McBride plc
Half Year Report 2009

Passionate about Private Label

McBride
Performance...Value...Growth

We are Europe's leading provider of Private Label Household and Personal Care products.

We develop, produce and sell our products to leading retailers primarily in the UK and across Continental Europe. We manage the business through three divisions – UK, Western Continental Europe and Eastern Continental Europe – with sales in all major European markets and many beyond.

We consistently deliver our strategy through:

- Growth
- Efficiency
- Scale
- Innovation
- Sustainability
- Teamwork

This is underpinned by our people, culture and ways of working.

Highlights

- Revenue up 5% to £412.4m (2008: £392.2m)
- Adjusted operating profit[1] improved to £26.5m (2008: £14.3m). Reported operating profit was £25.5m (2008: £7.8m). Adjusted operating margin[1] improved from 3.6% to 6.4%
- Adjusted diluted earnings per share[1] were up 106% to 9.7 pence (2008: 4.7p). Reported diluted earnings per share were 9.2p (2008: 2.0p)
- Return on capital employed[1] improved to 26.6% (2008: 12.7%)
- Interim dividend per share increased 18% to 2.0 pence (2008: 1.7p)
- Continuing strong cash flow with net cash generated from operations before exceptional items at £48.8m (2008: £27.7m). Net debt reduced £13.0m in the six months to 31 December 2009 to £69.4m
- Today we have announced that we are entering into consultation to restructure and consolidate our Italian operations with an estimated cash cost of £6.5m and a 3 year payback

[1] Adjusted operating profit, adjusted operating margin, adjusted diluted earnings per share and return on capital employed are calculated before amortisation of intangible assets and exceptional items.

"These results demonstrate that our Private Label strategy, which focuses on growing higher margin products, operational efficiencies and tight cash management, is working well.

There has been good sales growth in our core categories including Personal Care. All our divisions have posted higher operating profits and returns. Net debt has reduced to £69.4m and we are pleased to announce an 18% increase in our interim dividend.

Trading since the end of December has been in line with our expectations and whilst our markets remain highly competitive we are confident in the outlook for the remainder of the year."

Miles Roberts
Chief Executive

Business review

Overview

The Group's strong first half performance was supported by our continuing focus on high margin core product growth and operational efficiencies, a strong cash flow and high asset utilisation.

- Revenue increased over the first half of the year in all divisions, with 4% growth coming from exchange rate movements and 1% from organic growth
- The 1% overall organic revenue growth included 4% in the core product categories
- Adjusted operating profit[(1)] for the first half was £26.5m (2008: £14.3m)
- UK's revenue increased by 1% to £162.4m (2008: £161.5m). Adjusted operating profit[(1)] increased 19% to £11.1m (2008: £9.3m)
- Western Continental Europe's revenue was up 9% to £245.8m (2008: £225.2m). This reflected favourable currency translation and, notably, strong underlying growth in France of 8% and, broadly, across Personal Care, whilst in Spain revenues were down 19%. Overall, adjusted operating profit[(1)] increased 147% to £17.8m (2008: £7.2m)
- Eastern Continental Europe's revenues were up 3% to £17.9m (2008: £17.3m) and adjusted operating profit[(1)] increased 40% to £1.4m (2008: £1.0m)
- As the consumer becomes increasingly price sensitive and brand loyalty erodes, Private Label is gaining share in Europe, notably in France and Italy where year on year Private Label sales (in value) has grown 6% and 4% respectively against market growth of 3% and 2%
- Return on capital employed improved to 26.6% (2008: 12.7%) reflecting the combined contributions of a higher operating profit margin of 6.4% (2008: 3.6%) and asset turnover of 4.2 (2008: 3.5)
- Strong cash generated from operations before exceptional items of £48.8m (2008: £27.7m) reflected the continuing benefits of tight cash management. Net debt reduced £13.0m in the six months to 31 December 2009 to £69.4m (30 June 2009, £82.4m)

(1) Adjusted operating profit is before amortisation of intangible assets and exceptional items, for segmental reporting management charges are additionally excluded.

Strategy

McBride is the leading provider of Private Label Household and Personal Care products in Europe. McBride's breadth and flexibility of operations, enduring commitment to Private Label category development including new product development, customer service ethic and focus on 'best in class' manufacturing efficiency make McBride the natural Private Label partner for the major retailers in McBride's chosen Private Label categories.

McBride seeks to drive growth in its core product categories (specialist cleaners, automatic dishwashing, air care, laundry liquids and Personal Care) through value added product development. McBride will seek to extend its presence in higher growth markets, particularly Central and Eastern Europe and Italy and higher growth categories.

Current trading and outlook

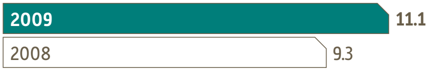
Trading since the end of December has been in line with our expectations and whilst our markets remain highly competitive we are confident in the outlook for the remainder of the year.

Looking further ahead, in the current environment consumers are becoming increasingly price sensitive and willing to switch purchases. As Private Label products give the best balance between performance and price we believe there will be further Private Label gains.

UK business review

Revenue by origin (£m)
Six months to December 2009

Operating profit (£m)(1)
Six months to December 2009



(1) Adjusted operating profit is before amortisation of intangible assets and exceptional items.

During the first half of 2009 market conditions proved highly competitive as consumers continued to review their shopping and spending patterns and the branded goods manufacturers responded through high levels of promotional activity to maintain market position.

In the six months to end December 2009, the UK Household products market value growth was 4%, but this was almost entirely related to the laundry liquids category up 40% in value with the remaining sectors flat. In the same period, Private Label Household products declined by 4%. The decline was almost entirely during the last quarter when promotional activity from brands was at its most intense. McBride's overall sales in the UK increased by 1% in the six months to end December 2009, although there was strong growth within our core categories, especially laundry liquids and Household cleaners.

In Personal Care, Private Label's value share of the market was stable at 19% at end December 2009. Product categories showing good Private Label growth were roll-on deodorants, body sprays and mouthwash.

(Source of market data: McBride estimates based on Taylor Nelson Sofres retail selling price data.)

Western Continental Europe business review

Revenue by origin (£m)
Six months to December 2009

Operating profit (£m)(1)
Six months to December 2009

(1) Adjusted operating profit is before amortisation of intangible assets and exceptional items.

Western Europe continued to experience the impacts of the economic slow down and Private Label has continued to perform strongly in all our key markets.

France is McBride's largest market in Western Continental Europe. In the year to December 2009 the Household market grew 3% whilst the Personal Care market was flat. However, Private Label continued to gain share, recording a 6% growth in both Household products and Personal Care in the year to December 2009 with Private Label being particularly strong in Household cleaners and washing up liquid. In Personal Care, the market was driven by strong performances in bath and shower products, liquid soap and mens shaving. Overall, McBride grew sales by 8% in France.

In Italy, McBride's second largest market in Western Continental Europe, the year to end December 2009 saw the Household products market grow just 2% in value whilst Private Label Household product sales grew 4%. Private Label share increased in value terms to over 14% with volume share reaching 22%. Our Italian business has continued to perform well in a competitive market with sales stable for the period.

Business review continued

In Spain in the 12 months to end December 2009 the total Household products market declined 2% whilst Private Label Household products grew 6%. In Spain, McBride has continued to exit low margin commodity products resulting in sales reducing by 19%.

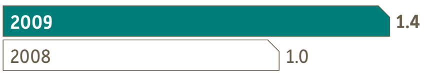
In Western Continental Europe Personal Care grew strongly in all our major markets. The business continued its programme of new Personal Care product development and successful product launches.

(Source of market data: IRI retail selling price data with data for Italy and France for the whole market and for Spain including supermarkets and hypermarkets but not the hard discount sector.)

Eastern Continental Europe business review

Revenue by origin (£m)
Six months to December 2009

Operating profit (£m)[1]
Six months to December 2009



(1) Adjusted operating profit is before amortisation of intangible assets and exceptional items.

Eastern Europe was severely impacted by the economic climate in 2009 and only Poland avoided moving into recession. Accordingly, consumer spending patterns were significantly impacted across the region and Private Label continued to gain share in most countries, in part driven by further retailer concentration in the region.

Whilst the economic environment in the short term remains challenging in some of our markets, we remain convinced that the potential for further Private Label growth across the region remains strong as the multinational retailers continue to develop their Private Label ranges and continue to expand their presence into the emerging markets in the region.

Total revenue in Eastern Continental Europe increased 3% to £17.9m (2008: £17.3m). Private Label and minor branded sales in Poland were up 11% on the prior year. Adjusted operating profit increased to £1.4m (2008: £1.0m) reflecting the benefits of improved margins and business mix in the division.

Operations

Today we have announced that we are entering into consultation to restructure and consolidate our Italian operations. This involves the closure of the site in Solaro, Milan with production transferring to other plants including our second Italian plant near Bergamo. This rationalisation would result in a significant improvement in our cost base. We estimate that the programme will result in a pre-tax exceptional charge of approximately £9.0m, cash costs of £6.5m and annualised cost savings of £2.5m giving a payback of 3 years. Further announcements will be made in due course.

Group financial review

Revenue

Group revenue increased 5% to £412.4m (2008: £392.2m) reflecting a favourable 4% translation benefit, from the Euro strengthening against Sterling, and a 1% organic growth. Overall organic growth included a 4% increase in core product categories.

By geographic origin, UK revenues grew 1% to £162.4m (2008: £161.5m). Western Continental Europe's revenues improved by 9% to £245.8m (2008: £225.2m) with 9% from translation and strong underlying growth in France and Personal Care markets offset by a 19% reduction in Spanish sales. Eastern Continental Europe's revenues improved 3% to £17.9m (2008: £17.3m) with 4% organic growth and 1% adverse translation.

Operating profit

Operating profit (£m)(2)
Six months to December 2009

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

Group operating profit, before amortisation of intangible assets and exceptional items increased 85% to £26.5m (2008: £14.3m). The operating margin increased from 3.6% to 6.4% reflecting good growth in higher margin core product categories and lower material costs in Western Continental Europe. Operating profits and margins increased in all three divisions.

On an IFRS 8 'Operating Segments' basis, UK adjusted operating profit increased 19% to £11.1m (2008: £9.3m) and the operating margin improved from 5.8% to 6.8%. In Western Continental Europe, adjusted operating profit increased 147% to £17.8m (2008: £7.2m) and the operating margin rose from 3.2% to 7.2%. In Eastern Continental Europe, adjusted operating profit increased by 40% to £1.4m (2008: £1.0m) and the operating margin increased from 5.8% to 7.8%.

Finance costs

Net finance costs increased to £3.0m (2008: £2.8m) mainly reflecting higher finance costs relating to the UK defined benefit pension scheme and mark to market charges on currency and interest hedges, these being income in the prior year.

Exceptional items and amortisation of intangible assets

No exceptional charges were incurred in the period (2008: £5.7m). There was a £1.0m amortisation of intangible assets charge in the period (2008: £0.8m).

Profit before tax and tax charge

Profit before tax increased 350% to £22.5m (2008: £5.0m) and excluding amortisation of intangible assets and exceptional items increased 104% to £23.5m (2008: £11.5m). The £5.7m tax charge (2008: £1.3m) reflects a 25% effective rate (2008: 26%).

Earnings per share and dividend

Adjusted diluted earnings per share (pence)(2)
Six months to December 2009

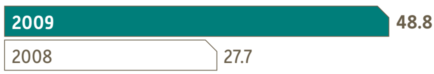
(2) Figures are calculated before amortisation of intangible assets and exceptional items.

Basic earnings per share (EPS) grew to 9.3 pence (2008: 2.1p) and adjusted basic EPS, before amortisation of intangible assets and exceptional items, grew to 9.8 pence (2008: 4.7p). On an adjusted basis, diluted EPS increased 106% to 9.7 pence (2008: 4.7p). The weighted average number of shares in the period used in calculating basic and diluted earnings per share was 180.3m (2008: 180.3m) and 182.3m (2008: 182.5m) respectively.

An interim dividend of 2.0 pence per share (2008: 1.7p) will be paid on 28 May 2010 to shareholders on the register on 30 April 2010.

Cash flow and net debt

Cash generated from operations (£m)(3)
Six months to December 2009



(3) Cash generated from operations is before exceptional items.

Net cash generated from operations, excluding cash flows relating to exceptional items, was strong at £48.8m (2008: £27.7m). There was a net working capital inflow in the first half of £7.8m (2008: £1.6m) reflecting our continuous focus on cash management.

Capital expenditure in the period was £11.8m (2008: £7.4m) with the increase timing related. Overall net debt at 31 December 2009 was £69.4m compared to £82.4m at 30 June 2009. The £13.0m reduction included £4.1m of adverse currency effects and a £4.7m payment for the acquisition of Homepride Limited, an oven cleaning product business in the UK.

The Group has a total of £175m of credit facilities, which remain committed until February 2011. We have already commenced discussions with a number of banks, including our existing lenders, about our options for extending or refinancing these facilities. These discussions have been very positive, reflecting the strong financial position of the Group and our robust trading results. We expect to have new long-term facilities in place by 30 June 2010.

Balance sheet

Return on capital employed (%)[2]
Six months to December 2009

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

Group net assets were £9.3m higher at 31 December 2009 at £127.8m compared to 30 June 2009. This was due to lower net debt partially offset by a higher deficit in the UK defined benefit pension scheme from £12.0m to £14.5m.

The pre-tax return on average capital employed, before amortisation of intangible assets and exceptional items, was 26.6% compared to 12.7% for the first half of the prior year and 17.1% for the full year. This improvement was driven by an increasing operating profit margin and asset turnover.

Principal risks and uncertainties

The Group is subject to risk factors both internal and external to its business, and has a well established set of risk management procedures. The following risks and uncertainties are those that the directors believe could have the most significant impact on the Group's business. These risks, along with events in the financial markets and their potential impacts on the wider economy, remain the most likely to affect the Group in the second half of the year.

- Sustainability of revenue and profits
- Systems dependency and reliability
- Acquisition integration
- People risks
- Operational disruption
- Supplier failure
- Environmental risks
- Product safety and quality
- Liquidity and capital resources
- Foreign currency risk

These risks are unchanged since the McBride plc Annual Report and Accounts 2009 was published. For greater detail of these risks, please refer to page 21 and 22 of that document, a copy of which is available on the Group's website www.mcbride.co.uk.

Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- The interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Board

The Board of Directors that served during the six months to 31 December 2009 and their respective responsibilities can be found on pages 24 and 29 of the McBride plc Annual Report and Accounts 2009. As noted, Richard Armitage joined the Group as the Group Finance Director, and was appointed to the Board on 1 November 2009. On 3 November 2009, Miles Roberts, Chief Executive tendered his resignation from the Board in order to take up a new position with DS Smith Plc. He will continue in post until such time that an orderly handover of his responsibilities is effected or the appointment of his successor is made. A search for a successor to include both internal and external candidates is currently in progress.

By order of the Board

Miles Roberts
Chief Executive

Richard Armitage
Group Finance Director
4 February 2010

Independent review report to McBride plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half year financial report for the six months ended 31 December 2009 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Services Authority ('the UK FSA'). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half year financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half year financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half year financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year financial report for the six months ended 31 December 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Robert Brent
for and on behalf of KPMG Audit Plc
Chartered Accountants
8 Salisbury Square, London, EC4Y 8BB
4 February 2010

Condensed consolidated income statement

	Note	Unaudited 6 months to 31 Dec 2009 £m	Unaudited 6 months to 31 Dec 2008 £m	Year ended 30 Jun 2009 £m
Revenue	3	**412.4**	392.2	792.4
Cost of sales		**(260.4)**	(267.3)	(524.2)
Gross profit		**152.0**	124.9	268.2
Distribution costs		**(27.8)**	(26.4)	(52.7)
Administrative costs:				
Before amortisation of intangible assets and exceptional items		**(97.7)**	(84.2)	(179.3)
Amortisation of intangible assets		**(1.0)**	(0.8)	(1.7)
Exceptional items		**–**	(5.7)	(7.1)
Administrative costs including amortisation of intangible assets and exceptional items		**(98.7)**	(90.7)	(188.1)
Operating profit	3	**25.5**	7.8	27.4
Operating profit before amortisation of intangible assets and exceptional items		**26.5**	14.3	36.2
Financial income		**1.8**	3.8	6.2
Financial expenses		**(4.8)**	(6.6)	(11.4)
Net financing costs		**(3.0)**	(2.8)	(5.2)
Profit before tax		**22.5**	5.0	22.2
UK taxation	5	**(1.6)**	(0.5)	(2.0)
Overseas taxation	5	**(4.1)**	(0.8)	(3.6)
Profit for the period	6	**16.8**	3.7	16.6
Earnings per ordinary share (pence)	6			
Basic		**9.3**	2.1	9.2
Diluted		**9.2**	2.0	9.1
Dividends				
Paid in period (£m)		**7.8**	7.0	10.1
Paid in period (pence per share)		**4.2**	3.9	5.6
Proposed (£m)		**3.6**	3.1	7.7
Proposed (pence per share)		**2.0**	1.7	4.3

Condensed consolidated statement of comprehensive income

	Unaudited 6 months to 31 Dec 2009 £m	Unaudited 6 months to 31 Dec 2008 £m	Year ended 30 Jun 2009 £m
Profit for the period	**16.8**	3.7	16.6
Other comprehensive income/(expense)			
Foreign exchange translation differences	**6.1**	24.2	6.9
Net loss on hedge of net investment in foreign subsidiaries	**(4.3)**	(19.5)	(6.4)
Effective portion of changes in fair value of cash flow hedges	**0.1**	0.5	(3.5)
Net changes in fair value of cash flow hedges transferred to profit or loss	**0.9**	–	0.6
Actuarial (loss)/gain on defined benefit pension scheme	**(3.4)**	3.5	(9.7)
Taxation relating to components of other comprehensive income	**1.1**	(1.0)	4.3
Total other comprehensive income/(expense)	**0.5**	7.7	(7.8)
Total comprehensive income for the period	**17.3**	11.4	8.8

Condensed consolidated balance sheet

	Note	Unaudited as at 31 Dec 2009 £m	Unaudited as at 31 Dec 2008 £m	As at 30 Jun 2009 £m
Non-current assets				
Intangible assets		**39.3**	37.0	35.4
Property, plant and equipment		**193.4**	206.0	189.2
Other non-current assets		**0.7**	0.7	0.7
Deferred tax		**2.9**	–	2.4
		236.3	243.7	227.7
Current assets				
Inventories		**76.5**	80.7	68.0
Trade and other receivables		**135.7**	157.8	132.8
Cash and cash equivalents		**6.0**	7.8	2.8
		218.2	246.3	203.6
Total assets	3	**454.5**	490.0	431.3
Current liabilities				
Interest bearing loans and borrowings		**18.7**	26.0	26.5
Trade and other payables		**208.5**	223.1	190.3
Current tax payable		**5.2**	–	1.3
Provisions		**1.4**	4.1	2.3
		233.8	253.2	220.4
Non-current liabilities				
Interest bearing loans and borrowings		**56.7**	86.5	58.7
Pensions and other post-employment benefits		**23.1**	6.2	18.9
Provisions		**0.3**	–	0.5
Deferred tax		**12.8**	18.0	14.3
Other non-current liabilities		**–**	2.2	–
		92.9	112.9	92.4
Total liabilities	3	**326.7**	366.1	312.8
Net assets		**127.8**	123.9	118.5
Equity				
Issued share capital		**18.1**	18.0	18.0
Share premium account		**143.5**	143.5	143.5
Other reserves		**0.4**	5.4	(2.1)
Retained earnings		**(34.2)**	(43.0)	(40.9)
Total equity and reserves		**127.8**	123.9	118.5

Condensed consolidated cash flow statement

	Note	Unaudited 6 months to 31 Dec 2009 £m	Unaudited 6 months to 31 Dec 2008 £m	Year ended 30 Jun 2009 £m
Profit before tax		**22.5**	5.0	22.2
Net financing costs		**3.0**	2.8	5.2
Pre-tax exceptional charge in the period		**–**	5.7	7.1
Share based payments		**0.4**	0.1	0.5
Loss on sale of property, plant and equipment		**–**	–	0.3
Depreciation		**14.1**	11.7	23.8
Amortisation of intangible assets		**1.0**	0.8	1.7
		41.0	26.1	60.8
Decrease/(increase) in receivables		**2.0**	(0.8)	7.6
(Increase)/decrease in inventories		**(6.2)**	(6.1)	0.2
Increase/(decrease) in payables		**12.0**	8.5	(6.8)
Cash outflow in respect of exceptional items		**(1.5)**	(3.0)	(4.7)
Cash generated from operations		**47.3**	24.7	57.1
Interest paid		**(1.8)**	(3.3)	(6.0)
Taxation paid		**(3.6)**	(1.6)	(3.7)
Net cash from operating activities		**41.9**	19.8	47.4
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**0.1**	1.8	1.8
Acquisition of property, plant and equipment		**(11.8)**	(7.4)	(20.0)
Acquisition of businesses, net of cash acquired		**(4.7)**	6.3	5.3
Interest received		**–**	1.3	1.3
Forward contracts used in net investment hedging		**(1.5)**	(1.3)	(0.6)
Net cash used in investing activities		**(17.9)**	0.7	(12.2)
Cash flows from financing activities				
Proceeds from issue of share capital		**0.3**	0.4	0.4
Repurchase of own shares		**(0.9)**	–	–
Repayment of borrowings	8	**(8.3)**	(10.1)	(33.7)
Payment of finance lease liabilities		**(0.4)**	(0.4)	(0.9)
Dividends paid		**(7.8)**	(7.0)	(10.1)
Net cash used in financing activities		**(17.1)**	(17.1)	(44.3)
Net increase/(decrease) in cash and cash equivalents		**6.9**	3.4	(9.1)
Cash and cash equivalents at start of period		**(10.3)**	(3.4)	(3.4)
Effect of exchange rate fluctuations on cash held		**(0.4)**	0.5	2.2
Cash and cash equivalents at end of period		**(3.8)**	0.5	(10.3)
Reconciliation of cash and cash equivalents per the balance sheet and cash flow statement				
Cash and cash equivalents per the balance sheet		**6.0**	7.8	2.8
Overdrafts		**(9.8)**	(7.3)	(13.1)
Cash and cash equivalents per the cash flow statement		**(3.8)**	0.5	(10.3)

Condensed consolidated statement of changes in equity

	Issued share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 July 2008	**18.0**	**143.0**	**0.3**	**(42.4)**	**118.9**
Half-year to 31 December 2008					
Profit for the period	–	–	–	3.7	**3.7**
Other comprehensive income/(expense):					
Foreign exchange translation differences	–	–	24.2	–	**24.2**
Net loss on hedge of net investment in foreign subsidiaries	–	–	(19.5)	–	**(19.5)**
Effective portion of changes in fair value of cash flow hedges	–	–	0.5	–	**0.5**
Actuarial gain on defined benefit pension scheme	–	–	–	3.5	**3.5**
Taxation relating to components of other comprehensive income	–	–	(0.1)	(0.9)	**(1.0)**
Total comprehensive income/(expense)	–	–	5.1	6.3	**11.4**
Equity dividends	–	–	–	(7.0)	**(7.0)**
Other movements	–	0.5	–	0.1	**0.6**
At 31 December 2008	**18.0**	**143.5**	**5.4**	**(43.0)**	**123.9**
Half-year to 30 June 2009					
Profit for the period	–	–	–	12.9	**12.9**
Other comprehensive income/(expense):					
Foreign exchange translation differences	–	–	(17.3)	–	**(17.3)**
Net loss on hedge of net investment in foreign subsidiaries	–	–	13.1	–	**13.1**
Effective portion of changes in fair value of cash flow hedges	–	–	(4.0)	–	**(4.0)**
Net changes in fair value cash flow hedges transferred to profit or loss	–	–	0.6	–	**0.6**
Actuarial loss on defined benefit pension scheme	–	–	–	(13.2)	**(13.2)**
Taxation relating to components of other comprehensive income	–	–	0.1	5.2	**5.3**
Total comprehensive income/(expense)	–	–	(7.5)	4.9	**(2.6)**
Employee share schemes	–	–	–	0.4	**0.4**
Equity dividends	–	–	–	(3.1)	**(3.1)**
Other movements	–	–	–	(0.1)	**(0.1)**
At 30 June 2009	**18.0**	**143.5**	**(2.1)**	**(40.9)**	**118.5**

Condensed consolidated statement of changes in equity continued

	Issued share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 July 2009	**18.0**	**143.5**	**(2.1)**	**(40.9)**	**118.5**
Half-year to 31 December 2009					
Profit for the period	–	–	–	16.8	**16.8**
Other comprehensive income/(expense):					
Foreign exchange translation differences	–	–	6.1	–	**6.1**
Net loss on hedge of net investment in foreign subsidiaries	–	–	(4.3)	–	**(4.3)**
Effective portion of changes in fair value of cash flow hedges	–	–	0.1	–	**0.1**
Net changes in fair value cash flow hedges transferred to profit or loss	–	–	0.9	–	**0.9**
Actuarial loss on defined benefit pension scheme	–	–	–	(3.4)	**(3.4)**
Taxation relating to components of other comprehensive income	–	–	(0.3)	1.4	**1.1**
Total comprehensive income/(expense)	–	–	2.5	14.8	**17.3**
Employee share schemes	–	–	–	0.4	**0.4**
Equity dividends	–	–	–	(7.8)	**(7.8)**
Own shares acquired and held as Treasury shares	–	–	–	(0.9)	**(0.9)**
Shares issued to satisfy share option exercises	0.1	–	–	0.2	**0.3**
At 31 December 2009	**18.1**	**143.5**	**0.4**	**(34.2)**	**127.8**

Notes to the condensed interim financial statements

1) Basis of preparation

This Half Year Report has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority. The Half Year Report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and on the basis of the accounting policies and the recognition and measurement requirements of IFRS applied in the financial statements at 30 June 2009 and those standards that have been endorsed and will be applied at 30 June 2010. This report should be read in conjunction with the financial statements for the year ended 30 June 2009.

The results for each half-year are unaudited and do not represent the Group's statutory accounts. The comparative figures for the financial year ended 30 June 2009 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 report of the auditors was (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 of the Companies Act 2006. Comparative figures for the periods ended 31 December 2008 and 30 June 2009 have been restated so as to be consistently presented with those of the period end.

The interim financial statements were approved by the Board on 4 February 2010.

2) Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2009, with the exceptions:

- *IFRS 8 Operating Segments* has been adopted. Under IFRS 8, reportable segments are determined on the basis of those segments whose operating results are regularly reviewed by the chief operating decision maker. These operating results are prepared on a basis that excludes items considered to be non-underlying in nature. Note 3 of the condensed interim financial statements sets out the Group's reportable segments and sets out the reconciliations between these and the results reported in the income statement and balance sheet.
- *IAS 1 Presentation of Financial Statements (as revised)* has been adopted. This has resulted in a revision to the Group's primary financial statements, but has not affected its results or its net assets.
- *Revised IFRS 3 Business Combinations and Revised IAS 27 Consolidated and Separate Financial Statements* has been adopted and resulted in acquisition costs being expensed.
- *Revised IAS 23 Borrowing Costs, Amendments to IAS 32 Financial Instruments* and *IFRIC 16 Hedges of a Net Investment in a Foreign Operation* have been adopted but did not have a material effect on the amounts recognised in the financial statements.

3) Segment information

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

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

3) Segment information continued

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

	Revenue by geographic origin			Revenue by business segment		
	External revenue £m	Inter-segment revenue £m	Total segment revenue £m	Household £m	Personal Care £m	Total £m
6 months to 31 December 2009						
United Kingdom	**160.6**	**1.8**	**162.4**			
Western Continental Europe	**234.6**	**11.2**	**245.8**			
Eastern Continental Europe	**17.2**	**0.7**	**17.9**			
Eliminations/China**	**–**	**(13.7)**	**(13.7)**			
	412.4	**–**	**412.4**	**336.1**	**76.3**	**412.4**
6 months to 31 December 2008						
United Kingdom	159.7	1.8	161.5			
Western Continental Europe	216.0	9.2	225.2			
Eastern Continental Europe	16.5	0.8	17.3			
Eliminations/China**	–	(11.8)	(11.8)			
	392.2	–	392.2	319.2	73.0	392.2
Year ended 30 June 2009						
United Kingdom	308.4	3.0	311.4			
Western Continental Europe	452.4	17.4	469.8			
Eastern Continental Europe	31.6	1.6	33.2			
Eliminations/China**	–	(22.0)	(22.0)			
	792.4	–	792.4	648.5	143.9	792.4

3) Segment information continued

	Segment profit		
	6 months to 31 Dec 2009 £m	Restated* 6 months to 31 Dec 2008 £m	Restated* Year ended 30 Jun 2009 £m
By geographic origin			
United Kingdom	**11.1**	9.3	17.5
Western Continental Europe	**17.8**	7.2	23.3
Eastern Continental Europe	**1.4**	1.0	1.8
Eliminations/China**	**(0.2)**	–	(0.4)
	30.1	17.5	42.2
By business segment			
Household	**26.4**	14.3	36.0
Personal Care	**3.7**	3.2	6.2
	30.1	17.5	42.2

* On adoption of IFRS 8, 6 months to 31 Dec 2008 and year to 30 June 2009 have been restated to remove management charges which are not included in segment profit reported to the chief operating decision maker.

** Includes China £0.6m Household sales (6 months to 31 Dec 2008 £nil, year ended 30 Jun 2009 £0.4m) which are all intergroup, and China operating loss of £(0.2)m (6 months to 31 Dec 2008 £nil, year ended 30 Jun 2009 £(0.4m).

Reconciliation of segment profit to reported profit before tax

	6 months to 31 Dec 2009 £m	Restated* 6 months to 31 Dec 2008 £m	Restated* Year ended 30 Jun 2009 £m
Total segment profit*	**30.1**	17.5	42.2
Amortisation of intangible assets	**(1.0)**	(0.8)	(1.7)
Corporate costs	**(3.6)**	(3.2)	(6.0)
Exceptional items	**–**	(5.7)	(7.1)
Reported operating profit	**25.5**	7.8	27.4
Net financing costs	**(3.0)**	(2.8)	(5.2)
Reported profit before tax	**22.5**	5.0	22.2

* On adoption of IFRS 8, 6 months to 31 Dec 2008 and year to 30 June 2009 have been restated to remove management charges which are not included in segment profit reporting to the chief operating decision maker.

Segment assets

	6 months to 31 Dec 2009 £m	6 months to 31 Dec 2008 £m	Year ended 30 Jun 2009 £m
United Kingdom	**177.4**	169.0	167.9
Western Continental Europe	**248.8**	296.4	240.0
Eastern Continental Europe	**21.3**	23.1	18.7
Segment assets	**447.5**	488.5	426.6
Corporate assets	**7.0**	1.5	4.7
Total assets	**454.5**	490.0	431.3

3) Segment information continued

Segment liabilities

	6 months to 31 Dec 2009 £m	6 months to 31 Dec 2008 £m	Year ended 30 Jun 2009 £m
United Kingdom	**(100.2)**	(94.7)	(99.5)
Western Continental Europe	**(140.7)**	(150.3)	(143.7)
Eastern Continental Europe	**(5.6)**	(6.5)	(5.1)
Segment liabilities	**(246.5)**	(251.5)	(248.3)
Corporate liabilities[1]	**(80.2)**	(114.6)	(64.5)
Total liabilities	**(326.7)**	(366.1)	(312.8)

[1] Corporate liabilities include external debt and tax liabilities.

	6 months to 31 Dec 2009 £m	6 months to 31 Dec 2008 £m	Year ended 30 Jun 2009 £m
Capital expenditure*			
United Kingdom	**9.6**	5.0	9.4
Western Continental Europe	**7.0**	2.0	10.3
Eastern Continental Europe	**0.7**	0.3	0.8
Corporate	**0.1**	0.1	–
	17.4	7.4	20.5
Amortisation and depreciation			
United Kingdom	**4.6**	4.4	8.6
Western Continental Europe	**10.0**	7.8	16.1
Eastern Continental Europe	**0.4**	0.4	0.7
Corporate	**0.1**	–	0.1
	15.1	12.6	25.5

* Capital expenditure includes property, plant and equipment, intangible assets and additionally for the 6 months to 31 Dec 2009 the amount paid in respect of the acquisition of Homepride Limited, which is shown within United Kingdom.

Segmental information is also presented below in respect of external revenue by destination.

	6 months to 31 Dec 2009 £m	6 months to 31 Dec 2008 £m	Year ended 30 Jun 2009 £m
External revenue by destination			
United Kingdom	**151.0**	149.8	290.1
Western Continental Europe	**235.0**	211.9	442.1
Eastern Continental Europe	**26.4**	30.5	60.2
	412.4	392.2	792.4

4) Acquisitions

On 4 December 2009, the Group acquired 100% of the share capital of Homepride Limited for a gross consideration of £4.9m. As a result of the proximity of the acquisition date to the 31 December 2009 period end, the fair value of the Homepride identifiable assets and liabilities have been prepared on a provisional basis. In accordance with *IFRS 3 Business Combinations*, management has up to one year from the date of acquisition to finalise these fair values.

On a provisional basis, Homepride's identifiable net assets at the acquisition date were £0.8m and this resulted in the recognition of £4.1m of goodwill and other intangible assets.

5) Taxation

The £5.7m tax charge for the half year ended 31 December 2009 (half year ended 31 December 2008: £1.3m, year ended 30 June 2009: £5.6m) consists of £1.6m (half year ended 31 December 2008: £0.5m, year ended 30 June 2009: £2.0m) of UK tax and £4.1m (half year ended 31 December 2008: £0.8m, year ended 30 June 2009: £3.6m) of overseas tax. The Group's consolidated effective tax rate for the half year ended 31 December 2009 was 25% (half year ended 31 December 2008: 26%, year ended 30 June 2009: 25%).

6) Earnings per ordinary 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 period in accordance with IAS 33.

		6 months to 31 Dec 2009	6 months to 31 Dec 2008	Year ended 30 Jun 2009
Total earnings (£m)	a	**16.8**	3.7	16.6
Weighted average number of ordinary shares	b	**180,271,520**	180,288,282	180,288,282
Basic earnings per share (pence)	a/b	**9.3**	2.1	9.2

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on assumption of conversion of all potentially dilutive ordinary shares. The Company has two categories of potentially dilutive ordinary shares: share awards with no option price and shares allocated to an approved Save As You Earn scheme. In the prior year the Company additionally had share options issued whose exercise price was less than the average price of the Company's ordinary shares during the period.

		6 months to 31 Dec 2009	6 months to 31 Dec 2008	Year ended 30 Jun 2009
Weighted average number of ordinary shares (million)	b	**180.3**	180.3	180.3
Effect of dilutive share options (million)		**–**	0.2	0.2
Effect of dilutive share awards (million)		**1.0**	2.0	1.0
Effect of dilutive SAYE scheme shares (million)		**1.0**	–	–
	c	**182.3**	182.5	181.5
Diluted earnings per share (pence)	a/c	**9.2**	2.0	9.1

6) Earnings per ordinary share continued

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

		6 months to 31 Dec 2009 £m	6 months to 31 Dec 2008 £m	Year ended 30 Jun 2009 £m
Earnings used to calculate basic and diluted EPS	a	**16.8**	3.7	16.6
Exceptional items after tax		**–**	4.2	5.3
Amortisation of intangible assets after tax		**0.8**	0.6	1.3
Earnings before exceptional items and amortisation of intangible assets	d	**17.6**	8.5	23.2
Adjusted basic earnings per share (pence)	d/b	**9.8**	4.7	12.9
Adjusted diluted earnings per share (pence)	d/c	**9.7**	4.7	12.8

7) Reconciliation of net cash flow to movement in net debt

	6 months to 31 Dec 2009 £m	6 months to 31 Dec 2008 £m	Year ended 30 Jun 2009 £m
Increase/(decrease) in cash and cash equivalents in the period	**6.9**	3.4	(9.1)
Cash outflow from movement in debt	**8.3**	10.1	33.7
Movement on finance leases	**0.4**	0.4	0.9
Change in net debt resulting from cash flows	**15.6**	13.9	25.5
Translation differences	**(2.6)**	(15.3)	(4.6)
Movement in net debt in the period	**13.0**	(1.4)	20.9
Net debt at the beginning of the period	**(82.4)**	(103.3)	(103.3)
Net debt at the end of the period	**(69.4)**	(104.7)	(82.4)

8) Repayment of borrowings

The net amounts repaid and drawn down during the period were £13.9m (half year ended 31 December 2008: £12.0m, year ended 30 June 2009: £40.8m) and £5.6m (half year ended 31 December 2008: £1.9m, year ended 30 June 2009: £7.1m) respectively.

Financial calendar for the year ending 30 June 2010

Dividends

Interim	Announcement	4 February 2010
	Payment	28 May 2010
Final	Announcement	September 2010
	Payment	November 2010

Results

Interim	Announcement	4 February 2010
Preliminary statement for full year	Announcement	September 2010
Report and Accounts	Circulated	September 2010
Annual General Meeting	To be held	October 2010

Exchange rates

The exchange rates used for conversion to Sterling were as follows:

	6 months to 31 Dec 2009	6 months to 31 Dec 2008	Year ended 30 June 2009
Average rate:			
Euro	**1.13**	1.23	1.17
Polish Zloty	**4.72**	4.33	4.67
Czech Koruna	**29.0**	30.3	30.4
Hungarian Forint	**305**	306	315
Closing rate:			
Euro	**1.13**	1.03	1.17
Polish Zloty	**4.62**	4.26	5.24
Czech Koruna	**29.7**	27.8	30.5
Hungarian Forint	**304**	275	320

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