McBride plc

4 September 2012

McBride plc, Europe's leading provider of Private Label Household and Personal Care products, announces its results for the year ended 30 June 2012

	2012	2011	
Revenue	£813.9m	£812.4m	-
Revenue (constant currency)	£813.9m	£802.7m	+1%
Operating profit	£18.1m	£13.8m	+31%
Adjusted operating profit[1]	£29.5m	£29.0m	+2%
Diluted earnings per share	5.0p	2.9p	+72%
Adjusted diluted earnings per share[1]	9.7p	9.3p	+4%
Return on capital employed[1]	14.7%	14.7%	= -pts
Total proposed payment to shareholders per share[2]	5.0p	6.8p	-26%
Net debt	£81.2m	£83.7m	-3%

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

[2] *See page 6.*

- 1% revenue growth at constant currency with growth in all divisions
- Adjusted operating profit up 2% in line with expectations for the year, and up 118% in second half when compared with the same period in the prior year
- Net cash generated from operations of £39.5m
- Net debt reduced by £2.5m to £81.2m
- Supply chain re-structuring completed with annualised savings expected to be £8.0m (£7.0m previously) and £2.5m delivered in 2012
- Proposed full year dividend rebased to 5.0p per share in order to maximise the cash available for additional investment in organic Private Label growth
- Reorganisation of the Group by removing divisional structures implemented on 1 July 2012

Chris Bull, Chief Executive, commented:

"This has been a year of progress, during which we have completed our margin recovery actions, rationalised our cost base, improved our operational efficiency and achieved revenue and profit growth despite declining consumer spending.

Trading since year-end has been in line with our expectations. As planned, our financial performance this year is expected to be second-half weighted as some contract manufacturing business is wound down allowing us to increase our Private Label growth in the second half. At this early stage in the year, we expect full year trading profit to be broadly in line with expectations. Although the consumer environment remains challenging, we have been encouraged by Private Label gaining market share versus branded goods in a number of our core and future growth categories in recent months. We are therefore continuing to see clear signs that consumers are turning in greater numbers to Private Label as they search for value without sacrificing quality."

For further information please contact:

McBride plc
Chris Bull, Chief Executive Officer 020 7539 7852
Richard Armitage, Chief Finance Officer 020 7539 7851

FTI Consulting
Ed Bridges, Marc Cohen 020 7831 3113

Overview

We have completed our margin recovery actions, achieved our supply chain re-structuring and operational excellence targets in full, and continued to grow sales in a challenging retail environment.

- Revenues were flat overall, with 1% growth on a constant currency basis. Core and future growth categories, now make up 47% of total Private Label revenue, up from 45% last year.
- Raw material costs have been broadly stable. Our previously announced margin recovery actions have been completed, contributing to an increase in adjusted operating profit[1] of £0.5m for the year, and an increase of £10.4m for the second half when compared with the same period of the prior year. As a result, adjusted operating margin[1] for the second half was 5%.
- The re-structuring of our supply chain is nearing completion and resulted in a pre-tax exceptional charge of £3.8m being taken in the year. The Group announced in June 2012 a re-structuring of its organisation that will lead to a functional structure better placed to leverage the Group's scale in the pursuit of growth. The related pre-tax exceptional charge was £4.6m. The total exceptional charge of £9.7m was lower than the expected £11m and includes charges relating to asset impairment, reassessment of contingent consideration estimates and a prior year re-structuring programme.
- UK divisional revenue increased by 1% to £315.2m (2011: £310.7m), with core and future growth product category sales growing by 5%. Adjusted operating profit[1] and margin improved to £16.5m and 5.2% (2011: £11.9m and 3.8%) as a result of selling price increases, re-structuring benefits and improved operational efficiencies.
- Western Continental Europe divisional revenue remained flat at £405.9m (2011: £405.7m, at constant currency: £399.8m). Adjusted operating profit[1] improved slightly to £15.6m (2011: £15.4m) and operating margin remained flat at 3.8% (2011: 3.8%). Margin recovery was achieved later than in the UK division, although adjusted operating margin improved to 4.8% in the second half (2011 H2: 1.3%).
- Central and Eastern Europe divisional revenue declined 3% to £135.6m (2011: £139.7m, at constant currency: £135.1m), driven by strong growth in Private Label sales in Poland, offset by reduced contract manufacturing activity in Germany. Adjusted operating profit[1] and margin declined to £4.6m and 3.4% (2011: £8.9m and 6.4%) as a result of material cost increases that impacted the division later than other parts of the Group.
- Year-end net debt was £81.2m (2011: £83.7m) with a cash inflow from operations of £39.5m offset by continued investment in cost reduction, product development and acquisitions.
- It is proposed to re-base the full year dividend to 5.0p per share (2011: 6.8p) in order to maximise the cash available for investment in additional organic Private Label growth, and to ensure that dividend cover remains appropriate.

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

Reconciliation of adjusted results to statutory results

	Operating profit		Profit before tax		Diluted adjusted earnings per share	
	2012	2011	**2012**	2011	**2012**	2011
	£m	£m	**£m**	£m	**p**	p
Adjusted result	**29.5**	29.0	**23.7**	22.5	**9.7**	9.3
Less:						
Amortisation of intangible assets	**(1.7)**	(2.9)	**(1.7)**	(2.9)	**(0.7)**	(1.2)
Exceptional items	**(11.6)**	(12.3)	**(11.6)**	(12.3)	**(4.6)**	(5.1)
Changes in estimates of contingent consideration arising on business combinations	**1.9**	-	**1.9**	-	**0.7**	-
Unwind of discount on initial recognition of contingent consideration	**-**	-	**(0.2)**	(0.2)	**(0.1)**	(0.1)
Statutory result	**18.1**	13.8	**12.1**	7.1	**5.0**	2.9

Outlook

Trading since year-end has been in line with our expectations. As planned, our financial performance this year is expected to be second-half weighted as some contract manufacturing business is wound down allowing us to increase our Private Label growth in the second half. At this early stage in the year, we expect full year trading profit to be broadly in line with expectations. Although the consumer environment remains challenging, we have been encouraged by Private Label gaining market share versus branded goods in a number of our core and future growth categories in recent months. We are therefore continuing to see clear signs that consumers are turning in greater numbers to Private Label as they search for value without sacrificing quality.

Board composition

A number of changes to the Board were announced during the year. Jeff Carr resigned as a Non-Executive Director on 24 October 2011, having accepted an executive role that presented a potential conflict of interest with McBride. Jeff was replaced by Neil Harrington who joined as a Non-Executive Director on 3 January 2012 and was appointed to the Nomination, Remuneration and Audit sub-committees on the same date. Neil has recently taken up the role of CFO of Cath Kidston Ltd and was for the last 7 years the Group Finance Director of Mothercare plc, and has extensive financial experience. As communicated in last year's Report and Accounts, Colin Smith and Christine Bindert resigned as Non-Executive Directors during the year and Sandra Turner was appointed as a Non-Executive Director on 1 August 2011.

The industry, market and competitive environment

The weak economic environment in Western Europe has continued to impact consumer spending. Whilst total retail sales volumes in our core Household category have declined year-on-year in a number of markets, we have started to see consumers move into Private Label as they seek better value.

In the 52-week period to June 2012 total retail sales volumes in the UK Household category fell by 4% with Private Label volumes broadly stable resulting in an improvement in Private Label volume share from 28%, to 29% over the period.

A similar trend was seen in France, our largest market in Continental Europe, where total Household category volumes fell by 4% whilst Private Label volumes increased by 1% resulting in a Private Label volume share up to 36% (2011: 34%). In Italy the overall Household market was down 6% with Private Label volume up 4% resulting in Private Label volume share of 22% (2011: 20%). Private Label share has remained stable in Germany 43% and in Poland, Euromonitor reported Household Private Label sales up 15% year on year reaching 8% market share up from 7% in value terms

The Personal Care market in the UK in the 52-week period to June grew by just 2% with Private Label volumes down 4% due to continuing high level of promotional activity in the sector. Overall Private Label volume share of the UK Personal Care market fell slightly from 19% to 18%. In France, the overall market for Personal Care products was flat for the 52 weeks to June 2012 with Private Label volumes down 4% resulting in a Private Label volume share of 25% (2011: 26%).

Branded promotional activity has continued to affect some of our core categories, particularly in machine dishwashing. As a result, Private Label sales at constant currency grew by 2% in laundry liquids and by 4% in specialist cleaners, but fell by 7% in machine dishwashing.

The latest IGD Shopper Vista review of UK shopper trends for June 2012 reported that many shoppers are contending with the pressure on their household budgets in 2012, which is maintaining their overall focus on value and causing them to respond in a number of ways. The June survey of 2,000 shoppers reported that 37% of shoppers interviewed claimed they will buy more value Private Label products in the next 12 months, 38% will buy more standard Private Label products and 18% will buy more premium Private Label ranges.

McBride differentiates itself from its Private Label competition by focusing on new product development, category development with customers, and by offering products of outstanding value. Leading retailers see Private Label as a key way of differentiating their offering to the consumer, with many deciding to relaunch their Private Label range to capitalise on the consumer's increasing confidence in Private Label products. We believe we are best positioned to help them do this in our core categories.

Business performance

Geographic & category performance

McBride's revenue grew 1% in the year on a constant currency basis. Selling price increases contributed 3% revenue growth, while sales volume accounted for a 2% decline, reflecting the difficult trading conditions across Western Europe. Our Polish business achieved another strong performance with revenue growth of 23%. Our core and future growth categories now account for 47% (2011: 45%) of total Private Label revenue. The laundry liquids and specialist cleaners categories performed particularly well, with revenue growth of 2% and 4% being achieved respectively.

Performance in laundry liquids was enhanced by the extension of our soluble sachet capability, and by re-launches of key products. In machine dishwash, we are bringing to market our first pan-European launch with an innovative format developed in our new machine dishwashing Centre of Excellence in Luxembourg. This format comprises powder in a soluble sachet that provides superior cleaning performance at lower temperatures along with ease of use. Specialist cleaners performance was underpinned by the effective use of our category management approach to drive range extension in a number of retailers.

Material cost management

The past year has seen ongoing volatility in our principal commodity markets. Uncertainty over expectations for global economic growth, capacity restructuring by suppliers and currency movements have led to unpredictable 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.

The Euro price of oil and some other commodities have remained volatile in the last two months and could have some short term impact in the first half that would not be recovered until later in the 2012/13 financial year.

New product development

The Group's R&D organisation comprises over 170 staff. They work in a number of technical centres in Europe and Asia which include Centres of Excellence for four of our growth categories introduced 18 months ago as part of Project Refresh. The objective was to focus the work of our very best expertise on those categories for the benefit of the Group. Having successfully proven this approach, we are now extending it to eight Centres of Excellence and in so doing will cover all of our main categories. Their work ranges from the development of unique patent-protected innovations that will out-perform the best products on the market, through to the adaptation of formulations to best meet customer needs.

McBride is active in taking measures 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.

We have further strengthened our R&D organisation with the appointment of a new Chief Research and Development Officer. Mattias Kreysel joined us on 1 September 2012, and brings with him over 20 years experience of leading international R&D teams. He will report directly to the CEO and will be a member of the Executive Management Team (EMT).

Cost efficiency

The previously announced restructuring of the Group's supply chain has progressed to plan. The Burnley site was closed during the third quarter, and the consolidation of auto dishwashing manufacturing in Europe is nearing completion.

The first year of the Group's Lean manufacturing programme has been highly successful, with the achievement of pre-inflation savings in excess of the £1 million target. The programme is now fully effective in all European sites and the identification of savings to meet targets for the second year of the programme is well advanced.

This reorganisation of the Group, while primarily intended to drive growth, will deliver savings from simplifying and de-layering the organisation.

Total pre-tax exceptional costs for the year were £9.7million and associated cash expenditure was £6.7 million. The annualised savings from our various re-structuring programmes is expected to be £8.0 million.

The Group invested £26.4 million of capital expenditure during the year in New Product Development, efficiency and capacity expansion projects.

Winning with customers

The objective of our new organisation is to strengthen our relationships with the major European retailers. This will be achieved through aligning regional business units with groups of customers, then focusing the business unit teams on helping customers grow their Private Label sales. The business units will be supported by a strengthened Group category management team that will offer leading-edge services to our customers. We will also continue to work with our international customers to capture opportunities across their geographies.

Customer service is a critical measure for the Group. 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. The Group's customer service level this year was 96% (2011: 97%), although the goal we strive to deliver to our customers consistently is 98%. Our new organisation combines professionals across the Group under a single leadership which will help us to drive sustainable improvements in customer service.

People

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. During the year, we have invested further in our commercial, finance and procurement resources.
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 direction:

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

We have again made improvements with health and safety. The number of greater than three day lost time accidents fell to 97, a 2% improvement on last year, and the frequency per 100,000 hours worked at 1.0 was maintained at the same level as last year. The number of hours lost fell by 4% resulting in the best health and safety performance the Group has reported.

The environment

We are committed to reducing our environmental impact and progress has been made in a number of areas. The Group's water usage decreased by 8% to 1,024,602m3 (2011: 1,116,434m3) due to the combined impact of more concentrated product in the mix and lower production volumes. Energy consumption and CO2 emissions increased by 2% and 1% respectively, equivalent to 61,542 tonnes of CO2 emissions. Green energy accounted for 20% of total demand giving a net CO2 impact of 51,822 tonnes CO2e. Waste as a percentage of total production was 1.6% (2011: 1.3%) with the level of waste reused, recycled and recovered increased by 1% to 78%

Objectives for the current year

Our principal objective for the current year is to exploit the opportunities available to us to drive Private Label growth in our core categories, whilst taking action to become ever more competitive. The five main activities will be:

- Driving revenue growth, supported by extending the use of our category management approach;
- Targeting profitable new product development through the re-organised R&D team;
- Delivering Year 2 targets from Lean manufacturing;

- Achieving targeted overhead cost reductions, complexity reduction and process improvements;
- Continuing to strengthen our geographic weighting in higher growth environments.

Group financial review

Group summary

Group revenue was up £1.5 million to £813.9 million (2011: £812.4m), reflecting 1% growth on a constant currency basis with all divisions showing year-on-year constant currency growth. There was a 1% adverse currency impact due to weakening of the Euro against Sterling to 1.18 (2011: 1.17). Adjusted Group profit before tax[1] increased by 5% to £23.7 million (2011: £22.5m).

Adjusted diluted earnings per share[1] increased 4% to 9.7 pence (2011: 9.3p). The Board has proposed a rebasing of the final dividend payment to shareholders to 3.0 pence per share (2011: 4.8p) which, if approved, will deliver full year payments to shareholders of 5.0 pence per share (2011: 6.8p), to be remitted through the B share scheme. Cash generated from operations, before exceptional items, was £39.5 million (2011: £42.6m). Net debt decreased by £2.5 million to £81.2 million (2011: £83.7m). Pre-tax return on average capital employed based on the Group's adjusted operating profit[1] for the year was unchanged at 14.7% (2011: 14.7%).

[1] See page 2

Revenue
Group revenue was up £1.5 million to £813.9 million (2011: £812.4m). The 1% constant currency growth, referred to above, reflects a 1% increase in revenue in the UK division and a 2% increase in Western Continental Europe. In Central and Eastern Europe revenue was up by less than 1% on the same basis, with growth in Private Label offset by reduced contract manufacturing sales. There was 1% constant currency growth in the Group's identified core growth categories.

On the segmental reporting basis (see note 3), UK revenues increased by 1% to £315.2 million (2011: £310.7m) with strong growth in the core categories of laundry liquids and specialist cleaners. Western Continental Europe's revenues remained flat at £405.9 million (2011: £405.7m), with an adverse impact of currency translation offsetting organic sales growth of 2%. Central and Eastern Europe's revenues decreased 3% to £135.6 million (2011: £139.7m), with 2% organic growth in Private Label, more than offset by a reduction in contract manufacturing revenue and an adverse impact of currency translation. Asia revenues were up 11% to £10.3 million (2011: £9.3m).

Operating profit
Adjusted Group operating profit[1] increased slightly to £29.5 million (2011: £29.0m). The adjusted operating margin[1] was maintained at 3.6% with recovery actions driving margin increases in the second half. Group reported operating profit rose by 31% to £18.1 million (2011: £13.8m).

On the segment reporting basis (see note 3), the adjusted operating profit[1] and margin increased in the UK division. In the Western Continental Europe division the adjusted operating profit[1] was slightly higher and in the Central and Eastern Europe division the operating margin was lower due to delayed impact of material price increases in this division and reduced contract manufacturing activity. UK profit was £16.5 million (2011: £11.9m) with a margin of 5.2% (2011: 3.8%), Western Continental Europe profit was £15.6 million (2011: £15.4m) with a margin of 3.8% (2011: 3.8%) and Central and Eastern Europe profit was £4.6 million (2011: £8.9m) with a margin of 3.4% (2011: 6.4%).

[1] See page 2

Net finance costs
Reported net finance costs decreased to £6.0 million (2011: £6.7m), driven primarily by lower finance costs related to the defined benefit pension scheme.

Exceptional items
The Group's initiatives to reduce supply chain costs are nearing completion. There was a £9.7 million pre-tax operating exceptional charge to the income statement in the year (2011: £12.3m), of which £3.8 million related to restructuring of the supply chain in the UK (£2.6m) and Western Continental Europe (£1.2m) and £4.6 million was in respect of a proposed restructuring of management and administration in the UK and Continental Europe including the creation of a functional structure with centralised support services. In addition an impairment charge of £2.2 million has been recognised in relation to goodwill and property, plant and equipment acquired with the Dermacol business, which is partly offset by a £1.9 million reduction in the contingent acquisition consideration payable. There was a £1.0 million pre-tax operating exceptional charge to the income statement in the year in relation to the completion of a pre 2012 restructuring programme in the Western Continental Europe division.

The pre-tax operating exceptional charge comprised £8.2 million of redundancy costs, £5.0 million of other incremental items, including production and logistics expenses related to the transfer of production lines between sites and costs related to site clearance, consultancy, legal expenses and storage, partly offset by a £5.1 million contribution received pursuant to an agreement with a customer and £1.6 million of asset write-offs.

Profit before tax and tax charge
Profit before tax increased 70% to £12.1 million (2011: £7.1m) and, on an adjusted basis[1], increased 5% to £23.7 million (2011: £22.5m). The £3.0 million taxation charge (2011: £1.8m) maintains a 25% effective rate (2011: 25%).

[1] See page 2

Earnings per share and payments to shareholders
Basic earnings per share (EPS) rose 76% to 5.1 pence (2011: 2.9p). Adjusted basic EPS[1] increased 4% to 9.8 pence (2011: 9.4p). On an adjusted basis[1], diluted EPS increased 4% to 9.7 pence (2011: 9.3p). The weighted average issued and diluted number of shares in the year used in calculating these EPS figures were 179.8 million and 180.9 million respectively (2011: 180.4m
and 182.4m).

The Board has considered the need to ensure that the Group has the maximum financial resources available to it in order to exploit the opportunities for Private Label growth. The Group's balance sheet remains strong with very significant headroom in its borrowing facilities, but the Board have decided to recommend a more appropriate cover for payments to shareholders. The Board's policy with regard to payments to shareholders is that they should be sustainable and paid out of earnings, and will, where possible, be progressive given the cyclical nature of the markets in which the Group operates.

Subject to shareholder approval at the Annual General Meeting (AGM), the Board is recommending a rebasing of the final dividend to 3.0 pence (2011: 4.8p), giving a total dividend for the year of 5.0 pence (2011: 6.8p), which is covered 2.0 times by adjusted basic earnings per share[1] (2011: 1.4 times). The total proposed payments to shareholders for the year amount to £9.0 million.

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

[1] See page 2

Cash flow
The Group generated £39.5 million (2011: £42.6m) from operations before exceptional items. This included a £10.5 million net working capital outflow (2011: £8.4m).

Capital expenditure in the year was £26.4 million (2011: £24.8m) which equates to 3% of sales and is broadly in line with depreciation. The main areas of investment were cost-efficiency programmes, new product development, capacity expansion and essential replacement. There was £1.9 million of acquisition spend relating to a stage payment of part of the contingent consideration for the acquisition of Dermacol a.s.

Net interest payments increased to £5.4 million (2011: £4.6m) mainly due to higher average levels of net debt. There was a cash outflow of £6.7 million (2011: £7.4m) relating to exceptional items, primarily redundancy and other costs relating to the 2011 and 2012 restructuring programmes in the UK and Western Continental Europe divisions.

Payments to shareholders were £11.8 million (2011: £12.2m).

Net debt decreased by £2.5 million to £81.2 million (2011: £83.7m).

Balance sheet
Group net assets at the year-end decreased to £112.4 million (2011: £125.4m). This was primarily due to an increase in the pension liability and the currency translation effect of a weaker Euro on current and non-current assets, offset by a £2.5 million decrease in net debt. The Euro weakened against Sterling from 1.11 at 30 June 2011 to 1.24 at 30 June 2012.

Liabilities for pensions and other post-employment benefits increased by £2.6 million from last year to £15.2 million, net of the associated deferred tax asset (2011: £12.6m). This increase was due to a higher deficit in the

UK defined benefit pension scheme, increasing from £10.6 million to £13.6 million, driven primarily by a lower discount rate assumption.

The pre-tax return on average capital employed based on the Group's adjusted operating profit[1] for the year was unchanged at 14.7%. The profit margin and asset turnover were maintained at 3.6% and 4.1 times respectively.

[1]See page 2

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

Access to credit lines
The Group aims to maintain a strong balance sheet, with a relatively conservative level of debt-to-equity gearing. The Group has a €175 million revolving credit facility, which is committed until June 2015, and a £25 million invoice discounting facility until September 2012. The Group has an aggregate €30 million invoice discounting facility available in France and Belgium, 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 bolt on acquisitions and contingencies.

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

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

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

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

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

Divisional performance

UK business review

Overview
Sales growth of 1% was achieved by focusing on our core and future growth categories, which grew at 5% as well as higher contract manufacturing sales in the year. Key growth categories in the year have been laundry liquids and specialist cleaners, with some lost contracts leading to declines in Personal Care.

Adjusted operating profit[1] increased by 39%, which was driven by leveraging the cost base, focusing on more profitable products and categories and significant operational savings in the year. As part of Project Refresh, the household liquids manufacturing site at Burnley was closed and production successfully transferred to other manufacturing sites.

The central services structure is being restructured to fit within the new Group functional structures. This has also started to generate savings in overheads.

[1] See page 2

Key business developments
The competitive environment in the UK remains challenging, with consumers and shoppers becoming 'savvy' shoppers and driving retailers and branders alike to offer keener prices, despite significant commodity cost pressures at points through the year. This has given our Private Label business opportunities in some categories, where we can grow through offering quality benchmarked products at competitive prices.

We continue to seek ways of further improving competitiveness, including ongoing capital investment in our remaining manufacturing sites to increase automation and further investment behind our lean manufacturing programme. In addition, organisational changes have been announced to simplify management structures, and centralise some activities.

Financial review
Revenue grew by 1% to £315.2 million (2011: £310.7 m), although core and future growth product categories increased by 5%, mainly driven by laundry liquids and specialty cleaners. Contract manufacturing revenue grew by 15%. Adjusted operating profit[1] was up 39% to £16.5 million (2011: £11.9m). The increase in adjusted operating profit reflects the benefits arising from the restructuring programme and the Refresh project. Capital investment spend in the year was £12.0 million (2011: £9.5 m) and included investment for efficiency improvements and capacity expansion.

Future developments
The priority for the business is to maximise the benefits from the Group operational excellence programme to improve the manufacturing cost base and operational efficiency. The business continues to invest in new product development, focused on the Group's core growth categories. Investment in category development continues as does a focus on deepening the relationship with our key account customers with the aim of developing and maximising the potential for Private Label product ranges.

The new group organisation with functional alignment of supply chain and commercial activities across the Group and the management of other functional support services at a group level is expected to reduce costs and improve competitiveness.

Western Continental Europe business review

Overview
The market remained competitive across the whole of Western Continental Europe with sales up 2% year on year on a constant currency basis. Private Label sales fell in some markets, particularly Spain, but this was offset by strong contract manufacturing sales and a moderate success in increasing selling prices.

The business was impacted by a strong uplift in material costs as a result of the pressure on the oil price in the first half. This was partly offset by selling price increases with the key multiples and our operational excellence and lean programmes produced additional benefits to deliver a 1% increase in adjusted operating profit [1].

Further analysis of the manufacturing footprint has led to the transfer of dishwash tablets production from our site in Moyaux to Foetz. At the same time further rationalisation took place in our manufacturing facilities in Italy, where the smaller site of Alpini was integrated in the larger site of Bagnatica.

The central services structure is being restructured to fit within the new group functional structures. This has also started to generate savings in overheads.

[1] See page 2

Key business developments
Across the different geographies, the markets remain very competitive and demand has been slow throughout the second half of the fiscal year. Despite this continued pressure, sales in France grew by 2% at constant currency. Sales in Italy have grown by 14% at constant currency with strong Private Label growth and it has become Western Continental Europe's second biggest market. Trading in Spain remains difficult with sales at constant currency down by 20%.

During the year there was strong growth in contract manufacturing. In the core categories, the division has faced difficult markets with dishwash tablet sales showing flat growth and laundry liquids showing a decline due to the loss of contracts after price increases. The Personal Care business has also seen a 2% year on year decline in sales at constant currency.

Financial review
Revenue was flat at £405.9 million (2011: £405.7m) although on a constant currency basis sales in Western Continental Europe were up 2%. Adjusted operating profit[1] increased by 1% to £15.6 million (2011: £15.4m), reflecting selling price increases and operational efficiencies which offset increased material input costs. Capital expenditure was £9.1 million (2011: £11.8m) reflecting investments mainly in capacity expansion and cost-saving projects.

[1] See page 2

Future developments
The priority for the business is to maximise the benefits from the Group operational excellence programme to improve the manufacturing cost base and operational efficiency. The business continues to invest in new product development, focused on the Group's core growth categories. Investment in category development continues as does a focus on deepening the relationship with our key account customers with the aim of developing and maximising the potential for Private Label product ranges.

The new group organisation with functional alignment of supply chain and commercial activities across the Group and the management of other functional support services at a group level are expected to reduce costs and improve competitiveness.

Central and Eastern Europe business review

Overview
The Central and Eastern European business has benefited from strong Private Label growth mainly in the eastern region. During the year we exited a contract manufacturing agreement, which allowed us to consolidate our European supply chain footprint for machine dishwashing, creating a Centre of Excellence for the machine dishwash category in Foetz.

Sales in Poland increased by 23% on a constant currency basis driven by Private Label growth which was offset by the lower contract manufacturing activity in Germany. Adjusted operating profit[1] fell 48% reflecting the highly competitive Private Label environment which, coupled with increased raw material input costs and currency movements, have lowered operating margins.

The central services structure is being restructured to fit within the new group functional structures. This has also started to generate savings in overheads.

[1] See page 2

Key business developments
The Group supply chain restructuring is reducing our cost base. We have established Foetz as our Centre of Excellence for auto dishwash and recently launched our new fast dissolving machine dishwashing tablets which will utilise capacity created by our exit from some of our contract manufacturing business.

The launch of this patent pending new fast dissolving auto dish wash product is a significant innovation in this category which we intend to roll out in all our major markets.

We have been at the forefront of developing new attractive value for money Private Label Household and Personal Care products which are increasingly gaining popularity with consumers in the region. Recent successful product introductions include machine dishwashing tablets and dishwasher cleaners, new air freshener concepts, attractive hair care ranges and specialist cleaners across the region.

Financial review
Reported Central and Eastern Europe revenue fell by 3% to £135.6 million (2011: £139.7m). Private Label delivered organic growth of 2%, which was offset by a 3% fall due to currency translation and 2% due to reduced contract manufacturing activity. We continued to grow strongly in Poland where sales rose by 23%. Adjusted operating profit[1] fell to £4.6 million, (2011: £8.9m), due to higher input costs and the impact of adverse exchange movements. Capital expenditure was £4.1 million (2011: £2.5m) and was mainly focused on capacity expansion and cost-saving investments.

[1] See page 2

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

Further resources in new product development programmes in the region will focus on developing and improving the Private Label offering in those categories which have the greatest growth and margin potential.

Consolidated income statement
for the year ended 30 June 2012

	Note	**Pre exceptional items 2012 £m**	**Exceptional items (see note 4) 2012 £m**	**Post exceptional items 2012 £m**	Pre exceptional items 2011 £m	Exceptional items (see note 4) 2011 £m	Post exceptional items 2011 £m
Revenue	3	**813.9**	**-**	**813.9**	812.4	-	812.4
Cost of sales		**(558.3)**	**-**	**(558.3)**	(547.6)	-	(547.6)
Gross profit		**255.6**	**-**	**255.6**	264.8	-	264.8
Distribution costs		**(52.4)**	**-**	**(52.4)**	(54.3)	-	(54.3)
Administrative costs							
Before adjusting items		**(173.7)**	**-**	**(173.7)**	(181.5)	-	(181.5)
Amortisation of intangible assets		**(1.7)**	**-**	**(1.7)**	(2.9)	-	(2.9)
Exceptional items	4	**-**	**(11.6)**	**(11.6)**	-	(12.3)	(12.3)
Changes in estimates of contingent consideration arising on business combinations	4	**-**	**1.9**	**1.9**	-	-	-
Administrative costs including adjusting items		**(175.4)**	**(9.7)**	**(185.1)**	(184.4)	(12.3)	(196.7)
Operating profit	3,4	**27.8**	**(9.7)**	**18.1**	26.1	(12.3)	13.8
Adjusted operating profit				**29.5**			29.0
Financial income		**4.9**	**-**	**4.9**	4.3	-	4.3
Financial costs							
Before unwind of discount on contingent consideration		**(10.7)**	**-**	**(10.7)**	(10.8)	-	(10.8)
Unwind of discount on contingent consideration		**(0.2)**	**-**	**(0.2)**	(0.2)	-	(0.2)
Net financing costs including unwind of discount on contingent consideration		**(6.0)**	**-**	**(6.0)**	(6.7)	-	(6.7)
Profit before tax		**21.8**	**(9.7)**	**12.1**	19.4	(12.3)	7.1
Taxation	6	**(5.7)**	**2.7**	**(3.0)**	(4.9)	3.1	(1.8)
Profit for the year attributable to owners of the parent		**16.1**	**(7.0)**	**9.1**	14.5	(9.2)	5.3
Earnings per ordinary share (pence)	7						
Basic				**5.1**			2.9
Diluted				**5.0**			2.9

Consolidated statement of comprehensive income
for the year ended 30 June 2012

	2012 £m	2011 £m
Profit for the year	**9.1**	5.3
Other comprehensive (expense)/income		
Foreign exchange translation differences	**(14.3)**	11.0

Net gain/(loss) on hedge of net investment in foreign subsidiaries	**10.0**	(8.5)
Effective portion of (loss)/gain in fair value of cash flow hedges	**(4.4)**	1.8
Net changes in fair value of cash flow hedges transferred to income statement	**0.8**	2.1
Actuarial (loss)/gain on defined benefit pension schemes	**(5.8)**	4.5
Taxation relating to components of other comprehensive income	**1.9**	(2.3)
Total other comprehensive (expense)/income	**(11.8)**	8.6
Total comprehensive (expense)/income for the year	**(2.7)**	13.9

Consolidated balance sheet at 30 June 2012

	Note	2012 £m	2011 £m
Non-current assets			
Intangible assets		**35.7**	38.6
Property, plant and equipment		**175.6**	190.9
Other non-current assets		**0.6**	0.6
Derivative financial instruments		**0.2**	–
Deferred tax		**2.1**	2.5
		214.2	232.6
Current assets			
Inventories		**72.1**	81.6
Trade and other receivables		**143.1**	154.6
Derivative financial instruments		**0.6**	1.5
Cash and cash equivalents		**12.4**	9.6
Assets classified as held for sale		**1.6**	4.8
		229.8	252.1
Total assets	3	**444.0**	484.7
Current liabilities			
Interest bearing loans and borrowings		**48.9**	47.3
Trade and other payables		**190.8**	221.6
Derivative financial instruments		**2.4**	3.0
Current tax payable		**3.8**	0.9
Provisions		**7.0**	6.1
		252.9	278.9
Non-current liabilities			
Interest bearing loans and borrowings		**44.7**	46.0
Pensions and other post-employment benefits		**19.5**	16.2
Trade and other payables		**3.6**	6.3
Derivative financial instruments		**2.2**	-
Provisions		**0.4**	0.5
Deferred tax		**8.3**	11.4
		78.7	80.4
Total liabilities	3	**331.6**	359.3
Net assets		**112.4**	125.4
Equity			
Issued share capital		**18.3**	18.1
Share premium account		**129.2**	139.9
Other reserves		**10.0**	6.1
Retained earnings		**(45.7)**	(39.3)
Equity attributable to owners of the Company		**111.8**	124.8

Non-controlling interests	**0.6**	0.6
Total equity	**112.4**	125.4

Chris Bull
Director

Consolidated cash flow statement for the year ended 30 June 2012

	Note	**2012 £m**	2011 £m
Profit before tax		**12.1**	7.1
Net financing costs		**6.0**	6.7
Pre-tax exceptional charge in the year		**11.6**	12.3
Changes in estimate of contingent consideration		**(1.9)**	-
Share-based payments		**0.3**	0.3
Profit on sale of non-current assets		**(1.0)**	(0.5)
Depreciation		**23.5**	24.8
Amortisation of intangible assets		**1.7**	2.9
Operating cash flow before changes in working capital		**52.3**	53.6
Decrease/(increase) in receivables		**0.2**	(7.9)
Decrease/(increase) in inventories		**3.0**	(5.9)
(Decrease)/increase in payables		**(13.7)**	5.4
Operating cash flow after changes in working capital		**41.8**	45.2
Additional cash funding of pension scheme		**(2.3)**	(2.6)
Cash outflow in respect of exceptional items		**(6.7)**	(7.4)
Cash generated from operations		**32.8**	35.2
Interest paid		**(5.5)**	(4.6)
Taxation paid		**-**	(7.6)
Net cash from operating activities		**27.3**	23.0
Cash flows from investing activities			
Proceeds from sale of non-current assets		**4.3**	1.2
Acquisition of property, plant and equipment		**(25.2)**	(24.1)
Acquisition of intangible assets		**(1.2)**	(0.7)
Acquisition of businesses, net of cash acquired	5	**(1.9)**	(2.2)
Interest received		**0.1**	-
Settlement of forward contracts used in net investment hedging		**2.4**	(0.9)
Net cash used in investing activities		**(21.5)**	(26.7)
Cash flows from financing activities			
Proceeds from issue of share capital		**2.6**	0.1
Repurchase of own shares		**(1.1)**	(1.3)
Redemption of B shares		**(11.8)**	(3.5)
Increase in borrowings		**17.5**	55.3
Repayment of borrowings		**(7.2)**	(33.6)
Payment of finance lease liabilities		**(0.4)**	(0.6)
Dividends paid		**-**	(8.7)
Net cash used in financing activities		**(0.4)**	7.7
Net increase in cash and cash equivalents		**5.4**	4.0
Cash and cash equivalents at start of year		**2.6**	(1.1)
Effect of exchange rate fluctuations on cash held		**(0.4)**	(0.3)
Cash and cash equivalents at end of year		**7.6**	2.6

Reconciliation of cash and cash equivalents per the balance sheet and cash flow statement

Cash and cash equivalents per the balance sheet	**12.4**	9.6
Overdrafts	**(4.8)**	(7.0)
Cash and cash equivalents per the cash flow statement	**7.6**	2.6

Reconciliation of net cash flow to movement in net debt for the year ended 30 June 2012

	2012 £m	2011 £m
Increase in cash and cash equivalents in the year	**5.4**	4.0
Cash inflow from movement in debt	**(10.3)**	(21.7)
Movement on finance leases	**0.4**	0.6
Change in net debt resulting from cash flows	**(4.5)**	(17.1)
Debt acquired with subsidiaries	**-**	(0.9)
Exchange movements	**7.0**	(5.7)
Movement in net debt in the year	**2.5**	(23.7)
Net debt at the beginning of the year	**(83.7)**	(60.0)
Net debt at the end of the year	**(81.2)**	(83.7)

Consolidated statements of changes in equity for the year ended 30 June 2012

	Issued share capital £m	Share premium account £m	Cash flow hedge reserve £m	Translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity and reserves £m
At 1 July 2010	18.1	143.5	(4.6)	0.3	0.5	(33.7)	124.1	0.6	124.7
Profit for the year	-	-	-	-	-	5.3	5.3	-	5.3
Other comprehensive income/(expense):									
Foreign exchange translation differences	-	-	-	11.0	-	-	11.0	-	11.0
Net loss on hedge of net investment in foreign subsidiaries	-	-	-	(8.5)	-	-	(8.5)	-	(8.5)
Effective portion of changes in fair value of cash flow hedges	-	-	1.8	-	-	-	1.8	-	1.8
Net changes in fair value of cash flow hedges transferred to profit or loss	-	-	2.1	-	-	-	2.1	-	2.1
Actuarial gain on defined benefit pension schemes	-	-	-	-	-	4.5	4.5	-	4.5
Taxation relating to components of other comprehensive income	-	-	-	-	-	(2.3)	(2.3)	-	(2.3)
Total comprehensive income/(expense):	-	-	3.9	2.5	-	7.5	13.9	-	13.9
Transactions with owners of the Company:									
Share-based payments	-	-	-	-	-	0.6	0.6	-	0.6
Issue of B Shares	-	(3.6)	-	-	-	-	(3.6)	-	(3.6)
Redemption of B Shares	-	-	-	-	3.5	(3.5)	-	-	-
Equity dividends	-	-	-	-	-	(8.7)	(8.7)	-	(8.7)
Own shares acquired and held as treasury shares	-	-	-	-	-	(1.3)	(1.3)	-	(1.3)
Shares issued to satisfy share option exercises	-	-	-	-	-	0.1	0.1	-	0.1
Related tax movements	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
At 30 June 2011	18.1	139.9	(0.7)	2.8	4.0	(39.3)	124.8	0.6	125.4
Profit for the year	-	-	-	-	-	9.1	9.1	-	9.1
Other comprehensive (expense)/income:									
Foreign exchange translation differences	-	-	-	(14.3)	-	-	(14.3)	-	(14.3)
Net gain on hedge of net investment in foreign subsidiaries	-	-	-	10.0	-	-	10.0	-	10.0

Effective portion of changes in fair value of cash flow hedges	-	-	(4.4)	-	-	-	(4.4)	-	(4.4)
Net changes in fair value of cash flow hedges transferred to profit or loss	-	-	0.8	-	-	-	0.8	-	0.8
Actuarial loss on defined benefit pension schemes	-	-	-	-	-	(5.8)	(5.8)	-	(5.8)
Taxation relating to components of other comprehensive income	-	-	-	-	-	1.9	1.9	-	1.9
Total comprehensive (expense)/income:	-	-	(3.6)	(4.3)	-	5.2	(2.7)	-	(2.7)
Transactions with owners of the Company:									
Share-based payments	-	-	-	-	-	0.5	0.5	-	0.5
Issue of B shares	-	(12.2)	-	-	-	-	(12.2)	-	(12.2)
Redemption of B shares	-	-	-	-	11.8	(11.8)	-	-	-
Own shares acquired and held as treasury shares	-	-	-	-	-	(1.1)	(1.1)	-	(1.1)
Shares issued to satisfy share option exercises	0.2	1.5	-	-	-	0.9	2.6	-	2.6
Related tax movements	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)
At 30 June 2012	**18.3**	**129.2**	**(4.3)**	**(1.5)**	**15.8**	**(45.7)**	**111.8**	**0.6**	**112.4**

Notes to the financial statements

1. Exchange rates

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

	Average rate		Closing rate	
	2012	2011	**2012**	2011
Euro	**1.18**	1.17	**1.24**	1.11
Polish Zloty	**5.05**	4.63	**5.23**	4.41
Czech Koruna	**29.63**	28.73	**31.56**	26.94
Hungarian Forint	**346.47**	320.32	**353.17**	294.01
Malaysian Ringgit	**4.89**	4.90	**4.98**	4.85

2. Basis of preparation

The preliminary announcement for the year ended 30 June 2012 has been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). Details of the accounting policies applied are those set out in McBride plc's Annual Report 2012. The preliminary announcement does not represent the Group's statutory accounts within the meaning of section 435 if the Companies Act 2006. The comparative figures for the financial year ended 30 June 2011 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies.

The Group meets its funding requirements through internal cash generation and bank credit facilities, most of which are committed until June 2015. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate comfortably within its current bank facilities.

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

The annual financial information presented in this preliminary announcement for the year ended 30 June 2012 is based on, and is consistent with, that in the Group's audited Financial Statements for the year ended 30 June 2012, and those Financial Statements will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor's reports on both the 2010 and 2011 Financial Statements are (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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

- The minor amendments to a number of standards set out in the IASB's 2010 Annual Improvements project, includingconsolidation, business combinations and financial instruments.

- Amendment to IAS 24 'Related Party Disclosures' which clarifies the definition of a related party.

- Amendment to IFRS 7 'Disclosures - Transfers of financial assets' which requires additional disclosures regarding the risk exposures relating to transfers of financial assets.

- Amendment to IFRIC 14 ' Prepayments of a minimum funding requirement' provides guidance on assessing the recoverable amount of a pension asset and permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- IFRIC 19 'Extinguishing financial liabilities with equity instruments' which addresses the accounting by an entity that issues equity instruments in order to settle, in full or in part, a financial liability.

The adoption of these amendments and interpretations has not had a material effect on the net assets, results and disclosures of the Group.

Adjusted results

The Group believes that adjusted operating profit and adjusted earnings per share (see note 7) provide additional useful information to shareholders on the underlying performance achieved by the Group. These measures are used for internal performance analysis and short and long term incentive arrangements for employees. Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

Exceptional items are presented separately as, due to their nature or the infrequency of the events giving rise to them, this allows users of the financial statements to understand better the elements of financial performance for the year, to facilitate comparison with prior periods, and to assess better the trends of financial performance. Further details are given in note 4.

Contingent consideration that is deferred and subject to performance targets is required to be re-measured at the balance sheet date during the deferral period. Should the post acquisition performance, which is reflected in underlying earnings, fall short of expectations the contingent consideration may be decreased with a corresponding credit to the income statement. This credit offsets to an extent the shortfall in post acquisition performance. Likewise should the post acquisition profit exceed expectations the deferred consideration liability may increase and this results in a charge to the income statement, this time offsetting the higher underlying post acquisition performance. Management consider that such movements in the deferred consideration distort the underlying post acquisition performance of the acquired business and therefore will not include these in adjusted operating profit or adjusted earnings per share.

The assets and liabilities of overseas subsidiaries are translated at the closing rates of exchange ruling at the balance sheet date.

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 Executive Management Team in order to assess performance and allocate resources. 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.

Segment operating profit is determined on an adjusted basis excluding adjusting items set out in note 2 and unallocated corporate expenses, as this is believed to be more representative of the underlying performance of each operating segment.

Geographic segments

	United Kingdom		Western Continental Europe		Central and Eastern Europe		Elimination/Asia[1]		Total	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
External revenue	**309.0**	304.6	**368.7**	366.2	**127.9**	133.9	**8.3**	7.7	**813.9**	812.4
Inter-segment revenue	**6.2**	6.1	**37.2**	39.5	**7.7**	5.8	**(51.1)**	(51.4)	**-**	-
Total segment revenue	**315.2**	310.7	**405.9**	405.7	**135.6**	139.7	**(42.8)**	(43.7)	**813.9**	812.4
Segment profit	**16.5**	11.9	**15.6**	15.4	**4.6**	8.9	**0.2**	-	**36.9**	36.2

Corporate costs	**(7.4)**	(7.2)
Adjusted operating profit	**29.5**	29.0
Amortisation of intangible assets	**(1.7)**	(2.9)
Changes in contingent consideration (see note 4)	**1.9**	-
Exceptional items (see note 4)	**(11.6)**	(12.3)
Reported operating profit	**18.1**	13.8
Net financing costs	**(6.0)**	(6.7)
Reported profit before tax	**12.1**	7.1

(1) includes Asia £10.3 million sales (2011: £9.3m) of which £2.0 million are intergroup (2011: £1.6m) and Asia operating profit of £0.2 million (2011: £nil).

	United Kingdom		Western Continental Europe		Central and Eastern Europe		Corporate(2)		Total	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Segment assets(3)	**159.0**	164.7	**206.3**	226.3	**64.2**	76.6	**14.5**	17.1	**444.0**	484.7
Segment liabilities	**(107.2)**	(113.3)	**(127.8)**	(143.2)	**(31.5)**	(37.3)	**(65.1)**	(65.5)	**(331.6)**	(359.3)
Capital expenditure(4)	**12.0**	9.5	**9.1**	11.8	**4.1**	11.8	**0.1**	0.3	**25.3**	33.4
Amortisation and depreciation	**9.6**	9.8	**11.5**	12.4	**3.8**	5.1	**0.3**	0.4	**25.2**	27.7

(2) Corporate liabilities include external debt and tax liabilities.

(3) The carrying amount of assets held for sale is included within segment assets as follows: United Kingdom £0.4 million (2011: £nil), Western Continental Europe £1.2 million (2011: £1.3m) and Central and Eastern Europe £nil (2011: £3.5m).

(4) Capital expenditure includes property, plant and equipment and intangible assets. For the year ended 30 June 2011 the amounts payable in respect of the acquisition of Dermacol a.s. (including contingent consideration) are shown in Central and Eastern Europe.

Geographical information

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

Revenue from external customers by country of destination

	2012 £m	2011 £m
United Kingdom	**296.5**	284.8
France	**221.8**	220.2
Italy	**82.2**	73.3
Other Western Continental Europe	**65.2**	79.5
Central and Eastern Europe and Rest of World	**148.2**	154.6
Total revenue	**813.9**	812.4

Non-current assets by geographical location

	2012 £m	2011 £m
United Kingdom	**87.7**	87.3
Belgium	**46.0**	52.9
Italy	**22.5**	26.3
France	**13.4**	14.9
Other Western Continental Europe	**8.4**	10.1
Central and Eastern Europe and Rest of World	**33.9**	38.6
Total non-current assets	**211.9**	230.1

Revenue by major customer

The Group has one (2011: none) customer from which revenues represent over 10% of total revenue. This revenue is included within the following geographic segments:

	2012 £m	2011 £m
United Kingdom	**80.8**	75.6
Central and Eastern Europe	**5.6**	5.1
Total	**86.4**	80.7

4. Exceptional items

Exceptional items are presented separately as, due to their nature or the infrequency of the events giving rise to them, this allows users of the financial statements to understand better the elements of financial performance for the year, to facilitate comparison with prior periods, and to assess better the trends of financial performance.

	2012 £m	2011 £m
Charged to operating profit		
Reorganisation and restructuring costs		
- Redundancy	**(8.2)**	(4.5)
- Restructuring and business reorganisation costs	**(5.0)**	(2.8)
- Contribution received from customer	**5.1**	-
	(8.1)	(7.3)
Impairment of goodwill	**(1.2)**	-
Impairment of property, plant and equipment	**(1.3)**	(3.4)
Impairment of inventories	**(0.8)**	-
Impairment of asset held for sale	**(0.2)**	(1.6)
Reduction in contingent consideration	**1.9**	-
Total charged to operating profit	**(9.7)**	(12.3)
Taxation related to exceptional items	**2.7**	3.1
Total credited to taxation	**2.7**	3.1
Total charged to profit for the year	**(7.0)**	(9.2)

Year ended 30 June 2012

The Group incurred further costs in relation to its supply chain restructuring announced in the previous year. As part of the UK divisional supply chain restructuring programme the Burnley site was closed with production transferring to other sites in the UK. In Continental Europe, the Group rationalised its Auto-Dishwash production through the transfer of production lines from its factory at Moyaux in France to its factory at Foetz in Luxembourg. This re-organisation in Continental Europe involved redundancies at both sites after the completion of the necessary consultation with local employee representative bodies. There was a £3.8 million pre-tax exceptional charge to the income statement in the year related to this supply chain restructuring. Included in this charge were £3.9 million for redundancy, £0.8 million for inventory write offs, £4.2 million of other charges, mainly production and logistics expenses related to the transfer of production lines between sites and costs related to site clearance, consultancy, legal and storage. These were partly offset by a £5.1 million contribution received pursuant to an agreement with a customer.

During 2012, the Group initiated a reorganisation to remove the existing divisional management structures and move to organisation by function that would better utilise the Group's scale. These changes include a streamlining of commercial and operating functions and the reorganisation of certain back office functions into a shared service centre in Manchester. There was a £4.6 million pre-tax exceptional charge to the income statement in the year related to these initiatives. Included in this charge were £4.3 million for redundancy and £0.3 million for consultancy costs.

There was a £2.2 million pre-tax exceptional charge to the income statement in the year in relation to impairment charges of £1.2 million for goodwill and £1.0 million for property, plant and equipment related to the CEE Skincare business, partly offset by a £1.9 million reduction in contingent consideration for that acquisition.

There was a £1.0 million pre-tax exceptional charge to the income statement in relation to the 2010 restructuring programme in Continental Europe. Included in this charge was £0.5 million for impairments of property, plant and equipment (£0.3 million) and assets held for sale (£0.2 million) and £0.5 million of other charges, mainly consultancy and site clean up costs.

Year ended 30 June 2011

In the year ended 30 June 2011, there was a £12.3 million pre-tax operating exceptional charge to the income statement, of which £9.2 million related to the restructuring of the supply chain in the UK, £0.3 million arose in connection with the restructuring of the supply chain in Continental Europe and £1.2 million of additional costs were

incurred in relation to the 2010 redundancy programme in Western Continental Europe in addition to which there was an associated £1.6 million asset write-off. In total, the pre-tax operating exceptional charge comprised £4.5 million of redundancy costs, £3.4 million of asset write-offs and £2.8 million of other incremental items, including external consultancy costs, legal fees and site clean up costs. The £1.6 million pre-tax operating charge was in relation to an impairment of an asset held for sale, being the former production site of Solaro.

Segment information

In terms of the segment analysis in note 3, the exceptional charge relates to the UK £3.6 million (2011: £9.2m), Western Continental Europe £5.5 million (2011: £3.1m) and Central and Eastern Europe £0.6 million (2011: £nil). The impairment charges relate to the UK £0.5 million (2011: £3.2m), Western Continental Europe £0.6 million (2011: £1.8m) and Central and Eastern Europe £2.4 million (2011: £nil).

5. Acquisitions

Acquisitions in 2011

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

As noted above, the Group has committed to the purchase of the 30% of shares in Dermacol a.s. that it did not legally acquire at the acquisition date and has recognised a financial liability in relation to the contingent consideration payable for the purchase of the remaining shares. The Directors have elected to account for the non-controlling interests in Dermacol a.s. under the anticipated acquisition method. Under the anticipated acquisition method the interests of the non-controlling shareholder are derecognised when the Group's liability relating to the purchase of its shares is recognised. The recognition of the financial liability implies that the interests subject to the forward purchase are deemed to have been acquired already. Therefore the corresponding interests are presented as already owned by the Group even though legally they are still non-controlling interests. The £3.6 million (CZK 107 million) financial liability recognised by the Group forms part of the contingent consideration for the acquisition. All components of contingent consideration will be carried at fair value in future accounting periods and any adjustments arising reflected in the income statement.

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

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

If the acquisition had been completed on the first day of the 2011 financial year, it would have contributed approximately £8.3 million of revenue and £0.1 million of operating profit to the Group.

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

Satisfied by:

Cash paid	2.3
Contingent consideration	7.0
Cash consideration	**9.3**

6. Taxation

Analysis of tax charge in income statement

	2012			2011		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Current tax expense:						
Current period	**(0.4)**	**4.4**	**4.0**	-	5.0	5.0
Adjustment for prior periods	**(0.1)**	**(0.4)**	**(0.5)**	-	(0.1)	(0.1)
	(0.5)	**4.0**	**3.5**	-	4.9	4.9
Deferred tax (credit)/expense:						
Origination and reversal of temporary differences	**0.4**	**(1.8)**	**(1.4)**	(2.1)	(0.9)	(3.0)
Reduction in the UK tax rate	**(0.7)**	**-**	**(0.7)**	(0.1)	-	(0.1)
Adjustment for period periods	**1.6**	**-**	**1.6**	-	-	-
	1.3	**(1.8)**	**(0.5)**	(2.2)	(0.9)	(3.1)
Total tax (credit)/charge in income statement	**0.8**	**2.2**	**3.0**	(2.2)	4.0	1.8

The Finance Bill 2012, which was published on 29 March 2012, includes legislation reducing the main rate of corporation tax from 26% to 24% with effect from 1 April 2012. This gives rise to an effective UK corporation tax rate of 25.5% (2011: 27.5%) for the year.

Deferred tax balances in the UK have been calculated at 24% at 30 June 2012, the rate that was substantively enacted with effect from 1 April 2012.

Further reductions to the main rate of UK corporation tax are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. However, as these further reductions have not been substantively enacted at the balance sheet date they are not reflected in the deferred tax recognised on the balance sheet.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. Earnings per share

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

		2012	2011
Total earnings (£m)	a	**9.1**	5.3
Weighted average number of ordinary shares	b	**179,804,688**	180,407,938
Basic earnings per share (pence)	a/b	**5.1**	2.9

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

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

		2012	2011
Weighted average number of ordinary shares (million)	b	**179.8**	180.4
Effect of dilutive share awards (million)		**0.3**	1.1
Effect of dilutive SAYE scheme shares (million)		**0.8**	0.9
	c	**180.9**	182.4
Diluted earnings per share (pence)	a/c	**5.0**	2.9

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

		2012 £m	2011 £m
Earnings used to calculate basic and diluted EPS	a	**9.1**	5.3
Exceptional items after tax		**8.3**	9.2
Amortisation of intangible assets after tax		**1.3**	2.2
Changes in estimate of contingent consideration arising on business combinations after tax		**(1.3)**	-
Unwind of discount on contingent consideration after tax		**0.2**	0.2
Earnings before adjusting items	d	**17.6**	16.9
Adjusted basic earnings per share (pence)	d/b	**9.8**	9.4
Adjusted diluted earnings per share (pence)	d/c	**9.7**	9.3

8. Events after the reporting date

On 1 August 2012 following the exercise of its put/call option, the Group acquired the remaining 15% shareholding in Fortlab Holdings Sdn Bhd for consideration of £0.5 million (RM2.7 million).

9. Other notes

The Annual Report for 2012 will be will be issued to shareholders on 14 September 2012 and will be available from the company secretary at the Company's Registered Office, 28th Floor, Centre Point, 103 New Oxford Street, London, WC1A 1DD and from the Group's website at www.mcbride.co.uk; the Annual General Meeting will be held on 15 October 2012.

Subject to shareholder approval to renew the 'B Share' scheme at the Annual General Meeting on 15 October 2012, the Board is recommending the allotment of 30 B Shares (equating to a final payment of 3.0 pence per share (2011: 4.8p) which will be paid on 23 November 2012 to shareholders on the register at 26 October 2012.

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