

6 September 2011

McBride plc

McBride plc, Europe's leading provider of Private Label Household and Personal Care products, announces its results for the year ended 30 June 2011

	2011	2010	
Revenue	£812.4m	£812.2m	-
Revenue (constant currency)	£812.4m	£800.7m	▲ 1%
Operating profit	£13.8m	£35.2m	▼ 61%
Adjusted operating profit <sup>1</sup>	£29.0m	£50.0m	▼ 42%
Diluted earnings per share	2.9p	12.1p	▼ 76%
Adjusted diluted earnings per share <sup>1</sup>	9.3p	18.1p	▼ 49%
Return on capital employed <sup>1</sup>	14.7%	25.9%	▼ 11.2 pts
Final proposed payment to shareholders per share <sup>2</sup>	4.8p	4.8p	-
Net debt	£83.7m	£60.0m	▲ 40%

<sup>1</sup> Adjusted operating profit and adjusted diluted earnings per share are calculated before adjusting items. See page 2 for definition of adjusting items. Adjusted operating profit is used to calculate return on capital employed.

<sup>2</sup> See page 7.

- 1% revenue growth at constant currency driven by Central and Eastern Europe and acquisitions
- Revenue from our new and developing markets increased from 7.2% to 9.1% of Group revenue
- A reduction in operating profit in line with expectations driven by increasing raw material costs and the time lag in recovery through selling price increases
- Net cash generated from operations of £42.6m
- Net debt of 1.6x EBITDA
- Full year dividend maintained at 6.8p per share, to be remitted through the B Share scheme
- Recovery of 2010 and 2011 material cost increases continues to be implemented

Chris Bull, Chief Executive, commented:

"We have delivered a robust sales performance in a very challenging environment. In Western Europe, Private Label share of our main categories has held up despite aggressive competition from branded competitors. We have delivered strong sales growth in Central and Eastern Europe, and we are making good progress in Asia. Raw material inflation has continued into our new financial year and our actions to recover it are ongoing, but where this has not been possible in the current weak trading environment, we are exiting non-profitable business.

Trading since year-end has been in line with our expectations. Although a weak consumer environment and raw material inflation will continue to present a challenge in the short term, we remain focused on growing shareholder value through the rigorous execution of the "Refresh" strategy. We believe that the actions we are taking will enable us to become more efficient and therefore better able to realise the future potential for Private Label."

For further information please contact:

**McBride plc**

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## Overview

Despite a challenging trading environment, we have delivered a solid sales performance, continue to make progress in recovering input cost inflation and have moved quickly to implement actions that will drive future growth.

- Revenues were flat overall, with 1% growth on a constant currency basis offset by currency translation. Organic growth in core growth categories, which make up 48% of total revenue, was 2%.
- Raw material inflation continued throughout the year and while prompt action was taken to recover this inflation, the time-lag in achieving this recovery through cost reduction and selling price increases has contributed to an operating profit decline of £21m compared with last year.
- Re-structuring of our Supply Chain is progressing according to the plan set out in the "Refresh" strategy review. A pre-tax exceptional charge of £9.2m has been taken in relation to the proposed closure of the Burnley site. Additional restructuring in the UK and within the Group was announced after year-end that will bring the total charge to £21m. The total exceptional charge of £12.3m also includes an asset write down and other re-structuring costs in relation to the closing the Solaro factory in Italy.
- The UK division's revenue fell 3% to £310.7m (2010: £320.3m), although core product categories grew by 3%. Adjusted operating profit<sup>1</sup> and margin declined to £11.9m and 3.8% (2010: £22.1m and 6.9%) due to higher material costs and lower volumes, partly offset by improved operational efficiencies.
- The Western Continental Europe division's revenue fell 2% to £405.7m (2010 restated (see note 3): £414.0m, at constant currency: £403.7m). Adjusted operating profit<sup>1</sup> and margin declined to £15.4m and 3.8% (2010 restated (see note 3): £28.2m and 6.8%) as a result of higher material costs partly offset by re-structuring benefits.
- Central and Eastern Europe divisional revenues grew 18% to £139.7m (2010 restated (see note 3): £118.4m, at constant currency: £116.3m) driven primarily by higher volumes and the acquisition of Dermacol a.s., with adjusted operating profit<sup>1</sup> remaining flat at £8.9m and margin decreased to 6.4% (2010 restated (see note 3): £8.9m and 7.5%).
- Year-end net debt was £83.7m (2010: £60.0m) with the increase driven by lower cash inflow from operations due to higher input costs, higher cash outflows in relation to exceptional items and an increase in working capital.

<sup>1</sup> Adjusted operating profit and adjusted earnings per share are stated before those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying performance achieved by the Group ('adjusting items'). Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

## Reconciliation of adjusted results to statutory results

	Operating profit		Profit before tax		Diluted adjusted earnings per share	
	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	p	p
Adjusted result	29.0	50.0	22.5	44.4	9.3	18.1
Less:						
Amortisation of intangible assets	(2.9)	(2.0)	(2.9)	(2.0)	(1.2)	(0.8)
Exceptional items	(12.3)	(12.8)	(12.3)	(12.8)	(5.1)	(5.2)
Unwind of discount on initial recognition of contingent consideration	-	-	(0.2)	-	(0.1)	-
Statutory result	13.8	35.2	7.1	29.6	2.9	12.1

## Outlook

Trading since year-end has been in line with our expectations. Although a weak consumer environment and raw material inflation will continue to present a challenge in the short term, we remain focused on growing shareholder value through the rigorous execution of the "Refresh" strategy. We believe that the actions we are taking will enable us to become more efficient and therefore better able to realise the potential for Private Label.

## Board Composition

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

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

## The industry, market and competitive environment

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

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

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

McBride differentiates itself from its Private Label competition by focusing on new product development ('NPD'), category development with customers, and by offering products of outstanding value. Leading retailers are increasingly focusing on Private Label as a key way of differentiating their offer to the consumer, and we believe we are best positioned to help them do this in our core categories.

## **Business Performance**

### **Category & geographic performance**

McBride's revenue grew 1% in the year on a constant currency basis, reflecting the difficult trading conditions in UK and Western Europe. Our Central and Eastern European business demonstrated strong growth with revenue growth of 20% on a constant currency basis. Our identified core growth categories of laundry liquids, machine dishwashing and specialist cleaners grew by 2%, accounting for 48% of Private Label Household and Personal Care revenue in 2011 (2010: 46%). Our revenue from our new and developing geographies in total was £73.6m (2010: £58.5m), increasing from 7.2% to 9.1% of Group revenue.

The acquisition of Fortlab in Malaysia and Newlane in Vietnam by McBride was positively received by key retailers in the region, who are keen to benefit from McBride's expertise in Private Label. During the year, McBride has focused on putting in systems and control processes, together with strengthening the local management team, and investing in capital expenditure projects to drive sales growth.

We expect a step change in sales in Asia in the next year, as we start to see the benefit of McBride's investment in NPD and commercial initiatives. In Vietnam, our recent investment in sachet machines will give us a foothold in the significant unit dosing sector, while we continue to expand our product ranges with existing customers and win business with new customers keen to enter this growing and dynamic market. We are developing our liquid cleaners business in China and are exploring options to export these products into Australasia. Our manufacturing business in China will also benefit from the establishment of our new Group Air Care category team.

### **Material cost management**

Raw and packaging materials represent a high proportion of our product costs, the successful management of which is a key priority for McBride. Over the past twelve months, market commodity prices have continued to rise substantially driven by GDP growth in developing and emerging economies, capacity restructuring by suppliers following the 2009 crisis, and weather-related factors impacting our natural based raw materials.

We have continued to implement our Group-wide procurement strategy which aims to drive value by leveraging our scale and expertise globally. We have strengthened our supplier relationships, invested in talent and improved our forecasting and negotiating processes.

Following the appointment of Thibaut Eissaultier as Head of Research and Development (R&D) as well as Purchasing, Group Purchasing is working even more closely with R&D in the areas of product re-engineering, supplier R&D, and packaging development.

### **New product development**

McBride's Research & Development organisation includes 200 scientists and technical experts, based in Europe and Asia, who have been brought together this year under one Group R&D functional organisation. This is enabling us fully to leverage our scale, to deploy best practice throughout the Group, and to strengthen further our innovation capability. Our work spans the innovation of unique ground breaking patent protected propositions through to adapting formulations to meet local market and consumer needs. We have the ability to develop products ranging all the way from great value propositions to formulations with the highest performance that rival the best products in the marketplace, across a broad range of categories.

In 2010, we won the Innovation and Design category in the UK Manufacturer of the Year awards for our new laundry washing gels. The panel judges were impressed with our formulation capability, our speed to market, and our ability to develop and launch this innovative product in several countries at the same time.

McBride is aware of its responsibilities for delivering a more sustainable future and protecting the environment. We strive continuously to develop lighter weight packaging for both environmental and cost reasons, and have been at the forefront of the development of Private Label aerosols using nitrogen as the main propellant, resulting in safer and more environmentally friendly aerosols.

With Purchasing and R&D now under one single leadership, we expect further significant benefits to be delivered. The new organisation structure of our Research and Development team is designed to ensure that McBride strengthens its position as the leader in Private Label Household and Personal care products.

### **Cost efficiency**

During the course of the year, the Group completed the previously announced projects to close its Solaro site and its St Helens manufacturing facility. As a consequence of the "Refresh" review, we have started consultation on the closure of the UK liquid manufacturing site in Burnley and the focusing of our Auto Dishwash manufacturing in Western Europe. These actions are expected to result in one-off exceptional charges of £21m in total and cash expenditure of £13m. Annualised savings will be £7m. Lean manufacturing assessments have been undertaken at all of our European sites and projects identified that will result in net savings of £1m p.a. from 2011/12. McBride continues to invest heavily in capital expenditure with £25m (2010: £24m) invested in efficiency improvement, capacity expansion and NPD projects in the last twelve months.

### **Winning with customers**

Our business is built on our customer (retailer) relationships. Our ability to respond to their needs in a timely and effective way is key to our success and we have worked on strengthening the depth and breadth of our relationships with them during the past year. Top to top meetings have been held with 25 senior executive teams from major European retailers, and also with a number of the leading retailers in Asia. We are seeking to forge strategic partnerships based on deep category understanding and a responsiveness that is second to none in our Private Label categories of Household and Personal Care. International customer teams have been established for eleven multinational customers and ways of working established.

We are piloting and rolling out a leading category management programme to work more closely with retailers to drive the growth of the Private Label business.

Customer service is the Group's main operational priority and a highly visible benchmark that influences directly our ability to maintain commercial leadership, and supports the Group's overall growth strategy. Success is measured in this area by reference to the ability to deliver products ordered by customers in the correct volumes and within agreed timescales, which can be as short as 24 hours. The customer service level across the Group in the year was 97% (2010: 97%), although the goal we strive to deliver to our customers consistently is 98%.

### **People**

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

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

Our very first responsibility to our people is their safety. We have made steady progress in this with accident levels reduced by 18% and the frequency of accidents per 100,000 hours worked reduced to 1.0 (2010: 1.3), the lowest level since our records began.

We also have an environmental responsibility to society as a whole. We are committed to reducing our environmental impact and progress has been made on key measures in the year. Energy

consumption and CO<sub>2</sub> emissions fell by 3.9% and 1.6% respectively, equivalent to 1,000 tonnes of CO<sub>2</sub> emissions. Waste as a percentage of total production increased slightly to 1.3% (2010: 1.2%). Water consumption increased by 7.6% year on year as a consequence of increased liquids production.

### **Objectives for the current year**

The main focus for the current year is to complete the actions initiated under Project Refresh to further strengthen the McBride business model and drive shareholder value. The principal objectives are to:

- recover input cost increases through selling price and cost reduction actions;
- complete the rationalisation of our manufacturing and logistics footprint as outlined in Project Refresh;
- roll out across the Group our leading category management process that has been developed in conjunction with Kantar Retail;
- focus research and development behind our growth categories and improve speed to market;
- build on our relationships with our International Customers to support their Private Label development plans;
- grow Private Label sales in developing and emerging markets.

### **Group Financial Review**

#### **Group summary**

Group revenue was flat year on year, being £812.4m (2010: £812.2m), reflecting 1% growth on a constant currency basis, primarily driven by acquisitions and growth in Central and Eastern Europe and a 1% adverse currency impact due to weakening of the Euro against Sterling to 1.17 (2010: 1.14). Adjusted Group profit before tax<sup>1</sup> decreased by 49% to £22.5m (2010: £44.4m). Adjusted diluted earnings per share<sup>1</sup> decreased 49% to 9.3 pence (2010: 18.1p). The proposed final payment to shareholders is 4.8 pence per share (2010: 4.8p) which, if approved, will deliver unchanged full year payments to shareholders of 6.8 pence per share (2010: 6.8p), to be remitted through the B Share scheme.

Cash generated from operations, before exceptional items was £42.6m (2010: £85.1m). Net debt increased by £23.7m to £83.7m (2010: £60.0m). Pre-tax return on average capital employed based on the Group's adjusted operating profit<sup>1</sup> for the year decreased to 14.7% (2010: 25.9%).

<sup>1</sup> See page 2.

#### **Revenue**

Group revenue was flat at £812.4m (2010: £812.2m). The 1% constant currency growth, referred to above, reflects a 20% increase in revenue in Central and Eastern Europe including acquisitions, offset by a 3% decline in revenue in the UK, while revenue in Western Continental Europe was flat. There was 2% constant currency growth in the Group's identified core growth categories with encouraging performances in laundry liquids, machine dishwashing and specialist cleaners.

On the revised segmental reporting basis (see note 3), UK revenues reduced by 3% to £310.7m (2010: £320.3m) with Household sales flat year on year, but Personal Care showing an 11% decline. Western Continental Europe's revenues declined by 2% to £405.7m (2010: £414.0m), with the majority of the impact related to adverse currency translation while organic sales were flat. Central and Eastern Europe's revenues increased 18% to £139.7m (2010: £118.4m), with 14% organic growth and 6% from the Dermacol acquisition, partially offset by a 2% adverse currency translation. Asia revenues were £9.3m (2010: £1.0m) driven by the Fortlab acquisition.

#### **Operating profit**

Adjusted Group operating profit<sup>1</sup> decreased by 42% to £29.0m (2010: £50.0m). The operating margin reduced from 6.2% to 3.6% reflecting increases in raw material prices and the timelag for recovery from selling price increases. Group reported operating profit fell by 61% to £13.8m (2010: £35.2m).

On the revised segment reporting basis (see note 3), the adjusted operating profit<sup>1</sup> and margin decreased at both the UK and Western Continental Europe divisions and while the adjusted operating profit<sup>1</sup> remained flat in Central and Eastern Europe division, the operating margin was lower: UK profit was £11.9m (2010: £22.1m) with a margin of 3.8% (2010: 6.9%), Western Continental Europe profit was £15.4m (2010: £28.2m) with a margin of 3.8% (2010: 6.8%) and Central and Eastern Europe profit was £8.9m (2010: £8.9m) with a margin of 6.4% (2010: 7.5%).

<sup>1</sup> See page 2.

### **Net finance costs**

Reported net finance costs increased to £6.7m (2010: £5.6m), driven primarily by a higher level of debt and amortisation of the fees relating to the €175m revolving credit facility arrangement agreed in June 2010.

### **Exceptional items**

The Group's initiatives to reduce supply chain costs are progressing to plan. There was a £12.3m pre-tax operating exceptional charge to the income statement in the year (2010: £12.8m), of which £9.2m related to a proposed restructuring of the supply chain in the UK, £0.3m arose in connection with a proposed restructuring of the supply chain in Continental Europe and £1.2m of additional costs were incurred in relation to the redundancy programme in Italy in addition to which there was an associated £1.6m asset write-off. In total, the pre-tax operating exceptional charge comprised £4.5m of redundancy costs, £3.4m of asset write-offs and £2.8m of other incremental items, including external consultancy costs, legal fees and site clean up costs. The £1.6m pre-tax operating charge was in relation to an impairment of an asset held for sale, being the former production site of Solaro, due to the weakening of the Italian property market caused by the adverse economic conditions in Italy.

### **Profit before tax and tax charge**

Profit before tax decreased 76% to £7.1m (2010: £29.6m) and, on an adjusted basis<sup>1</sup>, decreased 49% to £22.5m (2010: £44.4m). The £1.8m taxation charge (2010: £7.5m) maintains a 25% effective rate (2010: 25%).

<sup>1</sup> See page 2.

### **Earnings per share and payments to shareholders**

Basic earnings per share (EPS) declined 76% to 2.9 pence (2010: 12.3p). Adjusted basic EPS<sup>1</sup> decreased 49% to 9.4 pence (2010: 18.4p). On an adjusted basis<sup>1</sup>, diluted EPS decreased 49% to 9.3 pence (2010: 18.1p). The weighted average issued and diluted number of shares in the year used in calculating these EPS figures were 180.4m and 182.4m respectively (2010: 180.3m and 183.2m).

On 24 March 2011, shareholders approved proposals for the implementation of a 'B Share' scheme as a mechanism for making payments to shareholders. This involves the issue of non-cumulative preference shares (known as 'B shares') in place of income distributions. Shareholders are able to redeem any number of their B shares for cash. Subject to shareholder approval at each Annual General Meeting, it is the Company's intention that, for the foreseeable future, all payments to shareholders will be made in this way.

Subject to shareholder approval to renew the 'B Share' scheme at the AGM, the Board is recommending the allotment of 48 B Shares (equating to a final dividend of 4.8 pence per share (2010: 4.8p), giving a total allotment for the year of 68 B Shares (6.8 pence per share (2010: 6.8p) in line with the prior year and covered 1.4 times by adjusted basic earnings per share<sup>1</sup> (2010: 2.7 times). The total proposed payments to shareholders for the year amount to £12.2m.

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

<sup>1</sup> See page 2.

### **Cash flow**

The Group generated £42.6m (2010: £85.1m) from operations before exceptional items. This included a £8.4m net working capital outflow (2010: £6.7m inflow).

Capital expenditure in the year was £24.8m (2010: £24.3m) which equates to 3% of sales and is broadly in line with depreciation. The main areas of investment were cost-efficiency programmes, new product development, capacity expansion and essential replacement. There was £2.2m of acquisition spend (net of cash acquired): a £2.1m payment for the acquisition of Dermacol a.s., and £0.1m of deferred consideration for the acquisition of Fortlab Holdings Sdn Bhd.

Net interest payments decreased to £4.6m (2010: £5.9m) mainly due to the £1.5m of up front fees relating to the new €175m five-year revolving credit facility which were paid in the prior year. There was a cash outflow of £7.4m (2010: £4.4m) relating to exceptional items, primarily redundancy and other costs relating to the 2010 restructuring programmes in the UK and Western Continental Europe divisions.

Payments to shareholders were £12.2m (2010: £11.4m).

Net debt increased by £23.7m to £83.7m (2010: £60.0m).

### **Balance sheet**

Group net assets at the year-end increased to £125.4m (2010: £124.7m). This was primarily due to a reduction in pension liability and the currency translation effect of a stronger Euro on current and non current assets, offset by a £23.7m increase in net debt. The Euro strengthened against Sterling from 1.22 at 30 June 2010 to 1.11 at 30 June 2011.

Liabilities for pensions and other post-employment benefits decreased by £5.2m from last year to £12.5m, net of the associated deferred tax asset (2010: £17.7m). This increase was due to a lower deficit in the UK defined benefit pension scheme, from £15.2m to £10.5m, driven primarily by an increase in the value of the scheme's assets.

The pre-tax return on average capital employed based on the Group's adjusted operating profit<sup>1</sup> for the year reduced from 25.9% to 14.7%. This decline was driven by a lower profit margin, from 6.2% to 3.6%, and asset turnover reduced from 4.2 to 4.1 times.

<sup>1</sup> See page 2.

### **Treasury management**

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

### **Access to credit lines**

The Group aims to maintain a strong balance sheet, with a relatively conservative level of debt-to-equity gearing. This policy enabled us to secure a €175m revolving credit facility, which is committed until June 2015, and a £25m invoice discounting facility until June 2012. In June 2011 the Group completed a new €25m invoice discounting facility in France, which has a rolling notice period of six months. The Group also has access to working capital facilities amounting to over £45m, which are



generally uncommitted and subject to annual review. We maintain close working relationships with the small number of major banks which provide these credit lines. The Group's credit lines, together with internally-generated cash provide adequate headroom for bolt-on acquisitions and contingencies.

### **Foreign currency risk**

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

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

### **Interest rate risk**

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

### **Credit risk**

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

### **Commodity price risk**

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

## **Divisional Review**

### **UK business review**

#### **Overview**

Retail sales declined by 5% offset by increased contract manufacturing sales up 3%. Overall, operating profit margins were impacted by high input costs and very high levels of brander promotions in 2011. A number of contracts were impacted by the recovery of selling price increases, but core category sales outperformed delivering 3% growth with particularly strong growth in laundry liquid sachets and gels and speciality cleaners.

In line with the objectives of Project Refresh to improve competitiveness and reduce our cost base, the UK division has entered into a consultation process which might be expected to lead to 300 redundancies with the closure of the Burnley household liquids factory and production transferred to other manufacturing sites. In addition, following comprehensive cost saving reviews across all UK sites, a further 40 staff including operational staff at the Bradford site, and administrative and personnel staff at divisional headquarters, will be leaving the business.

A £9.2m pre-tax exceptional charge has been charged to the income statement relating to this UK divisional restructuring programme.

### ***Key business developments***

The competitive environment in the UK market remains challenging with the continued impact of increases in raw material prices and high levels of brander promotions. As a consequence of this environment, one leading European Private Label competitor exited the UK market during the period.

Actions taken during the year to mitigate these impacts included: further increases in selling prices, continued roll out of lean manufacturing activities across the supply chain, resulting in improvements in both factory efficiencies and the cost base; initiation of a restructuring programme across the UK sites; and continued development of new products.

The UK business increased its investment in research & development to underpin our objective of providing innovative Private Label Household and Personal Care products for our customers. During the year the UK business announced an agreement to launch Private Label household cleaning products using Bytrol technology and the first antibacterial cleaner was launched in April 2011 with further product extensions planned.

### ***Financial review***

Revenue fell by 3% overall to £310.7m (2010: £320.3m), although core product categories increased by 3%, mainly driven by laundry liquid sachets and gels and speciality cleaners. Contract manufacturing revenue grew by 3%. Adjusted operating profit<sup>1</sup> was down 46% to £11.9m (2010: £22.1m). This was impacted by the time lag between raw material input cost increases resulting from higher commodity prices, and the resulting recovery actions taking effect. Capital investment spend in the year was £9.5m (2010: £9.0m) and included investment for efficiency improvements and capacity expansion.

<sup>1</sup> See page 2.

### ***Future developments***

Our ongoing success depends critically upon our ability to provide customers with excellent service levels and competitive and innovative new products. We have continued to increase our level of resource in new product development, as well as investing resource into driving our category management capabilities. McBride continues to press ahead with initiatives outlined in Project Refresh earlier in the year to improve operating efficiency, category focus and strengthen key relationships. These activities will continue in the coming year, with specific resource allocated to drive through these key initiatives.

## **Western Continental Europe business review**

### ***Overview***

The market remained competitive across the whole of Western Continental Europe markets with sales flat or down slightly in all core markets with Spain continuing to demonstrate very weak consumer demand. The division was impacted by the lag between implementing selling price increases to our customers following the significant moves in raw material input costs incurred in the first half of the year, resulting in adjusted operating profit<sup>1</sup> down by almost a half, on flat sales.

Last year, we reported the closure of the Solaro factory in Italy; this was completed during the year with business transferred to other factories. A review of our manufacturing footprint in Western Europe has been undertaken as part of Project Refresh and further opportunities to improve our operating efficiency are currently under review.

<sup>1</sup> See page 2.

### ***Key business developments***

At the start of the financial year, the Western Continental division was restructured with the transfer of the Luxembourg and German operations to the Central and Eastern Europe division.

Throughout Western Europe the market remained highly competitive with flat volumes in many of the core markets of Western Europe. In the Household products category, laundry liquids continue to gain share at the expense of Laundry powders. McBride launched Private Label laundry sachets into the French and Italian markets, and concentrated laundry gel formats also gained popularity. In Italy the business successfully launched a machine dishwashing product in gel format and the concept is being examined for other markets.

The Personal Care business in Western Europe was also impacted by weaker demand with sales and margins impacted by material input costs.

In France sales for the year were up 1% whilst in Belgium, Holland, Italy and Spain sales were lower due to exiting unprofitable business.

### ***Financial review***

Revenue was down 2% at £405.7m (2010 restated: £414.0m) although on a constant currency basis sales in Western Continental Europe were broadly flat. Adjusted operating profit<sup>1</sup> fell 45% to £15.4m (2010 restated: £28.2m), reflecting the delay in implementing selling price increases to offset the increased material input costs. Capital expenditure was £11.8m (2010 restated: £14.2m) reflecting investments mainly in capacity expansion and cost-saving projects.

<sup>1</sup> See page 2.

### ***Future developments***

The near term priority for the business is to continue to improve our manufacturing cost base and operational efficiency with further rationalisation of our manufacturing footprint under review. Further investment is planned in new product development, focused on our core growth categories. Investment in category development and understanding of changes in retail channels and formats will be undertaken to support our customers in maximising the potential for Private Label product ranges going forward. Implementation of selling price increases and tight control of the business unit's cost base will be key to underpinning the performance of the Division going forward.

## **Central and Eastern Europe business review**

### ***Overview***

The Central and Eastern Europe business has benefitted from strong Private Label growth in the region and the integration of the Luxembourg and German operations into the division. Many of Germany's leading grocery, discount and drug store chains are expanding their operations into Central, Southern and Eastern Europe. The combination of the business units will provide for greater co-operation and opportunities for Private Label development with these large and important customers.

Sales for the enlarged division grew 20% on a constant currency basis, with organic growth contributing 14% growth and acquisitions contributing 6%. The business delivered a robust performance with adjusted operating profit<sup>1</sup> in line with the prior year however operating margin fell from 7.5% to 6.4% due to higher raw material input costs. At the start of the financial year the Group acquired a dedicated Personal Care manufacturing facility in Brno in the Czech Republic. The factory specialises in skin care ranges and during the year a number of innovative skin care concepts were developed and launched at the Private Label Manufacturers Association exhibition held in Amsterdam in May 2011.

<sup>1</sup> See page 2.

### ***Key business developments***

In 2011, the Central and Eastern European Business unit was expanded significantly with the integration of the Luxembourg and German operations. In addition the acquisition of the Brno factory provided the business with not only a dedicated Personal Care factory in the region but also a centre of excellence for the production of skin care products for the Group. The business has further strengthened its management capability in the region to support this enlarged business unit. The German market is now McBride's fourth largest Private Label market after the UK, France and Italy with Poland now our seventh largest market. Sales to Germany, Austria and Switzerland were 28% higher due to the full year impact of contracts gained in 2010. Sales in Poland increased 6% driven by

the increasing share of the market held by modern distribution channels. Sales to export markets in the region increased 66% with sales to the Baltic States and Russia recovering strongly.

### **Products**

The acquisition of the Brno facility provides the division with a facility capable of manufacturing higher value Personal Care products such as facial, anti-aging and men's skin care ranges. Personal Care products now account for 16% of revenues compared with 11% in 2010. McBride has continued to develop products for key customers in Poland extending the Private Label categories through product innovation and category management expertise.

McBride has won significant business for scouring cream and all purpose cleaners sourced from the Strzelce factory in Poland for the German market. In 2011, the business also gained a significant air freshener contract in Germany with the first pump based air freshener to be produced in Strzelce.

### **Financial review**

Reported Central and Eastern Europe revenue increased 18% to £139.7m (2010 restated: £118.4m), of which 14% was organic growth, offset by 2% fall due to currency translation and 6% growth arising from the acquisition of Dermacol a.s. in the Czech Republic. Sales to Poland, the Czech Republic, Germany and Southern Europe provided the main sources of growth. Adjusted operating profit<sup>1</sup> at £8.9m, (2010 restated: £8.9m), was a strong performance with return on sales down from 7.5% to 6.4%. The main drivers of this were higher input costs and product mix. Capital expenditure was £2.5m (2010 restated: £2.9m) and was mainly focused on capacity expansion and cost-saving investments.

<sup>1</sup> See page 2.

### **Future developments**

The market dynamics in the region remain strong with further planned store openings in the region by both national and multinational retailers. Most of our customers in the region are continuing to expand and develop their Private Label offer within McBride core categories. The market for Private Label Personal care products is growing rapidly in Central and Eastern Europe following the dynamic set by the Household product category. The business believes that it is well placed to take advantage of the increasing demand for Private Label Household and Personal Care products across Central and Eastern Europe.

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

**Consolidated income statement  
for the year ended 30 June 2011**

	Note	Pre exceptional items 2011 £m	Exceptional items (note 4) 2011 £m	Post exceptional items 2011 £m	Pre exceptional items 2010 £m	Exceptional items (note 4) 2010 £m	Post exceptional items 2010 £m
<b>Revenue</b>	3	<b>812.4</b>	-	<b>812.4</b>	812.2	-	812.2
Cost of sales		<b>(547.6)</b>	-	<b>(547.6)</b>	(515.4)	-	(515.4)
<b>Gross profit</b>		<b>264.8</b>	-	<b>264.8</b>	296.8	-	296.8
Distribution costs		<b>(54.3)</b>	-	<b>(54.3)</b>	(54.0)	-	(54.0)
Administrative costs							
Before amortisation of intangible assets		<b>(181.5)</b>	<b>(12.3)</b>	<b>(193.8)</b>	(192.8)	(12.8)	(205.6)
Amortisation of intangible assets		<b>(2.9)</b>	-	<b>(2.9)</b>	(2.0)	-	(2.0)
Administrative costs including amortisation of intangible assets		<b>(184.4)</b>	<b>(12.3)</b>	<b>(196.7)</b>	(194.8)	(12.8)	(207.6)
<b>Operating profit</b>	3,4	<b>26.1</b>	<b>(12.3)</b>	<b>13.8</b>	48.0	(12.8)	35.2
Financial income		<b>4.3</b>	-	<b>4.3</b>	3.8	-	3.8
Financial expenses							
Before unwind of discount on contingent consideration		<b>(10.8)</b>	-	<b>(10.8)</b>	(9.4)	-	(9.4)
Unwind of discount on contingent consideration		<b>(0.2)</b>	-	<b>(0.2)</b>	-	-	-
<b>Net financing costs including unwind of discount on contingent consideration</b>		<b>(6.7)</b>	-	<b>(6.7)</b>	(5.6)	-	(5.6)
<b>Profit before tax</b>		<b>19.4</b>	<b>(12.3)</b>	<b>7.1</b>	42.4	(12.8)	29.6
Taxation	7	<b>(4.9)</b>	<b>3.1</b>	<b>(1.8)</b>	(10.7)	3.2	(7.5)
<b>Profit for the year attributable to equity holders of the parent</b>		<b>14.5</b>	<b>(9.2)</b>	<b>5.3</b>	31.7	(9.6)	22.1
All activities relate to continuing operations.							
<b>Earnings per ordinary share (pence)</b>	6						
Basic			<b>2.9</b>				12.3
Diluted			<b>2.9</b>				12.1

**Consolidated statement of comprehensive income  
for the year ended 30 June 2011**

	2011 £m	2010 £m
<b>Profit for the year</b>	<b>5.3</b>	22.1
<b>Other comprehensive income/(expense)</b>		
Foreign exchange translation differences	<b>11.0</b>	(3.1)
Net (loss)/gain on hedge of net investment in foreign subsidiaries	<b>(8.5)</b>	2.5
Effective portion of changes in fair value cash flow hedges	<b>1.8</b>	(2.0)
Net changes in fair value of cash flow hedges transferred to profit or loss	<b>2.1</b>	0.9
Actuarial gain/(loss) on defined benefit pension scheme	<b>4.5</b>	(4.3)
Taxation relating to components of other comprehensive income	<b>(2.3)</b>	1.5

<b>Total other comprehensive income/(expense)</b>	<b>8.6</b>	<b>(4.5)</b>
<b>Total comprehensive income for the year</b>	<b>13.9</b>	<b>17.6</b>

**Consolidated balance sheet  
at 30 June 2011**

	Note	2011 £m	Restated 2010 £m
<b>Non-current assets</b>			
Intangible assets		38.6	38.3
Property, plant and equipment		190.9	179.9
Other non-current assets		0.6	0.6
Deferred tax		2.5	2.9
		<b>232.6</b>	<b>221.7</b>
<b>Current assets</b>			
Inventories		81.6	69.9
Trade and other receivables		154.6	137.4
Derivative financial instruments		1.5	3.4
Cash and cash equivalents		9.6	5.0
Assets classified as held for sale		4.8	2.9
		<b>252.1</b>	<b>218.6</b>
<b>Total assets</b>	3	<b>484.7</b>	<b>440.3</b>
<b>Current liabilities</b>			
Interest bearing loans and borrowings		47.3	15.4
Trade and other payables		221.6	199.8
Derivative financial instruments		3.0	5.5
Current tax payable		0.9	3.5
Provisions		6.1	5.1
		<b>278.9</b>	<b>229.3</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings		46.0	49.6
Pensions and other post-employment benefits		16.2	23.6
Trade and other payables		6.3	0.6
Provisions		0.5	1.1
Deferred tax		11.4	11.4
		<b>80.4</b>	<b>86.3</b>
<b>Total liabilities</b>	3	<b>359.3</b>	<b>315.6</b>
<b>Net assets</b>		<b>125.4</b>	<b>124.7</b>
<b>Equity</b>			
Issued share capital		18.1	18.1
Share premium account		139.9	143.5
Other reserves		6.1	(3.8)
Retained earnings		(39.3)	(33.7)
<b>Equity attributable to owners of the Company</b>		<b>124.8</b>	<b>124.1</b>
Non-controlling interests		0.6	0.6
<b>Total equity and reserves</b>		<b>125.4</b>	<b>124.7</b>

C Bull  
Director

**Consolidated cash flow statement  
for the year ended 30 June 2011**

	Note	2011 £m	2010 £m
Profit before tax		7.1	29.6
Net financing costs		6.7	5.6
Pre-tax exceptional charge in the year		12.3	12.8
Share-based payments		0.3	1.7
(Profit)/loss on sale of property, plant and equipment		(0.5)	0.1
Depreciation		24.8	26.6
Amortisation of intangible assets		2.9	2.0
<b>Operating cash flow before changes in working capital</b>		<b>53.6</b>	<b>78.4</b>
Increase in receivables		(7.9)	(4.0)
Increase in inventories		(5.9)	(1.8)
Increase in payables		5.4	13.0
Additional cash funding of pension scheme		(2.6)	(0.5)
Cash flow in respect of exceptional items		(7.4)	(4.4)
<b>Cash generated from operations</b>		<b>35.2</b>	<b>80.7</b>
Interest paid		(4.6)	(6.0)
Taxation paid		(7.6)	(7.8)
<b>Net cash from operating activities</b>		<b>23.0</b>	<b>66.9</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of non-current assets		1.2	0.2
Acquisition of property, plant and equipment		(24.1)	(24.2)
Acquisition of intangible assets		(0.7)	(0.1)
Acquisition of businesses, net of cash acquired	5	(2.2)	(8.4)
Interest received		-	0.1
Forward contracts used in net investment hedging		(0.9)	(1.4)
<b>Net cash used in investing activities</b>		<b>(26.7)</b>	<b>(33.8)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		0.1	0.3
Repurchase of own shares		(1.3)	(1.4)
Redemption of B shares		(3.5)	-
Increase in borrowings		55.3	5.5
Repayment of borrowings		(33.6)	(16.2)
Payment of finance lease liabilities		(0.6)	(0.7)
Dividends paid		(8.7)	(11.4)
<b>Net cash used in financing activities</b>		<b>7.7</b>	<b>(23.9)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4.0</b>	<b>9.2</b>
Cash and cash equivalents at start of year		(1.1)	(10.3)
Effect of exchange rate fluctuations on cash held		(0.3)	-
<b>Cash and cash equivalents at end of year</b>		<b>2.6</b>	<b>(1.1)</b>
<b>Reconciliation of cash and cash equivalents per the balance sheet and cash flow statement</b>			
Cash and cash equivalents per the balance sheet		9.6	5.0
Overdrafts		(7.0)	(6.1)
<b>Cash and cash equivalents per the cash flow statement</b>		<b>2.6</b>	<b>(1.1)</b>

**Reconciliation of net cash flow to movement in net debt  
for the year ended 30 June 2011**

	2011 £m	2010 £m
Increase in cash and cash equivalents in the year	4.0	9.2
Cash (inflow)/outflow from movement in debt	(21.7)	10.7
Movement on finance leases	0.6	0.7
<b>Change in net debt resulting from cash flows</b>	<b>(17.1)</b>	<b>20.6</b>
Debt acquired with subsidiaries	(0.9)	(0.1)
Exchange movements	(5.7)	1.9
<b>Movement in net debt in the year</b>	<b>(23.7)</b>	<b>22.4</b>
Net debt at the beginning of the year	(60.0)	(82.4)
<b>Net debt at the end of the year</b>	<b>(83.7)</b>	<b>(60.0)</b>

**Consolidated statement of changes in equity  
for the year ended 30 June 2011**

	Issued share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity and reserves £m
<b>At 1 July 2009</b>	18.0	143.5	(2.1)	(40.9)	118.5	-	118.5
Profit for the year	-	-	-	22.1	22.1	-	22.1
Other comprehensive income/(expense):							
Foreign exchange translation differences	-	-	(3.1)	-	(3.1)	-	(3.1)
Net gain on hedge of net investment in foreign subsidiaries	-	-	2.5	-	2.5	-	2.5
Effective portion of changes in fair value of cash flow hedges	-	-	(2.0)	-	(2.0)	-	(2.0)
Net changes in fair value cash flow hedges transferred to profit or loss	-	-	0.9	-	0.9	-	0.9
Actuarial loss on defined benefit pension scheme	-	-	-	(4.3)	(4.3)	-	(4.3)
Taxation relating to components of other comprehensive income	-	-	-	1.5	1.5	-	1.5
Total comprehensive income/(expense)		-	(1.7)	19.3	17.6	-	17.6
Transactions with owners of the Company:							
Share based payments	-	-	-	1.1	1.1	-	1.1
Equity dividends	-	-	-	(11.4)	(11.4)	-	(11.4)
Own shares acquired and held as treasury shares	-	-	-	(1.4)	(1.4)	-	(1.4)
Shares issued to satisfy share option exercises	0.1	-	-	0.2	0.3	-	0.3
Acquisition of businesses	-	-	-	-	-	0.6	0.6
Related tax movements	-	-	-	(0.6)	(0.6)	-	(0.6)
<b>At 30 June 2010</b>	<b>18.1</b>	<b>143.5</b>	<b>(3.8)</b>	<b>(33.7)</b>	<b>124.1</b>	<b>0.6</b>	<b>124.7</b>



**Consolidated statement of changes in equity** continued  
for the year ended 30 June 2011

	Issued share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity and reserves £m
<b>At 1 July 2010</b>	<b>18.1</b>	<b>143.5</b>	<b>(3.8)</b>	<b>(33.7)</b>	<b>124.1</b>	<b>0.6</b>	<b>124.7</b>
Profit for the year	-	-	-	5.3	5.3	-	5.3
Other comprehensive income/(expense):							
Foreign exchange translation differences	-	-	11.0	-	11.0	-	11.0
Net loss on hedge of net investment in foreign subsidiaries	-	-	(8.5)	-	(8.5)	-	(8.5)
Effective portion of changes in fair value of cash flow hedges	-	-	1.8	-	1.8	-	1.8
Net changes in fair value cash flow hedges transferred to profit or loss	-	-	2.1	-	2.1	-	2.1
Actuarial gain on defined benefit pension scheme	-	-	-	4.5	4.5	-	4.5
Taxation relating to components of other comprehensive income	-	-	-	(2.3)	(2.3)	-	(2.3)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>6.4</b>	<b>7.5</b>	<b>13.9</b>	<b>-</b>	<b>13.9</b>
Transactions with owners of the Company:							
Share based payments	-	-	-	0.6	0.6	-	0.6
Issue of B shares	-	(3.6)	-	-	(3.6)	-	(3.6)
Redemption of B shares	-	-	3.5	(3.5)	-	-	-
Equity dividends	-	-	-	(8.7)	(8.7)	-	(8.7)
Own shares acquired and held as treasury shares	-	-	-	(1.3)	(1.3)	-	(1.3)
Shares issued to satisfy share option exercises	-	-	-	0.1	0.1	-	0.1
Related tax movements	-	-	-	(0.3)	(0.3)	-	(0.3)
<b>At 30 June 2011</b>	<b>18.1</b>	<b>139.9</b>	<b>6.1</b>	<b>(39.3)</b>	<b>124.8</b>	<b>0.6</b>	<b>125.4</b>

**Notes to the financial statements**

**1) Exchange rates**

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

	2011	2010	2011	2010
	Average rate		Closing rate	
Euro	1.17	1.14	1.11	1.22
Polish Zloty	4.63	4.66	4.41	5.05
Czech Koruna	28.7	29.3	26.9	31.4
Hungarian Forint	320.3	308.9	294.0	348.2
Malaysian Ringgit	4.90	4.81	4.85	4.84

**2) Basis of preparation**

The preliminary announcement for the year ended 30 June 2011 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Details of the accounting policies applied are those set out in McBride plc's Annual Report 2011. The preliminary announcement does not represent the Group's statutory accounts within the meaning of section 435 if the Companies Act 2006. The comparative figures for the financial year ended 30 June

2010 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies.

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

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

The annual financial information presented in this preliminary announcement for the year ended 30 June 2011 is based on, and is consistent with, that in the Group's audited Financial Statements for the year ended 30 June 2011, and those Financial Statements will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor's reports on both the 2010 and 2011 Financial Statements are (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The comparative information has been restated as follows:

- The segmental information and goodwill allocation by cash generating units have been restated to reflect an internal group re-organisation and the impact is disclosed in note 3; and
- Acquisition accounting adjustments have been finalised in relation to the acquisition of Fortlab Holdings Sdn Bhd. The comparative information has been restated in accordance with IFRS 3 'Business Combinations'. The impact of this restatement is to reduce trade and other payables and goodwill by £0.1 million.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2010, with the following exceptions:

- The minor amendments to a number of standards set out in the IASB's 2009 Annual Improvements project, including operating segments, share-based payments, leases, intangible assets and financial instruments.
- Amendment to IFRS 2 'Share-based Payment - Group Cash-settled Share-based Payment Transactions' which clarifies the scope of IFRS 2 and the accounting for Group cash-settled share-based payment transactions in the financial statements of individual group entities.
- Amendment to IAS 32 'Financial Instruments: Presentation - Classification of Rights Issues' which requires an issue to all existing shareholders of rights to acquire additional shares to be recognised in equity, regardless of the currency of the shares.
- IFRIC 17 'Distributions of Non-Cash Assets to Owners' which specifies how an entity should account for distributions of non-cash assets to its owners.
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' which addresses the accounting required by an entity that issues equity instruments in order to settle a financial liability in part or in full.

The adoption of these amendments and interpretations has had no significant impact on the Group's results or net assets.



External revenue	<b>304.6</b>	316.9	<b>366.2</b>	384.4	<b>133.9</b>	110.9	<b>7.7</b>	-	<b>812.4</b>	812.2
Inter-segment revenue	<b>6.1</b>	3.4	<b>39.5</b>	29.6	<b>5.8</b>	7.5	<b>(51.4)</b>	(40.5)	-	-
Total segment revenue	<b>310.7</b>	320.3	<b>405.7</b>	414.0	<b>139.7</b>	118.4	<b>(43.7)</b>	(40.5)	<b>812.4</b>	812.2
Segment profit	<b>11.9</b>	22.1	<b>15.4</b>	28.2	<b>8.9</b>	8.9	-	(0.4)	<b>36.2</b>	58.8
Amortisation of intangible assets									<b>(2.9)</b>	(2.0)
Corporate costs									<b>(7.2)</b>	(8.8)
Exceptional items (see note 4)									<b>(12.3)</b>	(12.8)
Reported operating profit									<b>13.8</b>	35.2
Net financing costs									<b>(6.7)</b>	(5.6)
Reported profit before tax									<b>7.1</b>	29.6

\* Includes Asia £9.3m sales (2010: £1.0m) of which £1.6m are intergroup (2010: all intergroup) and Asia operating profit of £nil (2010: £0.4m loss).

	United Kingdom		Western Continental Europe		Central and Eastern Europe		Corporate*		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Segment assets	<b>164.7</b>	174.9	<b>226.3</b>	191.1	<b>76.6</b>	52.9	<b>17.1</b>	21.4	<b>484.7</b>	440.3
Segment liabilities	<b>(113.3)</b>	(104.2)	<b>(143.2)</b>	(133.9)	<b>(37.3)</b>	(19.4)	<b>(65.5)</b>	(58.1)	<b>(359.3)</b>	(315.6)
Capital expenditure**	<b>9.5</b>	13.9	<b>11.8</b>	14.2	<b>11.8</b>	2.9	<b>0.3</b>	4.8	<b>33.4</b>	35.8
Amortisation and depreciation	<b>9.8</b>	9.7	<b>12.4</b>	13.6	<b>5.1</b>	5.2	<b>0.4</b>	0.1	<b>27.7</b>	28.6

\*Corporate liabilities include external debt and tax liabilities.

\*\*Capital expenditure includes property, plant and equipment, intangible assets and amounts payable (including contingent consideration) in respect of acquisitions. For the year ended 30 June 2011 the amounts payable in respect of the acquisition of Dermacol a.s. are shown in Central and Eastern Europe. For the year ended 30 June 2010 the amounts payable in respect of the acquisitions of Homepride Limited and Fortlab Holdings Sdn Bhd are shown within United Kingdom and Corporate respectively.

## Business segments

	Household		Personal Care		Total	
	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m
Revenue from business segments	<b>667.4</b>	667.5	<b>145.0</b>	144.7	<b>812.4</b>	812.2
Profit from business segments	<b>34.3</b>	51.4	<b>1.9</b>	7.4	<b>36.2</b>	58.8
Amortisation of intangible assets					<b>(2.9)</b>	(2.0)
Corporate costs					<b>(7.2)</b>	(8.8)
Exceptional items (see note 4)					<b>(12.3)</b>	(12.8)
Reported operating profit					<b>13.8</b>	35.2
Net financing costs					<b>(6.7)</b>	(5.6)
Reported profit before tax					<b>7.1</b>	29.6

## Geographical information

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

### Revenue from external customers by country of destination

	2011	Restated 2010
	£m	£m
United Kingdom	284.8	296.2
Foreign countries		
France	220.2	224.3
Italy	73.3	77.8
Other Western Continental Europe	79.5	91.4
Central and Eastern Europe and Rest of World	154.6	122.5
<b>Total revenue</b>	<b>812.4</b>	<b>812.2</b>

### Non-current assets by geographical location

	2011	Restated 2010
	£m	£m
United Kingdom	87.3	93.1
Foreign countries		
Belgium	52.9	47.9
Italy	26.3	24.6
France	14.9	13.7
Other Western Continental Europe	10.1	9.7
Central and Eastern Europe and Rest of World	38.6	29.8
<b>Total non-current assets</b>	<b>230.1</b>	<b>218.8</b>

## 4) Exceptional items

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

	2011	2010
	£m	£m
<b>Charged to operating profit</b>		
Reorganisation and redundancy costs		
Redundancy	(4.5)	(5.4)
Restructuring and business reorganisation costs	(2.8)	(2.4)
	<b>(7.3)</b>	<b>(7.8)</b>
Impairment of property, plant and equipment	(3.4)	(5.0)
Impairment of asset held for sale	(1.6)	-
<b>Total charged to operating profit</b>	<b>(12.3)</b>	<b>(12.8)</b>
Taxation related to exceptional items	3.1	3.2
<b>Total credited to taxation</b>	<b>3.1</b>	<b>3.2</b>
<b>Total charged to profit for the year</b>	<b>(9.2)</b>	<b>(9.6)</b>

Year ended 30 June 2011

During 2011, the Group initiated a programme of supply chain restructuring to address the challenges of a weak consumer environment and high material costs. As part of this programme the Group has undertaken a comprehensive cost saving review at all of its sites.

The UK division has announced a plan and commenced discussions with employee stakeholders on proposals that might be expected to lead to a further 300 UK redundancies out of a total UK workforce of approximately 2,100. To date around 40 UK staff, including operational staff at the production facility in Bradford and administrative and personnel staff at the UK divisional head office, have been made redundant. There was a £9.2 million pre-tax operating charge to the income statement in the year relating to this UK divisional restructuring programme. Included in this charge was £4.5 million for redundancy, £3.2 million for asset write offs and £1.5 million of other charges, mainly consultancy costs.

As disclosed in note 8, the Group has announced a supply chain restructuring in its Western Continental Europe and Central and Eastern Europe divisions. There was a £0.3 million pre-tax operating charge to the income statement in the year in relation to these restructuring initiatives. Included in this charge was £0.2 million for asset write offs and £0.1 million of other charges, mainly legal fees.

There was a £1.2 million pre-tax operating charge to the income statement in the year in relation to the 2010 restructuring programme in Western Continental Europe, which comprised other charges, mainly consultancy and site clean up costs. In addition, the Group is still in the process of selling the freehold land and buildings relating to the former site at Solaro. Due to the weakness in the Italian property market caused by adverse economic conditions in Italy including lack of availability of credit the sale has taken longer than expected to complete and sale proceeds are likely to be lower than previously expected. There was a £1.6 million pre-tax operating charge to the income statement in the year in relation to an impairment charge for this asset held for sale.

#### **Year ended 30 June 2010**

The £12.8 million 2010 pre-tax operating exceptional charge related to restructuring programmes in the Western Continental Europe and UK divisions and included £5.4 million for redundancy, £5.0 million for asset write offs and £2.4 million of other charges, mainly consultants, logistics and storage costs.

In terms of the segment analysis in note 3, the exceptional charge relates to the UK £9.2 million (2010: £3.6m) and Western Continental Europe £3.1 million (2010: £9.2m), on a geographic basis, and Household £12.0 million (2010: £12.6m) and Personal Care £0.3 million (2010: £0.2m) on a business basis.

## **5) Acquisitions**

### **Acquisitions in 2011**

On 1 September 2010, the Group acquired 70% of the share capital of Dermacol a.s., a manufacturer of skincare products based in the Czech Republic, for an expected consideration of £6.1 million (CZK 183 million), of which £2.3 million (CZK 70 million) was paid on completion, £2.0 million (CZK 60 million) is payable within one year and a further five payments are payable from 2013 to 2017 inclusive, based on Dermacol's sales during the period. The Group has also agreed to purchase the remaining 30% of the shares in late 2017 for a consideration based on the operating profit of Dermacol a.s. in the 2017 financial year. The total consideration cannot exceed a maximum of £21.7 million (CZK 650 million). At the acquisition date, the amount accrued by the Group which discounts future contingent cash payments to their fair value at the date of acquisition was £7.0 million (CZK 208 million).

As noted above, the Group has committed to the purchase of the 30% of shares in Dermacol a.s. that it did not legally acquire at the acquisition date and has recognised a financial liability in relation to the deferred consideration payable for the purchase of the remaining shares. The Directors have elected to account for the non-controlling interests in Dermacol a.s. under the anticipated acquisition method.

Under the anticipated acquisition method the interests of the non-controlling shareholder are derecognised when the Group's liability relating to the purchase of its shares is recognised. The recognition of the financial liability implies that the interests subject to the forward purchase are deemed to have been acquired already. Therefore the corresponding interests are presented as already owned by the Group even though legally they are still non-controlling interests. The £3.6 million (CZK 107 million) financial liability recognised by the Group forms part of the contingent consideration for the acquisition. All components of contingent consideration will be carried at fair value in future accounting periods and any adjustments arising reflected in the income statement.

All incremental transaction costs related to the acquisition have been recognised in the income statement. The goodwill arising on the acquisition of Dermacol a.s. is mainly attributable to the workforce in place, a base for future growth of the Group's skincare business and access to a low cost location for production. Intangible assets acquired with Dermacol a.s. mainly relate to the fair value placed on customer relationships and software.

Dermacol a.s. contributed £7.0 million revenue and operating profit of less than £0.1 million for the period between the date of acquisition and 30 June 2011.

If the acquisition had been completed on the first day of the financial year, it would have contributed approximately £8.3 million of revenue and £0.1 million of operating profit to the Group.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	<b>Dermacol a.s.</b>		
	Book value £m	Fair value adjustments £m	Fair value £m
Net assets acquired:			
Property, plant and equipment	9.2	(1.7)	7.5
Intangible assets	0.2	0.3	0.5
Working capital	1.0	(0.2)	0.8
Cash and cash equivalents	0.2	-	0.2
Debt	(0.9)	-	(0.9)
	<b>9.7</b>	<b>(1.6)</b>	<b>8.1</b>
Fair value of assets acquired			8.1
Goodwill on acquisition			1.2
<b>Total</b>			<b>9.3</b>
Satisfied by:			
Cash paid			2.3
Contingent consideration			7.0
<b>Cash consideration</b>			<b>9.3</b>

## Acquisitions in 2010 (restated)

### Homepride Limited

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

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

The fair value of Homepride's identifiable net assets at the acquisition date was £2.0 million and this resulted in the recognition of £2.9 million of goodwill.

### Fortlab Holdings Sdn Bhd

On 9 June 2010, the Group completed the acquisition of 85% of the share capital of Fortlab Holdings Sdn Bhd ('FHSB'), a Malaysia-based manufacturer of personal care products in both Private Label and branded formats with operating facilities in Kuala Lumpur and Ho Chi Minh City, Vietnam for a consideration of up to £4.2 million (RM20.3 million Malaysian Ringgit), of which £4.0 million (RM19.3 million) was paid on completion and up to £0.2 million (RM1.0 million) is payable within one year. The amount accrued by the Group at 30 June 2010 was £0.1 million (RM0.4 million), being £0.1m (RM0.6 million) lower than previously stated to reflect the consideration paid in the year ended 30 June 2011.

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

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

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

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

If these acquisitions had been completed on the first day of the financial year, they would have contributed approximately £10.9 million of revenue and £1.6 million of operating profit to the Group in the year ended 30 June 2010.



The acquisitions in the year ended 30 June 2010 had the following effect on the Group's assets and liabilities on their respective acquisition dates (see note 1 for details of changes to provisional fair values):

	Homepride Limited		Fortlab Holdings Sdn Bhd		Book value £m	Fair value adjustments £m	Total Fair value £m
	Book value £m	Fair value adjustments £m	Book value £m	Fair value adjustments £m			
Net assets acquired:							
Property, plant and equipment	-	-	3.2	0.2	3.2	0.2	3.4
Intangible assets	-	1.4	0.1	0.1	0.1	1.5	1.6
Working capital	0.7	(0.3)	1.9	(0.4)	2.6	(0.7)	1.9
Cash and cash equivalents	0.2	-	0.3	-	0.5	-	0.5
Net debt	-	-	(0.1)	-	(0.1)	-	(0.1)
Non-current liabilities	-	-	(0.3)	-	(0.3)	-	(0.3)
Non-controlling interests*	-	-	(0.5)	(0.1)	(0.5)	(0.1)	(0.6)
	<b>0.9</b>	<b>1.1</b>	<b>4.6</b>	<b>(0.2)</b>	<b>5.5</b>	<b>0.9</b>	<b>6.4</b>
Fair value of assets acquired		2.0		4.4			6.4
Goodwill on acquisition		2.9		0.3			3.2
<b>Total</b>		<b>4.9</b>		<b>4.7</b>			<b>9.6</b>
Satisfied by:							
Cash paid		4.9		4.0			8.9
Contingent consideration		-		0.7			0.7
<b>Cash consideration</b>		<b>4.9</b>		<b>4.7</b>			<b>9.6</b>

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

## 6) Earnings per share

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

		2011	2010
Total earnings (£m)	a	<b>5.3</b>	22.1
Weighted average number of ordinary shares	b	<b>180,407,938</b>	180,276,613
Basic earnings per share (pence)	a/b	<b>2.9</b>	12.3

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

During the year, the Company had two categories of potentially dilutive ordinary shares: share awards with no option price and shares allocated to an approved Save As You Earn scheme.

		2011	2010
Weighted average number of ordinary shares (million)	b	<b>180.4</b>	180.3
Effect of dilutive share awards (million)		<b>1.1</b>	1.6
Effect of dilutive SAYE scheme shares (million)		<b>0.9</b>	1.3
	c	<b>182.4</b>	183.2
<b>Diluted earnings per share (pence)</b>	a/c	<b>2.9</b>	12.1

Adjusted basic earnings per share applies to earnings excluding adjusting items as defined in note 2 since the directors consider that this gives additional information as to the underlying performance of the Group.

		<b>2011</b>	2010
		<b>£m</b>	£m
Earnings used to calculate basic and diluted EPS	a	<b>5.3</b>	22.1
Exceptional items after tax		<b>9.2</b>	9.6
Amortisation of intangible assets after tax		<b>2.2</b>	1.5
Unwind of discount on contingent consideration after tax		<b>0.2</b>	-
Earnings before adjusting items	d	<b>16.9</b>	33.2
<b>Adjusted basic earnings per share (pence)</b>	d/b	<b>9.4</b>	18.4
<b>Adjusted diluted earnings per share (pence)</b>	d/c	<b>9.3</b>	18.1

## 7) Taxation

The £1.8 million tax charge for the year ended 30 June 2011 (2010: £7.5m) consists of a £(2.2) million credit (2010: £1.9m charge) for UK tax and £4.0 million charge (2010: £5.6m) for overseas tax.

## 8) Events after the reporting date

In line with the re-structuring plan announced under its strategy review, Project Refresh, the Group made a further announcement on 5 September 2011 setting out proposals to rationalise its Auto-Dishwash production in Europe. Under these proposals, the Group would move its Auto-Dishwash tablet and Anti-Calc tablet production lines from its factory at Moyaux in France to its factory at Foetz in Luxembourg.

The Group also announced on 5 September 2011 that its agreement with a customer to toll-manufacture Auto Dishwash tablets at Foetz would come to an end by mutual consent on 31 March 2012.

These developments could result in redundancies at each site, regarding which consultation has commenced with local employee representative bodies.

## 9) Other notes

- i) The Annual Report for 2011 will be issued to shareholders on 22 September 2011 and will be available from the company secretary at the Company's Registered Office, 28th Floor, Centre Point, 103 New Oxford Street, London, WC1A 1DD and from the Group's website at [www.mcbride.co.uk](http://www.mcbride.co.uk); the Annual General Meeting will be held on 24 October 2011.
- ii) Subject to shareholder approval to renew the 'B Share' scheme at the Annual General Meeting on 24 October 2011, the Board is recommending the allotment of 48 B Shares (equating to a final payment of 4.8 pence per share (2010: 4.8p) which will be paid on 25 November 2011 to shareholders on the register at 28 October 2011.

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