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McBride PLC
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McBride plc

3 September 2013

McBride plc, Europe's leading provider of Private Label Household and Personal Care products, announces its results for the year ended 30 June 2013

SUMMARY

£ million, unless stated otherwise	2013	2012
Revenue	**761.4**	813.9
Revenue (constant currency)[(1)]	**761.4**	803.0
Operating profit	**15.4**	18.1
Adjusted operating profit[(1)]	**24.0**	29.5
Adjusted operating margin[(1)]	**3.2%**	3.6%
Diluted earnings per share	**3.2p**	5.0p
Adjusted diluted earnings per share[(1)]	**7.5p**	9.7p
Payments to shareholders (per ordinary share)[(2)]	**5.0p**	5.0p
Cash flow from operations (before exceptional items)	**39.3**	39.5
Year-end net debt	**86.8**	81.2
Return on capital employed[(1)]	**12.4%**	14.7%

(1) An explanation of these performance measures is presented on page 15.

(2) Subject to shareholder approval at the Company's AGM on 14 October 2013, the Board recommends a final payment for the year to shareholders
of 3.3p per ordinary share to be remitted through the B Share scheme.

- 5% revenue decline for the full year at constant currency due to the winding down of selected contract manufacturing activities, as previously announced
- Second half product launch programme successfully executed
- Consequently, Private Label revenue returning to growth of 2% in the second half, reversing the 2% decline in the first half, and with growth in revenue from Core and Future Growth categories of 3% for the year
- Adjusted operating profit down 19%
- Net cash generated from operations of £39.3 million, before the cash outflow on exceptional items of £8.4 million
- Proposed full year payments to shareholders maintained at 5.0p per ordinary share
- Successful implementation of Group reorganisation allows executive responsibilities to be re-focused with the CEO driving the focus on growth and the CFO cost competitiveness

Chris Bull, Chief Executive Officer, commented:

"This has been a challenging year, during which we have wound down selected contract manufacturing business, whilst also facing an increase in branded competition as we

reported in our March trading statement. Despite this, we have started to make good progress, with our successful product launch programme contributing to Private Label revenue growth of 2% in the second half.

Although the economic environment remains challenging, we are seeing Private Label retail sales volumes grow in a number of our core markets. We are committed to pursuing Private Label as a strategic growth opportunity, whilst ensuring that we continue to be increasingly cost competitive across all our activities. As a consequence, we have reorganised our executive responsibilities to enable both objectives to be realised in full.

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

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Overview

We achieved Private Label revenue growth in the second half of the year, whilst continuing to meet our restructuring and operational excellence targets in full.

- Revenue declined 6%, and by 5% on a constant currency basis, as a consequence of the previously announced wind-down in selected contract manufacturing activities. Core and Future Growth categories now make up 49% of total Private Label revenue, up from 47% last year.
- Raw material costs have been broadly stable. Adjusted operating profit[1] improved during the second half, from £11.6 million to £12.4 million, as Private Label revenue moved into growth.
- The previously-announced restructuring of our supply chain and functional structure was completed early in the year, and we continue to build our shared services organisation. The related pre-tax exceptional charge was £3.7 million. In addition, an impairment charge of £2.2 million was recognised in relation to our Etain bleach-manufacturing site, bringing total exceptional charges to £5.9 million.
- UK segmental revenue declined by 7% to £286.3 million (2012: £309.0m), reflecting the exit from low-margin Private Label contracts in the first half and deep discounted branded promotional activity in the second. Adjusted operating profit[1] declined to £14.9 million (2012: £20.1m) as a result, while adjusted operating margin declined from 6.5% to 5.2%.
- Western Europe segmental revenue declined by 9% to £409.9 million (2012: £448.7m), a decline of 6% at constant currency, due to the wind-down in a number of contract manufacturing activities. Adjusted operating profit[1] and margin declined slightly to £14.3 million and 3.5% (2012: £16.5m and 3.7%) with the effect of lower revenue partly offset by restructuring benefits.
- Rest of the World segmental revenue increased by 16% to £65.2 million (2012: £56.2m), also an increase of 16% at constant currency, driven by strong growth in Private Label sales in Poland. Adjusted operating profit[1] and margin increased to £2.0 million and 3.1% (2012: £0.3m and 0.5%) as a result of revenue growth and improved operational efficiency.
- Year-end net debt was £86.8 million (2012: £81.2m) with a cash inflow from operations of £39.3 million, offset by continued investment in capital expenditure and restructuring projects, and tax, interest and payments to shareholders.
- It is proposed to maintain the full year payments to shareholders at 5.0p per ordinary share (2012: 5.0p).

(1) An explanation of these performance measures is presented on page 15.

Outlook

Whilst we do not anticipate significant softening of branded promotional activity, the return to growth of our Private Label business and the outperformance of revenue from our Core and Future Growth categories is evidence that McBride is successfully following the right strategy. Our new organisation is working, and is now highly focused on exploiting the Private Label opportunity for the benefit of our stakeholders.

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

Board responsibilities

One change to the Board was announced during the year. Steve Hannam joined as a Non-Executive Director on 4 February 2013. Steve is Chairman of Devro plc and is a non-executive director of Low and Bonar PLC.

Bob Lee will retire from the Board after the conclusion of the Annual General Meeting (AGM) following ten years service with the Company. I would like to thank Bob for his contribution during this time. Bob's Board responsibilities will be re-assigned with effect from the conclusion of the AGM. Steve Hannam will become Senior Independent Director and Sandra Turner, Chair of the Remuneration Committee.

Having successfully implemented the reorganisation of the Group, Chris Bull will now focus on driving our growth. Richard Armitage will lead the drive for cost leadership and will take responsibility for Manufacturing, Distribution and Procurement with immediate effect, as well as continuing to lead the development of the Group's new shared services organisation and performing his responsibilities as CFO.

Commercial Review

Market overview

In the 52-week period ended 9 July 2013, total retail sales volumes in the UK Household category grew by less than 2%. UK Private Label market volume grew slightly below the broader market at 1%, but volume share remained broadly stable at 29% over the period.

Private Label outperformed in the Core categories of machine dishwashing, laundry liquids and cleaners, where McBride's New Product Development (NPD) projects are delivering strongly. Private Label machine dishwashing increased volume share by approximately 2% to 37%, laundry liquids increased by 1% to 20%, and cleaners increased by 3% to hold a 29% volume share. Private Label bleach volumes grew by 9% to hold a 54% volume share of the UK market.

In France, total Household category volumes for the 52-week period ended 30 June 2013 were flat, reflecting the highly competitive trading environment, whilst Private Label volumes were marginally lower, down 0.1%. The resulting overall Private Label Household products volume share remained broadly stable at 32% (2012: 32%). In Italy, the Household market remained highly competitive, declining 2%, with Private Label volumes down 4%, resulting in Private Label volume share reduced to just below 24% (2012: 24%).

In Germany, Private Label volume grew 1%, compared to the overall market which declined by 1%, resulting in Private Label volume share increasing to just over 42%. In Poland, Euromonitor reported Household Private Label sales were up 12% year-on-year, reaching 7% market value share.

In Personal Care, the UK market was down 1% compared to the prior year in the 52-week period ended 9 July 2013, with Private Label volumes down 2% due to the continuing high level of promotional activity in the sector. Overall, Private Label volume share of the UK Personal Care market was broadly flat at 18%. The overall market for Personal Care products in France was down 1% for the 52-week period ended 30 June 2013, with Private Label volumes down 4%, resulting in a Private Label volume share of 20%.

Business performance

McBride's revenue declined by 5% in the year on a constant currency basis. Our programme of product launches resulted in Private Label revenue growth of 2% in the second half, reversing the 2% decline in the first half. Growth of 3% (on a constant currency basis) in our Core and Future Growth categories was also supported by our programme of new product launches, and those categories now account for 49% (2012: 47%) of total Private Label revenue. Our first pan-European product launch, using our innovative fast-dissolving machine dishwashing tablets, was particularly pleasing with category revenue growth of approximately 19% compared to the prior year.

In the UK, Private Label revenue declined by 9% reflecting the strategic exit from low-margin Private Label contracts in the first half, and deeply discounted branded promotional activity in the second half. In France, our largest market in Continental Europe, revenues were down 1% as a result of the wind-down of selected contract manufacturing activity announced early in the year. In Italy, Private Label revenue was down 4% reflecting the particularly weak economic environment, in which the overall Household category revenue was down 2% and Private Label volumes were 4% lower year-on-year. Our German businesses achieved strong performance with revenue growth of 42% and we continue to make substantial inroads into the largest market in Europe. Overall, Private Label revenue across our Western European market was 2% lower.

Developing and emerging market revenues now account for 11% of Group revenue (2012: 9%). In Eastern Europe, our Polish business achieved another strong performance with Private Label revenue growth of 24% underpinning the overall Rest of the World revenue growth of 16%.

We have continued to grow our business in Asia. Some encouraging new business wins, and several new product launches, with both national and multinational retailers, have helped to boost sales in the region. We have made strong progress in Australia with contract wins on products supplied from our Malaysian and European factories. We have also taken important steps to build our Private Label business, and will shortly be launching Private Label household cleaners into the Chinese market. Upgrades to our facilities in Malaysia and Vietnam are underway. At the same time, our Asia business continues to grow contract manufacturing for brands developed and marketed by our customers in the region.

Group contract manufacturing revenue, however, declined by 27% as a consequence of the wind-down of selected contracts in Western Europe. This was a major factor in the overall decline in the Group's revenue.

Customer focus

The objective of our new organisation is to strengthen our relationships with the major retailers across Europe as well as in our developing and emerging markets. This will be achieved through aligning regional Business Units (BUs) with groups of customers, then focusing the BU teams on helping customers grow their Private Label sales. We continue to work closely with all our customers through dedicated account teams that offer category management advice, the development of tailor-made Private Label ranges and active support for in-store activities.

Customer service level (CSL) is a critical measure for our business and is monitored across all product segments. Our aim is always to deliver the products ordered by the customer in the correct volumes and to the agreed timescales, which can be as short as 24 hours. Rapid growth outstripping capacity in Eastern Europe, combined with some plant- specific mechanical failures, led to a temporary decline in service around the middle of the year. We took swift action to recover CSL by holding higher levels of stock, moving certain busy production lines to 24/7 running and making selective investments to increase blow moulding capacity in Poland resulting in CSL recovering in the fourth quarter to 97%. Our CSL remained at 96% (2012: 96%) for the year as a whole. This is below our internal target of a sustained CSL of 98% and will continue to be a key focus area of improvement in the future.

Category management

The role of category management is to design, develop and implement strategies to deliver profitable category growth. The Group-wide category management approach aims to provide guidance and support to the BUs by sharing knowledge about consumer and shopper behaviour and needs, developing successful Group category strategies and ensuring focused and well-resourced support for key initiatives, such as customer tenders. Our investment in category management skills and expertise is delivering a competitive advantage and is highly valued by our customers, following a number of recent product developments and launches in areas such as laundry, machine dishwashing and cleaner categories.

Operational review

Cost efficiency

The Group's Operations structure is responsible for managing the total supply chain including Manufacturing, Warehousing and Distribution, Sales and Operations Planning (S&OP), Purchasing and Quality on a Group-wide basis. By operating as a single Group-wide organisation, it aims to leverage the Group's scale allowing us to optimise the use of our resources and increase our efficiency.

The restructuring of the Group's supply chain has seen the business focus production capacity on 14 sites in Europe (from 19 three years ago) and on three sites in South East Asia, facilitating a more efficient and effective utilisation of existing capacity. For example, we have been able to increase Private Label production for UK, French, German, and Turkish customers from our Foetz facility, replacing contract manufacturing volume released at the site.

Our ongoing focus on Operational Excellence means that we have successfully met our Year 2 targets.

The Group has implemented Lean initiatives and has reduced the complexity of our product range to drive down the cost of our manufacturing operations, with the resulting efficiency improvements contributing to significantly higher volume outputs at a number of our sites.

At Strzelce in Poland, volumes are up 21% year-on-year to over 100,000 tonnes to meet the growing demand for Private Label products in Central and Eastern Europe. Strzelce is now the third largest production facility by volume in the Group. The implementation of Lean projects has had tangible results with material usage reduced through improvements within mixing and filling processes as well as light-weighting of bottles across the product ranges.

Our Middleton site has improved the supply of bottle volumes from blow moulding to filling thereby enabling us to maximise the output of the high-speed filling lines. It has allowed us to make significant reductions to the operational headcount at the site whilst increasing production capacity and delivering greater flexibility to meet demand peaks.

At Moyaux, the deployment of Operational Excellence tools has increased the capacity of our large skillet filling line by 25% and reduced wastage levels by improving our recycling processes. This has allowed the factory to respond rapidly to market demands for laundry powder in the second half of the year.

The Group invested £15.0 million of capital expenditure during the year to support NPD initiatives in machine dishwashing capacity, efficiency improvements and capacity expansion projects.

Material cost management

Over the past year, uncertainty over expectations for global economic growth, political instability in the Middle East, capacity restructuring by suppliers and currency movements have led to movements in the market prices of a number of commodities. Against this background, McBride has followed its procurement strategy to achieve stable material costs through the year. We will invest further in our procurement talent and processes to ensure ongoing improvement in our capabilities in this critical area.

Environmental efficiencies

The Operations team have taken a number of initiatives to improve environmental performance and energy efficiencies across the Group, including the appointment of Energy Champions at all our manufacturing sites to share best practice.

We have continued to make progress on our waste reduction targets, Group water usage and efficiency and total energy consumption.

Waste as a percentage of total production reduced to 1.4% (2012: 1.6%). Recycled, reused and recovered waste now accounts for 84% of all waste generated (2012: 78%) with waste to landfill also having been reduced.

Group water usage and efficiency further improved with total water used down 2% and our water efficiency up to 1,027 kgs production per m^3 water (2012: 1,009 kgs production per m^3 water).

Our total energy consumption was broadly flat, with growth in energy usage in our factories in the developing and emerging markets offsetting lower energy usage at our operations in our mature Western European markets.
Whilst oil and gas consumption increased due to heating requirements in the cold winter spell across Europe, our electricity consumption was down 3% due to the combination of lower volumes and initiatives in the factories on energy reduction targets.

The overall impact of our operations for Scope 1 and Scope 2 emissions was 61,169 tonnes of CO_2e emissions (2012: 61,542 tonnes of CO_2e). Green energy used in our Belgium factories accounted for 19% of the Group's total demand giving a net CO_2e impact of 52,005 tonnes of CO_2e.

In terms of eco efficiency, energy usage was 1% lower at 1,482 kgs per G-joules (2012: 1,493 kgs per G-joules) with CO_2e efficiency marginally improved to 16,836 kg product per tonne CO_2 e (2012: 16,800 kg product per tonne).

Research & Development review

New product development

During the year, the R&D teams have continued to drive innovation resulting in several key consumer test wins, including Stiwa in Germany and Nordic Swan approvals for Scandinavia, together with a number of timely product launches across Europe in the second half of the year. These wins are the result of the successful work of the R&D and category teams and demonstrate our technical leadership position in a number of Household and Personal Care categories.

Being first to market in Private Label continues to be essential to the continued success of our business. We expect that NPD initiatives and ground-breaking Private Label innovation will continue to feed our product launch pipeline, drive improvements in competitiveness and maximise our growth opportunities within Private Label, not only in the mature markets of Western Europe but also in the developing and emerging markets of Eastern Europe and Asia Pacific.

People

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 objective:

- Engage our people;

- Focus on our customers; and
- Drive our performance.

The Group-wide Commercial, Operations and R&D functions are supported by Finance, Information Systems and Human Resources specialists. Our aim is to recruit, retain and develop the best people available. We achieve this by actively developing our staff through a number of Group-wide programmes, promoting from within where possible, but not hesitating to recruit external expertise to fill important skill gaps.

We are pleased that Martin Nederhoed joined us as Chief Commercial Officer on 19 August 2013.

We have reviewed our methodology for health and safety reporting during the year. The number of greater than three day lost time accidents was 116 (2012: 97), and the frequency per 100,000 hours worked was 1.4 (2012: 1.0). This represents a small deterioration after the previous three years of strong improvement and we are refocusing our efforts to regain the positive trend.

Sustainability and the environment

The Group is active in developing products and packaging that will protect our environment. Our new machine dishwashing sachets enable effective cleaning at lower temperatures, while we continue to reduce the environmental impact of our liquid products through minimising packaging wherever possible. Our Group Sustainability team oversees activities to reduce water and energy usage and waste, and we continue to meet the requirements of the FTSE4Good Index and the A.I.S.E. Charter for sustainable cleaning.

McBride is fully committed, where possible, to deliver our customers' requirements with regard to sustainable palm oil. We currently purchase Green Palm certificates in support of the Roundtable on Sustainable Palm Oil (RSPO) for a number of leading retailers' products.

Objectives for the current year

Our new Group organisation will allow us to exploit fully the Group's scale and the opportunity for Private Label growth presented by our market environment. The Group believes that our strong pipeline of new product launches in Private Label in the second half of the financial year leaves the Group well placed to return to organic growth in the next financial year.

The Group will achieve this by focusing on five priorities:

- driving Group revenue growth by building our new product launch pipeline;
- leveraging our unique capabilities to grow substantially in the mass markets of Central and Eastern Europe and to build for the future in Asia Pacific;
- restoring profitability in the UK and Western Europe through selective category growth and re-shaping of the cost base;
- capturing the substantial Supply Chain synergies made possible through the Group reorganisation; and
- utilising our well-developed competencies in operational excellence, back-office processes and logistics management to drive ongoing and challenging cost reduction programmes.

Chris Bull
Chief Executive Officer

GROUP FINANCIAL REVIEW

Group summary

Revenue was £761.4 million compared with £813.9 million in 2012, a decline of 6%. On a constant currency basis, revenue in 2013 was 5% lower than in 2012. Adjusted operating profit fell by £5.5 million to £24.0 million (2012: £29.5m). Adjusted diluted earnings per share declined to 7.5 pence (2012: 9.7p).

Cash generated from operations before exceptional items was £39.3 million (2012: £39.5m). The cash outflow in relation to exceptional items was £8.4 million (2012: £6.7m). Year-end net debt increased to £86.8 million (2012: £81.2m).

Average capital employed was £193.6 million (2012: £201.4m) and the return on average capital employed was 12.4% (2012: 14.7%).

Segment analysis

While the Group is now managed on a functional basis, its markets are defined by geography. Accordingly, the Group's operating segments continue to be determined on a geographical basis. At the beginning of the financial year, we redefined our reportable segments and changed the basis on which we determine the results of each segment. Segment information for 2012 has been re-presented on a comparable basis. Details of these changes are set out in note 3 to the consolidated financial information.

Revenue

Group revenue declined compared with 2012, mainly as a consequence of the action we took to withdraw from
low-margin contract manufacturing and Private Label business and considerable promotional activity by manufacturers of branded Household products, particularly in the second half of the financial year. We experienced some recovery in sales volumes in the fourth quarter as a result of our own promotional activity and a significant number of new product launches.

Revenue by reportable segment was as follows:

	2013 **£m**	2012 £m	Increase/ (decrease)
UK	**286.3**	309.0	(7)%
Western Europe	**409.9**	448.7	(9)%
Rest of the World	**65.2**	56.2	16%
Total	**761.4**	813.9	(6)%

In the UK, the decline in revenue was primarily driven by the reduction in low-margin Private Label business and the effect of branded promotional activity in the third quarter. In Western Europe, revenue declined by 6% on a constant currency basis, principally due to the reduction in contract manufacturing business. The continuing weakness of the economic environment was also a factor, particularly in Western Europe.

In the Rest of the World, revenue increased by 16% on a constant currency basis. Our Private Label business in Poland achieved another strong performance with revenue growth of 24%. We continued to grow our business in Asia, with new business wins and several new product launches. We have also made strong progress in Australia.

Operating profit

Operating profit was £15.4 million, compared with £18.1 million in 2012. Adjusted operating profit was £24.0 million, compared with £29.5 million in 2012. Adjusted operating profit may be reconciled to operating profit as follows:

	2013 £m	2012 £m
Operating profit	**15.4**	18.1
Amortisation of intangibles	**1.1**	1.7
Change in contingent consideration	**1.6**	(1.9)
Exceptional items	**5.9**	11.6
Adjusted operating profit	**24.0**	29.5

Adjusted operating profit by reportable segment was as follows:

	2013 £m	2012 £m
UK	**14.9**	20.1
Western Europe	**14.3**	16.5
Rest of the World	**2.0**	0.3
Total segments	**31.2**	36.9
Corporate	**(7.2)**	(7.4)
Total Group	**24.0**	29.5

A reconciliation of adjusted operating profit to operating profit for each of the Group's reportable segments is presented in note 3 to the consolidated financial information.

Overall, the Group's adjusted operating margin declined to 3.2%, compared with 3.6% in 2012. It had improved in the first half of the year due to the exit from low-margin business and the effects of the Group's cost reduction programmes, but it declined in the second half in the face of promotional activity by our branded competitors.

In the UK, the adjusted operating margin declined to 5.2%, compared with 6.5% in 2012, as a consequence of the decline in sales volumes, though this was partly offset by the effect of the closure of our Burnley factory.

In Western Europe, the adjusted operating margin decreased slightly to 3.5%, compared with 3.7% in 2012. Although sales volumes were lower, we benefited from the significant cost reductions that resulted from the restructuring that was implemented at the beginning of the year.

In the Rest of the World, the adjusted operating margin increased substantially to 3.1%, compared with 0.5% in 2012, as a result of sales volume increases and improving operational efficiencies.

Exceptional items

During 2013, the Group recognised further exceptional costs of £3.0 million (2012: £4.6m) in relation to the creation of a functional structure with centralised support services that became effective on 1 July 2012. Also during the year, the Group recognised a net exceptional charge of £0.7 million (2012: £4.3m) to complete the rationalisation of its supply chain in Western Europe. Details of these exceptional costs are set out in note 4 to the consolidated financial information.

Following the annual impairment tests of goodwill carried out towards the end of the year, the Group recognised an impairment charge of £2.2 million in relation to the goodwill allocated to the Household liquids plant at Etain, France. Etain manufactures bleach for sale principally in northern France and in Belgium. Since Etain was acquired in 1999, the bleach market has matured and it has become a relatively low-growth business that generates low

margins. During 2013, the plant's sales did not meet expectations and, although new business is in the pipeline, its budgeted sales for 2014 are lower than the level achieved in 2013.

During 2012, an impairment charge of £2.7 million was recognised, which principally related to the goodwill and property, plant and equipment located at the Group's Skincare plant at Brno, Czech Republic.

Contingent consideration

At 30 June 2013, the Group recognised a liability of £5.6 million (2012: £3.6m) for the remaining consideration payable in relation to the acquisition of Dermacol a.s. in 2011, which is based on Dermacol's revenue in each financial year in the five-year period ending 30 June 2017 and on its operating profit for the financial year ending 30 June 2017.

At each balance sheet date, the Group remeasures the liability based on the latest forecasts of the revenue and operating profit of the business in the relevant financial years. During 2012, the Group reduced its estimate of the contingent consideration payable by £1.9 million, which corresponded with the impairment recognised in relation to Dermacol's manufacturing plant at Brno, Czech Republic. During 2013, the estimate was increased by £1.6 million to reflect improved expectations about the future performance of the business.

At 30 June 2012, the Group recognised a liability of £0.5 million in relation to contingent consideration payable on the acquisition of Fortlab Holdings Sdn Bhd, which was settled in August 2012.

Net finance costs

Net finance costs were £5.9 million (2012: £6.0m).

Interest payable on borrowings (including the effect of interest rate swaps) was £3.7 million, compared with £3.8 million in 2012. At 30 June 2013, the Group held interest rate swaps that had the effect of fixing the interest payable on
€55 million of its Euro-denominated borrowings at a weighted-average rate of 5.22%. Interest rate swaps with a notional principal amount of €45 million will mature during the next financial year and will be partially replaced by interest rate swaps bearing lower interest rates.

Net finance costs included £0.7 million (2012: £0.2m) in relation to post-employment benefit schemes as follows:

	2013 **£m**	2012 £m
Interest cost on benefit obligation	**(4.6)**	(5.0)
Expected return on scheme assets	**3.9**	4.8
Net finance cost	**(0.7)**	(0.2)

With effect from 1 July 2013, the Group will adopt IAS 19 (Revised 2011) which will change the accounting for the net finance cost in relation to post-employment benefit schemes. The Directors estimate that the effect of the revised standard in 2014 will be to reduce operating profit by £0.4 million and increase net finance costs by £0.7 million compared with what they would otherwise have been.

Profit before tax and taxation

Profit before tax was £9.5 million (2012: £12.1m) and the income tax expense was £3.6 million (2012: £3.0m).

Adjusted profit before tax was £18.4 million (2012: £23.7m) and the comparable income tax expense (excluding tax on the adjusting items) was £4.7 million, compared with £6.1 million in 2012. On this basis, the Group's effective tax rate was 26% (2012: 26%).

Earnings per share and payments to shareholders

Profit after tax was £5.9 million (2012: £9.1m).

Diluted earnings per share (EPS) was 3.2 pence, compared with 5.0p in 2012. Adjusted diluted EPS was also lower at 7.5 pence, compared with 9.7 pence in 2012.

The Board's policy with regard to payments to shareholders is that they should be sustainable paid out of earnings, and will, where possible, be progressive given the cyclical nature of the markets in which the Group operates.

Last year, shareholders approved the Board's recommendation that payments to shareholders should be re-based to 5.0 pence per share to ensure that the Group has the maximum financial resources available to it in order to exploit the opportunities for Private Label growth.

Subject to shareholder approval at the AGM, the Board proposes a final payment to ordinary shareholders of 3.3 pence per share (2012: 3.0p), to maintain the total payment for the year at 5.0 pence per share (2012: 5.0p), which is covered 1.5 times by adjusted diluted earnings per share (2012: 1.9 times). The total proposed payments to shareholders for the year amount to £9.1 million (2012: £9.0m). It is again proposed that the payment to shareholders will be in the form of redeemable B Shares.

Cash flow

Cash generated from operations before exceptional items was £39.3 million (2012: £39.5m). Working capital increased by £6.9 million during the year (2012: increased by £10.5m), principally due to a temporary increase in inventories in support of new product launches.

The cash outflow in relation to exceptional items was £8.4 million (2012: £6.7m). A further cash outflow of approximately £2.0 million is expected in 2014 in relation to exceptional costs recognised in 2013. Capital expenditure in the year was significantly lower at £16.2 million, compared with £26.4 million in 2012, principally due to the timing of our investment programmes.

Capital expenditure during the year was focused on supporting new product development in machine dishwash, efficiency improvements and providing additional blow moulding capacity in Poland. We expect more significant capital expenditure on capacity expansion during the next financial year.

Net interest payments decreased to £4.3 million (2012: £5.4m) mainly due to lower average levels of net debt than in the previous year.

Payments to shareholders on redemption of the B Shares issued to them decreased to £8.7 million (2012: £11.8m), reflecting the re-basing of those payments in 2012.

Net debt increased by £5.6 million during the year to £86.8 million (2012: £81.2m) as follows:

	2013 **£m**	2012 £m
Opening net debt	**(81.2)**	(83.7)
Cash generated from operations		
Before exceptional items	**39.3**	39.5
Exceptional items	**(8.4)**	(6.7)
Cash generated from operations	**30.9**	32.8
Capital expenditure	**(16.2)**	(26.4)

Sale of non-current assets	**0.4**	4.3
Net interest paid	**(4.3)**	(5.4)
Settlement of forward contracts	**(2.0)**	2.4
Tax paid	**(1.4)**	-
Free cash flow	**7.4**	7.7
Contingent consideration on acquisitions	**(0.5)**	(1.9)
Payments to shareholders	**(8.7)**	(11.8)
Issue of ordinary shares	**-**	2.6
Purchase of own shares	**-**	(1.1)
Currency translation differences	**(3.8)**	7.0
Movement in net debt	**(5.6)**	2.5
Closing net debt	**(86.8)**	(81.2)

Pensions

The Group operates a funded defined benefit pension scheme in the UK. During 2013, the triennial actuarial valuation as at 31 March 2012 was concluded by the trustee of the scheme. It showed a deficit on the scheme of £32.7 million, which the Group has agreed to fund by increasing its monthly contributions to the scheme over the period between now and April 2026. The Group expects to contribute £3.9 million to the scheme during 2014.

For accounting purposes, the Group is required to use assumptions that differ from those used by the trustee when measuring the deficit or surplus on the scheme. At 30 June 2013, the Group recognised a deficit on the UK scheme of £24.2 million (2012: £17.9m), the increase during the year principally being due to an increase in the long-term inflation assumption used to calculate the scheme's liabilities.

At 30 June 2013, the Group had other unfunded post-employment benefit obligations outside the UK that amounted to £1.8 million (2012: £1.6m).

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. The Group has a €175 million revolving credit facility, which is committed until June 2015. In addition, the Group has invoice discounting facilities in the UK, France and Belgium. In the UK, the £25 million facility was renewed during the year and is committed until August 2014. In France and Belgium, there is an aggregate €30 million facility, which has a rolling notice period of six months for the French part and three months for the Belgian part. The Group also has access to working capital facilities amounting to over £50 million, 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 acquisitions and contingencies.

	Facility	Drawn	Headroom
	£m	£m	£m

Committed facilities:			
- Revolving credit facility	150.0	(47.1)	102.9
- Invoice discounting facility	50.7	(28.2)	22.5
- Other	2.6	(2.6)	-
	203.3	(77.9)	125.4
Uncommitted facilities	50.1	(13.5)	36.6
Total facilities	253.4	(91.4)	162.0
Less:			
Uncommitted facilities			(50.1)
Committed headroom			111.9

The revolving credit facility is subject to covenants, representations and warranties that are customary for unsecured borrowing facilities, including two financial covenants. Debt Cover (the ratio of net debt to EBITDA) may not exceed 3:1 and Interest Cover (the ratio of EBITDA to net interest) may not be less than 4:1. For the purpose of these calculations, net debt excludes amounts drawn under the invoice discounting facilities and net interest comprises interest payments and receipts on net debt. The Group remains comfortably within these covenants. At 30 June 2013, the Debt Cover ratio was 1.25:1 and the Interest Cover ratio was 13.7:1 for 2013.

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, where we incur costs denominated in Euros on some of our 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 contracts 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 and caps, 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.

Positioned for growth

While trading conditions have been particularly difficult in the Group's developed markets during 2013, there was a significant recovery in the Group's sales in the fourth quarter.

We have taken action in recent years to reduce our supply chain costs and, as our sales volumes recover, we expect to see the benefits of these initiatives by way of improvements in the Group's operating margin. The Group's balance sheet remains strong with very significant committed borrowing headroom of £112 million on its committed borrowing facilities and the Group continues easily to meet the financial covenants on its committed facilities. We are therefore well positioned financially to develop further our core category businesses and to build on our momentum in developing and emerging markets.

Richard Armitage
Chief Finance Officer

PRINCIPAL RISKS AND UNCERTAINTIES

The Board regularly reviews the risks associated with the Group's activities and ensures that appropriate risk management processes to identify and mitigate the impact of such risks.

During the year, a refreshed and streamlined risk management process has been rolled out across the Group under the banner 'BRIM' (Business Risk Management). BRIM has the full support of the Board and is designed to be holistically aligned with the Group's new organisational structure. Each function has undertaken risk workshops and generated registers which detail the high priority risks within its area, together with the identification of key mitigating controls either already in existence or requiring further actions to implement. From these a Group Risk Summary has been compiled to highlight the strategic, over-arching, cross-functional and Group-wide risks deemed to be critical to the Company's growth and performance. These have been reviewed and approved by the Executive Management Team, the Audit Committee and the Board and form the basis of the Group's identified principal risks and uncertainties.

As a result of this process, the Board now considers the following to be the most significant risks faced by the Group: market competitiveness; unrecovered input costs; serious loss of volume; public product recall; degree of business change; human resource and employee retention; poor product design; and financial risks. These risks were among those outlined on pages 56 to 59 of the Annual Report and Accounts 2012.

PAYMENTS TO SHAREHOLDERS

The Board recommends a final payment for the year to shareholders of 3.3 pence per ordinary share. Subject to shareholder approval at the Company's AGM, the payment will be made by means of the allotment of 33 B Shares for every ordinary share held. The B Shares will be allotted on 29 November 2013 to ordinary shareholders on the register on 25 October 2013.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS
This announcement contains forward-looking statements that are subject to risk factors associated with, among other things the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this announcement will be realised.

The forward-looking statements reflect the knowledge and information available at the date of preparation of this announcement and the Company undertakes no obligation to update these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

PERFORMANCE MEASURES

Management uses a number of key performance indicators (KPIs) to measure the Group's performance and progress against its strategic objectives. The most important of these KPIs focus on the five key areas of organic revenue growth, trading profitability, return on capital employed, customer service level and waste efficiency.

Certain of these KPIs reflect adjustments to amounts determined in accordance with IFRSs. Adjustment is made for specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. During the period under review, adjustment was made for the amortisation of intangible assets and changes in the estimate of contingent consideration arising on business combinations, exceptional items, the unwind of the discount on the contingent consideration and the tax relating to those items.

Exceptional items are items that are material either individually or, if of a similar type, in aggregate and which, due to the nature or the infrequency of the events giving rise to them, are presented separately. During the period under review, exceptional items comprised reorganisation and restructuring costs and impairments of long-lived assets.

Adjusted performance measures are not defined by IFRSs and may differ from similarly-titled measures used by other companies.

Financial measures

Organic revenue growth
Change in revenue adjusted for the effect of exchange rate movements (constant currency) and the contribution of businesses acquired or sold.

Adjusted operating profit
Operating profit before adjusting items.

Adjusted operating margin
Adjusted operating profit as a percentage of revenue.

Adjusted diluted earnings per share
Profit attributable to shareholders before adjusting items divided by the average number of ordinary shares used for calculating diluted earnings per share.

Return on capital employed
Adjusted operating profit as a percentage of average year-end net assets excluding net debt.

Non-financial measures

Customer service level
Volume of products delivered in the correct volumes and within agreed timescales as a percentage of total volumes ordered by customers.

Waste efficiency
Tonnes of waste produced as a percentage of total production tonnage.

Consolidated income statement
For the year ended 30 June 2013

	Note	**2013** Adjusted £m	**2013** Adjusting items (see note 6) £m	**2013** Total £m	2012 Adjusted £m	2012 Adjusting items (see note 6) £m	2012 Total £m
Revenue	3	**761.4**	**-**	**761.4**	813.9	-	813.9
Cost of sales		**(514.3)**	**-**	**(514.3)**	(558.3)	-	(558.3)
Gross profit		**247.1**	**-**	**247.1**	255.6	-	255.6
Distribution costs		**(51.4)**	**-**	**(51.4)**	(52.4)	-	(52.4)
Administrative costs		**(171.7)**	**(8.6)**	**(180.3)**	(173.7)	(11.4)	(185.1)
Operating profit	3	**24.0**	**(8.6)**	**15.4**	29.5	(11.4)	18.1
Finance costs		**(9.6)**	**(0.3)**	**(9.9)**	(10.7)	(0.2)	(10.9)
Finance income		**4.0**	**-**	**4.0**	4.9	-	4.9
Net finance costs		**(5.6)**	**(0.3)**	**(5.9)**	(5.8)	(0.2)	(6.0)
Profit before tax		**18.4**	**8.9**	**9.5**	23.7	(11.6)	12.1
Taxation	5	**(4.7)**	**1.1**	**(3.6)**	(6.1)	3.1	(3.0)
Profit for the year attributable to the owners of the Company		**13.7**	**(7.8)**	**5.9**	17.6	(8.5)	9.1
Operating profit				***15.4***			*18.1*
Adjusted for:							
Amortisation of intangible assets	9			***1.1***			*1.7*
Change in contingent consideration	2			***1.6***			*(1.9)*
Exceptional items	4			***5.9***			*11.6*
Adjusted operating profit	3			***24.0***			*29.5*
Earnings per ordinary share	6						
Basic				**3.2p**			5.1p
Diluted				**3.2p**			5.0p

Consolidated statement of comprehensive income
For the year ended 30 June 2013

	2013 £m	Re-presented * 2012 £m
Profit for the year attributable to owners of the Company	**5.9**	9.1
Other comprehensive income/(expense):		
Items that may be reclassified to profit or loss:		
Currency translation differences on foreign subsidiaries	**5.5**	(13.4)
(Loss)/gain on net investment hedges	**(4.7)**	9.1
Gain/(loss) on cash flow hedges in the year	**0.4**	(4.4)
Loss on cash flow hedges transferred to profit or loss	**2.4**	0.8
Taxation relating to items above	**(0.7)**	0.8
	2.9	(7.1)
Items that will not be reclassified to profit or loss:		
Net actuarial loss on post-employment benefits	**(7.7)**	(5.8)
Taxation relating to items above	**1.5**	1.1

	(6.2)	(4.7)
Total other comprehensive expense	**(3.3)**	(11.8)
Total comprehensive income/(expense)	**2.6**	(2.7)

* Adoption of IAS 1 (Revised 2011) 'Presentation of Financial Statements'.

Consolidated balance sheet

As at 30 June 2013

	Note	**2013 £m**	2012 £m
Non-current assets			
Goodwill	9	**30.8**	32.6
Other intangible assets	9	**3.3**	3.1
Property, plant and equipment	10	**173.6**	175.6
Derivative financial instruments		**0.1**	0.2
Deferred tax assets		**5.5**	2.1
Other non-current assets		**0.6**	0.6
		213.9	214.2
Current assets			
Inventories		**85.2**	72.1
Trade and other receivables		**144.5**	143.1
Derivative financial instruments		**0.9**	0.6
Cash and cash equivalents		**4.9**	12.4
Assets classified as held for sale		**1.3**	1.6
		236.8	229.8
Total assets		**450.7**	444.0
Current liabilities			
Trade and other payables		**197.9**	190.8
Borrowings		**41.9**	48.9
Derivative financial instruments		**0.7**	2.4
Current tax liabilities		**9.0**	3.8
Provisions	12	**2.3**	7.0
		251.8	252.9
Non-current liabilities			
Trade and other payables		**5.6**	3.6
Borrowings		**49.8**	44.7
Derivative financial instruments		**1.5**	2.2
Pensions and other post-employment benefits	11	**26.0**	19.5
Provisions	12	**0.5**	0.4
Deferred tax liabilities		**8.8**	8.3
		92.2	78.7
Total liabilities		**344.0**	331.6
Net assets		**106.7**	112.4
Equity			
Issued share capital		**18.3**	18.3
Share premium account		**120.6**	129.2
Other reserves		**22.4**	10.8
Accumulated loss		**(55.2)**	(46.5)
Equity attributable to owners of the Company		**106.1**	111.8
Non-controlling interests		**0.6**	0.6
Total equity		**106.7**	112.4

Consolidated cash flow statement

For the year ended 30 June 2013

	Note	2013 £m	2012 £m
Operating activities			
Profit before tax		**9.5**	12.1
Net finance cost		**5.9**	6.0
Change in contingent consideration		**1.6**	(1.9)
Exceptional items	4	**5.9**	11.6
Share-based payments		**0.1**	0.3
Profit on sale of non-current assets		**-**	(1.0)
Depreciation of property, plant and equipment		**23.9**	23.5
Amortisation of intangible assets		**1.1**	1.7
Operating cash flow before changes in working capital		**48.0**	52.3
Decrease in receivables		**2.7**	0.2
(Increase)/decrease in inventories		**(10.3)**	3.0
Increase/(decrease) in payables		**0.7**	(13.7)
Operating cash flow after changes in working capital		**41.1**	41.8
Additional cash funding of pension schemes	11	**(1.8)**	(2.3)
Cash outflow in respect of exceptional items		**(8.4)**	(6.7)
Cash generated from operations		**30.9**	32.8
Interest paid		**(4.3)**	(5.5)
Taxation paid		**(1.4)**	-
Net cash from operating activities		**25.2**	27.3
Investing activities			
Proceeds from sale of non-current assets		**0.4**	4.3
Purchase of property, plant and equipment		**(15.0)**	(25.2)
Purchase of intangible assets		**(1.2)**	(1.2)
Acquisition of subsidiaries		**(0.5)**	(1.9)
Interest received		**-**	0.1
Settlement of derivatives used in net investment hedges		**(2.0)**	2.4
Net cash used in investing activities		**(18.3)**	(21.5)
Financing activities			
Proceeds from issue of ordinary shares		**-**	2.6
Purchase of own shares		**-**	(1.1)
Redemption of B Shares		**(8.7)**	(11.8)
Drawdown of bank loans		**85.7**	17.5
Repayment of bank loans		**(99.5)**	(7.2)
Capital element of finance lease rentals		**(0.1)**	(0.4)
Net cash used in financing activities		**(22.6)**	(0.4)
(Decrease)/increase in net cash and cash equivalents		**(15.7)**	5.4
Net cash and cash equivalents at the start of the year		**7.6**	2.6
Currency translation differences		**(0.2)**	(0.4)
Net cash and cash equivalents at the end of the year		**(8.3)**	7.6
Net cash and cash equivalents comprise:			
Cash and cash equivalents		**4.9**	12.4
Overdrafts		**(13.2)**	(4.8)
Net cash and cash equivalents at the end of the year		**(8.3)**	7.6

Reconciliation of net cash flow to movement in net debt

For the year ended 30 June 2013

	Note	2013 £m	2012 £m
(Decrease)/increase in net cash and cash equivalents		**(15.7)**	5.4

Net repayment/(drawdown) of bank loans		**13.8**	(10.3)
Capital element of finance lease rentals		**0.1**	0.4
Change in net debt resulting from cash flows		**(1.8)**	(4.5)
Currency translation differences		**(3.8)**	7.0
Movement in net debt in the year		**(5.6)**	2.5
Net debt at the beginning of the year	8	**(81.2)**	(83.7)
Net debt at the end of the year	8	**(86.8)**	(81.2)

Consolidated statement of changes in equity

For the year ended 30 June 2013

			Other reserves						
	Issued share capital £m	Share premium account £m	Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m	Accumulated loss £m	Equity attributable to owners of the Company £m	Non-controlling interests £m	Total equity £m
At 30 June 2011	18.1	139.9	(0.7)	2.8	4.0	(39.3)	124.8	0.6	125.4
Year ended 30 June 2012									
Profit for the year	-	-	-	-	-	9.1	9.1	-	9.1
Other comprehensive income/(expense)									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	-	-	-	(13.4)	-	-	(13.4)	-	(13.4)
Gain on net investment hedges	-	-	-	9.1	-	-	9.1	-	9.1
Loss on cash flow hedges in the year	-	-	(4.4)	-	-	-	(4.4)	-	(4.4)
Loss on cash flow hedges transferred to profit or loss	-	-	0.8	-	-	-	0.8	-	0.8
Taxation relating to items above	-	-	0.8	-	-	-	0.8	-	0.8
	-	-	(2.8)	(4.3)	-	-	(7.1)	-	(7.1)
Items that will not be reclassified to profit or loss:									
Net actuarial loss on post-employment benefits				-	-	(5.8)	(5.8)	-	(5.8)
Taxation relating to item above	-	-	-	-	-	1.1	1.1	-	1.1
	-	-	-	-	-	(4.7)	(4.7)	-	(4.7)
Total other comprehensive expense	-	-	(2.8)	(4.3)	-	(4.7)	(11.8)	-	(11.8)
Total comprehensive income/(expense)	-	-	(2.8)	(4.3)	-	4.4	(2.7)	-	(2.7)
Transactions with owners of the Company									
Issue of B shares	-	(12.2)	-	-	-	-	(12.2)	-	(12.2)
Redemption of B shares	-	-	-	-	11.8	(11.8)	-	-	-
Share-based payments	-	-	-	-	-	0.5	0.5	-	0.5
Purchase of own shares	-	-	-	-	-	(1.1)	(1.1)	-	(1.1)
Transfer of own shares	-	-	-	-	-	0.9	0.9	-	0.9
Shares issued on exercise of share options	0.2	1.5	-	-	-	-	1.7	-	1.7
Taxation relating to items above	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)
At 30 June 2012	18.3	129.2	(3.5)	(1.5)	15.8	(46.5)	111.8	0.6	112.4
Year ended 30 June 2013									
Profit for the year	-	-	-	-	-	5.9	5.9	-	5.9
Other comprehensive income/(expense)									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	-	-	-	5.5	-	-	5.5	-	5.5
Loss on net investment hedges	-	-	-	(4.7)	-	-	(4.7)	-	(4.7)
Gain on cash flow hedges in the year	-	-	0.4	-	-	-	0.4	-	0.4
Loss on cash flow hedges transferred to profit or loss	-	-	2.4	-	-	-	2.4	-	2.4
Taxation relating to items above	-	-	(0.7)	-	-	-	(0.7)	-	(0.7)
	-	-	2.1	0.8	-	-	2.9	-	2.9
Items that will not be reclassified to profit or loss:									
Net actuarial loss on post-employment benefits				-	-	(7.7)	(7.7)	-	(7.7)
Taxation relating to item above	-	-	-	-	-	1.5	1.5	-	1.5
	-	-	-	-	-	(6.2)	(6.2)	-	(6.2)
Total other comprehensive income/(expense)	-	-	2.1	0.8	-	(6.2)	(3.3)	-	(3.3)
Total comprehensive income/(expense)	-	-	2.1	0.8	-	(0.3)	2.6	-	2.6
Transactions with owners of the Company									
Issue of B shares	-	(8.6)	-	-	-	-	(8.6)	-	(8.6)
Redemption of B shares	-	-	-	-	8.7	(8.7)	-	-	-
Share-based payments	-	-	-	-	-	0.1	0.1	-	0.1
Transfer of own shares	-	-	-	-	-	0.3	0.3	-	0.3
Taxation relating to items above	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)
At 30 June 2013	**18.3**	**120.6**	**(1.4)**	**(0.7)**	**24.5**	**(55.2)**	**106.1**	**0.6**	**106.7**

At 30 June 2013, the accumulated loss included a deduction of £0.8 million (2012: £1.2m) for the cost of own shares held in relation to employee share schemes.

Notes to the consolidated financial information

For the year ended 30 June 2013

1. Basis of preparation

The financial information on pages 16 to 28 is derived from the Group's consolidated financial statements for the year ended 30 June 2013, which have been prepared on a going concern basis in accordance with International Financial Reporting Standards ('IFRSs') adopted for use in the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The consolidated financial statements have been prepared under the historical cost convention, modified in respect of the revaluation to fair value of contingent consideration, derivative financial instruments, assets held for sale, pension assets and liabilities and cash-settled share-based payments.

The consolidated financial statements were approved by the Directors on 2 September 2013.

The Group's principal accounting policies are unchanged compared with the year ended 30 June 2012. During 2013, the Group adopted IAS 1 (Revised 2011) 'Presentation of Financial Statements', which changed the presentation of items included within other comprehensive income but had no effect on the Group's results or financial position.

The financial information does not constitute statutory accounts within the meaning section 435 of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of IFRSs.

The Company's auditors, PricewaterhouseCoopers LLP, have given an unqualified report on the consolidated financial statements for the year ended 30 June 2013, which did not include reference to any matters to which the auditors drew attention without qualifying their report and did not contain any statement under section 498 of the Companies Act 2006.

Subject to approval by the Company's shareholders, the consolidated financial statements will be filed with the Registrar of Companies following the Company's Annual General Meeting on 14 October 2013.

2. Acquisitions

Acquisitions in 2013

On 1 August 2012, the Group exercised its call option to acquire the remaining 15% shareholding that it did not already own in Fortlab Holdings Sdn Bhd for consideration of £0.5 million. Due to the existence of a put option held by the minority shareholders, the Group consolidated 100% of the results, assets and liabilities and cash flows of Fortlab Holdings Sdn Bhd. Accordingly, the purchase of the minority shareholding did not give rise to any change in non-controlling interests.

Acquisitions in prior years

On 1 September 2010, the Group acquired 70% of the share capital of Dermacol a.s., a manufacturer of Skincare products in the Czech Republic. Under the terms of the acquisition, the Group agreed to pay fixed instalments on completion and within one year of completion and further instalments based on Dermacol's revenue in each financial year in the five-year period ending 30 June 2017. The Group also agreed to purchase the remaining 30% of the share capital of Dermacol in 2017 for consideration based on Dermacol's operating profit in the financial year ending
30 June 2017.

At each reporting date, the Directors estimate the contingent consideration payable in relation to the 70% interest acquired and the liability to acquire the remaining 30% interest in Dermacol.

Movements in the contingent consideration liability were as follows:

	£m
At 30 June 2012	**4.1**
Consideration paid	**(0.5)**
Charged to profit or loss:	
Change in estimate	**1.6**
Unwind of discount	**0.3**
Currency translation differences	**0.1**
At 30 June 2013	**5.6**

3. Segment information

Background
Financial information is presented to the Board on a geographical basis for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. Accordingly, the Group's operating segments are determined on a geographical basis.

The Board uses adjusted operating profit to measure the profitability of the Group's businesses. Adjusted operating profit is, therefore, the measure of segment profit presented in the Group's segment disclosures. Adjusted operating profit represents operating profit before specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. During the periods under review, the items excluded from operating profit in arriving at adjusted operating profit were the amortisation of intangible assets and changes in the estimate of contingent consideration arising on business combinations and exceptional items.

With effect from 1 July 2012, the Group's reportable segments were redefined as follows:

- Germany, Austria and Switzerland were transferred from the Central & Eastern Europe segment to the Western Europe segment; and
- the Central & Eastern Europe segment and the Asia segment were combined to form the Rest of the World segment.

Also with effect from 1 July 2012, the basis on which segment profit is determined was changed to reflect the change in the Group's internal management structure from a legal entity to a functional basis. Specifically, segment profit now ignores any margin on intra-Group sales and reflects the allocation of overheads on a functional basis across geographical areas.

Comparative segment information has been re-presented to reflect these changes using estimates where necessary to provide reasonable comparisons.

Analysis by reportable segment

	2013					
	UK £m	Western Europe £m	Rest of the World £m	Total segments £m	Corporate £m	Total Group £m
Segment revenue	**286.3**	**409.9**	**65.2**	**761.4**	**-**	**761.4**
Adjusted operating profit	**14.9**	**14.3**	**2.0**	**31.2**	**(7.2)**	**24.0**
Amortisation of intangible assets	**(1.0)**	**-**	**(0.1)**	**(1.1)**	**-**	**(1.1)**
Change in contingent consideration	**-**	**-**	**(1.6)**	**(1.6)**	**-**	**(1.6)**
Exceptional items (see note 4)	**(1.3)**	**(0.8)**	**(0.1)**	**(2.2)**	**(3.7)**	**(5.9)**
Operating profit/(loss)	**12.6**	**13.5**	**0.2**	**26.3**	**(10.9)**	**15.4**

Net finance costs	**(5.9)**
Profit before tax	**9.5**

	2012 Restated					
	UK £m	Western Europe £m	Rest of the World £m	Total segments £m	Corporate £m	Total Group £m
Segment revenue	309.0	448.7	56.2	813.9	-	813.9
Adjusted operating profit	20.1	16.5	0.3	36.9	(7.4)	29.5
Amortisation of intangible assets	(1.0)	(0.4)	(0.3)	(1.7)	-	(1.7)
Change in contingent consideration	-	-	1.9	1.9	-	1.9
Exceptional items (see note 4)	(2.9)	(5.4)	(3.2)	(11.5)	(0.1)	(11.6)
Operating profit/(loss)	16.2	10.7	(1.3)	25.6	(7.5)	18.1
Net finance costs						(6.0)
Profit before tax						12.1

4. Exceptional items

Analysis of exceptional items

	2013 £m	2012 £m
Reorganisation and restructuring costs:		
- Functional reorganisation	**(3.0)**	(4.6)
- Supply chain restructuring	**(0.7)**	(4.3)
	(3.7)	(8.9)
Impairment of long-lived assets	**(2.2)**	(2.7)
Total charged to operating profit	**(5.9)**	(11.6)

During 2013, the Group recognised further exceptional costs of £3.0 million (2012: £4.6m) in relation to the creation of
a functional structure with centralised support services, comprising project management and consultancy costs of
£1.3 million, redundancy costs of £0.6 million and other restructuring costs of £1.1 million. Other restructuring costs principally comprised the costs of duplicating roles during the transfer of back office functions to the Group's shared services centre.

Also during the year, the Group recognised a net exceptional charge of £0.7 million (2012: £3.8m) to complete the rationalisation of its supply chain in Western Europe. Additional costs totalling £2.0 million were recognised in relation to the transfer of production lines between sites (£1.4 million) and site restoration (£0.6 million). However, these costs were partially offset by a release of £1.3 million from a redundancy provision due to an unexpected upturn in demand at certain of the affected sites.

As discussed in note 9, the Group recognised a £2.2 million impairment charge in relation to the goodwill allocated to its Western Europe Household liquids business. During 2012, the Group recognised an impairment charge of £2.2 million in relation to its Skincare business at Brno, Czech Republic and other asset impairments totalling £0.5 million.

5. Taxation

Tax recognised in profit or loss

	2013			2012		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Current tax expense/(credit):						

Current period	**0.2**	**6.4**	**6.6**	(0.4)	4.4	4.0
Adjustment for prior periods	**0.3**	**(0.3)**	**-**	(0.1)	(0.4)	(0.5)
	0.5	**6.1**	**6.6**	(0.5)	4.0	3.5
Deferred tax (credit)/expense:						
Origination and reversal of temporary differences	**(1.2)**	**(1.1)**	**(2.3)**	0.4	(1.8)	(1.4)
Reduction in the UK corporation tax rate	**(0.3)**	**-**	**(0.3)**	(0.7)	-	(0.7)
Adjustment for prior periods	**(0.4)**	**-**	**(0.4)**	1.6	-	1.6
	(1.9)	**(1.1)**	**(3.0)**	1.3	(1.8)	(0.5)
Total tax expense/(credit) in profit or loss	**(1.4)**	**5.0**	**3.6**	0.8	2.2	3.0

The main rate of UK corporation tax was reduced from 24% to 23% with effect from 1 April 2013. The Group's effective UK corporation tax rate for the year was therefore 23.75% (2012: 25.5%).

In March 2013, the UK Government published the Finance Bill 2013 that included proposals to reduce further the main rate of UK corporation tax to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. The
Finance Bill 2013 was not substantively enacted until 2 July 2013. Accordingly, these further reductions have not been reflected in the consolidated financial statements but will affect the Group's tax expense for the 2014 financial year onwards.

6. Earnings per share

Basic earnings per ordinary share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of the Company's ordinary shares in issue during the financial year. The weighted average number of the Company's ordinary shares in issue excludes 0.7 million shares (2012: 1.5 million shares), being the weighted average number of own shares held during the year in relation employee share schemes.

		2013	2012
Earnings (£m)	a	**5.9**	9.1
Weighted average number of ordinary shares in issue (million)	b	**182.4**	179.8
Basic earnings per share	a/b	**3.2p**	5.1p

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

During the year, the Company had two categories of potentially dilutive ordinary shares: equity-settled LTIP awards with a nil exercise price and share options granted under an approved Save As You Earn scheme.

		2013	2012
Weighted average number of ordinary shares in issue (million)		**182.4**	179.8
Effect of dilutive LTIP awards (million)		**0.6**	0.3
Effect of dilutive SAYE options (million)		**-**	0.8
Weighted average number of ordinary shares for calculating diluted earnings per share	c	**183.0**	180.9
Diluted earnings per share	a/c	**3.2p**	5.0p

Adjusted earnings per share measures are calculated based on profit for the year attributable to owners of the Company before adjusting items as follows:

	2013 £m	2012 £m
Earnings for calculating basic and diluted earnings per share	**5.9**	9.1

Adjusted for:			
Amortisation of intangible assets (see note 9)		**1.1**	1.7
Change in contingent consideration (see note 2)		**1.6**	(1.9)
Exceptional items (see note 4)		**5.9**	11.6
Unwind of discount on contingent consideration (see note 2)		**0.3**	0.2
Taxation relating to the above items		**(1.1)**	(3.1)
Earnings for calculating adjusted earnings per share	d	**13.7**	17.6
Adjusted basic earnings per share	d/b	**7.5p**	9.8p
Adjusted diluted earnings per share	d/c	**7.5p**	9.7p

7. Payments to shareholders

Payments to ordinary shareholders are made by way of the issue of B Shares in place of income distributions. Ordinary shareholders are able to redeem any number of the B Shares issued to them for cash. Any B Shares that they retain attract a dividend of 75 per cent of LIBOR on the 0.1p nominal value of each share, paid on a twice-yearly basis.

Payments to ordinary shareholders made or proposed in respect of the year were as follows:

	2013		2012	
	Pence per share	**£m**	Pence per share	£m
Interim	**1.7**	**3.1**	2.0	3.5
Final	**3.3**	**6.0**	3.0	5.5
Total for the year	**5.0**	**9.1**	5.0	9.0

The proposed final payment in respect of 2013 of 3.3p per ordinary share is subject to approval by shareholders at the Company's AGM and has therefore not been recognised in the consolidated financial statements.

8. Net debt

Movements in net debt were as follows:

	At 30 June 2012 £m	Cash flows £m	Currency translation differences £m	**At 30 June 2013 £m**
Cash and cash equivalents	12.4	(7.8)	0.3	**4.9**
Overdrafts	(4.8)	(7.9)	(0.5)	**(13.2)**
Net cash and cash equivalents	7.6	(15.7)	(0.2)	**(8.3)**
Bank and other loans	(88.4)	13.8	(3.6)	**(78.2)**
Finance lease liabilities	(0.4)	0.1	-	**(0.3)**
Net debt	(81.2)	(1.8)	(3.8)	**(86.8)**

9. Goodwill and other intangible assets

	Goodwill £m	Other intangible assets £m
Carrying amount		
At 30 June 2012	**32.6**	**3.1**
Additions	**-**	**1.2**
Impairment recognised in the year	**(2.2)**	**-**
Amortisation charge for the year	**-**	**(1.1)**

Currency translation differences	**0.4**	**0.1**
At 30 June 2013	**30.8**	**3.3**

Impairment recognised in the year
During 2013, an impairment of £2.2 million was recognised which represented the entire goodwill allocated to the Household liquids plant at Etain, France. Etain manufactures bleach for sale principally in northern France and in Belgium. Since Etain was acquired in 1999, the bleach market has matured and it has become a relatively low-growth business that generates low margins. When the goodwill allocated to Etain was tested for impairment in May 2012, the plant's recoverable amount exceeded its carrying amount by £1.3 million. During 2013, the plant's sales did not meet expectations and, although new business is in the pipeline, its budgeted sales for 2014 are lower than the level achieved in 2013.

During 2012, an impairment of £2.2 million was recognised at the Group's Skincare plant at Brno, Czech Republic, which comprised the entire goodwill of £1.2 million that was allocated to the plant and a reduction of £1.0 million in the carrying amount of its property, plant and equipment. During 2013, no further impairment was recognised in relation to Brno.

10. Property, plant and equipment

	£m
Carrying amount	
At 30 June 2012	**175.6**
Additions	**15.9**
Depreciation charge for the year	**(23.9)**
Currency translation differences	**6.0**
At 30 June 2013	**173.6**

11. Pensions and post-employment benefits

The Group operates a number of post-employment benefit arrangements. In the UK, the Group operates a defined benefit pension scheme and defined contribution pension schemes. Together, these schemes cover most of the Group's UK employees. Elsewhere in Europe, the Group has a number of smaller unfunded post-employment benefit arrangements that are structured to accord with local conditions and practices in the countries concerned. At 30 June 2013, the Group's post-employment benefit obligations outside the UK amounted to £1.8 million (2012: £1.6m).

	2013 £m	2012 £m
Defined benefit obligations		
UK - funded	**(108.7)**	(95.9)
Other - unfunded	**(1.8)**	(1.6)
	(110.5)	(97.5)
Fair value of scheme assets	**84.5**	78.0
Deficit on the schemes	**(26.0)**	(19.5)
Related deferred tax asset	**5.6**	4.3

Movements in the benefit obligations during the year were as follows:

	£m
At 30 June 2012	**(97.5)**
Service cost	**(1.4)**
Interest cost	**(4.5)**
Actuarial loss	**(10.5)**
Employees' contributions	**(0.5)**

Benefits paid	**3.9**
At 30 June 2013	**(110.5)**

Movements in the fair value of the scheme assets during the year were as follows:

	£m
At 30 June 2012	**78.0**
Expected return on plan assets	**3.9**
Actuarial gain	**2.8**
Employer's contributions	**3.2**
Employees' contributions	**0.5**
Benefits paid	**(3.9)**
At 30 June 2013	**84.5**

12. Provisions

	Reorganisation and restructuring £m	Leasehold dilapidations £m	Onerous contracts £m	Other £m	Total £m
At 30 June 2011	4.8	0.6	0.1	1.1	6.6
Charged/(credited) to profit or loss	8.2	(0.3)	(0.1)	4.4	12.2
Utilisation	(6.5)	-	-	(4.5)	(11.0)
Currency translation differences	(0.3)	-	-	(0.1)	(0.4)
At 30 June 2012	6.2	0.3	-	0.9	7.4
Charged to profit or loss	3.6	0.1	-	0.1	3.8
Utilisation	(8.0)	(0.1)	-	(0.5)	(8.6)
Currency translation differences	0.1	-	-	0.1	0.2
At 30 June 2013	**1.9**	**0.3**	**-**	**0.6**	**2.8**

Reorganisation and restructuring provisions principally comprise termination costs of £0.8 million and consultancy costs of £0.4 million in relation to establishing the Group's shared service centre and site restoration costs of £0.8 million arising from the rationalisation of the Group's supply chain in Western Europe.

Other provisions are mainly in respect of training costs in France.

13. Contingencies

The Group is in discussion with a local authority regarding possible remedial actions in relation to potential historical environmental contamination at one of its sites. The high degree of uncertainty about the nature of any possible remedial action means that the Group cannot predict the outcome of the discussion and any associated costs. Short-term precautionary measures are being taken to mitigate the possible impact of any potential contamination.

It is possible that agreement will be reached with the local authority during the next financial year such that a reliable estimate of any associated costs could be made. If material, any such costs would be classified as an adjusting item.

---- Ends ----

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