McBride plc Annual report and accounts 2010

Passionate about Private Label

What’s inside

We are Europe’s leading provider of Private Label Household and Personal Care products. We develop, produce and sell our products to leading retailers primarily in the UK and across Continental Europe. We manage the business through three divisions – UK, Western Continental Europe and Eastern Continental Europe – with sales in all major European markets and many beyond.

02 Passionate about Private Label

See also pages 03 to 09 and 28 to 29.

18 What the new CEO has to say

24 Expanding in Asia

10 Overview of the year

This section provides a summary of who we are and what we do. It includes highlights of our financial and operating performance in the 2010 financial year.

16 Business review

This section gives details of our business performance in the 2010 financial year. We also provide other important financial information about the Group.

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

Key performance indicator

UK organic revenue growth

+2%

10

Passionate about performance

See also pages 11, 23 and 55

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Private Label trends and performance

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Bringing new products to market

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Corporate social responsibility

48 Our governance

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

77 The figures

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

Passionate about Private Label

McBride aspires to the highest levels of performance for all our stakeholders. We believe that Private Label has an important role to play in the economy, providing consumers with products of exceptional value and performance as well as providing our retail customers with the opportunity to differentiate themselves with their own unique range of Household and Personal Care products. In short, we are 'Passionate about Private Label'.

Our Mission and Vision are underpinned by a set of Principles which commit us to focus on our customers' needs, to engage our people fully and to drive for improved performance at all times. We are proud of our corporate and social responsibility and the way we do business.

The internal campaign
Greta Vanderjeugt is driving our Mission, Vision and Principles engagement programme across the Group and making a big impact in her customised car.

Mission

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

Vision

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

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

Principles

Engage our people

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

Focus on our customers

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

Drive our performance

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

Passionate about Private Label
Continued

Household
With 13 factories across Europe, producing liquids, powders, tablets, gels, aerosols and sachets, we provide a comprehensive range of Private Label Household products to retail customers.

Personal Care
McBride is a leading provider of Private Label toiletry products. The recent acquisition of Dermacol a.s. has not only extended our offer to Skincare but also provides a dedicated Personal Care manufacturing facility in Eastern Europe.

Mission

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

Vision

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

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

No.1

One Family, one World, one McBride, these are the key themes of the engagement message within our Mission, Vision and Principles initiative. Through teamwork and a common goal, McBride aims to retain its position as the number one Private Label supplier.

Five-year trend in capital investment

In the last five years McBride plc has invested £108 million in building a sustainable competitive manufacturing platform. Investments include automation, new product development, capacity expansion, health, safety and environmental improvements and essential replacement.

Five years of continued investment in expanding our manufacturing and new product development capability

£108m

Passionate about Private Label
Continued

Principles

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

Carole Craggs
McBride Filling Supervisor (left)

Carole has worked at McBride's for 27 years. Carole's role is to ensure that all production runs to specification and line efficiency is maintained to meet customer service. She participates in the Involvement of People, Best Value Products, Continuous Improvement and Health and Safety initiatives.

Debra Lunt
McBride QA Assistant (right)

Debra has worked at McBride's for 28 years. Debra works as a member of the Technical Department, performing checks on products as and when required. Debra also looks after Customer Service and both the Involvement of People and Best Value Products initiatives.

Peter Butterworth
McBride Warehouse Operative (below)

Peter has worked at McBride's for 15 years. Peter works as part of the warehouse team to achieve 100% customer service internally and externally. He has been involved in project work and improvement teams in the warehouse. Working on the 5's principles and visual standards in the warehouse, Peter was also a previous winner of Employee of the Year for his space-saving ideas in the warehouse.

Aurangzeb Khan
McBride Team Leader (above)

Aurangzeb has worked at McBride's for five years. Aurangzeb's role is to lead the Manufacturing Department team with the objective of ensuring production runs to the specification, line efficiency is maintained and safety standards are met.

Passionate about Private Label
Continued

Principles

Our European manufacturing footprint means we are uniquely positioned to supply Europe's leading multinational retail chains. In fact, we supply all of the top 10 Western European Grocery retailers, and in Eastern Europe, McBride supplies 8 of the top 10 Eastern European Grocery chains.

Focus on our customers

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

Delivering value across Europe

10/10

We supply all of the top 10 retailers in Western Europe
In addition to counting the top 10 grocery retailers in Western Europe as our customers, we supply most of the leading national chains throughout Europe

Ranking and Company	% market share of West European Grocery market
1 Carrefour	5.9%
2. Metro Group	4.2%
3. Tesco	4.0%
4 Schwarz Group	3.8%
5. REWE Group	3.8%
6 Edeka	3.4%
7. Aldi	3.2%
8. Auchan	3.1%
9. Leclerc	2.8%
10. Casino	2.5%

Source: Planet Retail 2010.

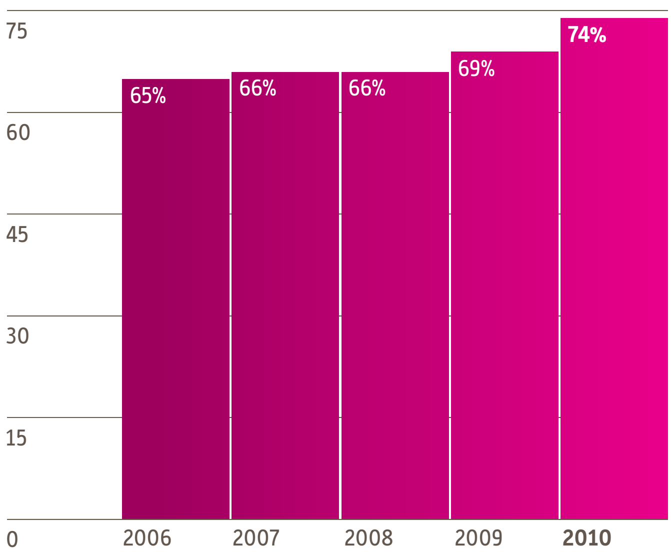
Drive our performance

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

We are on track to deliver our waste objectives set in 2008-09:

- → Continue to increase the level of recovered, recycled and reused waste by 1% per annum and
- → Target to achieve a 1% waste level as a percentage of production volume by 2012

Waste recycled vs. non recycled



Waste efficiency is a KPI for McBride, this year the level of waste generated was 1.2%. We use the principle of reduce, reuse, recycle and recover to manage our waste. This not only protects our environment but minimises the cost of waste disposal.

Recycled waste increased by 5%

74%

In line with the principle that 'Everything can and should be improved', in 2010 we achieved a record level of 74% of our waste being reused, recovered or recycled.

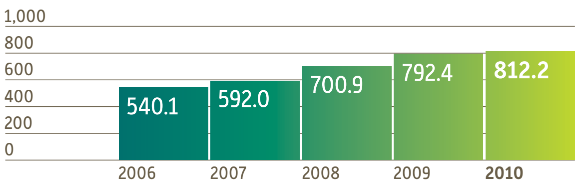
Performance highlights

Highlights of the year

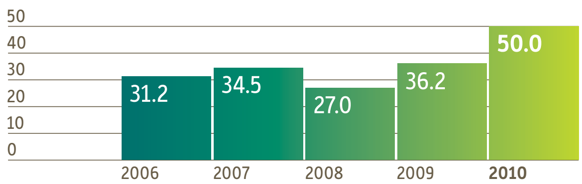
- → Total revenue up 2% to £812.2 million
- → Adjusted operating profit was £50.0 million[1]
- → Adjusted diluted earnings per share of 18.1 pence[1]
- → Full year dividend increased to 6.8 pence per share
- → Strong net cash generated from operations of £85.1 million[1]
- → Year-end net debt of £60.0 million (2009: £82.4m)

Key financial trends[1]

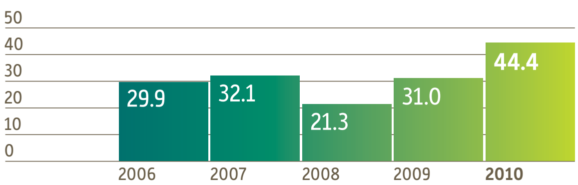
Revenue £m



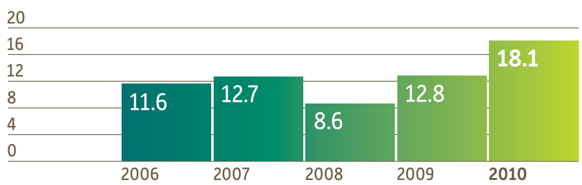
Adjusted operating profit[1] £m



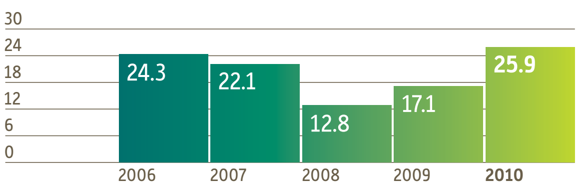
Profit before tax[1] £m



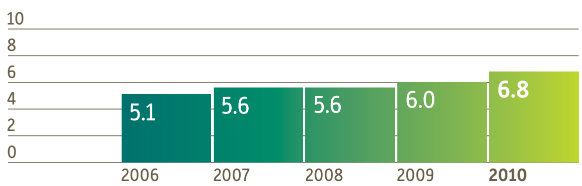
Adjusted diluted earnings per share[1] pence



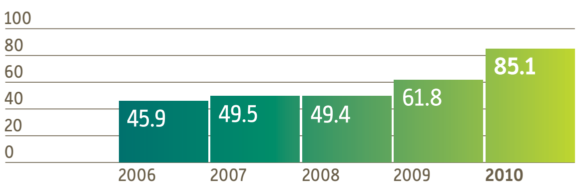
Return on capital employed[1] %



Dividend per share pence



Cash flow from operations[1] £m



(1) Figures are calculated before amortisation of intangible assets and exceptional items.

Group key performance indicators (KPIs)

Organic revenue growth

↓0%

(2009: +4%)

Return on capital employed

↑25.9%

(2009: 17.1%)

Waste efficiency

↑1.2%

(2009: 1.3%)

Customer service level

=97%

(2009: 97%)

Adjusted diluted earnings per share

↑18.1p

(2009: 12.8p)

(1) For a more detailed description of the Group key performance indicators (KPIs) and how they are calculated, see below. Year-on-year trends in the KPIs are discussed in the Chief Executive's review, the Divisional reviews and the Group financial review on pages 20 to 43 and the Corporate social responsibility report on pages 50 to 55.
(2) Waste efficiency includes all the Group's sites excluding Fortlab and Newlane.
(3) Customer service level data includes all sites excluding Fortlab and Newlane.

Key performance indicators

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

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

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

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

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

Directors' report
Pages 10 to 55, inclusive, of this Annual Report comprise a Report of the Directors that has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that Report shall be subject to the limitations and restrictions provided by such law. In particular, Directors would be liable to the Company (but not to any third party) if the Directors' Report contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

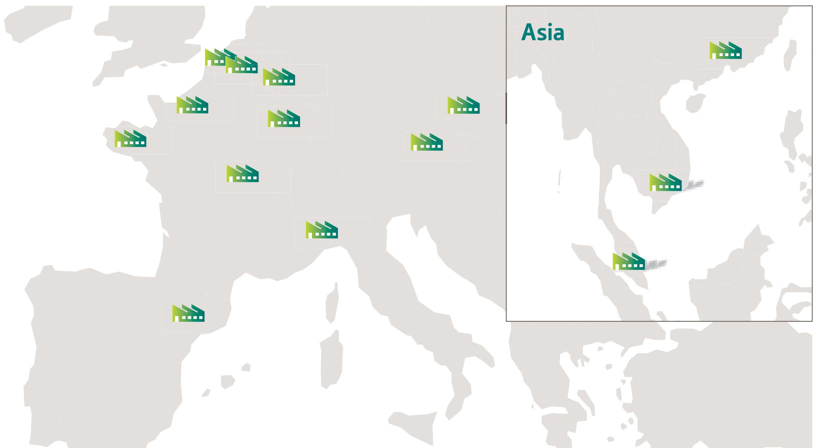
Our geographic footprint

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

Private Label's quality and value for money proposition is finding increasing popularity in many developing markets across the world. McBride's major customers are expanding their operations in the growing economies of Asia. Private Label ranges are an important element in retailers' plans for building customer loyalty and trust in these new markets. We have extended our geographic footprint into Asia with the acquisition of Fortune Laboratories (Fortlab) in Malaysia and its subsidiary Newlane Cosmetics in Vietnam.

McBride believes that it will be able to strengthen and grow its position in Private Label in Asia by working in close partnership with retail customers, and leveraging its expertise in product formulation and production. It is this proactive relationship in supporting our customers that keeps us top of the Private Label sector.

Our business units



UK

The UK business is the clear leader in the Private Label sector, developing and producing Household and Personal Care products to be sold under retailers' own brands. It produces niche brands such as Oven Pride, Limelite, Surcare, Sensei, Frish Stick and Gentelle and also provides contract manufacturing for other brand owners. Retail customers include Aldi, Asda, the Co-op, Marks & Spencer, Morrisons, Sainsbury's, Superdrug, Tesco, Waitrose and Wilkinson.

Share of gross segmental revenue by origin

2010	38%	£320.3m
2009	38%	£311.4m
2008	41%	£297.3m

Western Continental Europe

The Western Continental Europe business creates, develops and produces Private Label Household and Personal Care products, for major retailers with activities focused in France, Italy, Spain, Germany, Belgium and the Netherlands. It also produces niche brands such as Actiff, Cobra, Bonaria and Isabel and provides contract manufacturing for other brand owners. Retail customers include Aldi, Auchan, Carrefour, Casino, DM, Edeka, Eroski, Eurospin, Intermarché, E Leclerc, Metro, Plus, REWE and Système U.

Share of gross segmental revenue by origin

2010	58%	£484.4m
2009	58%	£469.8m
2008	55%	£395.4m

Eastern Continental Europe

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

Share of gross segmental revenue by origin

2010	4%	£35.3m
2009	4%	£33.2m
2008	4%	£32.1m

Our product capabilities

UK

Household products	Barrow	Bradford	Burnley	Hull	Middleton
Textile washing	✓		✓		
Dishwashing	✓	✓	✓		✓
Household cleaners	✓		✓	✓	✓
Air care				✓	

Personal Care products	Barrow	Bradford	Burnley	Hull	Middleton
Hair care		✓		✓	
Baby care		✓			
Body care		✓		✓	
Men's grooming		✓		✓	
Skincare		✓			
Oral care		✓			

Western Continental Europe

Household products	Ieper Household	Estaimpuis	Moyaux	Rosporden	Etain	Bergamo	Sallent	Foetz	Ieper Personal Care
Textile washing		✓	✓	✓		✓	✓	✓	
Dishwashing	✓		✓				✓	✓	
Household cleaners	✓	✓		✓	✓	✓	✓	✓	
Air care				✓					

Personal Care products	Ieper Household	Estaimpuis	Moyaux	Rosporden	Etain	Bergamo	Sallent	Foetz	Ieper Personal Care
Hair care				✓					✓
Baby care									
Body care				✓					✓
Men's grooming				✓					✓
Skincare									
Oral care									

Central Eastern Europe

Household products	Brno	Strzelce
Textile washing		✓
Dishwashing		✓
Household cleaners		✓
Air care		

Personal Care products	Brno	Strzelce
Hair care		✓
Baby care		
Body care	✓	✓
Men's grooming	✓	✓
Skincare	✓	
Oral care		

Asia

Household products	Zhongshan	Fortlab – Malaysia	Newlane – Vietnam
Textile washing			
Dishwashing			
Household cleaners	✓		
Air care	✓		

Personal Care products	Zhongshan	Fortlab – Malaysia	Newlane – Vietnam
Hair care		✓	✓
Baby care		✓	✓
Body care		✓	✓
Men's grooming		✓	
Skincare		✓	✓
Oral care		✓	

Pharma – health products	Zhongshan	Fortlab – Malaysia	Newlane – Vietnam
Pharmaceutical creams		✓	
Health supplements powders and liquids		✓	

Our products

Household products

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

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

Household cleaners
- Bathroom Cleaners: shower, limescale remover, mould and mildew control, general purpose
- Kitchen cleaners: oven, ceramic hob, stainless steel, bleach cleaners
- Home cleaners: multi surface, floor, window, carpet cleaners, drain, bleach and cream cleaners
- Toilet cleaners: thick bleach perfumed toilet cleaners, toilet blocks
- Trigger, liquid, spray, aerosol and wipes formats available
- Eco ranges
- Car cleaners: aerosols, shampoos, triggers

Air care and Insecticides
- Permanent: plug ins, wicks, gelboats, candles, reeds, membranes and beads
- Intermittent: aerosols, timed release, triggers and click sprays
- Insecticides: crawling, flying, combination aerosols
- Car fresheners

Personal Care products

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

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

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

Skincare
- Body lotions and creams
- Facial moisturisers, cleansers, washes and creams
- Hand care products
- Nail polish removers

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

Baby and kids toiletries
- Shampoos
- Bath foams
- Lotions
- Creams
- Talcum powder
- Oils

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

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

Industry review

The market

The recent recession was one of the deepest and longest on record. In Europe we expect the recovery to be slow and fragile. Rising unemployment, concerns over government spending plans and tax rises will continue to be a drag on the economy and consumer confidence.

The latest forecast from Planet Retail predicts that globally Private Label will continue to gain ground with some of the largest gains coming from developing markets where multinational retailers are increasingly using Private Label's 'Value for Money' proposition to build consumer trust and loyalty. McBride through its Project 'Refresh' is reviewing the attractiveness of a number of new geographic opportunities to underpin its growth strategy going forward.

Consumers' behaviour post recession

During recession consumers show an increased willingness to try different products, usually this favours Private Label which exhibit a number of benefits to the consumer including value for money. Following the recent recession, a number of new shopping trends have emerged:

→ Value for money
→ Streamlining
→ Self indulgence
→ Values

Value for money: Consumers are shopping around for the best buy, purchasing products on special offer or switching to Private Labels in selected categories. Today value for money is more than just how much a product costs; it is about meeting consumer expectations on quality and performance.

Streamlining: Consumers are looking for a less complicated lifestyle and a more convenient shopping experience through limiting their shopping experiences or increasingly buying online. Retailers are reacting to this trend through sku rationalisation and targeted offers to their customers. In a recent study by Datamonitor, 40% of respondents said "they are reducing the number of shopping trips they make".

Self indulgence: Consumers are prioritising what is important to them in life and they are looking to make their luxury purchase more affordable. Private Label Personal Care products have gained in popularity and their benefits are now being extended into higher value sectors such as Skincare.

"Budget Beauty is no longer a taboo."

Values: Consumers are increasingly making purchasing decisions which reflect their own values based around environmental, ethical, transparency and sustainability. Consumers are increasingly concerned about the impact of their purchases on the environment and about responsible ingredient sourcing, Fairtrade or Freefrom products.

McBride, through working with its retail customers is well positioned to respond to these new trends by developing Private Label products designed at meeting changing consumer needs.

Private Label: growing size and scale

Recent data from Euromonitor show that in 2009, Private Label Household products are now ranked No. 5 globally behind Procter & Gamble (No. 1), Unilever (No. 2), Reckitt Benckiser (No. 3) and Henkel (No. 4). Whilst all the four leading manufacturers lost share globally, Private Label increased its share of the global Household products market from 6.3% to 6.4%.

In Personal Care Private Label is now ranked in 10th place globally with a 2.4% share of the market providing significant opportunities for further growth.

Private Label growth outperforming top five global Household care companies

Company	2008*	2009*	Trend in Market share
Procter & Gamble	18.7%	18.6%	▼
Unilever	10.2%	10.1%	▼
Reckitt Benckiser	8.9%	8.7%	▼
Henkel	7.0%	6.6%	▼
Private Label	**6.3%**	**6.4%**	▲
SC Johnson	6.3%	6.2%	▼
Colgate Palmolive	3.7%	3.8%	▲
Kao Corp	2.0%	2.3%	▲
Clorox	1.7%	1.8%	▲
Sara Lee	1.7%	1.6%	▼
Lion Corp	1.3%	1.4%	▲

▲ Increase ▼ Decrease

Source: Euromonitor.
* Calendar year performance.

Private Label Personal Care enters global top ten Personal Care and beauty rankings

Company	2008*	2009*	Trend in Market share
Procter & Gamble	11.9%	11.7%	▼
L'Oréal	10.4%	10.1%	▼
Unilever	6.6%	6.8%	▲
Colgate Palmolive	3.7%	3.7%	◆
Avon	3.4%	3.4%	◆
Beiersdorf	3.3%	3.3%	◆
Estée Lauder	3.2%	3.1%	▼
Johnson & Johnson	2.9%	2.9%	◆
Shiseido	2.4%	2.5%	▲
Private Label	**2.3%**	**2.4%**	▲

▲ Increase ▼ Decrease ◆ No change

Source: Euromonitor.
* Calendar year performance.

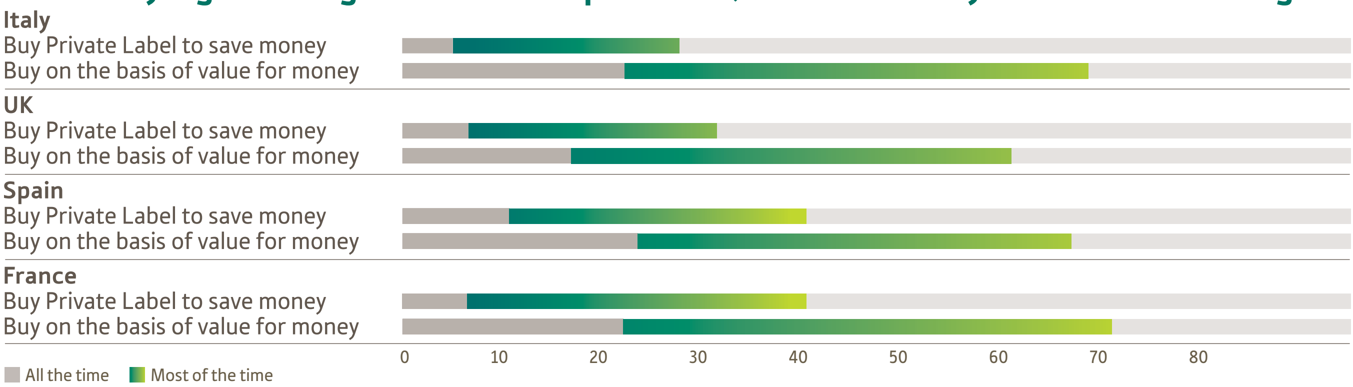
Global: Private Label penetration by value 2010-2015 (%)

	2010f	2015f
Switzerland	46	47
UK	41	43
Germany	33	35
Spain	32	35
Netherlands	32	34
France	30	32
Belgium	29	31
Australia	24	27
Denmark	24	25
Global average	22	24
Canada	22	24
USA	21	23
Sweden	18	19
Czech Republic	15	18
Poland	13	16
Italy	13	14
India	11	14
Turkey	9	12
Japan	9	11
Brazil	7	9
China	4	5
Russia	3	4

2010f **2015f**

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

When buying cleaning or household products, how often do you do the following?



Source: Datamonitor Consumer Survey April/May 2009.

A survey of users of household cleaners and laundry products undertaken in April/May last year showed that over 30% of respondents in three of our major markets said they bought Private Label alternatives to save money.

Chairman's statement

The challenging economic environment continues to provide an excellent opportunity for Private Label growth.

Introduction

The year ending June 2010 saw the main European economies come through the recent recession in the first half of the financial year followed by a slow recovery in most European markets in the second half. Consumer confidence and subdued consumer spending has resulted in retailers and branded competitors competing aggressively to maintain market share and volumes. This led to a period of unprecedented branded promotional activity in the UK and strong price competition across Continental Europe. In spite of these challenges, McBride has delivered another strong financial performance with return on capital employed improved to 25.9% and net debt reduced to £60.0 million.

Whilst the overall market has shown a small recovery, retail sales in our core categories have grown well ahead of the market and our products continue to offer exceptional value for money. We have increased our investment in innovation and we continue to develop ever stronger relationships with our customers. Although Private Label share has come under pressure from increased branded promotional activity, consumers continue to be attracted to the value for money offer of Private Label sales and our core categories have grown ahead of the market.

McBride continues to implement its strategy consistently and we have continued to pursue growth in our core categories and new geographies. Our acquisition in Malaysia provides a small but important foothold in South East Asia from which we can support our customers' needs for Private Label products in the region. Our acquisition in the Czech Republic completed after the end of the financial year, will allow us to expand our product range in Personal Care in Europe. We have a strong balance sheet and are well placed to pursue acquisitions that increase shareholder value.

We continuously look for opportunities to reduce our cost base. The successful integration of the Dasty business in Italy allowed us to close the Solaro factory, while the implementation of lean manufacturing techniques in UK has allowed us to reduce the manufacturing footprint. Both of these projects are progressing to plan.

Mannings bodycare
Fortlab produces the Mannings bodycare range of products at its factory in Malaysia.

We have seen raw material cost inflation continue into our new financial year. However, our ability to both manage the impact of those costs through efficiency and customer recovery has been much improved over recent years and our teams are now actively engaged in doing both.

The actions we have taken to minimise the environmental impact of our operations continue to deliver improvements in waste, water and effluent consumption and efficiency and although energy usage was lower our energy efficiency reduced slightly. We are devoting considerable resources to meeting the requirements of the REACh programme and are working with all our customers to agree formulation and packaging changes in order to meet our responsibilities in this area. Last year we announced targets for our environmental performance, setting goals on reduction of our carbon emissions and waste. These targets and our performance against our objectives are published in our annual Sustainability report.

Board

A number of changes to the composition of the Board were announced during the year. Miles Roberts resigned with effect from 30 April 2010 and was replaced by Chris Bull. Chris brings extensive international experience in FMCG covering both branded and Private Label and he will help us to build stronger relationships with our key customers. Richard Armitage joined the Board as Finance Director on 1 November 2009.

People

I would like personally to thank all of our colleagues for their dedication and to congratulate them for having delivered an excellent set of results. Our people and culture form an integral part of our competitive advantage and we have launched a Mission, Vision and Principles programme of activities in the year to strengthen these further.

Results and dividend

Revenues increased by 2% to £812.2 million (2009: £792.4m). Profit after tax attributable to shareholders, before amortisation of intangible assets and exceptional items, was £33.2 million (2009: £23.2m) whilst, on the same basis, diluted earnings per share were 18.1 pence (2009: 12.8p).

At the year-end, net debt was £60.0 million (2009: £82.4m) with continued delivery of positive operating cash flows and tight control over capital expenditures.

The Board is recommending a final dividend of 4.8 pence per share (2009: 4.3p), giving a total dividend for the year of 6.8 pence (2009: 6.0p), up 13% year-on-year, and covered 2.7 times by post-tax profit, before amortisation of intangible assets and exceptional items (2009: 2.1 times).

Re-financing

The Group successfully completed re-financing of its €175 million revolving credit facility during June. It is a testament to our strong focus on cash management that the re-financing was over-subscribed and attractive terms were secured.

Looking to the future

We believe our strategy to be fundamentally sound but will continue to fine tune the product categories and geographies which offer the greatest opportunities for growth. We expect this strategy refresh to lead to greater clarity and sharper execution going forward. We have made a good start to the new financial year with some of our key markets returning to growth after a weak fourth quarter. Our products continue to offer excellent value for money to the consumer and we will continue actively to take advantage of the economic environment to pursue growth.

Iain J G Napier
Chairman

Marks & Spencer air fresheners
This attractive range of room fresheners was developed for Marks & Spencer.

Q&A with Chris Bull
Chief Executive

1. Why did you decide to join McBride after a long and successful career with Unilever?

I'm very excited by the challenge and the opportunity to lead McBride into the next phase of its development. This is a great business, with great people, a strong track record and, moreover, the potential to be even more successful. I am absolutely convinced about the role and scope of Private Label and its future, and that we are the best placed to develop and grow with it.

2. Have the challenges so far been in line with your expectations?

Very much so, I am very familiar with our customers, categories and geography having spent over 25 years internationally in FMCG, so I have joined with a very good understanding of what to expect.

3. How did you deal with the crucial first 90-days when you took on your new role?

My prime objective was to get out and meet people, to listen and to question in order to build my understanding of how best to add more value. I have been visiting our 20 sites and spending time with our teams, and talking to customers, investors and other stakeholders and using their feedback to help craft and shape our next steps forward.

4. What learnings will you be able to bring from your previous experience?

I bring strong experience in developing customer relationships at a strategic level, in getting the best out of a multi-country organisation and scale, and in developing international opportunities most effectively.

5. What do you think will be the major challenges or opportunities that you will face?

To continue to develop a unique McBride culture whilst at the same time grasping the opportunities that our scale and reach offers. I would like McBride to become recognised as one of the very best companies in Europe to work for.

6. Will McBride's strategy be changing?

Certainly not in direction, but we will be enhancing and sharpening it in terms of product portfolio and geography. We are also working on strengthening our execution and being more efficient.

I am absolutely convinced about the role and scope of Private Label and its future

Chris Bull
Chief Executive, McBride plc

7. Are you passionate about Private Label?

Of course! Private Label products play a crucial role in our consumer markets. We can deliver products which offer absolutely the best balance between quality and cost, giving the best value for money. We also have a unique strategic role with our retail customers in helping them to differentiate themselves from their competitors, and through having their own personality and image embedded in their products.

8. What can McBride do better than any other organisation in the world?

With our systems, scale and local focus on the customer, I believe we can offer our customers a dedicated flow of new and improved products, whilst handling enormous complexity with maximum efficiency. No one can match our ability to manage complexity and our desire to give of our best.

9. Can McBride's business model be extended to new geographies and markets? Is there more potential for McBride?

Absolutely! Our model works for all of our stakeholders – customers, suppliers, employees, lenders and investors – because we add real value in the consumer markets in which we operate, by providing the best possible products at very competitive prices and by working as closely as possible with our retail customers to develop our joint business. We can apply this to adjoining product categories and of course other geographies – Private Label is growing its share of markets across the whole world!

Passionate about Private Label

Chief Executive's review

The consistent execution of our strategy has enabled us to deliver profit growth and strong cash generation, despite challenging trading conditions.

Overview

McBride has delivered record sales, profits and cash flow, underpinned by a strong return on capital employed. We have acquired three businesses, two of which are in the strategic Personal Care and Skincare sectors, and have initiated restructuring projects in UK and Italy which will deliver significant cost savings. Our markets across Europe have remained competitive and we have seen extensive branded promotional activity, although there is some evidence that this may be easing. As previously announced we are experiencing an increasing trend in our raw material costs and are actively engaged in mitigating them.

Trading since year-end has been in line with our expectations. We remain focused on growing shareholder value and, although weak retail markets and raw material inflation will remain challenging in the short-term, our balance sheet remains strong. McBride is better placed than previously to manage raw material cost inflation and we believe that our actions will be effective.

The industry, market and competitive environment

Our key markets in the 52-week period to June have reported value growth, with the total UK Household market up 3%, UK Personal Care market up 5%, France Household up 5% and France Personal Care up 2%.

In the UK, brand manufacturers attempted to maintain volume and market share through prolonged deep-cut promotional activity. This resulted in Private Label share dipping down in the middle of the year before volumes recovered to finish in line with the prior year for Household and slightly down for Personal Care. In France, Private Label demand in the hypermarket and supermarket channels remained strong but lost share in hard discounters resulted in overall Private Label share being marginally down for the year. However, there is no doubt that in the current economic climate consumers are more value conscious than ever and the environment therefore continues to remain positive for Private Label growth.

McBride's competition comes primarily from a number of smaller and mostly privately owned Private Label and contract manufacturing companies, as well as from a small number of multinational branded companies. We differentiate ourselves in the Private Label sector by focusing on new product development, category development with customers and customer service. These, combined with a continuous drive for operational efficiency and procurement savings, enable the Group to deliver products of outstanding value. Leading retailers are increasingly focusing on Private Label as a key way of differentiating their offer to the consumer, and McBride believes it is best positioned to help them do so in our core categories of Household cleaning and Personal Care.

Financial performance

See page 40

Business performance

Category & geographic performance

Despite weak sales during the fourth quarter the business made good progress against its commercial objectives, including growing core categories and strengthening mix. Highlights included:

- growing core categories by 2%;
- growing the UK business by 3%;
- strengthening the business mix contributing to improvement in gross margin from 34% to 37%, this included the exiting of low-margin business in Spain that accounted for 1% of Group revenue;
- growing revenue in Germany by 14%;
- growing revenue in France by 2%; and
- growing the Eastern Continental Europe business by 6%.

McBride's revenues grew 1% in the year on a constant currency basis and reflects the effect of branded promotions in the UK during the middle of the year, exiting low margin business in Spain and a decline in hard discounter share across Europe.

The acquisitions of Fortlab Holdings in Malaysia and Dermacol a.s. in the Czech Republic extend both our geographic and product reach. Both offer the opportunity to extend our Personal Care product ranges, particularly into the large and growing Skincare category. The Dermacol a.s. business will provide a European centre of excellence for these products enabling us to bring rapid innovation to our Personal Care ranges across Europe. The Fortlab business creates a foothold in the South East Asia markets from which we can support new and existing customers as they grow Private Label sales in that region.

Système U deodorant

Private Label Personal Care products performed well in France with sales up 6% in value and 8% in volume terms.

Material cost management

Further investment has been made in procurement resources and processes. Additional suppliers have been validated in order to provide greater purchasing leverage and a new Group-wide procurement strategy is also being implemented. We have benchmarked our procurement activity during the year and have proven that it provides a real competitive advantage for McBride.

Material cost inflation re-emerged at the end of the financial year. This was not unexpected given the upward trend we had seen in feedstock prices and our procurement strategy has been effective in preventing these from having a significant impact for much of the second half of the year. However, rapidly increasing global demand for plastics, surfactants and paper, combined with supply interruptions, caused an upward movement in prices at the end of the second half that has continued in line with our expectations.

McBride is much better placed to manage such events than it has previously been and cost mitigation plans were instigated as soon as material cost inflation became evident. These include measures to mitigate costs internally as well as through recovery from customers. We believe that these actions will be effective.

Cost efficiency

The Group has continued to focus on operational efficiency investing over £24 million of capital expenditure in the year, mainly in efficiency projects. Following the successful integration of the Dasty business in Italy into the Continental European supply chain, the Solaro site has been closed and is expected to generate annualised savings of £2.5 million. The ongoing programme of lean manufacturing improvements has also delivered benefits creating the opportunity to discontinue manufacturing operations from the St Helens site and consolidate production into other sites across the Group.

We also continue to actively pursue value engineering projects to drive both financial and environmental benefits. These are principally derived from reducing weight of packaging, product re-formulation and alternative sourcing.

Winning with customers

Customer service is the Group's main operational priority and a highly visible benchmark that influences directly its ability to maintain commercial leadership and support the Group's overall growth strategy. Success is measured in this area by reference to the ability to deliver products ordered by customers in the correct volumes and within agreed timescales, which can be as short as 24 hours. The customer service level across the Group in the year was 97% (2009: 97%), although the goal is to strive for customer service levels consistently in excess of 98%.

Our business is built on our customer (retailer) relationships. Our ability to respond to their needs in a timely and effective way is key to our success. We are working on strengthening the depth and breadth of our relationships with our customers and we are seeking to forge strategic partnerships based on deep category understanding and a responsiveness that is second to none. We have won several awards from customers recognising our expertise in this area and we will continue to build on this.

Chief Executive's review
Continued

New product development
McBride has a consistently strong track record for its new product development activities, focused on our core product categories. In the last year we have expanded our ranges of laundry liquids and gels, further extended our Household cleaner ranges and continued developments in the machine dishwashing sector. In Personal Care, we have continued our development in the skin and body care sectors in particular.

Overall, we have increased our investment and headcount in R&D, reflecting a commitment to differentiate McBride from its Private Label peer group in this vital area. A range of environmentally friendly products has also been launched. This includes aerosols based on nitrogen, an environmentally friendly propellant, and a continuing move towards concentrated formats that use proportionately less packaging. McBride's goal is to develop new products that match or exceed the performance of the major brands.

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

→ Engage our people
→ Focus on our customers
→ Drive our performance

Through engaging our people across the Group we are building a powerful sense of common purpose.

Our very first responsibility to our people is their safety. We have made steady progress in this with accident levels reduced by 1% and the frequency of accidents per 100,000 hours worked reduced to 1.3, the lowest level since records were kept.

We also have an environmental responsibility to society as a whole. We are committed to reducing our environmental impact and progress has been made on key measures in the year. Energy usage was down 1.4% although energy used per tonne of product is up 0.7%. Water consumption was down 5%. Factory waste decreased by 1% and plans are in place to deliver further reductions as part of lean manufacturing.

Strategy
Our strategy is to drive Private Label growth in Household and Personal Care through product innovation, excellent customer service and quality, and exploiting our scale in procurement and operations. We will continue to focus on a number of core product categories which we believe offer the best growth prospects and to examine opportunities to expand our geographic footprint.

As we enter the new financial year, we are engaged in a strategy 'Refresh' programme aimed primarily at improving the focus, prioritisation and execution of the Group's strategy, particularly in terms of product portfolio and geographic focus, to ensure we optimise returns from our scale and capabilities.

At the core of the programme is a category review, based on an extensive insight study, which will ensure that we maximise our short, medium and long-term profit opportunities from the growth of Private Label. Whilst this exercise is still in progress, the initial findings have given us confidence that there are significant further opportunities for Private Label growth. These include retailer moves into the convenience and internet channels, rationalisation of brand listings in favour of Private Label and, in the medium-term growth of hard discounters in Central and Eastern Europe.

We are also carrying out a comprehensive review of our manufacturing and logistics footprint with the aim of establishing the most cost-effective way to serve our customers as well as reviewing priorities for geographic expansion. We expect the 'Refresh' programme to be completed by the first quarter of 2011 following which detailed action plans will be implemented.

We will remain focused on being the Private Label supplier of choice in our target markets and believe that this strategy will provide excellent growth prospects.

We believe that the combination of these initiatives will underpin our objective of continuing to create shareholder value.

Objectives for the current year
The main focus for the current year is to further strengthen the McBride business model and drive shareholder value by:

→ Completing our strategy 'Refresh' to improve focus and prioritisation in terms of category portfolio and geographic footprint;
→ Reviewing our manufacturing and logistics footprint to identify the most cost effective way to serve and to further improve manufacturing efficiencies;
→ Further improving our purchasing strategy and implementing price increase plans to mitigate movements in raw material prices;
→ Seeking suitable acquisition opportunities to further enhance the Group's growth and geographic coverage;
→ Continuing to roll out our Mission, Vision and Principles initiative throughout the Group; and
→ Building on our relationships with our International Customers to support their Private Label development plans.

Chris Bull
Chief Executive

Our growth strategy

Our focus	Our performance
Growth → Seeking suitable acquisition opportunities to enhance further the Group's earnings growth and geographical scope. → Investing further in the growth regions and categories to leverage further our capability and to support the major international retailers.	→ Completed three acquisitions in the year, two of which are in the key Personal Care business. → Personal Care sales grew 6% in Europe. → Core category growth +5%. → Completed the acquisition of Fortlab/Newlane Cosmetics to provide a foothold in Asia.
Efficiency → We will step up our focus on lean manufacturing and efficiency initiatives. → Improving efficiencies by introducing standard operating procedures across the whole Group and further asset rationalisation.	→ Restructuring and efficiency initiatives including: → Closure of Solaro and St Helens factories; → Waste fell to 1.2% (2009: 1.3%); and → Improvements in water efficiencies but energy efficiency was down.
Scale → We continue to focus on building scale positions in our priority product and geographic markets. → We will continue to mitigate the volatility in input costs through purchasing strategy, value engineering and selling price increases. → Targeting improved customer service levels to ensure the needs of customers are met and to emphasise the difference between McBride and its Private Label competitors.	→ Further £24 million of capital investment in our core market. → Raw material costs were held for quarters 1-3 of the year through purchasing strategies, but major input cost increases were experienced in quarter 4 and actions to mitigate these including selling price increases were implemented. → Customer service level maintained at 97%.
Innovation → We will improve and invest more in new product development across our key growth categories.	→ Further investment in NPD headcount. → R&D spend increased to £6.9 million. → Teams in place to improve the roll out of new product development across the Group.
People → Ensure that all the Group's employees are aligned and engaged with the Group's objectives.	→ Role out of the Group's Mission, Vision and Principles initiative under the strap line of 'Passionate about Private Label'.
Financial results → Further progress. → Maintain strong cash management.	→ Adjusted diluted EPS up from 12.8 pence to 18.1 pence. → ROCE up from 17.1% to 25.9%. → Net debt down from £82.4 million to £60.0 million. → Cash generated from operations of £85.1 million

Expanding in Asia

McBride is Europe's leading provider of Private Label Household and Personal Care products, but we don't want to stop there. Private Label's quality and value for money proposition is finding increasing popularity in many developing markets across the world.

Planet Retail forecast that Private Label will continue to grow in all markets for the foreseeable future.

McBride's major customers are expanding their operations in the growing economies of Asia. Private Label ranges are an important element in retailers' plans for building customer loyalty and trust in these new markets, and they want companies like McBride to help develop products that offer their consumers consistent quality and performance.

In June 2010, McBride completed the acquisition of Fortune Laboratories (Fortlab) in Malaysia and its subsidiary Newlane Cosmetics in Vietnam. Fortlab is a growing manufacturer of Private Label Personal Care and health supplement products in Malaysia, which fits well with McBride's existing portfolio. Its customer base includes both Tesco and Carrefour in Malaysia as well as other regional and international retailers. McBride believes that it will be able to strengthen and grow its position in Private Label in Asia by working in close partnership with retail customers, and leveraging its expertise in product formulation and production.

Not only do we view the acquisition of Fortlab as a great business opportunity for the Company, it also provides exciting and challenging career opportunities for our employees.

Passionate about Private Label

These are exciting times for our small but growing McBride Asia team

Adrian Gurney
Business Unit Director, McBride Asia

"Working at McBride means opportunities beyond the doorstep! I came to McBride from a multi-national brander and thought crossing over into the 'dark side' would be a piece of cake. Nothing can quite prepare you for the pace and variety involved in Private Label.

As our customers and our markets expand geographically it is critical that McBride stays ahead of the game and seeks opportunities further afield from its traditional European base which provides a wealth of opportunity for personal and career development. As a Management Accountant, I came into the business as a finance manager in the commercial side of our business and through development in a number of UK roles, I now find myself in South East Asia with complete operational responsibility for two sites based in Kuala Lumpur, Malaysia and Ho Chi Minh City, Vietnam. In a rapidly developing retail environment where consumers are developing trust in major retailers and their Private Labels, it is a very exciting place to be."

Lee Robinson (left)
Chief Operations Director, McBride Fortlab
Kuala Lumpur, Malaysia

"McBride has had a presence in Asia for over four years following the establishment of a sourcing office in Hong Kong in 2006. This was followed by our investment in our air care production facility in Zhongshan, China in 2008, which is now being expanded to include production of Household liquid cleaning products. The acquisition of Fortlab and Newlane will enable McBride to service the growing number of our multi-national customers who are expanding rapidly in the region. We have a tremendous opportunity to grow significantly in Asia, so these are exciting times for our small but growing McBride Asia team."

Adrian Gurney (right)
Business Unit Director, McBride Asia

Securing new finance

McBride has an established financial framework to maintain an appropriate level of liquidity and financial capacity. Over the past four years we have worked closely with Barclays Bank, BNP Paribas Fortis, HSBC Bank and KBC Bank, demonstrating to them our strong financial management, our focus on return on capital employed as one of our key performance indicators and our strong free cash flow.

When the time came to re-negotiate our facility we went straight to our existing partners. Despite the difficult economic environment all four banks were keen to extend or increase their relationships with McBride, demonstrating that they too are Passionate about Private Label.

"Barclays has supported McBride for many years and we are delighted to have led the new €175m refinancing arrangement. We have developed an excellent relationship with McBride over this time which has enabled us to execute the facility smoothly and effectively. We are proud to offer this extended facility at a price which reflects our confidence in the management's ability to deliver not only profit but strong cash management. We look forward to continuing to build upon the long relationship that has been enjoyed between our two firms and to continue to work closely together across a broad range of activities."

Glen McDonald
Relationship Director, Barclays Corporate

We are delighted to have led the new €175m refinancing arrangement

Glen McDonald,
Relationship Director, Barclays Corporate

Passionate about Private Label

Business review – case studies

Engaging our people

Passionate about Private Label

It's been amazing to see the imagination and passion our people have put in to this project

Greta Vanderjeugt
MVP roll-out Manager, Europe

When McBride decided the time had come to refresh and re-communicate our Mission, Vision and Principles we looked for an experienced project manager to help us roll-out these principles across the whole Group. Greta Vanderjeugt has worked for McBride for 18 years, starting as an interim data entry officer in our Ieper warehouse. Most of Greta's career has been in the packaging design group and then as a marketing manager in our Western Continental European division. She knows and enjoys the unique McBride culture and speaks three languages. As soon as she was offered the project management opportunity she jumped at the chance.

Greta takes up the story herself: "I quickly realised that this was just what McBride needed to get people working together better across the whole Group. This was the first time such an ambitious project had ever been proposed and I wanted to be part of it.

"I have visited almost all our sites now and have been really pleased with the discussions and responses to our proposals. People are beginning to understand properly why Private Label is important and why we are committed to produce Household and Personal Care products of exceptional value. The more they understand it, the more passionate they become about Private Label.

"My role is to engage, listen and explain what we mean by our Mission, Vision and Principles. Most of our sites have adopted the new logo with great enthusiasm. For example, the reception of our factory in Spain has been completely re-decorated and furnished in the new colours and images. And at Rosporden in France they have organised a huge wall presentation about all the 20 sites across the Group, the products they make and the people who work there. Our factory in Stzrelze, Poland, organised a family fun day and one employee won the raffle to spend a weekend in Luxembourg with his family, and in the UK, the Burnley plant organised for staff to meet a local professional footballer while promoting the new Mission, Vision and Principles. It's been amazing to see the imagination and passion our people have put into this project."

Thanks to Greta's enthusiasm the passion is spreading fast across the McBride Group.

Meeting customer needs

Passionate about Private Label

Sainsbury's voted this product best own label development of the year in 2010

Sainsbury's antibacterial spray cleaner
Kills flu virus

McBride is one of Europe's leading manufacturers of trigger cleaning products with sales of over 85 million triggers each year. Trigger spray cleaning products are produced for a variety of disparate needs – kitchen, degreasing, antibacterial, bathroom, descaling etc.

Private Label trigger cleaners offer the same targeted cleaning solutions plus great value for money.

At McBride, we continually search for new product concepts or sectors to add to our already extensive range of trigger cleaners. In 2009 our research identified that consumers were increasingly concerned with cleanliness and hygiene in the home following the recent high-profile alerts over swine flu and MRSA.

Recognising the need for a product which could claim to prevent the spread of flu virus on hard surfaces, the development team at our Burnley factory commenced work in 2009 to produce an improved antibacterial cleaner capable of killing the flu virus.

External verification of product claims is essential for this type of product, so all formulations undergo strict external performance testing under the EN14476 standard to support the claim that the product can kill the influenza A (H1N1) virus. Work was initiated to develop and deliver a product capable of passing the stringent external testing requirements.

J Sainsbury, already a customer for McBride's antibacterial cleaner had also identified the need for a product with a flu kill claim and enquired if McBride could develop a cleaner which was effective against the common H1N1 flu strain.

With a core customer prepared to stock the new concept, the project was fast tracked to provide a new antibacterial cleaner which offered a strengthened product offer and point of difference to other Private Label antibacterial cleaners on the market, and provided a credible Private Label alternative to the leading brand.

Bringing new products to market

June Graham developed her passion for the Private Label sector early in her career during her time with Tesco stores in the UK.

After graduating from university, June worked in applied research studying the effects of deodorants and antiperspirants on skin. She then moved onto Smith & Nephew developing skincare and haircare products. It was during her next career move to Tesco that June really got the Private Label buzz. It was the speed at which a product could be brought to market, and the great value it gave to the customer, along with the ability to influence the products packaging, pricing and positioning which were the key elements of Private Label developments that attracted June to the sector.

After nine years at Tesco followed by a short spell with IWP, learning all there was to know about toilet blocks and air fresheners, June was ready for a new challenge and joined McBride.

In a career that has now spanned 15 years with McBride, June has enjoyed roles in quality, research and development and marketing before taking up her new role as Technical Director responsible for quality systems, legislation compliance and product innovation and development.

June commented: "There is a great variety of work available when working for McBride; you have the opportunity to be involved from the beginning to the end of a new product development, it's great to see the end result of your efforts on customers' shelves. Not only does McBride have a wide variety of customers we work with but now we have an increasingly wide range of countries and categories in which we operate. The team here is also outstanding and great fun to work with.

"Work at McBride gives you the experience of managing a wide range of products from air fresheners or insecticides to bath foams and skincare. Importantly the Company will support its employees in achieving their goals especially in areas such as personal and professional development. Within McBride, the world is your oyster and the experience and buzz you get is second to none. That's why I am Passionate about Private Label."

June Graham
Technical Director, Robert McBride Middleton

Passionate about Private Label

You have the opportunity to be involved from the beginning to the end of a new product development

June Graham
Technical Director, Robert McBride Middleton

Divisional performance

UK business review

	2010	2009	Change
Total reported revenue[1]	**£320.3m**	£311.4m	+3%
Operating profit[2][3]	**£22.1m**	£17.5m	+26%
Average employee numbers	**2,268**	2,289	-1%
Proportion of revenue in Household products	**74%**	72%	+2pp
Proportion of revenue in Personal Care products	**26%**	28%	-2pp

(1) Revenue by origin.
(2) Before amortisation of intangible assets and exceptional items.
(3) On adoption of IFRS 8, year to 30 June 2009 has been restated to remove management recharges which are not included in segment profit reported to the Group Management Team.

→ 3% overall sales growth and 9% in core product categories, with organic growth rate of 2% after excluding incremental revenue from acquisitions made in December 2009 and June 2009.
→ The Homepride Limited acquisition in December 2009 was effectively integrated, contributing £3.0 million sales, mostly in the second half.
→ Restructuring initiated impacting three factories, with £3.6 million pre-tax exceptional charge and £4.0 million of expected annualised cost savings.
→ Operating profit increased 26% with return on sales up to 6.9% (2009: 5.6%).
→ Further increased investment in new product development capability.

Business description

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

Key performance indicator

UK organic revenue growth

+2%

(2009: +5%)

Overview

The UK business experienced a strong year in terms of sales, operating profit and profit margin in spite of an environment of continuous brander promotions. Core product sales grew by 9% and sales overall by 3% even though the business had to increase its level of promotions in response to the branders.

In December 2009 Homepride Limited, which supplies specialist branded household cleaners to a number of leading retailers, was acquired for a net cash cost of £4.7 million. Their products fit well into the McBride portfolio and the acquisition did not include any manufacturing assets or employees.

Two restructuring programmes in the UK division were approved just before the year-end with a pre-tax exceptional charge of £3.6 million, most of this being redundancy costs and asset write-offs, and a combined total expected annualised pre-tax cost saving of £4.0 million.

Markets

The UK Household products market grew by 3% in value and volume terms with the laundry liquids, sachets and machine dishwash tablet sectors performing well. Private Label products sales declined by 5% in value terms with volumes down 4%, impacted by the significant increase in branded promotional activity during the year.

Private Label volume share recovered in the last quarter of the year to end unchanged at 31% volume share compared to June 2009, however, Private Label value share was down from 20% to 19% for the same period. The highest performing categories for Private Label were laundry liquids and sachets, and household cleaners.

The overall UK Personal Care market grew by 5% in value terms and 4% in volume in the year to June 2010, with particularly strong growth in hair styling and sprays, skincare and oral care. The liquid soap sector was buoyant on the back of increased demand due to hygiene concerns surrounding the flu virus.

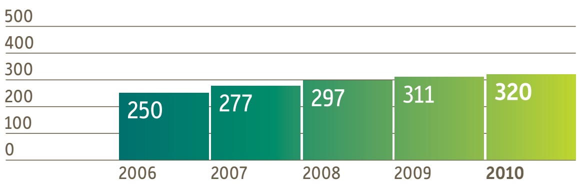
As in the household sector, Private Label Personal Care sales were influenced by the high levels of promotional activity from the brand manufacturers but still recorded 3% value growth on volumeswhich were down 2%. In liquid soap Private Labels now account for 30% of the market by volume and was one of the best performing categories with 10% value growth and volumes up 12%. Private Label also performed well in the hairspray and men's toiletries sectors.

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

Key business developments

Coming into the year, the division's priorities were to continue driving Private Label growth in core product categories, to continue delivering premium growth in Personal Care and to expand the range of niche brands and distribution channels. Actions taken included further increases in selling prices, in line with much of the industry, and changes to the way of managing customer relations, as well as value engineering and efficiency improvements. Our capital investment focused on new product capacity and cost reduction activities.

Development of revenue in the UK business £m



Laundry liquid gels
Laundry liquid gels have become increasingly popular due to their performance at low temperature. Private Label laundry detergents were one of the fastest growing categories in the UK.

Passionate about Private Label

Our passion

See pages 02 to 09

Financial review

Revenue grew by 3% overall to £320.3 million (2009: £311.4 m), although core product categories increased by 9%, mainly driven by laundry liquid sachet and gel sales. Operating profit, before amortisation of intangible assets and exceptional items, increased 26% to £22.1 million (2009: £17.5m) driven by higher volumes, better product mix (including laundry liquids), less wastage and lower input costs. Total investment spend in the year was £9.0 million (2009: £9.4 m) and included continuing work on improving efficiencies with internal bottle-blowing capabilities and line automation.

Future developments

Our ongoing success depends critically upon our ability to provide customers with excellent service levels and competitive and innovative new products. We have continued to increase our level of resource in new product development, as well as investing resource into driving our quality performance forward. In addition we are investing both capital and headcount aimed at improving our forecasting of demand and supply and product lifecycle management. McBride continues to press ahead with initiatives to improve efficiency. Our lean business activities continue to press ahead as scheduled with significant improvements being made to our supply chain activities, factory efficiency and cost base as well as overall business process improvements. These activities will continue in the coming year, with specific resource allocated to significantly reduce waste from our key processes.

Divisional performance

Continued

Western Continental Europe business review

	2010	2009	Change
Total reported revenue(1)	**£484.4m**	£469.8m	+3%
Operating profit(2)(3)	**£34.6m**	£23.3m	+48%
Average employee numbers	**2,358**	2,246	+5%
Proportion of revenue in Household products	**90%**	90%	–
Proportion of revenue in Personal Care products	**10%**	10%	–

(1) Revenue by origin.
(2) Before amortisation of intangible assets and exceptional items.
(3) On adoption of IFRS 8, year to 30 June 2009 has been restated to remove management recharges which are not included in segment profit reported to the Group Management Team.

- 3% reported sales increase, despite 16% reduction in Spain.
- Organic sales (excluding those to other divisions) reduced 1%.
- Operating profit up 48%.
- Return on sales improved from 5.0% to 7.1%, reflecting lower input costs, improved operational efficiencies and better product mix.
- Italian restructuring progressing to plan. This includes £9.2 million pre-tax exceptional charge including £5.6 million cash cost and £2.5 million of expected annualised cost savings.

Business description

The Western Continental Europe business creates, develops and produces Household and Personal Care products for our Private Label customers in France, Italy, Spain, Portugal, Germany, Belgium and the Netherlands.

Key performance indicator

Western Continental Europe organic revenue growth

–1%

(2009: +2%)

Overview

The division produced a strong overall performance with operating profit up 48% and return on sales increasing from 5.0% to 7.1%, even though organic sales were flat. The Personal Care business continued to expand with sales up 5%. There was also good growth in German Household sales which were up 14%, benefiting from new business at a number of customers including Edeka. However, sales in Spain continued to reduce and were down 16%. Input costs were lower than in the prior year, although they have been increasing in recent months, and along with better product mix and lower wastage levels have driven the profit and margin improvement.

In mid year it was announced that we were entering into consultation to restructure and consolidate the Italian business by closing Solaro and transferring business to the other sites. Consultation was successfully concluded, production at Solaro has now ceased and transfers to other sites has commenced. There is a £9.2 million pre-tax exceptional charge for this project with most of this being redundancy costs and asset write-offs and an expected annualised pre-tax cost saving of over £2.5 million.

Markets

In the last year the Household and Personal Care markets in Western Continental Europe have been impacted by the economic environment, with the core markets slowly coming out of recession. Private Label products continued their popularity as consumers reach for products which deliver the best balance of quality and price.

France is McBride's largest market in Western Continental Europe and the Group is active in both its Household and Personal Care markets. Kantar Retail market data shows that, for Household products, the French market grew in value by 5% in the period to 30 June 2010, with volumes up 2%. Private Label sales in the hyper- and supermarket sector grew in value by 4% with volume up 1%. This was offset by a decline in the hard discount share of the French market with hard discount Private Labels showing just a 2% value growth but with a 2% volume decline. Overall there was a strong share gain for Private Label in automatic dishwashing products, washing up liquid, and specialist laundry additives.

Progress in Germany
We have seen good growth in Germany with sales up 14%.

Private Label performance

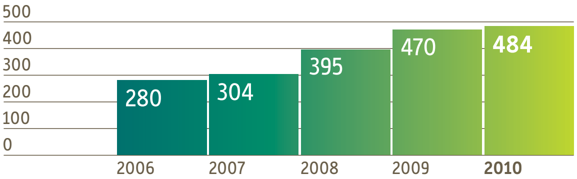
See page 15

The Personal Care market in France increased by 2% in both value and volume terms with Private Label performing well with sales up 6% in value and 8% in volume terms as consumers continue to switch to the quality and value offered by the new Private Label ranges in Personal Care.

In Italy, McBride's second largest market in Western Continental Europe, where the Group operates predominantly in the Household market, the overall market declined by 3% whilst Private Label products saw growth up 0.4% year on year (source: IRI).

In Germany the most recent Gfk data shows the market in the period to June 2010 up 4% in value but with Private Label sales down 2% as the hard discount sector sales slowed resulting in the Private Label value share of Household products declining from 33% to 31%.

Development of revenue in the Western Continental Europe business £m



Personal Care
Consumers in France are increasingly attracted to the quality and value offered by Private Label Personal Care ranges.

Key business developments

In the Household products business, laundry liquids and washing up liquids were key categories with air care also performing well but offset by lower sales in machine dishwashing products and speciality cleaners.

The increasing focus on Personal Care delivered continued organic growth once more, with a particularly good performance in liquid hand soaps, deodorants and styling products. Personal care sales in France performed particularly well.

The business has been actively rolling out the Mission, Vision and Principles programme to all staff across the business with excellent involvement and commitment at site level to this important initiative.

Financial review

Revenue increased by 3% to £484.4 million (2009: £469.8m) although on a constant currency basis it was flat. There was good growth in France and Germany, by 2% and 14% respectively, benefiting from new sales to Edeka and Personal Care growth, but this was partially offset by a 16% revenue decline in Spain. Operating profit, before amortisation of intangible assets and exceptional items, was up 48% to £34.6 million (2009: £23.3m), whilst return on sales improved from 5.0% to 7.1% benefiting from lower input costs, operational efficiencies and better product mix.

Capital expenditure was £13.7 million (2009: £10.3m) reflecting investments mainly in capacity expansion and cost-saving projects.

Future developments

The near term priority for the business is to continue investing in new product development, service and lean business principles to further drive efficiency in order to provide our customers with the very best value for money in our priority categories.

Further investment is planned in new product development, focused on our core priority categories. Investment in category development and understanding of changes in retail channels and formats will be undertaken to support our customers in maximising the potential for Private Label product ranges going forward.

Divisional performance

Continued

Eastern Continental Europe business review

	2010	2009	Change
Total reported revenue(1)	**£35.3m**	£33.2m	+6%
Operating profit(2)(3)	**£2.5m**	£1.8m	+39%
Average employee numbers	**383**	409	-6%
Proportion of revenue in Household products	**62%**	62%	–
Proportion of revenue in Personal Care products	**38%**	38%	–

(1) Revenue by origin.
(2) Before amortisation of intangible assets and exceptional items.
(3) On adoption of IFRS 8, year to 30 June 2009 has been restated to remove management recharges which are not included in segment profit reported to the Group Management Team.

→ 6% reported and organic sales increase.
→ Growth in Hungary, Romania, Cyprus and Greece.
→ Operating profit up 39% while return on sales improved from 5.4% to 7.1% reflecting lower input costs, higher volumes and an improved product mix.
→ Continued development of eastern and southern areas of region.

Business description

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

Overview

The Eastern Continental Europe business also enjoyed a good year with organic sales up 6%, operating profit up 39% and operating margin improving from 5.4% to 7.0%. The main market growth has been in South Eastern Europe, namely Hungary, Romania, Cyprus and Greece. The product growth has been spread across Household and Personal Care categories and in both Private Label and minor brands. The profit improvement has been driven by a combination of higher volumes and lower input costs.

Markets

Household and Personal Care markets in the region were impacted by the economic slowdown with a number of markets such as the Baltic States and some of the former CIS states showing significant slowdown. Poland, however, managed to avoid going into recession and McBride's Household revenue in the region has grown by 4.5% year on year (4.7% on a constant currency basis) with Personal Care growing by 10% year on year (10.1% on a constant currency basis).

Retail Private Label sales continue to grow by circa 7.6%. Significant increases have been experienced within the growing discount chains in the region. Branded products performed well with sales up 18%. This positive outlook should continue as retailers continue to expand further within our existing markets.

Key business developments

In 2010, Eastern Continental Europe continued to develop and evolve from the revised base established in 2009 with further investment in the management team and the sales teams. The business has further strengthened its product capability in the Strzelce factory.

Key performance indicator

Eastern Continental Europe organic revenue growth

+6%

(2009: +9%)

Eastern Continental Europe
Speciality cleaner sales continued to perform strongly in Eastern Continental Europe: up 7% year on year.

Expanding in Asia

See page 24

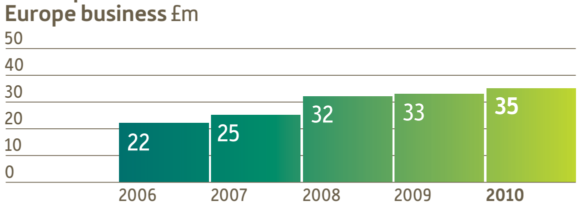
Products

McBride's sales of machine dishwash products in the region performed strongly, with a three-fold increase in sales, followed by air care sales up 66% and speciality cleaner sales up 7% while in the more commodotised product sector, sales of thick bleach were strong.

Export sales in the region overall were higher but this reflected changes in country performance as a number of our traditional export markets including Belarus and the Baltic states demand slowed but was offset by increased growth in South East Europe, in particular Croatia, Greece and Romania.

A significant improvement in customer service was achieved during the year, reaching the Group target level of 98% for the first time, thanks to improvements in forecasting, stock control and systems.

Development of revenue in the Eastern Continental Europe business £m



Financial review

Reported Eastern Continental Europe revenue increased 6% to £35.3 million (2009: £33.2m), which was all organic growth. The key growth was in Southern Europe and Asian markets. Operating profit, before amortisation of intangible assets and exceptional items, increased 39% to £2.5 million (2009: £1.8m), whilst the return on sales improved from 5.4% to 7.1%. The main drivers of this were higher volumes, improved product mix and lower input costs, partially offset by higher overheads reflecting a further strengthening of the general management and sales teams. Capital expenditure was £1.5 million (2009: £0.8m) and was mainly focused on capacity expansion and cost-saving investments.

Future developments

A combination of the improving market environment and further planned store openings in the region by our major customers give us confidence that there are significant opportunities for further development of the Group's activities in Eastern Europe.

The new product development programme will focus on developing and improving the Private Label offer in our categories with the greatest growth and margin potential.

Eastern Continental Europe
The business continues to develop attractive Personal Care ranges for Polish and international retailers.

Group financial review

Cash generated from operations, before exceptional items, achieved its highest ever level at £85.1 million.

Group summary

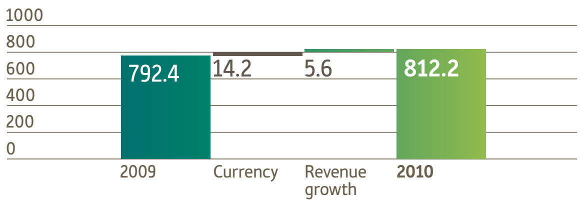
Group revenue rose 2% to £812.2 million (2009: £792.4m), reflecting 1% growth on a constant currency basis and 1% from currency translation movements, primarily due to strengthening of the Euro against Sterling to 1.14 (2009: 1.17). Group profit before tax, before amortisation of intangible assets and exceptional items, grew 43% to £44.4 million (2009: £31.0m). Diluted earnings per share, before amortisation of intangible assets and exceptional items, increased 41% to 18.1 pence (2009: 12.8p). The proposed final dividend has increased 12% to 4.8 pence per share (2009: 4.3p) which, if approved, will increase the full year dividend 13% to 6.8 pence per share (2009: 6.0p).

Cash generated from operations, before exceptional items, achieved its highest ever level at £85.1 million (2009: £61.8m). Net debt was reduced by £22.4 million to £60.0 million (2009: £82.4m). Pre-tax return on average capital employed, before amortisation of intangible assets and exceptional items, for the year increased to 25.9% (2009: 17.1%).

Revenue

Group revenue increased 2% to £812.2 million (2009: £792.4m). The 1% constant currency growth, referred to above, reflects increases of 3% in UK and 7% in Eastern Continental Europe but a 1% reduction in Western Continental Europe. Core product categories, which contribute 52% of total revenue, experienced organic growth of 2%.

Group revenue bridge £m



Group key performance indicator

Adjusted diluted earnings per share

18.1p

(2009: 12.8p)

By geographic origin, UK external revenues grew 3% to £316.9 million (2009: £308.4m). Western Continental Europe's external revenues increased 2% to £461.6 million (2009: £452.4m), all from currency translation, with organic sales down 1%. Eastern Continental Europe's external revenues increased 7% to £33.7 million (2009: £31.6m), all organic growth.

Operating profit

Group operating profit, before amortisation of intangible assets and exceptional items, improved 38% to £50.0 million (2009: £36.2m). The operating margin improved from 4.6% to 6.2% driven mainly by lower input costs, purchasing savings and a greater proportion of higher margin core category sales. Group reported operating profit improved 28% to £35.2 million (2009: £27.4m).

The operating profit and margin increased at all divisions: UK profit £22.1 million (2009: £17.5m) and margin 6.9% (2009: 5.6%), Western Continental Europe profit £34.6 million (2009: £23.3m) and margin 7.1% (2009: 5.0%) and Eastern Continental Europe profit £2.5 million (2009: £1.8m) and margin 7.1% (2009: 5.4%).

Net finance costs

Reported net finance costs increased to £5.6 million (2009: £5.2m), primarily reflecting lower expected return on pension scheme assets.

Exceptional items

There was a £12.8 million pre-tax operating exceptional charge to the income statement in the year (2009: £7.1m). £5.4 million of this related to redundancy programmes in the UK and Western Continental Europe divisions, £5.0 million to asset write-offs and £2.4 million of other incremental items, including external consultants, logistics and storage costs.

Profit before tax and tax charge

Profit before tax increased 33% to £29.6 million (2009: £22.2m) and, excluding amortisation of intangible assets and exceptional items, increased 43% to £44.4 million (2009: £31.0m). The £7.5 million taxation charge (2009: £5.6m) maintains a 25% effective rate (2009: 25%).

Earnings per share and dividend

Basic earnings per share (EPS) improved 34% to 12.3 pence (2009: 9.2p). Adjusted basic EPS, before amortisation of intangible assets and exceptional items, increased 43% to 18.4 pence (2009: 12.9p). On an adjusted basis, diluted EPS increased 41% to 18.1 pence (2009: 12.8p). The weighted average issued and diluted number of shares in the year used in calculating these EPS figures were 180.3 million and 183.2 million respectively (2009: 180.3m and 181.5m).

The Board is recommending that a final dividend for the year of 4.8 pence per share (2009: 4.3p) be approved at the Annual General Meeting on 25 October 2010 and paid on 26 November 2010 to shareholders on the register on 29 October 2010. The proposed total dividend for the year of 6.8 pence per share represents a 13% increase (2009: 6.0p) and is covered 2.7 times by adjusted basic earnings per share (2009: 2.1 times). The total proposed dividend for the year amounts to £12.3 million.

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

Cash flow

Cash generation was strong with cash generated from operations, before exceptional items, of £85.1 million (2009: £61.8m). This included a £6.7 million net working capital inflow (2009: £1.0m inflow).

Capital expenditure in the year was £24.3 million (2009: £20.0m) which equates to 3% of sales and is £2.3 million less than depreciation. The main areas of investment were cost-efficiency programmes, new product development, capacity expansion and

Private Label baby care in Malaysia
The A.S. Watson range of baby lotions are produced at Fortlab's factory in Malaysia.

essential replacement. There was £8.4 million of acquisition spend (net of cash acquired): £4.7 million on Homepride Limited, a UK household cleaning business, and £3.7 million on Fortlab Holdings, a Malaysian Personal Care manufacturer (2009: £1.0m of acquisition spend and £6.3m return of consideration relating to a prior period acquisition).

Net interest payments increased to £5.9 million (2009: £4.7m) due to interest paid including £1.5 million of up front fees relating to the new €175 million five-year revolving credit facility.

There was a cash outflow of £4.4 million (2009: £4.7m) relating to exceptional items, primarily redundancy costs relating to restructuring programmes in the UK and Western Continental Europe divisions.

Ordinary dividend payments were £11.4 million (2009: £10.1m).

Net debt reduced by £22.4 million to £60.0 million (2009: £82.4m).

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

	2010 £m	2009 £m
Opening net debt	**(82.4)**	(103.3)
Cash generated from operations before exceptional items	**85.1**	61.8
Exceptional items	**(4.4)**	(4.7)
Net interest	**(5.9)**	(4.7)
Forward contracts used in net investment hedging	**(1.4)**	(0.6)
Tax	**(7.8)**	(3.7)
Capital expenditure	**(24.3)**	(20.0)
Acquisitions	**(8.5)***	5.3
Dividends paid	**(11.4)**	(10.1)
Foreign currency translation	**1.9**	(4.6)
Other movements	**(0.9)**	2.2
Movement in net debt	**22.4**	20.9
Closing net debt	**(60.0)**	(82.4)

* Includes £0.1 million loans acquired with subsidiaries.

Group key performance indicator

Return on capital employed

25.9%

(2009: 17.1%)

Balance sheet

Group net assets at the year-end increased to £124.7 million (2009: £118.5m). This was primarily due to a £22.4 million reduction in net debt, partially offset by an increase in pension liability and the currency translation effect of a weaker Euro on current and non current assets. The Euro weakened against Sterling from 1.17 at 30 June 2009 to 1.22 at 30 June 2010.

Liabilities for pensions and other post-employment benefits increased by £3.5 million from last year to £17.7 million, net of the associated deferred tax asset (2009: £14.2m). This increase was due to a higher deficit in the UK defined benefit pension scheme, from £12.0 million to £15.2 million, driven primarily by an increase in the value of the scheme's liabilities.

The pre-tax return on average capital employed, before amortisation of intangible assets and exceptional items, improved from 17.1% to 25.9%. This improvement was driven by a higher profit margin, from 4.6% to 6.2%, and asset turnover, from 3.7 times to 4.2.

Treasury management

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

Access to credit lines

The Group aims to maintain a strong balance sheet, with a relatively conservative level of debt-to-equity gearing. This policy enabled us to secure a new €175 million revolving credit facility, which is committed until June 2015, and extend our £25 million invoice discounting facility until June 2012. The Group also has access to working capital facilities amounting to over £40 million, which are generally uncommitted and subject to annual review. We maintain close working relationships with the small number of major banks which provide these credit lines.

Together with the Group's strong cash flow generation, our credit lines also provide headroom for bolt-on acquisitions and contingencies.

Foreign currency risk

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

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

Securing new finance
See page 26

Interest rate risk

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

Credit risk

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

Commodity price risk

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

Richard Armitage
Group Finance Director

New laundry liquids and gels
Concentrated laundry liquids and gels are becoming increasingly popular across Europe.

Meeting customer needs
Orange-scented laundry powders and ironing water are proving a great hit with Asda's customers.

Principal risks and uncertainties

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

The Group has a well established set of risk management procedures at three different levels: operating company, division and Group. These are discussed further in the Corporate governance report on pages 56 to 61. The risk management process is unchanged from previous years. The main divisions have re-visited their list of risks and updated and re-prioritised these risks. Group level risks are then reviewed by the Group Management Team and ultimately by the Audit Committee.

The specific risks and uncertainties that the Directors believe could have the most significant impact on the Group's business are discussed below. These are based on the most recent Group risk review carried out during the year ended 30 June 2010. It is acknowledged that the environment in which the Group operates is dynamic in nature. Accordingly, the impact of the risks facing the Group will increase or decrease in potential severity or importance to the business. However, wherever a risk is identified, action plans are established and monitored to mitigate that risk crystallising.

The matters described are not intended to be an exhaustive list of all possible risks and uncertainties.

Type of risk	Nature	Mitigating factors
Unrecovered cost inflation	McBride is exposed to price and supply fluctuations for its raw materials, packaging and other consumables used in its production processes. In the past year, these markets have continued to be volatile and the rate of change cannot be immediately recovered through selling price increases.	The Group has continued to develop its focus on improving operating efficiencies through increased asset utilisation and automation, reduced waste and minimising the use of packaging. It also maintains a programme of initiatives, supported by a combination of the purchasing, technical and operational teams, such as the use of alternative materials and sources and product reformulations. During the year, further investment has been made in procurement resources and processes and our procurement strategy has been effective in helping to mitigate some of the material cost inflation. The Group has a sourcing office in Hong Kong and continues to source certain products from the Far East. Where necessary the Group is committed to securing price increases to cover residual cost inflation.
Serious loss of volume	Loss of any or a significant part of the Group's customer base could have a considerable impact on the sustainability of the Group's revenue. The Group is exposed to strong competitor activity combined with increasing rationalisation of the customer base on a global basis.	The Group seeks to counter this risk by increasing category management expertise, increasing new product development resources and implementing new trading procedures. In addition, focus continues on delivering superior customer service levels, deepening relationships with its existing customers and seeking out new channels of supply, developing its understanding of the retail market and its customers' expectations across all territories of its operation. At the same time work continues to develop and offer innovation and range and category diversification and focus on driving continuous efficiency improvements across the business.
Operational disruption	Given the short lead times and demanding service levels required by customers, disruption to McBride's manufacturing or distribution facilities (for example by fire, health and safety failure, problems of supply, information systems failure, workforce action or environmental incident) could adversely affect the Group's performance. Whilst the Group maintains insurance based on levels that it believes are appropriate for its industry, some of these operational risks could result in losses and liabilities in excess of its insurance coverage or in uninsured losses and liabilities.	This risk is managed through well-established processes including standard operating procedures, asset maintenance, regulatory compliance, dedicated steering groups, monitoring, auditing, consultation, multiple sourcing and disaster recovery plans for manufacturing and distribution facilities. A programme of risk improvements for each site is agreed annually with our insurers and work has commenced during the year on a business impact analysis exercise. All our UK factories have sprinkler protection and we are extending this investment across Europe, starting with our Ieper sites in Belgium.

Type of risk	Nature	Mitigating factors
Product safety and quality	Concerns have been voiced over the long-term effects of various product and ingredient issues relating to household chemicals on human health and the environment. In addition, failures in product quality controls, the risk of despatch of unsafe product or contravention of labelling regulations and other legislative requirements could lead to damage to the reputation of, and trust in, McBride and adversely affect the Group's business. Furthermore, the absence of full traceability could cause major disruption to our customers.	We have up-to-date product recall and crisis management procedures and it is believed that our current level of traceability is sufficient to prevent a major issue. The Group also has comprehensive management processes in place to ensure that its products are both suitable and safe for their intended use. Additionally, regulatory compliance and product safety issues are actively addressed through membership of relevant industry associations. The Group has established, and is in the process of strengthening further, its product development and quality management processes to minimise the risk of such failures arising, including a dedicated quality assurance function. Product quality controls include the use of in-house toxicologists supported by independent third party specialists. In addition, detailed product recall and crisis management procedures are in place and are regularly reviewed. As part of McBride's commitment to continuously improve the safety and environmental sustainability of its products and processes, it has a number of programmes, above and beyond regulatory requirements, to systematically remove specific ingredients from product formulae and packaging specifications.
Supplier failure	The Group depends on close trading relationships with a number of key suppliers across Europe. Loss of a key supplier or the inability to source critical materials could seriously disrupt the Group's supply capability. Compared to last year the risk of failure of key suppliers of raw materials has increased.	During the year, the Group Purchasing Director has carried out a significant programme of work to reduce or eliminate some of these risks. We have established a procedure for identifying the possible risks for each key material. Suppliers are regularly checked for credit and pre-qualified alternative suppliers have been identified wherever possible. Suppliers' own contingency plans are also reviewed. Where this is not possible we retain higher levels of safety stocks or we identify options to use alternative materials. We also strive for reformulations of products where appropriate.
Acquisition integration	Acquisition activities give rise to risk for the Group in a number of ways including the potential for lost focus on the core business and the potential for adverse impact on customer service levels during factory integration together with the risk of skills shortages as existing people become increasingly stretched. Integration of acquisitions carries further risks including the risk of items materialising which could not be identified or quantified during due diligence activities.	Risk integration teams are established under the leadership of experienced managers to review the issues in depth and develop detailed project plans. Additional resources are hired to backfill gaps in the existing business; generally, these are interim resources to allow cost to be incurred for the minimum period of time. Where due diligence cannot provide the necessary degree of assurance, specific representations and warranties are sought from the vendor. Where uncertainty exists, earn-outs can provide a final degree of protection.
People risks	The main people risks are the loss of key managers, insufficient planning for management and Board succession, as well as the risk of industrial relations breakdown or strike; all of these could adversely impact on the Group's reputation as well as leading to employee morale problems.	Well established procedures are in place covering consultation, employee involvement, works councils, documented grievance and dispute resolution procedures and focus on engendering a culture of consultation. Employee morale is measured annually through the Employee Opinion Survey and mitigating actions taken when required. In addition, the Group has a well-established process for talent management and succession planning for senior employees. Succession planning for executive management is actively considered by the Nomination Committee and the Board. Where employees have access to sensitive data, appropriate measures are in place to prevent its disclosure should an employee leave the Group.

Principal risks and uncertainties
Continued

Type of risk	Nature	Mitigating factors
Systems dependency and reliability	A failure of the Group's SAP information systems platform would rapidly impact all sites after a few hours, which in turn would damage business and customer relationships. Damage could be caused by accident, by software or hardware failure, or by sabotage.	This risk is seen to have reduced since last year, partly due to the introduction of a new Group-wide organisation structure and partly due to planned IT investment which is underway to secure a more resilient Group-wide network with real time disaster recovery capability.
Environmental risks	The Group is exposed to risks of liabilities inherent in the context of the long-established nature of its operations, including the cost of required remedial action. These also include the potential cost of complying with additional future regulation including changes in production practices and the risk of being subject to claims for personal injury as a result of alleged exposure to hazardous materials or other environmental conditions.	The Group is committed to minimising the environmental impact of its operations. To support its performance in these areas, the Group maintains appropriate robust performance management systems and key performance indicators. It also has strong focus on achieving exacting external accreditation for its operations. Environmental audits have been undertaken of all key locations. Any issues have been identified and appropriate actions are taken in accordance with local legislative and regulatory guidelines. These include consideration of any potential impact on both employees as well as neighbouring properties and any potential public health issues. The Corporate social responsibility report on pages 50 to 55 and the separate Sustainability Report published on the Group's website at **www.mcbride.co.uk** provide more information on the Group's approach to Environmental, Social and Governance (ESG) matters.
Liquidity and capital resources	In the current global financial crisis and uncertain economic environment, certain external risks may increase including possible constraints in the liquidity of the debt markets. This may impact on our ability to maintain our long-term investment programme. Decreases in the funded levels of our UK defined benefit pension plan may also increase our pension funding requirements, although the proportion of employees on defined benefit schemes is only 6%. Furthermore, failure to operate within our financial framework could lead to the Group becoming financially distressed leading to a loss of shareholder value and the inability to determine adequately our credit exposure could lead to financial loss. A credit crisis affecting banks and other sectors of the economy could impact the ability of counterparties to meet their financial obligations to the Group. It could also affect our ability to raise capital to fund growth.	The Group has established a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity and to constrain the level of assessed capital at risk for the purposes of positions taken in financial instruments. Commercial credit risk is measured and controlled to determine the Group's total credit risk and our banking facilities have been successfully renegotiated during the year.
Foreign currency risk	The Group operates in a number of countries but reports its results in Sterling. It is therefore exposed to the impact of fluctuations in prevailing exchange rates, primarily the Euro. The recent movement in the Euro has impacted the Group's results in a number of ways. Reported consolidated net debt has decreased not only as a result of the weakened Euro's impact at the year end on Euro-denominated debt compared to the previous year end, but also due to the impact on payments relating to the hedge used to protect the Sterling value of the net assets in non-UK subsidiaries. The average rate for the current year is stronger than that of the previous year and this strengthening of the Euro has benefited the Group's revenues and operating profit generated in the Euro zone.	Significant foreign currency exposures are regularly reviewed by our Group Treasury Committee and are subject to hedging in accordance with approved Treasury policies.

Resources and relationships

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

Employees
During the year ended 30 June 2010, the Group had an average of 5,094 employees. We recognise that the success of our business is dependent on the quality and commitment of our employees. The quality and effectiveness of the management of the Group's people is therefore critical to the attainment of its business objectives.

The Group is committed to the recruitment, retention and development of its employees and to helping them achieve their full career potential with McBride. All parts of the UK business have Investors in People accreditation. Employee satisfaction is monitored across all parts of the Group through a rolling, annual programme of employee opinion surveys that have been in place for 20 years.

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

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

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

Reputation and market position
McBride is one of the largest suppliers of Private Label Household and Personal Care products in its major markets in the UK, France, Italy and, increasingly, Poland. The quality of its products and customer service are consistently rated highly in independent surveys. We value our reputation, both as a supplier of Household and Personal Care products and as a key part of the communities in which we operate.

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

Our customers
The Group's main customers are the leading grocery retailers across Europe. Like all businesses, the Group's future success is dependent on maintaining and developing its relations with current and potential customers. Excellence in customer service is the Group's main operational priority and is a key driver supporting our growth strategy. The Group also works closely with customers to develop new products to meet their requirements. Senior management maintain key customer relations at both corporate and business unit level.

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

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

Board of Directors

Iain J G Napier

Chris D Bull

Richard J Armitage

Colin D Smith

Robert A Lee

Christine A Bogdanowicz-Bindert

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

Colin D Smith
Senior Independent Non-Executive Director
Chairman of the Audit and member of the Nomination and Remuneration sub-committees
Colin Smith has been a Non-Executive Director of McBride since April 2002. His previous experience includes 20 years at Safeway plc, the last six years as Chief Executive and, before that, as Finance Director. Colin is also Chairman of Poundland Group Holdings Ltd. Colin is McBride's Senior Independent Director.

Chris D Bull
Chief Executive
Member of the Nomination sub-committee
Chris Bull was appointed Chief Executive of McBride in May 2010. Chris joined us from Unilever plc where he had most recently been Chief Customer Officer. He has had an extensive international career with Unilever covering 25 years and from 2003-07 was CEO of Unilever Poland and Baltics. He has been CEO of sizeable divisions in Unilever, and in his earlier career managed manufacturing operations, building on his qualification as a graduate engineer.

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

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

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

Group Management Team

The role of the Group Management Team is to develop and implement the Group strategy and Group-wide culture, monitor results and allocate resources. The Group Management Team comprises three Divisional Managing Directors and the functional heads of finance, purchasing, human resources and business development.

Colin McIntyre

Andrea Barbier

Grzegorz Krol

Thibaut Eissautier

Tim Seaman

Malcolm Allan

Chris Bull
Chief Executive
(see Board of Directors)

Richard Armitage
Group Finance Director
(see Board of Directors)

Colin McIntyre
UK Divisional Managing Director
Colin joined McBride in 1990 and has progressed though the Company to his current position over the past 20 years. He was formerly General Manager of the Burnley factory, UK Logistics Director and most recently Operations Director of the Western Continental European division. He was appointed as the Divisional Managing Director for the UK division in July 2008. Colin previously worked for Milliken Industries and he has a degree in Chemistry.

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

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

Tim Seaman
Strategic Development Director
Tim has worked for McBride for 25 years. and has responsibility for developing business outside our core markets, including our growing Far East Operations. Prior to this Tim was Managing Director for our UK division for seven years. Tim is a Chartered Management Accountant (ACMA) and holds a degree in Business Studies.

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

Malcolm Allan
Group HR Director
Malcolm joined McBride in 1987, and has had spells in purchasing, distribution and Total Quality Management as well as HR. He has been Group HR Director since 1993, is also responsible for Health, Safety and Environmental issues and is Chairman of the Pension Fund Trustees. He has held previous HR positions in Central Government, RHM and Foseco Minsep and holds a degree in Maths.

Corporate social responsibility (CSR) report

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

Energy used fell by

↓1%

Water usage efficiency improved by

↑2%

Our priorities

1. Sustainability

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

2. Health & Safety

We provide safe working environments with comprehensive safety management procedures.

3. People practices

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

4. Communities

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

5. Ethics

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

Summary of performance in 2009-10

- → Improvements in efficiency of use of water and waste
- → Energy efficiency flat despite closure of two factories
- → Accidents down by 2%
- → Accident frequency 1.31 per 100,000 hours worked
- → No product safety issues during the year
- → Coaching programme introduced across Group
- → Introduction of new Mission, Vision and Principles

Introduction

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

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

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

CSR principles

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

- → Environment and Sustainability – we aim to continuously reduce the environmental impact of our operations and products.
- → Health and Safety – we aim to provide safe working environments underpinned by comprehensive internal safety management procedures and external verification.
- → Employment Practices – we strive to develop, motivate and engage our employees to help them give of their best and fulfill their potential. We provide equal opportunity for all and do not tolerate discrimination and unacceptable behaviours.
- → Community – we work closely with the communities where we have our operations to make a positive contribution where possible, recognising there is economic interdependence between ourselves, local businesses and local government.
- → Business ethics – we have a strong code of ethics and expect all employees to behave with honesty, discretion, integrity and respect for all related parties.

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

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

The antibacterial flu kill cleaner team

The McBride product launch team kicked into action to ensure the new product introduction was a success. The team, from left to right, of Claire Wright Development Chemist, Val Robinson Product Control Manager, Jacquie Costello Product Manager, Carole Craggs Filling Supervisor, Darren Greenwood our Regulatory Affairs Specialist along with Suzie Jones the Category Executive worked closely with the Sainsbury team to ensure that all packaging, labelling and legal issues were properly reviewed and the product launch was accelerated to be ready in time for the impending flu season.

Within four weeks, all approvals had been given and the new antibacterial cleaner with flu kill (the first Private Label product to have the flu kill claim on the front of the pack) was launched one month ahead of the impending flu season.

In recognition for the responsiveness to changing consumer needs and being in line with Sainsbury's Key Goal of 'Promoting a safer environment for our customers', Sainsbury's voted this product best own label development of the year in 2010.

Corporate social responsibility report
Continued

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

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

This year's environmental performance has been reported with the assistance of an external consultancy, EQ2 . Improvements have been seen in water efficiency and waste efficiency; however energy efficiency was slightly worse as we commenced the closure of two factories.

Energy consumption and CO_2 emissions fell by 1%. Water consumption reduced by 5% year on year. Water efficiency is monitored based on tonnes of production per cubic metre of water used by the business. This measure improved by 2% in the year ended 30 June 2010 relative to the prior year.

Another key measure of eco-efficiency is production per cubic metre of effluent produced; this improved by 6% and has improved by over 60% in the last five years. We are targeting a reduction of a further 20% by 2012.

The total amount of waste decreased by 1%. The proportion of waste recycled and recovered increased from 69% to 74%.

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

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

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

Aerosol emergency exercise 1 July 2010

On 1 July 2010, 70 of our staff at our aerosol factory in Rosporden, Northern France, and 50 representatives from the local police, fire service, the ambulance service and local authorities undertook a full aerosol emergency exercise at the site. This is required under the Seveso legislation to be undertaken every five years. All the external authorities commented on the improvement and the efficiency in communications of our evacuation and procedures compared to 2005.

Our Sustainability report can be found at...

www.mcbride.co.uk/our-responsibilities/sustainability-reports

All accidents and major incidents are reported internally and are investigated fully to determine appropriate corrective and preventative measures. Incidents that result in more than three days lost time are monitored. In the year ended 30 June 2010, the number of lost time accidents improved by 3% to 121 and the frequency per 100,000 hours worked fell to 1.3 (2009: 1.4).

Product safety

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

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

Human safety and environmental assessments for Household and Personal Care products are carried out before launch under the Dangerous Preparations and Cosmetic Products Directives respectively. It is our policy not to sell products involving risks to human safety and/ or the environment under normal and foreseeable conditions of use.

The REACh (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulation, regarding the safe use of chemicals, came into force across Europe in 2007. Since then we have checked regularly with our suppliers to ensure that all raw materials were pre-registered. We are now checking that our uses are covered by supplier registrations and making our own registrations for high tonnage chemicals produced in situ during the manufacture of some products.

Employment practices

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

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

Increasing use of renewable electricity and solar power

Energy consumption summary

Energy use	Absolute energy use (GJ) 2008-09	2009-10
Electricity	497,675	**488,416**
Standard grid	416,742	**337,472**
Renewable electricity	79,709	**147,687**
Solar power	1,224	**3,257**
Natural gas	219,697	**219,308**
Oil	7,325	**6,897**
Total energy use	724,697	**714,621**

Corporate social responsibility report
Continued

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

Regular opinion surveys are undertaken of all staff to measure and monitor employee satisfaction within the Group. The results of these surveys are used to develop action plans to improve communication, motivation and engagement across the business. The next survey will be completed in the 2010-11 financial year.

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

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

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

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

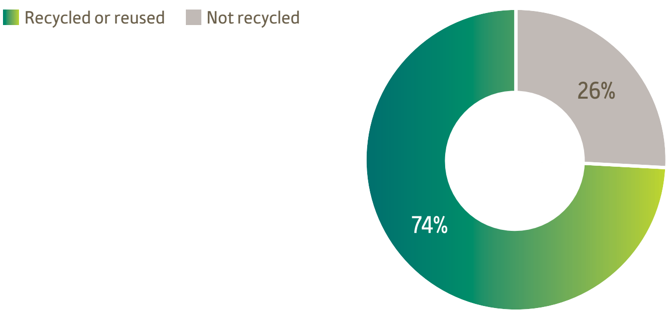
However, we operate and encourage openness and honesty in all our internal relationships and have systems for colleagues to highlight shortfalls and to suggest improvements to anything in the business. We also have robust procedures for handling all types of issues and grievances. Our managers all received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

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

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

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

Waste recycling performance 2009-10



Our focus	Our performance
Energy Our target is to deliver a 20% improvement in our eco-efficiency in terms of kgs per Gjoule (Gj) of energy consumed by 2020.	→ Eco-efficiency worsened by 0.6% to 1,619kg/Gj. impacted by the closure and decommissioning of two factories during the year.
CO_2 Our target is to achieve a 20% improvement in the eco-efficiency measure in kgs per tonne of CO_2 by 2020. We will invest more in energy saving capital equipment. We will target further sources of renewable energy supplies to achieve a minimum of 20% of energy sourced from renewable sources by 2020. We will look to external advisors on assisting us achieve these targets.	→ CO_2 emissions reduced by 1%, but eco-efficiency fell by 1.2% to 17,565kg production/tCO_2. → Energy from solar panels more than doubled. → Researched the potential for renewable energy sources for the Estaimpuis factory in Belgium. → Renewable electricity usage increased from 1,224Gj to 3,257Gj.
Water Continue to refine our products and processes to reduce water consumption. Review signing up to the UN, CEO Water Mandate.	→ Water usage improved 2.8% on an eco-efficiency basis to (1,089 kgs/m^3).
Waste Continue to increase the level of recovered, recycled and re-used waste by 1% per annum. To achieve a 1% waste level as a percentage of production volume by 2012.	→ Recovered, recycled and re-used waste now accounts for 74% of waste generated up from 69% prior year. → Total waste generated decreased from 1.3% to 1.2%.
NPD Objective: to focus on developing more environmentally friendly products.	→ During the year we launched low temperature laundry liquids and gel products. → We focused our efforts on reducing packaging of many of our products.
Health and safety Continue to focus on our Health and safety processes to reduce risks and ultimately accidents.	→ During the year we achieved a 3% reduction in the number of LTIs compared to the prior year.

Eco-efficiency KPI performances

worsened by
0.6%

Energy efficiency
(2009: 1,628kg production/Gj)

worsened by
1.2%

CO_2 efficiency
(2009: 17,774kg production/tCO_2e)

improved by
2.8%

Water usage efficiency
(2009: 1,059kg production/m^3 of water)

improved by
4.6%

Effluent discharge
(2009: 5,977kg production/m^3 of effluent)

Corporate governance report

Combined Code compliance

The McBride Board recognises that it is accountable to shareholders for the Group's activities and is responsible for the effectiveness of its corporate governance practices. We remain committed to maintaining high standards of corporate governance. For the financial year under review, we are governed by and endorse the provisions set out in The Combined Code on Corporate Governance (the Code), as published by the Financial Reporting Council and revised in June 2008. We have continued to assess our level of compliance with the Code and disclosures in this year's report describe how the principles are applied. The Board considers that, throughout the year under review, the Company has complied with the governance rules and best practice provisions applying to UK listed companies as contained in Section 1 of the Code. The Board acknowledges the introduction of the UK Corporate Governance Code published on 28 May 2010 (The 2010 Code), which amends the Code, and will report compliance in next year's Annual Report and Accounts.

Composition and independence of the Board

For the year to 30 June 2010, the Board comprised six members, being two executive Directors, the Chairman and three Non-Executive Directors. As announced on 3 November 2009 Miles Roberts resigned as Chief Executive and left the Company on 30 April 2010. Miles was succeeded by Chris Bull who was appointed to the Board on 4 May 2010. Richard Armitage was appointed as Group Finance Director on 1 November 2009. The executive Directors are supported by the senior executives within the Group and, in particular, by the work of the members of the Group Management Team (GMT) whose composition and role are outlined on page 49.

The Directors' biographies appear on page 48 and illustrate the range of experience which ensures an effective Board to lead and control the Group. The size of the Board allows individuals to communicate openly and freely and to make a personal contribution through the exercise of their individual skills and experience. The Executive and Non-Executive Directors have a complementary range of financial, operational and entrepreneurial experience. The Board has a balance of skills, experience, independence and knowledge of the Company and no single Director is dominant in the decision making process.

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

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

The role of senior independent Non-Executive Director continues to be held by Colin Smith, and has been held by him since July 2004.

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

Director elections

In line with the Code, the Articles require all Directors to submit themselves for re-election at every third AGM. However, all the Non-Executive Directors and the Chairman have, once again, agreed for this year to submit themselves for annual re-election. Iain Napier, Christine Bogdanowicz-Bindert, Bob Lee and Colin Smith shall therefore retire at the AGM and, being eligible, offer themselves for re-election. The Board is satisfied that all the Non-Executive Directors standing for re-election continue to perform effectively and to demonstrate commitment to their role, including commitment of time for Board and committee meetings as well as any other duties which may be undertaken by them from time to time. The non-executive portfolio of Iain Napier is not considered to have an adverse impact on his commitment or ability to fulfil his duties as Chairman of McBride plc.

The two executive Directors, Chris Bull and Richard Armitage, having been appointed by the Board since the last AGM, will resign at the forthcoming AGM and, being eligible, will offer themselves for re-election. In future, both Directors have agreed to stand for re-election on an annual basis, as recommended in the 2010 Code.

All Directors proposed to shareholders for re-election are accompanied by a biography and a description of the skills and experience that the Company considers are relevant. Voting levels at the 2009 AGM demonstrated continued support for all Directors who held office at that time.

Operation of the Board

In carrying out its work, the Board focuses on key tasks, which include active reviews of the Group's corporate plan and its long-term strategy, monitoring the decisions and actions of the Chief Executive and the GMT, the Group's trading performance and reviews of Group health and safety and business risks.

The executive Directors are obliged to review and discuss with the Board all strategic projects or developments and all material matters currently or prospectively affecting the Company and its performance. The Board delegates its authority for executive management of the Company to the Chief Executive, subject to monitoring by the Board and to reservation of various matters which must be referred to the Board.

Such reserved matters include determination of the overall strategy of the Group; approval of the annual report and accounts and other financial statements and confirmation that these statements provide a true and fair view of the financial status of the Group; authorisation of major capital expenditure, disposals and acquisitions; ensuring the existence of proper internal controls; the approval of banking and other financial arrangements; and monitoring of operational and trading performance as well as health, safety and environmental matters and risk management procedures. It also governs matters relating to appointments and the remuneration of Board members; reviews senior management performance and development potential; is responsible for corporate social responsibility policy-setting and corporate governance and reviews; and authorises significant corporate restructuring programmes. A copy of the schedule of matters specifically reserved for decision by the Board is displayed on the Group's website at **www.mcbride.co.uk**

The Board holds at least six meetings a year at approximately two-monthly intervals. Additional meetings are held as necessary to consider specific matters where a decision is required before the next meeting. During the year, seven formal Board meetings were held and the principal matters considered included regular reviews of the operational and trading performance of and prospects for the Group; approval and monitoring of major projects including consideration of potential acquisitions; and evaluation and approval of potential new corporate development and growth opportunities for the Group. The Board also reviewed and approved Group policies and its annual and medium-term plans; it received feedback from presentations to institutional shareholders; approved major capital expenditure investments; approved the full year and interim results statements; reviewed relevant governance matters and legislative developments; approved changes to the Group's banking facilities and the capital structure of the Group's subsidiaries; and considered relevant health, safety and environmental matters.

Attendance at meetings of the Board and at meetings of sub-committees is set out in the table on page 59. Several Non-Executive Director meetings (both formal and informal) have been held during the year without the executive Directors present. The Senior Independent Director and the Non-Executive Directors have also met without the presence of the Chairman as part of the Board performance evaluation exercise.

There is a clear division of responsibilities between the non-executive Chairman and the Chief Executive. The Chairman, supported by the Company Secretary, leads the Board through governance matters, ensures that the meetings of the Board and with shareholders are properly conducted and is responsible for setting the Board agenda. The Chief Executive, supported by the GMT, has day-to-day responsibility for all business of the Group and for implementing the agreed strategy and policies of the Board. All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing the Company's operations.

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

All Directors are entitled to undertake training relevant to their duties. During the year, Colin Smith and Bob Lee as chairmen of the Audit and Remuneration sub-committees respectively continued to attend updates discussion meetings held by leading advisory bodies. The new executive Directors received formal and in depth induction programmes which included visits to all our operational facilities and presentations by senior executives. Ongoing training is provided to all Directors in the form of regular briefing papers which are submitted to Board members on regulatory/legislative developments and on other topics of specific relevance to them, including their duties and obligations as Directors of a listed company.

Board performance evaluation

The Board has agreed to run a formal Board evaluation process annually to assess the overall performance of the Board and the contribution made by individual Directors. The exercise during the year covered a review of the effectiveness of the work of the sub- committees of the Board. The process is undertaken in an open manner with responses from Board members to detailed questionnaires being submitted to the Company Secretary and discussed on a one-to-one basis between the Chairman and the individual Director. Feedback on the effectiveness and performance of the sub-committees is considered by the respective committee chairmen with the Chairman of the Board. The Directors (led by the Senior Independent Director and in the absence of the Chairman) convene a separate meeting to discuss the performance of the Chairman. We are of the view that the Board is best placed to carry out such evaluation, however the Board is mindful of the recommendation under the 2010 Code that this exercise should be externally facilitated every three years and this will be considered in the future. The current exercise was devised internally and the process is co-ordinated and overseen by the Company Secretary who meets with the Chairman and the Senior Independent Director to summarise the output from the discussions. The conclusions are reported by the Chairman to the whole Board.

The results of this evaluation process showed that Directors were generally positive about the performance and processes of the Board and its sub-committees. The Audit Committee is seen to be particularly effective. Mutual respect exists between individual members of the Board and the interaction between the Board and its sub-committees is seen as good. The Non-Executive Directors are comfortable about their knowledge and skills and their ability to challenge the executive Directors. Members of the Board feel very satisfied that they are kept up to date with legislative changes as they affect the Group and with the information they receive about business and trading performance and developments.

In order to improve its effectiveness, the Board held one of its meetings during the year at the operating site in St Helens. The Directors will continue to consider opportunities to meet with senior management from the various sites across the Group to help broaden their understanding of the operational needs of the organisation and to promote the long-term success of the Company.

Operational management of the Group

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

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

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

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

Board 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, including the composition of the sub-committees, are frequently reviewed and updated as necessary to ensure ongoing compliance with the provisions of the Code and other guidelines. Copies of the terms of reference, activities, roles and responsibilities of the Board's sub-committees are available from the Group's website at **www.mcbride.co.uk**

These sub-committees are properly authorised under the constitution of the Company to take decisions and act on behalf of the Board within the guidelines and delegations laid down by the Board. The Board is kept fully informed of the work of these sub-committees with reports being tabled from time to time by the relevant sub-committee chairmen. Reports for each of the main Board sub-committees follow. Each committee may access independent advice as required and each is supported by the Secretariat.

Audit Committee

The Audit Committee comprises the three independent Non-Executive Directors and is chaired by Colin Smith who has relevant financial experience and up-to-date knowledge of financial matters. In addition, the Committee invites the lead partner of the external auditor, the Group Finance Director and the Chief Executive to attend each meeting. Other senior management attend on request to enable the Committee to discharge its duties. The Committee and the Committee chairman also hold private sessions with the external auditor during the year without the presence of executive management. Committee members normally serve for a period of not less than three years and a quorum of the Committee is two members. There are a minimum of three meetings per annum. The Committee monitors the integrity of the financial and regulatory reporting process of the Group and reviews the Group's accounting policies and disclosure practices. It reviews and recommends the Board to approve all financial statements and announcements. The Committee also reviews the effectiveness of the Group's internal controls and risk management systems. It oversees the Company's relations with the external auditor, actively considering the cost effectiveness, objectivity and effectiveness of the external audit process and making recommendations to the Board in relation to the appointment and remuneration of the external auditor. The Committee has in place a clear policy on the use of external auditors for non-audit services, a copy of which is available from the Group's website at **www.mcbride.co.uk**. Non-audit work is awarded in line with this policy. To the extent that such services are carried out by the incumbent auditor, the Committee takes active account of the relevant ethical guidelines published both by the industry and the audit firm itself and regular reviews of the auditor's independence are undertaken by the Committee.

The report of the Audit Committee is set out on pages 62 and 63.

Remuneration Committee

The Remuneration Committee comprises the three independent Non-Executive Directors and the Chairman of the Board. The Committee is chaired by Bob Lee. It reviews the overall remuneration policy and makes recommendations to the Board on remuneration for the executive Directors and monitors the level and structure of remuneration for key senior executives. It also reviews the Company's talent and management development plans. The Chief Executive is invited to attend the Committee meetings on all matters except those relating to his own remuneration. The composition of the Committee reflects the provisions of the Code. The Committee does not formally retain remuneration consultants but takes professional advice from external advisors as and when required.

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

The principal activities of the Committee during the period were to deal with reviews of the executive Directors' performances over the year against objectives; to establish objectives for the new financial year; to consider related pay award proposals; to consider senior executive salary reviews and bonus and incentive scheme payments; to consider and agree remuneration packages for the new Chief Executive and Group Finance Director; and to deal with the allocation of LTIP awards. The Committee also reviewed the Company's new talent management process as part of its consideration of succession planning.

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

Nomination Committee

The Nomination Committee is chaired by the Chairman of the Board. The other members are the three Non-Executive Directors and the Chief Executive. It is responsible for reviewing the structure, size and composition of the Board as well as considering and recommending the nomination of candidates for appointment as executive or Non-Executive Directors to the Board. Members of the Committee are not involved in matters affecting their own positions.

The Committee meets as appropriate and a quorum is three members, at least two of whom shall be independent Non-Executive Directors.

The report of the Nomination Committee is set out on page 64.

Attendance at meetings

Attendance of individual Directors at full Board meetings, meetings of the Audit, Remuneration and Nomination Committees and the AGM during the year ended 30 June 2010 is given in the table below:

	Board	Audit	Remuneration	Nomination	AGM
Number of meetings held:	7	3	5	5	1
Number attended:					
Mr I J G Napier	7	n/a	5	5	1
Mr C D Bull(1)	1	n/a	n/a	n/a	n/a
Mr M W Roberts(1)(3)	6	n/a	n/a	2	1
Mr R J Armitage(1)	4	n/a	n/a	n/a	n/a
Mrs C A Bogdanowicz-Bindert	7	3	5	5	1
Mr R A Lee	7	3	5	5	1
Mr C D Smith(2)	6	2	4	5	1

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

(1) Meetings attended by Mr Bull, Mr Armitage and Mr Roberts during their respective periods of appointment.
(2) Mr Smith was unable to attend one Board, one Audit and one Remuneration meeting for medical reasons. He had received relevant papers and had the opportunity to communicate his views and comments on the matters to be discussed in advance of the meetings.
(3) Mr Roberts did not attend any of the Nomination Committee meetings at which the appointment of a new Chief Executive was considered.

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

Corporate governance report
Continued

Relations with shareholders
The Board places considerable importance on the maintenance of effective, balanced communications with all shareholders. Meetings with analysts and institutional shareholders are held at the time of the interim and final results. These provide the opportunity for shareholders to assess the Group's performance and prospects and to explore the Group's approach to corporate governance matters. The executive Directors also regularly meet face to face with analysts, brokers and fund managers to further promote a better understanding of the business and its strategic development. The Board is kept informed of investors' views through distribution and regular discussion of analysts' and brokers' briefings and a summary of investor opinion feedback. The Board also receives reports on the output from surveys carried out by various investor research bodies. The Chairman and the Senior Independent Non-Executive Director are available to discuss governance and strategy with major shareholders should such a request be made and both are prepared to contact individual shareholders should any specific areas of concern or enquiry be raised. Where applicable, the views of major shareholders are sought on certain issues. We respond throughout the year to correspondence received from individual shareholders on a wide range of issues and we also participate in a number of surveys and questionnaires submitted by a variety of investor research bodies.

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

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

Overview
The system of key internal control procedures within the Group is operated as an integral part of the organisation of executive responsibilities and accountabilities. The procedures remain broadly the same as were in place in 2009 but have been enhanced where potential weaknesses have been found to exist.

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. This control system is designed to manage rather than eliminate risks of failure to achieve business objectives and to provide reasonable but not absolute assurance that assets are safeguarded against unauthorised use or material loss, and that its transactions are properly authorised and recorded.

The Board delegates responsibility to members of the GMT to consider and reassess the effectiveness of the existing controls and to identify whether any new risks have arisen as a result of any control weaknesses.

Business risk review
The Group's internal control and risk management activities are managed through business risk reviews and a supporting detailed set of internal control procedures. An internal resource has been established to work on internal audit projects and to provide assurances to the Audit Committee that relevant controls and actions are in place. Whistleblowing procedures are in place for individuals to report suspected breaches of law or regulations or other serious malpractices.

The divisions have continued to undertake their internal self-audit programmes during the year to review their business risks and to rate their impact and review actions and internal controls to mitigate them. The review ensures that business risk assessment is integral to general business processes and ensures that risks are reviewed on a regular basis taking account of the dynamic nature of both the business and the external environment in which the Group operates. Risks are assessed both at divisional and at Group level in terms of their potential impact on the business, mitigating controls and actions and the risk reports are reviewed by the Audit Committee. The reviews consider all aspects of the Group's activities, including financial, commercial, supply chain, employee and operational impacts, including environmental, social and governance risk. The principal risks and uncertainties by the Group are reported on pages 44 to 46.

Key control procedures

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

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

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

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

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

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

Documented policies. There are documented policies for a range of areas including HR matters, expenditure, treasury and financial reporting. The Group Finance Manual is updated annually and incorporates accounting, tax and treasury policies. It also includes reporting responsibilities, capital expenditure approval procedures and a detailed Internal Control Questionnaire (ICQ). The ICQ is completed and signed by Divisional Managing Directors and Finance Directors each year to confirm their compliance. The Group Finance Manual also includes a Group Authority Levels document which details matters reserved for the Board, Remuneration Committee, Audit Committee, Chief Executive, Finance Director, divisional Managing Directors, HR Director, Company Secretary, Legal advisor and Group Purchasing.

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

Internal audit. A Head of Internal Audit has been appointed to evaluate and improve the effectiveness of the risk management, control and governance processes of the Group. At the start of each financial year a programme is agreed. From time to time a specific matter arises that needs to be addressed quickly and is added to the programme.

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

Audit committee. The Committee meets three times per annum and regularly reviews reports from the internal and external auditors.

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

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

Audit Committee report

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

Composition of the Audit Committee
The composition of the Committee fully reflects the provisions of the Code. The Chairman is Colin Smith and the other members are the other independent Non-Executive Directors, Bob Lee and Christine Bogdanowicz-Bindert. The Board is satisfied that the Committee members are sufficiently competent in financial matters. Mr Smith is a Fellow of the Institute of Chartered Accountants and has relevant financial experience and up-to-date knowledge of financial matters.

The Committee's terms of reference were reviewed during the year and amendments have been made to reflect the latest recommendations made by the Financial Reporting Council and other relevant guidelines with particular focus on reviews of the external auditors and risk factors linked to the changing economic conditions. The Committee's Charter is available from the Group's website at **www.mcbride.co.uk**

The Committee met three times during the financial year ended 30 June 2010 in September 2009, February 2010 and May 2010. Subsequent to the year-end, a further meeting took place to consider the outcome of the annual audit for the year ended 30 June 2010. Attendance at meetings by individual members of the Committee is shown in the table on page 59.

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

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

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

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

The Committee evaluated the performance of the external auditors during the year concluding that this was satisfactory. The Committee will continue to periodically review the performance of KPMG Audit Plc.

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

As part of the decision to recommend to the Board the re-appointment of KPMG Audit Plc, the Audit Committee has taken into account the tenure of the auditors and considered whether there should be a full tender process. The Committee is aware of the FRC guidance relating to the appointment of the external audit firm. The incumbent firm has held the appointment since flotation of the Company and performance remains subject to rigorous annual evaluation. The Committee will submit to tender at such time as it deems appropriate, whilst seeking to ensure consistency of approach at all times. There are no contractual obligations restricting the Committee's choice of external auditors. The main audit partner, being subject to rotation under the Auditing Practices Board's Ethical Standards, has stepped down and his responsibilities have been assumed by another partner.

The Committee considered and approved the external auditor's fees for the year ended 30 June 2010.

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

The Committee has recommended to the Board the re-appointment of KPMG Audit Plc for the year ending 30 June 2011.

Internal audit
The tasks undertaken by the internal audit function were subject to regular review by the Committee. A longer term strategy has been developed and a Head of Internal Audit has been appointed. In the meantime, the Committee is satisfied that the internal processes and controls currently in place are adequate.

Risk management and internal control
The Committee received reports relating to the Company's approach to internal control and risk management activities. A self-assessment programme continued to operate during the year. This exercise is based on regular reviews of detailed Business Risk Registers, assesses the adequacy of the control mechanisms in place to mitigate the risks and identifies any relevant action points necessary to further protect the Company's position. Within this process, risks are proactively as well as reactively assessed on a regular basis within the divisions. The Committee has reviewed progress during the year and has concluded that the self-assessment programme has continued to be effective with regular reviews of any risk areas taking place. More information is reported on pages 44 to 46.

Policies
The Committee reviewed the Company's updated corporate policies on social and ethical and whistleblowing matters and the provision of non-audit services. It concluded that appropriate key policies appear to be in place to ensure that reasonable steps have been taken to prevent fraud and to allow any improprieties to be reported.

Non-audit fees
During the year £0.5 million was payable to the Group's auditors, KPMG Audit Plc in respect of audit services for the Group. In addition, £0.3 million was payable to the Group's auditors for non-audit services where they were best placed to undertake the work due to their knowledge of the business or as a by-product of the audit function; this was primarily tax-related work and due diligence in relation to an acquisition made by the Group. More details of the total non-audit fees paid to the Group's auditors during the year are set out in note 7 to the consolidated financial statements on page 92.

We have in place a policy in relation to the provision of non-audit services which has been designed to preserve the independence of the auditors in performing the statutory audit and it aims to avoid any conflict of interest by specifying the type of non-audit work for which the auditors can be engaged without referral to the Audit Committee, for which a case-by-case decision is necessary, and from which they are excluded. In accordance with this policy, other providers are considered for non-audit work that is awarded on the basis of service and cost. A copy of the policy is published on the Group's website at **www.mcbride.co.uk**

Work was awarded during the year to other professional services firms for financial due diligence relating to acquisitions, tax and pensions advice services. A total of £0.5 million was incurred in relation to these services.

Overview
As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of its external auditors.

Nomination Committee report

The Committee's terms of reference were reviewed during the year and minor changes made to reflect the actual operation of the Committee. It was concluded that the Charter complies with all relevant guidelines and operates satisfactorily. The Committee's Charter is available from the Group's website at **www.mcbride.co.uk**

The Committee's Chairman is the Chairman of the Board and the other members comprise the three Non-Executive Directors, Christine Bogdanowicz-Bindert, Bob Lee and Colin Smith, and the Chief Executive Chris Bull.

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

Five meetings of the Committee were held during the year – two in July 2009, one in November 2009, one in February 2010 and one in April 2010. The meetings held in July were convened for the purposes of assessing the contributions of the individual directors in light of the output received from the Board Performance Evaluation exercise and, accordingly, to consider their re-election to the Board as appropriate and to review the composition of the sub-committees of the Board. The Committee also recommended to the Board the appointment of Richard Armitage as the new Group Finance Director with effect from November 2009. Responsibility for the drawing up of an appropriate service contract setting out the terms and conditions, expectations and responsibilities of the role was assumed by the Remuneration Committee.

The meetings held between November 2009 and April 2010, were convened to oversee the process to identify a replacement Chief Executive following the resignation of the previous incumbent, Miles Roberts. The services of an external search consultant were engaged to identify prospective candidates and interviews were conducted by members of the Committee.

The appointment of Chris Bull was ultimately recommended and the Remuneration Committee assumed responsibility for drawing up a suitable service contract.

During the year, formal and tailored induction programmes were also drawn up for both the Group Finance Director and the new Chief Executive.

At a further meeting in July 2010, subsequent to the year end, the Committee met for the purposes of:

- → Assessing the contributions made by the individual Directors prior to recommending their re-election to the Board;
- → Considering the re-election of the independent Non-Executive Directors and of the Chairman to the Board;
- → Considering the continuation of Colin Smith in the role of Senior Independent Non-Executive Director;
- → Reviewing the composition of the Remuneration, Audit and Nomination Sub-Committees of the Board.

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

Statutory information

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

Business review
The Group is required to produce a business review complying with the requirements of section 417 of the Companies Act 2006. The Group has complied with this requirement in the Business Review, which is presented on pages 10 to 55 of this Directors' Report. This incorporates a detailed review of the Group's activities, its business performance and developments during the year and an indication of likely future developments.

Group results and dividends
The results for the year are set out in the consolidated income statement on page 78 and a discussion of the Group's financial performance and progress are set out in the Business Review on pages 10 to 55. A summary of the results for the year, together with financial key performance indicators is set out below.

Figures in £m unless otherwise stated	2010	2009
Revenue	**812.2**	792.4
Organic revenue growth(1)(2)	**+0%**	+4%
Operating profit	**35.2**	27.4
Adjusted operating profit(3)	**50.0**	36.2
Diluted earnings per share	**12.1p**	9.1p
Adjusted diluted earnings per share(1)(3)	**18.1p**	12.8p
Dividend per share	**6.8p**	6.0p
Return on capital employed(1)(2)(3)	**25.9%**	17.1%

(1) Indicates Group key performance indicator.
(2) The calculation of organic revenue growth and return on capital employed is explained on page 11.
(3) Before amortisation of intangible assets and exceptional items. Details of exceptional items are set out in note 3 to the consolidated financial statements on page 90.

The Board recommends that a final dividend of 4.8 pence (2009: 4.3p) per ordinary share be paid on 26 November 2010 to shareholders on the register at the close of business on 29 October 2010. Combined with the interim dividend already paid, total dividends for the year are 6.8 pence (2009: 6.0p) per ordinary share. Further details of dividends are shown in note 10 to the consolidated financial statements on page 95.

Directors
The Directors who held office during the year were:

Mr I J G Napier	Non-Executive Chairman
Mr M W Roberts	Chief Executive (resigned 30 April 2010)
Mr C D Bull	Chief Executive (appointed 4 May 2010)
Mr R J Armitage	Group Finance Director (appointed 1 November 2009)
Mrs C A Bogdanowicz-Bindert	Independent Non-Executive Director
Mr R A Lee	Independent Non-Executive Director
Mr C D Smith	Senior Independent Non-Executive Director

Biographical details of the Directors holding office at the date of this report appear on page 48.

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

Directors and their interests
The beneficial interests of the Directors (none of the Directors had any non-beneficial interests during the year) in the share capital of the Company (in terms of shares, options and conditional share awards) at 1 July 2009 and 30 June 2010 were:

	At 1 July 2009		
Director	Shares	Options(1)	Conditional share awards(2)
Mr I J G Napier	34,807	–	–
Mr M W Roberts	9,500	509,615	755,017
Mr I R Johnson	10,000	–	–
Mrs C A Bogdanowicz-Bindert	20,000	–	–
Mr R A Lee	5,000	–	–
Mr C D Smith	100,000	–	–
Mr H Talerman	36,068	–	–

	At 30 June 2010		
Director	**Shares**	**Options(1)**	**Conditional share awards(2)**
Mr I J G Napier	**44,807**	**–**	**–**
Mr M W Roberts(3)	**–**	**–**	**–**
Mr C D Bull(4)	**250,000**	**–**	**–**
Mr R J Armitage(4)	**20,000**	**–**	**61,922**
Mrs C A Bogdanowicz-Bindert	**20,000**	**–**	**–**
Mr R A Lee	**5,000**	**–**	**–**
Mr C D Smith	**100,000**	**–**	**–**

(1) The options include those held under the 1995 International Executive Share Option Scheme (Unapproved) and the 2002 Unapproved Discretionary Share Option Scheme.
(2) The conditional share awards are awards made under the McBride Long-Term Incentive Plan.
(3) At the date of resignation.
(4) Shares acquired and conditional share awards granted during the year.

Statutory information
Continued

There have been no changes in the Directors' interests in the shares of the Company from those detailed above between 30 June 2010 and 1 September 2010. None of the Directors had any interest in the shares of any subsidiary company. Further details of options and conditional share awards held by the Directors are set out in the Remuneration Report on pages 70 to 76.

Re-election of Directors
Details of all Directors offering themselves for election or re-election can be found in the Corporate Governance Report on page 56.

Related party transactions
Except for Directors' service contracts, the Company did not have any material transactions or transactions of an unusual nature with, and did not make loans to, related parties in the periods in which any Director is or was materially interested.

Indemnification of Directors
In accordance with the Articles of Association (Articles), the Company has the power (at its discretion) to grant an indemnity to the Directors in respect of liabilities incurred as a result of their office. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a Directors' and officers' liability insurance policy throughout the period. Although their defence costs may be met, neither the Company's indemnity nor the insurance policy provides cover in the event that the Director is proved to have acted fraudulently or dishonestly. Following changes to company law, the Company is also permitted to advance costs to Directors for their defence in investigations or legal actions. No claims or qualifying indemnity provisions and no qualifying pension scheme indemnity provisions have been made either during the year or by the time of approval of this Directors' Report.

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

We operate a Company-wide First-Line Management programme which extends over seven modules, with a new eighth module in development. All sites have their own training professionals. We acknowledge that team working is invaluable in helping to deliver our goals and this is actively encouraged through cross-fertilisation of ideas both across functions and across territories so that best practice is shared at every opportunity. We have wide-ranging employee policies in place to help provide guidance and to set the standards expected of our employees in all their business dealings. These policies are made available to employees on a regular basis.

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

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

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

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

Equal opportunities
It is our policy to ensure equal opportunity in recruitment, selection, promotion, employee development, training and reward policies and we have an Equal Opportunities and Diversity policy in place which is monitored through the HR function. It is a key objective to ensure that successful candidates for appointment and promotion are selected taking account of individual ability, skills and competencies without regard to age, gender, race, religion, disability or sexual orientation. We place great emphasis on establishing and maintaining a safe working environment for our employees. If an employee is injured during the course of his employment, the incident is thoroughly investigated and, where appropriate, rehabilitation support is provided to help the employee to return to work as soon as possible. Wherever a restructuring programme is undertaken, great care is taken to ensure that all relevant communications, consultations and support and guidance are provided and every effort is taken to ensure that compulsory redundancies are minimised.

Charitable and political donations
The Group made donations to charities of £1,500 (2009: £21,000) during the year. It is the Group's policy not to make political donations and, accordingly, there were no payments to political organisations during the year (2009: £nil).

Environment
The Group recognises the importance of responsible environmental management and its obligations to protect the environment. The Group therefore gives high priority to all environmental matters relevant to its business. Further information appears in the Corporate Social Responsibility Report on pages 50 to 55 and in the separate Sustainability Report available from the Group's website at **www.mcbride.co.uk**

Research and development
The Group recognises the importance of investing in research and development which brings new product development support for its customers, research into new products and materials and further development of existing products. Research and development expenditure in the year was £6.9 million (2009: £6.6m).

Supplier payment policy and practice
Group companies do not comply with any payment code but agree terms and conditions under which business transactions with their suppliers are conducted. Payments are then made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions. At 30 June 2010, the amount the Group owed its suppliers represented 83 days' purchases (2009: 74 days). The Company is a holding company and therefore does not have any trade creditors.

Financial instruments
Information on the Group's financial risk management objectives, policies and activities and on the exposure of the Group to relevant risks in respect of financial instruments is set out on page 46 and in note 21 to the consolidated financial statements on pages 103 to 106.

Share capital
Details of the Company's share capital are shown in note 22 to the consolidated financial statements on page 106. Pursuant to the Companies Act 2006 (the Act) from 1 October 2009 a company is no longer required to have an authorised share capital and consequently the Company has removed this requirement from the Articles. The ordinary shares of the Company carry equal rights to dividends, voting and return of capital on the winding-up of the Company. There are no restrictions on the transfer of securities in the Company other than following service of a notice under section 792 of the Act and there are no restrictions on any voting rights or deadlines, other than those prescribed by law, nor is the Company aware of any arrangements between holders of its shares which may result in restrictions on the transfer of securities or on voting rights. Participants in employee share schemes have no voting or other rights in respect of the shares subject to those awards until the allocations are exercised, at which time the shares rank pari passu in all respects with shares already in issue. No such schemes have any rights with regard to control of the Company.

Share repurchases
At the 2009 AGM, shareholder approval was granted to allow the Company to repurchase up to 18,028,000 ordinary shares. The existing authority will expire on the date of the 2010 AGM when the Directors will be seeking authority from shareholders to buy back shares which will be cancelled or may be held as Treasury shares for the purpose of meeting obligations under LTIP and employee share schemes.

At the beginning of the financial year the Company held 752,019 ordinary shares as Treasury shares. During the financial year 674,570 shares, representing 0.4% of called-up and fully-paid share capital, were repurchased for a paid consideration of £1,368,000 and 602,091 shares were transferred; at the end of the year 824,498 shares remained held in Treasury.

Statutory information
Continued

Substantial shareholdings
On 1 September 2010 (being the latest practical date prior to the date of this report), the Company had been notified of the following interests amounting to 3% or more of its issued share capital.

Shareholder	Number of shares	%
Invesco Perpetual	30,104,620	16.7
Aberdeen Asset Management	14,790,922	8.2
Franklin Templeton	14,004,452	7.8
Aviva Investors	11,922,530	6.6
Allianz Global Investors	10,858,273	6.0
Legal & General Investment Management	7,062,127	3.9

All the above are institutional holders.

Significant agreements/takeovers directive
There are a number of agreements that take effect, alter or terminate upon a change of control of the Group such as commercial contracts, bank loan agreements and employee share schemes. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole.

Articles of Association
The Articles give power to the Board to appoint Directors, but also require Directors to retire and submit themselves for election at the first AGM following their appointment. Specific information regarding the re-election of Directors is contained in the Corporate Governance Report on page 56.

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

In addition, the Act requires a director of a company who is in any way interested in a contract or proposed contract with the Company to declare the nature of his interest at a meeting of the Directors of the company. The definition of 'interest' includes the interests of spouses, children, companies and trusts. The Act also requires that a director must avoid a situation where a director has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Act allows Directors of public companies to authorise such conflicts where appropriate, if a Company's Articles so permit. The Company's Articles do permit such authorisation.

The Board of Directors may exercise all the powers of the Company subject to the provisions of relevant statutes and the Articles. The Articles, for instance, contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing and buying back of shares are also currently included in the Articles and such authorities are renewed by shareholders each year at the AGM. The power relating to the buying back of shares is no longer needed and the shareholders authorised the relevant changes to the Articles at the 2009 AGM. A copy of the Articles is available from the Group's website at **www.mcbride.co.uk**

Statement of Directors' responsibilities in respect of the Annual report and the financial statements
The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- → select suitable accounting policies and then apply them consistently;
- → make judgements and estimates that are reasonable and prudent;
- → for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- → for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- → prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website **www.mcbride.co.uk**. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge and belief:

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

Signed on behalf of the Board

Chris Bull
Chief Executive
1 September 2010

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 16 to 47. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 40 to 43. In addition note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risks.

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

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

Directors' statement regarding disclosure of information to auditors

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

Annual General Meeting

The notice convening the Company's 2010 AGM at Centre Point, 103 New Oxford Street, London, WC1A 1DD on 25 October 2010 at 2.30 pm is set out in a separate document issued to shareholders.

The annual report and accounts for the year ended 30 June 2010 are available from the Group's website at **www.mcbride.co.uk** or can be obtained free of charge from the Company's registered office.

Auditors

On the recommendation of the Audit Committee, in accordance with Section 489 of the Act, resolutions are to be proposed at the AGM for the reappointment of KPMG Audit Plc as auditors of the Company and to authorise the Board to fix their remuneration. The remuneration of the auditors for the year ended 30 June 2010 is fully disclosed in note 7 to the consolidated financial statements on page 92.

Signed on behalf of the Board

R J Beveridge
Company Secretary
1 September 2010

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 the latest ABI/NAPF guidelines and has been prepared in accordance with the provisions of section 421 of the Act. A resolution will be put to shareholders at the Company's AGM inviting them to approve this report.

Terms of reference and activities in the year

Both the constitution and operation of the Remuneration Committee comply with the principles incorporated in the Code. The Committee is responsible for determining the remuneration policy for the executive Directors and for key senior executives. The main duties of the Committee are:

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

The Committee is authorised by the Board to investigate any matters within its terms of reference. It meets as frequently as needed, but at least twice a year, to consider remuneration packages for Directors and senior executives including reviews of basic salary, pension rights, bonus and share related awards. In the financial year ended 30 June 2010, the Committee met five times in July 2009, September 2009, October 2009, February 2010 and May 2010. Subsequent to the year-end, two further meetings of the Committee have taken place in July 2010 and August 2010. Attendance by individual members of the Committee is disclosed in the table on page 59.

The Committee's terms of reference are reviewed regularly to ensure continuing compliance with evolving best practice guidelines. This year's review has incorporated minor amendments to update the duties of the Committee.

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

The principal activities of the Committee during the period were to review the performance and related pay award proposals of the Chief Executive and Finance Director against objectives; to consider senior executive salary reviews and bonus scheme payments; to consider and agree remuneration packages for the new Group Finance Director and the new Chief Executive; to deal with the allocation of LTIP awards; and to review the plans for management development, talent management and succession planning. The Committee also considered the latest proposed changes to corporate governance guidelines relating to remuneration matters and agreed to review specifically the provisions to reclaim variable components of remuneration should misstatement or misconduct occur.

Composition of the Remuneration Committee

The composition of the Committee comprises the independent Non-Executive Directors and the Chairman of the Company. Bob Lee is Chairman of the Committee with the other members being Christine Bogdanowicz-Bindert, Colin Smith and Iain Napier. A quorum of the Committee is two members. Meetings may be attended by the Chief Executive on all matters except those relating to his own remuneration. Support is provided by the Group's Human Resources Director and independent advice is sought from external advisors as and when required.

Remuneration policy

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

Basic salary for all employees is targeted generally at around the median of the Group's comparator benchmark; this can rise to between median and upper quartile for consistently strong or outstanding individual performance, or start at below median for new appointees developing into a role. For all executives this is combined with performance-related variable elements which are also measured against a comparator group median to give total remuneration conditional upon delivery of superior business results and returns to shareholders. A balance of short- and long-term incentives are applied to motivate the achievement of both short- and long-term business objectives. The performance conditions for our LTIP are based equally on the measurable delivery of strong growth in total shareholder return (TSR) and earnings per share (EPS), both of which are widely understood by shareholders. The three-year vesting term serves to incentivise loyalty and reward superior long-term performance. Annual bonuses may be earned up to a maximum of 80% of basic salary for the Chief Executive and 75% for the Group Finance Director, dependent upon a combination of achieving the annual budgeted profit and also specific, measurable, personal objectives related to business goals.

These objectives have included specific areas related to risk management and controls, and this is an area that the Remuneration Committee continues to review as part of the factors determining the rewards of the executives, along with environmental and social matters. A proportion of this maximum bonus payment has a deferred element over three years to encourage alignment with long-term plans and to assist retention.

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

The Committee carefully considers on a regular basis the market positioning of the remuneration of all executives for whose remuneration it is responsible against the most recent and relevant market data available. For the Chief Executive and other executives, market data for the same position in companies of comparable size, complexity and international spread in the UK FTSE 250 index is used.

Total remuneration

The performance of the executive Directors and key members of senior management is reviewed on a regular basis and this is used as a precursor to evaluating their annual remuneration and establishing appropriate incentive schemes. The aim is to provide packages which take account of individual performance whilst remaining sensitive to pay and employment conditions elsewhere in the Group and externally. Current packages typically comprise a mix of performance and non performance-related elements. Basic salary and benefits-in-kind are the elements of non-performance- related remuneration. This element is reviewed annually with levels set by reference to appropriate external market data. Variable remuneration consists of two fundamental elements: annual cash bonus and discretionary share-based awards. These incentives are performance-related and represent a significant part of the executive Directors' total potential remuneration. Cash bonuses represent a short-term performance-related element of remuneration with payments partially based on achievement of annual budget profit targets and partially based on achievement of specific, measurable personal objectives. Share-based awards represent longer term performance-related elements of remuneration. No new share options have been granted during the year. Awards under the LTIP have been made as disclosed on page 76. The remuneration of the Chairman and the Non-Executive Directors is determined by the Board as a whole taking account of market rates based on independent advice as deemed necessary. Individual Directors do not participate in the decisions concerning their own remuneration.

Basic salaries

The basic salaries of executive Directors and senior executives are reviewed annually taking into account individual experience, performance and responsibilities as well as pay awards made to other employees, and benchmarking against competitor company remuneration for similar positions. The Remuneration Committee consults with the Chief Executive and pays due regard to his recommendations for other senior executives. The Committee also has access to professional advice as may be deemed necessary from inside and outside the Company. Salaries are paid monthly in arrears by bank transfer. This year the Committee considered a benchmarking report from independent consultants, Towers Watson and decided to increase the basic salary for the former Chief Executive to £435,000. The report was also considered when setting basic salaries for both the new Chief Executive (£400,000) and the Group Finance Director (£250,000) who were appointed on 4 May 2010 and 1 November 2009 respectively.

Annual bonus

The Remuneration Committee aims to ensure that executive Directors and senior executives are fairly rewarded for their contribution to the success of the Group. The bonus structure was reviewed in detail in July 2007, and re-assessed in July 2009 with the benefit of external independent advice from Towers Watson. For the executive Directors there is a significant bonus element of up to a maximum of 80% of basic salary for the Chief Executive and up to 75% for the Group Finance Director. These bonus plans comprise up to 35% of basic salary linked to achievement of budgeted profit after tax targets and a further element of up to 15% based on achievement of specific, measurable, personal objectives. In addition, up to 30% of basic salary, which is subject to achievement of financial targets, is payable in shares to be retained by the Company for three years and only payable if the executive Director remains employed by the Company at the end of that period. Bonuses for other senior executives are linked to achievement of a combination of budgeted financial targets. No payments are made if these targets are not reached. All bonus awards are non-pensionable and expressed as a percentage of basic salary only, excluding any allowances in lieu of pension contributions. No payment was made to the former Chief Executive in respect of the year ended 30 June 2010 due to the fact that he only served six months of his 12 month notice period. In addition, his entitlement to LTIPs lapsed on his departure from the Company.

Remuneration report
Continued

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. A scheme for executive directors, Non-Executive Directors and executives to achieve a minimum shareholding has been introduced during the year. Acquisition of shares in the Company is therefore encouraged and details of Directors' shareholdings are disclosed on page 75. No new grants of share options have been made since the introduction of the LTIP in 2005 and there is currently no intention to issue further share options except under the LTIP.

Details of share options granted to Miles Roberts in 2002 are shown on page 75. Share option grants were issued at market value and are non-pensionable. No consideration was payable for the grant of an option and vesting of options was subject to the achievement of performance targets over a set performance period. All schemes have a ten-year life span and options are exercisable between three and ten years from the date of grant, subject to satisfaction of performance conditions. Options for Miles Roberts were exercised during the year totalling 509,615.

The share scheme rules incorporate provisions to allow the Company, at its discretion, to transfer its National Insurance contributions (NIC) liability to individual grantees. The Committee reviewed this position during the year taking account of independent advice and the approach taken by other companies. It was decided that the way forward would be for individuals to pay their own NIC liability, but not be required to pay Company NIC.

Long-Term Incentive Plan (LTIP)
Shareholders approved the 2005 LTIP at the 2005 AGM. The LTIP's objectives are to align the long-term interests of shareholders and management; to reward achievement of long-term stretching targets; and to recruit, retain and motivate management of the required calibre. Awards are made to executive Directors and to senior executives who are not Board members but who have a significant influence over the Group's ability to meet its strategic objectives. Whilst it is not a requirement of the LTIP, executives are encouraged to use the scheme to increase their share ownership in the Company.

The LTIP operates over a rolling three-year period with vesting of shares dependent on achievement of total shareholder return (TSR) and earnings per share (EPS) measures. The FTSE 250 Ex. Investment Companies Index is used as the comparator group for TSR. For awards made during the year ended 30 June 2010, vesting under the LTIP will only start if TSR is above the median of the comparator group (50% of each award) and if EPS (adjusted to exclude the effects of amortisation of intangible assets and exceptional items) growth is in excess of the Retail Prices Index (RPI) plus five percentage points per annum (remaining 50% of each award). For maximum vesting, TSR needs to be in the top quartile of the comparator group and EPS growth needs to be at least RPI plus 10 percentage points per annum, both at levels designed to be geared towards very high performance.

In the year under review, executive Directors and senior executives were eligible to receive awards in a range of up to 80% of basic salary. Details of LTIP awards to the executive Directors are disclosed on page 71. The fair value of the year's LTIP awards to executive Directors and senior executives at the date of grant was £1.3 million or 23% of their aggregate basic salaries. Detailed assumptions used in calculating the fair value of the awards are outlined in note 23 to the consolidated financial statements on page 107. In the year ended 30 June 2010, £1,103,000 (2009: £368,000) was charged to the income statement in respect of the LTIP. The relevant three-year period relating to the 2007-08 LTIP grant concluded on 30 June 2010. The EPS condition was met in full and the TSR element was partially achieved, resulting in a 67% payout (349,759 shares) to vest in October 2010, the third anniversary of the grant.

Awards will continue to be subject to achievement of performance criteria based on TSR and EPS with 50% of each award being based on each target. The EPS measure will be adjusted as necessary to recognise any share buy backs undertaken by the Company. The TSR measure is based upon the average of three months share prices immediately preceding the relevant performance date. The Committee considers TSR and EPS to be key long-term measures of the Group's performance and believes that the current LTIP scheme remains appropriate to the Group's current circumstances and prospects.

It is the Committee's intention that long-term incentives will continue to be provided under the LTIP and that phased awards will be made on an annual basis, but always subject to individual performance and at the discretion of the Committee. A decision on awards for the year ending 30 June 2011 will be considered in due course and may be in either shares or a cash LTIP calculated in the same way.

Directors' service contracts

Executive Directors

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

The contracts contain restrictive covenants for periods of up to 6 months post employment relating to non-competition, non-solicitation of the Group's customers, suppliers and employees and indefinitely with respect to confidential information. In addition, they provide for the Group to own any intellectual property rights created by the Directors in the course of their employment. The Company allows the executive Directors to hold non-executive positions outside the Group subject to Board approval. The Company's policy on retention and disclosure of earnings relating to such positions is set out on page 74.

In line with the recommendations of the Code, it is the Committee's policy for Directors' service contracts to stipulate a maximum notice period of 12 months. The contract for the Chief Executive stipulates six months' notice by both the Company and the Director and the contract for the new Finance Director stipulates six months' notice. The service contract for the current Chief Executive was entered into on 4 May 2010 and for the Group Finance Director on 1 November 2009. All Directors' contracts are available for inspection at the AGM. The Committee recognises the provisions of the Code for compensation commitments to be stipulated in Directors' service contracts with regard to early termination. It is not our policy to include liquidated damages clauses. Instead, the Committee places emphasis on mitigation. Directors' contracts confirm that the Company has the option to pay notice month by month; and it would therefore cease if the dismissed executive obtained other employment.

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

Other benefits

The Company pays a cash sum in lieu of a pension contribution for Chris Bull at 25% of basic salary and on behalf of Richard Armitage pays into a defined contribution pension scheme at 20% of basic salary. A pension contribution of 35% was paid to the former Chief Executive, Miles Roberts, during his period of office in the year. In addition, the executive Directors enjoy similar benefits to many other employees of the Group including private medical insurance, a fully expensed car or equivalent and life assurance cover.

Non-Executive Directors and Chairman

The Non-Executive Directors and Chairman serve on the basis of renewable letters of appointment. These were last issued in May 2007 for the Chairman and in August 2010 for the other Non-Executive Directors. 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 two further three-year periods. Any appointment for more than nine years in total will, in any event, be subject to annual shareholder approval but, in addition, will be considered taking into account the importance of refreshing the membership of the Board and avoiding any undue reliance on any particular individual whilst assessing the contribution made by that individual together with the ongoing commitment to the role.

The Chairman and all the Non-Executive Directors remain subject to re-election by shareholders on an annual basis. Their appointments may be terminated without compensation in the event of them not being re-elected by shareholders or otherwise in accordance with the Articles. The fees for the Chairman and the Non-Executive Directors are set by the full Board and are determined by reference to fees paid by other companies of similar size and complexity and reflect the amount of time they are expected to devote to the Group's activities during the year. These fees were last reviewed in July 2009, with the assistance of Towers Watson. The Chairman receives a fee of £150,000 and Non-Executive Directors receive a basic fee of £40,000 per annum. A supplementary fee of £4,000 is paid to Committee Chairmen and to the Senior Independent Director to reflect their additional responsibilities. No element of their fees is performance-related and they are not eligible to participate in bonus or share incentive schemes. Their services do not qualify for pension purposes or other benefits.

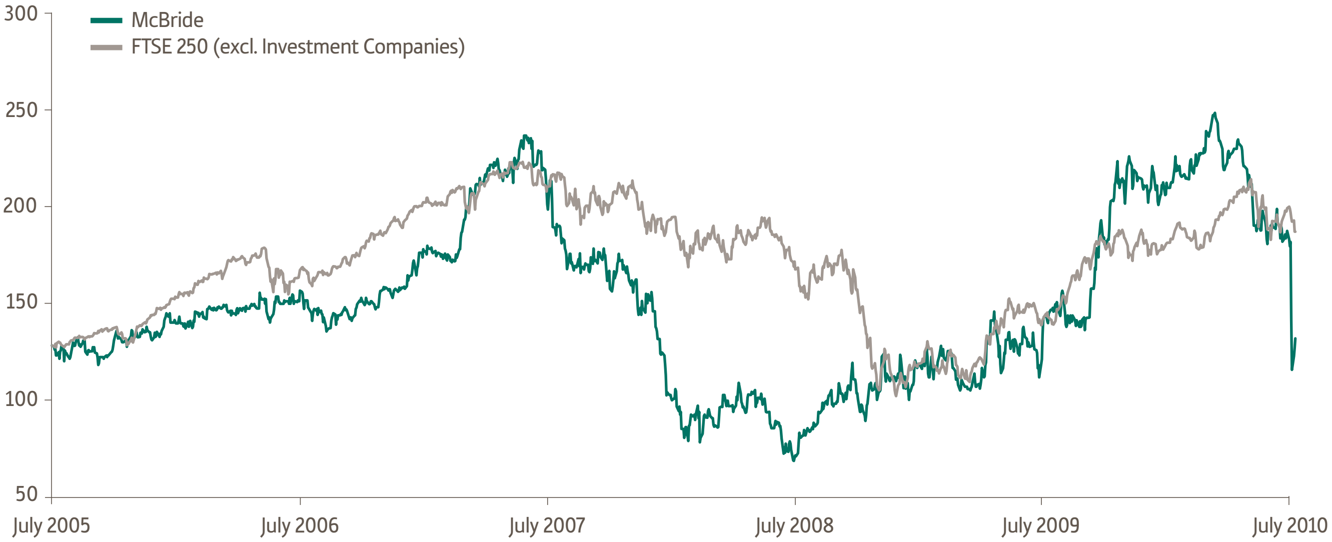
Set out below is information regarding the dates of the letters of appointment and notice periods for the Chairman and the Non-Executive Directors.

Remuneration report
Continued

Director	Date first appointed to the Board	Date of last election at AGM in	Re-election no later than AGM in	Notice period	Compensation upon early termination	Latest letter of appointment
Mr I J G Napier	1 July 2007	2009	2010	3 months	None	25 May 2007
Mrs C A Bogdanowicz-Bindert	1 Sept 2003	2009	2010	3 months	None	31 Aug 2010
Mr R A Lee	1 Sept 2003	2009	2010	3 months	None	31 Aug 2010
Mr C D Smith	4 Apr 2002	2009	2010	3 months	None	31 Aug 2010

Performance graph
The graph below charts the total shareholder return (share value movement plus reinvested dividends) (TSR) over the five years to 30 June 2010 of shares in McBride plc compared with that of a hypothetical holding in the FTSE 250 Ex. Investment Companies Index. The Directors consider this index to be an appropriate comparator group for assessing the Company's TSR because it provides a well defined, understood and accessible benchmark and the TSR of the Company's shares relative to that of this index is one of the key performance measurements used to determine the extent of vesting of awards under the Company's LTIP.

Total shareholder return of McBride plc shares relative to the FTSE 250 Ex. Investment Companies between 30 June 2005 and 30 June 2010



External appointments
Executive directors are permitted, where appropriate and with Board approval, to assume non-executive directorships of other organisations. It is generally accepted that the holding of a non-executive directorship with another company should not adversely affect the ability of an executive Director to perform his/her role and responsibilities properly. In fact, the holding of such an external position may enhance the individual Director's experience which could serve to strengthen his/her performance and contribution to the Company. Where the Company releases executive Directors to carry out non-executive duties, they will be required to disclose the fact that they retain any earnings and, if so, the amount of such remuneration. The former Chief Executive, Miles Roberts was a Non-Executive Director of Care UK plc, Chairman of its Audit Committee and a member of its Remuneration Committee and Nomination Committee. During the year, he retained earnings of £40,000 (2009: £38,000) relating to this role.

The newly appointed executive Directors currently hold no external directorships.

Directors' emoluments and compensation (audited)

The fixed and performance-related elements of Directors' remuneration for the year ended 30 June 2010 are set out below:

Director	Fees [1] £000	Basic salary[2] £000	Cash bonus £000	Deferred shares bonus[3] £000	Benefits[4] £000	Sub-total: Year ended 30 June 2010 £000	Sub-total: Year ended 30 June 2009[5] £000	Pension contributions: Year ended 30 June 2010 £000	Pension contributions: Year ended 30 June 2009 £000	Total remuneration: Year ended 30 June 2010 £000	Total remuneration: Year ended 30 June 2009 £000
Executive											
Mr C D Bull	**16**	**65**	**–**	**–**	**2**	**83**	–	**–**	–	**83**	–
Mr R J Armitage	**–**	**167**	**80**	**42**	**7**	**296**	–	**33**	–	**329**	–
Mr M W Roberts	**–**	**366**	**–**	**–**	**27**	**393**	732	**126**	145	**519**	877
Mr I R Johnson	**–**	**–**	**–**	**–**	**–**	**–**	160	**–**	30	**–**	190
Non-executive											
Mr I J G Napier	**150**	**–**	**–**	**–**	**–**	**150**	125	**–**	–	**150**	125
Mrs C A Bogdanowicz-Bindert	**40**	**–**	**–**	**–**	**–**	**40**	32	**–**	–	**40**	32
Mr R A Lee	**44**	**–**	**–**	**–**	**–**	**44**	36	**–**	–	**44**	36
Mr C D Smith	**48**	**–**	**–**	**–**	**–**	**48**	40	**–**	–	**48**	40
Mr H Talerman	**–**	**–**	**–**	**–**	**–**	**–**	11	**–**	–	**–**	11
Total	**298**	**598**	**80**	**42**	**36**	**1,054**	1,136	**159**	175	**1,213**	1,311

(1) Fees in respect of Chris Bull relate to a cash payment of £16,000 which was made in lieu of pension contributions.
(2) The figures for Miles Roberts for the year ended 30 June 2010 are for the period up to his date of resignation from the Board on 30 April 2010. The figures for Chris Bull and Richard Armitage are for the periods since their respective dates of appointment to the Board on 4 May 2010 and 1 November 2009 respectively.
(3) The bonus figure for Richard Armitage comprises £80,000 cash bonus and £41,667 in deferred shares (32,051 shares to be issued).
(4) The benefits consist of the provision of a company car and fuel, private healthcare insurance and life cover.
(5) Included in the remuneration for Miles Roberts for the year ended 30 June 2009 was a bonus of £103,000 in deferred shares. His entitlement to these deferred shares lapsed on his departure fro the Company.

Directors' interests (audited)

The beneficial interests of the Directors (none of the Directors held any non-beneficial interests during the year) in the ordinary shares of the Company at 1 July 2009 and 30 June 2010 are set out below:

Director	At 30 June 2010[1]	At 30 June 2009
Mr I J G Napier	**44,807**	34,807
Mr C D Bull	**250,000**	–
Mr R J Armitage	**20,000**	–
Mrs C A Bogdanowicz-Bindert	**20,000**	20,000
Mr R A Lee	**5,000**	5,000
Mr C D Smith	**100,000**	100,000
Mr M W Roberts	**10,473**	9,500
Mr I R Johnson	**–**	10,000
Mr H Talerman	**–**	36,068

(1) At the date of resignation for Miles Roberts.

Share options (audited)

Interests of Directors in share options at 1 July 2009 and 30 June 2010 are set out below:

Director	Option type	Number of options at 1 July 2009	Granted in year	Exercised in year	Lapsed in year	Number of options at 30 June 2010[1]	Option exercise price (£)[2]	Earliest date of exercise[1]	Expiry date
Mr M W Roberts	ESOS(A)	273,504	–	273,504	–	–	0.585	24 Sept 2005	24 Sept 2012
	ESOS(B)	236,111	–	236,111	–	–	0.72	16 Dec 2005	16 Dec 2012

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

(1) The share options outstanding at 30 June 2009 were exercisable at that date as the earliest date of exercise had been reached and the relevant performance criteria (requiring growth in the Group's earnings per share to exceed the increase in RPI by up to 5 percentage points per annum over three financial years) had been achieved in full.
(2) Option exercise price is market value at the date of grant.

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

The market price of the Company's ordinary shares at 30 June 2010 was 130 pence and the range during the year was 114 pence to 247 pence.

Long-Term Incentive Plan (audited)

Interests of Directors under the McBride plc 2005 Long-Term Incentive Plan at 1 July 2009 and 30 June 2010 are set out below:

Director	Date of award	Number of awards at 1 July 2009	Allocated in year	Awards vested in year	Allocations lapsed in year	Number of awards at 30 June 2010	Market price at date of award (£)	Vesting date
Mr M W Roberts	19 Oct 2006	27,500	–	27,500	–	–	1.6650	18 Oct 2009
	9 Oct 2007	163,043	–	–	163,043	–	1.8850	10 Oct 2010
	16 Oct 2008	282,955	–	–	282,955	–	1.1300	17 Oct 2011
Mr R J Armitage	18 Feb 2010	–	61,922	–	–	61,922	2.2700	19 Feb 2013

The performance conditions attaching to awards under the plan are:

Fifty percent of the award is subject to a total shareholder return (TSR) performance condition measured against the FTSE 250 Ex. Investment Companies Index as the comparator group. If the Company's TSR performance is lower than the median of the comparator group, awards subject to the TSR condition will lapse. The awards start to vest on a sliding scale if TSR performance is equal to or above the median of the comparator group, with full vesting only if the Company's TSR performance is in the upper decile of the comparator group. TSR performance conditions changed from 2007 onwards such that for those later awards full vesting is dependent upon an upper quartile TSR performance.

The LTIP awards allocated to Miles Roberts lapsed upon his resignation.

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

Fifty percent of the award is subject to an earnings per share (EPS) performance condition. Awards subject to the EPS condition will lapse unless the Company's growth in EPS (adjusted to exclude the effects of amortisation of intangible assets and exceptional items) is at least three percentage points per annum above the increase in the UK Retail Prices Index (RPI), at which level half the awards subject to the EPS condition will vest. For performance above this level, awards will vest on a rising scale, with full vesting only if growth in EPS exceeds the increase in RPI by at least eight percentage points per annum for the 2007 awards and by at least five percentage points for the 2008 awards. This performance measure was reviewed in 2009 and full vesting for the latest awards will be at RPI plus ten percentage points, with the threshold for awards adjusted upwards to RPI plus five percentage points. The performance measure was reviewed again in 2010 and full vesting for the latest awards will be at RPI plus eight percentage points, with the threshold for awards adjusted to RPI plus four percentage points.

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

TSR and EPS performance are measured over the period of three consecutive financial years of the Company beginning with the year of grant of the award. There will be no re-setting of the performance conditions.

Pensions (audited)

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

Director	Current year payments £000
Mr R J Armitage	33
Mr M W Roberts	126*

* To the date of resignation on 30 April 2010.

Payments to third parties

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

Approved by the Board on 1 September 2010

Signed on behalf of the Board by

R A Lee
Chairman of the Remuneration Committee

Independent Auditors' report to the members of McBride plc

We have audited the financial statements of McBride plc for the year ended 30 June 2010 set out on pages 78 to 113. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 68, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

→ the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2010 and of the Group's profit for the year then ended;
→ the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
→ the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
→ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

→ the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
→ the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
→ the information given in the Corporate Governance Report set out on pages 56 to 61 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

→ the Directors' statement, set out on pages 68 and 69, in relation to going concern; and
→ the part of the Corporate Governance Report on pages 56 to 61 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

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

Chartered Accountants
15 Canada Square
London E14 5GL
1 September 2010

Consolidated income statement

for the year ended 30 June 2010

	Note	Pre exceptional items 2010 £m	Exceptional items (note 3) 2010 £m	Post exceptional items 2010 £m	Pre exceptional items 2009 £m	Exceptional items (note 3) 2009 £m	Post exceptional items 2009 £m
Revenue	2	**812.2**	**–**	**812.2**	792.4	–	792.4
Cost of sales		**(515.4)**	**–**	**(515.4)**	(524.2)	–	(524.2)
Gross profit		**296.8**	**–**	**296.8**	268.2	–	268.2
Distribution costs		**(54.0)**	**–**	**(54.0)**	(52.7)	–	(52.7)
Administrative costs							
Before amortisation of intangible assets		**(192.8)**	**(12.8)**	**(205.6)**	(179.3)	(7.1)	(186.4)
Amortisation of intangible assets		**(2.0)**	**–**	**(2.0)**	(1.7)	–	(1.7)
Administrative costs including amortisation of intangible assets		**(194.8)**	**(12.8)**	**(207.6)**	(181.0)	(7.1)	(188.1)
Operating profit	2	**48.0**	**(12.8)**	**35.2**	34.5	(7.1)	27.4
Financial income		**3.8**	**–**	**3.8**	6.2	–	6.2
Financial expenses		**(9.4)**	**–**	**(9.4)**	(11.4)	–	(11.4)
Net financing costs	6	**(5.6)**	**–**	**(5.6)**	(5.2)	–	(5.2)
Profit before tax	7	**42.4**	**(12.8)**	**29.6**	29.3	(7.1)	22.2
Taxation	8	**(10.7)**	**3.2**	**(7.5)**	(7.4)	1.8	(5.6)
Profit for the year attributable to equity holders of the parent		**31.7**	**(9.6)**	**22.1**	21.9	(5.3)	16.6

All activities relate to continuing operations

	Note	2010	2009
Earnings per ordinary share (pence)	9		
Basic		**12.3**	9.2
Diluted		**12.1**	9.1
Dividends	10		
Paid in year (£m)		**11.4**	10.1
Paid in year (pence per share)		**6.3**	5.6
Proposed (£m)		**8.7**	7.7
Proposed (pence per share)		**4.8**	4.3

Consolidated statement of comprehensive income

for the year ended 30 June 2010

	Note	2010 £m	2009 £m
Profit for the year		**22.1**	16.6
Other comprehensive income/(expense)			
Foreign exchange translation differences		**(3.1)**	6.9
Net gain/(loss) on hedge of net investment in foreign subsidiaries		**2.5**	(6.4)
Effective portion of changes in fair value of cash flow hedges		**(2.0)**	(3.5)
Net changes in fair value of cash flow hedges transferred to profit or loss		**0.9**	0.6
Actuarial loss on defined benefit pension schemes	19	**(4.3)**	(9.7)
Taxation relating to components of other comprehensive income	8	**1.5**	4.3
Total other comprehensive expense		**(4.5)**	(7.8)
Total comprehensive income for the year		**17.6**	8.8

Consolidated balance sheet

at 30 June 2010

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

	Note	2010 £m	2009 £m
Non-current assets			
Intangible assets	11, 12	**38.4**	35.4
Property, plant and equipment	13	**179.9**	189.2
Other non-current assets	14	**0.6**	0.7
Deferred tax	8	**2.9**	2.4
		221.8	227.7
Current assets			
Inventories	15	**69.9**	68.0
Trade and other receivables	16	**140.8**	132.8
Cash and cash equivalents	25	**5.0**	2.8
Assets classified as held for sale	13	**2.9**	–
		218.6	203.6
Total assets		**440.4**	431.3
Current liabilities			
Interest-bearing loans and borrowings	20	**15.4**	26.5
Trade and other payables	17	**205.4**	190.3
Current tax payable		**3.5**	1.3
Provisions	18	**5.1**	2.3
		229.4	220.4
Non-current liabilities			
Interest-bearing loans and borrowings	20	**49.6**	58.7
Pensions and other post-employment benefits	19	**23.6**	18.9
Trade and other payables	17	**0.6**	–
Provisions	18	**1.1**	0.5
Deferred tax	8	**11.4**	14.3
		86.3	92.4
Total liabilities		**315.7**	312.8
Net assets		**124.7**	118.5
Equity			
Issued share capital	22	**18.1**	18.0
Share premium account		**143.5**	143.5
Other reserves		**(3.8)**	(2.1)
Retained earnings		**(33.7)**	(40.9)
Equity attributable to owners of the Company		**124.1**	118.5
Non-controlling interests		**0.6**	–
Total equity and reserves		**124.7**	118.5

These financial statements were approved by the Board of Directors on 1 September 2010 and were signed on its behalf by:

C Bull
Director

Consolidated cash flow statement

for the year ended 30 June 2010

	Note	2010 £m	2009 £m
Profit before tax		**29.6**	22.2
Net financing costs	6	**5.6**	5.2
Pre-tax exceptional charge in the year	3	**12.8**	7.1
Share-based payments	23	**1.7**	0.5
Loss on sale of property, plant and equipment	7	**0.1**	0.3
Depreciation	13	**26.6**	23.8
Amortisation of intangible assets	12	**2.0**	1.7
Operating cash flow before changes in working capital		**78.4**	60.8
(Increase)/decrease in receivables		**(4.0)**	7.6
(Increase)/decrease in inventories		**(1.8)**	0.2
Increase/(decrease) in payables		**12.5**	(6.8)
Cash flow in respect of exceptional items		**(4.4)**	(4.7)
Cash generated from operations		**80.7**	57.1
Interest paid		**(6.0)**	(6.0)
Taxation paid		**(7.8)**	(3.7)
Net cash from operating activities		**66.9**	47.4
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**0.2**	1.8
Acquisition of property, plant and equipment		**(24.2)**	(20.0)
Acquisition of intangible assets	12	**(0.1)**	–
Acquisition of businesses, net of cash acquired	4	**(8.4)**	5.3
Interest received		**0.1**	1.3
Forward contracts used in net investment hedging		**(1.4)**	(0.6)
Net cash used in investing activities		**(33.8)**	(12.2)
Cash flows from financing activities			
Proceeds from issue of share capital		**0.3**	0.4
Repurchase of own shares		**(1.4)**	–
Increase in borrowings		**5.5**	7.1
Repayment of borrowings		**(16.2)**	(40.8)
Payment of finance lease liabilities		**(0.7)**	(0.9)
Dividends paid	10	**(11.4)**	(10.1)
Net cash used in financing activities		**(23.9)**	(44.3)
Net increase/(decrease) in cash and cash equivalents		**9.2**	(9.1)
Cash and cash equivalents at start of year		**(10.3)**	(3.4)
Effect of exchange rate fluctuations on cash held		**–**	2.2
Cash and cash equivalents at end of year	25	**(1.1)**	(10.3)
Reconciliation of cash and cash equivalents per the balance sheet and cash flow statement			
Cash and cash equivalents per the balance sheet		**5.0**	2.8
Overdrafts		**(6.1)**	(13.1)
Cash and cash equivalents per the cash flow statement	25	**(1.1)**	(10.3)

Reconciliation of net cash flow to movement in net debt

for the year ended 30 June 2010

	Note	2010 £m	2009 £m
Increase/(decrease) in cash and cash equivalents in the year		**9.2**	(9.1)
Cash outflow from movement in debt		**10.7**	33.7
Movement on finance leases		**0.7**	0.9
Change in net debt resulting from cash flows		**20.6**	25.5
Loans acquired with subsidiaries		**(0.1)**	–
Exchange movements		**1.9**	(4.6)
Movement in net debt in the year		**22.4**	20.9
Net debt at the beginning of the year		**(82.4)**	(103.3)
Net debt at the end of the year	25	**(60.0)**	(82.4)

Consolidated statement of changes in equity
for the year ended 30 June 2010

	Issued share capital £m	Share premium account £m	Cash flow hedge reserve £m	Translation reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity and reserves £m
At 1 July 2008	18.0	143.0	(0.6)	0.4	0.5	(42.4)	118.9	–	118.9
Profit for the year	–	–	–	–	–	16.6	16.6	–	16.6
Other comprehensive income/(expense):									
Foreign exchange translation differences	–	–	–	6.9	–	–	6.9	–	6.9
Net loss on hedge of net investment in foreign subsidiaries	–	–	–	(6.4)	–	–	(6.4)	–	(6.4)
Effective portion of changes in fair value of cash flow hedges	–	–	(3.5)	–	–	–	(3.5)	–	(3.5)
Net changes in fair value of cash flow hedges transferred to profit or loss	–	–	0.6	–	–	–	0.6	–	0.6
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	(9.7)	(9.7)	–	(9.7)
Taxation relating to components of other operating income	–	–	–	–	–	4.3	4.3	–	4.3
Total comprehensive income/(expense):	–	–	(2.9)	0.5	–	11.2	8.8	–	8.8
Share-based payments	–	–	–	–	–	0.4	0.4	–	0.4
Equity dividends	–	–	–	–	–	(10.1)	(10.1)	–	(10.1)
Other movements	–	0.5	–	–	–	–	0.5	–	0.5
At 30 June 2009	18.0	143.5	(3.5)	0.9	0.5	(40.9)	118.5	–	118.5
Profit for the year	–	–	–	–	–	22.1	22.1	–	**22.1**
Other comprehensive income/(expense):									
Foreign exchange translation differences	–	–	–	(3.1)	–	–	(3.1)	–	**(3.1)**
Net gain on hedge of net investment in foreign subsidiaries	–	–	–	2.5	–	–	2.5	–	**2.5**
Effective portion of changes in fair value of cash flow hedges	–	–	(2.0)	–	–	–	(2.0)	–	**(2.0)**
Net changes in fair value of cash flow hedges transferred to profit or loss	–	–	0.9	–	–	–	0.9	–	**0.9**
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	(4.3)	(4.3)	–	**(4.3)**
Taxation relating to components of other operating income	–	–	–	–	–	1.5	1.5	–	**1.5**
Total comprehensive income/(expense):	–	–	(1.1)	(0.6)	–	19.3	17.6	–	**17.6**
Share-based payments	–	–	–	–	–	1.1	1.1	–	**1.1**
Equity dividends	–	–	–	–	–	(11.4)	(11.4)	–	**(11.4)**
Own shares acquired and held as Treasury shares	–	–	–	–	–	(1.4)	(1.4)	–	**(1.4)**
Shares issued to satisfy share option exercises	0.1	–	–	–	–	0.2	0.3	–	**0.3**
Acquisition of businesses	–	–	–	–	–	–	–	0.6	**0.6**
Related tax movements	–	–	–	–	–	(0.6)	(0.6)	–	**(0.6)**
At 30 June 2010	**18.1**	**143.5**	**(4.6)**	**0.3**	**0.5**	**(33.7)**	**124.1**	**0.6**	**124.7**

The number of Treasury shares held at 30 June 2010 was 824,498 (2009: 752,019).

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

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

Other reserves includes the capital redemption reserve.

Notes to the Group financial statements

1. Significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU) ('adopted IFRS') in accordance with EU law (IAS Regulation EC 1606/2002) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company has elected to prepare the parent company's financial statements in accordance with UK GAAP. These are presented on pages 110 to 113.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 16 to 47. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 34 to 43. In addition note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risks.

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

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

These consolidated financial statements are presented in pounds sterling. Sterling is the functional currency of the parent company, McBride plc. All financial information presented has been rounded to the nearest £0.1 million.

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

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

Judgements made by management in the application of adopted IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed on page 87.

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

IFRS 8 'Operating Segments' has been adopted. Under IFRS 8, reportable segments are determined on the basis of those segments whose operating results are regularly reviewed by the chief operating decision-maker. These operating results are prepared on a basis that excludes exceptional items considered to be non-underlying in nature and amortisation of intangible assets. Note 2 to the Group financial statements sets out the Group's reportable segments and sets out the reconciliation between these and the results reported in the income statement and balance sheet.

IAS 1 'Presentation of Financial Statements (as revised)' has been adopted. This has resulted in a revision to the Group's primary financial statements, but has not affected its results or its net assets.

Revised IFRS 3 'Business Combinations' and Revised IAS 27 'Consolidated and Separate Financial Statements' have been adopted and resulted in acquisition costs being expensed.

Amendments to IFRS 7 'Financial Instruments: Disclosures', Revised IAS 23 'Borrowing Costs', Amendments to IAS 32 'Financial Instruments', Amendments to IAS 39 'Financial Instruments' and IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' have been adopted but did not have a material effect on the amounts recognised in the financial statements.

Basis of consolidation

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

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

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

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

Foreign currencies

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

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

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

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

Revenue

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

Exceptional items

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

Income tax

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

Deferred income tax
Deferred tax is recognised using the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill and the initial recognition of assets or liabilities not in business combinations that affect neither accounting nor taxable profit.

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

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

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

Net financing costs

Net financing costs comprise interest payable on bank loans, overdrafts and finance leases, fair value gains and interest on differentials on derivatives, interest receivable on funds invested, expected return on pension assets and the interest cost on pension scheme liabilities.

1. Significant accounting policies continued

Segments

In accordance with IFRS 8 'Operating Segments', the identification of the Group's operating segments is based on internal management reporting as reviewed by the chief operating decision-maker in order to assess performance and allocate resources.

The Group is managed on a geographical basis in the following regions – United Kingdom, Western Continental Europe and Eastern Continental Europe. Transfer prices between segments are set on an arm's length basis. Segment revenue and profit include transfers between segments, which are eliminated on consolidation.

Segment operating profit is determined on an underlying basis, excluding amortisation of intangible assets, exceptional items and unallocated corporate expenses, as this is believed to be more representative of the underlying performance of the Group. The analyses for the prior year have been restated on a consistent basis.

Dividend distribution

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

Intangible assets

Trade marks and patents

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

Brand names and customer relationships and lists

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

Computer software

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

Goodwill

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

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

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

Property, plant and equipment

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

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

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

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Assets that are being constructed for future use are classified as assets in the course of construction until they are completed. Upon completion they are transferred to the appropriate category within property, plant and equipment. No depreciation is charged on these items until after they have been transferred.

Non-current assets held for sale

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

Research and development

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

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

Impairment

Non-financial assets

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

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

Financial assets

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

Leased assets

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases.

Inventories

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

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

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

Notes to the Group financial statements

Continued

1. Significant accounting policies continued

Cash and cash equivalents

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

Employee benefits

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

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

Provisions

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

Interest-bearing loans and borrowings

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

Contingent liabilities and assets

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

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

Derivative financial instruments

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

Hedge accounting

Cash flow hedge

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2010 was £33.0 million (2009: £29.7m). Further details including sensitivities are given in note 11.

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

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

Pension and other post-employment benefits
The Group's defined benefit pension schemes and similar arrangements are assessed at least annually in accordance with IAS 19. The accounting valuation, which is based on assumptions taking into account independent actuarial advice, resulted in a pre-tax deficit of £21.1 million (2009: £16.7m) being recognised on the balance sheet at 30 June 2010. The size of the deficit is sensitive to the market value of the assets held by the schemes, the discount rate used, actuarial liabilities, mortality and other demographic assumptions and the level of contributions. Further details including sensitivities are disclosed in note 19.

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

Notes to the Group financial statements
Continued

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

Accounting standards issued but not adopted
The Group does not currently believe the adoption of the following standards and interpretations which have been issued by the IASB and endorsed by the EU will have a material impact on the financial statements of the Group:

- The IASB's annual improvements project was published in April 2009. The project makes minor amendments to a number of standards in areas including operating segments, share-based payments, leases, intangible assets and financial instruments. These amendments become mandatory for the Group's 2011 financial statements.
- Amendment to IFRS 2 'Share-based Payment – Group Cash-settled Share-based Payment Transactions' clarifies the scope of IFRS 2 and the accounting for Group cash-settled share-based payment transactions in the financial statements of individual Group entities. This amendment becomes mandatory for the Group's 2011 financial statements.
- Amendment to IAS 24 'Related Party Disclosures' clarifies the definition of a related party and provides some exemptions for government-related entities. This amendment becomes mandatory for the Group's 2012 financial statements.
- Amendment to IAS 32 'Financial Instruments: Presentation – Classification of Rights Issues' requires an issue to all existing shareholders of rights to acquire additional shares to be recognised in equity, regardless of the currency of the shares. This amendment becomes mandatory for the Group's 2011 financial statements.
- IFRIC 17 'Distributions of Non-Cash Assets to Owners' which specifies how an entity should account for distributions of non-cash assets to its owners. This interpretation will become mandatory for the Group's 2011 financial statements.
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' addresses the accounting required by an entity that issues equity instruments in order to settle a financial liability in part or in full. This amendment becomes mandatory for the Group's 2011 financial statements.

The following standard and interpretation have been issued by the IASB or IFRIC, but are yet to be endorsed by the EU and have not been early-adopted this year. The effect of adoption is currently being considered:

- IFRS 9 'Financial Instruments' is the first step in the project to replace IAS 39 and covers the classification and measurement of financial assets. The IASB intends to expand IFRS 9 to add new requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting to become a complete replacement of IAS 39 by the end of 2010. The standard will become mandatory for the Group's 2014 financial statements.
- Amendment to IFRIC 14 'Prepayments on a Minimum Funding Requirement' permits a voluntary prepayment of a minimum funding requirement to be recognised as an asset. This amendment will become mandatory for the Group's 2012 financial statements.

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

	Average rate		Closing rate	
	2010	2009	**2010**	2009
Euro	**1.14**	1.17	**1.22**	1.17
Polish Zloty	**4.66**	4.67	**5.05**	5.24
Czech Koruna	**29.3**	30.4	**31.4**	30.5
Hungarian Forint	**308.9**	315.1	**348.2**	319.9
Malaysian Ringgit	**4.81**	–	**4.84**	–

2. Segment information
In accordance with IFRS 8 'Operating Segments', the identification of the Group's operating segments is based on internal management reporting as reviewed by the Group Management Team in order to assess performance and allocate resources.

The Group is managed on a geographical basis in the following regions – United Kingdom, Western Continental Europe and Eastern Continental Europe. Transfer prices between segments are set on an arm's length basis. Segment revenue and profit include transfers between segments, which are eliminated on consolidation.

Segment operating profit is determined on an underlying basis, excluding amortisation of intangible assets, exceptional items and unallocated corporate expenses, as this is believed to be more representative of the underlying performance of the Group. The analyses for the prior year have been restated on a consistent basis.

Geographic segments

	United Kingdom 2010 £m	United Kingdom Restated* 2009 £m	Western Continental Europe 2010 £m	Western Continental Europe Restated* 2009 £m	Eastern Continental Europe 2010 £m	Eastern Continental Europe Restated* 2009 £m	Elimination/China** 2010 £m	Elimination/China** Restated* 2009 £m	Total 2010 £m	Total Restated* 2009 £m
External revenue	316.9	308.4	461.6	452.4	33.7	31.6	–	–	812.2	792.4
Inter-segment revenue	3.4	3.0	22.8	17.4	1.6	1.6	(27.8)	(22.0)	–	–
Total segment revenue	320.3	311.4	484.4	469.8	35.3	33.2	(27.8)	(22.0)	812.2	792.4
Segment profit	22.1	17.5	34.6	23.3	2.5	1.8	(0.4)	(0.4)	58.8	42.2
Amortisation of intangible assets									(2.0)	(1.7)
Corporate costs*									(8.8)	(6.0)
Exceptional items (see note 3)									(12.8)	(7.1)
Reported operating profit									35.2	27.4
Net financing costs									(5.6)	(5.2)
Reported profit before tax									29.6	22.2

* On adoption of IFRS 8, the prior year segment profit has been restated to remove management charges which are not included in segment profit reported to the Group Management Team.
** Includes China £1.0 million (Household) sales (2009: £0.4m) which are all intergroup, and China operating loss of £(0.4 million) (2009: £0.4m).

	United Kingdom 2010 £m	United Kingdom 2009 £m	Western Continental Europe 2010 £m	Western Continental Europe 2009 £m	Eastern Continental Europe 2010 £m	Eastern Continental Europe 2009 £m	Corporate* 2010 £m	Corporate* 2009 £m	Total 2010 £m	Total 2009 £m
Segment assets	174.9	167.9	224.1	240.0	19.9	18.7	21.5	4.7	440.4	431.3
Segment liabilities	(104.2)	(99.5)	(147.5)	(143.7)	(5.8)	(5.1)	(58.2)	(64.5)	(315.7)	(312.8)
Capital expenditure**	13.9	9.4	15.5	10.3	1.6	0.8	4.9	–	35.9	20.5
Amortisation and depreciation	9.7	8.6	17.9	16.1	0.9	0.7	0.1	0.1	28.6	25.5

* Corporate liabilities include external debt and tax liabilities.
** Capital expenditure includes property, plant and equipment, intangible assets and additionally for 2010 the amounts payable (including contingent consideration) in respect of the acquisitions of Homepride Limited and Fortlab Holdings Sdn Bhd, which are shown within United Kingdom and Corporate respectively.

Business segments

	Household 2010 £m	Household Restated* 2009 £m	Personal Care 2010 £m	Personal Care Restated* 2009 £m	Total 2010 £m	Total Restated* 2009 £m
Segment revenue	667.5	648.5	144.7	143.9	812.2	792.4
Segment profit	51.4	36.0	7.4	6.2	58.8	42.2
Amortisation of intangible assets					(2.0)	(1.7)
Corporate costs*					(8.8)	(6.0)
Exceptional items (see note 3)					(12.8)	(7.1)
Reported operating profit					35.2	27.4
Net financing costs					(5.6)	(5.2)
Reported profit before tax					29.6	22.2

* On adoption of IFRS 8, the prior year segment profit has been restated to remove management charges which are not included in segment profit reported to the Group Management Team.

Notes to the Group financial statements
Continued

2. Segment information continued

Geographical information

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

Revenue from external customers by country of destination

	2010 £m	2009 £m
United Kingdom	**296.2**	290.1
Foreign countries		
France	**224.3**	214.3
Italy	**77.8**	76.4
Other Western Continental Europe	**155.3**	151.4
Eastern Continental Europe and Rest of World	**58.6**	60.2
Total revenue	**812.2**	792.4

Non-current assets by geographical location

	2010 £m	2009 £m
United Kingdom	**93.1**	91.0
Foreign countries		
Belgium	**47.9**	50.1
Italy	**24.6**	32.5
France	**13.7**	14.0
Other Western Continental Europe	**27.3**	30.4
Eastern Continental Europe and Rest of World	**12.3**	7.3
Total non-current assets	**218.9**	225.3

3. Exceptional items

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

There was a £12.8 million pre-tax operating exceptional charge to the income statement in the year relating to restructuring programmes in the Western Continental Europe and UK divisions. Included in this charge was £5.4 million for redundancy, £5.0 million for asset write-offs and £2.4 million of other charges, mainly consultants, logistics and storage costs.

The £7.1 million 2009 pre-tax operating exceptional charge related mainly to redundancy programmes in the UK and Western Continental Europe divisions.

In terms of segment analysis in note 2, the exceptional charge relates to the UK £3.6 million (2009: £5.1m) and Western Continental Europe £9.2 million (2009: £2.0m), on a geographic basis, and Household £12.6 million (2009: £6.0m) and Personal Care £0.2 million (2009: £1.1m) on a business basis.

4. Acquisitions

Acquisitions in 2010

Homepride Limited

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

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

Fortlab Holdings Sdn Bhd

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

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

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

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

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

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

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

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

	Homepride Limited		Fortlab Holdings Sdn Bhd		Total		
	Book value £m	Fair value adjustments £m	Book value £m	Fair value adjustments £m	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired:							
Property, plant and equipment	–	–	3.2	0.2	3.2	0.2	3.4
Intangible assets	–	1.4	0.1	0.1	0.1	1.5	1.6
Working capital	0.7	(0.3)	1.9	(0.4)	2.6	(0.7)	1.9
Cash and cash equivalents	0.2	–	0.3	–	0.5	–	0.5
Net debt	–	–	(0.1)	–	(0.1)	–	(0.1)
Non-current liabilities	–	–	(0.3)	–	(0.3)	–	(0.3)
Non-controlling interests*	–	–	(0.5)	(0.1)	(0.5)	(0.1)	(0.6)
	0.9	1.1	4.6	(0.2)	5.5	0.9	6.4
Fair value of assets acquired		2.0		4.4			6.4
Goodwill on acquisition		2.9		0.4			3.3
Total		**4.9**		**4.8**			**9.7**
Satisfied by:							
Cash paid		4.9		4.0			8.9
Contingent consideration		–		0.8			0.8
Cash consideration		**4.9**		**4.8**			**9.7**

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

Acquisitions in 2009

On 5 June 2009, the Group purchased from the Administrators of 360 Brands Limited certain assets for a total consideration of £1.0 million. These predominantly comprised brands, for which the fair values were assessed to be equal to the consideration paid (see note 12).

The Group also recovered part of the consideration paid relating to a prior period acquisition amounting to £6.3 million, which has reduced the goodwill arising on this acquisition (see note 11).

Notes to the Group financial statements
Continued

5. Related party transactions

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

(i) Transactions with key management personnel:

Key management personnel include individuals that are not executive directors of the Group but do have authority and responsibility for planning, directing and controlling activities of the key operating divisions as disclosed in the segmental analysis. They are members of the Group Management Team as described on page 49.

Remuneration of key management personnel, excluding executive Directors, which is disclosed on page 75, is as follows:

	2010 £m	2009 £m
Short-term employee benefits	0.1	0.1
Post-employment benefits	0.2	0.2
Other remuneration	1.7	1.3
Share-based payments	0.3	–
Total	2.3	1.6

During the year ended 30 June 2010, there were no other material transactions or balances between the Group and its key management personnel or members of their close families.

(ii) Transactions with pension and post-employment schemes:

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

6. Net financing costs

	2010 £m	2009 £m
Interest on deposits	0.1	0.3
Expected return on pension scheme assets (note 19)	3.6	4.9
Other interest	0.1	1.0
Financial income	3.8	6.2
Interest expense on bank loans and overdrafts	(3.0)	(4.5)
Fair value losses and interest differentials on derivatives	(0.5)	(0.6)
Finance charges payable under finance leases	(0.1)	(0.1)
Interest cost on pension scheme liabilities (note 19)	(4.6)	(4.6)
Other net finance costs	(1.2)	(1.6)
Financial expense	(9.4)	(11.4)
Net financing cost	(5.6)	(5.2)

7. Profit before tax

Profit before tax is stated after charging/(crediting):

	2010 £m	2009 £m
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.1	0.1
Fees payable to the Company's auditor and network firms for other services:		
The audit of accounts of the Company's subsidiaries pursuant to legislation	0.4	0.4
Services relating to taxation	0.2	0.1
Other services	0.1	–
Depreciation and other amounts written off owned property, plant and equipment	25.8	23.0
Depreciation and other amounts written off leased property, plant and equipment	0.8	0.8
Impairment of property, plant and equipment (note 13)	5.0	–
Hire of plant and machinery – rentals payable under operating leases	3.3	3.5
Hire of other assets – rentals payable under operating leases	1.2	1.4
Loss on sale of property, plant and equipment	0.1	0.3
Research and development costs written off during the year*	6.9	6.6
Government grants towards training	(0.1)	(0.1)
Amortisation of intangible assets (note 12)	2.0	1.7
Net foreign exchange gains on trading items	(0.1)	(0.5)

* During the years ended 30 June 2009 and 2010, all research and development expenditure was expensed as incurred as the criteria for capitalising development expenditure were not met.

8. Taxation

Analysis of tax charge in income statement

	2010 UK £m	2010 Overseas £m	2010 Total £m	2009 Total £m
Current tax expense:				
Current period	1.1	9.0	10.1	5.6
Adjustment for prior periods	–	–	–	(0.6)
	1.1	9.0	10.1	5.0
Deferred tax:				
Origination and reversal of temporary differences	0.8	(3.4)	(2.6)	0.6
Total tax charge in income statement	1.9	5.6	7.5	5.6

UK corporation tax is calculated at the United Kingdom standard rate of 28.0% (2009: 28.0%) of the estimated assessable profit for the year.

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

Tax recognised in equity and statement of other comprehensive income

	2010 £m	2009 £m
Effective portion of changes in fair value of cash flow hedges	**0.6**	1.0
Net changes in fair value of cash flow hedges transferred to profit or loss	**(0.3)**	(0.2)
Share-based payments and other movements	**(0.6)**	0.7
Actuarial losses related to the defined benefit pension scheme	**1.2**	2.8
	0.9	4.3

Reconciliation of effective tax rate

The total tax charge on the Group's profit before tax for the year differs from the standard rate of corporation tax for the following reasons:

	2010 %	**2010 £m**	2009 %	2009 £m
Profit after tax		**22.1**		16.6
Tax charge		**7.5**		5.6
Profit before tax		**29.6**		22.2
Tax charge using the Company's domestic tax rate	**28%**	**8.3**	28%	6.2
Effect of tax in foreign jurisdictions	**2%**	**0.8**	3%	0.8
Non-deductible expenses	**6%**	**1.7**	7%	1.5
Tax incentives	**(6%)**	**(1.7)**	(8%)	(1.8)
Utilisation of tax losses	**(5%)**	**(1.5)**	(3%)	(0.7)
Other differences	**–**	**(0.1)**	1%	0.2
Over provision in prior years	**–**	**–**	(3%)	(0.6)
Total tax charge for the year	**25%**	**7.5**	25%	5.6

Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements during the current and prior reporting period:

Deferred tax asset/(liability)	Accelerated tax depreciation £m	Intangible assets £m	Tax losses £m	Retirement benefit obligations £m	Share based payments £m	Surplus ACT £m	Other £m	Total £m
At 1 July 2008	(20.9)	(3.1)	2.0	2.2	–	4.6	0.6	(14.6)
(Charge)/credit to income statement	1.6	–	(1.4)	(0.3)	0.1	(0.5)	(0.1)	(0.6)
(Charge)/credit to equity	–	–	–	2.8	0.7	–	0.8	4.3
Exchange movements	(1.0)	(0.2)	–	–	0.2	–	–	(1.0)
At 30 June 2009	(20.3)	(3.3)	0.6	4.7	1.0	4.1	1.3	(11.9)
(Charge)/credit to income statement	1.9	(1.1)	1.3	–	0.5	–	–	**2.6**
(Charge)/credit to equity	–	–	–	1.2	(0.6)	–	0.3	**0.9**
Acquisitions	(0.4)	–	–	–	–	–	–	**(0.4)**
Exchange movements	0.5	–	(0.1)	–	–	–	(0.1)	**0.3**
At 30 June 2010	**(18.3)**	**(4.4)**	**1.8**	**5.9**	**0.9**	**4.1**	**1.5**	**(8.5)**
Deferred tax asset at 30 June 2010	**–**	**–**	**1.8**	**5.9**	**0.9**	**4.1**	**(9.8)**	**2.9**
Deferred tax liability at 30 June 2010	**(18.3)**	**(4.4)**	**–**	**–**	**–**	**–**	**11.3**	**(11.4)**
	(18.3)	**(4.4)**	**1.8**	**5.9**	**0.9**	**4.1**	**1.5**	**(8.5)**
Deferred tax asset at 30 June 2009	–	–	0.6	4.7	1.0	4.1	(8.0)	2.4
Deferred tax liability at 30 June 2009	(20.3)	(3.3)	–	–	–	–	9.3	(14.3)
	(20.3)	(3.3)	0.6	4.7	1.0	4.1	1.3	(11.9)

Other includes £9.8 million (2009: £8.0m) to reflect offset of taxes levied by the same taxation authority where McBride has a legally enforceable right of offset.

8. Taxation continued

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

Unremitted earnings of overseas subsidiaries at the balance sheet date totalled £100.1 million (2009: £102.8m).

At the balance sheet date, the Group had unused tax losses of £14.0 million (2009: £15.0m) available for offset against future profits. A deferred tax asset has been recognised of £1.8 million (2009: £0.6m) of these losses. No deferred tax asset has been recognised in respect of the remaining losses due to the unpredictability of future profit streams. £2.0 million (2009: £3.5m) of unrecognised tax losses may be carried forward for offset against future profits.

At the balance sheet date, the Group had surplus ACT of £6.5 million (2009: £6.5m) available to offset against future tax liabilities. A deferred tax asset has been recognised in respect of surplus ACT of £4.1 million (2009: £4.1m). No deferred tax asset has been recognised in relation to the remaining surplus ACT of £2.4 million (2009: £2.4m) due to uncertainty as to future ACT capacity.

9. Earnings per share

Basic earnings per ordinary share is calculated on profit after tax, attributable to equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the year in accordance with IAS 33.

		2010	2009
Total earnings (£m)	a	22.1	16.6
Weighted average number of ordinary shares	b	180,276,613	180,288,282
Basic earnings per share (pence)	a/b	12.3	9.2

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

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

		2010	2009
Weighted average number of ordinary shares (million)	b	180.3	180.3
Effect of dilutive share options (million)		–	0.2
Effect of dilutive share awards (million)		1.6	1.0
Effect of dilutive SAYE scheme shares (million)		1.3	–
	c	183.2	181.5
Diluted earnings per share (pence)	a/c	12.1	9.1

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

		2010 £m	2009 £m
Earnings used to calculate basic and diluted EPS	a	22.1	16.6
Exceptional items after tax		9.6	5.3
Amortisation of intangible assets after tax		1.5	1.3
Earnings before exceptional items and amortisation of intangible assets	d	33.2	23.2
Adjusted basic earnings per share (pence)	d/b	18.4	12.9
Adjusted diluted earnings per share (pence)	d/c	18.1	12.8

10. Dividends

Amounts recognised as distributions to equity holders in the year:

	2010 £m	2009 £m
Final dividend for the year ended 30 June 2009 of 4.3p (2008: 3.9p)	**7.8**	7.0
Interim dividend for the year ended 30 June 2010 of 2.0p (2009: 1.7p)	**3.6**	3.1
	11.4	10.1
Proposed final dividend for the year ended 30 June 2010 of 4.8p (2009: 4.3p)	**8.7**	7.7

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

11. Goodwill

	2010 £m	2009 £m
Cost		
1 July	**29.7**	36.0
Acquisitions	**3.3**	–
Repayment of contingent consideration	**–**	(6.3)
30 June	**33.0**	29.7

In the year ended 30 June 2010, the Group completed the acquisitions of Homepride Limited and Fortlab Holdings Sdn Bhd (see note 4).

In the year ended 30 June 2009, goodwill reduced following a return of consideration relating to a prior period acquisition.

Goodwill acquired in a business combination is allocated, at acquisition, to the Group's cash-generating units (CGUs) that are expected to benefit from that business combination.

Aggregate carrying amounts of goodwill allocated to each CGU by segment are as follows:

	2010 £m	2009 £m
UK	**24.1**	21.2
Western Continental Europe	**6.9**	7.0
Eastern Continental Europe	**1.6**	1.5
Corporate*	**0.4**	–
30 June	**33.0**	29.7

* Goodwill arising on the acquisition of Fortlab Holdings Sdn Bhd is shown within Corporate (see note 4).

The net book value of goodwill by CGU was as follows:

	2010 £m	2009 £m
Acquired with UK Household liquids businesses	**14.7**	11.8
Acquired with Dasty business	**6.5**	6.7
Acquired with UK Aircare businesses	**6.4**	6.4
Acquired with WCE Household liquids business	**2.2**	2.2
Other CGUs without significant goodwill	**3.2**	2.6
30 June	**33.0**	29.7

Impairment testing of goodwill

Goodwill is not amortised but is subject to annual impairment testing, or more frequent testing if there are indications of impairment. The recoverable amounts of the CGUs are determined from value-in-use calculations that are prepared based on the actual results for the current year, the budget for the year to June 2011, estimates by management of the pre-tax cash flows for a further four years to June 2015 and a terminal value calculated by taking the cash flows beyond June 2015 into perpetuity. To arrive at the value-in-use, the forecast cash flows for each CGU are then discounted at a discount rate that reflects the risks inherent in each CGU. Assumptions used to calculate future cash flows are based on historic trends adjusted for external market information for specific product categories. Revenue growth and input cost inflation are, by their very nature in a consumer product industry, difficult to forecast.

Key assumptions used in value-in-use calculation

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates – these reflect management's estimate of the risk-adjusted weighted average cost of capital (WACC) for each CGU, which is based on the pre-tax Group WACC of 10.9% (2009: 10.0%) which has been adjusted, where appropriate, for inflation, expected growth and appropriate risk factors.

Raw material price, direct and indirect cost inflation – budgets are prepared using the most up-to-date price and forecast price data available. Beyond the period for which forecasts are available management's best estimate of changes to input costs are used.

Growth rate estimates – these reflect management expectations of volume growth, which are in line with those indicated by Euromonitor. Euromonitor is an independent external source producing external market research data. Euromonitor data indicates that Household products will, across the Group's principal markets, grow by an average of 0.5% per annum in the five years from 2010 to 2014.

11. Goodwill continued

Sensitivity to changes in assumptions

The current economic climate in the principal geographical markets in which the Group has operations has increased the discount rate adopted by the Group due to the higher level of return expected by equity holders (due to the continued perceived risk and volatility in equity markets). The Group has considered this impact on the assumptions used and has conducted sensitivity analysis and details in respect of the two CGUs where a reasonably possible change in key assumptions used in the impairment testing would cause the carrying value to exceed its recoverable amount provided below:

The key assumptions for discount rate, inflation rate and growth rate used in the most recent value-in-use calculation in the year ended 30 June 2010 are as follows:

	2010 Pre-tax discount rate	2010 Cost inflation rate	2010 Growth rate	2009 Pre-tax discount rate	2009 Cost inflation rate	2009 Growth rate
Acquired with Dasty business	**10.9%**	**1.9%**	**0.0%**	10.0%	2.0%	0.0%
Acquired with WCE Household liquids business	**10.9%**	**1.8%**	**0.0%**	10.0%	0.7%	0.0%

The table below shows the sensitivity of the goodwill to each of the key assumptions separately. The values shown for each particular key assumption are those which when combined with all other key assumptions per the value-in-use calculations performed by management would result in a value in use equal to the carrying value of the relevant CGU:

	2010 Pre-tax discount rate	2010 Cost inflation rate	2010 Growth rate	2009 Pre-tax discount rate	2009 Cost inflation rate	2009 Growth rate
Acquired with Dasty business	**19.3%**	**3.5%**	**(1.5%)**	21.1%	2.6%	(1.8%)
Acquired with WCE Household liquids business	**20.9%**	**3.0%**	**(1.1%)**	14.9%	1.7%	(0.9%)

12. Other intangible assets

	Patents, brands and trade marks £m	Computer software £m	Customer relationships £m	Total £m
Cost				
At 1 July 2008	0.6	0.4	7.5	8.5
Acquisitions	1.0	–	–	1.0
Exchange movements	–	–	0.4	0.4
At 30 June 2009	1.6	0.4	7.9	9.9
Acquisitions (note 4)	0.8	–	0.8	**1.6**
Exchange movements	–	–	(0.2)	**(0.2)**
At 30 June 2010	**2.4**	**0.5**	**8.5**	**11.4**
Amortisation				
At 1 July 2008	0.4	0.1	1.9	2.4
Provided for in the year	0.1	0.1	1.5	1.7
Exchange movements	–	–	0.1	0.1
At 30 June 2009	0.5	0.2	3.5	4.2
Provided for in the year	0.3	0.1	1.6	**2.0**
Exchange movements	–	–	(0.2)	**(0.2)**
At 30 June 2010	**0.8**	**0.3**	**4.9**	**6.0**
Net book value				
At 30 June 2010	**1.6**	**0.2**	**3.6**	**5.4**
At 30 June 2009	1.1	0.2	4.4	5.7

13. Property, plant and equipment

	Land and buildings		Plant, machinery, computer equipment and motor vehicles	Payments on account and assets in the course of construction	Total
	Freehold £m	Leasehold £m	£m	£m	£m
Cost					
At 1 July 2008	92.3	8.4	346.1	7.8	454.6
Exchange movements	3.1	0.5	10.8	(0.1)	14.3
Additions	0.5	–	15.5	4.5	20.5
Disposals	(1.2)	–	(4.1)	–	(5.3)
Transfers	–	–	0.1	(0.1)	–
At 30 June 2009	94.7	8.9	368.4	12.1	484.1
Exchange movements	(1.8)	(0.3)	(7.7)	0.1	**(9.7)**
Additions	0.4	–	18.8	6.9	**26.1**
Acquisitions (note 4)	–	2.4	1.0	–	**3.4**
Disposals	–	–	(5.0)	–	**(5.0)**
Transfers	0.5	–	14.4	(14.9)	**–**
Reclassified as held for sale*	(6.6)	–	–	–	**(6.6)**
At 30 June 2010	**87.2**	**11.0**	**389.9**	**4.2**	**492.3**
Depreciation					
At 1 July 2008	(24.6)	(0.8)	(241.9)	–	(267.3)
Exchange movements	(0.8)	–	(6.8)	–	(7.6)
Charge for the year	(2.0)	(0.1)	(21.7)	–	(23.8)
Disposals	0.4	–	3.4	–	3.8
At 30 June 2009	(27.0)	(0.9)	(267.0)	–	(294.9)
Exchange movements	0.3	0.1	5.3	–	**5.7**
Charge for the year	(2.2)	(0.1)	(24.3)	–	**(26.6)**
Impairment charge*	(1.7)	–	(3.3)	–	**(5.0)**
Disposals	–	–	4.7	–	**4.7**
Reclassified as held for sale*	3.7	–	–	–	**3.7**
At 30 June 2010	**(26.9)**	**(0.9)**	**(284.6)**	**–**	**(312.4)**
Net book value					
At 30 June 2010	**60.3**	**10.1**	**105.3**	**4.2**	**179.9**
At 30 June 2009	67.7	8.0	101.4	12.1	189.2

The net book value of finance leases included within land and buildings and plant, machinery, computer equipment and motor vehicles above was £5.8 million (2009: £6.9m) and the depreciation charge for the year was £0.8 million (2009: £0.8m).

* During the year ended 30 June 2010 the Group closed the site in Solaro, Italy as part of a restructuring of its Italian operations and also announced a restructuring programme in its UK division. This resulted in an impairment charge of £5.0 million which is included within the exceptional charge for the year (see note 3). The Group expects to sell the freehold land and buildings relating to the former site at Solaro in the next year and in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' has reclassified the item to assets held for sale.

14. Other non-current assets

Other non-current assets of £0.6 million (2009: £0.7m) consist of prepayments on leases of land and interest-free loans to the local government, both in Western Continental Europe.

Notes to the Group financial statements
Continued

15. Inventories

	2010 £m	2009 £m
Raw materials, packaging and consumables	**34.4**	32.7
Finished goods and goods for resale	**35.5**	35.3
Total inventories	**69.9**	68.0

The cost of inventories recognised as an expense and included as cost of goods sold amounted to £449.4 million (2009: £459.8m).

The Group inventory provision recognised in cost of sales at 30 June 2010 was £2.7 million (2009: £2.1m).

During the year £0.3 million of provisions were utilised (2009: £0.9m).

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

16. Trade and other receivables

	2010 £m	2009 £m
Trade receivables	**128.3**	124.2
Other receivables	**5.5**	4.4
Forward contract assets	**3.4**	0.2
Prepayments and accrued income	**3.6**	4.0
Total receivables	**140.8**	132.8

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

	2010 £m	2009 £m
Total trade receivables	**130.1**	126.8
Less: impairment provision for trade receivables	**(1.8)**	(2.6)
Net trade receivables per the balance sheet	**128.3**	124.2

The movements in the provision account are as follows:

	2010 £m	2009 £m
At 1 July	**2.6**	2.1
Charged to current year income statement	**4.5**	5.7
Utilisation	**(5.3)**	(5.2)
At 30 June	**1.8**	2.6

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

As at 30 June 2010, trade receivables of £3.5 million (2009: £8.1m) were past due but not impaired. These relate to a number of external parties where there is no expectation of default. The ageing analysis of these trade receivables is shown in the table below. Based on past experience the Group believes no impairment allowance is necessary in respect of trade receivables not past due.

	2010 £m	2009 £m
Not overdue	**124.8**	116.1
Past due less than one month	**3.6**	7.8
Between one and three months	**0.5**	1.5
Between three and six months	**0.6**	0.4
Over six months	**0.6**	1.0
	130.1	126.8

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

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

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

17. Trade and other payables

	2010 £m	2009 £m
Trade payables	**141.4**	133.3
Other taxation and social security	**17.1**	16.9
Forward contract liabilities	**2.3**	–
Interest rate swaps	**3.2**	2.6
Other payables	**18.8**	15.6
Accruals and deferred income	**22.4**	21.9
Contingent consideration on acquisition* (note 4)	**0.8**	–
Total payables	**206.0**	190.3

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

* £0.6 million of contingent consideration is payable after more than one year (see note 4).

18. Provisions

	Onerous contracts £m	Leasehold dilapidations £m	Redundancy/ termination £m	Other £m	Total £m
At 1 July 2008	–	1.3	0.4	0.3	2.0
Provisions made during the year	1.0	0.2	4.5	0.4	6.1
Provisions utilised during the year	(0.3)	(0.9)	(3.5)	(0.6)	(5.3)
At 30 June 2009	0.7	0.6	1.4	0.1	2.8
Exchange movements	–	–	(0.1)	(0.1)	**(0.2)**
Provisions made during the year	–	–	5.4	2.7	**8.1**
Provisions utilised during the year	(0.5)	(0.2)	(3.1)	(0.7)	**(4.5)**
At 30 June 2010	**0.2**	**0.4**	**3.6**	**2.0**	**6.2**
Analysed as:					
Current	0.2	0.4	2.9	1.6	**5.1**
Non-current	–	–	0.7	0.4	**1.1**
Total	**0.2**	**0.4**	**3.6**	**2.0**	**6.2**

Onerous contracts

As part of a programme to configure its manufacturing capabilities in the UK, the Group announced the downsizing of the site at Warrington. £0.2 million relates to the remaining property lease obligations in respect of the facility vacated and this amount will be incurred over the remainder of the lease term.

Leasehold dilapidations

£0.1 million relates to dilapidation costs relating to the closed production facility at Coventry and £0.3 million relates to dilapidations and site clearance of a freehold and a leasehold taken on with the Darcy acquisition in 2007.

Redundancy/termination

The outstanding balance relates to the restructuring programmes in the Western Continental Europe and UK divisions made in the year to 30 June 2010 (see note 3).

Other

The other provisions relate to the consultants, logistics and storage costs in connection with the restructuring programmes in Western Continental Europe made in the year to 30 June 2010 (see note 3) and to training cost obligations in France.

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

19. Pensions and other post-employment benefits

The Group operates a number of pension schemes. Within the UK, it operates the Robert McBride Pension Fund (the Scheme), which is a final salary pension scheme, and also defined contribution schemes. Together these schemes cover most of the Group's UK employees. In addition, the Group operates a number of smaller pension and other post-employment schemes in Western Continental Europe that are devised in accordance with local conditions and practices in the countries concerned. The fair value of the Group's non-UK liabilities has been estimated to be £2.5 million (2009: £2.2m).

Financial summary

	2010 £m	2009 £m
Balance sheet		
Deficit on the Scheme (see tables below)	**21.1**	16.7
Deficit/provision on Western Continental Europe post-employment schemes	**2.5**	2.2
	23.6	18.9
Related deferred tax asset on the Scheme	**5.9**	4.7
Income statement expense		
Defined contribution schemes	**1.2**	1.0
Defined benefit schemes and post-employment schemes	**2.1**	1.1
Total amount charged to the income statement	**3.3**	2.1
Statement of comprehensive income		
Amounts charged directly to equity	**(4.3)**	(9.7)

19. Pensions and other post-employment benefits continued

UK defined benefit scheme

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

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

The most recently completed triennial actuarial valuation of the Scheme was performed by an independent actuary for the trustees of the Scheme and was carried out as at 31 March 2006. A triennial actuarial valuation of the Scheme as at 31 March 2009 has been performed by an independent actuary for the trustees of the Scheme but is not yet finalised. The results of that 2009 valuation have been projected to 30 June 2010 and then updated based on the assumptions disclosed below. Following the 2006 valuation, the Group's rates of ordinary contributions increased with effect from the beginning of 2007 by between 0% and 10% of pensionable salaries across the various payrolls within the UK. In addition, the Group is currently making additional monthly contributions over and above the ordinary contributions. The Group agreed with the trustees that it will aim to eliminate the deficit by 2018 and that the Group will monitor funding levels on an annual basis. Finalisation of the triennial valuation as at 31 March 2009 will incorporate any necessary changes to contribution rates. Expected employer contributions for 2011 are currently estimated to be £3.3 million, but the funding levels for the forthcoming year are still to be determined.

The expected rate of return on assets is the weighted average of the expected returns on each major category of asset at the balance sheet date. Bond returns are taken to be equal to the relevant gross redemption yields available. For equities and property, more judgement is required and it has been assumed that those assets will achieve a returns of 3.5% and 3.0% respectively above the gross redemption yield on long-term fixed interest government bonds. Other plan assets consist of commodities, hedge funds, infrastructure and convertibles and the weighted average risk premium for these elements has been assumed at 2.7% above the gross redemption yield on long-term fixed interest government bonds. A deduction is made for the expected level of the Scheme's expenses.

Weighted average assumptions at the end of the period

	2010	2009
Discount rate	**5.4%**	6.5%
Expected return on plan assets	**6.1%**	6.6%
Future salary increases	**2.8%**	3.0%
Inflation rate	**3.1%**	3.3%
Future pension increases	**3.1%**	3.3%

Expected rate of return on plan assets

	2010	2009
Equities	**7.5%**	7.6%
Bonds	**5.3%**	5.2%
Property	**7.0%**	7.1%
Cash	**4.0%**	4.1%
Other	**6.7%**	n/a

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice. Mortality rates used are based upon:

		Life expectancy at age 65 (years)	
	Mortality table	Male	Female
Future pensioners	112% of PMA00 and 118% of PFA00 (projected by birth year using medium cohort factors)	22.0	23.8
Current pensioners	112% of PMA00 and 118% of PFA00 (projected by birth year using medium cohort factors)	20.8	22.8

Sensitivity analysis for the principal assumptions used to measure the Scheme's liabilities shows how the measurement of the Scheme's liabilities would have been affected by changes in the relevant assumption at the balance sheet date. For the purposes of this disclosure all other assumptions are taken to be held constant.

The sensitivities regarding the principal assumptions used to measure the Scheme's liabilities are set out below:

Assumption	Change in assumption	Impact on liabilities	%
Discount rate	Increase by 0.5%	Decrease	8.5
Rate of inflation, salary growth and LPI (limited price indexation)	Increase by 0.5%	Increase	9.9
Rate of salary growth	Increase by 0.3%	Increase	1.3
Rate of mortality	Change in mortality table*	Increase	5.6

* If the death rates used are 112% for males and 118% for females of the '2000 series' standard tables, projected by year of birth using long cohort factors with a 1% floor rather than medium cohort factors. These alternative projections make a greater allowance for future improvements in life expectancy to improve over time due to improvements in medical treatments and other lifestyle factors such that younger members who have not yet reached pensionable age are expected to live longer than current pensioner members.

Summary of plan assets at the end of the period

	2010 £m	2009 £m	2010 %	2009 %
Equities	**37.0**	41.7	**54**	76
Bonds	**20.1**	10.1	**30**	18
Property	**2.8**	1.9	**4**	4
Cash	**2.2**	1.2	**3**	2
Other	**6.2**	–	**9**	–
Total	**68.3**	54.9	**100**	100

The Scheme has no investment in the Group's equity securities or in property used by the Group.

Charges on the basis of the assumptions above were:

	2010 £m	2009 £m
Charge to the Group income statement		
Current service cost	**1.1**	1.4
Amount charged to operating profit	**1.1**	1.4
Interest on pension liabilities (recognised in financial expense)	**4.6**	4.6
Expected return on scheme assets (recognised in financial income)	**(3.6)**	(4.9)
Amount charged/(credited) to net financial costs	**1.0**	(0.3)
Total included within staff/finance costs	**2.1**	1.1
Credit/(charge) to the consolidation statement of comprehensive income before taxation		
Actual return less expected return on pension scheme assets	**9.8**	(13.8)
Experience gains and losses arising on scheme liabilities	**(14.1)**	4.1
	(4.3)	(9.7)

The cumulative recognised actuarial gains and losses for the Scheme are £13.9 million loss (2009: £9.6m loss).

Fair value of assets and liabilities of the Scheme

The fair value of the Scheme's assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the Scheme's liabilities, were:

	2010 £m	2009 £m
Movement in plan assets		
At 1 July	**54.9**	63.8
Expected return on plan assets	**3.6**	4.8
Actuarial gains/(losses)	**9.8**	(13.8)
Employer contributions	**2.0**	2.0
Plan participants' contributions	**0.6**	0.7
Benefits paid	**(2.6)**	(2.6)
At 30 June	**68.3**	54.9
Movement in benefit obligation		
At 1 July	**71.6**	71.7
Service cost	**1.1**	1.3
Interest cost	**4.6**	4.6
Plan participants' contributions	**0.6**	0.7
Actuarial losses/(gains)	**14.1**	(4.1)
Benefits paid	**(2.6)**	(2.6)
At 30 June	**89.4**	71.6
Market value of the Scheme's assets	**68.3**	54.9
Present value of the Scheme's obligations	**(89.4)**	(71.6)
Deficit in the Scheme	**(21.1)**	(16.7)
Related deferred tax asset	**5.9**	4.7
	(15.2)	(12.0)
Analysed as:		
Non-current asset	**5.9**	4.7
Non-current liability	**(21.1)**	(16.7)
	(15.2)	(12.0)
Actual return on Scheme assets	**13.4**	(9.0)

19. Pensions and other post-employment benefits continued

History of experience gains and losses

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of the Scheme obligations	**(89.4)**	(71.6)	(71.7)	(73.2)	(69.2)
Fair value of the Scheme assets	**68.3**	54.9	63.8	66.0	56.9
Deficit in the Scheme	**(21.1)**	(16.7)	(7.9)	(7.2)	(12.3)
Difference between expected and actual return on the Scheme's assets:					
Amount	**9.8**	(13.8)	(8.4)	4.1	5.8
Percentage of the Scheme's assets	**14.3%**	(25.1%)	(13.2%)	6.2%	10.2%
Experience gains and losses on the Scheme's liabilities:					
Amount	**(14.1)**	4.1	6.4	0.5	(6.7)
Percentage of the present value of the Scheme's liabilities	**15.8%**	(5.7%)	(8.9%)	(0.7%)	9.7%
Total amount recognised in the statement of recognised income and expense:					
Amount	**(4.3)**	(9.7)	(2.0)	4.6	(0.9)
Percentage of the present value of the Scheme's liabilities	**4.8%**	13.5%	2.8%	(6.3%)	1.3%

20. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

Non-current liabilities

	2010 £m	2009 £m
Unsecured bank loans	**49.5**	58.3
Finance lease liabilities	**0.1**	0.4
	49.6	58.7

Current liabilities

	2010 £m	2009 £m
Overdrafts	**6.1**	13.1
Unsecured bank loans	**0.1**	0.1
Invoice selling facility	**8.9**	12.6
Current portion of finance lease liabilities	**0.3**	0.7
	15.4	26.5
Total borrowings	**65.0**	85.2

Bank loans and overdrafts are repayable as follows:

	2010 £m	2009 £m
In less than one year	**6.2**	13.2
Between one and two years	**0.2**	57.9
Between two and five years	**49.3**	0.4
Total repayable	**55.7**	71.5

Finance lease liabilities

	2010			2009		
	Minimum payments £m	Finance charge £m	Present value £m	Minimum payments £m	Finance charge £m	Present value £m
Falling due in less than one year	**0.4**	**0.1**	**0.3**	0.8	0.1	0.7
Between one and five years	**0.1**	**–**	**0.1**	0.4	–	0.4
	0.5	**0.1**	**0.4**	1.2	0.1	1.1

Material leases relate to land and buildings at Rosporden, France, with the option to buy them for a consideration of €1 at the end of the lease on 1 January 2011 and for plant and equipment at Bergamo where the option to buy is 1% (£31,000) of initial cost.

21. Financial instruments and Treasury risk management

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

Credit risk

Trading exposures are monitored and managed by Group operating companies against agreed policy levels. Credit insurance is employed where it is considered to be cost-effective. Financial exposures are incurred only with financial institutions appointed as Group company bankers and approved at Group level.

At the balance sheet date there were no significant concentrations of credit risk. The majority of the trade receivables exposure is in the UK and Euro zone with retail customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

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

Interest rate risk

Hedging

The Group is exposed to changes in prevailing interest rates on its primarily floating-rate debt. The Group has partially covered this risk with interest rate swaps, which had the effect of fixing the rate on a notional principal debt amount of €60 million (2009: €60m). The Group classifies such swaps as cash flow hedges and states them at fair value, which amounted to a loss of £3.2 million (2009: £2.6m loss).

Foreign currency risk

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

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

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

For accounting purposes the Group classifies its forward exchange contracts hedging firm commitments and forecasted transactions as cash flow hedges, where they meet the hedge accounting criteria, and they are recorded at fair value. The fair value of forward exchange contracts used as hedges of firm commitments and forecasted transactions at 30 June 2010 was a loss of £1.3 million (2009: £0.6m loss) and was recognised on the balance sheet within other payables and non-trade receivables. During the year £0.1 million (2009: £0.5m) of fair value net gain was recorded in the income statement. The cash flows for the forward contracts are expected to occur substantially within the next financial year, at the same time as the underlying forecasted transactions.

Translation risk arises at the consolidated Group level, on earnings and net assets denominated in currencies other than pounds sterling. The Group's policy is to hedge a substantial proportion of overseas net assets, using foreign currency borrowings and swaps, in order to mitigate the risk of volatility in reported net assets and key financial ratios as a result of exchange rate fluctuations. The interest on these foreign currency borrowings and swaps provides a natural hedge of the translation exposure on our earnings denominated in the same currencies, and this cover is supplemented by the purchase of exchange rate options when cost-effective.

Euro, Zloty and Malaysian Ringgit (RM) forward contracts were designated as hedges of the Group's investments in its subsidiaries in the Euro zone, Poland and Malaysia. The notional value of these contracts at 30 June 2010 were €20.8 million (2009: €17.0m), Zloty 55.0 million (2009: Zloty 54.0m) and RM 19.4 million (2009: RM nil). A foreign exchange gain of £0.5 million (2009: £0.2m gain) was recognised in equity on the contracts.

Foreign currency risk exposure may also arise on financial assets and liabilities. Group policy allows for such currency exposure to be economically hedged with forward contracts.

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of net financing costs (see note 6).

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings.

Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on future consolidated earnings.

For the financial period to 30 June 2010 it is estimated that a general increase or decrease by 100 basis points in interest rates would have increased or decreased the Group's profit before tax by approximately £0.6 million (2009: £0.8m), excluding the impact of the interest rate swaps. Including the swaps reduces the impact on profit before tax to £0.1 million (2009: £0.3m).

Notes to the Group financial statements

Continued

21. Financial instruments and treasury risk management continued

It is estimated that a general increase of 10 percentage points in the value of the Pound Sterling against other foreign currencies would have decreased the Group's profit before tax by £2.3 million for the year ended 30 June 2010 (2009: £1.8m) due to translation of foreign subsidiaries' profits, assuming all other variables remained constant. A decrease of 10 percentage points in the value of the Pound Sterling against other foreign currencies would have increased profit before tax by £2.9 million (2009: £2.2m).

Interest rate risk management quantification

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

2010	Period in which interest rate re-prices	Euro £m	Sterling £m	Other currencies £m	Impact of Euro interest rate swaps £m	**Total carrying value 2010 £m**
Financial liabilities:						
Fixed rate	In less than one year	(0.3)	–	–	(12.3)	**(12.6)**
	Between one and two years	–	–	(0.1)	–	**(0.1)**
	Between two and five years	–	–	–	(36.8)	**(36.8)**
Floating rate	In less than one year	(5.5)	(9.2)	(0.4)	–	**(15.1)**
	Between one and two years	(0.1)		(0.1)	–	**(0.2)**
	Between two and five years	(49.3)	–	–	49.1	**(0.2)**
	Due after five years	–	–	–	–	**–**
		(55.2)	(9.2)	(0.6)	–	**(65.0)**
Currency swaps	Less than six months	(17.0)	31.9	(14.9)	–	**–**
Total financial liabilities		(72.2)	22.7	(15.5)	–	**(65.0)**
Financial assets:						
Floating rate		2.4	0.5	2.1	–	**5.0**
Total financial assets		2.4	0.5	2.1	–	**5.0**
Net financial (liabilities)/assets		**(69.8)**	**23.2**	**(13.4)**	**–**	**(60.0)**

2009	Period in which interest rate re-prices	Euro £m	Sterling £m	Other currencies £m	Impact of Euro interest rate swaps £m	Total carrying value 2009 £m
Financial liabilities:						
Fixed rate	In less than one year	(0.7)	–	–	–	(0.7)
	Between one and two years	(0.3)	–	(0.1)	(12.8)	(13.2)
	Between two and five years	–	–	–	(38.3)	(38.3)
Floating rate	In less than one year	(11.8)	(14.0)	–	–	(25.8)
	Between one and two years	(57.9)	–	–	51.1	(6.8)
	Between two and five years	(0.4)	–	–	–	(0.4)
	Due after five years	–	–	–	–	–
		(71.1)	(14.0)	(0.1)	–	(85.2)
Currency swaps	In less than six months	(14.5)	25.4	(10.9)	–	–
Total financial liabilities		(85.6)	11.4	(11.0)	–	(85.2)
Financial assets:						
Floating rate		0.6	–	2.2	–	2.8
Total financial assets		0.6	–	2.2	–	2.8
Net financial (liabilities)/assets		(85.0)	11.4	(8.8)	–	(82.4)

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

Fixed rate borrowings relate to finance leases, which have weighted average interest rates between 2% and 10% (2009: 3% and 7%), and the impact of the €60 million (2009: €60m) interest rate swaps from LIBOR to 3.88% (2009: 3.88%).

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

Liquidity risk management

On 15 June 2010 the Group concluded a new €175 million revolving credit facility, which is provided by four major banks and remains committed until June 2015. The Group is required to comply with certain undertakings which are typical for unsecured borrowing facilities. These include financial covenants regarding interest cover and debt cover, as these ratios are defined in the facility agreement. The Group was fully compliant with all such undertakings and covenants at 30 June 2010. Further liquidity is provided by a UK sales invoice selling facility, which amounted to £25 million at 30 June 2010 (2009: £25m) and is committed until June 2012.

The amount unutilised in the revolving credit facility at the year end was £94.2 million (2009: £90.8m).

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

The table below details the Group liquidity analysis for its derivative financial instruments, based on undiscounted net cash inflows and outflows. When the amount payable is not fixed, the amount disclosed has been determined by reference to market yield curves prevailing at the reporting date.

	Due				
2010	Less than 1 month	1-3 months	3 months-1 year	1- 5 years	Total
Net settled:					
Foreign currency contracts	–	0.3	0.4	–	**0.7**
Interest rate swaps	(0.1)	(0.4)	(0.8)	(1.9)	**(3.2)**
Gross settled:					
Foreign currency contracts	(0.1)	(0.2)	(2.0)	(0.1)	**(2.4)**
Currency swaps	1.9	0.5	–	–	**2.4**
	1.7	**0.2**	**(2.4)**	**(2.0)**	**(2.5)**

2009					
Net settled:					
Foreign currency contracts	–	–	–	–	–
Interest rate swaps	(0.1)	(0.3)	(1.0)	(1.2)	(2.6)
Gross settled:					
Foreign currency contracts	–	(0.1)	(0.8)	–	(0.9)
Currency swaps	0.4	0.4	–	–	0.8
	0.3	–	(1.8)	(1.2)	(2.7)

Currency risk management – net asset exposure

As indicated on page 103, it is the objective of the Group to minimise currency risk by hedging its currency exposure.

The Group operates significant businesses in Continental Europe, denominated in Euros and other European currencies, and in South East Asia. The Group has exposure to movements in exchange rates on net assets. In order to hedge these exposures the Group arranges foreign currency funding, both internal and external, and uses forward contracts to hedge part of the remaining net exposure to foreign currency assets in line with Group policy. The net asset exposure and the effect of the rolling forward contracts is shown below.

Impact of forward contracts on net assets' currency exposure

2010	Net assets before hedging £m	Forward contracts £m	**Net assets after hedging £m**
Sterling	63.8	31.9	**95.7**
Euro	42.2	(17.0)	**25.2**
Other	18.1	(14.9)	**3.2**
Total net assets	**124.1**	**–**	**124.1**

2009	Net assets before hedging £m	Forward contracts £m	Net assets after hedging £m
Sterling	61.7	25.4	87.1
Euro	44.8	(14.5)	30.3
Other	12.9	(10.9)	2.0
Total net assets	119.4	–	119.4

Notes to the Group financial statements
Continued

21. Financial instruments and treasury risk management continued

Fair value disclosure

The Group has adopted the amendment to IFRS 7 for financial instruments at fair value. The amendment requires disclosure of fair value measurements by level.

Level 1: quoted prices for identical instruments
Level 2: directly or indirectly observable market inputs
Level 3: inputs which are not based on observable market data

At 30 June 2010 the Group book and fair values of its financial assets and liabilities are disclosed in the table below, including the fair value level measurement used on assets and liabilities carried at fair value:

		2010		2009
Financial assets and liabilities carried at fair value	**Book value £m**	**Fair value £m**	Book value £m	Fair value £m
Forward exchange contracts (level 2)	**1.1**	**1.1**	0.2	0.2
Interest rate swaps (level 2)	**(3.2)**	**(3.2)**	(2.6)	(2.6)
Contingent consideration on acquisition (level 3)*	**(0.6)**	**(0.6)**	–	–
Financial assets and liabilities carried at amortised cost				
Bank loans, overdrafts and other loans	**(64.6)**	**(64.6)**	(84.1)	(84.1)
Finance lease liabilities	**(0.4)**	**(0.4)**	(1.1)	(1.1)
Cash and cash equivalents	**5.0**	**5.0**	2.8	2.8
Trade and other payables	**(182.6)**	**(182.6)**	(170.8)	(170.8)
Trade receivables	**128.3**	**128.3**	124.2	124.2
Total	**(117.0)**	**(117.0)**	(131.4)	(131.4)

* The contingent consideration (note 4) relates to a put/call option exercisable by a minority shareholder and has been recorded at fair value based on the probabilities of the conditions of the earn-out/buy-out met.

Notional value of forward contracts	**2010 £m**	2009 £m
Euros purchased	**42.4**	33.5
Euros sold	**(39.1)**	(24.7)
Polish Zlotys sold	**(10.9)**	(10.3)
Malaysian Ringgits sold	**(4.0)**	–
US Dollars purchased	**2.8**	2.3
Sterling purchased	**0.1**	0.1
Hungarian Forints sold	**–**	(0.6)
	(8.7)	0.3

Capital risk management

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

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

22. Share capital

	Authorised		Allotted, called up and fully paid	
	Number	£m	Number	£m
Ordinary shares of 10 pence each				
At 1 July 2009	500,000,000	50.0	180,288,282	18.0
At 30 June 2010	**500,000,000**	**50.0**	**181,040,301**	**18.1**

At 30 June 2010 a total of 824,498 Treasury shares with £82,450 nominal value (2009: 752,019 shares with £75,202 nominal value) were held to satisfy future exercises of employee share options.

Ordinary shares carry full voting rights and holders are entitled to attend Company meetings and to receive dividends (see page 67).

23. Employee share schemes

Share options

The table below lists share option schemes existing between 30 June 2009 and 30 June 2010:

Option type	2009 Option number	Options granted in the year number	Options exercised during year	Weighted average share price (£)	Options cancelled/ lapsed during year	**2010 Option number**	**2010 Exercisable number**	Option exercise price (£)	Earliest exercise date	Expiry date
1995 International Executive Share Option Scheme	273,504	–	(273,504)	0.585	–	**–**	**–**	0.585	n/a	n/a
2002 Unapproved Discretionary Share Option Scheme	236,111	–	(236,111)	0.72	–	**–**	**–**	0.72	n/a	n/a
2009 Savings Related Share Option Scheme	3,927,632	–	(2,699)	0.935	(235,350)	**3,689,583**	**–**	0.935	30 Mar 2012	29 Sept 2012
	4,437,247	–	(512,314)		(235,350)	**3,689,583**	**–**			

Please refer to page 72 for further details on the options above.

McBride Long-Term Incentive Plan (LTIP)

The Group operates a performance based LTIP, comprising both equity-settled and cash-settled awards with a three year vesting period, for senior executives. The percentage of the award vesting is dependent on the performance of the Group against the following criteria:

Total shareholder return (TSR): 50% of the award relates to comparing the TSR of McBride shares with the TSR of the companies in the FTSE 250 Ex. Investment Companies Index (see page 72).

Earnings per share (EPS): 50% of the award relates to comparing the EPS growth of the Group with movements in the Retail Price Index (see page 76).

Fair values of awards granted in 2009 and 2010

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

	2010	2009
Risk-free interest rate	**2.6%**	4.3%
Discounted share price on grant date (pence)	**202.94p**	102.81p
Dividend yield on stock	**3.5%**	3.2%
Dividend yield on index	**2.7%**	5.5%
Volatility for stock	**55.0%**	39.0%
Volatility for index	**30.0%**	21.0%
Expected life of LTIPs	**3 years**	3 years

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

	Number of awards granted	Weighted fair value (pence)
Issued in the year ended 30 June 2010 – outstanding and not exercisable	**793,641**	**158.5**
Issued in the year ended 30 June 2009 – outstanding and not exercisable	1,652,602	79.7

The Company recognised total expenses of £1.7 million relating to share-based transactions in 2010 (2009: £0.5m), of which £1.1 million (2009: £0.4m) related to equity-settled share-based transactions, and £0.6 million to cash-settled share-based transactions (2009: £0.1m). During the year, 0.1 million shares relating to the TSR element of the LTIP award granted during the year ended 30 June 2007 vested, having met the performance criteria. For the LTIP award granted during the year ended 30 June 2008, 0.4 million shares relating to both TSR and EPS elements of the award are expected to vest having met the performance criteria. At 30 June 2010, 0.5 million shares relating to subsequent grants have lapsed.

24. Employee numbers and costs

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

	2010	2009
Operations	**4,285**	4,257
Sales and marketing	**332**	306
Finance and administration	**478**	442
Total full-time equivalent employees	**5,095**	5,005

	2010 £m	2009 £m
The aggregate payroll costs were:		
Wages and salaries	**133.6**	123.6
Share scheme costs	**1.7**	0.5
Social security costs	**26.2**	24.7
Pension costs	**2.3**	2.4
Total payroll costs	**163.8**	151.2

Pension costs include the current service costs for defined benefit schemes and payments to defined contribution schemes but exclude defined benefit scheme costs included within net financing costs.

25. Net debt

	2009 £m	Cash flow £m	Cash and debt acquired (note 4) £m	Exchange movements £m	2010 £m
Cash and cash equivalents per the balance sheet	2.8	1.7	0.5	–	**5.0**
Overdrafts	(13.1)	7.0	–	–	**(6.1)**
Cash and cash equivalents per the cash flow statement	(10.3)	8.7	0.5	–	**(1.1)**
Debt: Due after one year	(58.3)	7.0	(0.1)	1.9	**(49.5)**
Debt: Due within one year	(12.7)	3.7	–	–	**(9.0)**
Finance leases	(1.1)	0.7	–	–	**(0.4)**
Net debt	(82.4)	20.1	0.4	1.9	**(60.0)**

	2008 £m	Cash flow £m	Cash and debt acquired £m	Exchange movements £m	2009 £m
Cash and cash equivalents per the balance sheet	4.4	(1.6)	–	–	2.8
Overdrafts	(7.8)	(7.5)	–	2.2	(13.1)
Cash and cash equivalents per the cash flow statement	(3.4)	(9.1)	–	2.2	(10.3)
Debt: Due after one year	(82.1)	30.6	–	(6.8)	(58.3)
Debt: Due within one year	(15.8)	3.1	–	–	(12.7)
Finance leases	(2.0)	0.9	–	–	(1.1)
Net debt	(103.3)	25.5	–	(4.6)	(82.4)

26. Commitments

	2010 £m	2009 £m
Capital expenditure		
Contracted but not provided	3.5	2.7

Operating leases

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

Total operating leases	2010 £m	2009 £m
Within one year	4.4	4.4
In the second to fifth years inclusive	9.2	10.0
After five years	6.7	7.2
	20.3	21.6

Leases of land and buildings which expire	2010 £m	2009 £m
Within one year	1.6	1.3
In the second to fifth years inclusive	3.7	3.5
After five years	6.7	7.0
	12.0	11.8

Other leases which expire	2010 £m	2009 £m
Within one year	2.8	3.1
In the second to fifth years inclusive	5.5	6.5
After five years	–	0.2
	8.3	9.8

Other operating leases related mainly to plant and equipment.

27. Subsequent events

On 1 September 2010, the Group agreed the acquisition of a 70% interest in Dermacol a.s., a manufacturer of skincare products based in the Czech Republic, for an expected consideration of around £8 million (CZK240 million) from its parent company, Alphaduct a.s. The Group has also agreed to purchase the remaining 30% of the shares in late 2017 for a consideration based on the operating profit of Dermacol a.s. in the 2017 financial year. The total consideration cannot exceed a maximum of £21.7 million (CZK650 million).

During the year ended 31 December 2009, Dermacol a.s. reported a profit before tax of £0.8 million (CZK24.1 million). At 31 December 2009, gross assets were £10.4 million (CZK312 million).

Company balance sheet
at 30 June 2010

	Note	2010 £m	2009 £m
Fixed assets			
Tangible assets	3	**0.3**	0.3
Investments	4	**157.0**	155.3
		157.3	155.6
Debtors: Amounts falling due within one year	5	**119.6**	155.3
Creditors: Amounts falling due within one year	6	**(49.6)**	(60.8)
Net current assets		**70.0**	94.5
Total assets less current liabilities		**227.3**	250.1
Creditors: Amounts falling due after more than one year	7	**(49.1)**	(57.7)
Net assets		**178.2**	192.4
Capital and reserves			
Called-up share capital	8	**18.1**	18.0
Share premium account	9	**143.5**	143.5
Capital redemption reserve	9	**0.5**	0.5
Profit and loss account	9	**16.1**	30.4
Total equity and reserves		**178.2**	192.4

These financial statements were approved by the Board of Directors on 1 September 2010 and were signed on its behalf by:

C Bull
Director

McBride plc
Registered number: 2798634

Notes to the Company financial statements

1. Presentation of the financial statements and accounting policies

Description of business
McBride plc is the parent company of the McBride Group of companies which are Europe's leading provider of Private Label Household and Personal Care products.

Preparation of financial statements
The separate financial statements of the Company, which are prepared under the going concern basis, are drawn up in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and presented as required by the Companies Act 2006. They have been prepared under the historical cost convention, modified to include revaluation to fair value of certain financial instruments. They are presented in Pounds Sterling, being the Company's functional currency.

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

Under FRS 8, 'Related Party Disclosures', the Company is exempt from disclosing related party transactions with entities that are wholly owned subsidiaries of the Company.

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

Accounting policies
The principal accounting policies are summarised below.

Investments
Fixed asset investments in subsidiaries are shown at cost less any provision for impairment. For investments in subsidiaries acquired for consideration, including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Tangible fixed assets
Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment (including software) – 3 to 5 years
Furniture and fittings – 8 to 10 years

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

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

Share-based payments
Where a parent company grants share-based payments to employees of a subsidiary and such share-based compensation is accounted for as equity- or cash-settled in the consolidated financial statements of the parent, the subsidiary is required to record an expense for such compensation in accordance with FRS 20, 'Share-Based Payments', with a corresponding increase recognised in equity of £1.1 million and liabilities of £0.6 million. Consequently, the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £1.7 million (2009: £0.3m) with a credit to equity/liability for the same amount.

Taxation
Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantively enacted by the balance sheet date.

The Company accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Contingent liabilities
When the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2. Profit for the year
As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a loss for the financial year ended 30 June 2010 of £2.1 million (2009: profit of £10.9m). Fees payable to the Company's auditors for the audit of the Company's annual accounts were £0.1 million (2009: £0.1m). Fees payable to the Company's auditors for services relating to tax were £nil (2009: £nil). The Company had no employees for the year ended 30 June 2010 (2009: nil).

3. Tangible fixed assets
During the year ended 30 June 2010, there were £0.1 million of additions to the Company's tangible fixed assets relating to furniture and fittings (2009: £nil). At 30 June 2010, the Company had tangible fixed assets relating to furniture and fittings of £0.3 million (2009: £0.3m) and computer equipment of £nil (2009: £nil).

4. Investments

	£m
Shares in subsidiary undertakings at cost	
At 30 June 2009	155.3
Share-based payment granted to employees of subsidiaries	1.7
At 30 June 2010	**157.0**

Set out below are the principal subsidiary undertakings of the Company whose results are included in the consolidated financial statements as at 30 June 2010. The country of incorporation is also the principal country of operation.

The main business activity of the major operating subsidiaries involves the manufacture and distribution of Household and Personal Care products. A full list of subsidiaries is filed with the Registrar of Companies.

Company	Ownership	Country of incorporation
Trading subsidiaries	(ordinary shares)	
Robert McBride Limited*	100.0%	England
McBride S.A.	100.0%	Belgium
McBride Zhongshan Limited	100.0%	China
McBride S.r.o.	100.0%	Czech Republic
McBride S.A.S.	100.0%	France
Problanc S.A.S.	100.0%	France
Vitherm S.A.S.	100.0%	France
Chemolux GmbH	100.0%	Germany
McBride Hungary Kft	100.0%	Hungary
McBride S.p.A.	100.0%	Italy
Dasty Italia S.p.A.	100.0%	Italy
Chemolux S.a.r.l.	100.0%	Luxembourg
Fortune Laboratories Sdn Bhd**	85.0%	Malaysia
McBride B.V.	100.0%	Netherlands
Intersilesia McBride Polska Sp. Z.o.o.	100.0%	Poland
OOO McBride Russia	100.0%	Russia
McBride S.A.U.	100.0%	Spain
Newlane Cosmetics Company Limited	92.5%	Vietnam
Investment companies		
McBride Holdings Limited*	100.0%	England
McBride CE Holdings Limited	100.0%	England
McBride Australia PTY Limited	100.0%	Australia
McBride Hong Kong Holdings Limited	100.0%	Hong Kong
CNL Holdings Sdn Bhd***	92.5%	Malaysia
Fortlab Holdings Sdn Bhd**	85.0%	Malaysia
Fortune Organics (F.E.) Sdn Bhd****	46.8%	Malaysia

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

** As disclosed in note 4 to the consolidated financial statements these companies are accounted for using the anticipated acquisition method and no non-controlling interests have been recognised.

*** This company is 50% owned by McBride Hong Kong Holdings Limited and 50% held by Fortlab Holdings Sdn Bhd therefore the effective indirect ownership by the Company of this investment company and Newlane Cosmetics Company Limited, its wholly owned subsidiary, is 92.5%. However as disclosed in note 4 to the consolidated financial statements these companies are accounted for using the anticipated acquisition method and no non-controlling interest has been recognised.

**** This company is 55% owned by Fortlab Holdings Sdn Bhd and therefore the effective indirect ownership of this investment company and its wholly owned subsidiary by the Company is 46.8%. As disclosed in note 4 to the consolidated financial statements, its parent company has been accounted for using the anticipated acquisition method. As a result no non-controlling interest in respect of the parent company has been recognised and the non-controlling interest in this investment company in the consolidated financial statements is 45%.

5. Debtors: amounts falling due within one year

	2010 £m	2009 £m
Amounts owed by Group undertakings	**112.7**	151.9
Forward contract assets	**1.5**	0.2
Deferred tax assets (note 10)	**1.0**	2.0
Other debtors	**4.2**	1.0
Prepayments and accrued income	**0.2**	0.2
Total debtors	**119.6**	155.3

6. Creditors: amounts falling due within one year

	2010 £m	2009 £m
Bank overdrafts (unsecured)	**0.4**	0.1
Amount relating to cash-settled share-based payments granted to employees of subsidiaries	**0.6**	–
Interest rate swaps	**3.2**	2.6
Other creditors	**0.3**	0.3
Amounts owed to Group undertakings	**43.5**	56.1
Accruals and deferred income	**1.6**	1.7
Total creditors	**49.6**	60.8

7. Creditors: amounts falling after more than one year

	2010 £m	2009 £m
Bank loans	**49.1**	57.7

8. Called-up share capital

	Authorised		Allotted, called up and fully paid	
	Number	£m	Number	£m
Ordinary shares of 10 pence each				
At 1 July 2009 and at 30 June 2010	**500,000,000**	**50.0**	**181,040,301**	**18.1**

At 30 June 2010 a total of 824,498 Treasury shares with £82,450 nominal value (2009: 752,019 shares with £75,202 nominal value) were held to satisfy future exercises of employee share options.

9. Movement on reserves

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m
At 1 July 2009	143.5	0.5	30.3
Retained loss for the year	–	–	(13.5)
Equity granted to employees of subsidiaries	–	–	1.1
Additional amounts received relating to issue of shares	–	–	0.2
Shares repurchased	–	–	(1.4)
Related tax movements	–	–	(0.6)
At 30 June 2010	**143.5**	**0.5**	**16.1**

10. Deferred tax

	Share-based payments £m	Other £m	Total £m
Deferred tax asset at 1 July 2009	1.1	0.9	2.0
Credit/(charge) to income statement	0.4	(0.8)	(0.4)
Charge to equity	(0.6)	–	(0.6)
Deferred tax asset at 30 June 2010	**0.9**	**0.1**	**1.0**

11. Guarantees

The Company has guaranteed the loans and debt of certain subsidiaries up to £13.3 million (2009: £10.3m).

12. Share-based payments

The Company has no employees. Shares in the Company have been granted to employees of the Group as part of the share-based payment plans and recharged to the employing company on the basis of the actual cost as calculated by the number of employees benefiting from any share issue. See note 23 to the consolidated financial statements for more detail on the Group's share-based payment plans.

13. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

Leases of land and buildings which expire	2010 £m	2009 £m
Within one year	–	–
In two to five years	0.3	0.3
In over five years	–	–
	0.3	0.3

14. Related party transactions

In the year ended 30 June 2010, there were no transactions (2009: none) between the Company and any of its non-wholly owned subsidiaries.

Useful information for shareholders

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Financial calendar
Next key dates for shareholders

2009-10 final dividend

Ex-dividend date	27 October 2010
Record date	29 October 2010
Final dividend payable	26 November 2010
Annual General Meeting (Centre Point, London)	25 October 2010
2009-10 Q1 interim management statement	25 October 2010

Other dates

2010-11 half year-end	31 December 2010
2010-11 H1 trading statement	January 2011*
2010-11 interim results announcement	February 2011*
2010-11 interim report circulated	February 2011*
2010-11 Q3 interim management statement	April 2011
2010-11 interim dividend payable	May 2011*
2010-11 year-end	30 June 2011
2010-11 full year trading statement	July 2011*
2010-11 annual results announcement	September 2011*
2010-11 final dividend payable	November 2011*

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

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

Shareholders who wish to benefit from this service should either complete (i) a dividend mandate form, which can be found attached to the last dividend warrant or (ii) the relevant section of the election form accompanying the notice of Annual General Meeting. Alternatively, the required documentation can be obtained by contacting McBride's registrar using one of the methods outlined in the section below.

Shareholder queries
Shareholders who change address, lose their share certificates, wish to amalgamate multiple shareholdings to avoid receiving duplicate documentation, want to have payments paid directly into their bank account or otherwise have a query or require information relating to their shareholding should contact the company's registrar.

This can be done by writing to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Alternatively, shareholders can contact Computershare on the dedicated McBride shareholder information telephone line: 0870 707 1136, or email their enquiry to web.queries@computershare.co.uk, indicating they are a McBride shareholder.

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

Electronic communications

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

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

- → receive electronic notification via email and the internet of the publication and availability of statutory documents such as financial results, including annual and interim reports;
- → access details of their individual shareholding quickly and securely online;
- → amend their details (such as address or bank details);
- → choose the way dividends are received; and
- → submit AGM/EGM proxy voting instructions.

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

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

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

Online shareholder services

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

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

ShareGift

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

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

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

Share price history

The following table sets out, for the five financial years to 30 June 2010, the reported high, low, average and financial year end (30 June or immediately preceding business day) closing middle market quotations of McBride's ordinary shares on the London Stock Exchange:

	Share price (pence)			
Year ended 30 June	High	Low	Average	Financial year end
2006	178	138	159	178
2007	262	154	199	219
2008	236	73	138	78
2009	150	83	116	145
2010	**247**	**114**	**196**	**130**

Unsolicited mail

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

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

Useful information for shareholders
Continued

Five-year financial summary (unaudited)

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Results					
Revenue	**812.2**	792.4	700.9	592	540.1
Profit before tax(1)	**44.4**	31.0	21.3	32.1	29.9
Profit after tax(1)	**33.2**	23.2	15.6	23.2	21.2
Profit before tax	**29.6**	22.2	15.7	29.5	25.9
Profit after tax	**22.1**	16.6	11.5	21.3	18.4
Earnings					
Adjusted diluted earnings per share(1)	**18.1**	12.8	8.6	12.7	11.6
Ordinary dividends per share(2)	**6.8**	6.0	5.6	5.6	5.1

(1) Profit and adjusted earnings per share are stated before exceptional items and amortisation of intangible assets.
(2) Interim and proposed final dividend for the year.

WARNING TO SHAREHOLDERS – BOILER ROOM SCAMS

McBride shareholders are advised to be aware of the following advice which has been developed by the Financial Services Authority (FSA) and the Institute of Chartered Secretaries and Administrators (ICSA).

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- → make sure you get the correct name of the person and organisation;
- → check that they are properly authorised by the FSA before getting involved by visiting **www.fsa.gov.uk/register/**;
- → report the matter to the FSA either by calling 0845 606 1234 or visiting **www.moneymadeclear.fsa.gov.uk**; and
- → if the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at **www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml**

Details of any share-dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the CFEB website **www.moneymadeclear.fsa.gov.uk**

Definitions and glossary of terms

Our aim is to use plain English in this Annual Report and Accounts. However, where necessary, we do use a number of technical terms and/or abbreviations and we summarise the principal ones below, together with an explanation of their meanings. The descriptions below are not formal legal definitions.

A

Acquisition cost
The amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition.

Adjusted diluted earnings per share
Profit after tax but before exceptional items and amortisation of intangible assets divided by the weighted average number of shares in issue, on assumption of conversion of all potentially dilutive ordinary share options.

Adjusted operating profit
Operating profit before amortisation of intangible assets and exceptional items.

Annual General Meeting (AGM)
Meeting of shareholders of the Company held each year to consider ordinary and special business as provided in the Notice of AGM.

B

Board
The Board of Directors of the Company (for more information see page 48).

C

Carrying value
The amount at which an asset or a liability is recorded in the balance sheet.

Cash flow statement
Statement showing movements of cash and cash equivalents during an accounting period, classified by three types of activity: operating activities, investing activities and financing activities.

Combined Code
The Combined Code on Corporate Governance, soon to be replaced by the UK Corporate Governance Code, provides guidance on how companies should be governed, applicable to UK listed companies, including McBride plc.

Company, McBride, we, our or us
We use the terms 'the Company', 'McBride', 'we', 'our', 'us' to refer to either McBride plc itself or to McBride plc and its subsidiaries collectively, depending on context.

Consolidated financial statements
Financial statements that include the results and financial position of the Group, i.e. the Company and its subsidiaries together, as if they were a single entity.

Continental Europe
Western Continental Europe and Eastern Continental Europe.

Core product categories
Growth categories chosen by McBride for particular focus because they offer the highest growth and profit potential. Currently these are machine dishwashing, specialist cleaners, laundry liquids, air care and Personal Care.

Corporate social responsibility (CSR)
The concept whereby companies integrate economic, social and environmental concerns in their business operations and in their interaction with their stakeholders. McBride recognises its obligations to all those with whom it has dealings.

Customer service level
Volume of products delivered in the correct amounts and within agreed timescales relative to the total volumes ordered by the customers.

E

Earnings per share
Profit after tax attributable to shareholders divided by the weighted average number of ordinary shares in issue during the year.

Eastern Continental Europe
Poland, the Czech Republic, Hungary, Slovakia, Cyprus, Greece, Baltic and Balkan states and former CIS countries.

Energy efficiency
The value of production in tonnes relative to the amount of energy used (Giga joules).

Exceptional items
Items which fall outside of and are incremental to the normal course of business which, in management's judgement, need to be disclosed by virtue of their size or incidence in order to obtain a proper understanding of the financial information.

Definitions and glossary of terms
Continued

F

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Financial year
For McBride this is an accounting year ending on 30 June.

FRS
UK Financial Reporting Standards as issued by the UK Accounting Standards Board. These apply to the parent company's financial statements which are prepared in accordance with UK GAAP.

FTSE4Good
An index of leading companies which meet globally recognised standards of corporate responsibility. McBride has been a member of FTSE4Good since 2009.

G

GW
Gigawatt, being an amount of power equal to 1 billion watts (10^9 watts).

GWh
Gigawatt hours, being an amount of energy equal to delivering 1 billion watts of power for a period of one hour.

Group Management Team (GMT)
The team of senior divisional managers responsible for development and implementation of the Group strategy, culture and commercial plan and for allocating resources and ensuring transfer of knowledge and best practice. The GMT is chaired by the Chief Executive.

H

HSE
Health and Safety Executive, the main safety regulator in the UK.

Household Products
Products to clean or freshen households and laundry, including laundry powder and liquids, dishwashing products, household cleaners, toilet cleaners and air care products.

I

IFRS
The International Financial Reporting Standards, as issued by the International Accounting Standards Board, and adopted for use in the European Union (EU) in accordance with EU law and the Companies Act 2006. IFRS is also used as a term to describe international generally accepted accounting principles as a whole. These apply to the Group's financial statements which are prepared in accordance with IFRSs as adopted by the EU.

L

Lost time accidents
An accident arising out of McBride's operations which leads to an injury where the employee or contractor normally has time off the following day or shift following the incident. It relates to one specific (acute) identifiable incident which arises at McBride's premises, plant or activities, which was reported at the time and was subject to appropriate investigation.

Lost time frequency
The number of lost time accidents per 100,000 hours worked in a 12 month period.

N

Net debt
The total of loans (both long and short-term), overdrafts and finance lease commitments less cash and cash equivalents.

O

Organic revenue growth
Sales revenues adjusted to exclude any impact of acquisitions, disposals and currency exchange rate movements.

P

Personal Care products
Personal care and toiletry products including baby care, bath and shower products, hair shampoo, body care, men's grooming, oral care and skincare.

Private Label products
Products which are manufactured exclusively to be sold under the retailers' trade mark, also known as store brands, distributor brands, own labels and own brands.

R

REACh
'Registration, Evaluation, Authorisation and Restriction of Chemicals' legislation regarding the safe use of chemicals.

Return on capital employed (ROCE)
Operating profit before amortisation of intangible assets and exceptional items as a percentage of net assets excluding net debt.

S

Segment reporting
Financial information based on the consolidated financial statements, reported by the Group's operating segments (UK, Western Continental Europe and Eastern Continental Europe).

Subsidiary
A company or other entity that is controlled by McBride plc.

T

Treasury shares
Shares that have been repurchased by the Company but not cancelled. In accordance with the authority granted by shareholders at the AGM, such shares can be sold for cash or, in appropriate circumstances, used to meet obligations under employee share schemes.

U

UK
The United Kingdom, comprising England, Wales, Scotland and Northern Ireland.

UK GAAP
Generally accepted accounting principles in the UK.

W

Waste efficiency
The volume of waste in tonnes relative to the total production tonnage.

Water efficiency
The volume of production in tonnes relative to the amount of water (cubic metres) used in the business.

Western Continental Europe
Belgium, France, Germany, Italy, the Netherlands, Portugal and Spain are the principal countries included within Western Continental Europe.

Our online resources

McBride communicates it's financial and sustainability performance as well as providing additional information about the Group at its website: **www.mcbride.co.uk**

McBride's Annual Report and Accounts are available to view online or to download from: **http://www.mcbride.co.uk/investors/welcome**

McBride's Sustainability Reports are available to view online or to download from: **http://www.mcbride.co.uk/our-responsibilities/sustainability-reports**

Latest announcements can be found at the McBride online media centre at: **http://www.mcbride.co.uk/media-centre/regulatory-news**

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Printing and paper: This report has been printed by The Colourhouse, a Carbon Footprint Approved Company. The Paper is produced using 100% chlorine-free (ECF) bleaching process and contains material sourced from responsibly managed and sustainable forests together with recycled fibre, certified in accordance with the Forest Stewardship Council (FSC).

Both the paper and the printer involved in the production support the growth of responsible forest management and are both accredited to ISO 14001. The printer also holds FSC status.

If you have finished reading the report and no longer wish to retain it, please pass it on to other interested readers, return it to McBride plc or dispose of it in your recycled paper waste. Thank you.

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

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FTSE4Good

McBride has been accepted into the FTSE4Good Index of leading companies which meet globally recognised corporate responsibility standards.

www.sustainable-cleaning.com

McBride has been a leading contributor in the development of the AISE Charter for sustainable cleaning and was the first Private Label company to achieve Charter status.