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McBride

THE LEADING PRIVATE LABEL SUPPLIER OF HOUSEHOLD AND PERSONAL CARE PRODUCTS IN EUROPE

Annual report 2003

Flexible scale. Trust. Reliability. Responsibility. Continuous improvement.

These are the core company attributes that are helping McBride grow its position as Europe's leading manufacturer of Private Label household and personal care products – attributes that we focus on in all our 16 factories across seven European countries, helping McBride consistently meet the ever-increasing demands of Europe's most successful retailers.

They're the attributes that are helping us achieve our strategic goals for growth. They are the force behind McBride winning the ultimate accolade of 'Best Private Label Supplier' in the 2003 Grocer Magazine survey. They're what make McBride the first choice partner for Europe's leading retailers.

Read more about them on pages 14-23 of this report – and see how McBride is working to deliver growth.

Contents

Financial and commercial highlights

+4.3%

Group turnover was £505.0 million

+45.6%*

Pre-tax profit was £26.2 million

> Group turnover increased £21.0 million driven by the growth of Continental European core household and personal care retail sales. UK sales maintained their 2002 level while the overall reduction in contract manufacturing sales partially offset the gains in Europe.

> Group operating profit improved £5.0 million to £31.1 million (+19.2%) before goodwill amortisation as the result of higher sales, lower operating costs and improving efficiency.

> Underlying cash flow generation was £37.8 million after making dividend payments in July 2002 and January 2003 totalling £3.7 million. Despite a £4.0 million adverse effect of exchange, net debt reduced to £61.1 million. A decrease equivalent to one third of the Group's debt as at June 2002.

+19.2%

Group operating profit (before goodwill amortisation) was £31.1 million

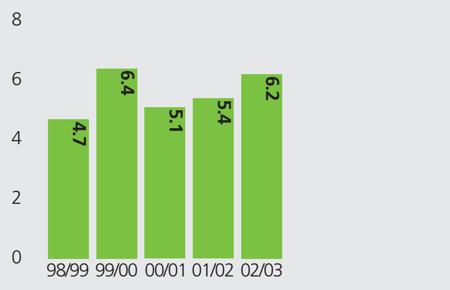
+45.7%*

Earnings per share was 10.2p per share

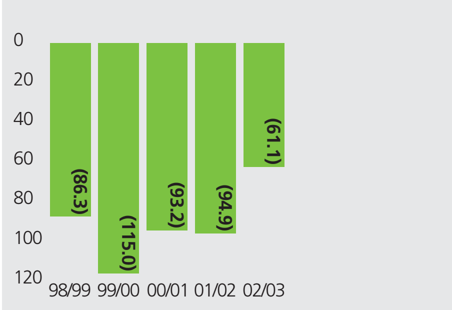
+38.1%

Total dividends for the year were 2.9p per share

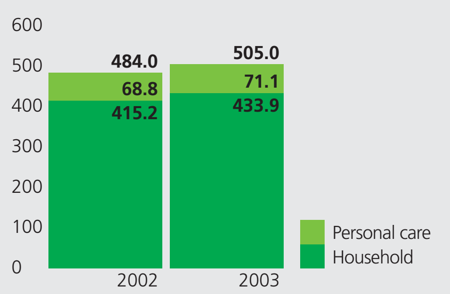
Return on sales (%)
before goodwill amortisation



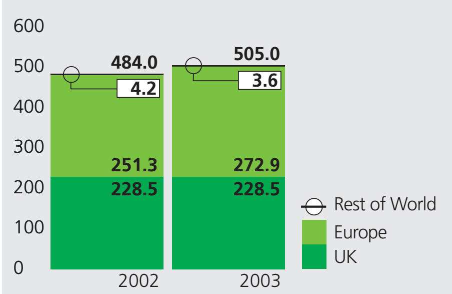
Net debt (£m)



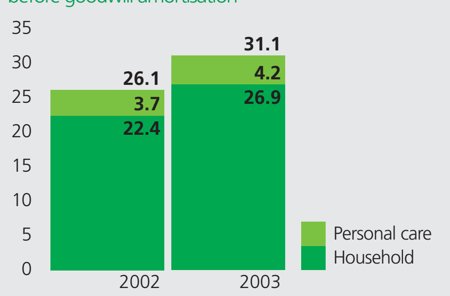
Turnover by product group (£m)



Turnover by destination (£m)



Operating profit by product group (£m)
before goodwill amortisation



Operating profit by origin (£m)
before goodwill amortisation

* Before taking £15.8m write off of goodwill in the joint venture in the 2002 results.

Commercial highlights United Kingdom

> UK sales unchanged in value terms as the increase in sales volume, following a series of successful sales promotions, was offset by continuing price erosion resulting from strong competition between the UK retailers.

> The Group's focus on improvements in manufacturing efficiency and better controls over working capital delivered a 12.0% improvement in operating profit with a corresponding improvement in cash flow.

UK Turnover and profit by origin (continuing business)

	1999	2000	2001	2002	2003
Turnover (£m)	265.1	255.9	243.4	243.1	**235.8**
Operating profit (£m)	21.6	16.6	13.3	15.0	**16.8**
Margin	8.1%	6.5%	5.5%	6.2%	**7.1%**

Sales in the UK maintained at 2002 levels (continuing business)

	1999	2000	2001	2002	2003
Turnover (£m)	258.1	251.0	238.3	228.5	**228.5**
Change	-3.2%	-2.8%	-5.1%	-4.1%	**0.0%**

Commercial highlights Continental Europe

> Continental European sales increased by 8.6%. This success was driven by the Group's strong Private Label sales growth in Spain, Germany, The Netherlands and France.

> The combination of higher sales and operating cost improvements resulted in an impressive 31.6% improvement to Continental European operating profit.

Continental Europe turnover and profit by origin (continuing business)

	1999	2000	2001	2002	2003
Turnover (£m)	231.7	222.4	227.9	240.9	**269.2**
Operating profit (£m)	12.9	13.3	6.4	9.8	**12.9**
Margin	5.6%	6.0%	2.8%	4.1%	**4.8%**

Growth in sales to Continental Europe

	1999	2000	2001	2002	2003
Turnover (£m)	232.9	223.0	228.9	251.3	**272.9**
Growth	18.2%	(4.3)%	2.6%	9.8%	**8.6%**

Chairman's statement

The Group has achieved outstanding results, in a year when the industry has experienced its usual competitive pressures. The strength of our business emanates from the consistency and relevance of our strategy: focus on Private Label household and personal care, innovate, support and develop with our major customers, emphasis on customer service and maintaining industry leading management skills and experience. All elements of the strategy have contributed to this year's strong performance.

Key Strategic Strengths
The Group has achieved outstanding results, in a year when the industry has experienced its usual competitive pressures. Our commitment to innovative solutions across all facets of the business has again ensured success. This contrasts with many of our UK and Continental European competitors, some of whom have struggled to achieve acceptable performances. The strength of our business emanates from the consistency and relevance of our strategy: focus on Private Label household and personal care, innovate, support and develop with our major customers, emphasis on customer service and maintaining industry leading management skills and experience. All elements of the strategy have contributed to this year's strong performance.

Recently we were again at the forefront of product innovation when we launched laundry powder in soluble sachets in the UK.

Continued Improvement in Performance
The programmes of action that were introduced by the executive team in 2001 continue to produce improvements in performance. During the year, all the businesses have been focussed on maximising profitable sales supported by improvements in the key areas of manufacturing efficiency, productivity, asset utilisation and working capital management. The success of these actions is demonstrated by record sales, increased margins and cash generation that has enabled us to reduce borrowing to the lowest level in seven years.

It is pleasing that this improved all round performance continues to be recognised in the recovery of our share price which currently stands at 109.5 pence per share as at 10 September 2003. We see no reason at present why the improvement should not continue in the current financial year.

Aerosol Products Limited (APL)
APL the UK aerosol joint venture, based at Hull, had a successful year by applying the same basic strategy and improvement plan as the main business. Following last year's operational and financial restructuring the management has worked hard, achieving a turnaround from loss to an operating profit.

With customer confidence at higher levels, new business has been gained and new opportunities continue to arise.

Lord Sheppard
Chairman

Managing powerful manufacturing and distribution resources across a continent, within a dynamic, fast-moving company culture, is enabling McBride to stretch its lead as Europe's leading Private Label specialist. It's our ability to meet our customers' demands across Europe that makes McBride the preferred partner of so many major retailers.

Customer Relationships
Being a supplier of Private Label means that we are directly affected by the economic and competitive forces experienced by retailers. We are only able to succeed by being more responsive to and, when necessary, proactive with, our retail customers than other suppliers.

Recognition of our success was referred to last year when McBride UK won The Grocer magazine's 'Best in Class' for a second consecutive year. This year we went two better, and were awarded 'Best in Class' for a record third time. In addition McBride was voted The Grocer's inaugural Gold Medal for Own Label excellence.

Workforce
It is with pride and gratitude that I give recognition to the outstanding commitment of our staff during the year.

Additional Non-Executives
As indicated in last year's Annual Report, we announced the intention to strengthen the Board. Following the recent press announcement, Christine Bogdanowicz-Bindert and Robert Lee have been appointed to the Board of McBride plc as non-executive directors from 1 September 2003. They bring with them considerable expertise and I would like to take this opportunity to welcome them to the Board of McBride plc.

Dividend Policy
McBride plc is committed to making progressive, sustainable annual increases to the dividend paid to shareholders, taking account of the medium-term capital requirements of the business.

Dividends will be paid in relation to the interim and final results of each financial year in May and November respectively. It is anticipated that the interim dividend will be approximately one third of the total dividend for a year.

Current Trading
Since year end trading has further improved in line with expectations and the outlook remains encouraging.

The Group continues to be the most comprehensively positioned EU supplier not only of household and personal care products but of any Private Label product category sold through Grocers.

Chief Executive's review

Total sales at £505 million were a record for our core household and personal care business and grew by 4.3%. The share of sales outside the UK again represented more than half the Group's turnover at 55% versus 53% in the previous year. At £31.1 million the Group's operating profit before goodwill amortisation and the joint venture was up 19.2%.

It is pleasing to report that the Group's sales, profit and cash generation have continued the improvements of last year particularly benefiting from a strong Continental European performance. The Group's inherent strength is its combination of scale of operations and the unparalleled experience of the management team. We have reinforced our Europe wide market leadership by a combination of sales volume growth, cost controls, increased profitability and improved cash generation.

The Company's objective is to improve shareholder value by growing profits whilst at the same time reducing debt in the existing core businesses. The targets for sales growth and major improvement in working capital levels, are underpinned by specific country, site, product and customer targets.

Sales
Total sales at £505 million were a record for our core household and personal care business and grew by 4.3%. The share of sales outside the UK again represented more than half the Group's turnover at 55% versus 53% in the previous year. Some help was given by the stronger Euro but the underlying volume and value growth in France and Spain were the main sources of the increase in CE business. Whilst the UK, as expected, maintained last year's sales, the strategy to expand sales in CE resulted in growth of 8.6%. Reported sales for Poland were adversely affected by the Zloty's weakness, although sales volume grew steadily.

Profit
At £31.1 million, the Group's operating profit before goodwill amortisation and the joint venture was up 19.2%. The competitive pressures between retailers and their undoubted buying power again caused selling price deflation. The Group's strategy to focus on all variable and fixed costs to strengthen margins in these circumstances, has again, led to improved results. However, the marketing, logistical and operational excellence of the businesses is the best safeguard for future results and customer service levels are the daily benchmarks of performance for all sites and functions.

Cash
Management's rigourous approach to raising our performance in the management of cash ensured success and has given two clear benefits; interest costs were reduced and the level of borrowings are less than half those at December 2000. We continue to benefit from high levels of capital investment in the 1990's. Whilst capital expenditure was lower it reflected the on-going levels following the completion two years ago of several major projects. A key area of cash improvement after balancing debtors and creditors has been the management of stock. Here the availability of detailed information for all finished goods and raw material/packaging items from the SAP integrated systems, is helping to improve controls thereby reducing stock levels and improving customer service.

Stewardship
In the Finance Director's review that follows the Group's financial performance will be described. It is, however, a feature of the business that all sites, countries, product groups and increasingly customers are regularly measured for profitability, return on sales, cash flow where relevant and ROACE. A recent in-depth independent internal audit, which is still in progress, confirms the proper management of business risk throughout the Group.

Trade Relationships
In Private Label we are only as good as our customers tell us and that is by the amount of business they award to us. In terms of customer satisfaction it is very pleasing to everybody involved in the UK business to have achieved two outstanding 'firsts' last year. For a record breaking third consecutive year the UK was voted by buyers as 'Best in Class' for the household goods sector in The Grocer magazine survey. This was followed in June by the Gold Award for Private Label excellence in competition between ten product sectors. The buyers voted McBride better than many well-known food, drink and non-food companies.

Whilst there are no equivalent awards in Europe we do conduct surveys using independent sources and the position of McBride as the leading company in household and personal care Private Label is well recognised, as evidenced by the sales growth.

UK
The market continues to be very competitive as the large retailers compete on all aspects of their customer offer. Last year saw Private Label sales continue to grow their share of the household products sector as the retailers increased their focus on building store traffic and improving store margins.

Despite this growth, Private Label share in our sector still remains below that for 'all commodity' groups. This represents a significant opportunity for our customers and McBride to grow Private Label sales to our mutual benefit.

It is therefore encouraging that all Private Label household products held a combined share of 23.7% with strong performance in McBride core categories of laundry liquid sachets +12.3%, laundry tablets +1.8%, auto dishwashing tablets +3.3%, washing up liquids and toilet care improving share by +0.9%. Our business in the UK has leading shares in all these categories with modest improvements in sales.

The personal care business had an excellent year. Against a continuing backdrop of a difficult market, initiatives were taken to develop the Private Label and Minor Brand offers. Our activities are focused on hair care, bath and shower products and oral care. During the year Private Label grew it's volume share of the market whilst the value share was marginally lower resulting in slightly reduced sales.

It is against this market background that our overall sales in the UK remained unchanged at £228.5 million.

Having successfully established our position in the liquid laundry sachets sector, the business has once again been at the forefront of innovations with the launch of powder pods. The initiative continues the development of offering the consumer the convenience of soluble sachets combined with the cleaning power of laundry powders in an easy to use format. Initial sales of the powder pods are encouraging.

The UK personal care business continued the improvements in its operational performance established last year as well as gaining new retailer brand contracts. In addition to the successful roll out of SAP, we are pleased with the Bradford site which delivered a strong performance.

APL
Last year we reported that the aerosol joint venture in the UK had been restructured and although it was early days for the new phase of the joint venture we were pleased to report that the losses had been stemmed. It is therefore particularly pleasing to report that our optimism was justified and rewarded with a contribution of £0.9 million (McBride share, £0.5 million) at the operating profit level.

Sales of £30.1 million (McBride share £15.1 million) were in line with expectations and the new management team have continued their excellent work in the control of the cost base and are continually working to improve its sales and operating performance. Customer service levels are vastly improved despite some persistent supplier performance difficulties.

Continental Europe
Our Continental European business (McBride CE) sells in all member States of the European Community in mainland Europe, with its head office located in Belgium and production sites in five member states. Last year we reported that retailer consolidation led by the French multiples and some German and Dutch retailers was creating the right environment for Private Label to grow.

In the most recent review of the European Private Label market undertaken by AC Nielsen on behalf of the PLMA (Private Label Manufacturers Association) it was reported that Private Label continues to grow and for the first time, now accounts for more than one in every four products sold in the UK, Germany, Belgium and Spain.

The report showed that the volume share of Private Label products across all commodities in 2002 was 40.8% in the UK (-0.2%), Germany 33.2% (+2.2%), a record 27.3% in Spain (+2.7%), France 24.7% (+0.4%), Italy 13.3% (+0.3%), while The Netherlands and Belgium fell slightly to 21.1% (-0.4%) and 36.5% (-0.2%) respectively.

Mike Handley
Chief Executive

The Grocer Gold Award for best Own Label supplier 2003

Minor Brands
The UK business continued its niche brand development programme which saw Surcare, the laundry products range, sales up 24% for the year. This year has seen the relaunch of Clean'N'Fresh our value brand of household cleaners and the launch of Captivate a personal care range.

These niche brands have a key role in the development of sales to the convenience and independent trade sectors where the lower absolute levels of volume inhibit Private Label growth. By offering a range of value brands of good quality we believe there is a mutual opportunity especially as some of the larger retail groups expand into this sector.

"These results demonstrate the continuing strength of McBride. The market remains competitive but sales gains in Continental Europe, and continuing operational improvements across the Group have improved profitability. Cash flow remains strong and a sudstantial reduction in debt has been achieved. Since the year end, trading has been satisfactory."

In Continental Europe, McBride's focus is on growth in all countries especially France and Spain.

We entered Spain eight years ago through acquisition and it is now our fourth largest market with significant growth opportunities.

Similarly McBride entered The Netherlands through acquisition however it is a more developed retail market and growth is therefore more difficult.

In France massive progress has been made following a series of small acquisitions to expand the product offer. Significant development of the relationships with major French retailers has underpinned this growth.

McBride has been a significant supplier to a number of German retailers outside their domestic market for many years. Indeed two German retailers are already in the Group's Top Ten customers. Germany is the most recent market McBride has started to develop; a sales office was established three years ago that is now winning contracts to supply the German retailers in their domestic market.

In the growing McBride CE market our reported sales were £272.9 million up almost 8.6% in Sterling with sales in local currency up 2.5% year-on-year. Sales in Spain and Germany showed impressive 37.4% and 36.0% growth in local currency respectively while The Netherlands improved 6.1% and France our second largest market grew by 5.2%.

Intersilesia's sales were impacted by the economic downturn in Poland and yet ended marginally up on the previous year in local currency. The main consequences of the weak Zloty were inflation on raw materials and imported products, the latter stimulated a 23% increase in local production volume. By European standards Intersilesia has a state-of-the-art facility and is undergoing value engineering of its cost base to further improve its competitive position. McBride has made excellent progress in both the Hungarian and the Czech Republics with sales up 50% and 140% respectively. From the small 1999 acquisition in Poland followed by substantial expansion of production and warehousing McBride now has a solid foundation from which it can expand its Central European business.

International – Rest of World

McBride International has responsibility for all markets outside the EU with the majority of its sales in Central & Eastern Europe, the core of which is Intersilesia in Poland. Rest of world covers all markets outside Europe. Against the backdrop of a strong Euro and the impact of the Middle East crisis, sales declined by 14%.

Operations

The Group is the most comprehensively positioned European supplier not only of household and personal care products but of any Private Label product category sold through Grocers. This strength is becoming increasingly recognised by our customers especially given our reputation for Private Label development and expertise in manufacture and supply.

Underpinning our commercial strategies is a network of 16 factories, in seven countries including the APL joint venture in the UK. During the year the closure of the Industrial and Institutional products factory on the Estaimpuis site in Belgium was announced. This non-core activity comprised two major customers who are in the process of re-sourcing their requirements with full co-operation between us. All financial consequences of this small closure have been reflected in these results.

Production sites focus on product technologies and we therefore have 2 laundry powder units, 2 aerosol units, 2 personal care units and 10 household liquids units. The number of household liquids sites is a direct consequence of the need to avoid the transport costs of shipping products over large distances.

During the last 10 years £186.6 million has been invested in capital in addition to various acquisitions. Our plants are well invested and acheive world class standards. Investment in SAP across the Group is enabling the business to focus on operational performance. This received further impetus during the year as we improved measurement and benchmarking matrices based on Group wide common nomenclature and definitions. This programme focused on capacity utilisation, productivity, efficiency of mixing, filling and blow moulding and will continue to strengthen the Group's cost effectiveness into the future.

McBride's scale of business in terms of volume, complexity, tighter lead times and speed of change can now be managed on an integrated basis through SAP. The benefits from investing in information systems are coming through and will continue to flow going forward.

Business Development

One of the main areas of business development identified last year was the opportunity presented by several of our niche brands. The results have been very encouraging with Surcare sales up 24%, UK household brands overall were up 9% and UK personal care branded sales were up 10%, McBride International undertook a major review of its brand offer including a number of relaunches.

The second area, contract manufacturing has been slower to develop but progress has been made in introducing McBride capabilities to a number of new customers with good prospects for longer-term volume.

Purchasing

The Group Purchasing Director and his team have been able to improve our competitiveness by building relationships and tendering business where opportunities were identified. A joint technical/purchasing project to identify areas of Group synergies was started during the year.

Planning

Last year we reported that a Group of over fifty of our most senior managers attended a workshop to review our markets, customers and competitors in the context of our own competencies, strengths and weaknesses. This strategic planning review has formed the foundation of our business plan which set the basis for the Group's recovery and growth parameters.

We are now in the second year of the plan, having achieved a number of key goals in terms of sales growth outside the UK, improvement in profits, working capital, cash flow and net debt reduction. These improvements have been realised through organic growth and internal cost control. The next phase of our planning process is to investigate the opportunities available to McBride to further accelerate growth. This will involve the examination of expansion into new geographic markets and in-filling product ranges whether organically or by acquisition.

Social and Ethical Policy

It has always been the Group's practice to set standards of performance and behaviour in the way we run the business. This goes beyond financial and operational aspects into how we behave with those in whose communities we operate and how we treat each other as colleagues. This year we have brought together all our best practices and formalised them as policy. It is an area where we will endeavour to improve our awareness and performance with, we believe, positive commercial effects.

Many of our sites gain external recognition with Burnley and Intersilesia in Poland collecting outside awards in these important areas. Our approach is based upon the belief that "a safe and clean working environment is a precursor to efficiency".

Health, Safety and Environment

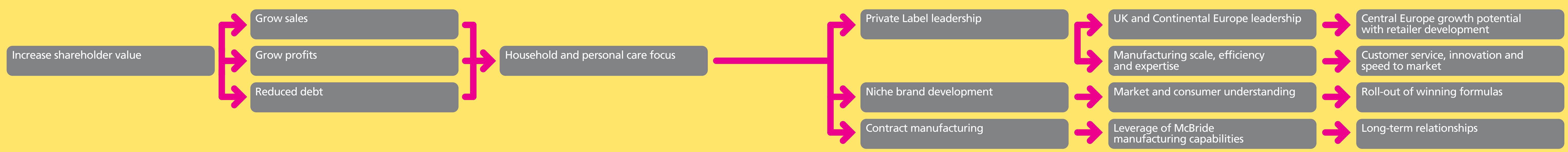
The Group has well conceived and documented policies and procedures across the diverse businesses that operate in seven countries with differing legal frameworks. In the UK RoSPA is used to audit safety management, and Investor in People is used to ensure our approach to training and development is of good professional standard.

Sustainable Development

Not just a new in-phrase but a way of doing business is how we see Sustainable Development. In all areas, whether it is vehicle loads and fuel efficiency, energy utilisation, packaging design/recyclability, production waste reduction, product design in the form of concentrated formulations or predetermined dosage formats or many other areas, we see Sustainable Development as the best approach to cost effectiveness. This approach safeguards both the future of the business and the environment in which we operate.

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

Strategy



Finance Director's report

Significant focus remains on not only improving profitability, but also cash generation. This is to reduce the level of debt to achieve a more optimum capital structure and to improve the rate of return on capital.

Pre-tax profit for the full year was £26.2 million, a substantial improvement over the previous year of £18.0 million before the write-off of goodwill in the joint venture. This improvement was backed by strong cash flows that reduced debt by £33.8 million to £61.1 million. These factors contributed to raise the pre-tax return on average capital employed from 15.0% to 19.6%.

Financial management reporting and accounting has been harmonised throughout the Group as well as strengthening the measurement and comparability of operating efficiency, asset utilisation and working capital. This has been facilitated by the Group wide information systems.

Between June 2002 and June 2003, the Euro appreciated against Sterling by nearly 7%. As over half the Group's activities are based in Euro's, this currency movement has impacted on the consolidated results for June 2003. However, since the Group's UK operations have some direct costs that are denominated in Euro's, the overall effect of the stronger Euro on the Group's operating profit and post-tax profit is not significant.

Overall, the Group experienced a second year of relatively stable raw material prices.

Turnover grew by 4.3% to £505 million, aided by strong organic growth in the Continental European business and a currency translation effect from the strengthened Euro. Improving operating efficiency lifted margins, before goodwill amortisation, to 6.2% from 5.4% last year.

Group operating profit therefore rose to £29.7 million (£24.8 million) whilst Group operating profit before depreciation and goodwill amortisation (EBITDA) increased to £53.0 million from £44.7 million. The charge for depreciation rose from £18.6 million to £21.9 million reflecting work on reviewing the asset base.

The Group's net interest charge for the year was £3.6 million, an improvement from last year (2002 – £4.4 million) due to lower average borrowings and some modest reductions in interest rates. Group interest cover was 8.3x compared to 5.7x last year.

The taxation charge, under FRS19 that requires a full provision for deferred tax, of £7.9 million for the year equates to an effective rate of 29% (2002 – 26%) based upon profits before goodwill amortisation. This rate is still below the mainstream rate of tax in the countries in which the Group operates due to the recognition of previously written off of ACT. However, the effective tax rate is expected to normalise over the next 2 years as this ACT benefit is exhausted.

During the year, the corporate structure of the Group was reorganised to maximise utilisation of ACT and thereby reducing future taxation payments.

Capital expenditure, which in the full year amounted to £8.5 million (2002 – £10.5 million) was incurred mainly on efficiency improvement projects, new capacity and the continued rollout of the SAP information systems. This lower level of expenditure partly results from the high level of previous year's expenditure combined with a drive to increase existing asset utilisation and efficiency across the Group. It is expected that the level of capital expenditure over the next few years will be above the current year's level, close to the average of the last three years.

Net debt improved significantly throughout the year, falling from £94.9 million at June 2002 to £61.1 million at the year-end despite adverse exchange movements of £(4.0) million. This strong performance was aided by significant improvements in working capital and lower capital expenditure. Cash flow per share, before dividend payments, joint venture settlement and exchange movements amounted to 23.4p (2002 – 12.2p).

During the year, the Group moved towards a more efficient capital structure to minimise the cost of capital. Gearing, interest cover and Net Debt/ EBITDA ratios all improved to 78% (2002 – 147%), 8.3x (2002 – 5.7x) and 1.15 (2002 – 2.12) respectively. This directly impacted the Group by reducing the cost of borrowing.

The Group's pre-tax return on average capital employed was 19.6%, up from 15.0% last year due to better margins and greater asset turnover.

Treasury

The Group's debt requirement is financed through a combination of two medium-term committed bank facilities and a number of uncommitted short-term facilities.

The committed facilities secure the Group's medium-term funding requirements. They comprise firstly, an £85 million amortising revolving credit facility with an original 5-year term, expiring in September 2007, with a margin that fluctuates depending on financial performance. The second facility is a structured finance product for £20 million based on purchasing receivables. This has a 30-month committed term, expiring February 2005, and is on a fully non-recourse basis. The cash generation of the Group means that the continuing need for this facility will be reviewed as it approaches maturity.

All Group operating companies have uncommitted short-term facilities available in their local currencies. These facilities, typically with low margins, are to manage short-term working capital and ensure that cash balances are not created locally when the Group as a whole is in debt.

All borrowings and foreign exchange activities are undertaken as a result of underlying trade transactions with approved financial instruments. Currency exposures arising from trade transactions are covered as they arise. No transactions of a purely speculative nature are undertaken.

Interest Rate Risk

The Group is financed by a combination of retained earnings, receivables financing and bank debt. The bank debt is denominated in various currencies but mainly in Sterling and Euros. Due to the healthy current and forecast financial ratios of the Group combined with a relatively flat yield curve on the swap market, bank debt is held on a floating rate basis. However, interest rate Costless Collars have been implemented that will protect the Group against any significant rise in interest rates over the next 2 years.

Foreign exchange risk on overseas borrowings is monitored monthly and is substantially hedged against the assets held in the same currencies.

Aerosol Products Limited (APL)

Following the significant operational and financial restructuring in June 2002, APL has traded profitably and been cash generative throughout the current year. APL's cash generation enabled a reduction in interest bearing working capital and therefore interest charges. APL remains a joint venture, held in the Group Accounts at a net liability of £(1.7) million.

Systems

The Group's main financial and operating systems, based on SAP applications, have continued to be rolled out throughout the Group. All the main operating units are now running on these applications and there has been little business interference during migrations. The SAP systems cover most aspects of manufacturing, stock, delivery and financial control and are an integral part of the business. They are an essential part of ensuring that increasing demands, both financially and operationally can be met.

Pension Accounting – FRS 17

Last year, due to rising costs and uncertainty surrounding investment returns, the UK closed its defined benefit pension scheme to new employees; it was replaced by a defined contribution scheme. The defined benefit scheme currently has 579 active members, 78 pensioners and 412 deferred members. During the year, due to the increasing costs of providing for pensions, the scheme changed the benefits that active members will be entitled to receive on future service. Under FRS 17 rules, the valuation of the scheme at the year-end showed gross assets amounted to £32.9 million (2002 – £35.6 million) and the liabilities to £47.7 million (2002 – £42.3 million) leaving a shortfall of £10.4 million after taxation (2002 – £4.7 million) after taxation. An actuarial valuation is currently underway; any material shortfall will need to be made up over the remaining service lives of the active members; this is currently 11 years.

Pension provision for our overseas colleagues is generally provided by their respective governments out of general taxation. As such, the Group has no significant residual forward exposure.

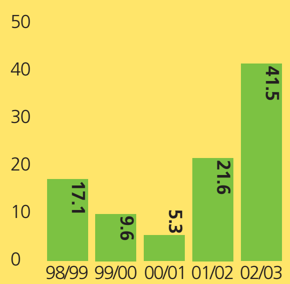
Earnings and Dividends

The weighted average number of shares in issue during the year was 177,639,197. Earnings per share are 10.2p, an increase of 46% over last year's 7.0p (excluding last year's goodwill write off).

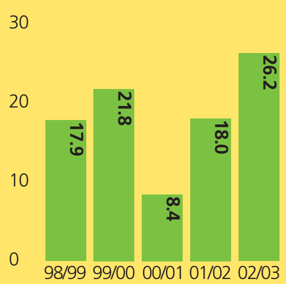
The recommended final year dividend, payable on 28 November 2003, has been declared at 2.1p representing an increase of 50% over last year. This final dividend together with the interim dividend brings the full year to 2.9p, an increase of 38% over last year's 2.1p.

Miles W Roberts
Finance Director

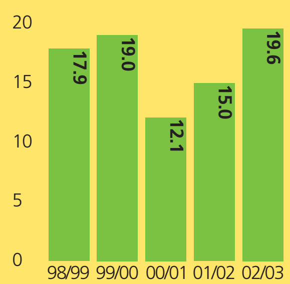
Cash generation (£m)
before dividend payments, acquisitions and refinancing the joint venture



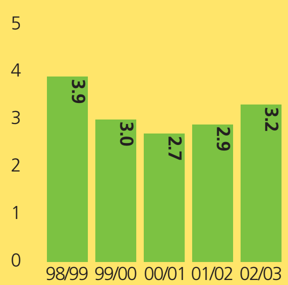
Pre-tax profit (£m)
before taking £15.8 million write off of goodwill in the joint venture in the 2002 results



ROACE %
operating profit/opening + closing (net assets + net debt excluding joint venture)



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



LEADING THE MARKET

1 Lord Sheppard of Didgemere, KCVO, Kt
Chairman
(aged 70)
Lord Sheppard has been non-executive Chairman of the Company since the Buy-In in 1993 and from 1987 to 1996 he was Chairman of Grand Metropolitan plc. He is currently Chairman of GB Railways plc, OneClickHr plc and the Unipart Group of Companies and Chancellor of Middlesex University. He is also President of London First, and Vice-President of Business in the Community.

2 Mike Handley
Chief Executive and Deputy Chairman
(aged 56)
Mike Handley led the management Buy-In of McBride in 1993 and was previously Managing Director of several divisions at RHM plc and a divisional director of Cadbury Schweppes plc prior to which he had held senior management positions with Ciba Geigy (UK) Ltd and Reckitt & Colman. In 1998 he was appointed non-executive Chairman of Macphie of Glenbervie Ltd in Scotland and during 2001 was appointed to the board of the A.I.S.E. (The European Detergents Industry Association).

3 Miles W Roberts
Group Finance Director
(aged 39)
Miles Roberts joined McBride in January 2002 as Group Finance Director from Costain Group plc where he was also the Group Finance Director. Previously he was the Finance Director of Three Valleys Water plc.

4 Henri I Talerman
Non-Executive Director
(aged 47)
Henri Talerman has been a non-executive Director of the company since May 1993. He was a founding partner of WR Capital Partners, LLC. Until October 2000, he was a Managing Director of Lehman Brothers Inc, managing Lehman's principal investments. He is a member of several Boards of Directors of private companies in the US.

5 Colin D Smith
Non-Executive Director
(aged 56)
Colin Smith joined the Board as a non-executive Director in April 2002. He was a main board Director of Safeway plc for 15 years, the last 6 years as Chief Executive and before that, Finance Director. Colin is also Chairman of a number of private companies.

6 Christine A Bogdanowicz-Bindert
Non-Executive Director
(aged 52)
Christine Bogdanowicz-Bindert joined the Board as a non-executive Director on 1 September 2003. Christine is an experienced financier born in Belgium, with joint Belgian/Polish nationality. She has worked throughout Europe and the USA for the last 30 years firstly with the International Monetary Fund and then, until 1990, with Lehman Brothers Inc as a senior Vice President. From 1990 to 2003, she has been the President of Bindert GmbH in Germany which specialises in strategic/corporate planning issues for multinationals in Poland and has held a number of non-executive directorships in Poland and the US.

7 Robert A Lee
Non-Executive Director
(aged 56)
Robert Lee joined the Board as a non-executive Director on 1 September 2003. Robert has over 35 years experience in the petrochemical and allied industries. He was employed by Dow Chemicals for 28 years in a variety of international senior management positions. In 1997, he joined a new management team established at Octel Corp, enabling its successful demerger to become an independent publicly quoted petroleum additive company, listed on the NYSE.

1 2 3 4 5 6 7

ACHIEVING FLEXIBLE SCALE

Managing powerful manufacturing and distribution resources across a continent, within a dynamic, fast-moving company culture, is enabling McBride to stretch its lead as Europe's leading Private Label specialist. It's our ability to meet our customers' demands across Europe that makes McBride the preferred partner of so many major retailers.

Creating, developing, manufacturing, distributing and managing bespoke portfolios of Private Label household and personal care products for many retailers across a wide range of national markets poses an extraordinary array of strategic and logistical challenges that very few organisations are able to rise to.

McBride does this by integrating it's considerable manufacturing capabilities with an organisational agility that aims to meet customer demand, regardless of time-scale or geography.

It's what we call 'flexible scale'.

Flexible scale means we have the levels of installed capacity that allow production to be switched speedily, accurately and cost-effectively with minimum downtime. It means we have the resources in place to meet demand, immediately and efficiently in our core European markets. It means our lines of communication and information systems are geared not just to respond to customer needs, but to anticipate and meet them before they become urgent.

Our ability to provide flexible scale has not simply evolved – it has been carefully planned and is under constant review and refinement as markets change and new, better ways of operating and organising emerge.

It is one of the most important resources within McBride. It is what allows our customers to trust us, to rely upon us to make a truly business-critical contribution to their success, to achieve the innovation that keeps us ahead of our competition and to play a responsible, wealth-generating role in the communities where we operate.

Organising for increased production

A major reorganisation of our plastic bottle blow-moulding capabilities in Continental Europe following a review of local demand and capacity across sites and countries has enabled us to bring in-house the production of an additional 30 million bottles in the first year alone.

Of equal importance, by realigning these resources closer to our customers, we are gaining significant speed and efficiency benefits in meeting their requirements.

This exercise, which involved moving between sites four of our 80 Blow Moulding machines currently installed throughout Continental Europe, has already delivered significant cost-reductions with more in years to come.

A story of achieving more for less.

Dishwash capacity expansion

McBride has been quick to invest in increased manufacturing capacity for dishwash tablets, a sector whose value is growing by 11% each year.

McBride's latest investment in a state-of-the-art additional tablet press to be installed at Barrow continues our commitment to our customers in a growth market. This will also allow us to accommodate any excess demand from our European manufacturing site at Moyaux.

Just as important, it gives us the flexibility to respond more quickly than ever before to special customer requirements for promotions and other activities, helping them grow the share of their Private Label products.

Private Label share of the European dishwasher products market

% volume share

BUILDING OUR BUSINESS ON TRUST

McBride's business is growing, consolidating its leading position in our core markets and expanding rapidly into new ones. This growth is based on the trust that our customers place in us to do the right thing in the right way at the right time, ultimately making us their Private Label partner of choice.

Every supplier business is under pressure from its customers to reduce costs, enhance quality, increase speed, maximise efficiency.

At McBride, we don't wait to be asked. To deserve and gain the trust of our customers – in new and established areas alike – we must take the initiative.

Collaborative practices are therefore increasingly penetrating every aspect of our organisation: integrating our business planning and information systems with those of our customers'; and matching precisely our product development, manufacturing and distribution activities with their anticipated sales figures and promotional plans. Recent developments mean that live data captured at the checkout is now being used to determine stock levels at every stage of the supply chain from McBride's suppliers to retailers' shelves.

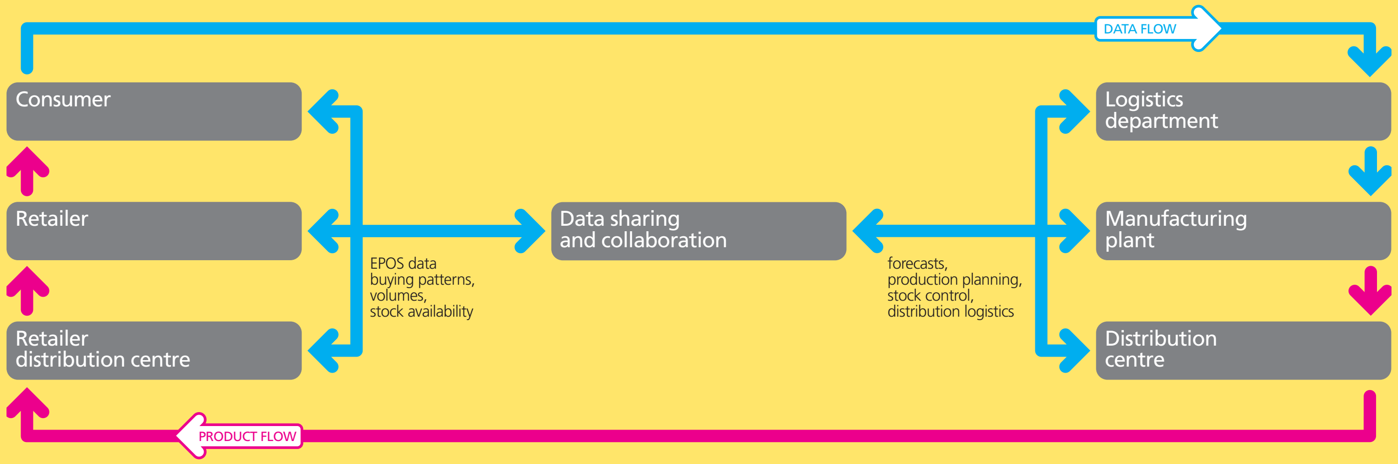
We're constantly enhancing performance – driving sales to improve volumes and profit for our customers and ourselves, so gaining mutual advantage and assured long-term, profitable relationships. This approach now permeates every functional area and level of the organisation, from the Board to teams and individuals out in the field, on the factory floor and in administrative roles throughout the UK and Europe.

When we received for a record third consecutive year The Grocer Survey's 'Best in Class' award in household and personal care products, this was a tribute to our continued successful efforts to meet our customers' demands for service level, product availability and strategic understanding. 2003 also saw even greater recognition, however, with the UK's leading grocery retailers awarding McBride the ultimate accolade of best Own Label supplier across all categories.

In Europe, new collaborative solutions are driving tremendous sales growth, helping major retailers grasp important commercial opportunities through increasing the proportion of Private Label goods they sell across multiple international markets.

In Central Europe, we've created a world class manufacturing facility in scale and quality to gain the trust of consumers and place Private Label goods at the heart of the retail landscape in markets like Poland, the Baltic States, Russia and Ukraine.

Collaboration flow – integrating information systems



Collaborating for Private Label growth

Through close collaboration with a major UK customer, in 2002 McBride helped increase on-shelf availability of its product lines from an already impressive 96.5% to over 99%. This has brought about both a significant improvement in sales turnover and a major growth in the proportion of Private Label products carried by the retailer.

These results were achieved through a combination of efficient collaborative supply chain management and a deep understanding of consumer psychology.

Investing in new markets

In less than five years, McBride has turned Intersilesia, formerly a £3 million turnover business in Poland, into a regional manufacturing and distribution hub that serves a massive and growing market throughout Central Europe.

When combined with additional commercial investments in Prague and Budapest, this approach enables us to successfully support all customers seeking to expand their share of Private Label in these new growth markets.

The story doesn't end there – future investments are planned, using Intersilesia as a model of excellence to create a second regional hub that will allow further market development and drive shipping costs to even lower levels.

ENSURING CONSTANT RELIABILITY

Customers work with and reward suppliers they can rely on. So achieving, maintaining and improving reliability is central to our strategy for sustainable growth and success, bringing the benefits of our investments in responsive, efficient and foolproof resources and systems to every retail customer, every time they deal with us.

McBride is Europe's leading Private Label supplier. More retailers rely on us than anyone else to provide the products they need to satisfy their customers – when, where, and in the quantities they require.

By maintaining and continually enhancing this reliability, we make a dynamic contribution to their success, encouraging ever-increasing trust in the form of new and larger contracts with retailers throughout Europe.

This means we are constantly driving ourselves to strive for maximised on-shelf availability and a constant understanding of the market dynamics that influence consumer demands and choices.

One of our most powerful tools is the ability to share a single vision with customers, enabling us to manufacture and distribute for maximum sales and minimum waste. In an environment of immense complexity and change, where one in three of all our product lines is at any moment being either introduced or discontinued, it's this commitment to collaboration that ensures reliability.

We're constantly enhancing performance – driving sales to improve volumes and profit for our customers and ourselves, so gaining mutual advantage and assured long-term, profitable relationships.

The structure, organisation and attitude of the business underpin this ability. We have already achieved much in adopting the standards that ensure we continue to meet customer requirements, through continuous improvement across the whole management process.

In Europe, we achieved at Group level ISO 9001 V2000 certification. This includes the head office of McBride CE at Estaimpuis, our factories at Ieper, Estaimpuis and Sallent, and our distribution centres at Ieper and Guesnian.

We are on schedule for our factories in Moyaux, Rosporden and Solaro to join the certification by 2004. With Breda and Etain achieving it before the end of the year, we are ensuring the structure is in place for continued reliability throughout all areas of the organisation.

Intersilesia in Poland has ISO 9001 V2000 and ISO 14001 certification and in the UK currently 4 of our factories Middleton, Burnley, Bampton and Hull (aerosols joint venture) have ISO 9001 V2000 approval.

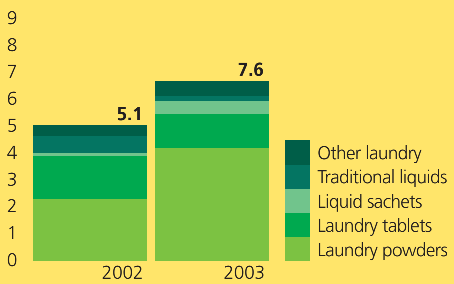
Developing Private Label

In two years, we have helped one major retailer improve the proportion of Private Label laundry sales from 16.5% in 2002 to 23.3% in 2003 resulting in a 49% increase in retail sales value.

Working closely with the customer, together we devised a strategy to reverse a tide of gradual decline in their laundry business. Initially redesigning all packaging to gain a fresher, more vibrant look, we moved forward to make the range itself more relevant to today's consumer demands, with emphasis on the introduction of more tablets, sachets and improved powder products.

A truly collaborative effort including store-level EPOS data and supported by powerful marketing, this was a programme of change that underlined the customer's commitment to its Private Label products.

Improvement in Private Label laundry retail sales (£m)



Mike Handley picks up The Grocer Gold Award for best Own Label supplier, with Jeremy Vine (left) and editor of The Grocer Julian Hunt (right).

Gold Award for best Own Label supplier

In the UK for an unprecedented third year running, McBride was awarded 'Best in Class' status in The Grocer magazine survey of retailers opinion of their Private Label household and personal care suppliers.

This was followed by McBride being awarded the Gold Award for best Own Label supplier. The award, introduced by The Grocer to recognise business excellence, confirms Robert McBride as the number one Own Label supplier not just in household and personal care but in the entire grocery trade, including food and drink manufacturing. To win the award Robert McBride had to be nominated and voted for by a majority of leading supermarket chains in a secret ballot.

ISO 9001 V2000

In Europe we have achieved at Group level ISO V2000 certification. This includes the head office of McBride CE at Estaimpuis, our factories at Ieper, Estaimpuis and Sallent. ISO 9001 V2000 has also been obtained in 4 UK factories Middleton, Burnley, Bampton and Hull as well as in Intersilesia, Poland.

ISO 9001:2000
DNV
REGISTERED FIRM

ENABLING CONTINUOUS IMPROVEMENT

New products, new methods, new thinking – McBride never stands still. This is one reason why our record in new product development is the envy of our main competitors – but our culture of continuous improvement extends into every aspect of the company, making innovation the driving force behind our internal systems and practices too.

What makes McBride stand out from its Private Label competitors is our consistent efficiency and speed to market with successful new products.

Whether inspired by customer demand, by small niche products that we take to mass market, by our own marketing instincts or by researching successes overseas, our record of being first to market with innovative new solutions in household and personal care goods is second to none.

Part of our formula for success is to know what we're good at – and then improve on it. In short, we are committed to focussing on areas of greatest return, for ourselves and for our customers.

It's thinking like this that has resulted during 2002 in the creation and development of new and extended product lines and categories, enabling our customers through shared innovation to expand the proportion of Private Label products they sell.

However, our ability to innovate extends far beyond the creation of new products – this is simply the visible result of unconstrained, creative thinking throughout the organisation, and at every level in the supply chain.

This is why we've developed a culture of continuous improvement throughout McBride, adopting a systematic approach to solving problems and generating new ideas for cost, speed and quality benefits that we can share with our customers.

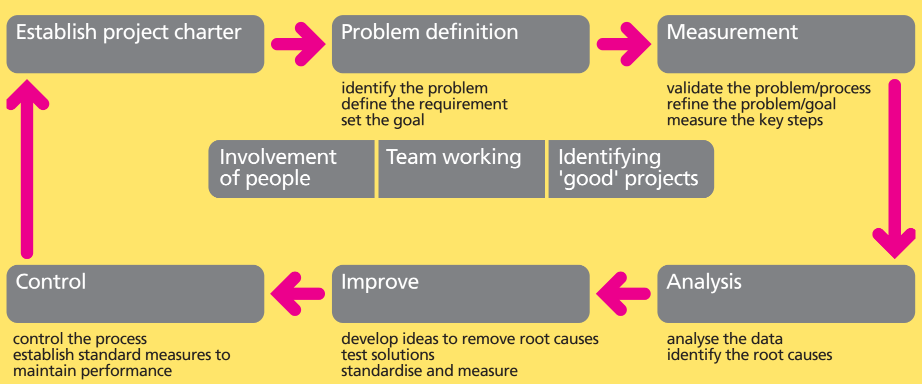
Fresh thinking ensures resources are where we need them to be, and that our information systems and lines of communication add value to our business and those of our customers.

Communication and sharing of ideas is vital across the whole business as well as within national markets. Joint co-ordination meetings are held between marketing, technical and purchasing teams to achieve greater innovation, pursue joint development opportunities, improving our speed to market.

Our people are constantly encouraged to contribute their ideas and creativity to new solutions, where we can swiftly make investments that exploit the emerging potential of new consumer growth markets.

That's the McBride culture.

Continuous improvement cycle



Continuous improvement in McBride
This is an approach that embraces every area and level of the organisation. In the UK alone there are now over 150 teams generating the fresh thinking that produces tangible results across multiple aspects and facets of the business – from saving £56,000-a-year by reducing waste on a liquid filling line to cutting the time taken to process invoice queries by 50%.

Continuing laundry developments
By taking sachet technology and integrating it with an advanced powder formulation, McBride has created in powder pods a laundry solution that combines the cleaning power of a tablet with the flexibility of powder and the convenience and benefits of a sachet.

This 'tablet in a sachet' is already selling strongly through 2,000 stores of one retailer, giving consumers access to a range of product advantages for which they're prepared to pay a premium, meaning attractive financial returns for our customer and ourselves.

Our speed off the mark means that once again we are at the forefront of laundry technology with none of the established brand producers actively marketing products in the arena.

RESPONSIBILITY = SUSTAINABLE DEVELOPMENT

From the innovation of new products, protection of our natural environment through the prudent use of resources and minimising waste, and focusing on the welfare and development of our people, we're committed to achieving responsible, sustainable development throughout our business.

McBride

There is a real commitment within the Company to operate within the sustainable development context, minimising our impacts and benefiting consumers and local communities wherever possible. This is evidenced by the 2 million Euros spent during the year on health, safety and environmental improvements, by making investments today, we are reducing the long-term future costs of doing business.

Our concept of sustainability follows that of the Bruntland Commission (development to meet our needs without compromising the ability of future generations to meet their own needs). As a Company we are committed to working in line with this principle, both in our own production and development facilities, and in our dealings as an industry through involvement with trade association activities. Key areas of sustainable activity are:

- Minimisation of environmental impact of products in manufacture, use and disposal.
- Development and manufacture of products which are safe for their intended use in terms of human health and which contribute to the benefit of society.
- Minimisation of any adverse effects of our activities on local communities, and contribution of a beneficial impact wherever possible.

During the steady introduction of the Company's Environmental Management System across its UK sites in 2002-03, despite increased production McBride achieved savings of £237,000 over 2001-02 through better waste, recycling, effluent, power and water management. The same period included no major environmental incidents, no complaints or prosecutions from the Environment Agency and a 30% decrease in minor incidents, all saving valuable resources, management and operational time.

Similarly, our employee Health & Safety policies continue to drive down the number of working days lost due to accidents at work. An important contribution is being made by employee participation in planning safe and healthy working environments, as well as the actions resulting from our regular site reports and review meetings. Such activities are all leading directly to reduced employer liability claims and insurance costs. In the UK RoSPA independently audits our sites every 2 years and gives a score for each site and a list of recommendations, while in Europe a safety index quantifies performance and is used to monitor progress.

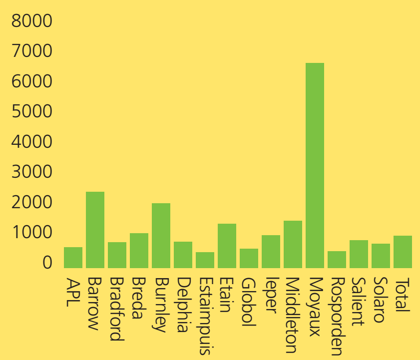
By continuously ensuring product safety, we are both protecting the end-consumer and helping to strengthen further our excellent relationships with retail customers. During the last year, we have reviewed the raw materials used in our products more extensively and deeply than ever before.

Reusing water

Fresh water is one of the planet's most important resources, and we're committed to re-using this irreplaceable natural commodity wherever possible. In our Ieper Delphia site, we're successfully reusing 40% of *Cleaning In Place* rinsing water. In the household products factory, 50% of tank cleaning water is reused, at Moyaux and Estaimpuis closed loop cooling systems are in place enabling highly significant reductions in consumption.

In the UK, we're pioneering a new system at the Middleton site where water already warmed by passage through a heat exchanger is then used in a manufacturing process that requires warm water.

Kgs production per m³ water 2002/2003



Conserving energy

By raising awareness of the need for energy conservation and introducing more efficient lighting, we have achieved important improvements in energy use across the Group.

Our Middleton site has reduced overall energy consumption per unit produced by 9%, while our bottle-manufacturing site at Bradford is now using 5.8% less electricity for every bottle it makes.

As an important member of all the communities where we operate, we actively encourage open dialogue about our operations and are involved in many local initiatives, all designed to make a positive contribution to the lives of our neighbours. These include education, financial assistance for local charities and other community efforts, economic regeneration and providing work experience for young people.

One example is a national award-winning scheme where McBride is working closely with Rochdale Council to provide employees with advice and support on a wide range of childcare issues. This means we are actively helping to support the family life of those who work with us.

Other specific projects involve literacy and numeracy classes for any staff needing such help, sponsorship of children's sporting teams, bursaries for local students and sharing the experience of our staff and management with small businesses and local non-profit organisations, including health and safety advice under the HSE Good Neighbour scheme.

Reducing effluent

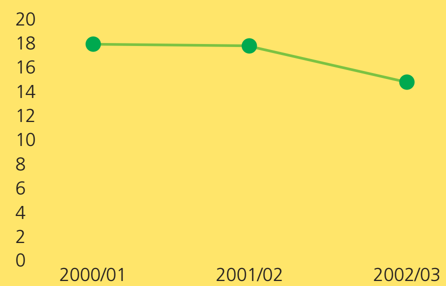
Biodiversity is the variety of life at all levels. From simple cells, through individual species to complete eco-systems, biodiversity is the basis of the life support systems on which we all depend. Worldwide, biodiversity is being lost at an alarming rate. Pollution, land use, climate change, species introduction and the unsustainable use of natural resources all have a global impact on the biodiversity of our world. McBride recognises the need to understand and manage the aspects of biodiversity that are affected by our operations, both during the manufacture and the use of our products in order to minimise the impacts of these operations on biodiversity as a whole.

The biggest impact on the environment is via the wastewater from the manufacturing processes. None of our sites send untreated wastewater directly to the natural environment. All wastewater is treated in order to make it compatible with its receiving environment.

In two effluent treatment projects we are achieving important cost-savings and a significant reduction in environmental impact. At Middleton alone we're now saving £70,000 each year having reduced the impact on environment in terms of Chemical Oxygen Demand (COD) by 80%, while the effluent treatment plant at Bradford is working at peak efficiency to save £32,000-a-year.

Accident frequency rate

Frequency rate, the number of LTIs per million of hours worked, shows a gradual improvement over 3 years, with a significant improvement this year, where the frequency rate dropped from 17.75 to 14.75.



Directors' report

The directors of McBride plc have pleasure in presenting to shareholders their Annual Report together with the audited, consolidated financial statements for the year ended 30 June 2003.

Principal activities and future development

The Group has manufacturing operations in seven European countries with 16 factories including the joint venture. The principal activities of the Group are the manufacture of Private Label and minor brand household and personal care products. During the year, the Board carried out a thorough review of the Group's strategic three-year plan encompassing all aspects of the objectives and management of the business. Details of the business and their activities during the year are set out in the Chief Executive's review on pages 6 to 9. Information on the Group's financial performance and progress are set out in the Finance Director's report on pages 10 and 11.

Results and dividends

	£m
Group operating profit	29.7
Share of joint venture's operating profit	0.5
Interest	(4.0)
Taxation	(7.9)
Minority interest	(0.1)
Profit for the financial year after providing for taxation and minority interest	18.2
Dividends per ordinary share	2.9p
Proposed final dividend of 2.1 pence per share to be paid on 28 November 2003	£3.8m

The final dividend is subject to shareholder approval and will be paid on 28 November 2003 to shareholders on the register on 31 October 2003.

Corporate governance

The Board of Directors

The directors who held office during the year and continue to hold office, together with their biographical details are shown on pages 12 and 13.

At the end of the year to 30 June 2003, the Board comprised five directors two of whom are executive and three non-executive directors. With effect from 1 September 2003, two additional non-executive directors were appointed to the Board. Relevant biographical details are included on page 13 and both appointees will stand for election at the Annual General Meeting.

In accordance with the Articles of Association of the Company, the directors retiring by rotation at the Annual General Meeting are the Chairman, Lord Sheppard of Didgemere, and the Chief Executive, Mr M Handley, who, being eligible, offer themselves for re-election.

Lord Sheppard attained the age of 70 on 25 December 2002 and, in accordance with the provisions of the Combined Code ("The Code") of the Financial Services Authority, the Company's Articles of Association and the Companies Act 1985, special notice has been given of the intention to propose an ordinary resolution at the Annual General Meeting that he be re-elected a director of the Company.

The Company's Articles of Association require one third of the directors to stand for re-election every year. This ensures that shareholders have a regular opportunity to reassess the composition of the Board. The Company has always complied with best practice by ensuring that every director is subject to re-election every three years. If the Board consider it necessary, approval will be sought from shareholders to amend the Company's Articles of Association to ensure ongoing compliance with The Code.

The Board recognises its responsibility to represent and promote the interests of shareholders and its accountability to shareholders for the performance and activities of the Group. At the same time, the Board recognises the responsibility of the executive directors to manage the Group's activities. A schedule of matters has been established that are specifically reserved for decision by the Board, this recognises that in certain situations their decision will be subject to shareholder approval. The tasks of monitoring executive actions and reviewing operational issues are delegated to the Chief Executive who oversees the management of the Group's business activities and to Board Committees (see page 25).

The Board's strong non-executive element continues to be based on each non-executive director being independent of management. Between them, the non-executive directors bring a broad range of relevant experience and independent judgement to the Group. The non-executive directors have undertaken some specific training relevant to their duties. Induction programmes are undertaken by newly appointed members of the Board including site visits, and strategic and operational presentations by senior executives. The non-executive directors have been appointed for their specific areas of expertise and knowledge, which can bring complementary skills to the Board. The designated senior independent non-executive director is Mr H Talerman.

The Board meets formally at least six times a year at about two-monthly intervals. During the year ended 30 June 2003, there was 100% attendance by four directors at these meetings with only one meeting missed by the fifth director.

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

Under the independent non-executive Chairman and supported by the Chief Executive there is an open style of management and free flow of information between the executive and non-executives which is a strong feature of the Board's effectiveness. This ensures comprehensive reviews at Board meetings and regular contact between meetings. The risk assessment programme has been updated during the year including a thorough six-month long internal audit project. The Board regularly reviews its strategic planning, investment and acquisition proposals and ongoing performance against budget. Board papers are prepared and issued a week prior to each Board meeting.

Sub-Committees

Sub-Committees of the Board have been established with Charters, approved by the main Board, detail their composition, activities and duties. They also define the extent of the authority delegated to each sub-Committee.

- ***Audit Committee –*** the Committee operates in accordance with a Charter that determines its terms of reference. The Committee currently comprises Mr C Smith as Chairman and two other non-executive directors Mr H Talerman and Mrs C Bogdanowicz-Bindert. The Committee members normally serve for a period of not less than three years and a quorum of the Committee is two members. There are a minimum of two meetings per annum and the Committee is authorised by the Board to investigate any activity within its terms of reference. The business of the Committee takes full account of The Code and is responsible for reviewing, on behalf of the Board, the Group's accounting and financial policies and disclosure practices, its internal controls and the nature, results, recommendations and services of the external auditors. A report of the activities of the Audit Committee during the year ended 30 June 2003 is included on page 28.

- ***Remuneration Committee –*** this Committee also operates in accordance with a Charter that defines its terms of reference and is responsible for the review of remuneration policies for the executive directors, key senior managers and for reviewing management development matters within the Group. The Committee comprises a Chairman Mr H Talerman, and three other non-executive directors Lord Sheppard, Mr C Smith and Mr R Lee. Committee meetings are attended by the Chief Executive on all matters except those relating to his own remuneration. The committee seeks, wherever it is deemed necessary, advice from external professional advisors. The Committee meets at the request of any member but 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 Company. A full report of the Remuneration Committee is set out on pages 28 to 33.

- ***Nominations Committee –*** this Committee's Charter also defines its terms of reference with a Chairman, two non-executive directors and the Chief Executive. The current membership is Lord Sheppard as Chairman together with Mr C Smith, Mr H Talerman and Mr M Handley. The Committee meets as appropriate and a quorum is two members. The Committee is responsible for reviewing the structure, size and composition of the Board as well as considering and recommending the nomination of candidates for appointment as executive or non-executive directors to the Board. The Committee is also responsible for making recommendations to the Board on the continuation in service of any director who has reached the age of 70. Members of the Committee are not involved in matters affecting their own positions. In this regard, Lord Sheppard has now attained the age of 70 and the remaining members of the Committee have recommended his re-election to the Board subject to approval by the shareholders at the Annual General Meeting.

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

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

Group Executive Committee – this Committee is chaired by the Chief Executive, and comprises the Group Finance Director, the three Managing Directors of the geographically based operating companies, the Business Development Director, the Group Purchasing Director, and the Personnel Director.

Compliance

The Company, recognising of the importance of Corporate Governance has continued and fully endorses the Principles of Good Governance and Code of Best Practice encompassed in The Code. The Company regularly and actively reviews its level of compliance with The Code and the ways in which the Company applies and complies with the Principles of The Code are set out elsewhere in this report. The Company complied throughout the period under review with the provisions of Section 1 of The Code except in the following respect, the Chief Executive continues to hold a two-year service contract. The Remuneration Committee considers this to be appropriate given the Chief Executive's length of service, from the Buy-In in1993 and flotation in 1995, and his knowledge of the UK and European retail industry and Private Label in particular. However, future service contracts for new directors have been and will continue to be awarded on a maximum of one year.

Relationship with Shareholders
The Board places considerable importance on the maintenance of good communications with institutional shareholders. Meetings with analysts and institutional shareholders are held on a regular basis at the time of the Interim and Final results. These provide the opportunity for shareholders to assess the Company's performance and prospects and to explore the Company's approach to Corporate Governance matters. The Board keeps shareholders regularly appraised of the performance of the Company through the Annual Report and Accounts, regular announcements to the London Stock Exchange and, at the half year, an Interim report is published. The Annual General Meeting provides an opportunity for any shareholder to ask questions and the Chairman provides a statement on the current trading conditions. The Company responds throughout the year to correspondence received from individual shareholders on a wide range of issues.

All proxy votes are declared after the show of hands on each Resolution tabled to the Annual General Meeting.

Internal Control
The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. It is designed to provide reasonable, but not absolute, assurance that the assets are safeguarded against unauthorised use or material loss and that transactions are properly authorised and recorded. During the year, a detailed Group-wide internal audit project examined all internal control and risk management measures. In addition, a full review of the Group's accounting policies and management information were undertaken during the year. This will strengthen financial consistency making intra-Group comparisons easier. The Board confirms that there is an ongoing process for identifying, evaluating and managing risks faced by the Company which has been in place for the year under review.

The internal control system embraces all business risks, including financial, operational and strategic and incorporates a full review of compliance controls and risk management across the Company. This system is operated as an integral part of organisation of executive responsibilities and accountabilities.

The main features are:
- A 3-year strategic planning process with the objective of continuing to improve the existing business through sales growth, operational efficiency, asset utilisation and staff participation. These plans are discussed by the Board and are subject to regular assessment, updating and follow-up.
- The Group organisation has well defined management responsibility and reporting lines. The Chief Executive and Finance Director meet monthly with the Group Executive Committee and all Operating Divisions to review performance by site, product and business area.
- An experienced internal auditor was appointed, on an interim basis, to review operational, financial and strategic business risks and controls across the business.
- There is a comprehensive annual budgeting system with ultimate approval by the Board. Financial performance of the subsidiaries is monitored centrally and updated forecasts are prepared and challenged on a regular basis. A formal process for ensuring that key risks affecting all the Group's operations are identified and assessed on a regular basis, together with the controls in place to mitigate these risks.
- There are well-defined policies relating to personnel issues and subsidiaries report regularly on health, safety and environmental matters. The Board regularly reviews overall performance.
- The Audit Committee meets regularly to review internal reports and reports from the external auditors.
- Authorisation and control procedures have been developed for expenditure on capital projects. Those for operating costs and contractual commitments have been reviewed.

Directors' Interests: Share Capital
The interest of the directors in the shares of the Company at the beginning and the end of the financial year were:

	Lord Sheppard		Mr M Handley		Mr M Roberts		Mr C Smith	
	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial
Ordinary shares at 30 June 2002	–	2,010,000	181,152	1,968,848	–	–	–	75,000
Purchased during the year	–	5,000	–	–	–	–	–	25,000
Ordinary shares at 30 June 2003	–	2,015,000	181,152	1,968,848	–	–	–	100,000

	Mr H Talerman		Mr R Lee		Mrs C Bogdanowicz-Bindert	
	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial
Ordinary shares at 30 June 2002	–	–	–	–	–	–
Purchased during the year	–	–	–	–	–	–
Ordinary shares at 30 June 2003	–	–	–	–	–	–

There were no changes in the directors' interests shown between 30 June 2003 and 10 September 2003.

On 26 July 2002, Lehman Brothers Inc. disposed of their entire shareholding having previously resigned their Board seat on 31 December 2001.

During the year to 30 June 2003 Mr C Smith acquired 25,000 ordinary shares and Lord Sheppard of Didgemere purchased 5,000 ordinary shares in the Company.

Save for service agreements there were no contracts of significance with the Company, or any subsidiary undertaking, subsisting during or at the end of the periods in which any director is or was materially interested. None of the directors holds shares beneficially in any subsidiary undertaking.

Directors' Responsibility for the Preparation of Financial Statements
Company Law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the year, and of the profit and loss for that period. In preparing financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Charitable Donations
Donations made during the year amounted to £19,100 (2002 – £34,000). There were no political donations made in the year (2002 – £Nil).

Payments to Creditors
Group companies agree terms and conditions for business transactions with their suppliers. Payments are then made in accordance with these terms, subject to agreed terms and conditions being met by the suppliers. The number of supplier days represented by trade creditors for the Group was calculated at 77 as at 30 June 2003, split 69 UK and 82 Europe.

Non-Audit Fees
During the year, the Group incurred non-audit fees totalling £0.2 million relating to taxation compliance and tax restructuring work. No strategic consulting advice was provided by the Group's external auditors during the year. This work was awarded after completion of a competitive tendering process.

Share Repurchases
At the 2002 Annual General Meeting, shareholder approval was granted to allow the Company to repurchase up to 26,645,878 ordinary shares. The intention remains that this authority will only be utilised if the directors are satisfied that repurchase of the shares would result in an increase in earnings per share and is in the best interests of the shareholders. This authority will expire on the date of the next Annual General Meeting when the directors will be seeking renewed authority from the shareholders.

Report of the audit committee

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

Audit Committee
The Committee's Charter was updated during the year to reflect recent developments in Corporate Governance and further revisions are currently under consideration to take account of the Revised Combined Code.

The Committee met three times during the financial year ended 30 June 2003 in September 2002, February 2003 and May 2003. Subsequent to the year-end, a further meeting took place to consider the outcome of the annual audit.

The composition of the Committee will be reviewed following the appointment of two new non-executive directors to the Board.

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

Financial Statements
The Committee considered reports from the external auditors and the Group Finance Director on both the interim and full year financial statements.

Accounting Policies
The Committee received updates on technical reporting issues. It also approved the proposed changes to the Group's Accounting Policies Manual that took account of developments in accounting standards.

External Auditors
The Committee received reports from the external auditors including reviews on the scope and outcome of the interim and year-end audits, including issues raised during the audits, and management's responses to accounting matters, governance and control, and accounting developments.

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

Risk Management & Internal Control
During the year an internal audit project was established to undertake a detailed review of the Company's approach to internal control and risk management. The Committee received regular reports on the project which is ongoing.

Remuneration report

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

Remuneration Committee
Terms of Reference
The Committee is governed by a Charter which was updated and adopted by the full Board on 16 September 2002. The Committee is authorised by the Board to investigate any matters within its terms of reference. The Committee is responsible for determining the remuneration policy for the executive directors and reviewing the Chief Executive's recommendations for key senior executives. The main duties of the Committee are:

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

The Committee meets at least once a year to consider remuneration packages for directors and senior executives including reviews of base salary, pension rights, bonus and grants of share options. In the 2002/03 financial year, the Committee met three times in July 2002, September 2002 and May 2003.

Constitution
The Committee comprises four non-executive directors. It is chaired by Mr H Talerman with the other members being Lord Sheppard and Mr C Smith. In addition Mr R Lee was appointed with effect from September 2003. A quorum of the Committee is two. All members were in attendance at the three meetings held in the year to 30 June 2003. Meetings are attended by the Chief Executive on all matters except those relating to his own remuneration.

During 2002/03 financial year, the Committee took cognisance of the Incomes Data Services Report (IDSR) 2002, "UK 350" Quoted Companies Digest which provides comprehensive comparative remuneration data for all senior positions in the UK and for UK companies with overseas activities.

Remuneration Policy
The Remuneration Committee has a policy for the remuneration of executive and non-executive directors and keeps it under regular review allowing flexibility to take account of changes in the trading environment and in remuneration practices. The key principles of the policy are set out below. The Committee has no plans, at present, materially to alter the framework of the current remuneration arrangements for future financial years.

The Committee gives full consideration to provisions of The Code and aims to ensure that remuneration packages offered are competitive and designed to attract, retain and motivate executive directors and senior executives of the right calibre. The performance of the executive directors and key members of senior management is evaluated as a pre-cursor to setting their annual remuneration and awards of share options. The remuneration policy is designed to provide packages which take account of individual performance whilst remaining sensitive to pay and employment conditions elsewhere in the Company and externally. This is especially the case when determining annual salary increases. In addition, the Committee aims to align executive directors' incentives with shareholders' interests through the granting of discretionary share options.

Packages typically comprise a mix of performance and non-performance-related elements. Basic salary and benefits-in-kind are the elements of non-performance-related remuneration. This element is reviewed annually with levels set by reference to appropriate external market data. Variable remuneration consists of two fundamental elements: annual cash bonus and discretionary share options. These incentives are performance-related and represent a significant part of the executive directors' total potential remuneration. Bonuses represent a short-term performance-related element of remuneration with payments linked to annual business targets. Grants of share options represent longer-term performance-related elements of remuneration. The Committee reviews the number of share options granted to executive directors and key senior managers, together with the exercise price, to ensure that they remain effective. The Committee's policy is to seek to ensure that consideration is given to guidelines issued by institutional investors as well as to developing market practice.

The remuneration of the Chairman and the non-executive directors is determined by the Board as a whole taking account of market rates based on independent advice as deemed necessary. Individual directors do not participate in the decisions concerning their own remuneration.

Base Salaries
The base salaries of executive directors and senior executives are reviewed annually taking into account individual experience performance and responsibilities as well as pay awards made to other employees, and benchmarking against remuneration for similar positions. The Remuneration Committee consults with the Chief Executive and pays due regard to his recommendations for other executives. The Committee also has access to professional advice as may be deemed necessary from inside and outside the Company. Salaries are paid monthly in arrears by bank transfer.

Annual Bonus
The Remuneration Committee aims to ensure that senior executives are fairly rewarded for their contribution to the success of the Group. For the year ended 2004 there is therefore a significant bonus element of up to 50% of basic pay to executives' remuneration. Bonuses, which are non-pensionable, are linked to the achievement of the Group's annual budget that has been approved by the Board. Only for results in excess of the budget are bonuses earned at the higher levels. Bonuses of between 20% and 45% were paid to the Group's executives and senior managers in respect of the year ended 30 June 2003.

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. The executive directors and senior executives are eligible to participate in the Company's share option schemes. The Committee's policy is for option grants to be limited to twice annual basic salary. In exceptional circumstances, options in excess of two times salary may be granted. During the year, the Company granted executive share options under the McBride 1995 International Executive Share Option Scheme and the McBride plc 2002 Unapproved Discretionary Share Option Scheme. It is not the Committee's policy to grant executive share options at a discount. Awards vesting under the share option schemes are not pensionable.

Under the executive share option schemes, participants are granted options to acquire ordinary shares in the Company for a consideration payable on exercise equal to market value at the time of grant. No consideration is payable for the grant of an option. The proportion of the shares under option which may vest is subject to the achievement of performance targets over a performance period set by the Remuneration Committee. The Committee has set performance criteria for the new grants made during the year in order to ensure that share options represent an effective tool for attracting, motivating and retaining executives. The selection of performance criteria that are linked to EPS is in line with 70% of other schemes. The Committee have also recognised the latest market practice under which the majority of current schemes set targets for the full award to vest by reference to growth in EPS exceeding that in the RPI in the range of +2% per annum to 5% per annum measured over a fixed period of three financial years. The criteria established for the McBride options fall within these ranges. In addition, a sliding scale has been introduced, again, in line with market practice.

Remuneration report continued

Share Options continued
The Committee will pay due regard to the rules of the scheme and will review the relevance of the performance criteria and have regard to market practice and relevant guidance on future issues of share options.

The 2002 share scheme rules incorporate provisions to allow the Company, at its discretion, to transfer its National Insurance Contributions (NICs) liability to individual grantees.

Two tranches of share options were granted to the executive directors during the year, details of which are set out on page 32. For the awards made in September 2002, the performance criteria were based on growth in EPS over the three financial years ending 30 June 2004. For the awards made in December 2002, the performance criteria were based on growth in EPS over the three financial years ending 30 June 2005.

For each tranche, performance will be measured by comparing EPS reported for the financial year last ended before the start of the period, i.e. the year to 30 June 2001 or the year to 30 June 2002, with EPS reported for the last financial year of the period, i.e. the year to 30 June 2004 or the year to 30 June 2005. Under these criteria, options will not vest at all unless growth in earnings per share exceeds the increase in RPI over the same period by 3% per annum, at which level only one half of the options will vest. For performance above this level, options will vest on a rising scale, with full vesting only if growth in earnings per share exceeds the increase in RPI by at least 5% per annum. If the minimum performance criteria have not been achieved, the options lapse. To the extent that the performance criteria are only partially met, the options lapse in part. The Committee has determined that the same performance criteria should be applied to further options should they be granted to the executive directors during the current financial year.

All schemes have a ten-year life span and are exercisable after three years from the date of grant, subject to satisfaction of performance conditions, until ten-years after the date of grant.

Directors' Service Contracts
Historically, executive directors contract periods had been set at two years. The Committee still considers that it is appropriate for Mr M Handley to retain a two-year contract given his length of service from the Buy-In in 1993 and flotation in 1995, his knowledge of the UK and European retail industry and Private Label in particular. However, the Committee recognises the prevailing practice amongst comparable companies as well as the requirements of The Code and the policy of awarding executive contracts on a one-year basis has now been adopted. Mr M Roberts has been granted a contract terminable by the Company on 12 months notice. All directors' contracts are available for inspection at the Annual General Meeting.

Executive Directors
Mr M Handley's contract therefore stipulates 24 months' notice by the Company and 12 months' notice by the director.

Mr M Robert's contract stipulates 12 months' notice by the Company and 12 months' by the director.

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

The agreements contain restrictive covenants for periods of 12 months post employment relating to non-competition, non-solicitation of the Group's customers, suppliers and employees and indefinitely with respect of confidential information. In addition, they provide for the Group to own any intellectual property rights created by the directors in the course of their employment. The Company allows the executive directors to hold non-executive positions outside the Company.

In the event of termination of an executive director's contract, the Committee's policy would be to deal fairly with such cases whilst at the same time taking a robust line in minimising any compensation. Mr M Handley's contract stipulates that in the event of early termination by the Company, liquidated damages equal to twice the gross annual salary payable and the pension entitlement together shall be payable. This currently equates to £1,110,000. Mr M Roberts' contract stipulates a 12 month notice period. Whilst the Committee recognises the explicit provisions of the Code for compensation commitments to be stipulated in directors' service contracts in regard to early termination, the Committee will continue to keep under review its current practice which is not to include such provisions in order to enable it to respond appropriately to particular circumstances.

Other Benefits
The Company pays into defined contribution pension schemes on behalf of Mr M Handley and Mr M Roberts based upon basic salary at 50% and 35% respectively. In addition, both directors enjoy similar benefits to many other employees of the Group including private medical insurance, a fully expensed car and life assurance cover.

Non-Executive Directors
The non-executive directors do not have service contracts but renewable letters of appointment for 12 months in the case of Lord Sheppard, Mr H Talerman and Mr C Smith, and until July 2004 for Mrs C Bogdanowicz-Bindert and Mr R. Lee.

The non-executive directors are subject to re-election by the shareholders on a rotation basis at the Annual General Meetings in accordance with the Company's Articles of Association. Their appointments may be terminated without compensation in the event of them not being re-elected by shareholders or otherwise in accordance with the Company's Articles of Association. The fees for the non-executive directors are set by the full Board and are determined by reference to fees paid by other companies of similar size and complexity and reflect the amount of time the non-executive directors are expected to devote to the Group's activities during the year. No element of their fees is performance-related and they are not eligible to participate in bonus or share incentive schemes. Their services do not qualify for pension purposes or other benefits. Details of the non-executive directors' emoluments and shareholdings are shown on pages 27 and 32.

Set out below is information regarding the dates of service contracts, notice periods, together with the dates of the Letters of Appointment for the non-executive directors.

	Date first appointed to board	Date of last appointment at AGM in	Re-election no later then AGM in	Notice period	Compensation upon early termination	Latest Letter of Appointment
Lord Sheppard of Didgemere*	23 May 1993	2001	2003	None	None	1 July 2003
Mr H Talerman	23 May 1993	2002	2005	None	None	1 July 2003
Mr C Smith	4 April 2002	2002	2005	None	None	1 July 2003
Mr R Lee**	1 September 2003	2003	2006	None	None	1 September 2003
Mrs C Bogdanowicz-Bindert**	1 September 2003	2003	2006	None	None	1 September 2003

* Having attained the age of 70, Lord Sheppard will be subject to re-election at the 2003 AGM
** The two new non-executive directors will stand for election at the first AGM following their date of appointment

Performance Graph
The following line graph shows, for the financial year ended 30 June 2003 and for each of the previous five financial years, the total shareholder return on a holding of the Company's ordinary shares compared with a hypothetical holding of shares made up of shares of the same kinds and number as those by reference to the FTSE 250 index. The directors consider this index to be appropriate because the FTSE 250 index provides a well defined, understood and accessible benchmark.

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

External Appointments
Executive directors are permitted, where appropriate and with Board approval, to assume non-executive directorships of other organisations recognising that such non-executive duties can broaden experience and add knowledge to the benefit of the Group. The policy is that the fees may be retained. Currently, Mr M Handley is non-executive Chairman of Macphie of Glenbervie Ltd in Scotland and holds a seat on the Board of the AISE.

Remuneration report continued

Information subject to Audit

Directors' Emoluments & Compensation
Breakdown of Remuneration
The fixed and performance-related elements of directors' remuneration for the year ending 30 June 2003 are illustrated in the table below:

Directors' Emoluments

					Sub-total		Pension contributions		Total remuneration	
	Fees £000	Basic Salary £000	Bonus £000	Benefits* £000	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Executive										
Mr M Handley	–	344	160	48	552	486	171	146	723	632
Mr M Roberts (from 2/01/02)	–	174	82	15	271	121	61	25	332	146
Mr T Monks (to 30/09/2001)	–	–	–	–	–	46	–	14	–	60
Non-executive										
Lord Sheppard	100	–	–	–	100	100	–	–	100	100
Mr H Talerman (USA)	25	–	–	–	25	15	–	–	25	15
Mr C Smith	25	–	–	–	25	6	–	–	25	6
Mr A Washkowitz (USA) (to 13/12/2001)	–	–	–	–	–	6	–	–	–	6
	150	518	242	63	973	780**	232	185	1,205	965

* The benefits consist of the provision of a company car and fuel, private healthcare insurance and life cover.
** The bonus is reported on an accruals basis in the 2003 financial statements. Previously, bonuses were only recognised and reported when paid.
The comparatives for the 2002 financial year have been restated to include those bonus payments made during the 2002/03 financial year, but relating to the 2001/02 financial performance. The effect is to increase by £114,000 bonus payments to Mr M Handley and to include a £32,000 bonus payment to Mr M Roberts.

Share Options
Details of the share options held by the directors at 1 July 2002 and 30 June 2003 are set out below:

	Option type	As at 01 July 02 number	Granted in year number	Exercised in year number	Lapsed In year number	As at 30 June 03 number	Option price (£)*	Earliest date of exercise	Expiry date
Mr M Handley	ESOS (1)	292,553	–	–	–	292,553	1.88	6 July 1998	5 July 2005
	SAYE	37,191	–	–	–	37,191	0.445	1 Aug 2007	31 Jan 2008
	ESOS (2)	–	555,555	–	–	555,555	0.585	24 Sept 2005	24 Sept 2012
	ESOS (3)	–	465,278	–	–	465,278	0.72	16 Dec 2005	15 Dec 2012
Mr M Roberts	ESOS (2)	–	273,504	–	–	273,504	0.585	24 Sept 2005	24 Sept 2012
	ESOS (3)	–	236,111	–	–	236,111	0.72	16 Dec 2005	15 Dec 2012

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

No consideration was paid for the grant of any option.
The market price of the Company's ordinary shares at 30 June 2003 was 95p and the range during the financial year was 48p to 95p.

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

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

1995 International Executive Share Option Scheme (Unapproved)
Performance is measured by comparing EPS reported for the financial year ended 30 June 2001 with EPS reported for the financial year ending 30 June 2004. Under these criteria, options will not vest at all unless growth in earnings per share exceeds the increase in RPI over the same period by 3% per annum, at which level only one half of the options will vest. For performance above this level, options will vest on a rising scale, with full vesting only if growth in earnings per share exceeds the increase in RPI by at least 5% per annum. If the minimum performance criteria have not been achieved, the options lapse. To the extent that the performance criteria are only partially met, the options lapse in part.

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

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

	Current year payments £000
Mr M Handley	171
Mr M Roberts	61

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

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

The directors' remuneration report was approved by the Board and signed on its behalf by Mr M Roberts, Company Secretary, on 10 September 2003.

Social responsibility
Environmental, social and ethical performance review

The Group places considerable importance on compliance with, not only environmental standards, but also on improving ethical standards and social performance. Health, safety and environmental matters continue to be high on the agenda with robust reporting systems in place. Experiences, best practice and the impact and consequences of new legislation are shared across the Group.

It is Group policy to set its minimum standards of performance at the legally required level and to strive where commercially feasible to exceed these standards. Continuous improvement plans are in place at all manufacturing facilities to ensure that legislative compliance is maintained throughout the business. Verification of compliance with applicable legislation and regulations is a primary element of the Group's policy and regular checks are undertaken internally of existing and forthcoming rules and appropriate measures are planned to comply. In addition, the Group has senior management representation on various Trade Associations and complies with Industry Association guidelines.

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

During the year, the Group's Social and Ethical policy has been formalised. This provides a practical set of guidelines for employees to ensure they exercise acceptable standards of behaviour in all their business dealings. The policy is to be issued on an annual basis to all relevant employees and, in future, audits against compliance will take place with the objective of ensuring consistent implementation of the policy.

The Group has also prepared its first Sustainable Development Report covering activities of the McBride plc sites located in Western Europe. It does not include Poland at present, although its inclusion is planned for the future. This first report sets a baseline for future reports and establishes that there is a real commitment within the Group to operate within the sustainable development context, minimising impacts and benefiting consumers and local communities wherever possible. In this context, 2 million Euros have been spent during the year on health, safety and environmental improvements across the Group.

As a member of the AISE, the Group is actively contributing towards the production of the AISE Sustainable Development Charter and follows other voluntary agreements between the detergent industry and the European Commission. Key areas of sustainable activity include:

- Minimisation of environmental impact of products in manufacture, use and disposal.
- Development and manufacture of products which are safe for their intended use in terms of human health and which contribute to the benefit of society.
- Minimisation of any adverse effects on the Group's activities and local communities, and contribution of a beneficial impact wherever possible.

The report seeks to demonstrate the Group's commitment to the concept of sustainable development, not only by setting out the Group's policy and approach to such matters, but also by including information about the extent of compliance by the Group and recording its achievements during the year. Specific reference to some of these achievements is made on pages 22 and 23.

Environmental

The Group recognises the requirement to manage all aspects of the business to minimise the impacts of its operations on the environment. This is represented in the structure of environmental responsibility throughout the organisation. By appointing CE and UK Managing Directors, the Chief Executive ensures that responsibility is held at the highest level. The development and use of environmental key performance indicators allow the monitoring of eco-efficiencies and identification of trends in improvements. Where strict environmental controls are prescribed, regular programmes of monitoring and testing are undertaken at the Group's facilities.

In the UK, auditing and legislation compliance has been the primary focus during the year with appropriate training being provided enabling all sites to carry out internal audits of their activities. There were no major incidents during the year and no prosecutions. In Continental Europe (CE), work continues to ensure that sites comply with all relevant legislative measures. Environmental performance indicators have been established with water consumption and emissions showing reductions over the year.

It is the Group's intention to introduce its Environmental Management System (EMS) to all manufacturing sites. Over 90% of sites already have EMS and are making progress towards ISO 14001 accreditation although the rate of progress will vary according to site needs and resource. Specific programmes have been targeted to introduce energy-saving initiatives; to reduce waste in all processes; to minimise the discharge of liquid and atmospheric effluence; and projects have been initiated to facilitate the re-use of water. The Group also recognises the need to understand and manage the aspects of biodiversity that are affected by its operations. The biggest impact on the environment is from the wastewater from the manufacturing processes. None of the Group's sites send untreated wastewater directly to the natural environment. All wastewater is treated in order to make it compatible with its receiving environment. This work has already created significant cost savings as well as reducing environmental impact.

The EMS covers environmental policy, identification and evaluation of key impacts, setting of measurable objectives and targets. It also encompasses auditing of suppliers and contractors, documenting of structures and procedures, monitoring and auditing, internal reporting, management review, staff training and awareness measures. An Environmental Action Plan has also been developed including focus on supplier audits, packaging requirements and Green Claims Code issues.

Objectives for the next twelve-month period include further focus on long-term health risk assessments, reduction of water consumption and of air emissions, and observance of increasingly stricter soil requirements.

Health and Safety

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

A detailed health and safety management system has been developed and is well established in the UK. Increasingly, CE has been aligning its policies and approaches with those of the UK and, during the year, the emphasis has been on the integration of safety, environment and quality systems. Risk assessment and risk management are key drivers of the systems. Across the Group, there is a commitment to continuous improvement.

Both parts of the business have their own health and safety policy which covers all health and safety activities. These policies are translated into internal standards for each site and are documented and incorporated into management systems. All sites have a system in place for occupational health. The level of resource depends on local legal requirements and the relative risk base of each facility.

All sites develop action plans based on central objectives and standards, as well as site specific issues and needs. Internal audits of activities and legislative compliance are carried out on a regular basis. In the UK, all sites are audited every two years by independent auditors from RoSPA (Royal Society of Prevention of Accidents). On each occasion, scores have increased and all UK sites are currently rated good or excellent, demonstrating clear progress in the management of safety. During the year, the Bradford site has attained HACCP accreditation for the first time. Management overviews are held on an annual basis to review the overall performance and strategy, to evaluate whether the system meets the needs, to plan actions for improvement and to establish objectives and targets for the forthcoming year. Training is a constant activity at all sites and has been identified as a key driver for further improvements in performance. There is particular focus on safety performance with all accidents and major incidents being reported internally and subject to full investigation to determine appropriate corrective and preventative measures. Further improvements have been made over previous years with the Group frequency rate (the number of lost time injuries per million of hours worked) dropping in the year from 17.75 to 14.75.

Policies are also in operation for product safety, covering raw material use and product assessments, legal, label and packaging requirements together with claim support when these have safety implications. The Group has a policy on not testing products on animals, or requesting such testing of products or ingredients by any supplier or third party. There have been no non-compliances with regulations concerning customer health and safety during the year and no fines or penalties were incurred. Both human safety and environmental impacts are assessed for all household products under the requirements of the revised Dangerous Preparations Directive and products assessed to involve excessive risks to human safety and/or the environment are not sold.

Ethical Conduct

The Group expects its employees to operate against high ethical standards in areas such as adherence to all legislative and regulatory guidelines, in its business relationships and as regards human rights.

Unethical behaviour is not acceptable and written policies on harassment, equality and well being are in place to ensure that employees behave in an appropriate manner. Established standards of operating with suppliers and customers are in place covering, for example, the prohibition of giving and receiving bribes and gifts. Supplier audits also address issues of environmental as well as social and ethical conduct.

Social Report

The Group recognises that the impact of its operations on the environment and on the wider society are of considerable importance.

Customers

As a major supplier of product to the Retailers, the Group recognises the importance of ensuring that there is no adverse impact on the reputation of its customers. It is fundamental to the ethos of the Group that the social impacts of its products, their safety, quality and availability must satisfy the requirements of its customers and their consumers. We are committed to providing quality and reliable service to our customers and customer service is the primary operational goal across the Group. Measurement of customer service levels on a daily basis is a key area of focus. In addition, customer consultation and maintenance of good relationships with customers is of paramount importance across all activities of the business, not only in the Commercial field, but also as regards Logistics and Product and Technical Development.

Employees

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

A two-year rolling programme of opinion surveys by site has been in place for ten years to monitor employee satisfaction levels on a regular basis. The Group has made further progress on developing its training and development policies, and introducing appraisals for all employees, as well as ensuring that all employees receive regular briefings. Extensive training programmes are underway in support of systems developments. The Group has also continued to develop its Well Being and Capability policies. In the UK, all sites (bar one) have now achieved Investor in People accreditation and Partnership Councils (joint management/employee consultation groups) have been established at most facilities. During the year, the Burnley site received Business Excellence Awards as winner on the People Practices subsection and runner-up in the North West of England.

Employees are encouraged to become shareholders through participation in the McBride Savings-Related Share Option Scheme and eligible employees are also able to participate in the Group's achievements through performance-related bonus schemes and Executive Share Option Schemes.

Social responsibility
Environmental, social and ethical performance review continued

During the course of the year, the Group employed an average of 4,061 people of whom 2,040 were employed in the UK. It is the Group's policy to ensure equal opportunity in recruitment, selection, promotion, employee development, training and reward policies and procedures in compliance with legal requirements. The Group also places great emphasis on establishing and maintaining a safe working environment for its employees. It is a key objective to ensure that successful candidates for appointment and promotion are selected taking account of individual ability, skills and competencies without regard to gender, race, religion or disability. Full and fair consideration is given to the employment and opportunities for training and development of people with disabilities according to their skills and capacity. Where employees become disabled in the course of their employment, they will continue to be employed, wherever practicable, in the same job or, if this is not practicable, every effort is made to find and to provide appropriate retraining. Where the Group finds it necessary to undertake a restructuring programme, every effort is taken to ensure that compulsory redundancies are minimised, and relevant support and guidance is provided as appropriate. Decisions are communicated, employees are consulted and implications for individuals are duly considered.

The Group is committed to employee consultation by way of briefings, listening groups, information bulletins and Company newspapers. In addition, the operating company management teams regularly visit each of the sites and are available for open questioning from employees. Most sites are actively engaged in involvement initiatives to help to ensure that all employees understand and relate to the business goals. Open days are held at many sites to allow employee families to see the environment in which their family members work.

Community
The Group actively considers the impact of its operations on the surrounding community and has many initiatives which aim to contribute positively to the local area wherever possible. Apart from being a significant employer in most areas, the Group also supports economic regeneration, gives advice to smaller companies, supports local community and education communities and gives financial assistance to community efforts.

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

In the UK, a close relationship is built with local universities and colleges via bursary students, which often results in active recruitment and partnership/development opportunities. The Company provides a number of short and long-term industrial placements. An award winning childcare scheme has also been established in partnership with a local Council. The Group has membership of Business in The Community (BiTC) and runs a Charitable Trust which focuses on educational grants and donations to other charities. For the year ended 30 June 2003, the Charitable Trust made financial contributions of £2,595. Separately, employees themselves raised over £12,500 for charity.

Substantial Shareholdings on 10 September 2003
The Company's register of substantial interests in shares showed the Company had been notified of the following interests of 3% or more of its issued share capital.

	Numbers of Shares	Percentage Holdings
INVESCO Asset Management	36,155,940	20.35%
Jupiter Asset Management	12,297,506	6.92%
First Eagle Soc Gen	10,441,812	5.88%
JP Morgan Fleming Asset Management	8,498,763	4.78%
Hermes Pension Management	7,036,195	3.96%
Gartmore Investment Managment	6,401,998	3.60%
Legal & General Investment Managment	6,163,773	3.47%
Barclays Global Investors	6,070,740	3.42%
		52.38%

Annual General Meeting

The Annual General Meeting will be held at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ on 4 November 2003 at 12 noon.

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

Copies of the annual report and accounts for the year ended 30 June 2003 can be obtained free of charge from the Company's registered address.

Auditors
A resolution is to be proposed at the Annual General Meeting for the reappointment of KPMG Audit Plc as auditors of the Company.

By Order of the Board
Mr M Roberts, Secretary
10 September 2003

Independent Auditors' Report to the Members of McBride plc

We have audited the financial statements on pages 38 to 58.

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

Respective Responsibilities of Directors & Auditors
The directors are responsible for preparing the Annual Report. As described on page 27, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion
In our opinion:
- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2003 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
10 September 2003

Consolidated profit and loss account

	Note	Total Year ended 30 June 2003 £m	Total Year ended 30 June 2002 £m
Turnover			
Share of joint venture		**520.1**	500.6
Less: share of joint venture's turnover		**(15.1)**	(16.6)
Total Group turnover	2	**505.0**	484.0
Cost of sales		**(301.5)**	(297.6)
Gross profit		**203.5**	186.4
Distribution costs		**(27.4)**	(26.2)
Administrative costs:			
Before goodwill amortisation		**(145.0)**	(134.1)
Goodwill amortisation		**(1.4)**	(1.3)
Administrative costs including goodwill amortisation		**(146.4)**	(135.4)
Group operating profit	2	**29.7**	24.8
Share of joint venture's operating profit/(loss)	3	**0.5**	(1.5)
Write-off of goodwill in joint venture	3	**–**	(15.8)
Profit on ordinary activities before interest		**30.2**	7.5
Group interest receivable and similar income	5	**0.6**	0.6
Group interest payable and similar charges	5	**(4.2)**	(5.0)
Share of joint venture's interest payable and similar charges		**(0.4)**	(0.9)
Profit on ordinary activities before taxation	6	**26.2**	2.2
Group tax on profit on ordinary activities	7	**(7.9)**	(5.6)
Share of joint venture's tax credit on ordinary activities		**–**	0.2
Profit/(Loss) on ordinary activities after taxation		**18.3**	(3.2)
Equity minority interest		**(0.1)**	(0.2)
Profit/(Loss) for the year		**18.2**	(3.4)
Dividends proposed	8	**(5.2)**	(3.7)
Retained profit/(loss) for the year		**13.0**	(7.1)
Earnings/(Losses) per ordinary share (pence)	9		
* Basic		**10.2**	(1.9)
* Diluted		**10.1**	(1.9)
* Basic before goodwill amortisation, share of joint venture and non-operating items		**11.0**	8.9
Dividend per share (pence)	8	**2.9**	2.1

Balance sheet

	Note	Group As at 30 June 2003 £m	Group As at 30 June 2002 £m	Company As at 30 June 2003 £m	Company As at 30 June 2002 £m
Fixed assets					
Intangible assets	10	**9.0**	10.4	**–**	–
Tangible assets	11	**126.1**	135.4	**0.1**	0.2
Investments	12	**–**	–	**165.0**	155.0
Total fixed assets		**135.1**	145.8	**165.1**	155.2
Current assets					
Stocks	13	**43.3**	46.9	**–**	–
Debtors	14	**114.7**	110.8	**15.2**	50.6
Cash at bank and in hand		**0.7**	1.2	**–**	–
		158.7	158.9	**15.2**	50.6
Creditors: amounts falling due within one year	15	**(148.4)**	(232.0)	**(8.8)**	(41.4)
Net current assets/(liabilities)		**10.3**	(73.1)	**6.4**	9.2
Total assets less current liabilities		**145.4**	72.7	**171.5**	164.4
Creditors: amounts falling due after more than one year	16	**(57.2)**	(2.4)	**(5.7)**	–
Provisions for liabilities and charges	17	**(7.9)**	(3.9)	**–**	–
Investment in joint venture:					
Share of gross assets		**3.4**	4.3	**–**	–
Share of gross liabilities		**(5.1)**	(6.1)	**–**	–
Net investment in joint venture		**(1.7)**	(1.8)	**–**	–
Net assets		**78.6**	64.6	**165.8**	164.4
Capital and reserves					
Called up share capital	18	**17.8**	17.8	**17.8**	17.8
Share premium account	20	**139.3**	139.3	**139.3**	139.3
Profit and loss account	20	**(78.5)**	(92.7)	**8.7**	7.3
Equity shareholders' funds		**78.6**	64.4	**165.8**	164.4
Equity minority interest		**–**	0.2	**–**	–
Total shareholders' funds		**78.6**	64.6	**165.8**	164.4

These financial statements were approved by the Board of Directors on 10 September 2003 and were signed on its behalf by:

Mr M Handley
Mr M Roberts
Directors

Consolidated cash flow statement

	Note	Year ended 30 June 2003 £m	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m	Year ended 30 June 2002 £m
Net cash flow from operating activities	25		**61.2**		42.3
Returns on investments and servicing of finance	26		**(4.3)**		(4.8)
Taxation			**(6.9)**		(5.4)
Operating cash flow after taxation and finance costs			**50.0**		32.1
Capital expenditure					
Cash expenditure on fixed assets		**(8.8)**		(10.6)	
Disposal of fixed assets		**0.3**		0.1	
Net cash outflow on capital expenditure			**(8.5)**		(10.5)
Acquisitions and disposals					
Cost of refinancing the joint venture		**–**		(16.3)	
Deferred consideration payments		**–**		1.0	
Net cash outflow on acquisitions and disposals			**–**		(15.3)
Equity dividends paid			**(3.7)**		(3.6)
Cash inflow before financing			**37.8**		2.7
Financing	27		**(33.7)**		(9.9)
Increase/(Decrease) in cash in the year	28		**4.1**		(7.2)

Consolidated statement of total recognised gains and losses

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Profit/(Loss) for the financial year	**18.2**	(3.4)
Unrealised foreign currency differences	**1.2**	0.5
Total recognised gains and losses relating to the financial year	**19.4**	(2.9)
Prior year adjustment in respect of the adoption of FRS 19 – Deferred tax	**–**	(5.0)
Total recognised gains and losses since last financial statements	**19.4**	(7.9)

Reconciliation of net cash flow to movement in net debt

	Note	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Increase/(Decrease) in cash in the year	28	**4.1**	(7.2)
Cash inflow from movement in debt	28	**33.3**	9.4
Movement on finance leases	28	**0.4**	0.5
Change in net debt resulting from cash flows		**37.8**	2.7
Translation differences	28	**(4.0)**	(4.4)
Movement in net debt in the year		**33.8**	(1.7)
Net debt at the beginning of the year		**(94.9)**	(93.2)
Net debt at the end of the year		**(61.1)**	(94.9)

Reconciliation of movements in shareholders' funds

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Opening shareholders' funds as previously reported	**64.4**	72.5
Prior year adjustment – FRS 19 Deferred tax	**–**	(1.5)
Restated opening balances	**64.4**	71.0
Profit for the financial year	**18.2**	(3.4)
Equity dividends	**(5.2)**	(3.7)
Unrealised foreign currency differences	**1.2**	0.5
Closing shareholders' funds	**78.6**	64.4

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with the items that are considered material to the Group's financial statements. The financial statements are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted by the directors are described below except that the directors have invoked the true and fair over-ride when reporting the value of investments, as fully explained in note 12 to these accounts.

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

Basis of preparation

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate the financial statements of McBride plc and all its subsidiary undertakings. These financial statements are made up to 30 June 2003.

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

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

Turnover

Turnover represents the amounts, excluding value added tax, derived from the provision of goods and services to third party customers during the period.

Goodwill

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

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

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

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

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal installments over their estimated useful economic lives as follows:

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

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

Investments

In the consolidated accounts, the Group equity accounts for its subsidiaries. The Group's share of its investment in Aerosol Products Limited is shown as 50% of the net liabilities.

Stock

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

Taxation

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

Foreign exchange

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

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

Leases

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

Pensions

The Group operates two material defined benefit pension schemes for UK employees, both of which are closed to new employees: the Robert McBride Pension Fund, and the Robert McBride Barrow Site Retirement Benefit Scheme.

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

Financial instruments

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

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

Research and development expenditure

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

Exchange rates

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

	Year ended 30 June 2003	Year ended 30 June 2002
Average rate:		
Euro	**1.52**	1.61
Polish Zloty	**6.29**	5.94
Czech Koruna	**47.05**	52.05
Hungarian Forint	**371.0**	398.7

	As at 30 June 2003	As at 30 June 2002
Closing rate:		
Euro	**1.44**	1.54
Polish Zloty	**6.44**	6.18
Czech Koruna	**45.39**	45.08
Hungarian Forint	**382.6**	377.8

2 Segmental Information

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Turnover by destination is analysed by geographical area as follows:		
UK	**228.5**	228.5
Continental Europe	**272.9**	251.3
Rest of world	**3.6**	4.2
Group turnover	**505.0**	484.0
Share of joint venture's turnover	**15.1**	16.6
Turnover by destination	**520.1**	500.6
Turnover by geographical origin is analysed as follows:		
UK	**235.8**	243.1
Continental Europe	**269.2**	240.9
Group turnover	**505.0**	484.0
Share of joint venture's turnover	**15.1**	16.6
Turnover by origin	**520.1**	500.6
Turnover by class of business is analysed as follows:		
Household products	**433.9**	415.2
Personal care products	**71.1**	68.8
Group turnover	**505.0**	484.0
Share of joint venture's turnover	**15.1**	16.6
Total turnover by class of business	**520.1**	500.6

2 Segmental Information continued

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Operating profit by geographical origin is analysed as follows:		
UK	**16.8**	15.0
Continental Europe	**12.9**	9.8
Group operating profit	**29.7**	24.8
Non-operating items	**0.1**	(18.2)
Net interest payable	**(3.6)**	(4.4)
Profit on ordinary activities before tax	**26.2**	2.2

The UK business includes total goodwill amortisation of £1.2 million.
The Continental Europe business includes goodwill amortisation of £0.2 million.

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Operating profit by class of business is analysed as follows:		
Continuing operations:		
Household products	**25.5**	21.1
Personal care products	**4.2**	3.7
Group operating profit	**29.7**	24.8
Non-operating items	**0.1**	(18.2)
Net interest payable	**(3.6)**	(4.4)
Profit on ordinary activities before tax	**26.2**	2.2

The household products business includes goodwill amortisation of £1.4 million.

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Non-operating items consist of the following:		
Share of joint venture's operating profit/(loss)	**0.5**	(1.2)
Share of joint venture's goodwill amortisation	**–**	(0.3)
Write-off of goodwill in joint venture	**–**	(15.8)
Share of joint venture's interest payable and similar charges	**(0.4)**	(0.9)
Total non-operating items before tax	**0.1**	(18.2)
Share of joint venture's tax credit on ordinary activities	**–**	0.2
Total non-operating items after tax	**0.1**	(18.0)

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Net assets by geographical origin are analysed as follows:		
Continuing operations:		
UK	**68.9**	82.2
Continental Europe	**83.9**	84.9
Total operating assets and liabilities	**152.8**	167.1
Non-operating liabilities	**(74.2)**	(102.5)
Net assets	**78.6**	64.6

Non-operating liabilities include cash less short and long-term borrowings, provisions for liabilities and charges and dividends. It is not possible to provide an analysis of the net assets by class of business as a number of the Group's operating sites manufacture both Private Label household and personal care products.

3 Aerosol Products Limited joint venture
On 5 November 1999 a joint venture, Aerosol Products Limited (APL) was set up from the Hull site of Robert McBride Limited and the Thetford site of Nichol Beauty Products Limited. In 2002, the ownership of APL was restructured, with the 50% previously held by Nichol Beauty Products Limited transferred to, and held equally between The Royal Bank of Scotland and Credit Agricole Indosuez. APL remains a joint venture and as such, its results are included in compliance with FRS 9 – Associates and joint ventures.

Due to the nature of the restructuring between the Group, RBS and CAI, both a profit on disposal and a goodwill on acquisition were generated. However, the directors of McBride believe that as these transactions are the result of a single legal agreement the transactions are so interlinked that to disclose a profit on disposal and goodwill on re-acquisition separately would be misleading and therefore, the net effect of the restructuring being £15.8 million was reflected in the 2002 financial statements as a write-off of goodwill.

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

During the year, Robert McBride Limited purchased £30.1 million (2002 – £33.2 million) of finished goods from APL for resale on behalf of APL, under a management agreement whereby Robert McBride Limited is responsible for onward sales and sales ledger management. The total balance of stock held under this arrangement by Robert McBride Limited as at 30 June 2003 was £2.3 million (2002 – £2.9 million).

5 Group interest analysis

	Year ended 30 June 2003 Group £m	Year ended 30 June 2002 Group £m
Interest receivable and similar income	**0.6**	0.6
Interest payable on bank loans and overdrafts	**(4.1)**	(4.9)
Finance leases	**(0.1)**	(0.1)
Interest payable and similar charges	**(4.2)**	(5.0)
Total Group finance and interest cost	**(3.6)**	(4.4)

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

	Year ended 30 June 2003 Group £m	Year ended 30 June 2002 Group £m
Auditors' remuneration:		
– Audit services	**0.3**	0.3
– Further Assurance Services	**–**	–
– Tax – Compliance	**0.1**	0.1
– Tax – Advisory	**0.1**	0.2
– Other Services	**–**	0.1
Depreciation and other amounts written off owned tangible fixed assets	**21.7**	18.4
Depreciation and other amounts written off leased tangible fixed assets	**0.2**	0.2
Hire of plant and machinery – rentals payable under operating leases	**1.1**	1.1
Hire of other assets – rentals payable under operating leases	**0.2**	0.3
Loss on sale of tangible fixed assets	**0.1**	0.1

Audit services for the Company total £0.1 million (2002 – £0.1 million).

7 Taxation
Taxation on the profit of the Group.

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
UK corporation tax at 30%	**6.0**	4.2
Overseas taxation – current	**5.4**	1.7
Utilisation of prior period provisions	**–**	–
Current tax charge for the year	**11.4**	5.9
UK deferred tax	**(8.0)**	(2.5)
Overseas taxation – deferred	**4.5**	2.2
Deferred tax movement for the year	**(3.5)**	(0.3)
Group tax on profit on ordinary activities	**7.9**	5.6
Current tax is reconciled to a notional 30% of profit before taxation as follows:		
Expected tax charge	**8.0**	6.5
Overseas tax rates	**0.8**	0.8
Losses utilised	**(0.2)**	(1.6)
Timing differences – other	**1.9**	0.7
Permanent differences	**1.0**	0.5
Adjustments to tax charge in respect of prior periods	**(0.7)**	(0.9)
Other	**0.6**	(0.1)
Current tax charge for the year	**11.4**	5.9

The effective tax rate of 29% reflects a combination of inherited tax losses, movements on deferred tax, and the recovery of Advance Corporation Tax (ACT) .

8 Dividends

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Dividends on ordinary shares:		
– Proposed Interim dividend (0.8 pence per share) (2002 – 0.7 pence)	**1.4**	1.3
– Proposed Final (2.1 pence per share) (2002 – 1.4 pence)	**3.8**	2.4
Total dividends	**5.2**	3.7

The interim dividend was paid on 4 July 2003.

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

The calculation of earnings per ordinary share for the year ended 30 June 2003 is based on 177,639,197 ordinary shares of 10 pence each which is the weighted average number of ordinary shares in issue during the year (2002 – 177,639,197).

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

	Year ended 30 June 2003 Millions	Year ended 30 June 2002 Millions
Weighted average number of ordinary shares in issue	**177.6**	177.6
Effect of dilutive share options	**0.8**	–
Effect of dilutive SAYE scheme shares	**1.9**	–
Total number of shares for the purposes of calculating diluted earnings per share	**180.3**	177.6

9 Earnings per ordinary share continued

Adjusted basic earnings per share before goodwill amortisation and non-operating items

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

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Earnings/(Losses) used to calculate Basic and Diluted EPS	**18.2**	(3.4)
Write-off of goodwill in joint venture (see note 2)	**–**	15.8
Earnings used to calculate Basic EPS before goodwill write-off	**18.2**	12.4
Goodwill amortisation	**1.4**	1.3
Non-operating items after tax (see note 2)	**(0.1)**	2.2
Adjusted earnings	**19.5**	15.9

	Earnings per share 30 June 2003 pence	Earnings per share 30 June 2002 pence
Basic EPS	**10.2**	(1.9)
Write-off of goodwill in joint venture (see note 2)	**–**	8.9
Basic EPS before the write-off of goodwill	**10.2**	7.0
Goodwill amortisation	**0.8**	0.7
Non-operating items after tax (see note 2)	**–**	1.2
Basic EPS before goodwill and non-operating items	**11.0**	8.9
Diluted earnings per ordinary share	**10.1**	(1.9)

10 Intangible assets: Goodwill

	Total £m
Cost	
At 1 July 2002	14.2
Additions	–
Disposals	–
At 30 June 2003	**14.2**
Amortisation	
At 1 July 2002	(3.8)
Charge for the year	(1.4)
Disposals	–
At 30 June 2003	**(5.2)**
Net book value	
At 1 July 2002	10.4
At 30 June 2003	**9.0**

In accordance with the accounting policy for goodwill, described in note 1, goodwill arising on acquisitions since 1 July 1998 has been capitalised and is being amortised over 20 years, except that goodwill on the acquisition of the liquids business of Nichol Beauty Products Limited and the assets of Valley Chemicals Limited are being amortised over 5 years.

11 Tangible fixed assets

	Land and buildings Freehold £m	Land and buildings Long leasehold £m	Plant and machinery, computer equipment and motor vehicles £m	Payments on account and assets in the course of construction £m	Total £m
Cost					
At 1 July 2002	70.2	2.6	199.2	1.8	273.8
Exchange adjustments	0.7	–	5.9	0.1	6.7
Additions	0.5	0.1	7.3	0.9	8.8
Disposals	(2.0)	–	(3.9)	–	(5.9)
Transfers	–	–	0.4	(0.4)	–
At 30 June 2003	**69.4**	**2.7**	**208.9**	**2.4**	**283.4**
Depreciation					
At 1 July 2002	(15.3)	(0.5)	(122.6)	–	(138.4)
Exchange adjustments	(0.6)	(0.1)	(1.8)	–	(2.5)
Charge for the year	(1.6)	(0.1)	(20.2)	–	(21.9)
Disposals	1.7	–	3.8	–	5.5
Transfers	–	–	–	–	–
At 30 June 2003	**(15.8)**	**(0.7)**	**(140.8)**	**–**	**(157.3)**
Net book value					
At 1 July 2002	54.9	2.1	76.6	1.8	135.4
At 30 June 2003	**53.6**	**2.0**	**68.1**	**2.4**	**126.1**

Company assets

There was no significant movement in the Company's tangible fixed assets which were £0.1 million at 30 June 2003 (2002 – £0.2million).

12 Investments

Group	£m
Investment in joint venture	
At 1 July 2002	–
At 30 June 2003	–

Company	£m
Shares in subsidiary undertakings at cost	
At 1 July 2002	155.0
Additions	10.0
At 30 June 2003	**165.0**

The additions in investment for the Company represent the investment in McBride Euro Finance Limited, a new Group company created during the year.

During the year, the business assets of McBride Aircare Limited were transferred to Robert McBride Limited. Both companies are ultimately wholly owned subsidiary companies of McBride plc. The cost of the Company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. No adjustment has been made to the combined carrying value of the Company's investments in these subsidiaries or reflected in the Group's financial statements. Schedule 4 of the Companies Act 1985 requires that the investment be written down and that the amount be charged as a loss in the Company's profit and loss account. However, if the adjustment were made the directors consider that as there has been no loss to the Company it would fail to give a true and fair view of the Company's profit and loss account for the year. The trade and assets have simply been transferred from one wholly owned subsidiary to another. Therefore, the directors consider that this policy is necessary to present a true and fair view as to the Company's trading performance and have invoked the true and fair override for the presentation of these financial statements.

12 Investments continued

Set out below are the principal subsidiary undertakings of the Group whose results are included in the Group financial statements as at 30 June 2003. The share capital of these undertakings, comprising ordinary shares, is wholly owned by the Group with the exception of Intersilesia Sp. Z.o.o. which is 85% owned by the Group. All subsidiaries incorporated in Great Britain are registered in England and Wales.

The main business activity of the operating subsidiaries involves the manufacture and distribution of household and personal care products. A full list of subsidiaries is filed with the Registrar of Companies.

Company	Ownership	Country of incorporation
Subsidiaries		
Robert McBride Ltd*	100%	Great Britain
Yplon S.A.S.	100%	France
Yplon N.V./S.A.	100%	Belgium
General Detergents S.p.A.	100%	Italy
Productos Quimicos Arco Iris S.A.	100%	Spain
Grada B.V.	100%	Netherlands
Trimoteur Operations Europe B.V.	100%	Netherlands
Problanc S.A.	100%	France
Intersilesia Sp. Z.o.o.	85%	Poland
Vitherm S.A.	100%	France
McBride Aircare Ltd	100%	Great Britain
McBride Hungary Kft	100%	Hungary
McBride S.r.o.	100%	Czech Republic
McBride Euro Finance Ltd	100%	Great Britain
Joint venture		
Aerosol Products Ltd	50%	Great Britain
Investment companies		
McBride Holdings Ltd*	100%	Great Britain
McBride CE Holdings Ltd*	100%	Great Britain

* These companies are wholly owned subsidiary undertakings of McBride plc, the Company.

All other companies are wholly owned by the Group, except for Intersilesia Sp. Z.o.o. which is 85% owned and Aerosol Products Ltd which is a 50% joint venture. The country of incorporation is also the principal country of operation.

13 Stock

	Group As at 30 June 2003 £m	Group As at 30 June 2002 £m
Raw materials/packaging and consumables	**19.1**	17.4
Work in progress	**2.1**	1.0
Finished goods and goods for resale	**22.1**	28.5
Total stocks	**43.3**	46.9

14 Debtors

	Group As at 30 June 2003 £m	Group As at 30 June 2002 £m	**Company As at 30 June 2003 £m**	Company As at 30 June 2002 £m
Amounts falling due within one year				
Trade debtors	**110.0**	103.4	**–**	–
Amounts owed by Group undertakings	**–**	–	**14.3**	50.4
Other debtors	**2.3**	5.6	**–**	–
Prepayments and accrued income	**2.4**	1.8	**0.9**	0.2
Total debtors	**114.7**	110.8	**15.2**	50.6

15 Creditors: Amounts falling due within one year

	Group As at 30 June 2003 £m	Group As at 30 June 2002 £m	**Company As at 30 June 2003 £m**	Company As at 30 June 2002 £m
Bank overdrafts (unsecured)	**4.2**	8.2	**0.9**	0.8
Bank loans	**–**	85.1	**–**	31.3
Finance leases	**0.4**	0.4	**–**	–
Trade creditors	**75.8**	74.2	**0.2**	0.6
Amounts owed to Group undertaking	**–**	–	**1.0**	4.0
Corporation tax payable	**3.1**	1.4	**–**	–
Other taxation and social security	**9.8**	12.4	**–**	–
Other creditors	**17.0**	14.9	**–**	–
Accruals and deferred income	**32.9**	31.7	**1.5**	1.0
Dividends proposed on equity shares	**5.2**	3.7	**5.2**	3.7
Total creditors falling due within one year	**148.4**	232.0	**8.8**	41.4

In 2002 a five-year, revolving credit, multicurrency facility of £90 million along with a two-and-a-half-year £20 million invoice selling facility were negotiated, replacing a £125 million facility that was due for renewal by April 2003. The borrowings under the new credit facility are included within creditors falling due after more than one year. The Group's borrowings disclosed in the 2002 financial statements are disclosed under creditors due in less than one year as that facility was due to expire within 12 months of the June 2002 financial year end. The margin on the five-year facility varies between 130bps and 95bps depending on the Company's financial performance.

16 Creditors: Amounts falling due after more than one year

	Group As at 30 June 2003 £m	Group As at 30 June 2002 £m	**Company As at 30 June 2003 £m**	Company As at 30 June 2002 £m
Bank loans	**55.0**	–	**5.7**	–
Finance leases	**2.2**	2.4	**–**	–
Total creditors falling due after more than one year	**57.2**	2.4	**5.7**	–
These are repayable by installments:				
Between one and two years	**0.3**	0.4	**–**	–
Between two and five years	**55.9**	0.9	**5.7**	–
After five years	**1.0**	1.1	**–**	–
Total creditors falling due after more than one year	**57.2**	2.4	**5.7**	–

The rates of interest payable on all borrowings are typically between LIBOR plus 0.85% and 1.30%.

17 Provisions for liabilities and charges

	Group Deferred Tax £m	**Group Other £m**	**Group Total £m**	**Company Deferred Tax £m**	**Company Other £m**	**Company Total £m**
At 1 July 2002	3.5	0.4	3.9	–	–	–
Created during the year	0.1	3.9	4.0	–	–	–
At 30 June 2003	**3.6**	**4.3**	**7.9**	**–**	**–**	**–**

'Other' provisions relate to pension contributions paid by Grada BV which were provided for on acquisition, closure costs for the Institutional and Industrial business, the cost associated with a number of leasehold dilapidations and provisions relating to a number of legal disputes.

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

Group	**As at 30 June 2003 £m**	As at 30 June 2002 £m
Difference between accumulated depreciation and capital allowances	**14.6**	12.2
Other timing differences	**(11.0)**	(8.7)
Potential deferred tax liability	**3.6**	3.5

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

18 Called up share capital

	Group As at 30 June 2003 Number	Group As at 30 June 2002 Number	Company As at 30 June 2003 £m	Company As at 30 June 2002 £m
Authorised				
Ordinary shares of 10 pence each	**500,000,000**	500,000,000	**50.0**	50.0
	As at 30 June 2003 Number	As at 30 June 2002 Number	**As at 30 June 2003 £m**	As at 30 June 2002 £m
Allotted, called up and fully paid				
Ordinary shares of 10 pence each	**177,639,197**	177,639,197	**17.8**	17.8

No shares were issued during the year.

19 Share options

There are existing options issued during the 2001/02 financial year to senior employees, but excluding the executive directors, to subscribe for up to 5,312,811 ordinary shares (2002 – 5,467,850 shares) at 58.5 pence under the 1995 executive Share Option Scheme. These options are exercisable between September 2005 and September 2012. In addition, their remain options issued in July 1995, exercisable between July 1998 and July 2005, for up to 2,347,784 ordinary shares (2002 – 2,402,699 shares) at £1.88.

The total number of options under the scheme totalled 9,191,043 ordinary shares as at 30 June 2003 (2002 – 7,870,549 shares), and 9,191,043 on 10 September 2003.

During the year, a total of 596 employees subscribed to the Group's SAYE scheme. As at 30 June 2003 a combined total of 5,794,151 options were held within the 3-year and 5-year SAYE schemes.

20 Movement on reserves

Group	Share premium account £m	Profit and loss account £m
At 1 July 2002	139.3	(92.7)
Retained Profit for the financial year	–	13.0
Unrealised foreign currency differences	–	1.2
At 30 June 2003	**139.3**	**(78.5)**

Company	Share premium account £m	Profit and loss account £m
At 1 July 2002	139.3	7.3
Retained profit for the financial year	–	1.4
At 30 June 2003	**139.3**	**8.7**

In accordance with the exemption allowed by Section 230 of the Companies Act 1985 the Company has not presented its own profit and loss account. The Company made a profit for the year of £6.6 million before dividends payable of £5.2 million in the year to 30 June 2003.

Group	As at 30 June 2003 £m	As at 30 June 2002 £m
Goodwill eliminated directly against reserves	**(146.4)**	(146.4)
Cumulative retained profit	**67.9**	53.7
Profit and loss account	**(78.5)**	(92.7)

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

21 Commitments

	Group Year ended 30 June 2003 £m	Group Year ended 30 June 2002 £m	Company Year ended 30 June 2003 £m	Company Year ended 30 June 2002 £m
Capital expenditure				
Contracted but not provided	**0.6**	–	–	–

Operating leases

Payments under operating leases due to be made in the next year, analysed over periods when the leases expire are as follows:

Land and buildings				
Within one year	–	0.5	–	–
In the second to fifth years inclusive	–	–	–	–
Over five years	–	–	–	–
	–	0.5	–	–
Others				
Within one year	**0.7**	0.3	–	–
In the second to fifth years inclusive	**1.9**	0.7	–	–
Over five years	–	–	–	–
	2.6	1.0	–	–

22 Remuneration of directors

	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Emoluments	**973**	780
Pension contributions	**232**	185
Total remuneration	**1,205**	965

Further analysis of the above amounts and information concerning directors' shareholdings and options are shown on pages 28 to 33 in the Remuneration Report.

The total emoluments of the highest paid director (including pension contributions) was £723,000 (2002 – £632,000).

	Number of Directors June 2003	Number of Directors June 2002
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2
Defined benefit scheme	–	–
Total	**2**	2

23 Pension schemes

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

	30 June 2003 £m	30 June 2002 £m
United Kingdom – defined benefit schemes	**1.9**	1.8
United Kingdom – defined contribution schemes	**0.2**	0.2
Continental Europe – defined contribution schemes	**0.5**	0.3
Total pension contribution	**2.6**	2.3

The actuarial value of the assets of the scheme represented approximately 80% of the liabilities for the benefits that had accrued to members, after allowing for expected future increases in earnings.

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

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

FRS 17 – Retirement benefits

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

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

The Group operates a number of pension schemes. Within the UK, the Robert McBride Pension Fund, which is a defined benefits scheme, covers most of the Group's UK employees. In addition, the Group operates a number of smaller pension schemes in Continental Europe that are devised in accordance with local conditions and practices in the countries concerned.

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

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

	As at 30 June 2003	As at 30 June 2002	As at 30 June 2001
Rate of increase in salaries	**4.00%**	4.25%	5.00%
LPI increases for pensions in payment	**2.40%**	2.50%	2.50%
Liability discount rate	**5.40%**	5.75%	6.00%
Inflation assumption	**2.50%**	2.75%	2.75%
Revaluation of deferred pensions	**2.50%**	2.75%	2.75%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, were:

	Long-term rate of return expected at 30 June 2003	Value at 30 June 2003 £m	Long-term rate of return expected at 30 June 2002	Value at 30 June 2002 £m
Equities	**6.50%**	**25.2**	7.00%	28.7
Bonds	**4.50%**	**4.5**	5.00%	4.8
Property	**6.50%**	**1.2**	7.00%	1.1
Cash	**4.50%**	**2.0**	5.00%	1.0
Total market value of assets		**32.9**		35.6
Present value of scheme liabilities		**(47.7)**		(42.3)
Deficit in the scheme		**(14.8)**		(6.7)
Related deferred tax asset		**4.4**		2.0
Net pension liability		**(10.4)**		(4.7)

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

	30 June 2003 £m	30 June 2002 £m
Current service cost	**2.0**	2.9
Past service cost	**–**	–
Loss/(Gain) on curtailment	**–**	–
Total operating charge	**2.0**	2.9

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

	30 June 2003 £m	30 June 2002 £m
Expected return on pension scheme assets	**2.4**	2.5
Interest on pension scheme liabilities	**(2.5)**	(2.3)
Net Return	**(0.1)**	0.2

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

	30 June 2003 £m	30 June 2002 £m
Actual return less expected return on pension scheme assets	**(6.6)**	(4.2)
Experience gains and losses arising on the scheme liabilities	**(0.9)**	–
Changes in assumptions underlying the present value of the scheme liabilities	**(0.2)**	0.7
Actuarial loss recognised in the STRGL	**(7.7)**	(3.5)

Movement in surplus/(deficit) during the year:

	30 June 2003 £m	30 June 2002 £m
Deficit in scheme at start of year	**(6.7)**	(2.1)
Movement in the year:		
Current service cost	**(2.0)**	(2.9)
Contributions	**1.7**	1.7
Past service costs	**–**	–
Other finance income	**(0.1)**	0.1
Actuarial loss	**(7.7)**	(3.5)
Curtailment	**–**	–
Deficit in scheme at year end	**(14.8)**	(6.7)

Following the full actuarial valuation at 31 March 2003, employer contributions have yet to be agreed. Different rates are payable in respect of the different sections of the scheme, averaging 11.0 per cent of total pensionable pay. Active members of the Contributory Section pay on average at the rate of 4.5 per cent of pensionable pay.

History of experience gains and losses	30 June 2003	30 June 2002
Difference between the expected and actual return on scheme assets:		
Amount (£m)	**(6.6)**	(4.2)
Percentage of the scheme assets	**-20.0%**	-11.9%
Experience gains and losses on scheme liabilities:		
Amount (£m)	**(0.9)**	–
Percentage of the present value of the scheme liabilities	**-1.8%**	0.0%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£m)	**(7.7)**	(3.5)
Percentage of the present value of the scheme liabilities	**-16.1%**	-8.3%

Notes to the financial statements continued

24 Staff numbers and costs

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

	Year ended 30 June 2003 Number	Year ended 30 June 2002 Number
Operations	**3,352**	3,532
Sales and marketing	**215**	213
Finance and administration	**494**	489
Total full-time equivalent employees	**4,061**	4,234

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
The aggregate payroll costs were:		
Wages and salaries	**76.7**	71.4
Social security costs	**16.0**	14.7
Pension costs (see note 23)	**2.6**	2.3
Total payroll costs	**95.3**	88.4

25 Reconciliation of operating profit to operating cash flow

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Group operating profit	**29.7**	24.8
Depreciation	**21.9**	18.6
Goodwill amortisation	**1.4**	1.3
Loss on disposal of fixed assets	**0.1**	0.1
Movement in stock	**5.3**	3.3
Movement in debtors	**1.4**	(9.6)
Movement in creditors	**1.4**	3.8
Net cash flow from operating activities	**61.2**	42.3

26 Returns on investments and servicing of finance

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Interest received	**1.0**	0.7
Interest paid	**(4.3)**	(5.1)
Interest element of finance lease rentals paid	**(0.1)**	(0.1)
Commitment fees paid on completion of the new revolver facility	**(0.7)**	–
Dividend paid to minority interest	**(0.2)**	(0.3)
Total cash outflow from returns on investment and servicing of finance	**(4.3)**	(4.8)

27 Financing

	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Decrease in debt	**(33.3)**	(9.4)
Capital element of finance lease rental payments	**(0.4)**	(0.5)
Net cash outflow from financing (decrease in financing)	**(33.7)**	(9.9)

28 Analysis of net debt

	As at 1 July 2002 £m	Cash flow £m	Other non-cash movements £m	Exchange movement £m	As at 30 June 2003 £m
Cash in hand	1.2	(0.3)	–	(0.2)	**0.7**
Overdrafts	(8.2)	4.4	–	(0.4)	**(4.2)**
	(7.0)	4.1	–	(0.6)	**(3.5)**
Debt: Due after one year	–	(51.8)	–	(3.2)	**(55.0)**
Debt: Due within one year	(85.1)	85.1	–	–	**–**
Finance leases	(2.8)	0.4	–	(0.2)	**(2.6)**
Net cash/(debt)	(94.9)	37.8	–	(4.0)	**(61.1)**

	As at 1 July 2001 £m	Cash flow £m	Other non-cash movements £m	Exchange movement £m	As at 30 June 2002 £m
Cash in hand	2.7	(1.5)	–	–	1.2
Overdrafts	(2.3)	(5.7)	–	(0.2)	(8.2)
	0.4	(7.2)	–	(0.2)	(7.0)
Debt: Due after one year	(87.7)	6.5	85.2	(4.0)	–
Debt: Due within one year	(2.9)	2.9	(85.1)	–	(85.1)
Finance leases	(3.0)	0.5	(0.1)	(0.2)	(2.8)
Net cash/(debt)	(93.2)	2.7	–	(4.4)	(94.9)

29 Contingent liabilities

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

Intersilesia has performed well against the criteria. As a result, the valuation has reached its contractual limit of £1.2 million. There remains uncertainty as to when the minority interest holder will exercise the right to sell the minority stake, but in any event, this will be by 30 June 2005.

30 Financial instruments

Funding

Other than those noted below in the net borrowings analysis, there are no differences between current and book values of financial instruments held by the Group at the year end.

Foreign Exchange

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

Net borrowings analysis

	As at 30 June 2003 Book value £m	As at 30 June 2003 Fair value £m	As at 30 June 2002 Book value £m	As at 30 June 2002 Fair value £m
Bank loans, overdrafts and other loans	**(59.2)**	**(59.2)**	(93.3)	(93.3)
Finance lease liabilities	**(2.6)**	**(2.6)**	(2.8)	(2.8)
Total gross borrowings	**(61.8)**	**(61.8)**	(96.1)	(96.1)
Cash at bank and in hand	**0.7**	**0.7**	1.2	1.2
Total net borrowings	**(61.1)**	**(61.1)**	(94.9)	(94.9)
Forward exchange contracts	**–**	**0.5**	–	–
	(61.1)	**(60.6)**	(94.9)	(94.9)

Notes to the financial statements continued

30 Financial instruments continued

Currency analysis of net assets

	As at 30 June 2003 Net assets excluding gross borrowings £m	As at 30 June 2003 Gross borrowings £m	As at 30 June 2003 Net assets £m	As at 30 June 2002 Net assets excluding gross borrowings £m	As at 30 June 2002 Gross borrowings £m	As at 30 June 2002 Net assets £m
Sterling	**92.0**	**(16.1)**	**75.9**	81.7	(40.5)	41.2
Eurozone currencies	**48.5**	**(45.7)**	**2.8**	72.4	(55.6)	16.8
Other	**(0.1)**	**–**	**(0.1)**	6.6	–	6.6
Total net assets	**140.4**	**(61.8)**	**78.6**	160.7	(96.1)	64.6

Currency exposure

As indicated on page 11 of the Group Finance Director's review, it is the objective of the Group to minimise currency risk by hedging its currency exposure. The most significant exposure is from its net investments in overseas subsidiaries. This exposure is managed through a combination of foreign currency borrowings and forward currency contracts. As the level of borrowings have reduced, it has been necessary to use forward currency contracts in addition to borrowings to hedge the Company's Euro and Zloty denominated currency exposure.

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

30 June 2003	Sterling £m	Euro £m	Zloty £m	Total £m
United Kingdom	**–**	**3.0**	**–**	**3.0**
Euro-zone countries	**3.8**	**–**	**–**	**3.8**
Poland	**–**	**(6.1)**	**–**	**(6.1)**
Total	**3.8**	**(3.1)**	**0.0**	**(0.7)**

30 June 2002	Sterling £m	Euro £m	Zloty £m	Total £m
United Kingdom	–	0.9	–	0.9
Euro-zone countries	4.0	–	–	4.0
Poland	–	(5.7)	–	(5.7)
Total	4.0	(4.8)	0.0	(0.8)

Group hedging

The Group operates significant trading assets in Continental Europe, denominated in Euros and in other Eastern European countries. As a consequence, the Group has significant exposure to movements in exchange rates. In order to hedge these exposures, the Company provides foreign currency inter-company loans in order to hedge the Group's net foreign currency assets. Where borrowings are insufficient to hedge the net asset exposure, the Company uses forward contracts to hedge the remaining net exposure to foreign currency assets.

The table below shows the Sterling value of the difference between the contract and balance sheet date rates of exchange.

Gains and losses on hedges	Gains £m	Losses £m	Total net gain/loss £m
Unrecognised gains & losses in 2002	0.1	–	0.1
Gains and losses arising in previous years now recognised in June 2003	0.1	–	0.1
Gains and losses arising in previous years not recognised in June 2003	–	–	–
Unrecognised gains & losses in 2003	0.5	(0.2)	0.3
Of which gains and losses to be recognised in 2004	0.1	(0.2)	(0.1)
After 2004	0.4	–	0.4

Five-year financial summary

	2003 £m	2002 £m	Restated 2001 £m	2000 £m	1999 £m
Profit and loss account					
Turnover	**505.0**	484.0	497.6	496.8	496.8
Profit before tax (before goodwill, non-operating items and operating exceptional items)	**27.5**	21.7	16.4	26.1	30.0
Profit after tax (before goodwill, non-operating items and operating exceptional items)	**19.6**	16.1	15.8	19.6	22.5
Earnings					
Earnings per share (before goodwill, operating exceptional items and share of joint venture)	**11.0p**	8.9p	8.6p	10.8p	12.7p
Ordinary dividends	**2.9p**	2.1p	2.0p	4.6p	7.5p
Employees					
Average number of employees	**4,061**	4,234	4,558	4,762	4,352

Financial calendar

Record date for 2002/2003 final dividend	**31 October 2003**
Annual General Meeting	**4 November 2003 at 12 noon**
2002/2003 final dividend payment date	**28 November 2003**
Announcement of interim results	**February 2004**
2003/2004 interim dividend payment	**May 2004**

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Designed and produced by College Design, London +44 (0)20 7457 2020
Copy: David Wilford, inside front cover and pages 14 to 23
Photography: Ric Gemmell, Directors
Printed by royle corporate print