DELIVERING GROWTH IN EUROPE

ANNUAL REPORT 2004

McBride

SHAPING UP AS A EUROPEAN BUSINESS

McBRIDE IS THE LEADING SUPPLIER OF PRIVATE LABEL HOUSEHOLD AND PERSONAL CARE PRODUCTS FOR EUROPE'S LARGEST AND MOST SUCCESSFUL RETAILERS.

THE COMPANY IS STRUCTURED TO GIVE ITS CUSTOMERS A COMPLETE PRIVATE LABEL SERVICE THAT INCLUDES MARKETING AND CATEGORY DEVELOPMENT, PRODUCT AND PACKAGING DESIGN, LOGISTICS AND SUPPLY CHAIN MANAGEMENT AND FAST RESPONSES TO MARKET NEEDS WITH MANUFACTURING CENTRES IN SIX COUNTRIES ACROSS EUROPE.

McBRIDE DIFFERENTIATES ITSELF FROM COMPETITORS IN THE MARKETS WHERE IT OPERATES BY ITS INTEGRATED APPROACH, THEREBY REDUCING THE RISKS OF DOING BUSINESS FOR ITS CUSTOMERS AND OF INVESTMENT FOR ITS SHAREHOLDERS.

McBRIDE IS AN ORGANISATION FOCUSED ON TOTAL CUSTOMER SERVICE. IT ABIDES BY THE HIGH PROFESSIONAL AND ETHICAL STANDARDS EXPECTED OF A BUSINESS THAT OVER THE LAST DECADE HAS CONSISTENTLY ADAPTED ITSELF TO THE DYNAMICS OF A HIGHLY COMPETITIVE MARKET WHILE PROFITABLY SUPPLYING SOME OF THE WORLD'S MOST POWERFUL AND DEMANDING RETAILERS.

Contents

DRIVING THE BUSINESS FORWARD

Our strategy for profitable growth and cash generation is based on a commitment to improving our services for leading retailers in all major European markets.

Success has been achieved by strategic focus on five key areas:

> Ensuring we are in the markets where we will achieve the greatest returns – protecting our leadership in the UK, targeting growth sectors in Western and Central Europe, and supporting major customers as they expand in the new member states of Europe and the emerging markets of Eastern Europe

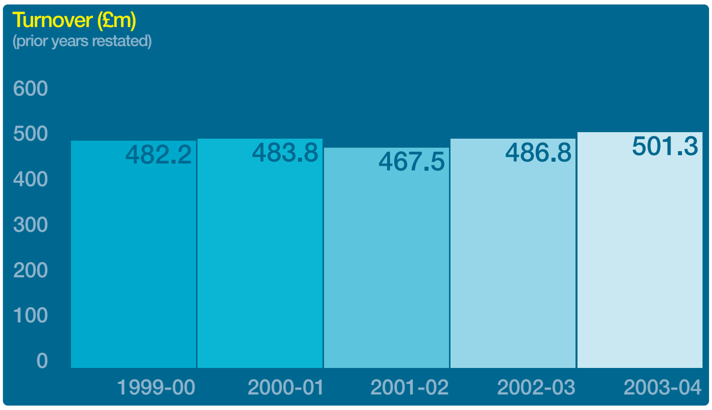
> Maximising the effective use of existing assets through improved asset utilisation, yields and productivity to produce higher volumes from the asset base

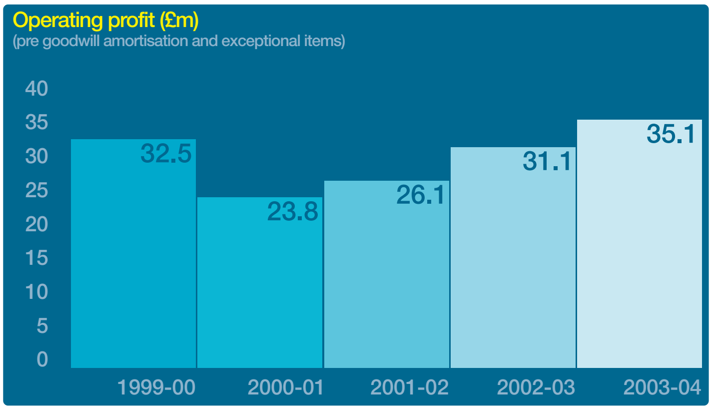
> Applying new technology and technical innovation to keep ahead in product development, speed to market and flexible, responsive customer service

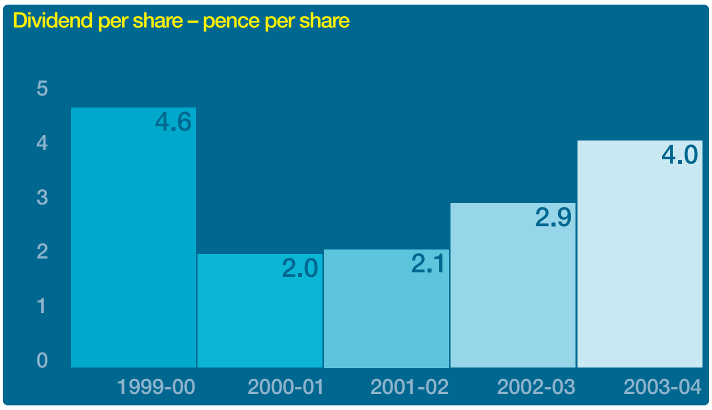
> Ensuring strong and consistent financial disciplines throughout the business to improve returns on capital to maximise cash generation

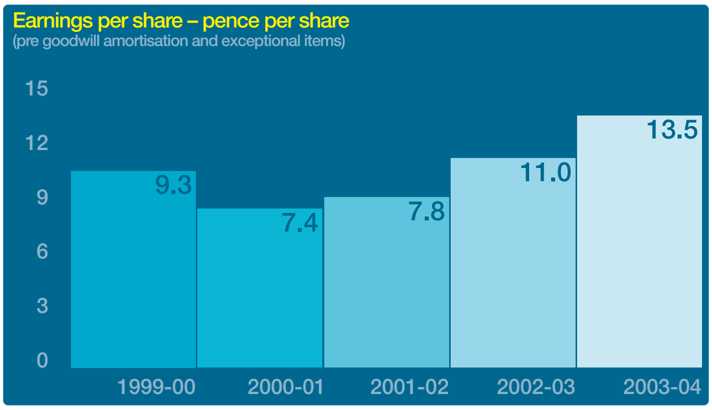
> From the innovation of new products through the protection of our natural environment via prudent use of resources and waste minimisation, to the welfare and development of our greatest asset – our people – we are committed to sustainable development

The European Private Label market is a competitive but growing market which provides opportunities for organic and acquisition growth. This environment, combined with management focus on cost efficiency, productivity, cash management and higher returns on capital, give McBride continued scope to improve total shareholder return.









FINANCIAL AND COMMERCIAL HIGHLIGHTS

+3.0%
Group turnover was £501.3 million

+12.9%
Group operating profit (before goodwill amortisation and exceptional items) was £35.1 million

+27.9%
Profit before tax excluding exceptional items was £33.5 million

+22.7%
Earnings per share was 13.5p (pre goodwill amortisation and exceptional items)

+48.6%
Reduction in net debt from £61.1 million to £31.4 million

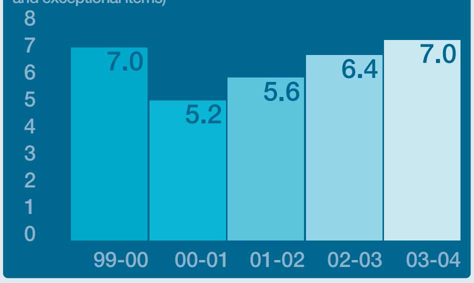
+37.9%
Total dividends for the year were 4.0p per share

> Group turnover increased by £14.5 million, driven by the growth of Continental European household and personal care sales.

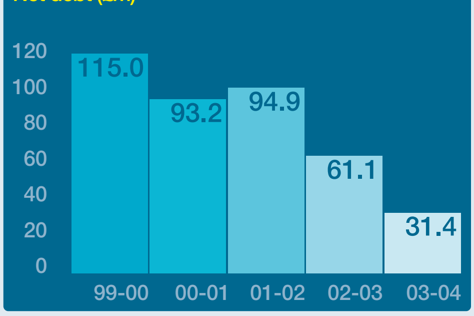
> Group operating profit before goodwill amortisation and exceptional items improved to £35.1 million as a result of higher sales and lower operating costs based on improved efficiency.

> Underlying cash flow generation was £28.3 million after making dividend payments totalling £7.3 million.

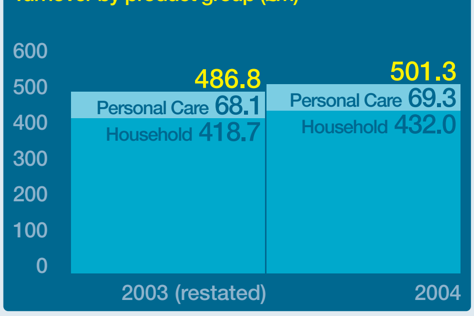
Return on sales (%)
(operating profit pre goodwill amortisation and exceptional items)



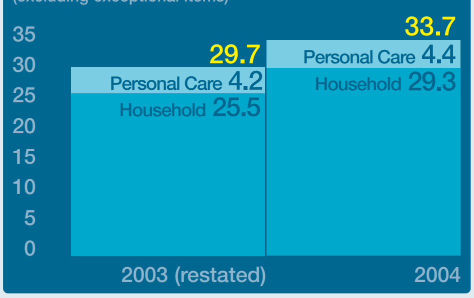
Net debt (£m)



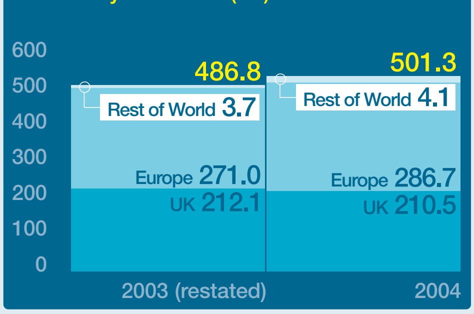
Turnover by product group (£m)



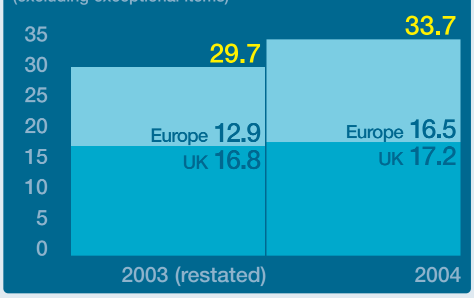
Operating profit by product group (£m)
(excluding exceptional items)



Turnover by destination (£m)



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



United Kingdom

> UK sales reduced slightly as volume growth was offset by price erosion.

> Operating profit has continued to improve by 2.4% this year, reflecting an ongoing focus on cost efficiencies, asset utilisation and inventory management.

Turnover by destination (£m)	1999-00 Restated	2000-01 Restated	2001-02 Restated	2002-03 Restated	2003-04
UK	238.1	226.3	213.7	212.1	210.5
Continental Europe	221.4	227.3	249.7	271.0	286.7
Rest of World	4.3	4.1	4.1	3.7	4.1
Total	463.8	457.7	467.5	486.8	501.3

Turnover	1999-00 Restated	2000-01 Restated	2001-02 Restated	2002-03 Restated	2003-04
UK	51.3%	49.4%	45.7%	43.6%	42.0%
Non UK	48.7%	50.6%	54.3%	56.4%	58.0%

Continental Europe

> Continental European sales continued to grow strongly this year by 5.8%, reflecting the growing European Private Label market. This growth is led by the French, Italian and Spanish markets.

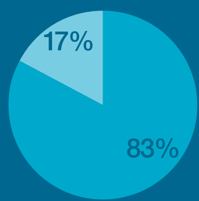
> Operating profit increased by 27.9% in the year, driven mostly by sales growth and firm cost controls.

Operating profit by origin (£m)	1999-00 Restated	2000-01 Restated	2001-02 Restated	2002-03 Restated	2003-04
UK	16.6	13.3	15.0	16.8	17.2
Continental Europe*	13.3	6.4	9.8	12.9	16.5
Total	29.9	19.7	24.8	29.7	33.7

Margin	1999-00 Restated	2000-01 Restated	2001-02 Restated	2002-03 Restated	2003-04
UK	6.8%	5.7%	6.6%	7.7%	7.9%
Non UK	6.0%	2.8%	4.1%	4.8%	5.8%

* 2003-04 excludes £3.3 million exceptional items

COMPANY OVERVIEW

	McBRIDE UNITED KINGDOM
CORE MARKETS	UK AND IRELAND
PRIVATE LABEL MARKET CHARACTERISTICS	Europe's most mature and sophisticated Private Label market, with a 40%* volume share across all grocery categories in 2003. McBride leads in the Household Cleaners and Personal Care categories, where it is developing new value-added products and sales channels to protect its position. * PLMA 2004 Year Book
McBRIDE OPERATIONS	6 factories including Aerosol Products JV 1,997 employees excluding APL Producing: Laundry Detergents, Household Cleaners, Dishwashing Products, Personal Care Products and Aerosols
MAIN BUSINESS ACTIVITY	Key offers: 1 Private Labels 2 McBride Brands 3 Contract Manufacturing Household Products 83% Personal Care Products 17% 
HOUSEHOLD PRODUCTS	
PERSONAL CARE PRODUCTS	

McBRIDE CONTINENTAL EUROPE

AUSTRIA, BELGIUM, FRANCE, GERMANY, ITALY, NETHERLANDS, PORTUGAL, SPAIN AND SWITZERLAND

From 37% penetration in Belgium to 14% in Italy*, there are wide variations in Private Label volume share. McBride is well positioned to gain from growth across the region, driven by cross-border retailer concentration and the expansion of hard discount chains.

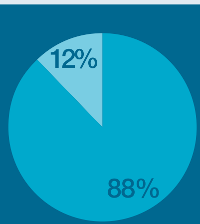
* PLMA 2004 Year Book

8 factories in 4 countries
France 3 factories, Belgium 3, Spain 1 and Italy 1

1,830 employees
Producing: Laundry Detergents, Household Cleaners, Dishwashing Products, Personal Care Products and Aerosols

Key offers:
1 Private Labels
2 McBride Brands
3 Contract Manufacturing

Household Products 88%
Personal Care Products 12%



McBRIDE INTERNATIONAL

POLAND, THE CZECH REPUBLIC, HUNGARY, SCANDINAVIA, CENTRAL AND EASTERN EUROPE AND REST OF THE WORLD

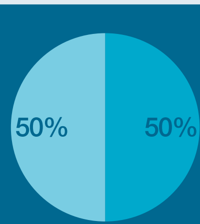
The presence of western retailers in countries like the Czech Republic, Hungary and Poland is driving rapid Private Label expansion. Including major emerging retail markets like Russia and Turkey, the region offers McBride the potential for 400 million new consumers for Private Label products.

1 factory in Southern Poland
2 Sales Offices: Prague – the Czech Republic and Budapest – Hungary

195 employees
Producing: Laundry Detergents, Household Cleaners, Dishwashing Products and Personal Care Products

Key offers:
1 McBride Brands
2 Private Labels
3 Contract Manufacturing

Household Products 50%
Personal Care Products 50%



Lord Sheppard
Chairman

CASH DRIVEN

NET DEBT REDUCED BY ALMOST 50%

4.0 PENCE

DIVIDEND UP 38% OVER THE YEAR

The programme of actions introduced by the executives continues to produce improvements in performance. In addition to cash generation the focus has been on improving labour efficiency, raw material usage, distribution and asset utilisation resulting in net debt being reduced by nearly 50%.

Further initiatives are currently being introduced to maintain momentum.

Key Strategic Strengths

The Group has continued to build on the excellent progress achieved since 2001 delivering further sales and profit growth. This is especially pleasing in a year when the industry has experienced more than its usual competitive pressures.

Our commitment to innovative solutions across all facets of the business has again ensured success. The strength of our business emanates from the consistency and relevance of our strategy: focus on Private Label household and personal care, innovate, support and develop with our major customers, emphasis on customer service and maintaining industry-leading management skills and experience. All elements of the strategy have contributed to this year's strong performance.

Continuing Improvement in Performance

The programme of actions introduced by the executives continues to produce improvements in performance. In addition to cash generation the focus has been on improving labour efficiency, raw material usage, distribution and asset utilisation resulting in net debt being reduced by nearly 50%.

Further initiatives are currently being introduced to maintain momentum.

Dividend Policy

The Group is committed to making progressive, sustainable increases to the dividend paid to shareholders, taking account of the medium-term requirements of the business. In view of the very strong performance during the year, the low level of debt and our confidence in the future, we are recommending a final dividend of 2.8 pence per share to be paid on 26 November 2004. The total dividend will be 4.0 pence per share, in line with the pre close announcement, a 38% increase over last year.

APL

McBRIDE ACQUIRES EQUITY SHAREHOLDING AND EXPECTS RETURN IN FIRST YEAR

Innovation in product development

We use our technological, manufacturing and marketing expertise to react rapidly to new marketplace developments and provide retailers with Private Label alternatives that cost-effectively match the performance of globally branded products. This helps them strengthen consumer trust in their brands to grow share, margins and loyalty in emerging and mature markets across Europe. The last year has seen many such innovations in many countries, sharing expertise across the Group for mutual gain.

Share Repurchase

In addition to the increased dividend, the Board is seeking approval from Shareholders to purchase up to 10% of the share capital of the Company.

Board

The company has undertaken a thorough review of all aspects of Corporate Governance including the recent changes to the UK Combined Code. The membership of the Board and Board Committees, together with their terms of reference have been comprehensively reviewed and updated where necessary. The contractual notice period for all executive directors has been amended to one year. All non-executives will be subject to annual re-election by shareholders at the AGM. The executive directors will be subject to re-election at two yearly intervals.

Aerosol Products Limited (APL)

The aerosol joint venture, based at Hull, once again has improved its performance.

Last year, we reported that customer confidence was at higher levels, and new business gained. This momentum continued during the year, resulting in further sales and profit growth for the joint venture. Since the year-end, as a result of this improved performance, McBride has purchased all the equity interests of our joint venture partners. This investment is expected to be earnings enhancing in the current year.

Customer Relations

Being a supplier of Private Label means that we are directly affected by the economic and competitive forces experienced by retailers. We are only able to succeed by being more responsive to and, when necessary, proactive with, our retail customers than other suppliers. We use our technical, manufacturing and marketing expertise to react rapidly to new marketplace developments and provide retailers with Private Label alternatives that cost effectively match the performance of globally branded products. This helps our retail customers strengthen consumer trust in their brands to grow share, margins and loyalty in emerging and mature markets across Europe. The last year has seen many such innovations in many countries, sharing expertise across the Group for mutual gain.

Workforce

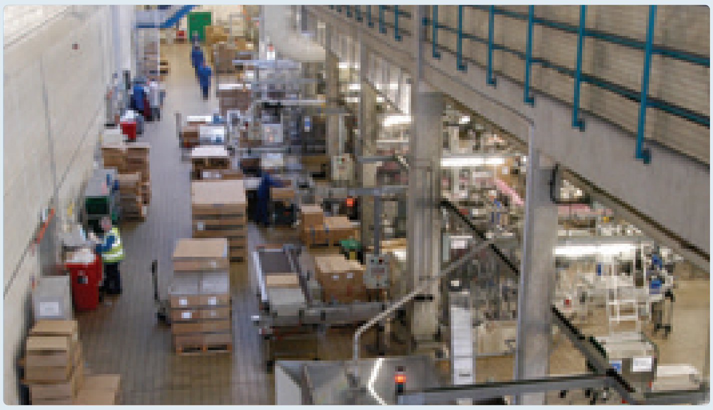
The current trading environment means that the business has to ensure that it operates at the lowest cost of supply consistent with effective competitive performance. A number of difficult decisions had to be taken by the business during the year to maintain our competitive edge.

It is therefore with pride and gratitude that I give recognition to the outstanding commitment of our staff during the year for their contribution towards a third year of excellent results.

Current Trading

These results again demonstrate the continuing strength of McBride. Whilst market conditions remain competitive, sales gains in Continental Europe and continuing operational improvements across the Group have further improved profitability. Cash flow is strong and a substantial reduction in debt has again been achieved. Since the year-end trading has been satisfactory.

Mike Handley
Chief Executive



58%

SALES TO EUROPE AND THE REST OF THE WORLD ACCOUNTED FOR 58% OF McBRIDE'S TURNOVER

Capitalising on market opportunities.

Developing new channels such as the convenience sector, growing margins with value-added ranges and converting niche products to mass-market status are all factors that ensure our continued market leadership in the UK. In Continental Europe, we are gaining strongly from the retailer concentration and growth in the discount sector that are driving Private Label forward in many countries, with significant scope for further penetration. In Central and Eastern Europe we are excellently positioned to help retailers reach the 75 million new consumers of the combined EU accession and candidate nations.

It is pleasing to report another year of growth in sales, profits and cash generation, which has enabled us to reduce the Group's net debt by almost 50% to £31.4 million.

The focus on exploiting the growth of Private Label in the recently enlarged EU market, maintaining our Private Label leadership in the UK, and improving our operational cost base have all contributed to this excellent performance.

These results are especially impressive against the background of intense retail competition and price focus in all markets, whether in Continental Europe's reaction to Hard Discount growth or in the UK market's reaction to the Morrison take-over of Safeway.

By achieving our objectives of improving shareholder value through profit growth and reduced external debt, the financial robustness of the Group has been reinforced.

Sales

Overall sales for the Group were £501.3 million compared with £486.8 million for the previous period which have been restated in line with FRS 5 – Application Note G. Sales growth of 3.0% was driven by our Continental European business, which reported local sales of over €400 million for the first time.

The strong performance of our Continental European business now means that sales outside the UK account for 58% of Group turnover. This growth was underpinned once again by a good performance in France assisted by strong growth from our Italian business.

McBride is also expanding its sales in both the Nordic countries and the large German Private Label market, where it has a sales office. It is also pleasing that the investments made in our manufacturing facility in Poland since it was acquired in 1998, combined with our existing facilities throughout the Group, have improved McBride's ability to compete effectively in terms of quality and price into these markets, and the accession countries of Central Europe.

Getting more from existing assets

By concentrating on increasing the productivity of our manufacturing plants, production lines and employees, we are growing our turnover without the need for major investment. There is still potential for further gains, but the closure of our Breda site in The Netherlands and the transfer of capacity to other sites demonstrates the effectiveness to date of our drive for increased efficiency.

£31.4 MILLION

NET DEBT REDUCED OVER THE YEAR TO £31.4 MILLION

£290.8 MILLION

RECORD SALES OUTSIDE THE UK

UK sales by destination at £210.5 million were broadly in line with last year's £212.1 million reflecting real volume growth offset by selling price deflation.

Further analysis of sales compared with last year is given in the Finance Director's Report.

Profit

At £35.1 million, the Group's operating profit before goodwill amortisation and exceptional items was up 12.9%. The Group's continuing focus on variable and fixed costs led to improved operational effectiveness and asset utilisation enabling McBride to counteract adverse pressures on selling prices.

The record sales of our European business also underpinned its operating profit to £16.5 million (excluding £3.3 million exceptional item) from £12.9 million last year an increase of 27.9%.

Cash

One of the most significant achievements of the Group's performance since December 2000 has been cash generation and the dramatic lowering of net debt. This has been achieved by focus on cash management and teamwork throughout the business. Interest charges have been reduced significantly by improved treasury management and the lower level of debt, which stood at £31.4 million at June 2004 compared with £61.1 million in June 2003.

Capital expenditure increased to £17.3 million (2003 – £10.6 million) with investments following the closure of Estaimpuis Industrial and Institutional factory and its conversion to a household facility, the closure of the Breda factory in The Netherlands and expenditure at Ieper and Estaimpuis to facilitate the transfer of its production, plus tablet capacity expansion in Barrow and Moyaux.

Private Label

Private Label increased its market share in six of the seven core European markets according to The PLMA's (Private Label Manufacturers Association) 2004 International Private Label Yearbook. The UK is still the largest market in Europe for Private Label with over 40% volume share across all grocery categories. A separate review of the Nordic markets showed Private Label gains in all countries.

The key factors that are influencing Private Label growth include retailer concentration and expansion across borders, the growth of the hard discount format and the expansion of the full service hypermarket across Europe. The new accession countries of Central and Eastern Europe, Poland, Czech Republic and Hungary are among the fastest growing Private Label markets according to AC Nielsen.

The enlargement of the EU on 1 May 2004 added 75 million new consumers in the accession countries to the existing 378 million consumers providing exciting opportunities for McBride to support Private Label growth. McBride regards this enlarged market as an exciting opportunity to support its major customers as they develop and expand their retail estates.

In the more mature UK market consumers are still attracted to the quality and value proposition of Private Label. Volume sales and market share across many categories continues to grow although price competitiveness among retailers and its deflationary effect has caused some loss of value share in many sectors.

Overall Private Label remains a growth sector of the European retail grocery market and those categories like household and personal care have even more development potential in the longer term because the Private Label share of these categories lags behind the all commodity share in the vast majority of countries.

£6.7 MILLION

CAPITAL EXPENDITURE INCREASED BY £6.7 MILLION OVER THE YEAR

INCREASED PRODUCTION

NEW PRODUCTION LINES COMPLETED AT ESTAIMPIUS SATISFYING INCREASED PRIVATE LABEL DEMAND

UK

The recently restructured UK retail grocery market continues to be very competitive as the top 4 retailers compete for market share. As a number of major retailers have entered and are developing the growing convenience sector, the availability of their Private Label ranges is expanding to more consumers. Whilst the household Private Label share lags behind the all commodity share, its volume share reached 34% in May 2004 which means UK consumers buy the Private Label option in 1 in every 3 purchases. The shelf price deflation referred to above, however, resulted in a slight value share reduction from 23.6% to 23.2%.

Both laundry products and machine dish wash enjoyed between 1 and 2% volume growth and in the latter category Private Label now accounts for more than half of all sales in the UK.

In laundry and household cleaner new product development, McBride continues to lead the field; successfully launching a new laundry sachet concept with unique tamper evident packaging, fruit extract based cleaners as well as a new dishwashing spray incorporating McBride's powerblaster formulation.

Keeping pace with the changing retail environment our Clean 'n Fresh range of household and laundry products was successfully launched into the independent convenience sector resulting in an 11.3% sales uplift in the year.

Another first for McBride UK, was the use of national TV advertising for the Surcare Sensitive range of laundry products. In the UK 75% of women believe they have sensitive skin and Surcare is the strongest brand in this niche sector. Sales of Surcare in 2003-04 were up 25% on the previous year and the range was extended into personal care.

The UK personal care business had another successful year growing sales and profits in the face of continuing competitive pressure. Initiatives with both Private Label and brand developments including the extension of Surcare resulted in a number of contract gains for the business.

APL

Last year we reported that the joint venture had returned to profit. I am pleased to confirm that the restructuring of the business that was introduced in the first half of 2003 continues to deliver benefits. APL generated £1.6 million at the operating profit level up 60% versus last year (McBride share £0.8 million, £0.5 million in 2003).

APL again was able to win both retail and contract volume, which resulted in sales of £33.0 million (McBride's share £16.5 million compared with £15.1 million last year). This is a tremendous result for the joint venture reflecting the effort and teamwork in rebuilding customer confidence in the business. We are therefore pleased to announce that as of 6 September 2004 McBride purchased all the equity shareholdings of our joint venture partners in APL. We look forward to the benefits of APL being a full member of the McBride Group.

Continental Europe

Our Continental European (McBride CE) sales are centred on the core Western European members of the EU primarily France, Spain, Italy, The Netherlands, Belgium and Germany as well as Poland. The headquarters are based in Belgium on the French border and the production sites are in France, Belgium, Spain and Italy.

The core markets display all the same competitive features as the UK with the added dimension of a much more developed hard discount sector. The dual dynamic of hard discount store openings and multiple retail consolidation has put in place all the key factors that facilitate Private Label growth i.e. big retailers, simplified fascias, centralised sourcing, distribution and range control. Against this background, all commodity Private Label and in particular household and personal care continue to increase market share.

In almost every European country Private Label increased its market share in the last 12 months according to research by AC Nielsen on behalf of the PLMA.

The CE team in McBride continues to work assiduously on broadening and deepening its relationships with Continental Europe's leading retailers. Working together to improve the Private Label offering in household and personal care products throughout Europe continues to be mutually beneficial for our retail customers and McBride. An essential part of customer focus is our commitment to maintaining its competitive cost structure and, as a result, the underperforming production units in Belgium and The Netherlands were closed in the period.

McBride CE sales reached a record Euro 400 million in the year for the first time with our Belgian factory at Ieper reporting record sales of over Euro 100 million driven by the buoyancy of the Private Label market in Europe. Overall reported sales by destination in Continental Europe were £286.7 million (£271.0 million) up 5.8%, with sales in local currency up 1.7%.

Intersilesia's retail sales were up 0.9% in local currency on the previous year resulting from the combination of a highly competitive Polish market compensated by the successful development of our Polish factory as the manufacturing hub for Central Europe. The company is successfully gaining business not only in adjacent Central European markets but also in Scandinavia and Baltic countries.

Our steady progress in building a sustainable business platform in Hungary and the Czech Republic continues with sales growth of 33% in Hungary and 17% in the Czech Republic.

VALUE FOR MONEY

OF 3000 RESPONDENTS IN THE UK, 65% SAY THAT PRIVATE LABEL HOUSEHOLD PRODUCTS OFFERED BETTER VALUE THAN THE LEADING BRANDS

INNOVATION

WE INTRODUCED A NEW LAUNDRY SACHET CONCEPT, FRUIT-BASED CLEANERS TOGETHER WITH A NEW DISHWASHING SPRAY

International – Rest of World

McBride International has responsibility for all markets outside the pre May 2004 EU territories with the majority of its sales in Central & Eastern Europe, the core of which is Intersilesia in Poland. Rest of World covers all markets outside Europe. As part of our development strategy for Central & Eastern Europe, McBride is at an advanced stage of opening a sales office in Moscow having recently established a local subsidiary McBride Russia Ltd to build on our existing position in the growing Russian market.

Recent successes for Private Label contracts have been gained in both Denmark and Norway with further business from our Polish factory assisting the development in the region.

Against the backdrop of a strong Euro and Sterling it is pleasing to report that McBride International were still able to deliver an 10.8% increase in sales.

Operations

A key element which sets McBride apart from its peer group Private Label competitors is the quality and scale of its manufacturing asset base throughout Europe comprising a network of 15 factories, in 6 countries including the APL joint venture in the UK. This strength is becoming increasingly recognised by our customers especially given our reputation for Private Label development, speed of response and expertise in supply chain and manufacturing.

During the year the closure of our Dutch factory was announced. The closure of the factory and transfer of production to more cost-effective sites within the Group was achieved without disruption to the service and products delivered to our customers.

As reported in last year's Annual Report, the Industrial and Institutional products factory on the Estaimpuis site in Belgium was closed during the year and a modern household cleaner and toilet care production facility has been created in the existing buildings of the old factory. This major project was excellently and professionally managed on time and within budget.

Production sites are focussed on product technologies and we therefore have 2 laundry powder factories, 2 aerosol factories, 2 personal care factories and 9 household liquids factories. The number of household liquids sites is a direct consequence of the need to avoid the transport costs of shipping products over large distances.

This year £17.3 million of capital was invested in the business compared to £10.6 million in 2002-03. The increase was in part driven by the need for new capacity in areas such as PET bottles in Europe and autodishwashing tablets but a certain proportion related to capacity additions required to enable the transfer of production from Breda to other factories in the Group.

The Group is continuing to identify areas for improving operational performance. Our continuing focus on asset utilisation, line productivity and efficiency through inter-site comparisons and benchmarks enables us to continue to attack our cost base. The Group believes it will be able to further improve throughput providing opportunities to reduce the asset base of the company whilst at all times ensuring that customer service levels are not compromised.

Our information systems and collaborative working with customers and suppliers has enabled stock levels to be lowered despite increases in sales turnover and volume whilst maintaining customer service.

Business Development

The niche and minor brand portfolio of McBride aimed at selective retail sectors has been an important area of development for the Group alongside our core business of retailer Private Labels.

Last year the Surcare niche brand range of laundry and cleaner products was extended with new varieties and the introduction of a personal care range resulting in 36% sales growth.

Our Clean 'n Fresh range was extensively redesigned to meet the growing UK convenience sector and resulted in an 11% sales growth over the year.

The Hard Discount retailers are a large Private Label sector requiring cost-effective suppliers, and this has been the subject of a detailed review by the business. Recent contracts have been won and continuing efforts are underway to expand our sales to the Hard Discount sector in our home markets as well as in Germany.

McBride is still an active exporter of products from Western Europe into Central and Eastern Europe. During the year, however, powder and cream cleaner production equipment was transferred to Poland for local production and reduced distribution and complexity. It is planned to continue this trend as sales grow in the region.

Contract manufacturing volume was impacted by the exit from the Industrial and Institutional business in Belgium. A number of new customer contracts have been gained within McBride core business sectors of household and personal care products providing good prospects for longer term volume opportunities.

SALES GROWTH

SURCARE SALES INCREASED 36% OVER 2003

SUSTAINABLE DEVELOPMENT

McBRIDE HAS PRODUCED ITS FIRST CORPORATE SUSTAINABILITY REPORT WHICH WILL BE ISSUED SEPARATELY TO THIS YEAR'S ANNUAL REPORT

Purchasing

2003-04 has been a year of uncertainty in the feedstock markets driven primarily by the uncertainties in the Middle East and Venezuela and the resulting upward trend in oil prices, which has impacted a number of downstream raw materials. The Group Purchasing Director and his team have had a challenging but successful year minimising the impact of these price movements on McBride's input costs.

Measures to mitigate raw material cost pressures include the joint technical/purchasing project reported last year. In addition other factors that have helped withstand selling price deflation and input price include purchasing longer on certain materials, a weaker US Dollar, weaknesses in other commodities and improvements in manufacturing efficiencies.

Planning

We are now in the third year of the Group Strategic plan, having achieved a number of key goals in terms of sales growth outside the UK, and improvements in profit, working capital, cash flow and net debt reduction across the Group. These improvements have been realised through organic growth and internal cost control.

A full review and update of the markets in which we operate and our key performance indicators (KPI's) which underpin the plan was undertaken during the year.

Two of the main outputs from the review included the decision to close the Breda factory in The Netherlands and also the decision to establish a sales office in Russia in line with our plans to identify new growth markets. The next phase of our planning process will investigate the opportunities available to the company to further accelerate growth through the examination of expansion into new geographic markets and in-filling product ranges whether organically or by acquisition.

Social & Ethical Policy

It has always been the Group's practice to set standards of performance and behaviour in the way we run the business. This goes beyond financial and operational aspects into how we behave with those in whose communities we operate and how we treat each other as colleagues. This year we have brought together all our best practices and formalised them as policy. This is an area where we will endeavour to improve our awareness and performance with, we believe, positive commercial effects. Our exhaustive benchmarking against best practice in the area of Corporate Governance has led us to update several of our policies and procedures as well as the design of a formal "whistleblowing" policy to enable employees to speak in confidence about issues of real concern that may affect the performance of the business.

Sustainable development

McBride has produced its first Corporate Sustainability Report which will be issued separately to this year's Annual Report, building on the Corporate Social Responsibility section in past Annual Reports and includes a more detailed description of our policies and activities in these vital areas. Our approach to managing the business is focussed on clear and measurable KPI's, most of which benefit from a common sense approach to the drivers of sustainable development.

For instance increasing yields and reducing waste, more efficient use of energy, light weight packaging, controlled dosage formats e.g. tablets and sachets, elimination of half full vehicles etc, are all ways of reducing variable costs which simultaneously are less harmful to the environment. Even lower overheads and stock require fewer buildings resulting in less heating and lighting energy consumption.

At McBride we practice sustainable development by being business efficient thereby running a good, efficient, effective and profitable business.

We are committed across Europe to the aims and requirements of the A.I.S.E. Charter on Sustainable Development, in whose creation we have been closely involved. The Charter requires participating companies to develop and implement policies, procedures, indicators and output covering the management of economic, social and environmental activities.

As Board members of A.I.S.E. (The European Detergents Industry Association), the Group fully supports the Detergent Industry Charter on Sustainable Development.

Health Safety and Environment

The Group's documented policies and procedures across the diverse businesses that operate in six countries with differing legal frameworks are well conceived. In the UK RoSPA is used to audit safety management, and we are pleased to report improved ratings at all UK sites assessed during 2003-04 with some sites reaching outstanding performance. Investors in People is used to ensure our approach to training and development is of good professional standard. This year's upward trend in lost time incidents (LTI's) reverses the 4 prior years' continuous reduction. Investigations into the causes of this disappointing performance is part of our continuous improvement programme.

FINANCE DIRECTOR'S REPORT

Miles W Roberts
Finance Director

The focus on cash generation, asset utilisation and consistently improving profits continues. A further significant reduction in debt has brought about a more optimum capital structure, and shareholder dividends continue to grow.

The continuing focus on operational efficiencies, asset utilisation and cash generation are reflected in the results for the year. Profit before tax excluding the £3.3 million exceptional item improved to £33.5 million (2003 – £26.2 million), net debt reduced to £31.4 million (2003 – £61.1 million) whilst the pre-tax return on average capital employed increased from 19.6% to 22.9% and to 25.4% excluding exceptionals. This focus, particularly on underperforming assets, has resulted in the closure of the production facility based in Breda, The Netherlands which will be completed before December 2004. In addition the Industrial and Institutional Products (I&I) factory in Belgium was closed during the current year.

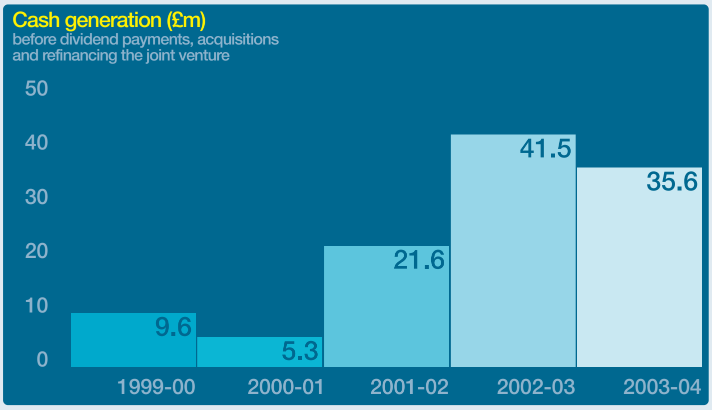
Turnover improved over the previous year by £14.5 million to £501.3 million including £9.2 million relating to favourable currency movements. At constant exchange rates, turnover grew by 1.1%; this reflects the growth in the core Private Label business by 2.2% partly offset by lower contract manufacturing sales resulting from the closure of the I&I business. The components of the growth in the core business were the continuing increase in Continental European sales, up 5.9%, partially offset by a decline in UK sales of 2.2%, largely the effect of price deflation.

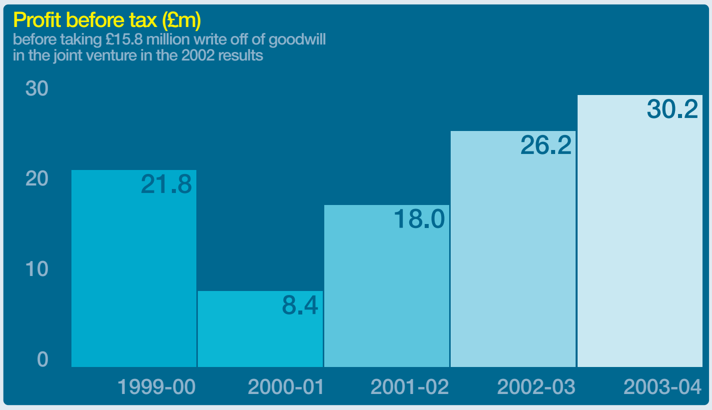
Group operating profit, before exceptional items and goodwill amortisation, improved to £35.1 million (2003 – £31.1 million) due to an improved Gross profit, from higher sales, and broadly flat overheads.

On a yearly average basis, the Euro appreciated 4% against Sterling from the year ending June 2003 to the year ending June 2004. The effect of the stronger Euro on the consolidated Operating Profit is not significant since the favourable impact of the translation into Sterling of the Continental European activities is largely offset by an adverse impact on UK operations which incur some Euro denominated costs.

The Group's net interest receivable was £1.8 million (2003 – £0.6 million). This improvement mainly resulted from higher receipts from Aerosol Products Limited, the Group's joint venture, following its improved financial performance. Interest payable fell to £2.5 million (2003 – £4.2 million) largely due to lower levels of net debt, improved borrowing margins and the benefit from the interest differential on forward contracts taken out to hedge the Group's net asset exposure against movements in certain foreign currency exchange rates.

FINANCE DIRECTOR'S REPORT
CONTINUED





The contribution from Aerosol Products Limited improved to £0.5 million (2003 – £0.1 million).

The taxation charge for the year of £9.9 million equates to a 31.8% effective rate based on profit before tax excluding goodwill and the joint venture contribution. This rate reflects the mix of mainstream rates applying throughout the Group.

Earnings per share, before exceptional items and goodwill amortisation, improved by 22.7% to 13.5p (2003 – 11.0p).

As anticipated in last year's Annual Report, capital expenditure has risen to £17.3 million (2003 restated – £10.6 million). However, the increase includes £3.5 million relating to the closure of the Breda plant, the underlying level of expenditure is in line with the average for the previous three years and remains substantially below depreciation as asset utilisation is improved.

Net debt continued to reduce significantly during the year, from £61.1 million at June 2003 to £31.4 million at this year end, in spite of an increased dividend and higher capital expenditure. Net working capital levels continued to reduce reflecting the continuing improvement in stock management and better supplier payment terms partly offset by an increase in debtors.

Gearing, interest cover and Net Debt/EBITDA ratios all continued to improve this year versus 2003, to 34% (2003 – 78%), 43.4x (2003 – 8.3x) and 0.62 (restated 2003 – 1.13).

To align with FRS 5 – Application note G, which was issued in November 2003, turnover is now stated net of sales discounts and rebates. Previously these were accounted for within Administrative Costs. Prior periods have been restated with the impact on 2003 being a £18.2 million reduction in turnover from £505.0 million to £486.8 million. There is no impact on operating profit.

A further accounting policy change relates to fixed assets where ancillary moulding equipment is now accounted for as a fixed asset, having previously been treated as stock which was amortised, with the charge included in Administrative costs. Prior periods have been restated with the impact on the 2003 balance sheet being a net tangible fixed asset increase and associated stock decrease of £2.2 million. There is no impact on operating profit.

Breda Plant Closure
On 23 April 2004 the Group announced that it was closing its factory in Breda, The Netherlands and transferring production to other Group plants. This decision was taken to improve overall capacity utilisation and operating efficiency.

A once-off exceptional charge of £3.3 million, relating to redundancy costs, has been included in this year's results although the payments will not be made until after June 2004. Additionally, capital expenditure of £5.0 million will be incurred relating to the production transfer of which £3.5 million was spent by June 2004. £1.0 million of property disposal proceeds are expected in 2005-06.

Treasury Management
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 £65 million and £10 million respectively. 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.

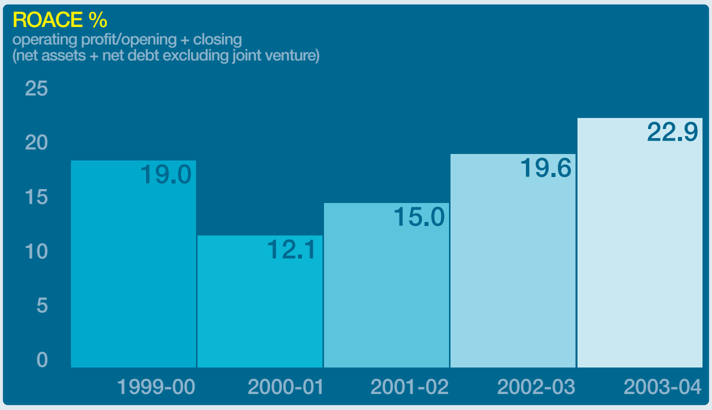
To meet short term requirements to manage working capital the Group also has access to uncommitted short term money market lines and other borrowing facilities.

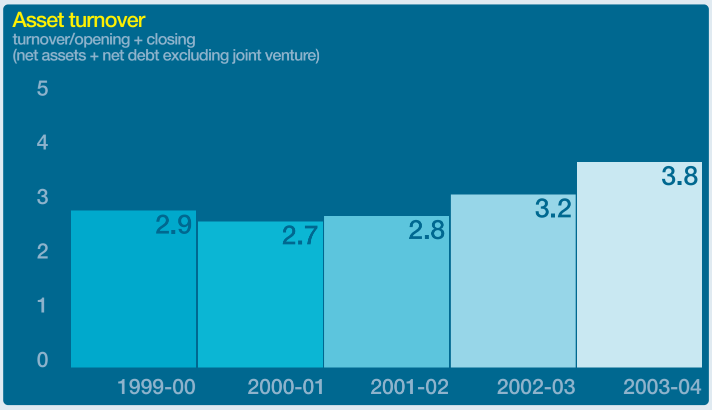
All borrowings and foreign exchange activities undertaken as a result of underlying trade transactions are with approved financial instruments. The majority of currency exposures arising from trade transactions were covered during the year as they arose. Since the year end, the Group has taken forward foreign exchange contracts to cover expected currency transactional and translational exposures during the year to June 2005. No transactions of a purely speculative nature are undertaken.

Currency and Interest Rate Risk
The Balance sheet is fully hedged with non-sterling net assets matched against net liabilities on a currency by currency basis through the use of forward currency contracts. The Group does have some Sterling/Euro exposure on future profits as referred to above. A decision has been taken to hedge this through the use of forward currency contracts.

Interest rate costless collars are in place to hedge overall interest rate exposure.

International Financial Reporting Standards (IFRS)
The Group is required under European legislation to prepare their consolidated financial statements in accordance with IFRS for accounting periods beginning on or after 1 January 2005. The adoption of IFRS will first apply to the Group's financial statements for the year ending 30 June 2006.





A project team has been set up to achieve a smooth transition to IFRS. A high level review of the differences between IFRS and current accounting policies has been performed, and the impacts of convergence are currently being reviewed. The wider implementation aspects are also being assessed, including how changes resulting from IFRS will be communicated to the market.

The key impact areas on net profit and shareholders' funds, based on the work to date, are expected to be due to differences in accounting for deferred tax, pensions, research and development, share based payments, goodwill and fixed assets. The presentation of the Group's financial statements, along with the disclosures, will also be affected.

Aerosol Products Limited (APL)

Following substantial operational and financial restructuring in June 2002, APL has improved its financial performance. The Group's share of APL's pre tax profit was £0.5 million (2003 – £0.1 million).

At the year end, APL was a joint venture, held in the Group's consolidated accounts at a net liability of £1.2 million (2003 – £1.7 million).

On 6 September 2004 the Group acquired the entire equity interests of its joint venture partners in APL for a consideration of £1.0 million. In addition, the June 2002 restructuring deferred £2.0 million of consideration until July 2005; this payment has been brought forward to 6 September 2004. Following this transaction, it is expected that APL will be treated as a 100% subsidiary in the Group's consolidated results for June 2005.

Systems

The Group's primary financial and operating systems are based on SAP which is operated at all main 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.

Accounting Policy changes

Note 1 to the Financial Statements provides details of two changes in accounting policy that have been made.

Pension Accounting

The Group continues to account for pensions in accordance with Statement of Accounting Practice 24 (SSAP 24). An actuarial valuation of the UK defined benefit scheme as at 31 March 2003 was undertaken in the year; this showed a deficit of £4.0 million to cover liabilities resulting from past service. Under SSAP 24 this liability will be recovered over 13 years which is the average remaining service life of the current members. The Company contribution rate for future service will not change from that incurred over the last few years.

Under FRS 17 rules, the valuation of the scheme at June 2004 showed gross assets amounting to £39.0 million (2003 – £32.9 million) and the liabilities to £49.0 million (2003 – £47.7 million) leaving a shortfall of £7.0 million (2003 – £10.4 million) after taxation. Some of the reasons for the difference with SSAP 24 include different valuation dates and assumptions for the discount rate used to calculate scheme liabilities.

Earnings and Dividends

The weighted average number of shares in issue during the year was 177,666,200. Earnings per share was 11.4p, up 11.8% on 2003 which itself had risen 46.3% on the previous year (excluding 2002 goodwill write off).

The recommended final dividend, payable on 26 November 2004, has been declared at 2.8p, representing a 33.3% increase on 2003, which itself had risen 50% on 2002. This final dividend together with the interim dividend brings the full year to 4.0p, a 37.9% increase over last year's 2.9p.

DIRECTORS

01 02 03 04 05 06 07

01
Lord Sheppard of Didgemere, KCVO, Kt
Chairman
(aged 71)

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.

02
Mike Handley
Chief Executive and Deputy Chairman
(aged 57)

Mike Handley led the management Buy-In of McBride in 1993 and was previously Managing Director of several divisions at RHM plc and a divisional director of Cadbury Schweppes plc prior to which he had held senior management positions with Ciba Geigy (UK) Ltd and Reckitt & Colman. In 1998 he was appointed non-executive Chairman of Macphie of Glenbervie Ltd in Scotland and during 2001 was appointed to the board of the A.I.S.E. (The European Detergents Industry Association).

03
Miles William Roberts
Group Finance Director
(aged 40)

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.

04
Henri Talerman
Non-Executive Director
(aged 47)

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 MBO's. 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.

05
Colin Deverell Smith
Non-Executive Director
(aged 57)

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.

06
Christine Anne Bogdanowicz-Bindert
Non-Executive Director
(aged 53)

Christine Bogdanowicz-Bindert joined the Board as a non-executive director on 1 September 2003. Christine is an experienced financier born in Belgium, with joint Belgian/Polish nationality. She has worked throughout Europe and the USA for the last 30 years firstly with the International Monetary Fund and then, until 1990, with Lehman Brothers Inc as a senior Vice President. From 1990 to 2003, she has been the President of Bindert GmbH in Germany which specialises in strategic/corporate planning issues for multinationals in Poland and has held a number of non-executive directorships in Poland and the US.

07
Robert Anthony Lee
Non-Executive Director
(aged 57)

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 successful demerger to become an independent publicly quoted petroleum additive company, listed on the NYSE.

DEVELOPING INDUSTRY STANDARDS FOR GOOD MANUFACTURING PRACTICE AND LEGISLATIVE COMPLIANCE, HOLDING THE HIGHEST STANDARDS OF PRODUCT AND SITE ACCREDITATION AND MAINTAINING OUR PRODUCT INNOVATION AND SPEED TO MARKET, MEAN OUR CUSTOMERS' DUE DILIGENCE CONCERNS ARE MINIMISED.

03 Range expansion

McBride's marketing, commercial, legal, manufacturing, distribution and sales resources were co-ordinated to update and expand the Clean 'n Fresh range of household and laundry products for the rapidly growing independent and convenience sector – helping to grow Clean 'n Fresh sales by more than 10% over the previous year.

02 Sales growth

Television brand advertising targeting the 75% of UK women who believe they have sensitive skin was launched to convert Surcare, McBride's pioneering range of laundry, cleaning and personal care products, into a mass-market brand. This contributed to a 36% year-on-year growth in Surcare sales.

01 Improving RoSPA assessments

In the UK, an independent audit by RoSPA every two years gives a score and a list of recommendations for each site which have been used to improve safety performance. An improved score has been seen at each site at every audit.

Royal Society for Prevention of Accidents

Site	RoSPA Baseline Score in 1999	RoSPA Score in 2001	RoSPA Score in 2003
Barrow	60%	72%	81%
Bradford	52%	69%	81%
Burnley	53%	71%	77%
Middleton	56%	72%	76%
Hull	50%	71%	77%
Bampton	–	50%	–

07

Reducing costs

A new co-managed inventory project with a major retailer has seen the value of stock held by both parties fall by 10% – the result of our new ability to synchronise inventory decisions based on better demand forecasting, significantly reduces costs for both parties.

Strong margins

06

A unique tamper-evident tub system for McBride's latest colour-coded liquid laundry sachets, has created an eye-catching on-shelf presence that offers our customers strong sales, margins and an opportunity to differentiate. The launch of the 2 in 1 variants continues to reinforce our position as innovators – 'a market first'.

Leading the way

Based on market research from the US, McBride launched products based on fruit-extract technology nearly a year before the leading brand – meeting a latent demand for their exceptional cleaning power. We have now led the way again with a second generation of premium-priced trigger surface cleaners to give retailers a powerful opportunity for income generation.

05

04

Shared knowledge

We used combined knowledge and expertise from the UK and Europe to enable the cost-effective extension of McBride's leadership in tablet technology into the higher value ancillary sectors of water softeners, stain removers and dishwasher cleaner tablets.

PRIVATE LABEL GAINED MARKET SHARE IN 2003-04 IN SIX OF THE SEVEN LARGEST WESTERN EUROPEAN MARKETS, MEANING AN OVERALL 5.8% GAIN ACROSS McBRIDE'S CONTINENTAL EUROPE REGION. INCREASING FOCUS BY EUROPEAN RETAILERS ON THE BENEFITS OF PRIVATE LABEL CONTRIBUTED TO RECORD TURNOVER AND PROFITS.

08

Record performance

McBride's infrastructure, large-scale operation and efficient cost base resulted in a 5.8% sales increase in Continental Europe during the year, reaching £286.7 million with particularly strong performances in France and Italy.

09

Rapid response

On receipt of a sophisticated tender from one of Europe's largest retailers to develop a full range of hair-styling products, we immediately involved personnel from across the organisation, including sales, marketing, formulations, packaging and manufacturing. This major project resulted in investments at our Ieper and Rosporden sites. The successful range launch in early 2004 underlines our position as Europe's premier Private Label supplier.

10

Quality management

All McBride CE sites have been awarded ISO 9001 accreditation to provide McBride CE division with a quality management certification, providing additional confidence for the retailers who do business with us.

Greater flexibility

New bottle and aerosol sleeving machines at the Ieper Personal Care factory and at Rosporden, France, are providing more flexibility in our packaging resources to meet increasingly tight deadlines from our retail customers.

14

On time and budget

We completed the closure of our Breda site in The Netherlands on time and to budget, successfully transferring its business and assets to more efficient sites to maintain turnover at a lower cost.

15

13

Meeting demand

We installed a new PET bottle-blowing machine in our Ieper Household factory in Belgium, helping us meet increasing demand for washing-up liquids, trigger cleaners and liquid cleaners. This made an important contribution to the record €100 million in sales achieved by the site during the year.

12

Increased volumes

Responding to increased demand in all markets for Private Label dishwasher tablets, we commissioned a new high-speed facility at our factory in Moyaux in France that will ensure we can consistently and cost-efficiently meet increased volume requirements.

11

Capacity expansion

To meet growing demand in our core markets and improve efficiency, we successfully converted our old industrial and institutional products factory at Estaimpuis in Belgium into a modern, economic household liquids and toilet cleaner production centre that delivers a much improved customer service and higher margins.

McBRIDE INTERNATIONAL CONTINUES TO GROW SALES WITH ALL OF EUROPE'S LEADING RETAILERS WHO OPERATE IN POLAND, HUNGARY, CZECH AND SLOVAK REPUBLICS, EXPANDING PRIVATE LABEL OPPORTUNITIES AND SUPPORTING INTERSILESIA McBRIDE POLSKA WITH EXPORT OPPORTUNITIES IN CENTRAL AND EASTERN EUROPEAN MARKETS.

Winning business

Investments in our facility in Strzelce Opolskie have enabled McBride International to win new business in Iceland and across Scandinavia. This is in addition to gains in emerging markets like the Czech Republic and Hungary (where McBride has sales offices) and the Slovak Republic, Belarus, Romania, Estonia, Lithuania, Kazakhstan and the former Yugoslavia.

16

Major retailers

The quality and value of our products and services are seeing Intersilesia McBride Polska increasingly winning contracts with all the major retail chains from the UK, France, Belgium, The Netherlands and Portugal who operate in Central and Eastern Europe.

17

18

Expanding exports

McBride International exports to over 50 countries with an increasing quantity now being sourced from Intersilesia McBride Polska. The Polish factory exported to 18 European countries in 2003-04, a major increase over the previous year.

19 Building sales

We achieved significant sales increases in every Eastern European market where we operate, including those where we've been established for the longest periods – retail sales in Poland increased by 0.9%, in the Czech Republic by 17% and in Hungary by 33%.

20 Market penetration

The Avea range of liquid soaps, gels, bath foams and shampoos recently developed by Intersilesia rapidly passed the €1 million sales mark in 2003 on the back of successful launches in Scandinavia and adjacent markets. Critically, Avea has re-established McBride products with a major Danish retailer following a ten-year gap.

21 Radical improvement

The move to Intersilesia of powder-manufacturing equipment from our UK plant at Barrow has radically improved our competitiveness and distribution efficiency for laundry powders in Central Europe, helping the Group to compete effectively in this important category in the region.

22 Top rating

Two leading retailers have given Intersilesia top-rating status as a supplier of Private Label products, underpinning the value of introducing levels of quality and expertise to the region that match West European standards.

23 Moving into Russia

McBride is continuing its investment in Central Eastern Europe with the formation of McBride Russia Ltd and a commercial office in Moscow. This follows over ten years of exporting brands to Russia, during which McBride has established a strong reputation for quality and value.

Going forward >>

The market potential of Central and Eastern Europe, including countries like Russia and Turkey that are in early stages of mass market retailing development, totals 400 million consumers – equivalent to the existing consumer base in western markets. Working with Europe's leading retailers, McBride is working towards an addressable market that is twice the size of today's.

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 2004.

Principal activities and future development
The Group has manufacturing operations in six European countries with 15 factories including the joint venture. The principal activities of the Group continue to be the manufacture of Private Label and minor brand household and personal care products. During the year, the Board carried out a further review of the Group's strategic three-year plan encompassing all aspects of the objectives and management of the business. Details of the business and its activities during the year are set out in the Chief Executive's review on pages 8 to 12.

Information on the Group's financial performance and progress are set out in the Finance Director's report on pages 13 to 15. 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	£m
Group operating profit	30.4
Share of joint venture's operating profit	0.8
Interest	(1.0)
Taxation	(9.9)
Minority interest	(0.1)
Profit for the financial year after providing for taxation and minority interest	20.2
Dividends per ordinary share	4.0p
Proposed final dividend of 2.8 pence per share to be paid on 26 November 2004	£5.0m

The final dividend is subject to shareholder approval and will be paid on 26 November 2004 to shareholders on the register on 29 October 2004.

Corporate Governance

The Company recognises the importance of high standards of Corporate Governance and has continued to endorse the principles set out in The Combined Code on Corporate Governance, as issued in June 1998 ('The Code'). The Company regularly and actively reviews its level of compliance with The Code and has complied throughout the period under review with the provisions of Section 1 of The Code, except in regard to the length of the Chief Executive's Service Contract. However, subsequent to the year end the contractual notice period has been amended from 24 to 12 months.

The Company has also taken account during the period of the Reports published by Sir Derek Higgs and Sir Robert Smith which have prompted changes to the UK Combined Code on Corporate Governance. Whilst the Company has no obligation to report on the application of the new Code this year, significant steps have already been taken to ensure compliance with the terms of the new Code and, accordingly, the Company has made certain additional disclosures in this year's Report in advance of the requirement to do so.

The Board of Directors
The directors who held office during the year and continue to hold office, together with their biographical details are shown on pages 16 and 17.

At the end of the year to 30 June 2004, the Board comprised seven directors with two additional non-executive directors having been appointed with effect from 1 September 2003. There are two executive directors, the Chairman and four non-executive directors.

Whilst the Board considers all its non-executive directors to be independent in character and judgement, and having no relationships or circumstances which could affect their judgement, it is recognised that under the new Code, the Chairman and Mr H Talerman are not deemed to be independent due to their length of service. In this regard, except where otherwise explained, they have resigned their positions on Board Committees where independence is recommended.

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 undertaken some specific training relevant to their duties. Induction programmes are undertaken by newly appointed members of the Board including site visits and strategic and operational presentations by senior executives. The non-executive directors have been appointed for their specific areas of expertise and knowledge, which can bring complementary skills to the Board. The role of senior independent non-executive director has been reviewed and, recognising that Mr H Talerman has been a director for more than nine years, the position has now been assumed by Mr C D Smith.

The Company's Articles of Association require one third of the directors to stand for re-election every year. The directors retiring by rotation at the Annual General Meeting are Mr C D Smith and Mr M W Roberts, who, being eligible, offer themselves for re-election. Since the last report, all the non-executive directors and the Chairman 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 new 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 and Mr R A Lee shall retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

Board Proceedings
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, litigation and regulatory proceedings and financial reporting and internal control matters. Delegation to management is on a structured basis and the tasks of monitoring executive actions and reviewing operational issues are delegated to the Chief Executive who oversees the management of the Group's business activities, and to Board Committees. 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 by all members of the Board.

The Board meets formally at least six times a year at about two-monthly intervals and will meet 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 26.

In accordance with the provisions of The Code, there is a clear division of responsibilities between the independent non-executive Chairman and the Chief Executive.

Under the non-executive Chairman and supported by the Chief Executive there is an open style of management and free flow of information between the executives and non-executives which is a strong feature of the Board's effectiveness. This ensures comprehensive reviews at Board meetings and regular 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 about 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.

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 new Code and to revise the composition of the Sub-Committees. 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. The Committee currently comprises Mr C D Smith as Chairman 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 2004 is included on page 29.

- ***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. The Committee comprises a Chairman, Mr H Talerman, and the three independent non-executive directors, Mr C D Smith, Mrs C A Bogdanowicz-Bindert and Mr R A Lee. Although Mr Talerman has served on the Board for more than nine years, the Board believe that, in the interests of continuity and given Mr Talerman's experience, he should retain Chairmanship of the Committee. 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 seeks professional advice from external advisers as and when required.

  The Committee meets at the request of any member but at least once in each financial year and a quorum is now 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 30 to 34.

- ***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. 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. Members of the Committee are not involved in matters affecting their own positions. In this regard, Lord Sheppard is now over the age of 70 and the remaining members of the Committee have recommended his re-election to the Board subject to approval by the shareholders at the Annual General Meeting.

  During the year, two new independent non-executive directors have been appointed to the Board. The appointees were selected from a pool of candidates from a variety of backgrounds. All members of the Board had the opportunity to meet the candidates prior to their appointment.

  The membership of the Committee has subsequently been revised and now comprises Lord Sheppard as Chairman together with all the non-executive directors – Mr C D Smith, Mr H Talerman, Mrs C A Bogdanowicz-Bindert and Mr R A Lee, as well as the Chief Executive, Mr M Handley. The Committee meets as appropriate but at least once per annum and the quorum is now three members, at least two of whom shall be independent non-executive directors.

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.

In addition, the following Standing Committee has been established to consider trading, financial and operational matters across the Group. This Committee meets twelve times per annum.

Group Executive Committee – this Committee is chaired by the Chief Executive, and comprises the Group Finance Director, the Managing Directors of the geographically based operating companies, the Business Development Director, the Group Purchasing Director, and the Personnel Director. Other members of the senior management teams are invited to attend as may be deemed appropriate.

Attendance at Meetings

During the year ended 30 June 2004, there were six Board meetings, three Audit Committee meetings, three Remuneration Committee meetings and one Nomination Committee meeting. Attendance at these meetings by individual directors is given in the table below:

Number of Meetings Attended	Board	Audit (c)	Remuneration (d)	Nomination (e)
Lord Sheppard of Didgemere	6	3	2	
Mike Handley	6			
Miles Roberts	6			
Christine Bogdanowicz-Bindert (a)	(5)* 4	(2)* 1		
Robert Lee (b)	(5)* 4		(1)* 0	
Colin Smith	6	3	3	1
Henri Talerman	6	3	3	1

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

* Mrs Bogdanowicz-Bindert and Mr Lee were appointed to the Board and to its sub-committees at various times during the course of the year. The numbers in brackets indicate the number of meetings which they would have been entitled to attend. Their inability to attend meetings following their appointments was due to other commitments made previously.

(a) Mrs Bogdanowicz-Bindert was appointed to the Board on 1 September 2003 and to the Audit Committee with effect from 9 September 2003.
(b) Mr Lee was appointed to the Board on 1 September 2003 and to the Remuneration Committee with effect from 9 September 2003.
(c) Audit Committee – Lord Sheppard and Mr Talerman have stepped down and Mr Lee has been appointed with effect from 23 July 2004.
(d) Remuneration Committee – Lord Sheppard has been replaced by Mrs Bogdanowicz-Bindert with effect from 23 July 2004.
(e) Nomination Committee – Mrs Bogdanowicz-Bindert and Mr Lee have been appointed to the Committee with effect from 23 July 2004.

Relationship with Shareholders

The Board places considerable importance on the maintenance of good communications 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 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 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.

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. Both the Chairman and the senior independent director are available in the event of shareholder concerns which cannot be addressed through management.

Internal Control

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 risk 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. Following the detailed Group-wide internal audit project undertaken during part of last year and this year, a formal review process has been established to ensure that all internal control and risk management matters are reviewed on a regular basis. 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. 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.

The Board confirms that there is an ongoing process for identifying, evaluating and managing risks faced by the Company which has been in place for the year under review. The Board has concluded that the key risks appear to be well managed and there are no major cost implications or timing or effort required to correct any issues which have been identified. The key corporate risks identified include loss of a customer, continued price erosion, protection of the Private Label market share, sensitivity to input material price fluctuations, and management of the supply chain to ensure satisfactory and cost effective customer service.

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.

Internal Control continued
The main features are:

- The Board meet once a year for a two-day conference to consider and develop the corporate strategy.
- 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.
- 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 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 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 effectiveness of the Group's internal controls is monitored through a self-audit programme which has been introduced following the full review of all operational, financial and strategic risks and controls by an independent auditor during part of last year and this year.
- 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 interest 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 2003	–	2,015,000	181,152	1,968,848	–	–	–	100,000
Purchased during the year	–	75,000	–	52,000	–	2,000	–	–
Purchased shares at 30 June 2004	–	2,090,000	181,152	2,020,848	–	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 2003	–	–	–	–	–	–
Purchased during the year	–	–	–	5,000	–	5,000
Ordinary shares at 30 June 2004	–	–	–	5,000	–	5,000

During the year to 30 June 2004, Mr M Handley and Mr M W Roberts acquired 52,000 and 2,000 ordinary shares in the Company respectively. Both Mrs C A Bogdanowicz-Bindert and Mr R A Lee purchased 5,000 ordinary shares and Lord Sheppard of Didgemere acquired 75,000 ordinary shares in the Company.

Between 30 June 2004 and 8 September 2004, Lord Sheppard acquired 10,000 ordinary shares in the Company and Mr H Talerman purchased 2,500 ordinary shares in the Company. There were no other 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 38 to 57 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.

Charitable Donations
Donations made during the year amounted to £13,000 (2003 – £19,100). There were no political donations made in the year (2003 – 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 82 as at 30 June 2004, split 74 UK and 99 Europe.

Non-Audit Fees
During the year, the Group incurred non-audit fees totalling £0.2 million relating to taxation compliance and tax restructuring work. This work was awarded after completion of a competitive tendering process.

Share Repurchases
At the 2003 Annual General Meeting, shareholder approval was granted to allow the Company to repurchase up to 17,763,918 ordinary shares. No shares were repurchased during the financial year. 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 8 September 2004
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	33,768,660	18.99%
Arnhold & S Bleichroeder Advisors	10,557,734	5.94%
JP Morgan Fleming Asset Management	8,920,844	5.02%
Barclays Global Investors	8,732,389	4.91%
Hermes Pensions Management	7,351,489	4.13%
Legal & General Investment Management	6,129,791	3.45%

Annual General Meeting
The Annual General Meeting will be held at Butcher's Hall, Bartholomew Close, London EC1A 7EB on 2 November 2004 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 2004 can be obtained free of charge from the Company's registered address.

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
8 September 2004

Report of the Audit Committee

The role of the Audit Committee is to assist the Board in fulfilling its responsibilities regarding the integrity of the Company's financial statements, reviewing risk management and internal control, 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.

Audit Committee

The Committee's terms of reference were updated during the year to reflect the latest developments in Corporate Governance as set out in the new Code. A copy of the Committee's Charter can be viewed on the Company's website.

The composition of the Committee has also been reviewed following the appointment of two non-executive directors to the Board. The current membership is set out on page 25. 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 2004 in September 2003, February 2004 and May 2004. Subsequent to the year-end, a further meeting took place to consider the outcome of the annual audit.

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

Financial Statements

The Committee 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.

Accounting Policies

The Committee received updates on technical reporting issues and on critical accounting policies including proposed changes relating to the International Financial Reporting Standards which will apply to the Group for the year ended 30 June 2006.

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 issues raised during the audits, and management's responses to accounting matters, governance and control, and accounting developments.

The Committee also reviewed audit-related and taxation services provided by the external auditors. In addition, the Committee considered the independence and objectivity of the external auditors taking due account of the latest guidelines.

In accordance with the ICAEW ethical guidance statement, the current audit partner would be barred from auditing the 2004-05 financial year. Rotation has been considered by the Committee and a successor to the current partner has been identified.

The Committee also received a report on an exercise conducted to formally evaluate the performance and effectiveness of the external audit process and of the audit firm. Independent meetings have been held with the external auditors by the Chairman of the Committee and in the absence of the executive directors.

The Committee has recommended to the Board the re-appointment of KPMG Audit plc.

Risk Management & Internal Control

The Committee received reports following the detailed review of the Company's approach to internal control and risk management. It was agreed that a formalised self-audit programme should be established to ensure regular review of the risk areas identified together with the controls and mitigating actions. More information is reported on pages 26 and 27.

The Committee also formally adopted the Company's Social and Ethical policy and developed a Whistleblowing policy during the year.

Remuneration Report
This report prepared on behalf of the Board, sets out the policy and disclosures on remuneration for the executive and non-executive directors of the Board. It takes full account of The Code and it complies with the requirements introduced by the Directors' Remuneration Report Regulations 2002. 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 revised to reflect the provisions of the new Code. This was adopted by the full Board on 23 July 2004. 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:

- Making recommendations to the Board on remuneration packages for the executive directors
- Reviewing and considering the remuneration packages and terms of employment for other senior executive management
- Operating and implementing the Company's share option schemes
- Reviewing the Company's management development programmes

The Committee meets at least once a year to consider remuneration packages for directors and senior executives including reviews of base salary, pension rights, bonus and grants of share options. In the 2003-04 financial year, the Committee met three times in August 2003, September 2003 and November 2003. Attendance by individual members of the Committee is shown in the table on page 26.

Constitution
The Committee comprises four non-executive directors. The composition of the Committee has been revised with effect from 23 July 2004. Lord Sheppard has stepped down and Mrs C A Bogdanowicz-Bindert has been appointed in his place. It is now chaired by Mr H Talerman with the other members being Mrs C A Bogdanowicz-Bindert, Mr R A Lee 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.

During 2003-04 financial year, the Committee took specific guidance from Watson-Wyatt on executive directors remuneration and employment terms and conditions.

Remuneration Policy
The Remuneration Committee has a policy for the remuneration of executive and non-executive directors which has been designed to give consideration to the provisions of The Code and aims to ensure that packages offered are competitive and designed to attract, retain and motivate executive directors and senior executives of the right calibre. 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 has commissioned an exercise from independent consultants, Watson-Wyatt, to advise on the development of the most appropriate structure for executive directors' packages for the future. This is in line with the Committee's commitment to take account of changes in the trading environment and in remuneration practices. It is intended to carry out a similar exercise for other senior executive positions.The objective is to give detailed consideration to the Company's strategy as it impacts on the remuneration policy for executive directors and other key senior executives. The aim will be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are rewarded in a fair and responsible manner for their individual contributions to the success of the Company. This will involve establishing incentive schemes which are 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 be benchmarked against competitive as well as market rates. In particular, the Committee will be reviewing the balance between fixed and variable elements of remuneration. Future incentives may include the establishment of alternative long term incentive plans. The criteria to be determined are expected to be linked to market practice and pre-determined key performance indicators linked to company and individual performance.

Total Remuneration
The performance of the executive directors and key members of senior management is evaluated as a pre-cursor to setting their annual remuneration and awards of share options. 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. This is especially the case when determining annual salary increases.

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 options. 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. Grants of share options represent longer-term performance-related elements of remuneration. However, given the Company's low gearing, it has not been considered beneficial to grant any new share options during the year. The Committee is currently considering alternative forms of long term incentive for executive directors and key senior managers. The Committee's policy is to seek to ensure that consideration is given to guidelines issued by institutional investors as well as to developing market practice, and to align executive directors' incentives with shareholder interests.

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

Annual Bonus
The Remuneration Committee aims to ensure that senior executives are fairly rewarded for their contribution to the success of the Group. For the year to 30 June 2005 there is therefore a significant bonus element of up to 60% of basic pay to executives' remuneration. Bonuses, which are non-pensionable, are linked to the achievement of the Group's annual budget that has been approved by the Board. Only for results in excess of the budget are bonuses earned at the higher levels. Bonuses of between 30% and 50% were paid to the Group's executives and senior managers in respect of the year ended 30 June 2004.

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 has therefore been encouraged during the year and details are shown in the table on page 27. 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 due to the Company's low gearing. Details of existing share options held by the executive directors are shown on page 33.

The Committee's policy is for option grants to be limited to twice annual basic salary. In exceptional circumstances, options in excess of two times salary may be granted. It is not the Committee's policy to grant executive share options at a discount. Awards vesting under the share option schemes are not pensionable.

Under the executive share option schemes, participants are granted options to acquire ordinary shares in the Company for a consideration payable on exercise equal to market value at the time of grant. No consideration is payable for the grant of an option. The proportion of the shares under option which may vest is subject to the achievement of performance targets over a performance period set by the Remuneration Committee. All schemes have a ten-year life span and are exercisable after three years from the date of grant, subject to satisfaction of performance conditions, until ten-years after the date of grant.

On future issues of share options, the Committee shall pay due regard to the rules of the scheme and will review the relevance of the performance criteria and have regard to market practice and relevant guidance. The performance criteria applied to previous grants of options are shown on page 34. These criteria were selected by the Committee taking account of contemporaneous market practice under which the majority of schemes set targets linked to growth in EPS exceeding that in the RPI and measured over three financial years.

The 2002 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 2004, the directors updated the rules of the 2002 Company Share Option Plan to reflect the provisions of the Finance Act 2003.

Directors' Service Contracts
In line with the recommendations of The Code Mr M Handley's contract has been amended reducing the notice period from two years to one year. His contract therefore stipulates 12 months' notice by the Company and 12 months' notice by the director. No compensation was given for this change. 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 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.

The Committee recognises the explicit provisions of The Code for compensation commitments to be stipulated in directors' service contracts in regard to early termination. The 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 would be 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 Handley and Mr M W Roberts based upon basic salary at 50% and 35% respectively. In addition, both directors enjoy similar benefits to many other employees of the Group including private medical insurance, a fully expensed car and life assurance cover.

DIRECTORS' REPORT
CONTINUED

Non-Executive Directors
The non-executive directors do not have service contracts but renewable letters of appointment. The intention is that the non-executive directors will normally be appointed for an initial period of three 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.

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. 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 27 and 33.

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 then AGM in	Notice period	Compensation upon early termination	Latest letter of appointment
Lord Sheppard of Didgemere	23 May 1993	2003	2004	3 months	None	1 July 2004
Mr H Talerman	23 May 1993	2002	2004	3 months	None	1 July 2004
Mr C D Smith	4 April 2002	2002	2004	3 months	None	1 July 2004
Mr R A Lee	1 September 2003	2003	2004	3 months	None	1 July 2004
Mrs C A Bogdanowicz-Bindert	1 September 2003	2003	2004	3 months	None	1 July 2004

Performance Graph
The following line graph shows, for the financial year ended 30 June 2004 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 kinds 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 recognising that such non-executive duties can broaden experience and add knowledge to the benefit of the Group. The policy is that the fees may be retained. Currently, Mr M Handley is non-executive Chairman of Macphie of Glenbervie Ltd in Scotland and holds a seat on the Board of the AISE.

Directors' Emoluments & Compensation

Breakdown of Remuneration

The fixed and performance-related elements of directors' remuneration for the year ending 30 June 2004 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 2004 £000**	Year ended 30 June 2003 £000	**Year ended 30 June 2004 £000**	Year ended 30 June 2003 £000	**Year ended 30 June 2004 £000**	Year ended 30 June 2003 £000
Executive										
Mr M Handley	**–**	**369**	**184**	**43**	**596**	552	**184**	171	**780**	723
Mr M W Roberts	**–**	**189**	**94**	**16**	**299**	271	**66**	61	**365**	332
Non-executive										
Lord Sheppard***	**100**	**–**	**–**	**–**	**100**	100	**–**	–	**100**	100
Mr H Talerman (USA)	**27**	**–**	**–**	**–**	**27**	25	**–**	–	**27**	25
Mr C D Smith	**27**	**–**	**–**	**–**	**27**	25	**–**	–	**27**	25
Mrs C A Bogdanowicz-Bindert**	**20**	**–**	**–**	**–**	**20**	–	**–**	–	**20**	–
Mr R A Lee**	**20**	**–**	**–**	**–**	**20**	–	**–**	–	**20**	–
	194	**558**	**278**	**59**	**1,089**	973	**250**	232	**1,339**	1,205

* The benefits consist of the provision of a company car and fuel, private healthcare insurance and life cover.
** With effect from 1 September 2003.
*** Lord Sheppard funds his own office expenses.

Share Options (Audited)

Details of the share options held by the directors at 1 July 2003 and 30 June 2004 are set out below:

	Option type	As at 01 July 03 number	Granted number	Exercised number	Lapsed number	**As at 30 June 04 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

No consideration was paid for the grant of any option.

The market price of the Company's ordinary shares at 30 June 2004 was 148.5p and the range during the financial year was 92p to 150p.

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

1995 Executive Share Option Scheme
Options are exercisable at any time from 3 years after the date of grant to 10 years after the date of grant. Performance conditions require that, in the 3 financial years prior to that in which options are to be exercised, EPS must have increased at an average annual rate of 3% in excess of the RPI.

1995 International Executive Share Option Scheme (Unapproved)
Performance is 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 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.

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	184
Mr M W Roberts	66

Compensation for past Directors
There have been no awards made to former directors of the Company by way of compensation for loss of office or pensions.

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 8 September 2004.

Corporate Social Responsibility

Social, Environmental and Ethical ("SEE") performance review
McBride places considerable importance on compliance with, not only environmental standards, but also on improving ethical standards and social performance. Although the three parts of the business (UK, CE and Poland) operate separately, they are increasingly coming together in terms of common policies and procedures and approaches. The executive directors consider health, safety and environmental matters with the local senior management teams on a monthly basis. Experiences, best practice and the impact and consequences of new legislation are shared across the Group.

In terms of risk identification and management, SEE matters are included in the overall risk and control framework of the Business Risk review process outlined on pages 26 and 27. The Group's success depends on the ability to service customers at the right price, with the right quality and on time. The Group's risk assessment process has identified the following key areas which necessitate close focus: nurturing our new product development processes; management of our supply chain; containment of costs; protection of our assets; and development of our employees. Appropriate control measures are in place and are reviewed on a regular basis to ensure that these remain relevant and to identify the need for any new action points to be introduced.

The Group considers legislative compliance as the minimum operating standard. Where possible, we strive to surpass the minimum standard and operate using best available techniques. Continuous improvement plans are in place at all manufacturing facilities to ensure that legislative compliance is maintained throughout the business. Verification of compliance with applicable legislation and regulations is a primary element of the Group's policy and regular checks are undertaken internally of existing and forthcoming rules and appropriate measures are planned to comply. In addition, the Group has senior management representation on various Trade Associations and complies with Industry Association guidelines.

Full crisis management procedures have been documented and continue to be reviewed on a six monthly basis to ensure that effective communication and reporting channels exist in the event of any adverse event. In addition, disaster recovery plans are in place and are revised annually to ensure that, in the event of a serious incident, the sites are able to respond in a timely manner to minimise any adverse impact to either the Company or its stakeholders.

For the first time, the Group has published a Sustainable Development Report (the "Report") covering activities at all the McBride plc sites. The report reflects the Group's 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 about the extent of compliance by the Group and recording its achievements during the year. The Group recognises the importance of minimising waste, maximising efficient use of its assets, manufacturing safe products and supporting and developing its employees, all of which serve to benefit consumers and local communities as far as possible. In this context, £1.2 million has been spent during the year on health, safety and environmental improvement projects across the Group.

As a member of the AISE, the Group actively contributes towards the development of the AISE Sustainable Development Charter and follows other voluntary agreements between the detergent industry and the European Commission.

Set out below is a precis of some of the key messages incorporated within the Sustainable Development Report in relation to health, safety, environmental, social and community activities. More detailed information on the activities, data, objectives, compliance status and achievements are included in the Report itself.

Environmental

The Group recognises the importance of protecting the natural environment via prudent use of resources and waste minimisation. This is recognised by the structure of environmental responsibility throughout the organisation. By appointing CE, UK and international Managing Directors, the Chief Executive ensures that responsibility is held at the highest level. Each manufacturing operation has management who are responsible for environmental issues. In addition, central functions provide help and advice and monitor the internal operational performances by auditing both the manufacturing facilities and the management systems. The use of environmental key performance indicators assists with the monitoring of eco-efficiencies and with the identification of trends and improvements.

It is the Group's intention to introduce its Environmental Management System (EMS) to all manufacturing sites. Over 90% of sites already have EMS in place and three have been certified to ISO 14001. The Group's environmental policies underpin the commitment to environmental protection through initiatives to drive down energy consumption; to reduce waste in all processes; to minimise and control the discharge to water and air, to select employees who are committed to operating in an ethically and socially responsible manner; to adopt staff training and awareness measures; and to regularly monitor EMS and performance.

The Group also recognises the importance of understanding and managing the aspects of bio-diversity that are affected by our operations. The biggest impact on the environment is waste water from the manufacturing processes. None of our sites send 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 from production sites on the land lies in the potential pollution of soil due to leaks. Appropriate control measures are in place to minimise these risks and details are included in the Report. Emissions to land are controlled by following the waste hierarchy of Minimise, Re-use, Recycle, Recover and Dispose, as well as following the requirements of relevant EU Directives. Waste levels are fully recorded and monitored against each parameter.

With regard to environmental performance, two of the key objectives have been the reduction of energy and water consumption. Year on year usage of energy and water has increased due to increased production levels. However, utilisation has also improved as a result of increased efficiencies and awareness. Eco-efficiencies for water consumption and generation of carbon dioxide increased for the second year in succession. In CE, water consumption has reduced by 28% over the past four years. Closure of the Breda plant in the Netherlands and the I&I facilities in Belgium have significantly reduced emissions and both have beneficial impacts going forward.

Health and Safety

Management of health and safety is an important part of the overall management of activities in the Group. Detailed health, safety and environmental reports are prepared by the operating companies each year and submitted to the Board for review and regular monitoring of controls takes place on at least a quarterly basis by the local operating company management teams with a full business risk review undertaken on an annual basis.

The development and implementation of a health and safety management system specific to the needs of the company continues to be a key focus of activity. A detailed health and safety management system is already well established in the UK. In CE the emphasis has been on integration of safety, environment and quality systems. The two major parts of the Company have a similar structure and organisation with the Human Resource Directors of CE and UK having responsibility for health, safety and environmental matters. Each site has a health and safety manager who either have, or are working towards, qualifications required by local legislation. All receive internal training to ensure that McBride standards are adhered to. All sites have a system in place for the provision of occupational health services. Systems are in place at all sites to manage health and safety based on risk assessment and compliance with local legislation and health and safety policies. Policies are translated into internal standards for each site and site action plans are developed to cover specific issues and needs. Health and safety training is a constant activity at all sites. In particular, a Competency Based Training package has been developed in the UK during the year in response to needs identified in behavioural and opinion surveys. In CE, training is standardised to a general level for a range of subjects but because of local language and legislation differences, this has to be tailored to meet site specific needs.

Internal audits of health and safety management processes are carried out. In addition, in the UK, an independent audit by RoSPA every two years gives a score for each site and a list of recommendations which have been used to improve safety performance. Scores have increased on each occasion and sites are currently rated "Good" or "Excellent" showing clear progress in the management of safety. In CE, Ieper meets OHSAS 18001 standards and a gap analysis has been completed for Delphia with plans for certification next year. Rosporden's safety management system has been audited and approved twice by the authorities under COMAH. All accidents and major incidents are reported internally and are fully investigated to determine appropriate corrective and preventative measures. Reports to official authorities follow local legislative reporting requirements. For the Group, the number of accidents/incidents worsened slightly year on year although the rate of seriousness fell particularly in CE. In the UK, the increase in number is primarily accounted for by minor accidents. As part of its continuous improvement processes, the Group will evaluate the reasons for the increases and take appropriate actions to identify any corrective actions and any additional training needs as required.

A policy on product safety was agreed for the whole company during the year. Guidelines are in operation for product safety, covering raw material use and product assessments, legal labelling and packaging requirements, and claim support when these have safety implications. There is also specific guidance in place on child safety aspects of product packaging and design. Full support is provided to customers on product safety, packaging and labelling issues. Products are fully assessed before launch through technical evaluations and occasionally using consumer test panels. Any complaints are acknowledged within 48 hours of receipt and all are fully investigated to determine the cause. During the year there have been no non-compliances with regulations concerning customer health and safety and no fines or penalties were incurred. Animal testing continues to be a major issue for retail customers and consumers. The Group has a policy of not testing products on animals or requesting testing of products or ingredients by any supplier or third party. Work is already under way to implement the changes introduced by the new Detergent Regulations published by the EU in 2004. In addition, in the UK, "The Green Claims Code" is also respected. Human safety is assessed for all household products under the requirements of the Dangerous Preparations Directive and for personal care products under the Cosmetic Products Directive.

Environmental impacts are assessed for all products and products involving risks to the environment 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 the finished products in use on emissions 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.

Community

The Group actively considers the impact of its operations on the surrounding community and has many initiatives which aim to contribute positively to the local area wherever possible. Apart from being a significant employer in most areas, the Group also supports economic regeneration, gives advice to smaller companies, supports local community and education communities and gives financial assistance to community efforts. Examples of activities include the provision of health and safety advice; work experience placements; interview training; careers advice; promoting literacy and numeracy; employees acting as Board members for a number of organisations.

The Group also recognises the importance of maintaining good relationships with the local community. Site General Managers are actively encouraged to maintain positive relationships, wherever appropriate, with local authorities and regulatory bodies. Where facilities are located in or near to residential areas, the site management have established neighbourhood schemes to provide a vehicle for local concerns to be heard and to ensure that due recognition is paid to ensuring that there is no unnecessary nuisance caused to residents. Charities in the locality of the Group's facilities benefit from charitable donations and employees regularly offer their services either through volunteer offices or through mentoring activities with local schools and other bodies. For the past three years, the UK has donated redundant product to the Communication Workers Union Humanitarian Aid charity.

In the UK, a close relationship has been built with several local universities and the company continues to offer bursaries and scholarships to undergraduate students which often results in active recruitment and partnership/development opportunities. The Company provides a number of short and long-term industrial placements. The award winning Childcare scheme, established in partnership with a local Council has continued to run during the year. The Group has membership of Business in The Community (BiTC) and runs a Charitable Trust which focuses on educational grants and donations to other charities. For the year ended 30 June 2004, the Charitable Trust made financial contributions of £17,661. Separately, employees themselves raised over £12,740 for charity.

Ethical Conduct

The Group expects its 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.

The Group's 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 has also been developed during the year.

Customers

As a major supplier of product to the Retailers, the Group recognises the importance of ensuring that there is no adverse impact on the reputation of its customers.

It is fundamental to the ethos of the Group that the social impacts of its products, their safety, quality and availability must satisfy the requirements of its customers and their consumers. We are committed to providing quality and reliable service to our customers and customer service is the primary 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

The Group recognises that its employees are a valuable asset and particular emphasis is placed on involving employees wherever possible. It is acknowledged that team working is invaluable in helping to deliver the Company's goals. The Group's strategy and business plans are shared with senior managers who are responsible for cascading down information as appropriate within the organisation.

A two-year rolling programme of opinion surveys by site has been in place for more than ten years to monitor employee satisfaction levels on a regular basis. The Group has made further progress on developing its training and development policies, and introducing appraisals for all employees, as well as ensuring that all employees receive regular briefings. Extensive training programmes are underway in support of systems developments. The Group has also continued to develop its Wellbeing and Capability policies. All parts of the UK have Investor in People accreditation and in some cases have been re-accredited in the last 12 months. Partnership or Works Councils (joint management/employee consultation groups) operate at all UK facilities. During the year, the Burnley site received a further Business Excellence Award as winner on the Leadership subsection.

Employees are encouraged to become shareholders through participation in the McBride Savings-Related Share Option Scheme and some employees are also able to participate in the Group's achievements through performance-related bonus schemes and Executive Share Option Schemes. All site-based employees have local incentive schemes relating to site performance.

During the course of the year, the Group employed an average of 4,022 people of whom 1,997 were employed in the UK. It is the Group's policy to ensure equal opportunity in recruitment, selection, promotion, employee development, training and reward policies and procedures in compliance with legal requirements. The Group also places great emphasis on establishing and maintaining a safe working environment for its employees. 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 gender, race, religion, disability or sexual orientation. Full and fair consideration is given to the employment and opportunities for training and development of people with disabilities according to their skills and capacity. Where employees become disabled in 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 to provide appropriate retraining. Where the Group finds it necessary to undertake a restructuring programme, every effort is taken to ensure that compulsory redundancies are minimised, and relevant support and guidance is provided as appropriate. Decisions are communicated, employees are consulted and implications for individuals are duly considered.

The Group is committed to employee consultation by way of briefings, listening groups, information bulletins and Company newspapers. In addition, all parts of the business now issue a monthly local core brief for employees. On a six-monthly basis, the Chief Executive holds senior management conferences to ensure that all staff are aware of the business performance and to provide a clear definition of the Group's goals and expectations. This also presents the opportunity for the Chief Executive to reiterate the Group's vision, strategy, values and business objectives for the Group. 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 values across the rest of the business. In addition, the operating company management teams regularly visit each of the sites and are available for open questioning from employees. Most sites are actively engaged in involvement initiatives to help to ensure that all employees understand and relate to the business goals. Open days are held at many sites to allow employee families to see the environment in which their family members work.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF McBRIDE PLC

We have audited the financial statements on pages 38 to 57. 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 page 27, 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 statement on page 24 reflects the company's compliance with the seven provisions of the Combined 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 2004 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
8 September 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2004

	Note	Pre exceptional items 2004 £m	Exceptional items (note 3) 2004 £m	Post exceptional items total 2004 £m	Restated total 2003 £m
Turnover					
Continuing operations and share of joint venture		**517.8**	**–**	**517.8**	501.9
Less: share of joint venture's turnover		**(16.5)**	**–**	**(16.5)**	(15.1)
Group turnover	2	**501.3**	**–**	**501.3**	486.8
Cost of sales		**(309.5)**	**–**	**(309.5)**	(299.9)
Gross profit		**191.8**	**–**	**191.8**	186.9
Distribution costs		**(32.3)**	**–**	**(32.3)**	(31.2)
Administrative costs					
Before goodwill amortisation		**(124.4)**	**(3.3)**	**(127.7)**	(124.6)
Goodwill amortisation		**(1.4)**	**–**	**(1.4)**	(1.4)
Administrative costs including goodwill amortisation		**(125.8)**	**(3.3)**	**(129.1)**	(126.0)
Group operating profit	2	**33.7**	**(3.3)**	**30.4**	29.7
Share of joint venture's operating profit		**0.8**	**–**	**0.8**	0.5
Profit on ordinary activities before interest		**34.5**	**(3.3)**	**31.2**	30.2
Group interest receivable and similar income	6	**1.8**	**–**	**1.8**	0.6
Group interest payable and similar charges	6	**(2.5)**	**–**	**(2.5)**	(4.2)
Share of joint venture's interest payable and similar charges		**(0.3)**	**–**	**(0.3)**	(0.4)
Profit on ordinary activities before taxation	7	**33.5**	**(3.3)**	**30.2**	26.2
Group tax on profit on ordinary activities	8	**(10.9)**	**1.0**	**(9.9)**	(7.9)
Profit on ordinary activities after taxation		**22.6**	**(2.3)**	**20.3**	18.3
Equity minority interest		**(0.1)**	**–**	**(0.1)**	(0.1)
Profit for the year		**22.5**	**(2.3)**	**20.2**	18.2
Dividends proposed	9	**(7.1)**	**–**	**(7.1)**	(5.2)
Retained profit for the year		**15.4**	**(2.3)**	**13.1**	13.0
Earnings per ordinary share (pence)	10				
Basic				**11.4**	10.2
Diluted				**10.9**	10.1
Basic before goodwill amortisation and operating exceptional items				**13.5**	11.0
Dividend per share (pence)	9			**4.0**	2.9

All Group results relate to continuing operations.

BALANCE SHEET
at 30 June 2004

	Note	Group 2004 £m	Restated Group 2003 £m	Company 2004 £m	Company 2003 £m
Fixed assets					
Intangible assets	11	**7.6**	9.0	**–**	–
Tangible assets	12	**124.6**	128.3	**0.1**	0.1
Investments	13	**–**	–	**164.7**	165.0
Total fixed assets		**132.2**	137.3	**164.8**	165.1
Current assets					
Stocks	14	**38.8**	41.1	**–**	–
Debtors	15	**114.9**	114.7	**43.8**	15.2
Cash at bank and in hand		**0.2**	0.7	**–**	–
		153.9	156.5	**43.8**	15.2
Creditors: amounts falling due within one year	16	**(151.0)**	(148.4)	**(42.4)**	(8.8)
Net current assets		**2.9**	8.1	**1.4**	6.4
Total assets less current liabilities		**135.1**	145.4	**166.2**	171.5
Creditors: amounts falling due after more than one year	17	**(28.1)**	(57.2)	**–**	(5.7)
Provisions for liabilities and charges	18	**(14.1)**	(7.9)	**–**	–
Investment in joint venture					
Share of gross assets		**3.9**	3.4	**–**	–
Share of gross liabilities		**(5.1)**	(5.1)	**–**	–
Net investment in joint venture		**(1.2)**	(1.7)	**–**	–
Net assets		**91.7**	78.6	**166.2**	165.8
Capital and reserves					
Called up share capital	19	**17.8**	17.8	**17.8**	17.8
Share premium account	21	**139.4**	139.3	**139.4**	139.3
Profit and loss account	21	**(65.5)**	(78.5)	**9.0**	8.7
Equity shareholders' funds		**91.7**	78.6	**166.2**	165.8
Equity minority interest		**–**	–	**–**	–
Total shareholders' funds		**91.7**	78.6	**166.2**	165.8

These financial statements were approved by the Board of Directors on 8 September 2004 and were signed on its behalf by:

M Handley
M W Roberts
Directors

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2004

	Note	2004 £m	2004 £m	Restated 2003 £m	Restated 2003 £m
Net cash inflow from operating activities	26		**62.4**		63.0
Returns on investments and servicing of finance	27		**1.0**		(4.3)
Taxation			**(10.6)**		(6.9)
Operating cash flow after taxation and finance costs			**52.8**		51.8
Capital expenditure					
Cash expenditure on fixed assets		**(17.3)**		(10.6)	
Disposal of fixed assets		**0.1**		0.3	
Net cash outflow on capital expenditure			**(17.2)**		(10.3)
Equity dividends paid			**(7.3)**		(3.7)
Cash inflow before financing			**28.3**		37.8
Financing	28		**(26.8)**		(33.7)
Increase in cash in the year	29		**1.5**		4.1

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

for the year ended 30 June 2004

	Note	2004 £m	2003 £m
Increase in cash in the year	29	**1.5**	4.1
Cash outflow from movement in debt	29	**26.4**	33.3
Movement on finance leases	29	**0.4**	0.4
Change in net debt resulting from cash flows		**28.3**	37.8
Translation differences	29	**1.4**	(4.0)
Movement in net debt in the year		**29.7**	33.8
Net debt at the beginning of the year		**(61.1)**	(94.9)
Net debt at the end of the year		**(31.4)**	(61.1)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 30 June 2004

	2004 £m	2003 £m
Profit for the financial year	**20.2**	18.2
Unrealised foreign currency differences	**(0.1)**	1.2
Total recognised gains and losses	**20.1**	19.4

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 30 June 2004

	Group 2004 £m	Group 2003 £m
Profit for the financial year	**20.2**	18.2
Equity dividends	**(7.1)**	(5.2)
Retained profit	**13.1**	13.0
Unrealised foreign currency differences	**(0.1)**	1.2
Increase in share premium	**0.1**	–
Opening equity shareholders' funds	**78.6**	64.4
Closing shareholders' funds	**91.7**	78.6

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 over-ride when reporting the value of investments, as fully explained in note 13 to these accounts.

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 2004.

On the acquisition of a business, including an interest in an associated undertaking, 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 cash flows 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
During the year the accounting policy for the treatment of sales discounts and rebates has been amended. Discounts and rebates have in 2004 been accounted for as a reduction in revenue, having been previously treated as an administrative cost. This accounting treatment is consistent with FRS 5 – Application Note G (issued November 2003) and in the directors' opinion more fairly reflects the nature of these transactions. 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.

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 assets and depreciation
During the year the accounting policy for the treatment of ancillary moulding capital equipment has been amended. This has, in the current year, been accounted for as a fixed asset, having been previously treated as stock which was amortised, with the charge included in administrative costs. In the directors' opinion this accounting treatment more fairly reflects the nature of these transactions.

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. The Group's share of its investment in Aerosol Products Limited is shown as 50% of the net liabilities.

Stocks
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 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 schemes.

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.

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

	2004	2003
Average rate:		
Euro	**1.46**	1.52
Polish Zloty	**6.75**	6.29
Czech Koruna	**47.09**	47.05
Hungarian Forint	**375.9**	371.0

	2004	2003
Closing rate:		
Euro	**1.49**	1.44
Polish Zloty	**6.70**	6.44
Czech Koruna	**47.45**	45.39
Hungarian Forint	**373.8**	382.6

2 Segmental Information

	2004 £m	Restated 2003 £m
Turnover by destination is analysed by geographical area as follows:		
UK	**210.5**	212.1
Continental Europe	**286.7**	271.0
Rest of world	**4.1**	3.7
Group turnover	**501.3**	486.8
Share of joint venture's turnover	**16.5**	15.1
Turnover by destination	**517.8**	501.9

	2004 £m	Restated 2003 £m
Turnover by geographical origin is analysed as follows:		
UK	**216.6**	219.4
Continental Europe	**284.7**	267.4
Group turnover	**501.3**	486.8
Share of joint venture's turnover	**16.5**	15.1
Turnover by origin	**517.8**	501.9

	2004 £m	Restated 2003 £m
Turnover by class of business is analysed as follows:		
Household products	**432.0**	418.7
Personal care products	**69.3**	68.1
Group turnover	**501.3**	486.8
Share of joint venture's turnover	**16.5**	15.1
Total turnover by class of business	**517.8**	501.9

2 Segmental Information continued

	2004 £m	2003 £m
Operating profit by geographical origin is analysed as follows:		
UK	**17.2**	16.8
Continental Europe – pre exceptional item	**16.5**	12.9
Exceptional item (see note 3)	**(3.3)**	–
Continental Europe – post exceptional item	**13.2**	12.9
Group operating profit	**30.4**	29.7
Non-operating items	**0.5**	0.1
Net interest payable	**(0.7)**	(3.6)
Profit on ordinary activities before tax	**30.2**	26.2

The UK business includes total goodwill amortisation of £1.2 million (2003 – £1.2 million).
The Continental Europe business includes goodwill amortisation of £0.2 million (2003 – £0.2 million).

	2004 £m	2003 £m
Operating profit by class of business is analysed as follows:		
Household products – pre exceptional item	**29.3**	25.5
Exceptional item (see note 3)	**(3.3)**	–
Household products – post exceptional item	**26.0**	25.5
Personal care products	**4.4**	4.2
Group operating profit	**30.4**	29.7
Non-operating items	**0.5**	0.1
Net interest payable	**(0.7)**	(3.6)
Profit on ordinary activities before tax	**30.2**	26.2

The household products business includes goodwill amortisation of £1.4 million (2003 – £1.4 million).

	2004 £m	2003 £m
Non-operating items consist of the following:		
Share of joint venture's operating profit	**0.8**	0.5
Share of joint venture's interest payable and similar charges	**(0.3)**	(0.4)
Total non-operating items before tax	**0.5**	0.1
Share of joint venture's tax charge on ordinary activities	**–**	–
Total non-operating items after tax	**0.5**	0.1

	2004 £m	2003 £m
Net assets by geographical origin are analysed as follows:		
UK	**60.8**	68.9
Continental Europe	**78.5**	83.9
Total operating assets and liabilities	**139.3**	152.8
Non-operating liabilities	**(47.6)**	(74.2)
Net assets	**91.7**	78.6

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

It is not possible to provide an 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.

During the year the accounting policy for the treatment of sales discounts and rebates has been amended (see note 1). Prior period figures have been restated to reflect this change resulting in a revenue reduction of £18.2 million for 2003. There is no impact on Group operating profit.

3 Operating exceptional item

The Group announced on 23 April 2004 that it was closing its Breda production plant in The Netherlands and transferring those activities to other Group locations. The company will continue to operate as a selling operation. The £3.3 million pre-tax exceptional item relates to the Breda plant closure. As at 30 June 2004 this cost is included in provisions (see note 18).

4 Post balance sheet events
On 6 September 2004 McBride Holdings Limited purchased the remaining 50% of Aerosol Products Limited's ordinary share capital from its joint venture partners for £1.0 million. In addition, settlement of the £2.0 million June 2002 restructuring deferred consideration has been brought forward from July 2005 to 6 September 2004.

5 Transactions with related party
The Group's related party is its joint venture, Aerosol Products Limited.

During the year, Robert McBride Limited purchased £33.9 million (2003 – £30.1 million) of finished goods from APL for resale on behalf of APL, under a management agreement whereby Robert McBride Limited is responsible for the onward sales and sales ledger management. The total balance of stock held under this arrangement by Robert McBride Limited as at 30 June 2004 was £2.2 million (2003 – £2.3 million).

6 Group interest analysis

	2004 £m	2003 £m
Interest receivable and similar income	**1.8**	0.6
Interest payable on bank loans and overdrafts	**(2.4)**	(4.1)
Finance leases	**(0.1)**	(0.1)
Interest payable and similar charges	**(2.5)**	(4.2)
Total Group finance and interest cost	**(0.7)**	(3.6)

7 Profit on ordinary activities before taxation
Profit on ordinary activities before taxation is stated after charging:

	2004 £m	2003 £m
Auditors' remuneration:		
– Audit services	**0.4**	0.3
– Tax services	**0.2**	0.2
Depreciation and other amounts written off owned tangible fixed assets	**18.4**	22.7
Depreciation and other amounts written off leased tangible fixed assets	**0.1**	0.2
Hire of plant and machinery – rentals payable under operating leases	**1.9**	1.1
Hire of other assets – rentals payable under operating leases	**–**	0.2
Loss on sale of tangible fixed assets	**–**	0.1

Audit services for the Company total £0.1 million (2003 – £0.1 million).

8 Taxation
Taxation on the profit of the Group

	2004 £m	2003 £m
UK corporation tax at 30%	**6.7**	6.0
Overseas taxation – current	**5.1**	5.4
Utilisation of prior period provisions	**(0.2)**	–
Current tax charge for the year	**11.6**	11.4
UK deferred tax credit	**(0.8)**	(8.0)
Overseas taxation – deferred (credit)/charge	**(0.9)**	4.5
Deferred tax movement for the year	**(1.7)**	(3.5)
Group tax on profit on ordinary activities	**9.9**	7.9
Current tax is reconciled to a notional 30% of profit before taxation as follows:		
Expected tax charge	**9.1**	8.0
Overseas tax rates	**0.8**	0.8
Losses credited/(utilised)	**0.6**	(0.2)
Timing differences – other	**0.5**	1.9
Permanent differences	**0.8**	1.0
Adjustments to tax charge in respect of prior periods	**(0.2)**	(0.7)
Other	**–**	0.6
Current tax charge for the year	**11.6**	11.4

The effective tax rate of 31.8%, based on profit before tax excluding goodwill and joint venture, reflects a combination of inherited tax losses, movements on deferred tax, and the recovery of Advance Corporation Tax (ACT).

9 Dividends

	2004 £m	2003 £m
Dividends on ordinary shares:		
– Interim 1.2 pence per share (2003 – 0.8 pence)	**2.1**	1.4
– Proposed Final 2.8 pence per share (2003 – 2.1 pence)	**5.0**	3.8
Total dividends	**7.1**	5.2

The interim dividend was paid on 28 May 2004.

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 2004 is based on 177,666,200 ordinary shares of 10 pence each which is the weighted average number of ordinary shares in issue during the year (2003 – 177,639,197).

Fully 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.

	2004 Millions	2003 Millions
Weighted average number of ordinary shares in issue	**177.7**	177.6
Effect of dilutive share options	**3.4**	0.8
Effect of dilutive SAYE scheme shares	**3.4**	1.9
Total number of shares for the purposes of calculating diluted earnings per share	**184.5**	180.3

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:

	2004 £m	2003 £m
Earnings used to calculate Basic and Diluted EPS	**20.2**	18.2
Goodwill amortisation	**1.4**	1.4
Operating exceptional items after tax	**2.3**	–
Adjusted earnings	**23.9**	19.6

	Earnings per share 2004 p	Earnings per share 2003 p
Basic EPS	**11.4**	10.2
Goodwill amortisation	**0.8**	0.8
Operating exceptional items after tax	**1.3**	–
Basic EPS before goodwill amortisation and operating exceptional items	**13.5**	11.0
Diluted earnings per ordinary share	**10.9**	10.1

11 Intangible assets: Goodwill

	Total £m
Cost	
At 1 July 2003	14.2
Additions	–
Disposals	–
At 30 June 2004	**14.2**
Amortisation	
At 1 July 2003	(5.2)
Charge for the year	(1.4)
Disposals	–
At 30 June 2004	**(6.6)**
Net book value	
At 1 July 2003	9.0
At 30 June 2004	**7.6**

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.

12 Tangible fixed assets

	Land and buildings		Restated		
	Freehold £m	Long leasehold £m	Plant and machinery, computer equipment and motor vehicles £m	Payments on account and assets in the course of construction £m	Restated Total £m
Cost					
At 1 July 2003	69.4	2.7	222.7	2.4	297.2
Exchange adjustments	(1.4)	–	(3.3)	(0.1)	(4.8)
Additions	1.2	–	13.2	2.9	17.3
Disposals	–	–	(1.9)	–	(1.9)
Transfers	–	–	0.6	(0.6)	–
At 30 June 2004	**69.2**	**2.7**	**231.3**	**4.6**	**307.8**
Depreciation					
At 1 July 2003	(15.8)	(0.7)	(152.4)	–	(168.9)
Exchange adjustments	0.3	0.2	1.9	–	2.4
Charge for the year	(1.6)	(0.1)	(16.8)	–	(18.5)
Disposals	–	–	1.8	–	1.8
Transfers	–	–	–	–	–
At 30 June 2004	**(17.1)**	**(0.6)**	**(165.5)**	**–**	**(183.2)**
Net book value					
At 1 July 2003	**53.6**	**2.0**	**70.3**	**2.4**	**128.3**
At 30 June 2004	**52.1**	**2.1**	**65.8**	**4.6**	**124.6**

During the year the accounting policy for the treatment of ancillary moulding capital equipment has been amended (see note 1). 1 July 2003 figures have been restated to reflect this change resulting in increases in fixed asset cost of £13.8 million, depreciation of £11.6 million and net book value of £2.2 million, and associated decrease in stock of £2.2 million.

There was no significant movement in the Company's tangible fixed assets which were £0.1 million at 30 June 2004 (2003 – £0.1 million).

13 Investments

Company	£m
Shares in subsidiary undertakings at cost	
At 30 June 2003	165.0
Exchange on Euro investment	(0.3)
At 30 June 2004	164.7

The investment in McBride Euro Finance Limited is Euro denominated and has been financed by an equal Euro loan. Both 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. 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.

Set out below are the principal subsidiary undertakings of the Group whose results are included in the Group financial statements as at 30 June 2004. The share capital of these undertakings, comprising ordinary shares, is wholly owned by the Group with the exception of Intersilesia McBride Polska Sp Z.o.o. which is 85% owned by the Group. All subsidiaries incorporated in Great Britain are registered in England and Wales.

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
Yplon S.A.S.	100%	France
Yplon N.V./S.A.	100%	Belgium
General Detergents S.p.A.**	100%	Italy
Productos Quimicos Arco Iris S.A.	100%	Spain
Grada B.V.	100%	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
Joint venture		
Aerosol Products Ltd	50%	Great Britain
Investment companies		
McBride Holdings Ltd*	100%	Great Britain
McBride CE Holdings Ltd	100%	Great Britain
Trimoteur Operations Europe B.V.	100%	Netherlands

* These companies are wholly owned subsidiary undertakings of McBride plc the Company.
** Will change its name to McBride S.p.A. on 22 September 2004.

The country of incorporation is also the principal country of operation. All companies are wholly owned by the Group, except for Intersilesia McBride Polska Sp. Z.o.o. which is 85% owned and Aerosol Products Limited (APL) which is a 50% joint venture. In accordance with FRS 9 – Associates and joint ventures, APL is accounted for on a gross equity basis.

Since 30 June 2004 the following events occurred:
– The Group purchased the remaining 50% equity interest of APL on 6 September.
– The Group set up a Russian subsidiary, OOO McBride Russia, on 17 August to act as a selling agent.

14 Stock

	2004 £m	Restated 2003 £m
Raw materials/packaging and consumables	**15.2**	16.9
Work in progress	**1.4**	2.1
Finished goods and goods for resale	**22.2**	22.1
Total stocks	**38.8**	41.1

2003 stock restatement results in £2.2 million decrease – see note 12.

15 Debtors

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Amounts falling due within one year:				
Trade debtors	**109.2**	110.0	**–**	–
Amounts owed by Group undertakings	**–**	–	**42.9**	14.3
Other debtors	**2.9**	2.3	**0.1**	–
Prepayments and accrued income	**2.8**	2.4	**0.8**	0.9
Total debtors	**114.9**	114.7	**43.8**	15.2

16 Creditors: Amounts falling due within one year

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Bank overdrafts (unsecured)	**2.0**	4.2	**0.1**	0.9
Bank loans	**1.2**	–	**–**	–
Finance leases	**0.3**	0.4	**–**	–
Trade creditors	**84.1**	75.8	**0.2**	0.2
Amounts owed to Group undertaking	**–**	–	**35.8**	1.0
Corporation tax payable	**1.2**	3.1	**0.1**	–
Other taxation and social security	**10.9**	9.8	**–**	–
Other creditors	**16.2**	17.0	**0.1**	–
Accruals and deferred income	**30.1**	32.9	**1.1**	1.5
Dividends proposed on equity shares	**5.0**	5.2	**5.0**	5.2
Total creditors falling due within one year	**151.0**	148.4	**42.4**	8.8

The Group's borrowings under the non-recourse invoice selling facility are included above as the facility is due to expire within twelve months. In the 2003 Financial Statements they were disclosed under creditors due after more than one year. The margins on borrowings reported above vary between 35bp and 100bp over local market rates.

17 Creditors: Amounts falling due after more than one year

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Bank loans	**26.3**	55.0	**–**	5.7
Finance leases	**1.8**	2.2	**–**	–
Total creditors falling due after more than one year	**28.1**	57.2	**–**	5.7
These are repayable by installments:				
Between one and two years	**26.5**	0.3	**–**	–
Between two and five years	**1.1**	55.9	**–**	5.7
After five years	**0.5**	1.0	**–**	–
Total creditors falling due after more than one year	**28.1**	57.2	**–**	5.7

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

18 Provisions for liabilities and charges

	Group deferred tax £m	Group other £m	Group total £m	Company deferred tax £m	Company other £m	Company total £m
At 30 June 2003	3.6	4.3	**7.9**	–	–	**–**
Transfer to current tax	2.9	–	**2.9**	–	–	**–**
Profit and loss (credit)/charge	(1.7)	5.4	**3.7**	–	–	**–**
Utilised during the year	–	(0.4)	**(0.4)**	–	–	**–**
At 30 June 2004	4.8	9.3	**14.1**	–	–	**–**

'Other' provisions relate to the Breda plant closure (see note 3), leasehold delapidations, other redundancy costs and closure of the industrial business.

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

Group	2004 £m	2003 £m
Difference between accumulated depreciation and capital allowances	**13.6**	14.6
Other timing differences	**(8.8)**	(11.0)
Potential deferred tax liability	**4.8**	3.6

Included within other timing differences are amounts in relation to unutilised losses and available ACT assets.

19 Called up share capital

	Group 2004 Number	Group 2003 Number	Company 2004 £m	Company 2003 £m
Authorised				
Ordinary shares of 10 pence each	**500,000,000**	500,000,000	**50.0**	50.0

	2004 Number	2003 Number	2004 £m	2003 £m
Allotted, called up and fully paid				
Ordinary shares of 10 pence each	**177,809,468**	177,639,197	**17.8**	17.8

170,271 ordinary 10p shares were issued during the year for a consideration of £98,656.

20 Share options

There are existing options issued during the 2001-02 financial year to senior employees, but excluding the executive directors, to subscribe for up to 5,141,171 ordinary shares (2003: 5,312,811 shares) at 58.5 pence under the 1995 Executive Share Option Scheme. These options are exercisable between March 2005 and March 2012. In addition, there remain options issued in July 1995, exercisable between July 1998 and July 2005, for up to 2,207,456 ordinary shares (2003: 2,347,784 shares) at £1.88.

The total number of options under all the schemes, including those for executive directors, totalled 8,879,075 ordinary shares as at 30 June 2004 (2003: 9,191,043 shares).

As at 30 June 2004 there are 548 members and a combined total of 5,467,155 options held within the Group's 3-year and 5-year SAYE schemes.

21 Movement on reserves

Group	Share premium account £m	Profit and loss account £m
At 30 June 2003	139.3	(78.5)
Increase in share premium	0.1	–
Retained Profit for the financial year	–	13.1
Unrealised foreign currency differences	–	(0.1)
At 30 June 2004	**139.4**	**(65.5)**

Company	Share premium account £m	Profit and loss account £m
At 30 June 2003	139.3	8.7
Increase in share premium	0.1	–
Retained profit for the financial year	–	0.3
At 30 June 2004	**139.4**	**9.0**

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 £7.4 million before dividends payable of £7.1 million in the year to 30 June 2004.

Group	As at 2004 £m	As at 2003 £m
Goodwill eliminated directly against reserves	**(146.4)**	(146.4)
Cumulative retained profit	**80.9**	67.9
Profit and loss account	**(65.5)**	(78.5)

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. The above note analyses the Group profit and loss account. 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 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Capital expenditure				
Contracted but not provided	**5.0**	0.6	**0.1**	–

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Others				
Within one year	**0.3**	0.7	**–**	–
In the second to fifth years inclusive	**1.4**	1.9	**–**	–
Over five years	**–**	–	**–**	–
	1.7	2.6	**–**	–

23 Remuneration of directors

	2004 £000	2003 £000
Emoluments	**1,089**	973
Pension contributions	**250**	232
Total remuneration	**1,339**	1,205

Further analysis of the above amounts and information concerning directors' shareholdings and options are shown on pages 27, 33 and 34 in the Remuneration Report.

The total emoluments of the highest paid director (including pension contributions) was £780,000 (2003 – £723,000).

	Number of Directors 2004	Number of Directors 2003
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	**2**	2
Defined benefit schemes	**–**	–
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:

	2004 £m	2003 £m
United Kingdom – defined benefit schemes	**1.6**	1.9
United Kingdom – defined contribution schemes	**0.2**	0.2
Continental Europe – defined contribution schemes	**0.4**	0.5
Deficit charge – United Kingdom defined benefit schemes	**0.8**	–
	3.0	2.6

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 90% 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 deficit is spread over the average remaining service life of the members, thirteen 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 2.8% and investment return 6.8%.

24 Pension schemes continued

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 new 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.

A full actuarial valuation of the UK defined benefits scheme was carried out as at 31 March 2003. The results of that valuation have been projected to 30 June 2004 and then updated based on the following assumptions:

	2004	2003	2002
Rate of increase in salaries	**4.00%**	4.00%	4.25%
LPI increases for pensions in payment	**2.80%**	2.40%	2.50%
Liability discount rate	**6.00%**	5.40%	5.75%
Inflation assumption	**3.00%**	2.50%	2.75%
Revaluation of deferred pensions	**3.00%**	2.50%	2.75%

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, which were:

	Long-term rate of return 2004	**Value at 2004 £m**	Long-term rate of return 2003	Value at 2003 £m	Long-term rate of return 2002	Value at 2002 £m
Equities	**7.50%**	**31.6**	6.50%	25.2	7.00%	28.7
Bonds	**5.50%**	**4.2**	4.50%	4.5	5.00%	4.8
Property	**7.50%**	**1.3**	6.50%	1.2	7.00%	1.1
Cash	**5.50%**	**1.9**	4.50%	2.0	5.00%	1.0
Total market value of assets		**39.0**		32.9		35.6
Present value of scheme liabilities		**(49.0)**		(47.7)		(42.3)
Deficit in the scheme		**(10.0)**		(14.8)		(6.7)
Related deferred tax asset		**3.0**		4.4		2.0
Net pension liability		**(7.0)**		(10.4)		(4.7)

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

	2004 £m	2003 £m
Current service cost	**2.4**	2.0
Past service cost	**–**	–
Loss/(gain) on curtailment	**–**	–
Total operating charge	**2.4**	2.0

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

	2004 £m	2003 £m
Expected return on pension scheme assets	**2.1**	2.4
Interest on pension scheme liabilities	**(2.7)**	(2.5)
Net return	**(0.6)**	(0.1)

24 Pension schemes continued

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

	2004 £m	2003 £m
Actual return less expected return on pension scheme assets	**2.5**	(6.6)
Experience gains and losses arising on the scheme liabilities	**–**	(0.9)
Changes in assumptions underlying the present value of the scheme liabilities	**3.7**	(0.2)
Actuarial gain/(loss) recognised in the STRGL	**6.2**	(7.7)

Movement in surplus/(deficit) during the year:

	2004 £m	2003 £m
Deficit in scheme at start of year	**(14.8)**	(6.7)
Movement in the year:		
Current service cost	**(2.4)**	(2.0)
Contributions	**1.6**	1.7
Past service costs	**–**	–
Other finance income	**(0.6)**	(0.1)
Actuarial gain/(loss)	**6.2**	(7.7)
Curtailment	**–**	–
Deficit in scheme at year end	**(10.0)**	(14.8)

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

History of experience gains and losses	2004	2003
Difference between the expected and actual return on scheme assets:		
Amount (£m)	**2.5**	(6.6)
Percentage of the scheme assets	**6.4%**	(20.0%)
Experience gains and losses on scheme liabilities:		
Amount (£m)	**–**	(0.9)
Percentage of the present value of the scheme liabilities	**–**	(1.8%)
Total amount recognised in statement of total recognised gains and losses:		
Amount (£m)	**6.2**	(7.7)
Percentage of the present value of the scheme liabilities	**13.0%**	(16.1%)

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:

	2004	2003
Operations	**3,398**	3,352
Sales and marketing	**214**	215
Finance and administration	**410**	494
Total full-time equivalent employees	**4,022**	4,061

	2004 £m	2003 £m
The aggregate payroll costs were:		
Wages and salaries	**80.1**	76.7
Social security costs	**17.3**	16.0
Pension costs (see note 24)	**3.0**	2.6
Total payroll costs	**100.4**	95.3

Included within provisions as at 30 June 2004 is £2.5 million of redundancy costs relating to the closure of Grada B.V.'s production plant (see note 3). This provision is not included in payroll costs above.

26 Reconciliation of operating profit to operating cash flow

	Pre exceptional items 2004 £m	Exceptional items (note 3) 2004 £m	Post exceptional items total 2004 £m	Restated total 2003 £m
Group operating profit	**33.7**	**(3.3)**	**30.4**	29.7
Depreciation	**18.5**	**–**	**18.5**	22.9
Goodwill amortisation	**1.4**	**–**	**1.4**	1.4
Loss on disposal of fixed assets	**–**	**–**	**–**	0.1
Movement in stock	**1.3**	**–**	**1.3**	6.1
Movement in debtors	**(3.7)**	**–**	**(3.7)**	1.4
Movement in creditors	**11.2**	**3.3**	**14.5**	1.4
Net cash flow from operating activities	**62.4**	**–**	**62.4**	63.0

27 Returns on investments and servicing of finance

	2004 £m	2003 £m
Interest received	**3.3**	1.0
Interest paid	**(2.2)**	(4.3)
Interest element of finance lease rentals paid	**(0.1)**	(0.1)
Commitment fees paid on completion of the new revolver facility	**–**	(0.7)
Dividend paid to minority interest	**–**	(0.2)
Total cash flow from returns on investment and servicing of finance	**1.0**	(4.3)

28 Financing

	2004 £m	2003 £m
Decrease in debt	**(26.4)**	(33.3)
Capital element of finance lease rental payments	**(0.4)**	(0.4)
Net cash outflow from financing (decrease in financing)	**(26.8)**	(33.7)

29 Analysis of net debt

	2003 £m	Cash flow £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 (debt)/cash	(61.1)	28.3	1.4	**(31.4)**

	2002 £m	Cash flow £m	Exchange movement £m	2003 £m
Cash in hand	1.2	(0.3)	(0.2)	0.7
Overdrafts	(8.2)	4.4	(0.4)	(4.2)
	(7.0)	4.1	(0.6)	(3.5)
Debt: Due after one year	–	(51.8)	(3.2)	(55.0)
Debt: Due within one year	(85.1)	85.1	–	–
Finance leases	(2.8)	0.4	(0.2)	(2.6)
Net (debt)/cash	(94.9)	37.8	(4.0)	(61.1)

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.

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.

	Polish Zloty £m	**Euro £m**	**Sterling £m**	**Total carrying value 2004 £m**	Total carrying value 2003 £m
Financial liabilities:					
Fixed rate	**–**	**–**	**–**	**–**	–
Floating rate	**(0.1)**	**(29.0)**	**(2.3)**	**(31.4)**	(61.8)
Non interest bearing	**–**	**(0.2)**	**–**	**(0.2)**	–
	(0.1)	**(29.2)**	**(2.3)**	**(31.6)**	(61.8)
Currency swaps	**–**	**(13.3)**	**13.3**	**–**	–
	(0.1)	**(42.5)**	**11.0**	**(31.6)**	(61.8)
Financial assets:					
Fixed rate	**–**	**–**	**–**	**–**	–
Floating rate	**–**	**0.2**	**–**	**0.2**	0.7
Non interest bearing	**–**	**–**	**–**	**–**	–
	–	**0.2**	**–**	**0.2**	0.7
Net financial (liabilities)/assets	**(0.1)**	**(42.3)**	**11.0**	**(31.4)**	(61.1)

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 is using interest rate costless collars (Euro 20.0 million at June 2004) which mature between 1 July 2004 and 20 June 2005 and which have floors of 2.0% and caps of 2.72%-2.95%.

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 2004 £m**	Total carrying value 2003 £m
Less than one year	**(3.3)**	(3.9)
One to five years	**(27.6)**	(56.2)
More than five years	**(0.5)**	(1.0)
	(31.4)	(61.1)

The Group has two committed facilities. The amounts unutilised and maturities of the facilities are analysed below:

Committed undrawn facilities	**2004 £m**	2003 £m
Expiring less than one year	**7.4**	–
One to two years	**–**	6.4
More than two years	**38.8**	48.7
	46.2	55.1

31 Financial instruments continued

Fair value disclosure

Fair value of financial assets and liabilities	**2004** Book value £m	**2004** Fair value £m	2003 Book value £m	2003 Fair value £m
Bank loans, overdrafts and other loans	**(29.5)**	**(29.5)**	(59.2)	(59.2)
Finance lease liabilities	**(2.1)**	**(2.1)**	(2.6)	(2.6)
Total gross borrowings	**(31.6)**	**(31.6)**	(61.8)	(61.8)
Cash at bank and in hand	**0.2**	**0.2**	0.7	0.7
Total net borrowings	**(31.4)**	**(31.4)**	(61.1)	(61.1)
Forward exchange contracts	**(0.4)**	**(0.5)**	–	0.5
Total	**(31.8)**	**(31.9)**	(61.1)	(60.6)

The fair values of the forward contracts are estimated from market forward exchange rates on 30 June 2004.
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 currency exposure. The Group's policy is to cover all such currency exposure. The table below, however, is required to show net external exposure by business area and is not able to include the effect of internal offsetting cover.

The net monetary assets/(liabilities) that are not denominated in their functional currency are shown below. Gains or losses arising from these exposures will be recognised in the profit and loss account. The amounts in the tables take into account the effect of forward contracts used to manage these exposures.

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

2003	Sterling £m	Euro £m	Zloty £m	Total £m
United Kingdom	–	3.0	–	3.0
Euro-zone countries	4.0	–	–	4.0
Poland	–	(6.1)	–	(6.1)
Other	(0.2)	–	–	(0.2)
Total	3.8	(3.1)	–	0.7

Currency risk management - net asset exposure

As indicated on page 14 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

	2004 Net assets Before hedging £m	**2004** Forward Contracts £m	**2004** Net assets After hedging £m	2003 Net assets Before hedging £m	2003 Forward Contracts £m	2003 Net assets After hedging £m
Sterling	**50.8**	**40.4**	**91.2**	40.6	35.3	75.9
Euro-zone currencies	**35.2**	**(34.7)**	**0.5**	31.9	(29.1)	2.8
Other	**5.7**	**(5.7)**	**0.0**	6.1	(6.2)	(0.1)
Total net assets	**91.7**	**–**	**91.7**	78.6	–	78.6

Gains and losses on hedges	Gains £m	Losses £m	Total net gain/loss £m
Unrecognised gains and losses in 2003	0.5	(0.2)	0.3
Gains and losses arising in previous years now recognised in June 2004	0.5	(0.2)	0.3
Gains and losses arising in previous years not recognised in June 2004	–	–	–
Unrecognised gains and losses in 2004	0.1	–	0.1
Of which gains and losses to be recognised in 2005	0.1	–	0.1
After 2005	–	–	–

FIVE-YEAR FINANCIAL SUMMARY

	2004 £m	Restated 2003 £m	Restated 2002 £m	Restated 2001 £m	Restated 2000 £m
Profit and loss account					
Turnover	**501.3**	486.8	467.5	483.8	482.2
Profit before tax (before goodwill and exceptional items)	**34.9**	27.6	19.6	12.9	23.5
Profit after tax (before goodwill and exceptional items)	**24.0**	19.7	14.2	13.6	17.0
Earnings					
Earnings per share (before goodwill and exceptional items)	**13.5p**	11.0p	7.8p	7.4p	9.3p
Ordinary dividends	**4.0p**	2.9p	2.1p	2.0p	4.6p
Employees					
Average number of employees	**4,022**	4,061	4,234	4,558	4,762

FINANCIAL CALENDAR

Record date for 2003-04 final dividend	29 October 2004
Annual General Meeting	2 November 2004
2003-04 final dividend payment date	26 November 2004
Announcement of interim results	February 2005
2004-05 interim dividend payment	May 2005

GROUP DIRECTORY/ADVISORS

Group Directory
McBride plc
McBride House
Penn Road
Beaconsfield
Buckinghamshire HP9 2FY
England
Telephone 01494 607050
Facsimile 01494 607055

McBride Holdings Limited
McBride House
Penn Road
Beaconsfield
Buckinghamshire HP9 2FY
England
Telephone 01494 607050
Facsimile 01494 607055

General Detergents S.p.A.
Via Bernini 17
20020 Solaro
Milan
Italy
Telephone 00 39 02 967 121
Facsimile 00 39 02 969 2217

Grada B.V.
Modemweg 26
3800 AZ Amersfoort
The Netherlands
Telephone 00 31 33 45 43 100
Facsimile 00 31 33 45 43 101

Trimoteur Operations Europe B.V.
Modemweg 26
3800 AZ Amersfoort
The Netherlands
Telephone 00 31 33 45 43 100
Facsimile 00 31 33 45 43 101

McBride Hungary Kft.
1034 Budapest
Timár utca 20
Hungary
Telephone 00 36 1 240 23 10
Facsimile 00 36 1 240 23 09

McBride s.r.o.
U1 Frantiska Divise 1012
10400 Praha 10
Czech Republic
Telephone 00 42 02 6771 1850
Facsimile 00 42 02 6771 1832

McBride CE Holdings Ltd
McBride House
Penn Road
Beaconsfield
Buckinghamshire HP9 2FY
England
Telephone 01494 607050
Facsimile 01494 607055

McBride Euro Finance Ltd
McBride House
Penn Road
Beaconsfield
Buckinghamshire HP9 2FY
England
Telephone 01494 607050
Facsimile 01494 607055

Problanc S.A.S.
55 Rue Deguingand
F-92300 Levallois Perret
France
Telephone 00 33 1 47373804
Facsimile 00 33 1 47374376

Productos Quimicos Arco Iris S.A.
Poligon Industrial l'Illa
Calle Ramon Esteve s/n
08650 Sallent
Barcelona
Spain
Telephone 00 34 9383 72320
Facsimile 00 34 9383 72929

Intersilesia McBride Polska Sp. Z o.o.
ul. Matejki 2a
47100 Strzelce Opolskie
Poland
Telephone 00 48 774 61 20 21
Facsimile 00 48 774 61 47 20

Robert McBride Ltd
Middleton Way
Middleton
Manchester M24 4DP
England
Telephone 0161 653 9037
Facsimile 0161 655 2278

Vitherm S.A.S.
Rue des Casernes
55400 Etain
France
Telephone 00 33 329 87 88 22
Facsimile 00 33 329 87 89 26

Yplon N.V./S.A.
6 Rue Moulin Masure
7730 Estaimpuis
Belgium
Telephone 00 32 56 482111
Facsimile 00 32 56 482110

Yplon S.A.S.
55 Rue Deguingand
F-92300 Levallois Perret
France
Telephone 00 33 1 47373804
Facsimile 00 33 1 47374376

Aerosol Products Limited
Middleton Way
Middleton
Manchester M24 4DP
England
Telephone 0161 653 9037
Facsimile 0161 655 2278

OOO McBride Russia
27 2nd Machinostroenia Streif
115088
Moscow
Russia

Auditors
KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Solicitors
Ashurst
Broadwalk House
5 Appold Street
London EC2A 2HA

Merchant Bankers/Stockbrokers
Dresdner Kleinwort Wasserstein
PO Box 560
20 Fenchurch Street
London EC3M 3LB

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

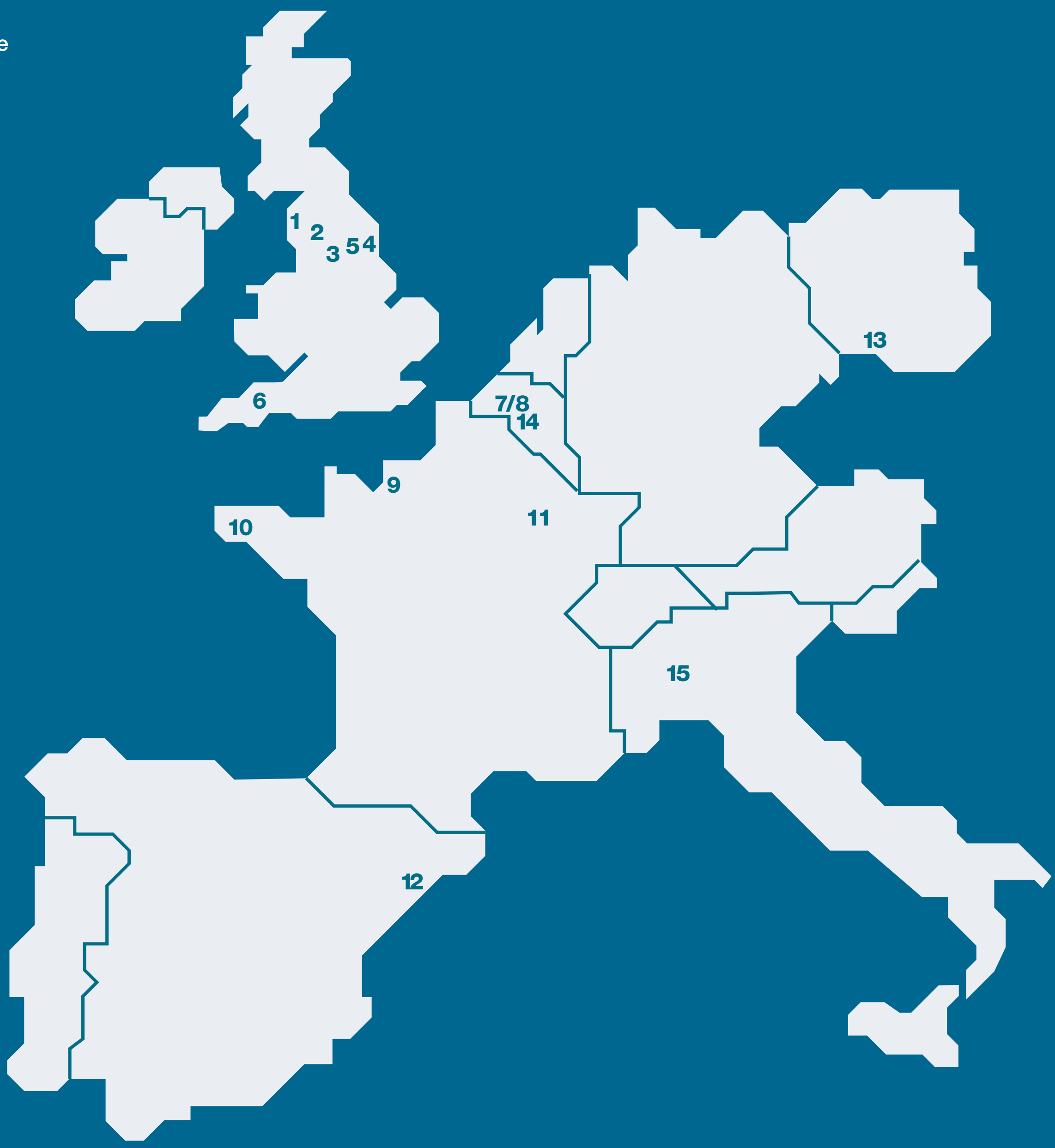
Fortis Bank
Camomile Court
23 Camomile Street
London EC3A 7PP

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

Registrars
Computershare Investor Services plc
Registrars Department
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

McBride plc has 15 sites in six European countries

1 Barrow
2 Burnley
3 Middleton
4 Hull (Aerosol Products JV)
5 Bradford
6 Bampton
7 Ieper-Household
8 Ieper-Personal Care
9 Moyaux
10 Rosporden
11 Etain
12 Sallent
13 Strzelce Opolskie
14 Estaimpuis
15 Solaro



Designed and produced by College Design, London
+44 (0)20 7457 2020

McBride plc
McBride House
Penn Road
Beaconsfield
Buckinghamshire
HP9 2FY
United Kingdom

Tel: +44 (0) 1494 60 70 50
Fax: +44 (0) 1494 60 70 55
www.mcbride.co.uk