Being the best at what we do ...everyday!

McBride plc
Annual Report and Accounts 2011

McBride

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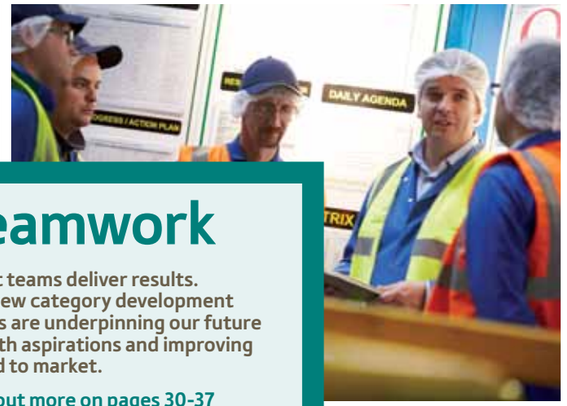
Being the best at what we do ...everyday!

- Building great teams
- Commitment to quality
- Innovation
- Improving cost and efficiency
- Working smarter
- Going the extra mile



Teamwork

Great teams deliver results. Our new category development teams are underpinning our future growth aspirations and improving speed to market.

Find out more on pages 30-37

Innovation

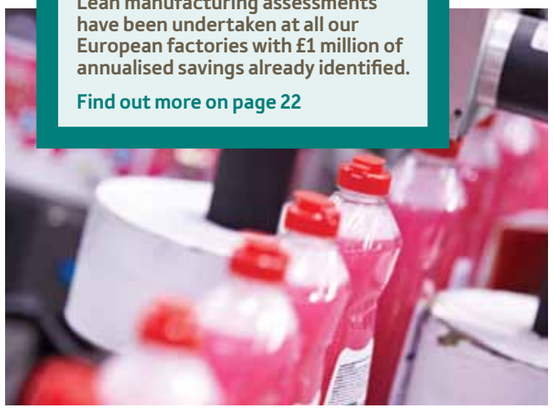
We have brought together our eight research centres under one Group R&D functional organisation. This is enabling us to fully leverage our scale, to deploy best practice and further strengthen our innovation capability.

Find out more on page 38

Efficiency

We aim to improve our cost base and manufacturing efficiency, Lean manufacturing assessments have been undertaken at all our European factories with £1 million of annualised savings already identified.

Find out more on page 22



Relationships

McBride's decision to invest and expand our manufacturing footprint in South East Asia has been positively received by our multinational customers in the region.

Find out more on page 26

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

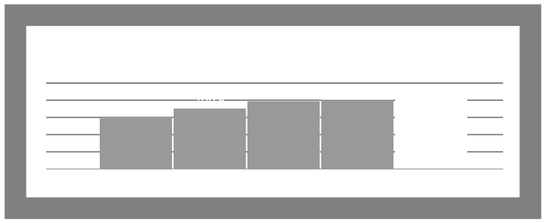
- → succeed through teamwork
- → always promote effective two-way communications
- → create an open environment where challenge is welcomed and contributions recognised
- → encourage individual development

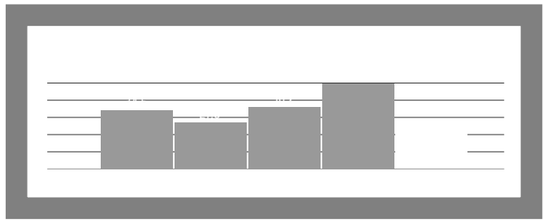
Focus on our customers

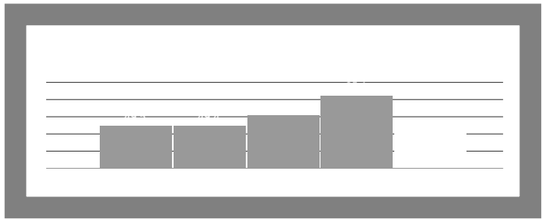
- → deliver on our promises
- → build positive relationships
- → protect and develop our customers' brands

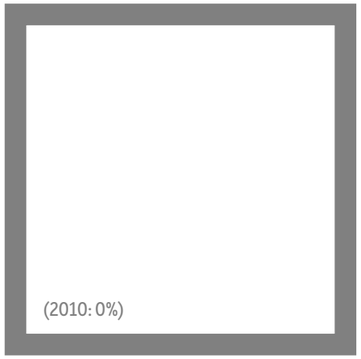
Drive our performance

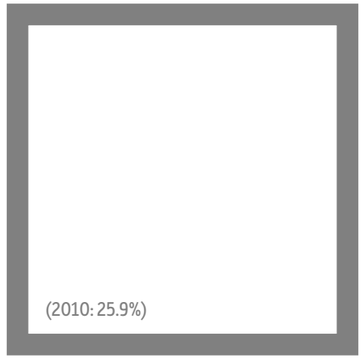
- → think everything can and should be improved
- → focus on adding value, reducing cost, and increasing profits
- → act with speed, agility, and confidence



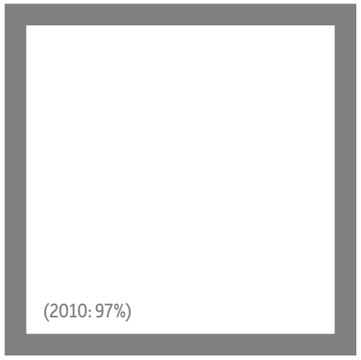


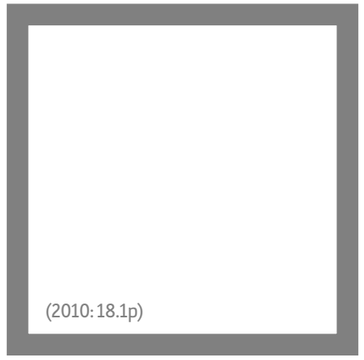



(2010: 0%)


(2010: 25.9%)

(2010: 1.2%)


(2010: 97%)


(2010: 18.1p)

Our growing international business

We are expanding our geographic footprint across Europe and into South East Asia taking McBride's Private Label expertise to new geographies and customers.

During the year McBride's Central and Eastern Europe business unit was expanded and strengthened with the transfer of responsibility for our Luxembourg and German activities and the addition of the dedicated Personal Care factory at Brno in the Czech Republic.

In Asia, the acquisition of Fortlab in Malaysia and Newlane Cosmetics in Vietnam and the expansion of McBride Zhongshan's manufacturing capabilities in China are providing the platform for further growth in the region.

To support the increasing demand for Private Label products in Australia, McBride has also opened a sales office in Melbourne.

Our product capabilities

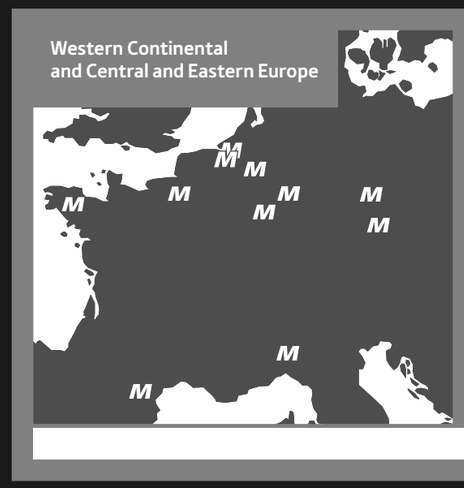
Textile washing	✓	✓	✓	
Dishwashing	✓	✓ ✓	✓	
Household cleaners	✓	✓ ✓	✓	
Air care		✓		
Hair care	✓	✓		
Baby care	✓			
Body care	✓	✓		
Men's grooming	✓	✓		
Skincare	✓			
Oral care	✓			

Textile washing	✓	✓ ✓	✓ ✓	
Dishwashing	✓	✓	✓ ✓	
Household cleaners	✓ ✓	✓ ✓ ✓ ✓		
Air care		✓		
Hair care		✓		✓
Baby care				
Body care		✓		✓
Men's grooming		✓		✓
Skincare				
Oral care		✓		

Textile washing	✓	✓
Dishwashing	✓	✓
Household cleaners	✓	✓
Air care		✓
Hair care	✓	✓
Baby care		✓
Body care	✓	✓
Men's grooming	✓	✓
Skincare	✓	
Oral care		

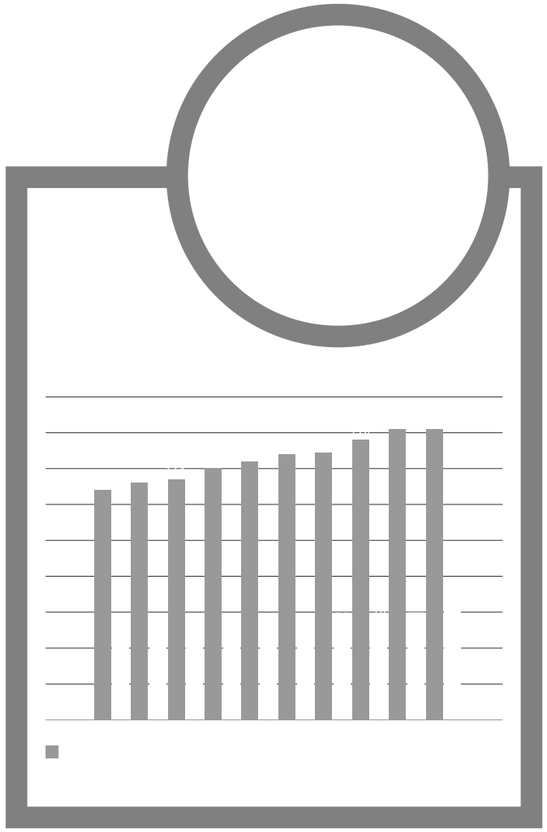
Textile washing	✓	
Dishwashing	✓	
Household cleaners	✓	
Air care	✓	
Hair care	✓	✓
Baby care	✓	✓
Body care	✓	✓
Men's grooming	✓	
Skincare	✓	✓
Oral care	✓	
Pharmaceutical creams	✓	
Health	✓	

Where we operate



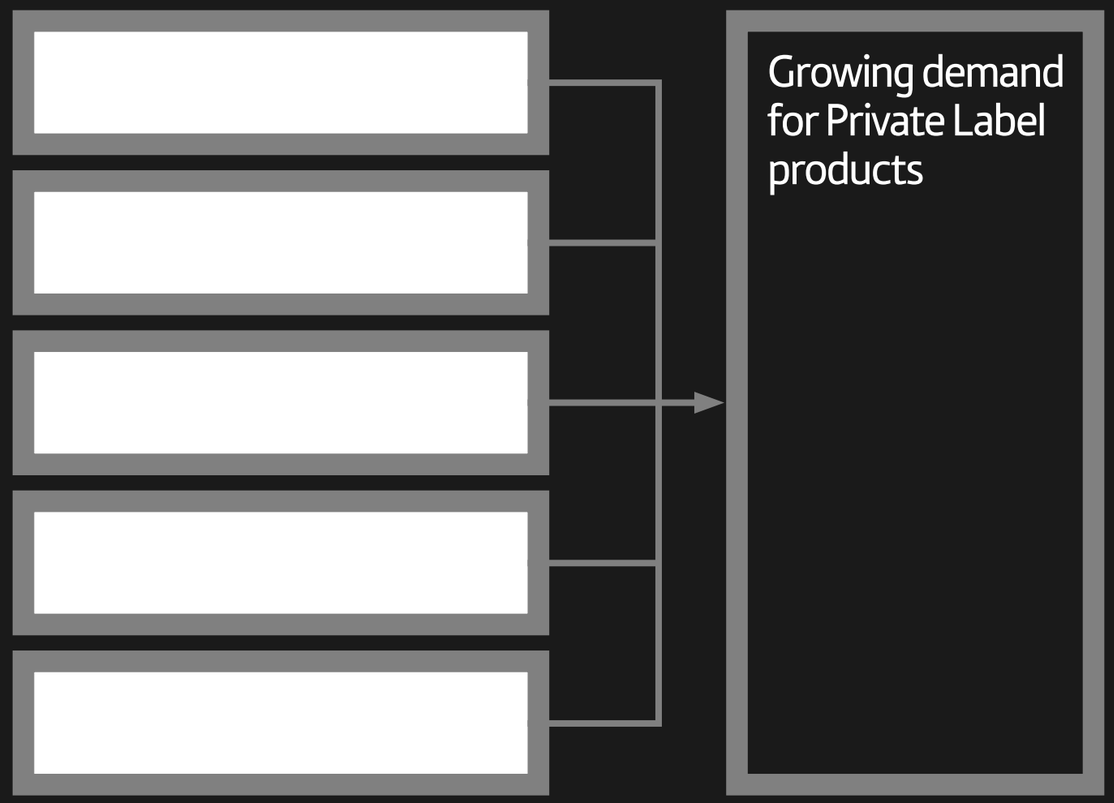
Household products

Personal Care products

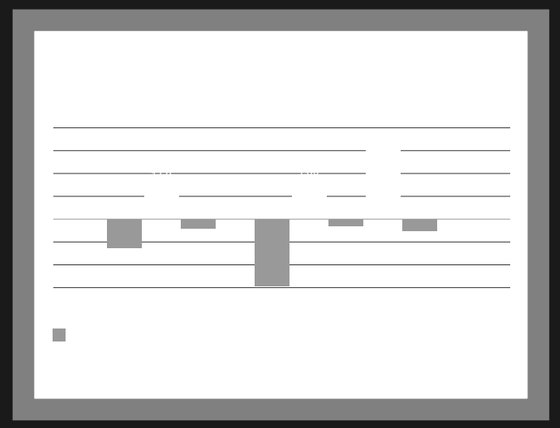


What's driving the market?
continued

Private Label growth drivers

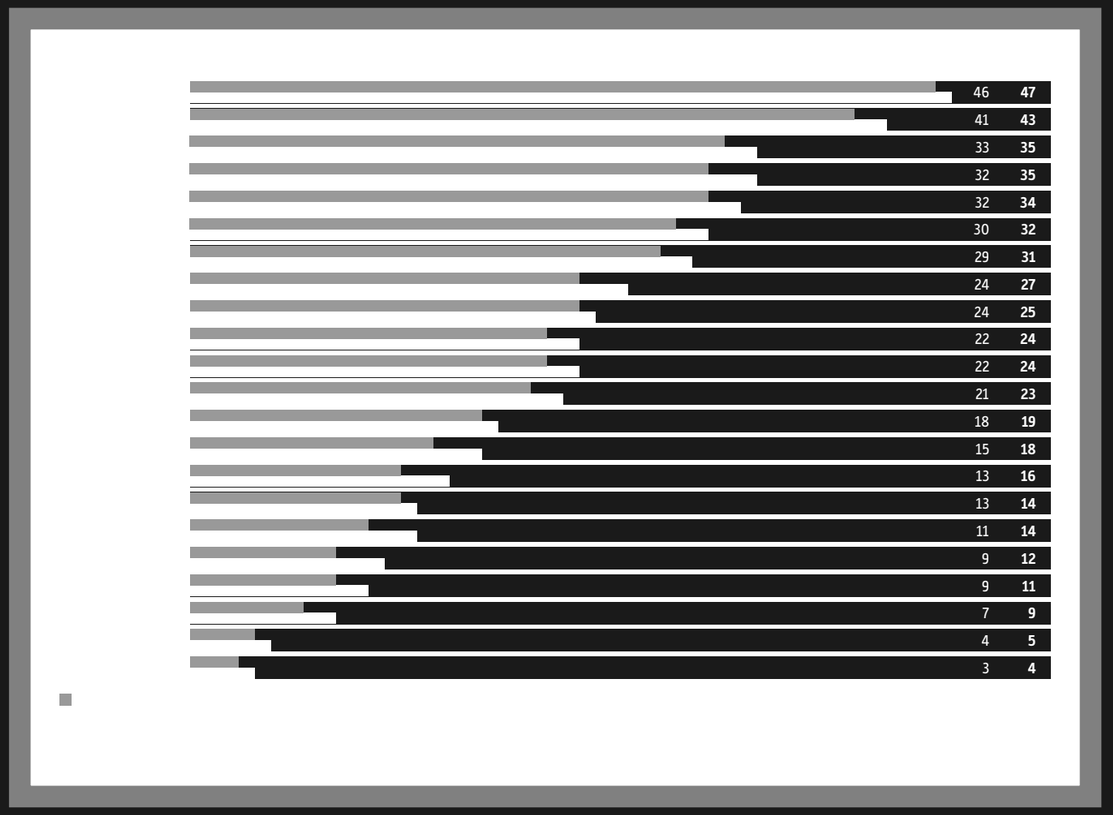


Private Label Household products growth spreading across Europe



Private Label forecast to grow in all markets

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



Chairman's statement

Iain Napier
Chairman

"Our actions to address the current economic environment are creating a strong platform for future growth."

Introduction
The year ending June 2011 saw the main European economies continue to recover slowly from the economic downturn of 2009. Weaker consumer demand across many of the major European markets has resulted in retailers and branded competitors competing aggressively to maintain market share. In the UK in particular, total grocery sales volumes have declined year-on-year in six out of the last seven months and branded promotional activity remains at record levels. Despite these challenges in our core Western European markets, McBride has delivered a creditable 1% revenue growth at constant currency, driven by our continuing development of the Central and Eastern European and Asian markets.

The year was also dominated by material cost inflation. Along with many other consumer goods companies, we have seen double-digit increases in our material costs during the course of the year. Our recovery of these increases, through both cost reduction projects and selling price increases, is continuing.

It was against this background that McBride announced its strategy review, Project Refresh. The review has confirmed that the Group has a robust business model with strong product offerings and expertise, customer responsiveness and flexibility, and strong operational and cash management. It also confirmed the potential for profitable growth in both our core and developing markets. We believe that improved resource allocation and execution will drive shareholder value and we have embarked on the implementation of the strategy with vigour.

During the year we established a Sustainability Steering Group to drive best practice on minimising the environmental impact of our operations and to deliver improvements in waste, water and effluent consumption. The targets set by the Steering Group, and our performance against them, are published in our annual Sustainability Report. The Company submits its carbon efficiency performance through the Carbon Disclosure Project.

Board
A number of changes to the Board were announced during the year. Jeff Carr joined as a non-executive director on 1 February 2011. Jeff has extensive financial experience working within major international companies and is currently the Group Finance Director of First Group. Jeff was appointed to the Nomination, Remuneration and Audit sub-committees on 9 June 2011. On 29 June 2011, we announced the appointment of Sandra Turner as a non-executive director with effect from 1 August 2011. Sandra has a strong retail background having worked for Tesco plc for over 20 years. Sandra will also serve as a member of the Nomination, Remuneration and Audit committees.

The Company also announces today that Colin Smith, who has been a member of the Board since April 2002, will stand down from the Board after the conclusion of the next Annual General Meeting. Colin is currently Senior Independent Director and Chair of the Audit Committee. With effect from his resignation, Bob Lee will be appointed the Senior Independent Director and Jeff Carr will assume the position as Chair of the Audit Committee. Christine Bogdanowicz-Bindert will also have served a full nine-year term during the course of 2012 and has notified the Company of her intention to stand down from the Board with effect from the end of calendar year 2011. We would like to take this opportunity to thank Colin and Christine for their considerable contribution to the Group during their period of office.

People
We have an enthusiastic and ambitious team of colleagues throughout the business. I would like personally to thank them all for their dedication and commitment during a year in which many of them have been called on to manage difficult trading conditions as well as contribute to some significant strategic projects.

Corporate Governance
We strongly support the importance of upholding good principles of corporate governance, not only for compliance purposes, but recognising that good governance serves to ensure that the business is run properly in the interests of all our stakeholders.

This year, we have taken account of the UK Corporate Governance Code (introduced in 2010) and details of how we have applied the main principles are explained in the Corporate Governance section of this Report on pages 60 to 65.

As a Board, my fellow directors and I are committed to high standards of corporate governance. In this regard, we monitor closely developments in relevant legislation, regulation and voluntary codes of practice and institutional guidelines. We seek to embed governance into our routine Board and sub-committee processes through regular reviews and updates of our corporate policies. Our sub-committees have continued to take account of the latest guidance in their respective areas: we seek to align our remuneration policies with the interests of shareholders; the work of the Nomination Committee has sought to ensure that the Board has the right breadth of skills, experience and knowledge; and we regularly review our financial position with particular focus on liquidity and net debt.

We continue to take all appropriate measures to ensure there is no conflict of interest between the Board, its individual members and other stakeholder groups. I believe the Board continues to be focused on sound governance practice and that we have the right approach to ensure the Board performs effectively. We will introduce external facilitation to evaluate the Board's performance during the year ending 30 June 2012.

Results and payments to shareholders
Revenues were flat for the year at £812.4 million (2010: £812.2m) although showed 1% growth at constant currency. Adjusted profit after tax[1] attributable to shareholders was £16.9 million (2010: £33.2m) whilst, on the same basis, diluted earnings per share were 9.3 pence (2010: 18.1p).

At the year-end, net debt was £83.7 million (2010: £60.0m) as a result of lower operating cash flows while capital expenditure was maintained in line with the prior year at £24.8 million (2010 £24.3m).

At the General Meeting on 24 March 2011, the Board announced its intention to implement a B Share scheme as a mechanism for remitting dividends to shareholders. Shareholder approval was granted and the Board intends to utilise the scheme in this way for the foreseeable future. Subject to shareholder approval to renew the B Share scheme at the AGM, the Board is recommending the allotment of 48 B Shares (equating to a final dividend of 4.8 pence per share (2010: 4.8p), giving a total allotment for the year of 68 B Shares (6.8 pence per ordinary share) (2009: 6.8p) in line with the prior year and covered 1.4 times by adjusted earnings per share[1] (2010: 2.7 times).

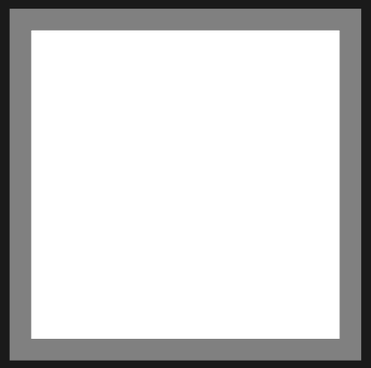
Looking to the future
The Household and Personal Care categories continue to offer opportunities for the profitable growth of Private Label despite the challenging economic environment. The robust actions being taken by the business will ensure that it is well placed to meet those challenges, while continuing to develop Private Label products that offer excellent value for money for the consumer.

We have made a solid start to the new financial year with trading in line with expectations.

I J G Napier
Chairman

[1] Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

Chief Executive's review



Chris Bull
Chief Executive

"Private Label share of the Household and Personal Care categories has remained robust despite challenging conditions; I remain convinced that our prospects for profitable growth are excellent."

Overview
During the last year our core Western European markets have made little economic progress with weak growth, unemployment and cost inflation impacting consumer confidence and spending patterns. Retailers have become increasingly competitive and branded promotional activity has remained at record levels, especially in the UK. Despite this, Private Label shares have remained robust and interest in Private Label is growing.

The market situation in Central and Eastern Europe is more positive with consumer spending having almost returned to pre-crisis levels. Retail consolidation is continuing, driven by both organic expansion and acquisition by multinational retailers, providing one of the key drivers for Private Label growth in the region.

During the year we acquired a Skincare business in the Czech Republic providing the Group with a new capability in this category. The businesses acquired in Asia have been successfully integrated into the Group and McBride's core Private Label skills are now rapidly being implanted.

We announced at our interim results the actions arising from our strategic review of the business, Project Refresh. These actions are progressing to plan, including changes to the organisation structure to improve the effectiveness of Research and Development and Category Management, restructuring projects and a Lean manufacturing programme.

As previously announced, we have experienced significant increases in our raw material prices during the year. Our actions to recover these increases are continuing, although the resulting time-lag in recovery has impacted operating margin.

Against this competitive trading environment, McBride delivered revenues of £812.4 million, in line with last year and underpinned by strong performance from the enlarged Central and Eastern European division.

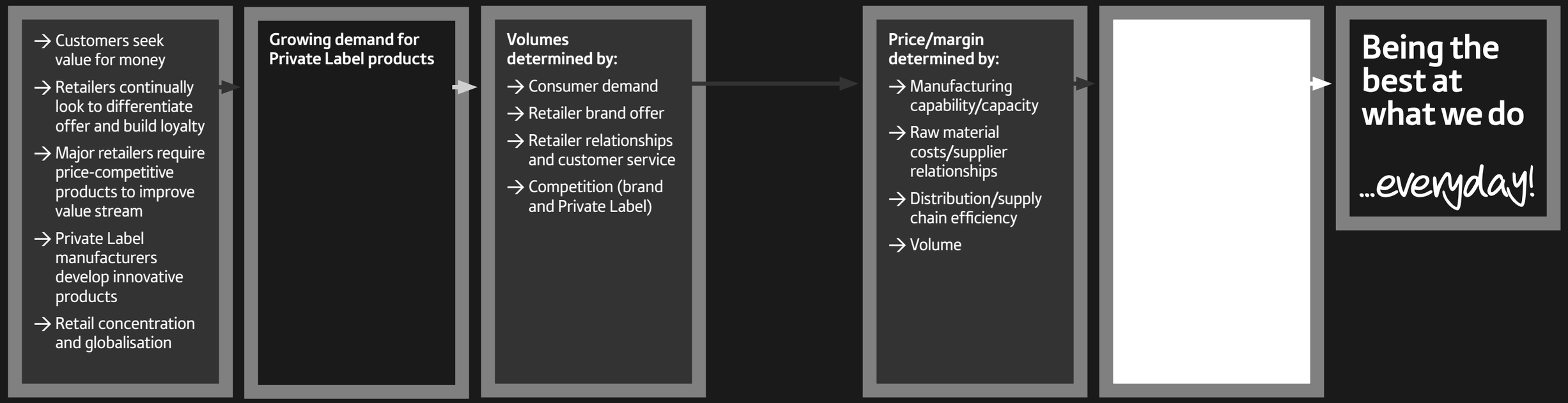
Trading since year-end has been in line with our expectations. Retail markets in Western Europe remain weak and the recovery of raw material inflation will remain challenging in the short term. We are actively implementing planned restructuring but also continuing to invest behind our core categories and building our business in developing and emerging markets.

The industry, market and competitive environment
Our key markets in the 52-week period to June continued to be impacted by the squeeze on consumer spending, with the total UK and French Household markets down 1% in volume terms and Italy down 2%. Personal Care was also affected with the UK and French markets flat.

In the UK, prolonged deep-cut promotional activity has continued. Nevertheless, Household Private Label volumes have remained robust, currently accounting for 30% of the UK market and in line with the same period last year. In France, our largest market in Continental Europe, the market also remains highly competitive with a Private Label Household volume share of 35%, marginally below last year. In Italy, our third largest Private Label market, consumers are switching to Private Label products and in our Household products category they now account for over 20% share of the market.

As the current economic climate continues to remain weak, consumers are once again becoming more value conscious underpinning the demand for Private Label products which provide value for money to the consumer. According to IGD data, 45% of shoppers rated a retailer's Private Label range of products as extremely or very important when choosing where to shop, compared with 38% in September last year.

Our business model



continued

1. Organisational change

The Refresh programme identified the need to change our organisation and ways of working to provide a greater focus on our increasingly multinational customer base, focus on core and future growth categories, better co-ordinate the Group's considerable R&D capability and give leadership to the Group-wide supply chain. Group leadership for R&D, the Supply Chain programme, category teams and International Customer teams have been implemented.

For more information see pages 20 and 21 →

2. Competitiveness and efficiency

Our review confirmed that McBride needs to improve the competitiveness of its supply chain, a view reinforced by the current market conditions and input cost pressures. An in-depth study identified a number of opportunities to rationalise our supply chain footprint, proposals for which have been announced to affected employees.

Lean manufacturing assessments have been undertaken at all our European manufacturing facilities. These have identified a number of key projects that will result in net savings of £1 million rising to £3 million on an annualised basis over the next three years.

For more information see pages 22 and 23 →

3. Category review

A comprehensive review of McBride's Household and Personal Care portfolio identified those categories which we believe will provide the greatest growth potential in both the short-to-medium and longer term. The categories are defined as Core Growth categories, in which we already possess product capability and a strong market position, and Future Growth categories that offer the potential for future Private Label growth.

The Core Growth categories comprise laundry liquids, machine dishwashing and specialist cleaners, while the Future Growth categories comprise Skincare, Air care, male grooming and mouthwash. All growth categories provide a significant growth opportunity and are margin enhancing.

For more information see pages 24 and 25 →

4. Exploiting new opportunities

The potential for Private Label Household and Personal Care products in developing and emerging markets remains high as our multinational customers continue to expand their presence in these markets. McBride's decision to invest in Malaysia and Vietnam has been positively received by our customers in the region. We have spent the last 12 months strengthening local management, implementing McBride's quality systems and processes and investing and enhancing manufacturing capabilities in our new facilities. A number of new Private Label contracts have already been gained and we are looking forward to a step change in the business in Asia over the next 12 months.

For more information see pages 26 and 27 →

continued

	24 month action plan (2011 →)
	→ Category management training programme roll out to Europe 2011/12
	→ Exploit scale → Improve speed to market → Improve R&D effectiveness avoiding duplication

continued

	24 month action plan (2011 →)
	→ Achieve full run rate of costs savings → Identify further cost saving opportunities
	→ Delivery of expected savings → Extend Lean assessments to smaller factories

continued

	24 month action plan (2011 →)
	→ Continuing NPD in growth categories → Roll out of selected 2010 launches across business units
	→ Increase the share of Core categories as a percentage of Private Label sales

continued

24 month action plan (2011 →)

→ Continue geographic expansion

→ Continue to build Private Label competences and manufacturing capability in the Far East

→ Build on our existing CEE manufacturing capability to align with growing Private Label demand in CEE

→ Exploit relationships with multinational retailers expanding across the CEE region

Passionate about Private Label

Core growth

See pages 30 and 31 →

See pages 32 and 33 →

Future growth

See pages 36 and 37 →

See pages 34 and 35 →

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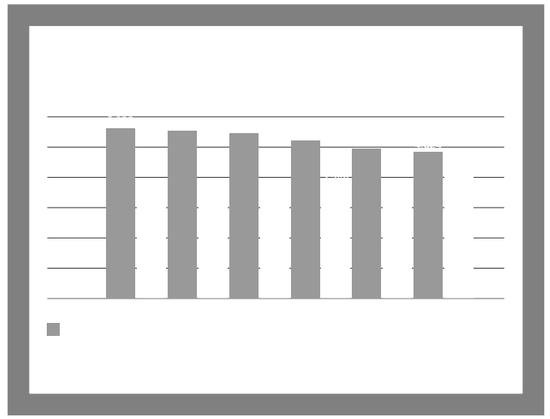

The laundry liquids market is large, with McBride already having a well-established market position. What was your first priority as Category Leader and Category Development Leader?

What were the immediate actions following your market evaluation?

What sort of challenges have you faced?

What benefits do you see from the new ways of working?

Action

Our first objective was to understand the market dynamics in each of the countries covered by the three European divisions. Each market had its own dynamics and these were mapped to identify both areas of commonality and specific local needs.

Result

Immediately, we were able to identify a number of Group projects including laundry sachets, super-concentrated liquids and laundry gel developments.

Being the best at what we do ...everyday!

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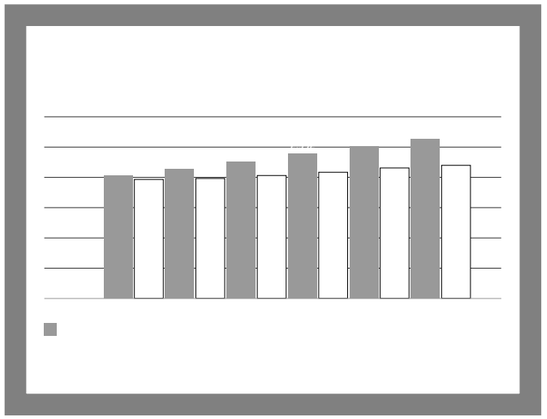


What challenges did the new approach to managing the category bring and how do you aim to work across the three Divisions?

In addition to gaining a greater understanding of the marketplace, what other opportunities have been identified during your initial meetings?

Has the Group's focus on Lean manufacturing influenced your approach to machine dishwashing product development?

What do you see as the longer term benefits of the Category Leader and Development approach to managing the machine dishwashing category?

Action
From the development perspective, one of the main challenges is how to take the best ideas and resources at each site to forge a new improved range of standard machine dishwashing products which capitalise on McBride's economies of scale i.e. work as one company.

Result
This is already paying off and leading to less duplication of work and improved quality of support to the sales teams.

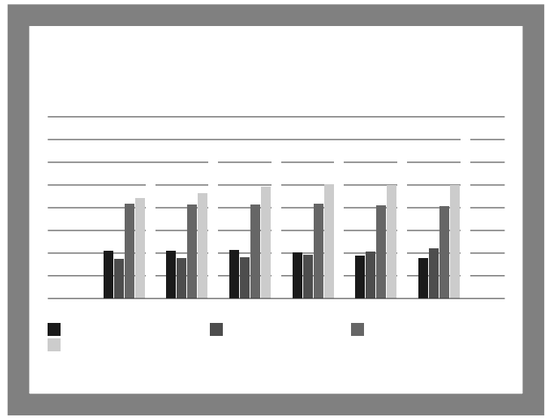
Being the best at what we do ...everyday!

continued

Air care tends to be more closely associated with consumer lifestyles compared to other household products. How has this influenced your approach to new product development within the category?

With the Group's Air care manufacturing facilities located in Europe and Asia what challenges did this present for the team and how have you overcome these?

The category offers a lot of scope for both product delivery and design innovation, so does this provide opportunities to differentiate Private Label ranges?



The Air care category is quite complex with a lot of different product formats. How did this influence the approach taken to prioritise the business potential?

Action

As a first step we undertook an evaluation of the current product portfolio, and compared this to the Air care range on the market across a number of key countries.

Result

Initially conceived as room or home deodorants, home fragrances have now developed into full interior decoration aids that help design a fragrant atmosphere. Taking these influences into account, we have identified the following trends as key for the Air care category: nature, simplicity, home decor and high-tech. These underpin new product development within the category.

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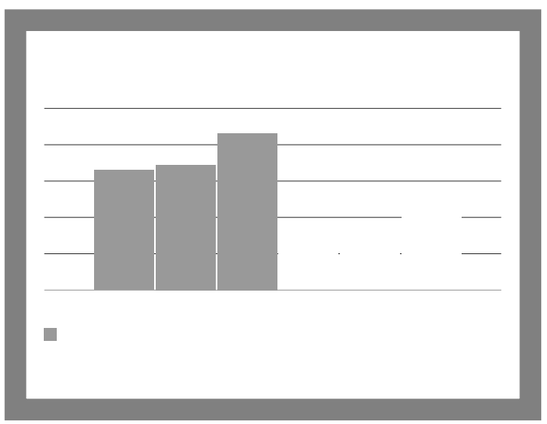


Why was Skincare such an important new category for McBride's growth strategy?

What are the learnings from the initial review of the European Skincare market and how did this influence your approach to managing the Skincare category?

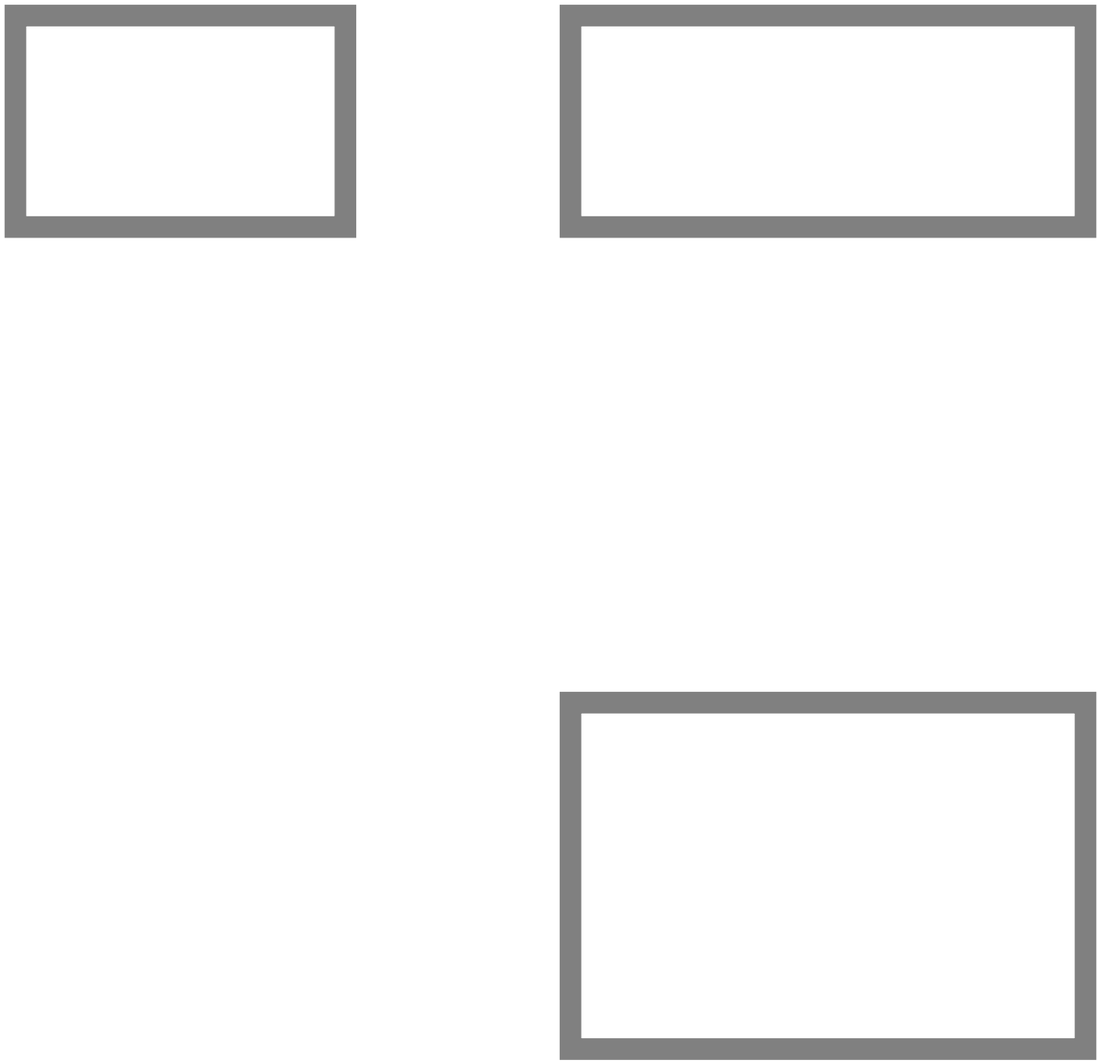
The launch of the new concept ranges at this year's PLMA exhibition was a key initiative to raise customers' awareness of our new capability. Can you provide some background as to how these concepts were developed?

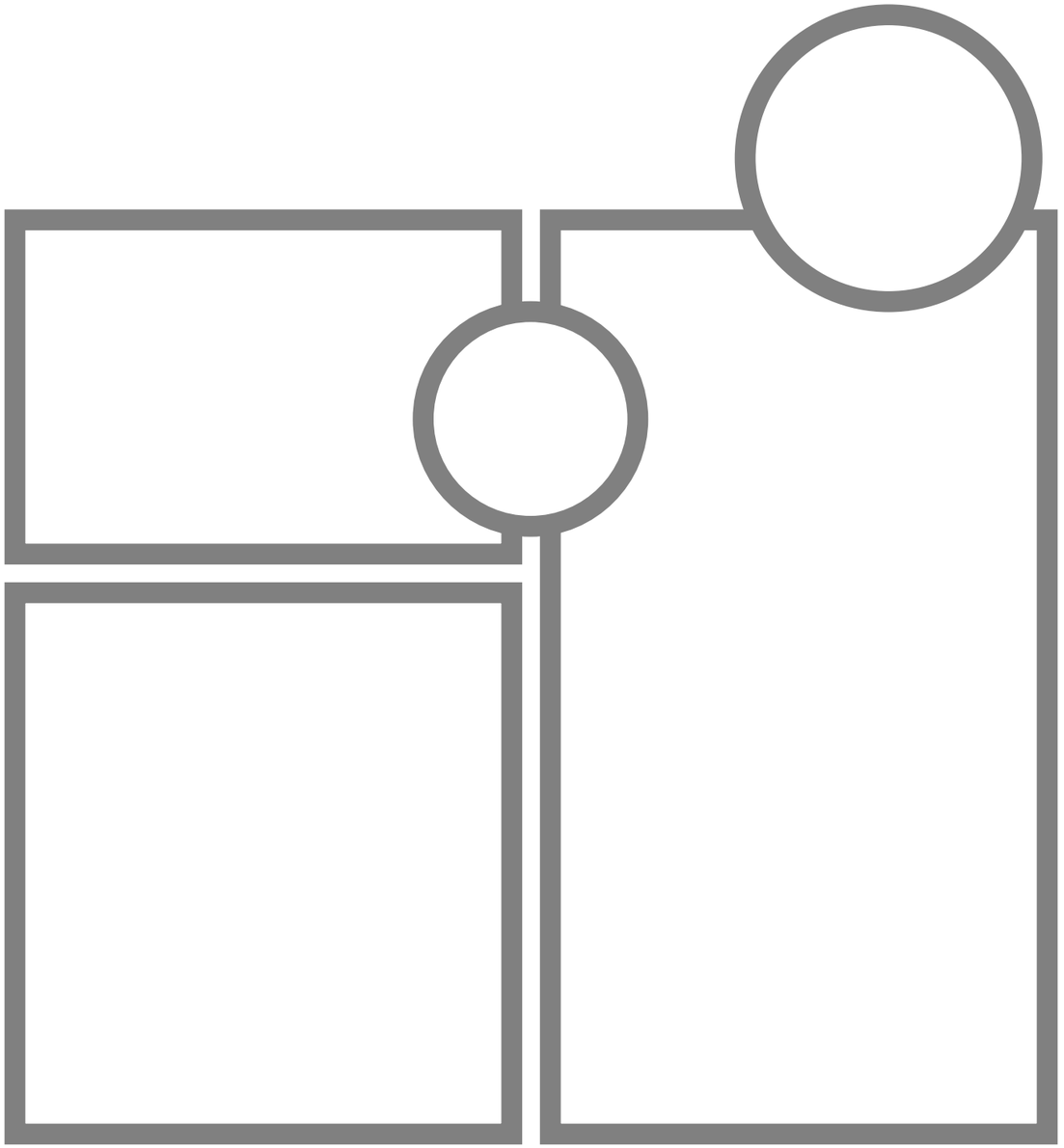
With the Group's Skincare facilities in both Europe and Asia do you see opportunities for joint development in the future?

Action
We are building a portfolio of core performance Skincare from which, by working very closely with our European colleagues, we can develop and deliver exactly the right product to the right market.

Result
By working closely with our ingredient and packaging suppliers, and by monitoring and evaluating the latest global Skincare trends, we have been able to develop a range of advanced Skincare serums to excite our customers and really show off our Skincare development talents.

Being the best at what we do
...everyday!





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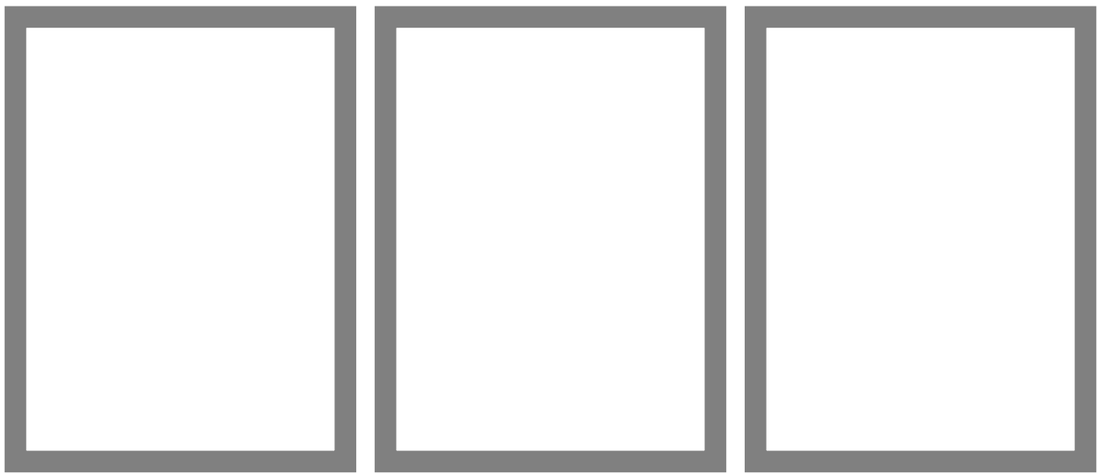
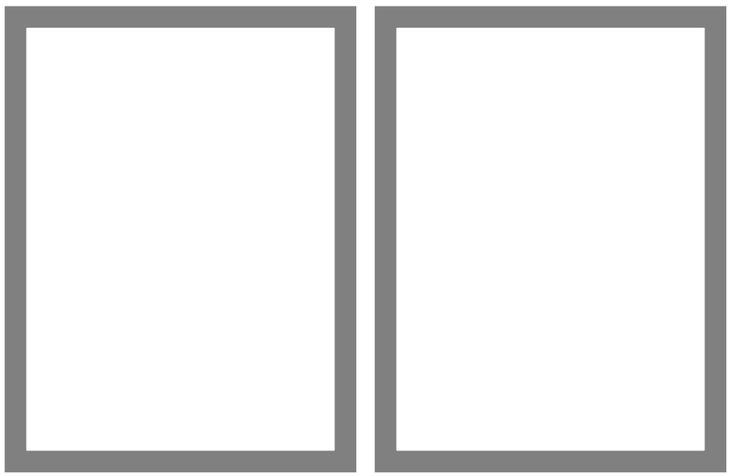
2011	2010	Change





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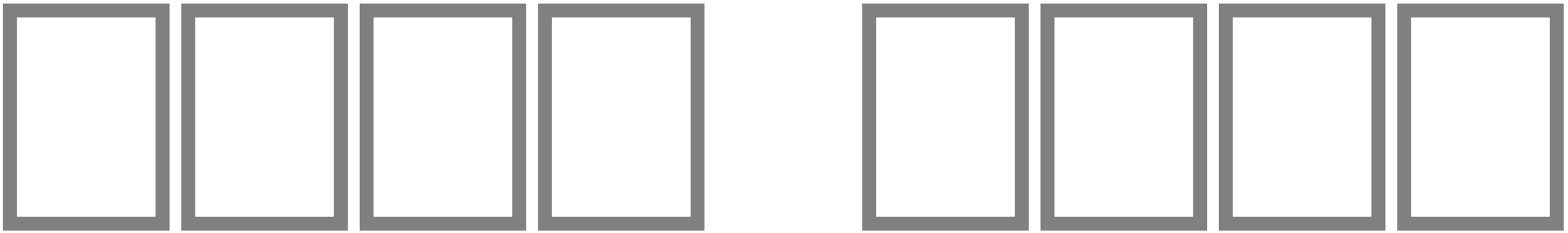

Energy used fell by

4%

(2010: 1%)

CO_2 emissions fell by

2%

(2010: 1%)

Re-used, recycled and recovered waste improved to

77%

(2010: 70%)

Lost time accidents fell by

18%

(2010: 3%)

Environmental performance

Energy consumption and CO_2 emissions fell

- → Energy use was down 3.9% to 677,094 Gjoule (Gj)
- → CO_2 emissions were down 1.6% to 60,923 tCO_2e
- → After removing green energy CO_2 emissions were 50,449 tCO_2e
- → Water use increased by 7.6% to 1,116,434m^3
- → Effluent discharge up 17% to 21,6281m^3
- → Total waste as % of total production 1.3% (2010: 1.1%)

While in contrast

- → Re-used, recycled and recovered waste improved to 77% of total waste
- → Green energy usage maintained at 21% of total energy

Eco-efficencies[1]

- → Energy efficiency fell 0.4% to 1,608kg/Gj
- → CO_2 efficiency fell 2.8% to 17,868kg/tCO_2 (21,577 taking into account green energy)
- → Water efficiency fell by 11.1% to 975kg production/m^3
- → Effluent efficiency fell by 18% to 5,033kg production/m^3

[1] Eco-efficiencies (kg production per unit) were all adversely impacted by a mix of revised definitions and restatements, lower production volumes and the restructuring of sites and divisions.

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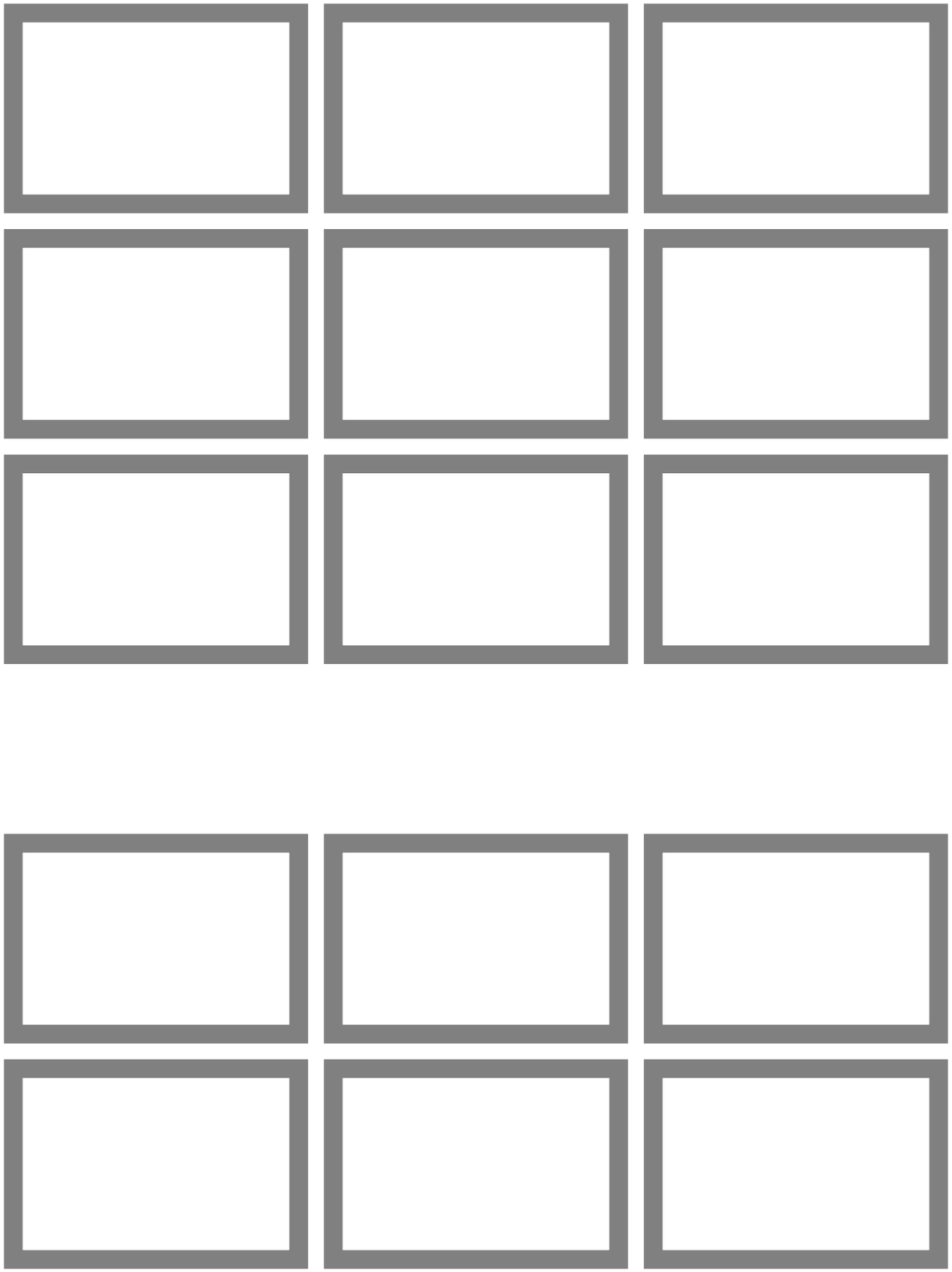
	2011 £m	2010 £m

	Mitigating factors
	→ 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 and the use of alternative materials, sources and reformulations. → The Group has in place numerous sustainability initiatives to work with its customers to reduce packaging and to optimise material costs. → The Group invests considerable effort in building relationships with the retailers at the highest possible level to explain the business criticality behind the need for price increases. → There is continued investment to identify alternative procurement sources to mitigate where possible material cost inflation.
	→ The Group's strategy is to continue to have a strong commitment to private label category development including investment in new product development to enable us to offer differentiated products. → In addition, focus continues on delivering superior customer service levels, deepening relationships with existing and new customers and seeking out new channels of supply as well as developing our understanding of the retail market and customers' expectations across all territories of operation. → This year, we have taken the opportunity to expand our business into wider categories, for example Skincare with the acquisition of the new business in the Czech Republic. This aims to broaden the range of products offerings available to our customers and, ultimately, to the consumer. → Our high level strategy is to drive specific category plans in key areas through Project Refresh.

	Mitigating factors
	→ The Group is focused on a multitude of initiatives to ensure that we are able to continue to compete in an increasingly competitive environment. Project Refresh has been announced with the objective of further strengthening and refocusing the Group's business model and ultimately improving our market positioning and operational efficiency.
	→ We have established procedures for identifying the possible risks for each key material including possible supply shortages. Suppliers are 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.
	→ 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. → Monthly divisional and Treasury Committee reviews have been established.



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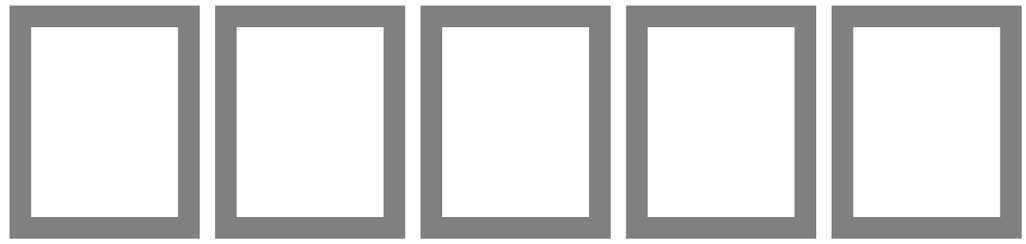

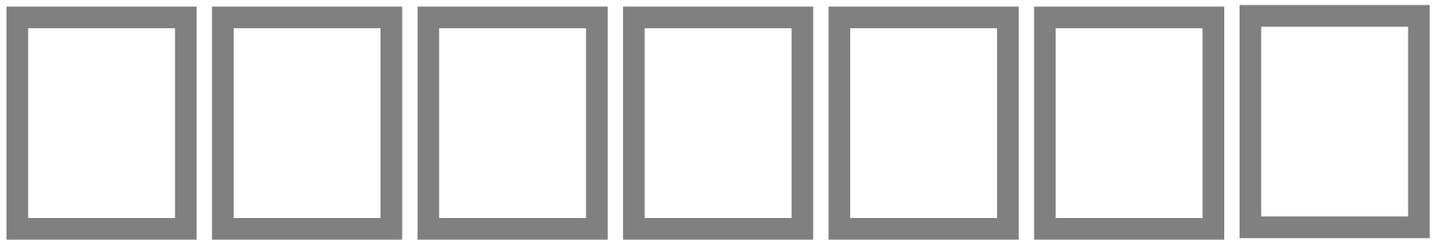

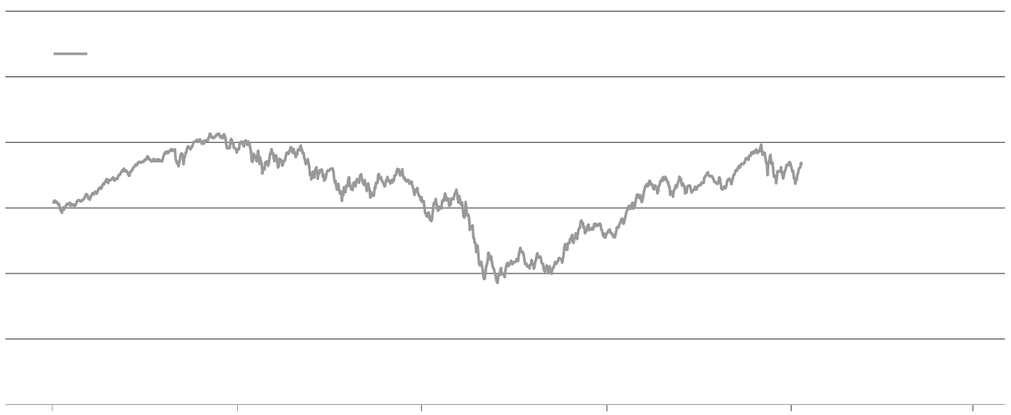

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in respect of the Annual Report and the financial statements

to the members of McBride plc

for the year ended 30 June 2011

for the year ended 30 June 2011

at 30 June 2011

for the year ended 30 June 2011

for the year ended 30 June 2011

for the year ended 30 June 2011

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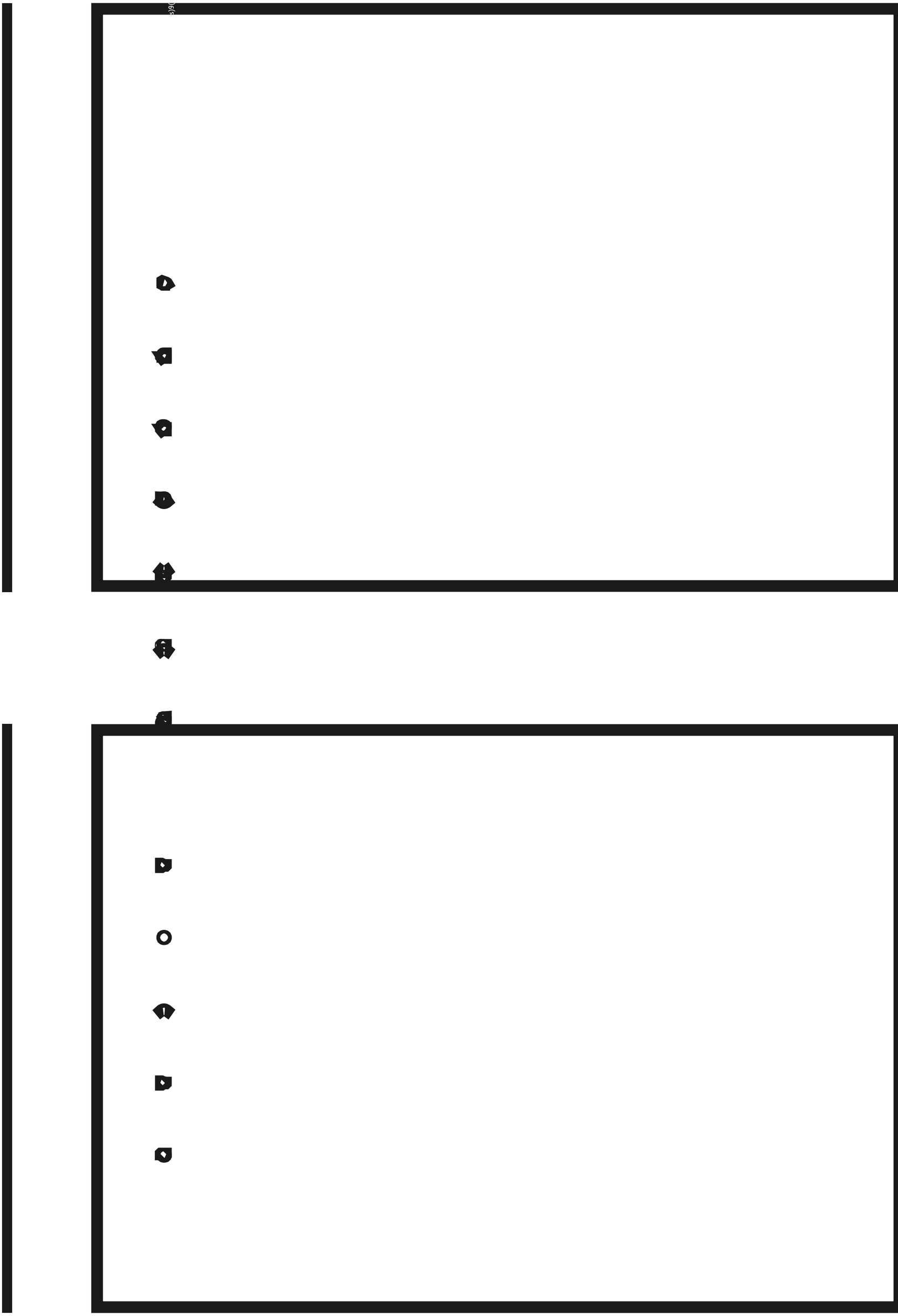

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at 30 June 2011

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Scan this code with your smartphone and go directly to McBride – Solutions for Private Label

FTSE4Good

McBride has been accepted into the FTSE4Good Index of leading companies which meet globally recognised corporate responsibility standards.

An A.I.S.E. voluntary sustainability initiative - www.cleanright.eu -

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.