



ANNUAL
REPORT

NEW

McBride

2001

The Group at a glance

Household products Turnover 2001 £404.5 million

McBride's range of household products includes textile washing detergents, fabric conditioners, dishwashing products, hard surface cleaners, aircare products and polishes. Specialised factories in the UK, France, Belgium, the Netherlands, Italy, Spain and Poland produce powders, liquids, tablets and aerosols.

Personal care products Turnover 2001 £66.8 million

McBride's range of personal care products includes hair and body care products for both men and women. The range includes shampoos, hair conditioners, styling aids, liquid soaps, bath foams and shower gels, shaving foams and gels, deodorants, toothpastes and mouthwash, nail care and skin care cream, as well as baby products. Factories in the UK, Belgium, France and Poland manufacture the range.

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Highlights

Financial

- Reported sales stable at £497.6 million, excluding the share of the joint venture, despite further weakness of the Euro which reduced Sterling reported sales by £4.1 million.
- Pre-tax profit, before exceptional items, the effect of joint venture and goodwill amortisation was £16.4 million compared with £26.1 million. The outcome was above market expectations.
- Operating margin was 4.8% compared with 6.5%.
- Basic earnings per share of 6.6 pence before exceptional items, the effect of the joint venture and goodwill amortisation.
- Net debt reduced by £21.8 million from £115.0 million to £93.2 million.
- Final dividend of 2.0 pence (same as last year) to give a total dividend of 2.0 pence compared with 4.6 pence.

Strategic

- In Continental Europe private label growth continued, led by France and Spain.
- In the United Kingdom private label household cleaner products continue to gain market share but laundry products were under pressure.
- In Central and Eastern Europe private label products became well established and product range extended.
- McBride sold Wrafton Laboratories to exit the Over the Counter pharmaceutical market.

Current trading

The trading performance in July and August 2001 has continued in line with the stronger fourth quarter in the last financial year. Sales and profits of the core household and personal care products are ahead of the equivalent period of last year. Overall, trading profits in this two month period have made up for the absence of Wrafton.

The Board are very aware of their responsibility to keep the shareholders informed of important matters relating to the Company. During the course of the last financial year a number of statements have been issued which relate to discussions with interested parties concerning a possible offer for the Company. Discussions are continuing and whilst there is no certainty at this stage that any transaction will result, an announcement will be made as further developments occur.

Chairman's statement

This has been an eventful year for McBride. It began with a commitment from the Board to look at all strategic options with a view to improving shareholder value. Discussions were initiated with various interested parties about a sale of all or part of the business. Meanwhile difficult trading conditions during the first half year led us to indicate to shareholders in December and again in March, that our profitability was being adversely affected. In these difficult market conditions, we were first to launch soluble laundry sachets in the UK, taking advantage of excellent technical advances achieved in our Continental Europe operations. Then, in the final quarter of the year, we experienced a significant improvement in trading as markets began once again to favour the private label/minor brand alternative.

The market in Continental Europe saw continued expansion in private label. Sales growth in France and Spain was particularly strong. In Eastern and Central Europe private label also continued to do well, becoming firmly established in The Czech Republic, Hungary and Poland. This overall picture presents a background for positive sales growth for McBride, notably with those major retailers who are rapidly expanding their operations in these countries, and justifies our confidence in the investments we have made.

The UK market for private label/minor brand was broadly stable in volume terms. There was intense price competition amongst the major grocery retailers as each of them sought to improve their individual market shares.

The continued weakness of the Euro resulted in escalating raw material and packaging input prices which adversely impacted profit margins, especially during the first half. In addition, translation of Euro-denominated profits into Sterling was also adversely affected. For the year ended 30 June 2001, profit before taxation, goodwill amortisation, operating exceptional items and the effect of the Aerosol Products Limited joint venture, was £16.4 million, compared with £26.1 million in the previous year. Earnings per share, again before goodwill amortisation, operating exceptional items and the joint venture were 6.6 pence compared with 10.8 pence.

The financial performance of Aerosol Products Limited continued to be a significant disappointment as the market for aerosol products became increasingly competitive during the year with further downward pressure on selling prices and volumes. This factor, together with supplier failures in aluminium cans and ethanol, resulted in a further loss in the financial year. A number of cost saving measures were implemented during the year and in June 2001 a redundancy programme was announced. All these measures should enable Aerosol Products Limited to show significantly improved results in 2001/2002. Under the terms of an agreement dated 5 October 1999 between Robert McBride Ltd and Nichol Beauty Products Ltd there is a put and call arrangement relating to the 50% shareholding of Aerosol Products Limited owned by Nichol Beauty Products Ltd. The agreement gives Nichol Beauty Products Ltd the right to "put" their shares to Robert McBride Ltd for a consideration of £12.0 million on or after 4 October 2001.

In light of the disappointing trading performance of Aerosol Products Limited discussions are being initiated in respect of the put option with regard to both the timing and cost to McBride of the option.



A REVOLUTION
in cleaning clothes.

McBride

**ACTI-
POD**

McBRIDE WERE THE FIRST TO OFFER ACTIPOD TECHNOLOGY TO THE OWN BRAND MARKETPLACE. A REVOLUTION IN CLEANING CLOTHES. THE PLASTIC POD DISSOLVES ON CONTACT WITH WATER LEAVING NO RESIDUE, DELIVERING THE DETERGENT INTO THE HEART OF THE WASH.



During the financial year, your Board undertook a detailed strategic review of the Over the Counter pharmaceutical business. In order to develop the Wrafton business, which was acquired in September 1999, discussions were held with a number of potential partners. These discussions did not provide an acceptable arrangement to develop the business rapidly, but did result in an offer being made for Wrafton. The Board accepted this offer and the sale of Wrafton to The Perrigo Company was profitably completed on 29 June 2001.

Board

There have been a number of changes to the Board during the last financial year. In November 2000 John Budsworth retired from the Board having been with the Group since 1996. In February 2001 Andrew Butler, who joined the Board on flotation and was the senior non-executive director, also retired.

In April 2001 Terry Monks, who joined the Group in 1993, six months after the buy-in, announced his intention to resign from the Board to take up a senior position in the European Head Office of a United States based company. He will leave the Group at the end of September 2001. In addition Mr Alan Washkowitz, the Lehman-nominated Director has announced his intention to resign from the Board due to other commitments in the United States and will not offer himself for re-election at the Annual General Meeting. On behalf of the Board and the shareholders, I would like to thank them all for their contribution to the Group over a number of years.



I would also like to thank all our employees who have continued to provide a significant contribution to the business. Following a selection process by the Board to find a new Finance Director, we are pleased to announce that an offer has been accepted by our preferred candidate. Miles W Roberts will join the McBride Board towards the end of 2001 at a date to be agreed with his current employer. Miles is an ACA having gained a BSc from Bristol University in Civil Engineering. After training with Ernst & Young from 1988-1992, he spent three years in financial management positions with Trafalgar House plc. In 1995 he became Financial Controller of Vivendi Water a UK water subsidiary, and was then Finance Director with Three Valleys Water Plc from 1997, before joining his current employer, Costain Group plc as their Group Finance Director in 2000. Miles is 37 and married with four children.

Dividend

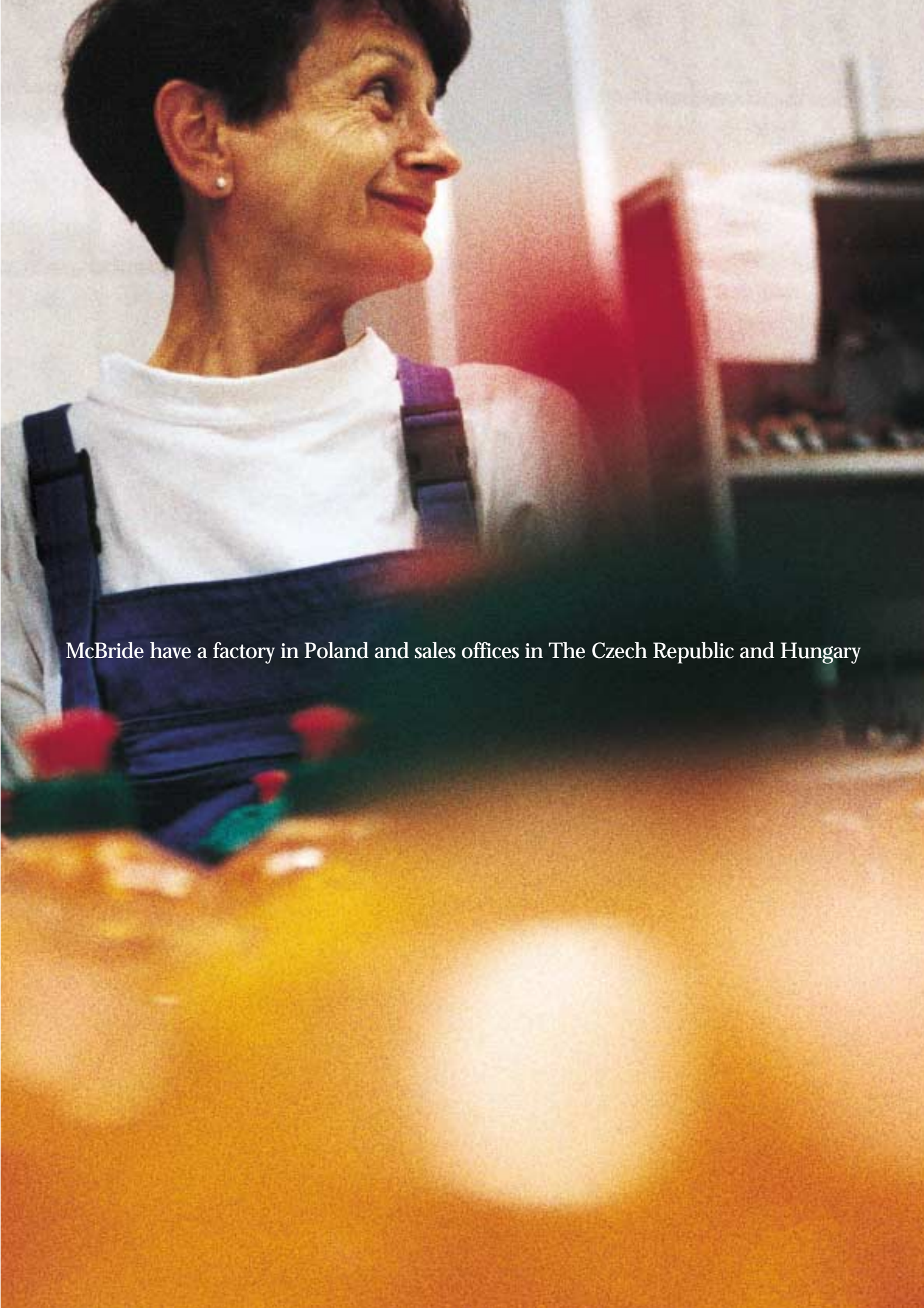
In my report to shareholders in October 2000, it was explained that in light of the uncertainty of the discussions with interested parties the Board had decided to rebase the level of dividend. The Board is proposing to pay a final dividend of 2.0 pence in respect of the 2000/2001 financial year, which is in line with the final dividend paid last year.

Current trading

The trading performance in July and August this year has continued in line with the stronger fourth quarter of the last financial year. Sales and profits of the core household and personal care products are ahead of the equivalent period last year. Overall, trading profits in this two month period have made up for the absence of Wrafton.

Allen Sheppard, Chairman

5 September 2001



McBride have a factory in Poland and sales offices in The Czech Republic and Hungary

McBride

3 in 1 DISHWASHER TABLETS

WITH BUILT-IN RINSE AID

BEST EVER
CLEANING

McBride produce the revolutionary slow release dishwasher tablets that have three layers which dissolve at different times during the wash cycle for more powerful and efficient cleaning

ULTIMATE
CONVENIENCE

NO NEED TO WASH

UP TO 10 DISHES

PER WASH

NO NEED TO WASH

UP TO 10 DISHES

PER WASH

Chief Executive's review

McBride remains Europe's largest manufacturer of retailer brand household and personal care products, being significantly larger in product range, sales and geographic coverage than its competitors. With operations in seven European countries, including a fast growing business in Poland, McBride is the principal supplier in its product sectors to the major European grocery retailers. As all markets became increasingly competitive, the management focus on providing high levels of customer service intensified. McBride successfully improved overall customer service levels during the year which, in the case of the UK business, was recognised in a survey by the Grocer Magazine in May 2001. This survey of retailers' opinions of their private label suppliers, gave McBride the accolade of being best in its class.

Total Sterling reported sales from the continuing business were £471.3 million compared with £478.3 million last year. The continued weakness of the Euro reduced sales on translation into Sterling by £4.1 million and after allowing for this adverse currency effect and the effect of the joint venture, sales remained stable. The reported operating profit before goodwill amortisation, operating exceptional items and the impact of the joint venture was £23.9 million compared with £32.5 million last year. There was no significant currency effect on the reported profit. The results include a full year's contribution from Wrafton Laboratories which was sold at the end of the financial year. Although the business had only been owned by McBride since September 1999, substantial improvements were made to generate increased sales and enhance margins which were reflected in the price for the company.

In our previous statements the market was advised of our intention to examine all options for reducing costs and improving sales, profits and cash flow. We decided to refocus the management structure into geographic businesses in August 2000, away from the functional structure introduced in March 1999. This change, along with the recovery from the 1999 Estaimpuis fire, brought major benefits to customer service levels. There has also been demanning at management and operational levels during the year ended 30 June 2001. The appointment of a Group purchasing director and the integration of the UK and Continental Europe buying teams was completed. In addition selling price increases were achieved in many markets, though not in all trade sectors.

United Kingdom

In recent years I have reported on the challenging market conditions for consumer goods and the strong competitor pressures from branded products. Both these factors remained important features of the UK market in 2000/2001 although there are increasing signs that the grocery retailers are seeking to improve their sales of retailer brand products across a number of categories including household and personal care. Sales of household and personal care products were £243.4 million compared with £255.9 million in the previous year, which included £7.3 million of sales from the Hull factory before its transfer into Aerosol Products Limited. There was a slight decline in private label's share of laundry products from 21.1% to 20.5% but the share of cleaning products rose from 29.8% to 30.3%. McBride succeeded in achieving a marginal growth in its share of the total private label market. The resultant sales performance was underpinned by the full impact of recent investments in the remodelling of the Middleton factory, together with completion of the expansion project at the Barrow factory.

During the year, as part of the ongoing programme of product innovation, McBride successfully launched its Brio Actipod textile washing liquid sachets ahead of the leading brand manufacturers. The Burnley factory rapidly implemented new soluble liquid sachet filling capacity which successfully produced this innovative high quality product which was well received by consumers and has contributed to the overall rise in sales of textile liquid wash during the year. Sales of textile tablets and automatic dishwasher tablets also increased as investment by McBride in new capacity came on stream. There was a major packaging change for concentrated washing-up liquid with the launch of the product in a PET bottle and McBride rapidly and successfully introduced retailer brand variants during the year.

The highly competitive conditions in the personal care market persisted with retailer brand share falling further in the year. Against this background McBride succeeded in growing its core personal care sales reflecting the strong and consistent operational performance by the Bradford factory.



McBride have factories in the UK at Barrow, Middleton, Burnley, Bradford and Bampton



EASY
2
USE

McBride

Easy
Pour

Bottle

McBride ergonomically designed
this bottle to make it much easier
for the physically impaired to
pour out the contents

Continental Europe

The Sterling reported sales in Continental Europe were £227.9 million in the financial year which showed an increase of £5.5 million over the previous year. The continued Euro weakness once again masked a stronger underlying increase which, for the year, was 4.3% in local currency compared with the Sterling increase of 2.5%. There were particularly strong sales growth in France, which is McBride's second largest market, where turnover increased by 8%. In Spain, sales grew by 27%, while in the Italian market sales were marginally below the previous year. It is worth highlighting that the final quarter was the strongest of the year, with sales ahead of the equivalent period of the previous year by 11.3%.

Our plan to grow sales in the markets of Central and Eastern European markets was again successful with another year of growth in Poland. McBride succeeded in winning more business with the Western European grocery retailers who continue to invest in the region. McBride's sales offices established in Prague and Budapest have started to generate sales.

Operating profit before goodwill amortisation was £6.6 million compared with £13.5 million in the previous financial year. The primary cause of the profit decline was severe margin pressure which was particularly acute in January and February. Continental Europe suffered from a further escalation in raw material and packaging prices, together with higher transport costs. The main contributory factor was the sustained weakness of the Euro against the US dollar which, combined with petrochemical and pulp price inflation, added significantly to input costs. A number of management actions were implemented to improve the operating margin but it was also necessary to raise selling prices across a broad range of products in all EU and international markets. The increased selling prices were implemented on a phased basis during the second half of the year, having a full effect in the final quarter.

Joint venture

Last year I reported that the results of Aerosol Products Limited, the joint venture with Nichol Beauty Products, had been disappointing due to operational and information system issues surrounding the integration of McBride's Hull site and Nichol's Thetford site. The physical closure of Thetford and the expansion of Hull caused much disruption and incremental cost. This year, at the interim stage, I reported that the joint venture had succeeded in achieving an improved level of customer service. This improvement was maintained in the second half of the year such that our major retailer and contract customers have regained their confidence in the company as a reliable aerosol supplier.

We have, however, experienced exceptionally poor supplier performance in both aluminium cans following a major producer plant closure and shortage of ethanol capacity. Market conditions also changed adversely during the year, declining by about 8% by value and some 4% by volume. This has resulted in the sales volumes of the joint venture continuing to decline and falling well short of expectations.

Whilst a number of improvements, price increases and cost saving measures have been implemented during the year, including a redundancy programme which was announced in June and implemented in July, the trading losses continued albeit at lower levels. The McBride share of the loss, after interest, but before goodwill amortisation was £3.5 million.

Corporate activity

As part of the strategic review, the Board re-examined planned options to develop Wrafton, the Over The Counter pharmaceutical business acquired in September 1999. A major element of the OTC strategy was to develop the product range by alliance with potential partners identified before acquisition.



Discussions were held with a number of parties resulting in an offer from one of them to purchase the business.

On 1 June 2001 the Board announced the sale of Wrafton to The Perrigo Company.

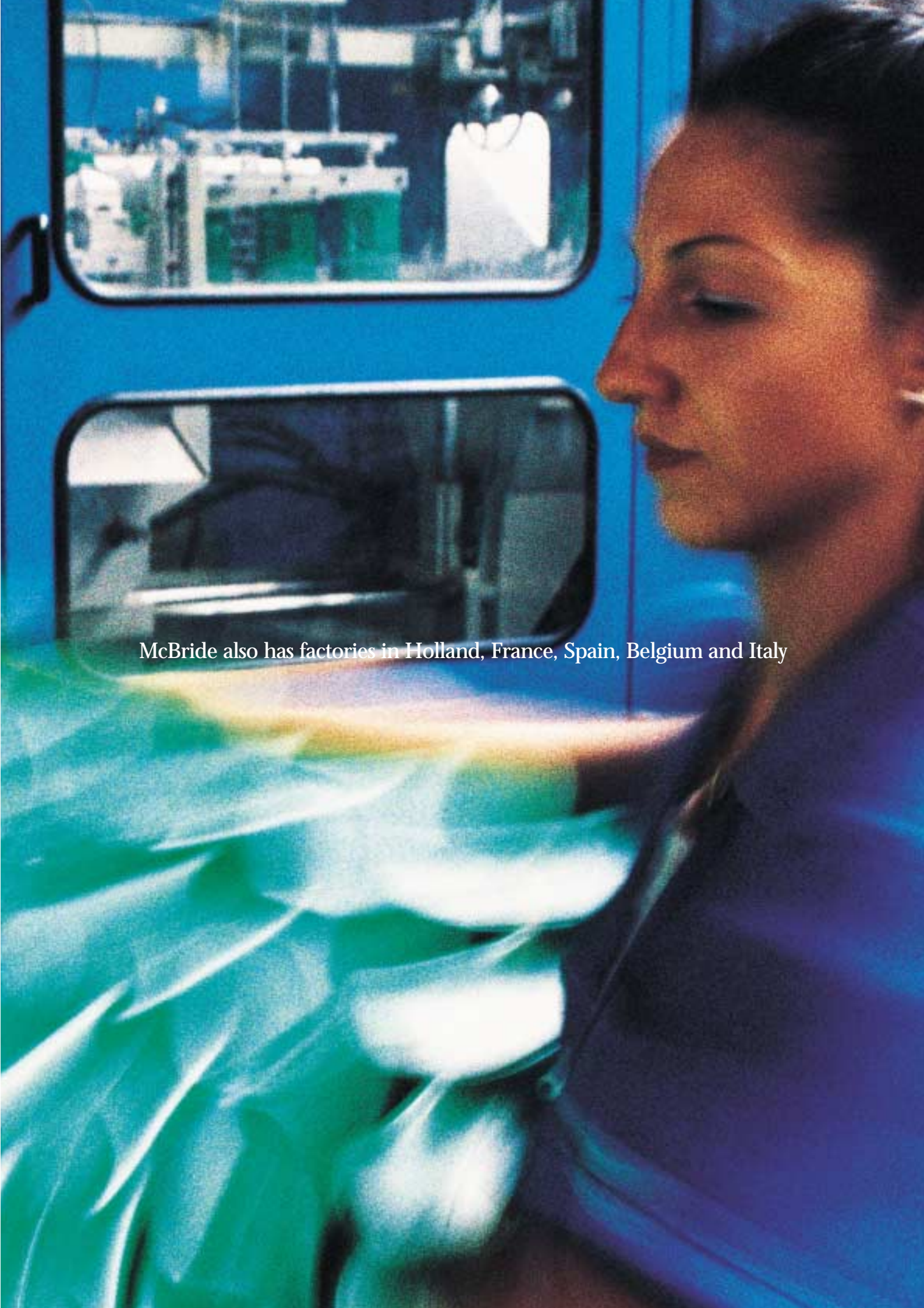
The sale was completed on 29 June 2001 and the Board believe the gross consideration received of £28.3 million for McBride's 92.5% shareholding reflects the long-term strategic value of the business. The disposal of Wrafton has allowed the Group to reduce borrowings and focus on the development of the core household and personal care businesses.

The Board are very aware of their responsibility to keep the shareholders informed of important matters relating to the Company. During the course of the last financial year, a number of statements have been issued which relate to discussions with interested parties concerning a possible offer for the Company. Discussions are continuing and whilst there is no certainty at this stage that any transaction will result an announcement will be made as further developments occur.

The Board takes some confidence from the effects of the actions taken as a result of our review and the strong April to June performance, and will continue to explore strategic options available to the Group to maximise shareholder value.

Mike Handley, Chief Executive and Deputy Chairman

5 September 2001



McBride also has factories in Holland, France, Spain, Belgium and Italy

Financial review

Interest The net interest charge in the year was £7.5 million compared with £6.4 million in the previous financial year. The increase of £1.1 million reflected higher average borrowings during the year as a result of the cost of recent acquisitions together with the ongoing financing of these companies. The net interest charge was covered 3.2 times by operating profit before operating exceptional items and goodwill amortisation compared with cover of 5.1 times in the 1999/2000 financial year.

Taxation The Group charge for taxation on the profit on ordinary activities was £4.1 million which represented an underlying effective rate of 25% on profit after interest. The Group continues to benefit from taxation losses brought forward in a number of countries including recently acquired companies. In addition, tax relief has been taken for the Group's share of the losses in the joint venture, which amounted to £1.3 million in the year.

Profit before taxation The profit before taxation shown in the detailed profit and loss account on page 26 is made up as follows:

	Year ended 30 June 2001 £m	Year ended 30 June 2000 £m
Group turnover	497.6	496.8
Cost of sales	(317.1)	(311.5)
Gross profit	180.5	185.3
Distribution costs	(24.9)	(23.3)
Administrative costs: before goodwill amortisation	(131.7)	(129.5)
Group operating profit before goodwill amortisation	23.9	32.5
Net interest payable	(7.5)	(6.4)
	16.4	26.1
Goodwill amortisation	(2.0)	(1.5)
Items associated with joint venture	(6.0)	(5.7)
Profit on disposal of fixed assets	-	3.4
Profit on disposal of discontinued business	2.9	-
Profit on ordinary activities before taxation	11.3	22.3

Cash flow The Group continues to be cash generative with the cash flow from operating activities amounting to £33.5 million compared with £43.0 million in the previous financial year. Capital expenditure in the year amounted to £14.9 million compared with £24.5 million in the previous financial year. This reduction reflected completion of most major projects with the exception of the continued investment in management information systems together with a Group wide restriction on capital expenditure.

Earnings and dividends The weighted average number of shares in issue during the year was 177,639,197. Earnings per share before operating exceptional items, share of the joint venture and goodwill amortisation was 6.6 pence compared with 10.8 pence in 1999/2000. The Board has proposed a final dividend of 2.0 pence to bring the total for the year to 2.0 pence.

Treasury policies and risk management The Treasury function aims to provide the Group with sufficient funds for continued growth in a cost-effective manner whilst minimising financial risk. All borrowings and foreign exchange activities are undertaken as a result of underlying trade transactions and with approved financial instruments. Group treasury policies have been established together with appropriate authority levels, and these have been approved by the Board of Directors. The Treasury function does not operate as a profit centre and no transactions of a speculative nature are undertaken. A report which details the activities of the treasury function is presented to each Board Meeting. Currency exposures arising from trading transactions are normally covered as they arise typically on the placing of a firm order. No material exposures are left uncovered once they have been identified.

Interest rate risk The Group is financed by a combination of retained earnings and floating rate foreign currency and Sterling borrowings. The Group's Treasury function actively monitors the exposure to interest rate risk.

The net assets, profits and cash flows of the overseas subsidiaries are denominated in a number of European currencies which are now fixed to the Euro. In order to provide reasonable cover against currency movements, appropriate amounts of the Group debt are denominated in these currencies. The existence of the Euro has simplified the Group financing structure as Sterling and the Euro are the principal currencies of the Group. At the balance sheet date, net borrowings amounted to £93.2 million of which £26.8 million were denominated in Sterling, £63.7 million in Euros and £2.7 million in Polish Zloty.

The balance sheets of the overseas subsidiaries are translated into Sterling at year end exchange rates with any gains or losses taken to reserves where they are matched against any gains or losses on borrowings. The profits of the overseas subsidiaries are translated at average rates and the Group policy is not to hedge foreign currency denominated profit.

Accounting policies The accounts have been prepared using accounting policies which are consistent with those in the prior year accounts except where new accounting standards have come into force.

Board of Directors

1 **Lord Sheppard of Didgemere, KCVO, Chairman** (aged 68)

Lord Sheppard has been non-executive Chairman of the Company since the buy-in and from 1987 to 1996 he was Chairman of Grand Metropolitan plc. He is also non-executive Chairman of the Unipart Group, GB Railways plc and London First.



2 **Mike Handley, Chief Executive and Deputy Chairman** (aged 54)

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 Glenberrie Ltd. in Scotland.



3 **Terry Monks, Group Finance Director** (aged 52)

Terry Monks joined McBride as Group Finance Director from Caradon plc in November 1993. Previously he held senior finance roles at Response Group Ltd., Unigate plc and Lex Service plc. His intention to resign from the Board was notified to the Stock Exchange on 27 April 2001 and he will leave the Board on 30 September 2001.



4 **Henri Talerman, Non-Executive Director** (aged 45)

Henri Talerman is a founding partner of WR Capital Partners. Previously he was a Managing Director of Lehman Brothers Inc., managing Lehman's principal investments. He is a member of the Advisory Committee of Europe Capital Partners (Delaware) L.P., in the US, and a director of Financière Gerflor S.A. in France.



5 **Alan Washkowitz, Non-Executive Director** (aged 61)

Alan Washkowitz is a Managing Director of Lehman Brothers Inc., and is responsible for the Lehman Brothers Merchant Banking Partnerships. He is also a director of K&F Industries Inc., Peabody Coal and L3 Communications, all in the US. He has been appointed a Director of the Company as Lehman Brothers Holding Inc.'s nominated representative.



THE Grocer

May 19, 2001 Price £1.30

OWN LABEL INDUSTRY SURVEY



Nobody does it better

McBRIDE BEST IN CLASS

BASED ON EXCLUSIVE RESEARCH CARRIED OUT BY THE GROCER BETWEEN FEBRUARY AND APRIL 2001

Directors' report and corporate governance

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 2001.

Principal activities and future development

The Group has manufacturing operations in seven European countries and the principal activities are the manufacture of private label and minor brand household and personal care products. Details of the business and their activities during the year are set out in the Chief Executive's review on pages 7 to 12.

Results and dividends

The consolidated profit and loss account is shown on page 26.

	£m
Profit for the financial year after providing for taxation and minority interest	8.0

Dividends per ordinary share

Proposed final 2.0 pence per share to be paid on 4 January 2002	3.6
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The final dividend is subject to shareholder approval and will be paid on 4 January 2002 to shareholders on the register on 7 December 2001.

Business disposals

Wrafton Laboratories Limited, which manufactures over the counter pharmaceutical products, was a subsidiary for the whole of the financial year and was sold on 29 June 2001.

Corporate governance

The Company has always recognised the importance of strong corporate governance and fully endorses the Principles of Good Governance and Code of Best Practice encompassed in the Combined Code (The Code) of the Financial Services Authority. The ways in which the Company applies and complies with the principles of The Code are set out below. Throughout the period under review the Company has complied with the Provisions of The Code, with the exception of the recommendations relating to the length of Directors' service contracts which is explained on page 22.

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 page 16. John Budsworth did not seek re-election at the Annual General Meeting in December 2000 and retired from the Board on 20 November 2000. Mr Andrew Butler retired from the Board on 28 February 2001. The resignation of Mr Terry Monks was announced on 27 April 2001 and he left the Board on 30 September 2001. A new Finance Director has been appointed and his date of commencement will be announced as soon as possible. The Board has five members of whom two are executive directors and three non-executive directors. All the Directors have a range of business experience which is relevant to the effective management of the McBride business. All Directors must stand for election at the first Annual General Meeting after appointment. In accordance with the Combined Code the Board has adopted the policy that Directors should submit themselves for re-election every three years. The Company's Articles of Association, which require that one-third of eligible Directors seek re-election each year, have to date satisfied that requirement but it is intended that they will be duly amended at an appropriate time. Mr Washkowitz has announced his intention to resign from the Board and will not offer himself for re-election at the Annual General Meeting.

In accordance with the Articles of Association of the Company, the Director retiring by rotation at the Annual General Meeting is Lord Sheppard of Didgemere who, being eligible, offers himself for re-election.

The Board has a strong non-executive element with each non-executive director being independent of management. In accordance with the Combined Code the designated senior independent non-executive director is Mr Alan Washkowitz.

The Board normally meets at least six times per year and Board members are given formal agendas, papers and reports in a timely manner prior to Board meetings. In addition, briefings are also provided through visits to the Group's operations and other business presentations. The Board is responsible for setting and monitoring the Group's strategy, reviewing trading performance, acquisition and divestment policy and approval of major capital expenditure projects.

In accordance with best practice there are a number of standing Committees of the Board, which are described below:

Group Executive Committee

This Committee which is chaired by the Chief Executive, comprises the two executive directors together with a number of senior executives from the subsidiary companies. The Committee meets six times per year.

Audit Committee

The Committee reviews on behalf of the Board, the Group's accounting and financial reporting practices, its internal controls and the work of the external auditors. The Committee is chaired by Henri Talerma and the other member is Lord Sheppard.

Remuneration Committee

This Committee, which is chaired by Alan Washkowitz, is responsible for the establishment of remuneration policies for senior executives including the executive directors. The other member of the Committee is Lord Sheppard.

Nominations Committee

This Committee is responsible for considering and recommending to the Board individuals who are appropriate for appointment as executive or non-executive directors. The appointment is the responsibility of the whole Board. The Chairman is Lord Sheppard with the other members being Alan Washkowitz and Mike Handley.

Relations with shareholders

Considerable importance is attached to maintaining good communications with institutional shareholders. Meetings are normally held with analysts and institutional shareholders on a regular basis particularly at the time of the interim and final results.

The Annual General Meeting provides an opportunity for all shareholders to ask questions and at that meeting the Chairman gives a statement on current trading conditions.

Directors' interests

The interests of the Directors in the share capital of the Company are shown in the Remuneration Report on pages 22 to 24.

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 the financial statements.

Internal control

The Board has overall 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 assets are safeguarded against unauthorised use or material loss and that transactions are properly authorised and recorded. The Board has reviewed the effectiveness of the system of internal control during the year.

The key features of the Group's system of internal control procedures are as follows:

- the Group has an organisation with well defined management responsibilities and reporting lines;
- 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 is a comprehensive budgeting system with an annual budget approved by the Board. Financial performance of the subsidiaries is monitored centrally by a small head office team and monthly results are reported against budget and last year. Updated forecasts are prepared on a regular basis;
- there are clearly defined procedures for appraisal and authorisation of capital projects;
- controls and procedures are documented in procedure manuals together with delegated levels of authority;
- there are well defined policies relating to personnel issues and subsidiaries report regularly on health, safety and environmental matters;
- the Audit Committee, which consists of non-executive directors, meets regularly and receives reports from the external auditors.

Statutory information

On 4 September 2001 the Company's register of substantial interest 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 holding
Lehman Brothers Holding Inc.	28,307,419	15.9%
Legal & General Assurance Society Ltd	14,777,528	8.3%
Franklin Resources Inc.	13,942,870	7.8%

Charitable donations made during the year amounted to £24,000 (2000 – £19,000). There were no political donations made in the year (2000 – £nil).

Employees

During the course of the year the Group employed an average of 4,558 people of whom 2,704 were employed in the UK. It is an objective of the Group to ensure that successful candidates for appointment and promotion are selected solely on individual ability without regard to gender, race or religion. 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 will be made to find and provide appropriate retraining.

The Group is committed to communication with employees by way of briefings, information bulletins and Company newspapers. Eligible employees are able to participate in the Group's achievements through performance related bonus schemes, a savings related share option scheme and share option schemes.

Environmental policy

The Group places considerable importance on compliance with environmental standards and endeavours to organise its manufacturing processes and facilities in an environmentally sensitive manner. Strict environmental controls are prescribed and a regular programme of monitoring and testing is undertaken at the Group's facilities.

The Group's aim is to ensure all companies conform with the relevant legislation and codes of practice. In particular the Group companies focus on preventing pollution by seeking to:

- minimise emissions to the air, land and water;
- reduce consumption of energy;
- minimise the generation of waste;
- improve awareness through appropriate training of employees in environmental best practice.

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 75 as at 30 June 2001.

Annual General Meeting

The Annual General Meeting will be held at Butchers' Hall, Bartholomew Close, London EC1A 7EB on 13 December 2001 at 12 noon.

An ordinary resolution is to be proposed to authorise the Directors to allot some of the authorised but unissued share capital of the Company in the event that the Directors consider it appropriate so to do. If ordinary shareholders approve this resolution, the Directors will have authority for a period of 15 months, or if earlier, the date of the next Annual General Meeting of the Company to allot up to £5.8 million of the unissued share capital as at the date of the 2001 Annual General Meeting to which this notice relates without the requirement to convene a General Meeting of the Company.

A special resolution is to be proposed seeking renewal of the Directors' authority to issue shares for cash other than to existing shareholders pro rata to their holdings in certain limited circumstances. Apart from rights issues, the power is limited to the issue of shares up to an aggregate nominal value of £888,000 (being 5% of the issued ordinary share capital at 5 September 2001). If given, this authority will expire 15 months from the date the resolution is passed, or, if earlier, on the date of the next Annual General Meeting of the Company.

The Directors also consider it appropriate to renew shareholders' approval to enable the Company to purchase its own shares. Accordingly, under Resolution 7 in the notice of meeting, authority will be sought to enable the Company to make market purchases of up to 26,645,878 ordinary shares (being less than 15% of the issued share capital at 5 September 2001). In accordance with the requirements of the London Stock Exchange, the maximum price for shares purchased in the market shall not exceed an amount equal to 105% of the average middle market quotation taken from the Stock Exchange Daily Official List for the five business days before the purchase is made. The minimum price per share shall not be less than 10 pence, being the par value of the shares. The Directors will only utilise this authority if satisfied that this would result in an increase in earnings per share and is in the best interests of the shareholders. Any shares purchased in this way will be cancelled and the number of shares in issue reduced accordingly.

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

T. J. Monks, Secretary

5 September 2001

Remuneration report

Constitution

The Remuneration Committee is constituted in accordance with the Combined Code and is chaired by Alan Washkowitz with Lord Sheppard as the other member. Except when matters relating to his own position are being considered the Chief Executive is invited to attend to assist the Committee. Any matters affecting the Chairman are discussed by the Remuneration Committee without the Chairman present.

Remuneration policy

The Committee has given full consideration to the provisions of Schedule A of the Combined 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.

Base salaries

The base salaries of executive directors and senior managers are reviewed annually taking into account individual performance and information from external independent sources on remuneration for similar positions.

Annual bonus

Executive directors and senior executives participate in a bonus scheme which is linked to the achievement of annual business plan targets. Amounts payable under the bonus scheme, which are non-pensionable, can rise to a maximum of 40% of base salary as profits exceed the business targets set by the Board. No bonuses were paid in respect of the year ended 30 June 2001.

Share options

The Committee believes that share ownership by executive directors and senior executives will strengthen the link between their personal interests and those of the shareholders. Options may not normally be exercisable until the third anniversary and no later than the tenth anniversary of the date of grant. Under the 1995 Executive Share Option Scheme, performance criteria must be met before any exercise is permitted. In summary, this requires that the growth in earnings per share of the Company must have outperformed the change in the retail price index for the three years prior to exercise.

Directors' contracts

The Board has noted and reviewed the provisions of the Combined Code concerning notice periods. In doing so the Board has taken account of its wish to attract and retain executives of a high calibre. In view of this and the prevailing practice among comparable companies, the Board believe that it is in the interests of both the Company and certain executive directors to maintain notice periods of two years.

Executive directors

The executive director has the following notice period:

M. Handley – 24 months' notice by Company and 12 months' notice by Director.

Non-executive directors

Lord Sheppard of Didgemere has been engaged by the Company as non-executive Chairman under a renewable letter of appointment for 12 months. The other non-executive directors do not have service contracts but renewable letters of appointment for 12 month periods which are terminable at will.

Under the terms of a letter dated 12 June 1995, addressed to Lehman Brothers Holdings Inc., the Company has agreed that, with effect from July 1995 and for so long as Lehman Brothers Holdings Inc. and its subsidiaries and affiliates (together "Lehman") or any fund managed by it or of which it is a general partner own or control in aggregate not less than 15% of the issued ordinary share capital of the Company, Lehman will have the right to appoint two non-executive directors. If Lehman owns or controls less than 15% of the issued ordinary share capital of the Company but more than 7.5% then Lehman will have the right to appoint one non-executive director. If Lehman owns or controls less than 7.5% it shall procure that any Director appointed under the letter offers their resignation. For the purposes of the rights referred to above, Lehman will be treated as owning or controlling any shares if it is solely entitled to control the exercise of voting rights attaching to such shares. For so long as Lehman controls the general partner of any limited partnership Lehman will be treated as controlling the shares in the Company which are owned by the partnership.

Directors' emoluments

	Fees £000	Basic salary £000	Benefits* £000	Sub-total		Pension contributions			Total	
				Year ended 30 June 2001 £000	Year ended 30 June 2000 £000	Year ended 30 June 2001 £000	Year ended 30 June 2000 £000	Year ended 30 June 2001 £000	Year ended 30 June 2000 £000	
Executive										
M. Handley	–	310	32	342	340	139	139	481	479	
T. J. Monks	–	163	19	182	180	57	57	239	237	
J. P. Budsworth (to 20/11/2000)	–	70	–	70	168	–	–	70	168	
Non-executive										
Lord Sheppard	100	–	–	100	100	–	–	100	100	
A. Butler (to 28/02/2001)	12	–	–	12	24	–	–	12	24	
H. I. Talerman (USA)	13	–	–	13	13	–	–	13	13	
A. H. Washkowitz (USA)	13	–	–	13	13	–	–	13	13	
	138	543	51	732	838	196	196	928	1,034	

* The benefits consist of the provision of a company car and fuel, private healthcare insurance and life cover.

Directors' interests

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

	Lord Sheppard		M. Handley		T. J. Monks	
	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial

Ordinary shares:

At 30 June 2000	–	2,000,000	181,152	1,968,848	67,932	512,068
Purchased during the year	–	–	–	–	–	–
At 30 June 2001	–	2,000,000	181,152	1,968,848	67,932	512,068

Executive options over ordinary shares:

At 30 June 2000 and 30 June 2001						
Exercise price at £1.88 pence (1)	–	–	–	292,553	–	154,255
At 30 June 2000 and 30 June 2001	–	–	–	292,553	–	154,255

SAYE options over ordinary shares:

At 30 June 2000 (2)	–	–	–	–	–	11,423
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(1) These options were issued in July 1995 and can be exercised between July 1998 and July 2005 subject to the achievement of certain financial criteria.

(2) These options lapsed during the year.

Directors' interest continued

The market price of the shares at 30 June 2001 was 64.0 pence and the range during the financial year was 48.5 pence to 95.5 pence.

There were no changes in the Directors' interests shown above between 30 June 2001 and 5 September 2001.

Mr Washkowitz (USA) is a director and president of Lehman Brothers II Investment Inc., the general partner of Lehman Brothers Capital Partners II, L.P. and of Lehman Brothers Merchant Banking Partners Inc., the general partner of a limited partnership Lehman Brothers Merchant Banking Portfolio Partnership L.P. which was interested in 10,127,745 ordinary shares at 30 June 2001 and 30 June 2000.

Under the terms of a letter to McBride plc dated 12 June 1995, Lehman Brothers Inc. ("Lehman") had the right to appoint two persons as non-executive directors of McBride plc. The two appointees were Mr Alan Washkowitz and Mr Henri Talerman.

On 16 October 2000, Lehman notified McBride plc that Mr Talerman should no longer be deemed to be serving as a non-executive director as an appointee of Lehman. Notwithstanding their rights under the 12 June 1995 letter, Lehman confirmed that it would not be taking advantage of its rights to appoint a second non-executive director.

Mr Washkowitz and Mr Talerman (USA) are partners of a limited partnership, Lehman Brothers Capital Partners II, L.P. The limited partnership (and indirectly the partners including Mr Washkowitz and Mr Talerman through their respective interest in the limited partnership) was interested in 6,903,712 ordinary shares at 30 June 2001 and at 30 June 2000. Apart from this interest and Mr Washkowitz's interest above, Mr Washkowitz and Mr Talerman had no other interests at 30 June 2001 and 30 June 2000.

Mr Talerman, who is resident in the USA, has remained an independent non-executive director.

Mr Butler, who is resident outside the UK, had no interest in the shares of McBride plc at 30 June 2000.

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.

Auditors' report to the members of McBride plc

We have audited the financial statements on pages 26 to 46. We have also examined the amounts disclosed relating to emoluments and share options and pension entitlements of the Directors which form part of the Remuneration Report on pages 22 to 24.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 19 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. 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 Company is not disclosed.

We review whether the statement on page 18 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and 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. 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 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.

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 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
5 September 2001

Consolidated profit and loss account

		Continuing Year ended 30 June 2001	Discontinued Year ended 30 June 2001	Total Year ended 30 June 2001	Continuing Year ended 30 June 2000	Discontinued Year ended 30 June 2000	Total Year ended 30 June 2000
	Note	£m	£m	£m	£m	£m	£m
Turnover							
Continuing operations and share of joint venture		490.3	26.3	516.6	492.6	18.5	511.1
Less: share of joint venture's turnover	3	(19.0)	–	(19.0)	(14.3)	–	(14.3)
Total Group turnover	2	471.3	26.3	497.6	478.3	18.5	496.8
Cost of sales		(302.2)	(14.9)	(317.1)	(301.0)	(10.5)	(311.5)
Gross profit		169.1	11.4	180.5	177.3	8.0	185.3
Distribution costs		(24.6)	(0.3)	(24.9)	(23.1)	(0.2)	(23.3)
Administrative cost							
Before goodwill amortisation		(123.7)	(8.0)	(131.7)	(123.4)	(6.1)	(129.5)
Goodwill amortisation		(1.1)	(0.9)	(2.0)	(0.9)	(0.6)	(1.5)
Administrative costs including goodwill amortisation		(124.8)	(8.9)	(133.7)	(124.3)	(6.7)	(131.0)
Group operating profit	2	19.7	2.2	21.9	29.9	1.1	31.0
Share of joint venture's operating loss before goodwill amortisation				(2.5)			(2.2)
Goodwill amortisation in joint venture				(0.4)			(0.2)
Goodwill impairment in joint venture				(2.1)			–
Share of joint venture's operating loss				(5.0)			(2.4)
Profit on disposal of fixed assets in continuing operations				–			3.4
Profit on disposal of discontinued operations	4			2.9			–
Loss on transfer of business to JV (including goodwill previously written off to reserves of £1.4 million)				–			(2.9)
Profit on ordinary activities before interest				19.8			29.1
Group interest receivable and similar income	6			0.8			0.2
Group interest payable and similar charges	6			(8.3)			(6.6)
Share of joint venture's interest payable and similar charges				(1.0)			(0.4)
Profit on ordinary activities before taxation				11.3			22.3
Group tax on profit on ordinary activities	7			(4.1)			(6.5)
Share of joint venture's tax credit on ordinary activities				1.3			–
Profit on ordinary activities after taxation				8.5			15.8
Equity minority interest				(0.5)			(0.4)
Profit for the year				8.0			15.4
Dividends proposed	8			(3.6)			(8.2)
Retained profit for the year				4.4			7.2
Earnings per ordinary share (pence)	9						
• Basic and diluted				4.5			8.7
• Basic before operating exceptional items, share of joint venture and goodwill amortisation				6.6			10.8
Dividend per share (pence)				2.0			4.6

Balance sheets

	Note	Group As at 30 June 2001 £m	Group As at 30 June 2000 £m	Company As at 30 June 2001 £m	Company As at 30 June 2000 £m
Fixed assets					
Intangible assets	10	11.7	26.5	–	–
Tangible assets	11	139.3	153.8	0.2	0.2
Investments	12	5.0	7.5	155.0	173.5
Total fixed assets		156.0	187.8	155.2	173.7
Current assets					
Stocks	13	48.6	59.0	–	–
Debtors	14	98.1	104.8	71.3	73.7
Cash at bank and in hand		2.7	8.2	–	–
		149.4	172.0	71.3	73.7
Creditors: amounts falling due within one year	15	(134.4)	(167.4)	(9.5)	(26.1)
Net current assets		15.0	4.6	61.8	47.6
Total assets less current liabilities		171.0	192.4	217.0	221.3
Creditors: amounts falling due after more than one year	16	(90.4)	(116.8)	(48.9)	(52.2)
Provisions for liabilities and charges	17	(0.4)	(0.9)	–	–
Investment in joint venture					
Share of gross assets		7.7	10.5	–	–
Share of gross liabilities		(15.0)	(15.7)	–	–
Net investment in joint venture		(7.3)	(5.2)	–	–
Net assets		72.9	69.5	168.1	169.1
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	(84.6)	(88.8)	11.0	12.0
Equity shareholders' funds		72.5	68.3	168.1	169.1
Equity minority interest		0.4	1.2	–	–
Net assets		72.9	69.5	168.1	169.1

These financial statements were approved by the Board of Directors on 5 September 2001 and were signed on its behalf by:

M. Handley
T. J. Monks
Directors

Consolidated cash flow statement

	Note	Year ended 30 June 2001 £m	Year ended 30 June 2001 £m	Year ended 30 June 2000 £m	Year ended 30 June 2000 £m
Net cash flow from operating activities	25		33.5		43.0
Returns on investments and servicing of finance	26		(7.9)		(6.2)
Taxation			(6.1)		(5.3)
Operating cash flow after taxation and finance costs			19.5		31.5
Capital expenditure					
Cash expenditure on fixed assets	11	(14.9)		(24.5)	
Insurance proceeds on disposal of tangible fixed assets		-		2.3	
Disposal of fixed assets		0.7		0.3	
			(14.2)		(21.9)
Acquisitions and disposals					
Purchase of subsidiary undertakings	4	(4.8)		(22.2)	
Sale of subsidiary undertakings	4	25.7		-	
Overdrafts acquired with subsidiaries		-		(0.4)	
Deferred consideration payments		(4.4)		(1.9)	
			16.5		(24.5)
Equity dividends paid			(3.6)		(13.5)
Cash flow before financing			18.2		(28.4)
Financing	27		(22.8)		28.8
Increase/(decrease) in cash in the year	28		(4.6)		0.4

Reconciliation of net cash flow to movement in net debt

	Note	Year ended 30 June 2001 £m	Year ended 30 June 2000 £m
Increase/(decrease) in cash in the year	28	(4.6)	0.4
Cash inflow/(outflow) from movement in debt	27	21.9	(29.4)
Movement on finance leases	28	0.9	0.6
Change in net debt resulting from cash flows		18.2	(28.4)
Loans and finance leases acquired with subsidiaries		-	(2.6)
Net debt disposed with subsidiary		0.6	-
Translation differences	28	3.0	2.3
Movement in net debt in the year		21.8	(28.7)
Net debt at the beginning of the year		(115.0)	(86.3)
Net debt at the end of the year		(93.2)	(115.0)

Consolidated statement of total recognised gains and losses

	Year ended 30 June 2001 £m	Year ended 30 June 2000 £m
Profit for the financial year	8.0	15.4
Unrealised foreign currency differences	(0.2)	(0.2)
Total recognised gains and losses relating to the financial year	7.8	15.2

Reconciliation of movements in shareholders' funds

	Year ended 30 June 2001 £m	Year ended 30 June 2000 £m
Profit for the financial year	8.0	15.4
Equity dividends	(3.6)	(8.2)
Retained profit at the year end	4.4	7.2
Unrealised foreign currency differences	(0.2)	(0.2)
Goodwill written back to profit and loss account	-	10.4
Opening shareholders' funds	68.3	50.9
Closing shareholders' funds	72.5	68.3

Notes to the financial statements

1) Accounting policies

The financial statements are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted by the Directors are described below. The Group has implemented new Financial Reporting Standards (FRS's) which are effective for the first time this year, being FRS 17 – Retirement Benefits and FRS 18 – Accounting Policies. Neither of these has had a significant effect upon the reported results and financial position for the current or prior year. However, the phased adoption of FRS 17 could have a significant impact on both the profit and loss account and balance sheet in future years.

FRS 19 – Deferred Tax has been issued by the Accounting Standards Board, and although there is no requirement to adopt the standard in this year's accounts, the Directors have included a revised deferred tax note on page 40, to allow readers of these accounts to become familiar with the new disclosure.

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 2001.

Turnover

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

Accounting for acquisitions and disposals

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 cost of acquisition exceeds the fair values attributable to these assets the difference is treated as goodwill and capitalised in the balance sheet in the year of acquisition. Prior to the introduction of FRS 10, in the year commencing 1 July 1998, goodwill was written off directly to reserves and has not been reinstated.

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.

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.

Goodwill

For acquisitions of a business, including an interest in a joint venture or associate, purchased goodwill is capitalised in the year in which it arises and is amortised in equal instalments over its useful economic life up to a maximum of 20 years.

Capitalised goodwill in respect of subsidiaries is included within intangible fixed assets.

Goodwill that arose on businesses acquired prior to 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 or valuation less the estimated residual value of tangible fixed assets by equal instalments 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's share of its investment in Aerosol Products Limited is shown as 50% of the net liabilities with the goodwill arising on the acquisition being capitalised and amortised over its estimated useful life.

Stocks

Stocks are 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 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 period and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided only to the extent that it is probable that an actual asset or liability will crystallise. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

1) Accounting policies continued

Leases

Assets acquired under finance lease 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. The Robert McBride Pension Fund, which was closed to new employees in August 2001 and the Robert McBride Barrow Site Retirement Benefit Scheme, which has been closed to new employees since 1993. The Wrafton Laboratories Limited pension scheme is a separate defined contribution money purchase 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. The cost of pension schemes in Continental Europe is in accordance with local practice and statutory requirements.

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 2001 £m	Year ended 30 June 2000 £m
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Average rate:

Euro	1.63	1.59
Belgian Franc	65.63	64.24
French Franc	10.67	10.45
Italian Lira	3,150	3,083
Spanish Peseta	270.7	264.9
Dutch Guilder	3.59	3.51
Polish Zloty	6.16	6.61
Czech Koruna	56.69	59.28
Hungarian Forint	426.2	424.3

	As at 30 June 2001 £m	As at 30 June 2000 £m
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Closing rate:

Euro	1.66	1.58
Belgian Franc	67.02	63.71
French Franc	10.90	10.36
Italian Lira	3,217	3,058
Spanish Peseta	276.4	262.8
Dutch Guilder	3.66	3.48
Polish Zloty	5.64	6.58
Czech Koruna	56.22	56.23
Hungarian Forint	404.8	410.4

2) Segmental information

	Year ended 30 June 2001 £m	Year ended 30 June 2000 £m
Turnover by destination is analysed by geographical area as follows:		
Continuing operations		
UK	238.3	251.0
Continental Europe	228.9	223.0
Rest of world	4.1	4.3
Group turnover	471.3	478.3
Share of joint venture's turnover	19.0	14.3
Turnover: Group and share of joint venture	490.3	492.6
Discontinued operations		
UK	26.3	18.5
Turnover by destination	516.6	511.1
Turnover by geographical origin is analysed as follows:		
Continuing operations		
UK	243.4	255.9
Continental Europe	227.9	222.4
Group turnover	471.3	478.3
Share of joint venture's turnover	19.0	14.3
Turnover: Group and share of joint venture	490.3	492.6
Discontinued operations		
UK	26.3	18.5
Turnover by origin	516.6	511.1
Turnover by class of business is analysed as follows:		
Continuing operations		
Household products	404.5	406.6
Personal care products	66.8	71.7
Group turnover	471.3	478.3
Share of joint venture's turnover	19.0	14.3
Turnover: Group and share of joint venture	490.3	492.6
Discontinued operations		
Pharmaceuticals	26.3	18.5
Total turnover by class of business	516.6	511.1
Operating profit by geographical origin is analysed as follows:		
Continuing operations		
UK	13.3	16.6
Continental Europe	6.4	13.3
Operating profit	19.7	29.9
Discontinued operations		
UK	2.2	1.1
Group operating profit	21.9	31.0
Non operating items	(3.1)	(2.3)
Net interest payable	(7.5)	(6.4)
Profit on ordinary activities before tax	11.3	22.3

2) Segmental information continued

The UK business includes total goodwill amortisation of £1.8 million (2000 – £1.3 million), of which £0.9 million (2000 – £0.6 million) relates to discontinued operations. The Continental Europe business includes goodwill amortisation of £0.2 million (2000 – £0.2 million).

	Year ended 30 June 2001 £m	Year ended 30 June 2000 £m
Operating profit by class of business is analysed as follows:		
Continuing operations		
Household products	17.5	28.5
Personal care products	2.2	1.4
Operating profit	19.7	29.9
Discontinued operations		
Pharmaceuticals	2.2	1.1
Group operating profit	21.9	31.0
Non operating items	(3.1)	(2.3)
Net interest payable	(7.5)	(6.4)
Profit on ordinary activities before tax	11.3	22.3

The continuing household business includes goodwill amortisation of £1.1 million (2000 – £0.9 million). The discontinued pharmaceutical business goodwill amortisation is £0.9 million (2000 – £0.6 million).

	As at 30 June 2001 £m	As at 30 June 2000 £m
Non operating items consist of the following:		
Profit on disposal of discontinued operations	2.9	–
Profit on disposal of fixed assets	–	3.4
Loss on transfer of business to joint venture	–	(2.9)
Share of joint venture's operating loss	(2.5)	(2.2)
Share of joint venture's goodwill amortisation	(0.4)	(0.2)
Goodwill impairment in joint venture	(2.1)	–
Share of joint venture's interest payable and similar charges	(1.0)	(0.4)
Total non operating items before tax	(3.1)	(2.3)

	As at 30 June 2001 £m	As at 30 June 2000 £m
Net assets by geographical origin are analysed as follows:		
UK		
Continuing operations	82.1	77.6
Discontinued operations	–	7.2
Continental Europe	88.1	81.7
	170.2	166.5
Non operating liabilities	(97.3)	(97.0)
Net assets	72.9	69.5

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 certain of the Group's operating sites manufacture both private label household and personal care products.

3) Share of joint venture

On 5 November 1999 a joint venture, Aerosol Products Limited was set up combining the Hull site of Robert McBride Ltd and the Thetford site of Nichol Beauty Products Limited and its results are included in compliance with FRS 9.

4) Acquisitions and disposals

Leading up to the sale of Wrafton Laboratories Limited, the Group had increased its holding from 80% to 92.5% for a total consideration of £3.7 million, generating additional goodwill of £3.1 million. The disposal of Wrafton Laboratories Limited was completed on 29 June 2001, when its 92.5% holding in Wrafton Laboratories Limited was sold to The Perrigo Company for £28.3 million. The profit on disposal, after attributing unamortised goodwill, amounted to £2.9 million. The results for Wrafton Laboratories Limited have been shown under discontinued operations.

	£m
Sale of subsidiary	
Tangible fixed assets	7.5
Stocks	3.3
Debtors	3.6
Creditors	(5.1)
Taxation	(0.7)
Net debt	(3.2)
Wrafton net assets on disposal	5.4
Group share of net assets on disposal (92.5%)	4.9
Gross consideration	28.3
Liabilities transferred to the Group	(2.6)
Cash consideration	25.7
Expenses	(0.9)
Unamortised goodwill	(17.0)
Profit on disposal	(2.9)
Group share of net assets on disposal (see above)	4.9

On 29 December 2000 the Group acquired the trade of Valley Chemicals Limited for a total cash consideration of £1.1 million. In accordance with FRS 10, Goodwill and Intangibles and FRS 7, Fair Values in Acquisition Accounting, an impairment review was completed to calculate the fair values of the assets acquired.

	Book value £m	Revaluations to open market valu £m	Fair value to Company £m
Fixed assets	0.2	(0.2)	–
Goodwill on acquisition	0.9	0.2	1.1
Consideration	1.1	–	1.1

Fixed assets which could not be moved economically were written off and other fixed assets were revalued to open market value.

5) Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Group Year ended 30 June 2001 £m	Group Year ended 30 June 2000 £m	Company Year ended 30 June 2001 £m	Company Year ended 30 June 2000 £m
Auditors' remuneration:				
- Audit	0.4	0.4	0.1	0.1
- Other fees paid to auditors and their associates	0.2	0.2	0.1	0.1
Depreciation and other amounts written off owned tangible fixed assets	17.4	16.4	0.1	0.1
Depreciation and other amounts written off leased tangible fixed assets	0.6	0.2	-	-
Hire of plant and machinery - rentals payable under operating leases	1.6	1.5	-	-
Hire of other assets - rentals payable under operating leases	0.5	0.8	-	0.1
Profit/(loss) on sale of tangible fixed assets	(0.4)	3.4	-	-

In addition, fees of £0.2 million (1999/2000 - £0.1 million) have been paid to KPMG Audit Plc and its associates in respect of the disposal of Wrafton Laboratories Limited during the year.

6) Group interest analysis

	Group Year ended 30 June 2001 £m	Group Year ended 30 June 2000 £m	Company Year ended 30 June 2001 £m	Company Year ended 30 June 2000 £m
Interest receivable	0.8	0.2	0.1	-
Interest payable on bank loans and overdrafts	(8.0)	(6.3)	(4.8)	(3.3)
Intra-group interest receivable	-	-	4.6	3.2
Interest payable on finance leases	(0.3)	(0.3)	-	-
Total net interest payable	(7.5)	(6.4)	(0.1)	(0.1)

7) Taxation

	Year ended 30 June 2001 £m	Year ended 30 June 2000 £m
UK corporation tax on the Group profit on ordinary activities for the year	3.4	4.7
Payment for consortium company's losses	0.5	-
Overseas taxation	2.6	1.8
Utilisation of prior period provisions	(2.4)	-
	4.1	6.5

The effective tax rate of 25% reflects a combination of inherited tax losses and the utilisation of prior period provisions no longer required.

8) Dividends

	Year ended 30 June 2001 £m	Year ended 30 June 2000 £m
Dividends on ordinary shares:		
- Paid nil (2000 - 2.6 pence)	-	4.6
- Proposed 2.0 pence per share (2000 - 2.0 pence)	3.6	3.6
	3.6	8.2

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 2001 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 (2000 – 177,639,197).

Fully diluted earnings per share

Fully diluted earnings per share is calculated on the same basis as the basic earnings per share.

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

Adjusted earnings per share is shown by reference to earnings before goodwill amortisation, exceptional items together with related tax 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, exceptional items and non-operating items are calculated as follows:

	Profit for the year ended 30 June 2001 £m	Profit for the year ended 30 June 2000 £m	Earnings per share 30 June 2001 p	Earnings per share 30 June 2000 p
Profit for the financial year	8.0	15.4	4.5	8.7
Goodwill amortisation	2.0	1.5	1.1	0.8
Non operating items (after tax)	1.8	2.3	1.0	1.3
Adjusted earnings	11.8	19.2	6.6	10.8

10) Intangible assets: goodwill

	Total £m
Cost	
At 1 July 2000	28.4
Additions	4.2
Disposals	(18.4)
At 30 June 2001	14.2
Amortisation	
At 1 July 2000	(1.9)
Charge for the year	(2.0)
Disposals	1.4
At 30 June 2001	(2.5)
Net book value	
At 30 June 2001	11.7
At 1 July 2000	26.5

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 a maximum of 20 years. Goodwill on the acquisition of the liquids business of Nichol Beauty Products Ltd and Valley Chemicals Ltd is being amortised over five years.

11) Tangible fixed assets

Group	Land and buildings		Plant and machinery, computer equipment and motor vehicles £m	Payments on account and assets in course of construction £m	Total £m
	Freehold £m	Long leasehold £m			
Cost					
At 1 July 2000	64.3	4.8	194.7	8.7	272.5
Exchange adjustments	(0.7)	–	(3.0)	(0.3)	(4.0)
Additions	1.8	–	8.7	4.4	14.9
Acquisitions	–	–	0.1	–	0.1
Disposals	(1.4)	–	(21.3)	(4.7)	(27.4)
Transfers	2.2	(2.2)	–	–	–
At 30 June 2001	66.2	2.6	179.2	8.1	256.1
Depreciation					
At 1 July 2000	(11.7)	(0.5)	(106.5)	–	(118.7)
Exchange adjustments	(0.3)	–	1.9	–	1.6
Charge for the year	(1.0)	–	(17.0)	–	(18.0)
Disposals	0.4	–	17.9	–	18.3
Transfers	(0.1)	0.1	–	–	–
At 30 June 2001	(12.7)	(0.4)	(103.7)	–	(116.8)
Net book value					
At 30 June 2001	53.5	2.2	75.5	8.1	139.3
At 1 July 2000	52.6	4.3	88.2	8.7	153.8

Company assets

There was no significant movement in the Company's tangible fixed assets which were £0.2 million at both 30 June 2001 and at 30 June 2000.

12) Investments

Group	£m
Investment in joint venture	
At 1 July 2000	7.5
Goodwill amortisation in joint venture	(0.4)
Goodwill impairment in joint venture	(2.1)
At 30 June 2001	5.0

Company	£m
Shares in subsidiary undertakings at cost	
At 1 July 2000	173.5
Additions – Wrafton Laboratories	3.7
Disposals – Wrafton Laboratories	(22.2)
At 30 June 2001	155.0

During of the first half of the financial year, McBride plc increased its holding in Wrafton Laboratories Ltd from 80% to 92.5% for a total consideration of £3.7 million. On 29 June 2001, McBride plc disposed of its entire 92.5% shareholding (see note 4).

Set out below are the principal subsidiary undertakings of the Company whose results are included in the Group financial statements at 30 June 2001. 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 will be filed with the Registrar of Companies.

Company	Ownership	Country of incorporation
Subsidiaries		
Robert McBride Ltd*	100%	Great Britain
Yplon S.A.	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
Globol Chemicals (UK) Limited*	100%	Great Britain
McBride s.r.o.	100%	Czech Republic
McBride Hungary k.f.t.	100%	Hungary
Joint ventures		
Aerosol Products Limited	50%	Great Britain
Investment companies		
McBride Holdings Ltd*	100%	Great Britain

*These companies are wholly owned subsidiary undertakings of 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) Stocks

	Group As at 30 June 2001 £m	Group As at 30 June 2000 £m
Raw materials and consumables	20.3	26.0
Work in progress	1.6	2.5
Finished goods and goods for resale	26.7	30.5
	48.6	59.0

14) Debtors

	Group As at 30 June 2001 £m	Group As at 30 June 2000 £m	Company As at 30 June 2001 £m	Company As at 30 June 2000 £m
Amounts falling due within one year				
Trade debtors	91.2	93.6	-	-
Amounts owed by Group undertakings	-	-	69.6	73.4
Other debtors	4.7	8.7	1.2	-
Prepayments and accrued income	2.2	2.4	0.5	0.2
	98.1	104.7	71.3	73.6
Amounts falling due after more than one year				
Prepayments and accrued income	-	0.1	-	0.1
	98.1	104.8	71.3	73.7

15) Creditors: amounts falling due within one year

	Group As at 30 June 2001 £m	Group As at 30 June 2000 £m	Company As at 30 June 2001 £m	Company As at 30 June 2000 £m
Bank overdrafts	2.3	3.1	-	-
Bank loans	2.9	3.2	-	2.9
Finance leases	0.3	0.1	-	-
Trade creditors	73.3	90.4	1.4	0.1
Amounts owed to Group undertakings	-	-	3.9	14.1
Corporation tax payable	7.5	8.3	-	-
Other taxation and social security	4.8	7.2	-	-
Other creditors	11.5	19.3	-	4.4
Accruals and deferred income	28.2	32.2	0.6	1.0
Dividends proposed on equity shares	3.6	3.6	3.6	3.6
	134.4	167.4	9.5	26.1

16) Creditors: amounts falling due after more than one year

	Group As at 30 June 2001 £m	Group As at 30 June 2000 £m	Company As at 30 June 2001 £m	Company As at 30 June 2000 £m
Bank loans	87.7	112.7	48.9	52.2
Finance leases	2.7	4.1	–	–
	90.4	116.8	48.9	52.2
These are repayable by instalments				
Between one and two years	88.1	4.2	48.9	–
Between two and five years	0.9	112.2	–	52.2
After five years	1.4	0.4	–	–
	90.4	116.8	48.9	52.2

In 1998 a five year, revolving credit, multicurrency facility of £125 million was negotiated with The Royal Bank of Scotland plc and Danske Bank A/S. This facility carries a margin of 40 basis points over the relevant interbank rate.

17) Provisions for liabilities and charges

	Group £m	Company £m
At 1 July 2000	0.9	–
Utilised during the year	(0.5)	–
At 30 June 2001	0.4	–

Amounts utilised during the year relates to pension contributions paid by Grada B.V. which were provided for on acquisition.

There are no amounts provided for deferred taxation. The amount of the full potential deferred taxation tax asset is set out below:

Group	As at 30 June 2001 maximum £m	As at 30 June 2001 FRS 19 £m	As at 30 June 2001 £m	As at 30 June 2000 £m
Difference between accumulated depreciation and capital allowances	(13.1)	(13.1)	(13.1)	(11.9)
Other timing differences	21.7	3.3	13.1	13.1
Potential deferred tax asset/(liability)	8.6	(9.8)	–	1.2

Under FRS 19 – Deferred Tax, all timing differences should be recognised. This includes the difference between capital allowances received on fixed assets for tax purposes compared to depreciation charged in the accounts.

Deferred tax assets may only be recognised if they are regarded as recoverable. Tax losses which will take some time to be relieved may not be recognised as a deferred tax asset.

18) Called up share capital

	Group As at 30 June 2001 Number	Group As at 30 June 2000 Number	Company As at 30 June 2001 £m	Company As at 30 June 2000 £m
Authorised				
Ordinary shares of 10 pence each	500,000,000	500,000,000	50.0	50.0
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

Under the 1995 Executive Share Option Scheme, senior employees held options to subscribe for up to 2,723,274 ordinary shares at a range of £1.485 to £1.88 per share on 30 June 2001 (30 June 2000 – 3,121,196) and 2,710,747 on 5 September 2001.

20) Movement on reserves

Group	Share premium account £m	Profit and loss account £m
At 1 July 2000	139.3	(88.8)
Retained profit for the financial year	–	4.4
Unrealised foreign currency differences	–	(0.2)
At 30 June 2001	139.3	(84.6)

Company	Share premium account £m	Profit and loss account £m
At 1 July 2000	139.3	12.0
Retained profit for the financial year	–	(1.0)
At 30 June 2001	139.3	11.0

In accordance with the exemption allowed by Section 230 of the Companies Act 1985 the Company has not presented its own profit and loss account. A profit of £2.6 million before dividends payable has been dealt with in the accounts of McBride plc.

Group	As at 30 June 2001 £m	As at 30 June 2000 £m
Profit and loss account excluding goodwill eliminated directly against reserves	61.8	57.6
Goodwill eliminated directly against reserves	(146.4)	(146.4)
Profit and loss account	(84.6)	(88.8)

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 2001 £m	Group Year ended 30 June 2000 £m	Company Year ended 30 June 2001 £m	Company Year ended 30 June 2000 £m
Capital expenditure				
Contracted but not provided	0.3	1.5	–	–
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	0.4	0.7	–	–
In the second to fifth years inclusive	0.3	0.6	0.1	–
Over five years	–	0.1	–	0.1
	0.7	1.4	0.1	0.1
Others				
Within one year	0.4	0.6	–	–
In the second to fifth years inclusive	0.9	0.9	–	0.1
Over five years	–	–	–	–
	1.3	1.5	–	0.1

22) Remuneration of Directors

	Year ended 30 June 2001 £000	Year ended 30 June 2000 £000
Emoluments	732	838
Pension contributions	196	196
	928	1,034

Further analysis of the above amounts and information concerning Directors' shareholdings and options are shown on pages 22 to 24 in the Remuneration Report.

The total emoluments of the highest paid Director (excluding pension contributions) was £342,000 (2000 – £340,000).

	Number of Directors June 2001	Number of Directors June 2000
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	2	2
Defined benefit scheme	–	–
	2	2

23) Pension schemes

The Group has adopted the new reporting guidelines under FRS 17 – Retirement Benefits that were issued November 2000 and effective at the Group's reporting date. 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 there is adequate disclosure of these items.

FRS 17 – Retirement Benefits

The Group operates a number of pension schemes. Within the UK, the Robert McBride Pension Fund, which is a defined benefit scheme, covers most of the Group's UK employees. In addition, in anticipation of the stakeholder pension requirements, a Group Personal Pension arrangement has been introduced in the UK. The Group also 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 benefit pension scheme. The Board have decided to close to new entrants the Robert McBride Pension Fund and are in the process of establishing appropriate defined contribution arrangements for UK employees.

The valuation of the Robert McBride Pension Fund is based upon the most recent valuation as at 5 April 2000, updated by independent actuaries to 30 June 2001 as part of the FRS 17 requirements to assess the assets and liabilities of the scheme at the Group's balance sheet date.

	30 June 2001 £m
Net assets statement	
Group net assets – excluding pension liability	72.9
Pension liability	(2.1)
Net assets including pension	70.8

Group reserves statement

Group profit and loss reserves – excluding pension liability	(84.6)
Pension asset	(2.1)
Group profit and loss reserves – including pension liability	(86.7)

Pension cost note

The Group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out by a qualified independent actuary using the following assumptions:

	Projected unit
Valuation method	
Rate of increase in salaries	5.0%
Rate of increase in pensions	2.5%
Discount rate	6.0%
Inflation assumptions	2.75%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 30 June 2001	Value as at 30 June 2001 £m
Equities	7.25%	28.0
Bonds	5.25%	5.6
Property	7.25%	1.2
Cash	5.25%	1.0
		35.8

23) Pension schemes continued

The total pensions cost for the Group disclosed in note 24 to the accounts were

	30 June 2001 £m	30 June 2000 £m
United Kingdom – defined benefit schemes	1.8	2.0
United Kingdom – defined contribution schemes	0.3	0.2
Continental Europe – defined contribution schemes	0.4	0.4
	2.5	2.6

The actuarial value of the assets of the scheme represented approximately 94% 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.

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 2001	Year ended 30 June 2000
Number of full time equivalent employees		
Operations	3,814	3,981
Sales and marketing	225	247
Finance and administration	519	534
	4,558	4,762

	Year ended 30 June 2001 £m	Year ended 30 June 2000 £m
The aggregate payroll costs were:		
Wages and salaries	76.1	74.7
Social security costs	14.1	15.3
Pension costs (see note 23)	2.5	2.6
	92.7	92.6

25) Reconciliation of operating profit to operating cash flow

	Year ended 30 June 2001 £m	Year ended 30 June 2000 £m
Operating profit	21.9	31.0
Depreciation	18.0	16.6
Other non-cash items	–	0.7
Goodwill amortisation	2.0	1.5
(Profit)/loss on disposal of fixed assets	0.4	–
Movement in stock	5.9	(7.7)
Movement in debtors	0.6	(8.3)
Movement in creditors	(15.3)	9.2
Net cash flow from operating activities	33.5	43.0

26) Returns on investments and servicing of finance

	Year ended 30 June 2001 £m	Year ended 30 June 2000 £m
Interest received	0.8	0.2
Interest paid	(8.4)	(6.0)
Interest element of finance lease rentals paid	(0.3)	(0.3)
Dividend paid to minority interest	–	(0.1)
	(7.9)	(6.2)

27) Financing

	Year ended 30 June 2001 £m	Year ended 30 June 2000 £m
(Decrease)/increase in debt	(21.9)	29.4
Capital element of finance lease rental payments	(0.9)	(0.6)
	(22.8)	28.8

28) Analysis of net debt

	At 1 July 2000 £m	Cash flow £m	Disposals £m	Exchange movement £m	At 30 June 2001 £m
Cash in hand	8.2	(5.4)	–	(0.1)	2.7
Overdrafts	(3.1)	0.8	–	–	(2.3)
	5.1	(4.6)	–	(0.1)	0.4
Debt: due after one year	(112.7)	21.9	0.6	2.5	(87.7)
Debt: due within one year	(3.2)	–	–	0.3	(2.9)
Finance leases	(4.2)	0.9	–	0.3	(3.0)
	(115.0)	18.2	0.6	3.0	(93.2)

The £0.6 million debt disposed of relates to Wrafton Laboratories Ltd and is stated after taking account of the liabilities transferred to the Group on disposal (see note 4).

29) Financial instruments

Funding

There are no differences between current and book values of financial instruments held by the Group at the year end.

Net borrowings analysis

	As at 30 June 2001		As at 30 June 2000	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Bank loans, overdrafts and other loans	(92.8)	(92.8)	(119.0)	(119.0)
Finance lease liabilities	(3.1)	(3.1)	(4.2)	(4.2)
Cash at bank and in hand	2.7	2.7	8.2	8.2
	(93.2)	(93.2)	(115.0)	(115.0)

Currency analysis of net assets

	As at 30 June 2001			As at 30 June 2000		
	Net assets excluding gross borrowings £m	Gross borrowings £m	Net assets £m	Net assets excluding gross borrowings £m	Gross borrowings £m	Net assets £m
Sterling	80.3	(27.8)	52.5	90.8	(50.6)	40.2
Euro-zone currencies	82.1	(64.5)	17.6	97.8	(69.0)	28.8
Other	6.4	(3.6)	2.8	4.1	(3.6)	0.5
	168.8	(95.9)	72.9	192.7	(123.2)	69.5

Foreign exchange

The tables below show an analysis as at 30 June 2001 of the net monetary assets/liabilities that are not denominated in their functional currency. Gains and losses arising from these exposures will be recognised in the profit and loss account. The amounts in the tables take into account the effect of forward contracts used to manage these exposures.

30 June 2001	Sterling £m	Euro £m	Zloty £m	Total £m
United Kingdom	–	3.9	(3.1)	0.8
Euro-zone countries	2.8	–	–	2.8
Poland	–	(3.4)	–	(3.4)
Total	2.8	0.5	(3.1)	0.2

30 June 2000	Sterling £m	Euro £m	Zloty £m	Total £m
United Kingdom	–	4.1	–	4.1
Euro-zone countries	(1.2)	–	–	(1.2)
Poland	–	(3.6)	–	(3.6)
Total	(1.2)	0.5	–	(0.7)

30) Contingent liabilities

Under the terms of an agreement dated 5 October 1999 between Robert McBride Ltd (Robert McBride) and Nichol Beauty Products Ltd (Nichol), there is a put and call arrangement relating to the 50% shareholding of Aerosol Products Limited (Aerosol Products) owned by Nichol. The agreement gives Nichol the right to “put” the Aerosol Products’ shares on to Robert McBride for a consideration of £12 million on or after 4 October 2001.

Robert McBride expects the put option will be exercised by Nichol. However, Robert McBride has claims against Nichol in connection with the transfer of assets and liabilities into the Aerosol Products joint venture and in connection with the purchase from Nichol of its liquids business which took place at the time of the formation of the Aerosol Products joint venture. The quantum of such claims is being investigated and the Directors of McBride plc and Robert McBride intend so far as possible to use the existence of such claims to offset the payment due under the put option.

31) Related party disclosures

In accordance with paragraph 3 of FRS 8 – Related Party Disclosures, there were no transactions during the year which require disclosure.

Financial summary

	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
Profit and loss account					
Turnover	497.6	496.8	496.8	468.4	478.7
Profit before tax (before goodwill, non-operating items and operating exceptional items)	16.4	26.1	30.0	34.1	29.1
Profit after tax (before goodwill, non-operating items and operating exceptional items)	13.6	19.6	22.5	25.6	21.8
Earnings					
Earnings per share (before operating exceptional items, share of joint venture, and goodwill amortisation)	6.6p	10.8p	12.7p	14.6p	12.5p
Ordinary dividends	2.0p	4.6p	7.5p	7.5p	7.0p
Employees					
Average number of employees	4,558	4,762	4,352	3,896	3,857

Financial calendar

Record date for 2000/2001 final dividend	7 December 2001
Annual General Meeting	12 noon on 13 December 2001
2000/2001 final dividend payment date	4 January 2002
Announcement of interim results	March 2002
2001/2002 interim dividend payment	July 2002

Group directory

McBride plc

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Buckinghamshire HP9 2FY
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Facsimile 01494 607055

McBride Holdings

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General Detergents S.p.A.

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Hungary
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Facsimile 00 36 1 240 23 09

McBride s.r.o.

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Problanc S.A.

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Facsimile 00 33 3 86 74 34 15

Productos Quimicos Arco Iris S.A.

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P.H.P.U. Intersilesia Sp. z o.o.

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Yplon N.V./S.A.

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Facsimile 00 32 56 482110

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Aerosol Products Limited

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Facsimile 0161 655 2377

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London EC4Y 8BB

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Stockbrokers

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London EC2M 2PP

Kleinwort Benson Securities Ltd
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London EC3P 3DB

Merchant Bankers

UBS Warburg
2 Finsbury Avenue
London EC2M 2PP

Principal Bankers

The Royal Bank of Scotland plc
Waterhouse Square
138-142 Holborn
London EC1N 2TH

Danske Bank A/S
75 King William Street
London EC4N 7DT

Registrars

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

Notice of meeting

Notice is hereby given that the eighth Annual General Meeting of the Company will be held at Butchers' Hall on 13 December 2001 at 12 noon for the following purposes:

Ordinary business

Resolution 1

To receive, approve and adopt the Accounts for the year ended 30 June 2001 together with the reports of the Directors and Auditors thereon.

Resolution 2

To declare a final dividend on the ordinary shares.

Resolution 3

To re-elect Lord Sheppard of Didgemere as a non-executive director who retires in accordance with the Company's Articles of Association.

Resolution 4

To consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

That KPMG Audit Plc be reappointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company, at a remuneration to be agreed by the Directors.

Special business

To consider and, if thought fit, to pass the following resolutions of which Resolution 5 will be proposed as an ordinary resolution and Resolutions 6 and 7 will be proposed as special resolutions.

Resolution 5

That the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £5.8 million. This authority shall expire on the date of the next Annual General Meeting of the Company or if earlier on the date falling 15 months after the date this resolution is passed save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. This authority shall be in substitution for and shall replace any existing authority pursuant to the said Section 80 to the extent not utilised at the date this resolution is passed.

Resolution 6

That subject to the passing of Resolution 5 above, the Directors be and they are hereby empowered to allot equity securities (as defined in Section 94(2) of the Act) of the Company pursuant to the authority conferred by Resolution 5 above as if Section 89(1) of the said Act did not apply to any such allotment; provided that this power shall be limited to the allotment of equity securities:

(a) in connection with a rights issue in favour of ordinary shareholders where the equity securities offered are proportionate (as nearly as practicable) to the respective number of shares held by such holders but subject to such exclusions or other arrangements as the Directors may deem necessary or desirable to deal with fractional entitlements, record dates, shares being represented by depository receipts or legal or practical problems under the laws of, or the requirements of, any regulatory authority in any territory or otherwise howsoever; and/or

(b) otherwise than pursuant to (a) above for cash up to an aggregate nominal amount of £888,000.

This power shall expire on the date of the next Annual General Meeting of the Company or, if earlier, on the date falling 15 months after the date this resolution is passed, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power had not expired.

Resolution 7

(a) That in accordance with Section 166 of the Act, the Company be authorised to make market purchases (as defined in Section 163(3) of the Act) of shares of 10 pence each in its capital ("share") provided that the maximum aggregate number of shares which may be so purchased is 26,645,878 (representing 15% of the Company's issued ordinary share capital);

(b) the maximum price at which ordinary shares may be so purchased is an amount equal to 105% of the average middle market quotation taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day of purchase and the minimum price is 10 pence per share;

(c) this authority shall expire on 13 December 2002 but the Company may, before this authority expires, make contracts for purchases of shares which would or might be executed wholly or partly after this authority expires.

By Order of the Board

T. J. Monks, Secretary
5 September 2001

Registered Office

McBride House
Penn Road, Beaconsfield
Buckinghamshire HP9 2FY

Notes

(1) Only holders of ordinary shares are entitled to attend and vote at this meeting. A member entitled to attend and vote may appoint a proxy or proxies who need not be a member of the Company to attend (and, on a poll, to vote) instead of him or her.

(2) Proxy forms need to be deposited with the Registrar of the Company not later than 48 hours before the time of the meeting. Completion of a form of proxy will not preclude a member attending and voting in person at the meeting.

(3) To have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of holders of the ordinary shares of the Company by no later than 12 noon on 11 December 2001, being 48 hours before the time fixed for the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(4) In accordance with the Companies Act 1985 and with the requirements of the London Stock Exchange, a register of Directors' interests in the share capital and debentures of the Company, together with copies of service agreements under which Directors of the Company are employed and letters of appointment, are available for inspection at the Company's registered office during normal business hours from the date of this notice until the date of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

Annual General Meeting location map

Butchers' Hall
Bartholomew Close
London EC1A 7EB
Telephone 020 7600 5777
Facsimile 020 7489 8936



McBride plc form of proxy

I/we.....
(FULL NAMES IN BLOCK CAPITALS PLEASE)

of
being (a) member(s) of McBride plc appoint the Chairman of the meeting or (see note 2)

to act as my/our proxy at the Annual General Meeting of the Company to be held on 13 December 2001 and at any adjournment thereof. I/we direct my/our proxy to vote on the resolutions set out in the notice convening the Annual General Meeting as follows:

Resolution	For	Against
1 To adopt the Annual Report and Accounts		
2 To declare a final dividend on the ordinary shares		
3 To re-elect Lord Sheppard of Didgemere		
4 To appoint auditors and to authorise the Directors to set their remuneration		
5 To renew authority for Directors to allot securities		
6 To authorise limited disapplication of pre-emption rights		
7 To authorise purchase of the Company's own shares		

Signature..... Date.....2001

Notes on completing proxy form

- (1) To be effective this form must be completed and returned so as to reach the Registrar at the address shown on the reverse of this form not later than 48 hours before the time of the meeting.
- (2) If you wish to appoint any other person as proxy please delete the words "the Chairman of the Meeting or" and insert the name of the proxy. A member may appoint more than one proxy to attend at the same occasion. A proxy need not be a member of the Company. If no name is entered, the return of this form duly signed will authorise the Chairman of the meeting to act as your proxy.
- (3) You need not use all your votes or cast all the votes you use in one way. An X in the relevant box will indicate that you wish all your votes to be cast in that way. If no direction is given your proxy will have discretion to vote or abstain in respect of your total holdings on those and on all other resolutions or amendments thereof which may be voted on at the meeting.
- (4) If executed by a Corporation this form must be either under its common seal or under the hand of an officer or attorney duly authorised.
- (5) If two or more persons are jointly entitled to a share conferring the right to vote, any one of them may vote at the meeting either in person or by proxy, but if more than one joint holder is present at the meeting either in person or by proxy, the one whose name stands first in the register of members in respect of the joint holding shall alone be entitled to vote in respect thereof. In any event, the names of all joint holders should be stated on the form of proxy.
- (6) When two or more valid instruments of proxy are delivered in respect of the same share for use at the same meeting, the one which was executed last shall be treated as replacing and revoking the other(s) as regards that share.
- (7) Completion and submission of a form of proxy does not preclude you from attending the meeting and voting should you wish to do so.

Second Fold

BUSINESS REPLY SERVICE
Licence No. BS 2282

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First Fold

Third Fold

Tuck In



Designed and produced by Radley Yeldar (London)



McBride

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2001
report and accounts

Registered number
2790834