has not presented its own profit and loss account. The company made a profit for the year of £16.5 million before dividends payable of £8.5 million in the year to 30 June 2005.

Under FRS 10 the Group is required to show the profit and loss account and goodwill written off as a single merged figure on the consolidated balance sheet. In addition to the goodwill written off directly against profit and loss reserves of £146.4 million, £2.5 million was written off against the merger reserve in 1999 giving a total of £148.9 million written off against reserves.

22 Commitments

	Group 2005 £m	Group 2004 £m	**Company 2005 £m**	Company 2004 £m
Capital expenditure				
Contracted but not provided	**2.0**	5.0	**–**	0.1

Operating leases	**Group 2005 £m**	Group 2004 £m	**Company 2005 £m**	Company 2004 £m
Within one year	**1.2**	0.7	**0.2**	0.2
In the second to fifth years inclusive	**2.0**	2.2	**–**	0.1
Over five years	**–**	–	**–**	–
	3.2	2.9	**0.2**	0.3
Leases of land and buildings which expire				
Within one year	**0.1**	0.1	**0.1**	0.1
In the second to fifth years inclusive	**–**	0.1	**–**	0.1
	0.1	0.2	**0.1**	0.2
Other leases which expire				
Within one year	**1.1**	0.6	**0.1**	0.1
In the second to fifth years inclusive	**2.0**	2.1	**–**	–
	3.1	2.7	**0.1**	0.1

23 Remuneration of directors

	2005 £000	2004 £000
Emoluments	**917**	1,089
Pension contributions	**288**	250
Total remuneration	**1,205**	1,339

Further analysis of the above amounts and information concerning directors' shareholdings and options are shown on pages 33, 40 and 41 in the Directors' Report.

The total emoluments of the highest paid director were £669,000 (2004: £780,000) including pension contributions of £210,000 (2004: £184,000).

	Number of Directors 2005	Number of Directors 2004
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	**2**	2
Total	**2**	2

24 Pension schemes

The total pensions cost for the Group disclosed under SSAP 24 – Accounting for pension costs, in note 25 to the accounts were:

	2005 £m	2004 £m
United Kingdom – defined benefit schemes	**1.9**	1.6
United Kingdom – defined contribution schemes	**0.4**	0.2
Continental Europe – defined contribution schemes	**0.1**	0.4
Deficit charge – United Kingdom defined benefit schemes	**–**	0.8
	2.4	3.0

The assets of the plans are held in separately administered trusts. Pension plan assets are managed by independent professional investment managers. The actuarial valuation noted above takes into account the impact of changes to Advanced Corporation Tax in the UK that took effect from 2 July 1997.

Other than the pension schemes described above, the Group does not operate any form of post retirement benefits.

The actuarial value of the assets of the UK defined benefit scheme represented approximately 97% of the liabilities for the benefits that had accrued to members, after allowing for expected future increases in earnings. This scheme has been closed to new entrants (see FRS 17 – Retirement benefits, below). An actuarial valuation of the UK defined benefit scheme, using the projected unit method, was undertaken on 31 January 2004 which showed a pre-tax deficit of £4.0 million for past service. This valuation was updated on 1 January 2005 giving a reduced pre-tax deficit of £1.5 million. This deficit is spread over the average remaining service life of the members, twelve years, on a percentage of pay basis, consistent with SSAP 24. This method results in the current service cost in respect of the closed scheme increasing as the members of the scheme approach retirement. The main financial assumptions used in the actuarial valuation were rate of increase in salaries 4.5%, inflation 2.9% and investment return 6.8%.

At 30 June 2005 there was a £0.2 million prepayment (2004: £nil) on the balance sheet relating to the UK defined benefit scheme deficit.

FRS 17 – Retirement benefits

As required under FRS 17 – Retirement Benefits, the Group has adopted the new disclosure guidelines that were issued in November 2000.

The objective of the FRS is to reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations, to better reflect the operating costs of providing those benefits and to ensure adequate disclosure of these items.

The Group operates a number of pension schemes. Within the UK, it operates the Robert McBride Pension Fund, which is a defined benefits 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 schemes in Continental Europe that are devised in accordance with local conditions and practices in the countries concerned.

In line with many other companies, the Directors of McBride have considered the potential uncertainty and long term cost to the Group of continuing to offer a defined benefits pension scheme. Accordingly, in 2002 the Board closed, to new entrants, the Robert McBride Pension Fund and established a new defined contributions scheme for UK employees.

24 Pension schemes continued

A full actuarial valuation of the UK defined benefit scheme was carried out as at 31 March 2003. The results of that valuation have been projected to 30 June 2005 and then updated based on the following assumptions:

	2005	2004	2003
Rate of increase in salaries	**3.70%**	4.00%	4.00%
LPI increases for pensions in payment	**2.50%**	2.80%	2.40%
Liability discount rate	**5.25%**	6.00%	5.40%
Inflation assumption	**2.70%**	3.00%	2.50%
Revaluation of deferred pensions	**2.70%**	3.00%	2.50%

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.

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:

	Long-term rate of return 2005	**Value at 2005 £m**	Long-term rate of return 2004	Value at 2004 £m	Long-term rate of return 2003	Value at 2003 £m
Equities	**6.50%**	**35.9**	7.50%	31.6	6.50%	25.2
Bonds	**4.50%**	**8.5**	5.50%	4.2	4.50%	4.5
Property	**6.50%**	**2.2**	7.50%	1.3	6.50%	1.2
Cash	**4.00%**	**1.3**	5.50%	1.9	4.50%	2.0
Total market value of assets		**47.9**		39.0		32.9
Present value of scheme liabilities		**(59.0)**		(49.0)		(47.7)
Deficit in the scheme		**(11.1)**		(10.0)		(14.8)
Related deferred tax asset		**3.3**		3.0		4.4
Net pension liability		**(7.8)**		(7.0)		(10.4)

Analysis of the amount that would be charged to operating profit:

	2005 £m	2004 £m
Current service cost	**1.9**	2.4
Past service cost	**–**	–
Loss/(gain) on curtailment	**–**	–
Total operating charge	**1.9**	2.4

Analysis of the amount that would be credited to other finance income:

	2005 £m	2004 £m
Expected return on pension scheme assets	**2.9**	2.1
Interest on pension scheme liabilities	**(3.0)**	(2.7)
Net return	**(0.1)**	(0.6)

Analysis of amount that would be recognised in statement of total recognised gains and losses (STRGL):

	2005 £m	2004 £m
Actual return less expected return on pension scheme assets	**3.8**	2.5
Changes in assumptions underlying the present value of the scheme liabilities	**(5.4)**	3.7
Actuarial (loss)/gain recognised in the STRGL	**(1.6)**	6.2

24 Pension schemes continued

Movement in deficit during the year:

	2005 £m	2004 £m
Deficit in scheme at start of year	**(10.0)**	(14.8)
Movement in the year:		
Current service cost	**(1.9)**	(2.4)
Contributions	**2.5**	1.6
Past service costs	**–**	–
Other finance income	**(0.1)**	(0.6)
Actuarial (loss)/gain	**(1.6)**	6.2
Deficit in scheme at year end	**(11.1)**	(10.0)

Following the full actuarial valuation at 31 March 2003 different contribution rates are payable in respect of the different sections of the scheme, as set out in the Schedule of Contributions.

History of experience gains and losses	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets:				
Amount (£m)	**3.8**	2.5	(6.6)	(4.2)
Percentage of the scheme assets	**8%**	6%	(20%)	(12%)
Experience gains and losses on scheme liabilities:				
Amount (£m)	**(5.4)**	3.7	(0.9)	–
Percentage of the present value of the scheme liabilities	**(9%)**	8%	(2%)	–
Total amount recognised in statement of total recognised gains and losses:				
Amount (£m)	**(1.6)**	6.2	(7.7)	(3.5)
Percentage of the present value of the scheme liabilities	**(3%)**	13%	(16%)	(8%)

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss account at 30 June 2005 would be as follows:

	Net assets 2005 £m	Profit and loss 2005 £m	Net assets 2004 £m	Profit and loss 2004 £m
As reported	**97.3**	**(63.0)**	91.7	(65.5)
Deduct SSAP 24 pension deficit	**0.8**	**0.8**	0.8	0.8
FRS 17 pension deficit (net of deferred tax)	**(7.8)**	**(7.8)**	(7.0)	(7.0)
	90.3	**(70.0)**	85.5	(71.7)

25 Staff numbers and costs

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

	2005	2004
Operations	**3,341**	3,173
Sales and marketing	**261**	214
Finance and administration	**606**	635
Total full-time equivalent employees	**4,208**	4,022

Following a reorganisation in the year of the Continental Europe business, 2004 numbers have been restated to include a reallocation from Operations to Finance and administration of 225 people.

	2005 £m	2004 £m
The aggregate payroll costs were:		
Wages and salaries	**80.5**	80.1
Social security costs	**17.7**	17.3
Pension costs (see note 24)	**2.4**	3.0
Total payroll costs	**100.6**	100.4

26 Reconciliation of operating profit to operating cashflow

	Pre exceptional items 2005 £m	**Exceptional items (note 3) 2005 £m**	**Post exceptional items 2005 £m**	Pre exceptional items 2004 £m	Exceptional items (note 3) 2004 £m	Post exceptional items 2004 £m
Group operating profit	**34.1**	**(3.0)**	**31.1**	33.7	(3.3)	30.4
Depreciation	**18.6**	**–**	**18.6**	18.5	–	18.5
Goodwill amortisation	**0.9**	**–**	**0.9**	1.4	–	1.4
Loss on disposal of fixed assets	**0.1**	**–**	**0.1**	–	–	–
Movement in stock	**(1.1)**	**–**	**(1.1)**	1.3	–	1.3
Movement in debtors	**9.6**	**–**	**9.6**	(3.7)	–	(3.7)
Movement in creditors	**(7.4)**	**(0.7)**	**(8.1)**	11.2	3.3	14.5
Net cashflow from operating activities	**54.8**	**(3.7)**	**51.1**	62.4	–	62.4

The £3.7 million exceptional items outflow includes the £3.3 million 2004 profit and loss charge, all of which was incurred this year and £0.4 million of this year's £3.0 million profit and loss charge.

27 Returns on investments and servicing of finance

	2005 £m	2004 £m
Interest received	**0.2**	3.3
Interest paid	**(2.6)**	(2.2)
Interest element of finance lease rentals paid	**(0.2)**	(0.1)
Total cash (outflow)/inflow from returns on investment and servicing of finance	**(2.6)**	1.0

28 Financing

	2005 £m	2004 £m
Decrease in debt	**(8.2)**	(26.4)
Capital element of finance lease rental payments	**(0.4)**	(0.4)
Net cash outflow from financing (decrease in financing)	**(8.6)**	(26.8)

29 Analysis of net debt

	2004 £m	Cash flow £m	Non cash movements £m	Exchange movement £m	**2005 £m**
Cash in hand	0.2	0.2	–	(0.1)	**0.3**
Overdrafts	(2.0)	(1.0)	–	–	**(3.0)**
	(1.8)	(0.8)	–	(0.1)	**(2.7)**
Debt: Due after one year	(26.3)	7.5	–	(0.3)	**(19.1)**
Debt: Due within one year	(1.2)	0.7	–	–	**(0.5)**
Finance leases	(2.1)	0.4	(0.4)	–	**(2.1)**
Net cash/(debt)	(31.4)	7.8	(0.4)	(0.4)	**(24.4)**

	2003 £m	Cash flow £m	Non cash movements £m	Exchange movement £m	2004 £m
Cash in hand	0.7	(0.7)	–	0.2	0.2
Overdrafts	(4.2)	2.2	–	–	(2.0)
	(3.5)	1.5	–	0.2	(1.8)
Debt: Due after one year	(55.0)	27.6	–	1.1	(26.3)
Debt: Due within one year	–	(1.2)	–	–	(1.2)
Finance leases	(2.6)	0.4	–	0.1	(2.1)
Net cash/(debt)	(61.1)	28.3	–	1.4	(31.4)

The acquisition in the year of Aerosol Products Limited (APL) (see note 4) was funded by 100% cash consideration. The acquisition included £0.2 million cash and £0.3 million of finance lease obligations. Non cash movements above includes £0.3 million APL finance leases acquired and £0.1 million other new finance leases.

Notes to the financial statements continued

30 Contingent liabilities

The Group has a contingent liability of £1.2 million arising from the purchase agreement that entitles the minority interest holder of Intersilesia McBride Polska Sp. Z.o.o. to request the purchase of shares at a valuation, derived by formula, based upon business performance.

Intersilesia has performed well against the criteria. As a result, the valuation has reached its contractual limit of £1.2 million. There remains uncertainty as to when the minority interest holder will exercise the right to sell the minority stake, but in any event, the Group acknowledges a contingent liability of £1.2 million.

31 Financial instruments

Funding

Other than those noted in the fair value disclosure, there are no differences between current and book values of financial instruments held by the Group at the year end.

Short term debtors and creditors

Short term debtors and creditors have been excluded where permitted by FRS 13.

Foreign Exchange

Gains and losses arising from these exposures will be recognised in the profit and loss account. The amounts in the table take into account the effect of forward contracts used to manage these exposures.

Interest rate risk management

This table analyses the currency and interest rate composition of the Group's financial assets and liabilities excluding any short term trade debtors and creditors.

	Polish Zloty £m	**Euro £m**	**Sterling £m**	**Total carrying value 2005 £m**	Total carrying value 2004 £m
Financial liabilities:					
Fixed rate	**–**	**(1.9)**	**(0.2)**	**(2.1)**	–
Floating rate	**(0.3)**	**(21.4)**	**(0.9)**	**(22.6)**	(31.4)
Non interest bearing	**–**	**–**	**–**	**–**	(0.2)
	(0.3)	**(23.3)**	**(1.1)**	**(24.7)**	(31.6)
Currency swaps	**–**	**(17.8)**	**17.8**	**–**	–
	(0.3)	**(41.1)**	**16.7**	**(24.7)**	(31.6)
Financial assets:					
Floating rate	**–**	**–**	**–**	**–**	0.2
Non interest bearing	**0.1**	**0.2**	**–**	**0.3**	–
	0.1	**0.2**	**–**	**0.3**	0.2
Net financial (liabilities)/assets	**(0.2)**	**(40.9)**	**16.7**	**(24.4)**	(31.4)

Floating rate financial liabilities bear interest based on short term interbank rates (predominantly LIBOR, with some EURIBOR and Base Rates) (see notes 16 and 17).

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.

To manage the interest rate risk exposure to Euro borrowings the Group used interest rate costless collars that had floors of 2.0% and caps of 2.72% – 2.95% (Euro 3.0 million at 1 July 2004, all matured by 30 June 2005).

Liquidity risk management

The maturity profile of the Group's financial liabilities, excluding short term creditors such as trade creditors and accruals, is:

Maturity	**Total carrying value 2005 £m**	Total carrying value 2004 £m
Less than one year	**(3.7)**	(3.3)
One to five years	**(20.6)**	(27.6)
More than five years	**(0.1)**	(0.5)
	(24.4)	(31.4)

31 Financial instruments continued

The Group has a single committed facility. The amounts unutilised and maturities of the facility are analysed below:

Committed undrawn facilities	**2005 £m**	2004 £m
Expiring less than one year	**5.0**	7.4
One to two years	**–**	–
More than two years	**41.1**	38.8
	46.1	46.2

Fair value disclosure

Fair value of financial assets and liabilities	**2005** Book value £m	**2005** Fair value £m	2004 Book value £m	2004 Fair value £m
Bank loans, overdrafts and other loans	**(22.6)**	**(22.6)**	(29.5)	(29.5)
Finance lease liabilities	**(2.1)**	**(2.1)**	(2.1)	(2.1)
Total gross borrowings	**(24.7)**	**(24.7)**	(31.6)	(31.6)
Cash at bank and in hand	**0.3**	**0.3**	0.2	0.2
Total net borrowings	**(24.4)**	**(24.4)**	(31.4)	(31.4)
Forward exchange contracts	**(0.3)**	**(0.1)**	(0.4)	(0.5)
Total	**(24.7)**	**(24.5)**	(31.8)	(31.9)

The fair values of the forward contracts are estimated from market forward exchange rates on 30 June 2005.
The fair values of borrowings are reported at book value as they are all at short term to reset.

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 all 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, e.g. to fund a subsidiary in a low interest rate non functional currency, as for Poland below, provided that the net exposure is covered by non-monetary means elsewhere, as can be seen in the net asset exposure table further below.

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

2005	**Sterling £m**	**Euro £m**	**Polish Zloty £m**	**Total £m**
United Kingdom	**–**	**–**	**–**	**–**
Euro-zone countries	**(0.8)**	**–**	**–**	**(0.8)**
Polish Zloty	**(0.1)**	**(5.1)**	**–**	**(5.2)**
Other	**–**	**(0.2)**	**–**	**(0.2)**
Total	**(0.9)**	**(5.3)**	**–**	**(6.2)**

2004	Sterling £m	Euro £m	Polish Zloty £m	Total £m
United Kingdom	–	4.7	–	4.7
Euro-zone countries	(0.4)	–	–	(0.4)
Polish Zloty	(0.2)	(5.7)	–	(5.9)
Other	(0.5)	(0.2)	–	(0.7)
Total	(1.1)	(1.2)	–	(2.3)

31 Financial instruments continued

Currency risk management – net asset exposure

As indicated on page 22 of the Financial Review, it is the objective of the Group to minimise currency risk by hedging its currency exposure. The Group operates significant trading assets in continental Europe, denominated in Euros and other European currencies.

Although trading activities take place mainly within each currency area, the Group has significant exposure to movements in exchange rates on net assets. In order to hedge these exposures the Group arranges foreign currency funding, both internal and external, and uses forward contracts to hedge the remaining net exposure to foreign currency assets. The net asset exposure and the effect of the rolling forward contracts is shown below.

Impact of forward contracts on net assets

	2005			2004		
	Net assets Before Hedging £m	**Forward Contracts £m**	**Net assets After Hedging £m**	Net assets Before Hedging £m	Forward Contracts £m	Net assets After Hedging £m
Sterling	**37.2**	**59.4**	**96.6**	50.8	40.4	91.2
Eurozone currencies	**53.2**	**(53.1)**	**0.1**	35.2	(34.7)	0.5
Other	**6.9**	**(6.3)**	**0.6**	5.7	(5.7)	–
Total net assets	**97.3**	**–**	**97.3**	91.7	–	91.7

Gains and losses on hedges	Gains £m	Losses £m	Total net gain/loss £m
Unrecognised gains and losses in 2004	0.1	–	0.1
Gains and losses arising in previous years now recognised in June 2005	0.1	–	0.1
Gains and losses arising in previous years not recognised in June 2005	–	–	–
Unrecognised gains and losses in 2005	0.2	(0.3)	(0.1)
Of which gains and losses to be recognised in 2006	0.2	(0.3)	(0.1)
After 2006	–	–	–

Five-year financial summary

	2005 £m	2004 £m	2003 Restated £m	2002 Restated £m	2001 Restated £m
Profit & loss account					
Turnover	**537.1**	501.3	486.8	467.5	483.8
Profit before tax (before goodwill and exceptional items)	**33.7**	34.9	27.6	19.6	12.9
Profit after tax (before goodwill and exceptional items)	**23.6**	24.0	19.7	14.2	13.6
Profit before tax	**29.8**	30.2	26.2	2.2	11.3
Profit after tax	**20.6**	20.3	18.3	(3.2)	12.0
Earnings					
Earnings per share (before goodwill and exceptional items)	**13.3p**	13.5p	11.0p	7.8p	7.4p
Ordinary dividends	**4.8p**	4.0p	2.9p	2.1p	2.0p
Employees					
Average number of employees	**4,208**	4,022	4,061	4,234	4,558

During the 2003/04 year the accounting policy for the treatment of sales discounts and rebates was amended. Prior period turnover figures have been restated to reflect this change. There was no impact on any of the other numbers above.

Financial calendar

Record date for 2004/05 final dividend	28 October 2005
Annual General Meeting	31 October 2005
2004/05 final dividend payment date	25 November 2005
Announcement of interim results	February 2006
2005/06 interim dividend payment	May 2006

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