



2 September 2010

**McBride plc**

**McBride plc, Europe's leading provider of Private Label Household and Personal Care products, announces its results for the year ended 30 June 2010**

- Revenue up 2% to £812.2m (2009: £792.4m)
- Adjusted operating profit<sup>1</sup> increased 38% to £50.0m (2009: £36.2m). Reported operating profit was £35.2m (2009: £27.4m)
- Adjusted operating margin<sup>1</sup> 6.2% (2009: 4.6%)
- Adjusted diluted earnings per share<sup>1</sup> up 41% to 18.1p (2009: 12.8p). Reported diluted earnings per share was 12.1p (2009: 9.1p)
- Return on capital employed<sup>1</sup> 25.9% (2009: 17.1%)
- Proposed final dividend increased by 12% to 4.8p (2009: 4.3p). Full year dividend increased by 13% to 6.8p (2009: 6.0p)
- Cash generated from operations before exceptional items increased to £85.1m (2009: £61.8m)
- Year end net debt reduced £22.4m to £60.0m (2009: £82.4m)
- Announcement today of the acquisition of Dermacol a.s., a Czech Republic based skin care business

<sup>1</sup> *calculated before amortisation of intangible assets and exceptional items*

Chris Bull, Chief Executive, commented:

"McBride has delivered record sales, profits and cash flow, underpinned by a strong return on capital employed. We have acquired three businesses, two of which are in the strategic personal care and skin care sectors, and have initiated restructuring projects in UK and Italy which will deliver significant cost savings. Our markets across Europe have remained competitive and we have seen extensive branded promotional activity, although there is some evidence that this may be easing. As previously announced we are experiencing an increasing trend in our raw material costs and are actively engaged in mitigating them

Trading since year-end has been in line with our expectations. We remain focused on growing shareholder value and, although weak retail markets and raw material inflation will remain challenging in the short term, our balance sheet remains strong. McBride is better placed than previously to manage raw material cost inflation and we believe that our actions will be effective"

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## Overview

This year has delivered record profits and cash flow, with profit and margin growth in each of our divisions.

- Revenues were up 2% overall, with 1% on a constant currency basis and 1% from currency translation. This was despite the effect of having exited low-margin contracts primarily in Spain. Organic growth in core product categories, which make up 52% of total revenue, was 2%.
- The second half of the year saw increases in raw material prices although they were partially offset by further improvements in procurement and ongoing operational efficiencies.
- Further restructuring projects were announced in the year. The closure of the Solaro factory in Italy has been completed on schedule and further restructuring in the UK supply chain is in progress. A £12.8m pre-tax exceptional charge has been taken in relation to these projects and the annualised cost savings is expected to be £6.5m.
- In the UK, external revenue grew 3% to £316.9m (2009: £308.4m), although core product categories grew by 9%. Adjusted operating profit\* and margin increased to £22.1m and 6.9% (2009: £17.5m and 5.6%) benefiting from higher volumes, better product mix, operational efficiencies and lower material costs.
- Western Continental Europe external revenue grew 2% to £461.6m (2009: £452.4m) although at constant currency it was down 1% with a 16% reduction in Spain. Adjusted operating profit\* and margin increased to £34.6m and 7.1% (2009: £23.3m and 5.0%) benefiting from lower material costs, better product mix and operational efficiencies.
- In Eastern Continental Europe external and constant currency revenue grew 7% to £33.7m (2009: £31.6m). Adjusted operating profit\* and margin increased to £2.5m and 7.1% (2009: £1.8m and 5.4%) driven primarily by higher volumes.
- Our €175m revolving credit facility was re-financed in the year.

\* adjusted operating profit is before amortisation of intangible assets and exceptional items

## Outlook

Trading since year-end has been in line with our expectations. We remain focused on growing shareholder value and, although weak retail markets and raw material inflation will remain challenging in the short term, our balance sheet remains strong. McBride is better placed than previously to manage raw material cost inflation and we believe that our actions will be effective.

## The industry, market and competitive environment

Our key markets in the 52-week period to June have reported value growth, with the total UK Household market up 3%, UK Personal Care market up 5%, France Household up 5% and France Personal Care up 2%.

In the UK, brand manufacturers attempted to maintain volume and market share through prolonged deep-cut promotional activity. This resulted in private label share dipping down in the middle of the year before volumes recovered to finish in line with the prior year for Household and slightly down for Personal Care. In France, Private Label demand in the hypermarket and supermarket channels remained strong, but lost share in hard discounters resulting in overall Private Label share being marginally down for the year. However, there is no doubt that in the current economic climate consumers are more value conscious than ever and the environment therefore continues to remain positive for private label growth.

McBride's competition comes primarily from a number of smaller and mostly privately owned private label and contract manufacturing companies, as well as from a small number of multinational branded companies. We differentiate ourselves in the Private Label sector by focusing on new product development, category development with customers and customer service. These, combined with a continuous drive for operational efficiency and procurement savings, enable the Group to deliver products of outstanding value. Leading retailers are increasingly focusing on private label as a key way of differentiating their offer to the consumer, and McBride believes it is best positioned to help them do so in our core categories of Household cleaning and Personal Care.

## **Business Performance**

### **Category & geographic performance**

Despite weak sales during the fourth quarter the business made good progress against its commercial objectives, including growing in our core categories and strengthening mix. Highlights included:

- growing core categories by 2%;
- growing the UK business by 3%;
- strengthening the business mix contributing to an improvement in gross margin from 34% to 37%: this included the exiting of low-margin business in Spain that accounted for 1% of Group revenue;
- growing revenue in Germany by 14%;
- growing revenue in France by 2%; and
- growing the Eastern Continental Europe business by 6%.

McBride's revenues grew 1% in the year on a constant currency basis, and reflects the effect of branded promotions in the UK during the middle of the year, exiting low margin business in Spain and a decline in hard discounter share across Europe.

The acquisitions of Fortlab Holdings in Malaysia and Dermacol a.s. in the Czech Republic extend both our geographic and product reach. Both offer the opportunity to extend our Personal Care product ranges, particularly into the large and growing skin care category. The Dermacol a.s. business will provide a European centre of excellence for these products enabling us to bring rapid innovation to our Personal Care ranges across Europe. The Fortlab business creates a foothold in the South East Asia markets from which we can support new and existing customers as they grow private label sales in that region.

### **Material cost management**

Further investment has been made in procurement resources and processes. Additional suppliers have been validated in order to provide greater purchasing leverage and a new Group-wide procurement strategy is also being implemented. We have benchmarked our procurement activity during the year and have proven that it provides a real competitive advantage for McBride.

Material cost inflation re-emerged at the end of the financial year. This was not unexpected given the upward trend we had seen in feedstock prices and our procurement strategy has been effective in preventing these from having a significant impact for much of the second half of the year. However, rapidly increasing global demand for plastics, surfactants and paper, combined with supply interruptions, caused an upward movement in prices at the end of the second half that has continued in line with our expectations.

McBride is much better placed to manage such events than it has previously been and cost mitigation plans were instigated as soon as material cost inflation became evident. These include measures to mitigate costs internally as well as through recovery from customers. We believe that these actions will be effective.

### **Cost efficiency**

The Group has continued to focus on operational efficiency investing over £24m of capital expenditure in the year, mainly in efficiency projects. Following the successful integration of the Dasty business in Italy into the Continental European supply chain, the existing Solaro site has been closed and is expected to generate annualised savings of £2.5m. The ongoing programme of "lean" manufacturing improvements has also delivered benefits creating the opportunity to discontinue manufacturing operations from the St Helens site and consolidate production into other sites across the Group.

We also continue to actively pursue value engineering projects to drive both financial and environmental benefits. These are principally derived from reducing weight of packaging, product re-formulation and alternative sourcing.

### **Winning with customers**

Customer service is the Group's main operational priority and a highly visible benchmark that influences directly its ability to maintain commercial leadership and support the Group's overall growth strategy. Success is measured in this area by reference to success in delivering products ordered by customers in the correct volumes and within agreed timescales, which can be as short as 24 hours. The customer service level across the Group in the year was 97% (2009: 97%), although the goal is to strive for customer service levels consistently in excess of 98%.

Our business is built on our customer (retailer) relationships. Our ability to respond to their needs in a timely and effective way is key to our success. We are working on strengthening the depth and breadth of our relationships with our customers, seeking to forge strategic partnerships based on deep category understanding, and a responsiveness that is second to none. We have won several awards from customers recognising our expertise in this area and we will continue to build on this.

### **New product development**

McBride has a consistently strong track record for its new product development activities, focused on our core product categories. In the last year we have expanded our ranges of laundry liquids and gels, further extended our household cleaner ranges and continued developments in the machine dishwashing sector. In Personal Care, we have continued our development in the skin and body care sectors in particular.

Overall, we have increased our investment and headcount in R&D, reflecting a commitment to differentiate McBride from its private label peer group in this vital area. A range of environmentally friendly products has also been launched. This includes aerosols based on Nitrogen, an environmentally friendly propellant, and a continuing move towards concentrated formats that use proportionately less packaging. McBride's goal is to develop new products that match or exceed the performance of the major brands.

### **People**

People are the lifeblood of our business. We have launched the Mission, Vision, and Principles programme aimed at building on our cultural strengths, better engaging our people and driving alignment of purpose. Our mission is to be the leading provider of household and personal care products of exceptional value and performance to our customers and their consumers. Our vision is to be the most successful private label company in the world. We have three simple principles underpinning this intent:

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

Through engaging our people across the Group we are building a powerful sense of common purpose.

Our very first responsibility to our people is their safety. We have made steady progress in this with accident levels reduced by 1% and the frequency of accidents per 100,000 hours worked reduced to 1.3, the lowest level since records were kept.

We also have an environmental responsibility to people at large in society. We are committed to reducing our environmental impact and progress has been made on key measures in the year. Energy usage is down 1.4% and energy used per tonne of product is up 0.7%. Water consumption is down 5%. Factory waste decreased by 1% and plans are in place to deliver further reductions as part of "Lean" manufacturing.

### **Strategy**

Our strategy is to drive private label growth in Household and Personal Care through product innovation, excellent customer service and quality, and exploiting our scale in procurement and operations. We will continue to focus on a number of core product categories which we believe offer the best growth prospects and to examine opportunities to expand our geographic footprint.

As we enter the new financial year, we are engaged in a strategy "refresh" programme aimed primarily at improving the focus, prioritisation and execution of the Group's strategy, particularly in terms of product portfolio and geographic focus, to ensure we optimise returns from our scale and capabilities.

At the core of the programme is a category review, based on an extensive insight study, which will ensure that we maximise our short, medium and long term profit opportunities from the growth of private label. Whilst this exercise is still in progress, the initial findings have given us confidence that there are significant further opportunities for private label growth. These include retailer moves into the convenience and internet channels, rationalisation of brand listings in favour of private label and, in the medium term, growth of hard discounters in Central and Eastern Europe.

We are also carrying out a comprehensive review of our manufacturing and logistics footprint with the aim of establishing the most cost effective way to serve our customers as well as reviewing priorities for geographic expansion. We expect the refresh programme to be completed by Q1 2011 following which detailed action plans will be implemented.

We will remain focused on being the private label supplier of choice in our target markets and believe that this strategy will provide excellent growth prospects.

We believe that the combination of these initiatives will underpin our objective of continuing to create shareholder value.

## **Group Financial Review**

### **Group summary**

Group revenue rose 2% to £812.2m (2009: £792.4m) reflecting 1% growth on a constant currency basis and 1% from currency translation movements, primarily due to strengthening of the Euro against Sterling to 1.14 (2009: 1.17). Group profit before tax, before amortisation of intangible assets and exceptional items, grew 43% to £44.4m (2009: £31.0m). Diluted earnings per share, before amortisation of intangible assets and exceptional items, increased 41% to 18.1 pence (2009: 12.8p). The proposed final dividend has increased 12% to 4.8 pence per share (2009: 4.3p) which, if approved, will increase the full year dividend 13% to 6.8 pence per share (2009: 6.0p).

Cash generated from operations, before exceptional items, achieved its highest ever level at £85.1 million (2009: £61.8m). Net debt was reduced by £22.4 million to £60.0 million (2009: £82.4m). Pre-tax return on average capital employed, before amortisation of intangible assets and exceptional items, for the year increased to 25.9% (2009: 17.1%).

### **Revenue**

Group revenue increased 2% to £812.2m (2009: £792.4m). The 1% constant currency growth, referred to above, reflects increases of 3% in UK and 7% in Eastern Continental Europe but a 1% reduction in Western Continental Europe. Core product categories which contribute 52% of total revenue experienced organic growth of 2%.

By geographic origin, UK external revenues grew 3% to £316.9m (2009: £308.4m). Western Continental Europe's external revenues increased 2% to £461.6m (2009: £452.4m) all from currency translation with organic sales down 1%. Eastern Continental Europe's external revenues increased 7% to £33.7m (2009: £31.6m), all organic growth.

### **Operating profit**

Group operating profit, before amortisation of intangible assets and exceptional items, improved 38% to £50.0m (2009: £36.2m). The operating margin improved from 4.6% to 6.2% driven mainly by lower input costs, purchasing savings and a greater proportion of higher margin core category sales. Group reported operating profit improved 28% to £35.2m (2009: £27.4m).

The operating profit and margin increased at all divisions:- UK profit £22.1m (2009: £17.5m) and margin 6.9% (2009: 5.6%), Western Continental Europe profit £34.6m (2009: £23.3m) and margin 7.1% (2009: 5.0%) and Eastern Continental Europe profit £2.5m (2009: £1.8m) and margin 7.1% (2009: 5.4%).

### **Net finance costs**

Reported net finance costs increased to £5.6m (2009: £5.2m), primarily reflecting lower expected return on pension scheme assets.

### **Exceptional items**

There was a £12.8m pre-tax operating exceptional charge to the income statement in the year (2009: £7.1m). £5.4m of this related to redundancy programmes in the UK and Western Continental Europe divisions, £5.0m to asset write-offs and £2.4m of other incremental items, including external consultants, logistics and storage costs.

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

Profit before tax increased 33% to £29.6m (2009: £22.2m) and, excluding amortisation of intangible assets and exceptional items, increased 43% to £44.4m (2009: £31.0m). The £7.5m taxation charge (2009: £5.6m) maintains a 25% effective rate (2009: 25%).

### **Earnings per share and dividend**

Basic earnings per share (EPS) improved 34% to 12.3 pence (2009: 9.2p). Adjusted basic EPS, before amortisation of intangible assets and exceptional items, increased 43% to 18.4 pence (2009: 12.9p). On an adjusted basis, diluted EPS increased 41% to 18.1 pence (2009: 12.8p). The weighted average issued and diluted number of shares in the year used in calculating these EPS figures were 180.3m and 183.2m respectively (2009: 180.3m and 181.5m).

The Board is recommending that a final dividend for the year of 4.8 pence per share (2009: 4.3p) be approved at the Annual General Meeting on 25 October 2010 and paid on 26 November 2010 to shareholders on the register on 29 October 2010. The proposed total dividend for the year of 6.8p per share represents a 13% increase (2009: 6.0p) and is covered 2.7 times by adjusted basic earnings per share (2009: 2.1 times). The total proposed dividend for the year amounts to £12.3m.

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

### **Cash flow**

Cash generation was strong with net cash generated from operations, before exceptional items, of £85.1m (2009: £61.8m). This included a £6.7m net working capital inflow (2009: £1.0m inflow).

Capital expenditure in the year was £24.3m (2009: £20.0m) which equates to 3% of sales and is £2.3m less than depreciation. The main areas of investment were cost efficiency programmes, new product development, capacity expansion and essential replacement. There was £8.4m of acquisition spend (net of cash acquired), £4.7m on Homepride Limited, a UK household cleaning business, and £3.7m on Fortlab Holdings, a Malaysian personal care manufacturer (2009: £1.0m of acquisition spend and £6.3m return of consideration relating to a prior period acquisition).

Net interest payments increased to £5.9m (2009: £4.7m) due to interest paid including £1.5m of up front fees relating to the new €175m five year revolving credit facility.

There was a cash outflow of £4.4m (2009: £4.7m) relating to exceptional items, primarily redundancy costs relating to restructuring programmes in the UK and Western Continental Europe divisions.

Ordinary dividend payments were £11.4m (2009: £10.1m).

Net debt reduced by £22.4m to £60.0m (2009: £82.4m).

### **Balance sheet**

Group net assets at the year-end increased to £124.7m (2009: £118.5m). This was primarily due to a £22.4m reduction in net debt, partially offset by an increase in pension liability and the currency translation effect of a weaker Euro on current and non current assets. The Euro weakened against Sterling from 1.17 at 30 June 2009 to 1.22 at 30 June 2010.

Liabilities for pensions and other post-employment benefits increased by £3.5m from last year to £17.7m, net of associated deferred tax asset (2009: £14.2m). This increase was due to a higher deficit in the UK defined benefit pension scheme, from £12.0m to £15.2m, driven primarily by an increase in the value of the scheme's liabilities.

The pre-tax, before amortisation of intangible assets and exceptional items, return on average capital employed improved from 17.1% to 25.9%. This improvement was driven by a higher profit margin, from 4.6% to 6.2%, and asset turnover, from 3.7 times to 4.2.

### **Treasury management**

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

### **Access to credit lines**

The Group aims to maintain a strong balance sheet, with a relatively conservative level of debt to equity gearing. This policy enabled us to secure a new €175 million revolving credit facility, which is committed until June 2015, and extend our £25 million invoice discounting facility until June 2012. The Group also has access to working capital facilities amounting to over £40 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.

Together with the Group's strong cash flow generation, our credit lines also provide 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 against 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 may be indirectly linked to that of oil. There is generally no liquid or cost-effective market for direct hedging of such exposures. Where liquid markets do exist, there may not be an acceptable level of correlation with the price of our particular commodities. However, the Group mitigates this risk by entering into certain long-term purchasing contracts, and continues to investigate the practicalities and merits of hedging its remaining exposure to rising commodity prices. The direct exposure of material costs to currency fluctuations is hedged by means of a rolling programme of forward cover.

## Divisional Review

### UK business review

#### **Overview**

The UK business experienced a strong year in terms of sales, operating profit and profit margin in spite of an environment of continuous brander promotions. Core product sales grew by 9% and sales overall by 3% even though the business had to increase its level of promotions in response to the branders.

In December 2009 Homepride Limited, which supplies specialist branded household cleaners to a number of leading retailers, was acquired for a net cash cost of £4.7 million. Their products fit well into the McBride portfolio and the acquisition did not include any manufacturing assets or employees.

Two restructuring programmes in the UK division were approved just before the year end with a pre tax exceptional charge of £3.6 million, most of this being redundancy costs and asset write-offs, and a total expected annualised pre-tax cost saving of £4 million.

#### **Key business developments**

Coming into the year, the division's priorities were to continue driving Private Label growth in core product categories, continue delivering premium growth in Personal Care and to expand the range of niche brands and distribution channels. Actions taken included further increases in selling prices, in line with much of the industry, and changes to the way of managing customer relations, as well as value engineering and efficiency improvements. Our capital investment focused on new product capacity and cost reduction activities.

## **Financial review**

Revenue grew by 3% overall to £320.3 million (2009: £311.4m) although core product categories increased by 9%, mainly driven by laundry liquid sachet and gel sales. Operating profit, before amortisation of intangible assets and exceptional items, increased 26% to £22.1 million (2009: £17.5m) driven by higher volumes, better product mix (including laundry liquids), less wastage and lower input costs. Total capital investment cash spend in the year was £9.0 million (2009: £9.4m) and included continuing work on improving efficiencies with internal bottle-blowing capabilities and line automation.

## **Future developments**

Our ongoing success depends critically upon our ability to provide customers with excellent service levels and competitive and innovative new products. We have continued to increase our level of resource in new product development, as well as investing resource into driving our quality performance forward. In addition we are investing both capital and headcount aimed at improving our forecast for demand and supply and product lifecycle management.

McBride continues to press ahead with initiatives to improve efficiency. Our “Lean business” activities continue to press ahead as scheduled with significant improvements being made to our supply chain activities, factory efficiency and costs base as well as overall business process improvement. These activities will continue in the coming year, with specific resource allocated to significantly reduce waste from our key processes.

## **Western Continental Europe business review**

### **Overview**

The division produced a strong overall performance with operating profit up 48% and return on sales increasing from 5.0% to 7.1%, even though organic sales were flat. The Personal Care business continued to expand with sales up 5%. There was also good growth in German household sales which were up 14%, benefiting from new business at a number of customers including Edeka. However, sales in Spain continued to reduce, and were down 16%. Input costs were lower than in the prior year, although they have been increasing in recent months and along with better product mix and lower wastage levels have driven the profit and margin improvement.

At the Interim results it was announced that we were entering into consultation to restructure and consolidate our Italian business by closing Solaro and transferring business to other sites. Consultation was successfully concluded, production at Solaro has now ceased and transfers to other sites has commenced. There is a £9.2 million pre tax exceptional charge with most of this being redundancy costs and asset write-offs and an expected annualised pre tax cost saving of over £2.5 million.

### **Key business developments**

In the Household products business, laundry liquids and washing up liquids were key categories with air care also performing well but offset by lower sales in machine dishwashing products and speciality cleaners.

The increasing focus on Personal Care delivered continued organic growth once more, with a particularly good performance in liquid hand soaps, deodorants and styling products. Personal care sales in France performed particularly well.

The business has been actively rolling out the mission, vision, principles programme to all staff across the business with excellent involvement and commitment at site level to this important initiative.

## **Financial review**

Revenue increased 3% to £484.4 million (2009: £469.8m) although on a constant currency basis it was flat. There was good growth in France and Germany, by 2% and 14% respectively, benefitting from new sales to Edeka and Personal Care growth, but this was partially offset by a 16% revenue decline in Spain. Operating profit, before amortisation of intangible assets and exceptional items, was up 48% to £34.6 million (2009: £23.3m), whilst return on sales improved from 5.0% to 7.1% benefitting from lower input costs, operational efficiencies and better product mix. Capital expenditure cash spend was £13.7 million (2009: £10.3m) reflecting investments mainly in capacity expansion, and cost saving projects.

## **Future developments**

The near term priority for the business is to continue investing in New Product Development, service and lean business principles to further drive efficiency in order to provide our customers with the very best value for money in our priority categories.

Further investment is planned in New Product Development, focused on our core priority categories. Investment in category development and understanding of changes in retail channels and formats will be

undertaken to support our customers in maximising the potential for Private Label product ranges going forward.

## **Eastern Continental Europe business review**

### **Overview**

The Eastern Continental Europe business also enjoyed a good year with organic sales up 6%, operating profit up 39% and operating margin improving from 5.4% to 7.0%. The main market growth has been in South Eastern Europe, namely Hungary, Romania, Cyprus and Greece. The product growth has been spread across household and personal care categories and in both Private Label and minor brands. The profit improvement has been driven by a combination of higher volumes and lower input costs.

### **Key business developments**

In 2010, Eastern Continental Europe continued to develop and evolve from the revised base established in 2009 with further investment in the management team and the sales teams. The business has further strengthened its product capability in the Strzelce factory.

### **Products**

McBride's sales of Machine Dishwash products in the region performed strongly with a three-fold increase in sales followed by air care sales which were up 66% and speciality cleaner sales up 7%, in the more commoditised product sector sales of thick bleach were strong.

Export sales in the region overall were higher but this reflected changes in country performance as a number of our traditional export markets including Belarus and the Baltic states demand slowed but was offset by increased growth in South East Europe, in particular Croatia, Greece and Romania.

A significant improvement in customer service was achieved during the year, achieving the Group target level of 98% for the first time, thanks to improvements in forecasting, stock control and systems.

### **Financial review**

Reported Eastern Continental Europe revenue increased 6% to £35.3 million (2009: £33.2m), which was all organic growth. The key growth was in Southern Europe and Asian markets. Operating profit, before amortisation of intangible assets and exceptional items, increased 39% to £2.5 million (2009: £1.8m), whilst the return on sales improved from 5.4% to 7.1%. The main drivers of this were higher volumes, improved product mix and lower input costs, partially offset by higher overheads reflecting a further strengthening of the general management and sales teams. Capital expenditure cash spend was £1.5 million (2009: £0.8m) and was mainly focused on capacity expansion and cost saving investments.

### **Future developments**

A combination of the improving market environment and further planned store openings in the region by our major customers gives us confidence that there are significant opportunities for further rapid development of the Group's activities in Eastern Europe.

The New Product Development programme will focus on developing and improving the Private Label offer in our categories with the greatest growth and margin potential.

**Consolidated income statement  
for the year ended 30 June 2010**

	Note	Pre exceptional items 2010 £m	Exceptional items (note 4) 2010 £m	Post exceptional items 2010 £m	Pre exceptional items 2009 £m	Exceptional items (note 4) 2009 £m	Post exceptional items 2009 £m
<b>Revenue</b>	3	<b>812.2</b>	-	<b>812.2</b>	792.4	-	792.4
Cost of sales		(515.4)	-	(515.4)	(524.2)	-	(524.2)
<b>Gross profit</b>		<b>296.8</b>	-	<b>296.8</b>	268.2	-	268.2
Distribution costs		(54.0)	-	(54.0)	(52.7)	-	(52.7)
Administrative costs							
Before amortisation of intangible assets		(192.8)	(12.8)	(205.6)	(179.3)	(7.1)	(186.4)
Amortisation of intangible assets		(2.0)	-	(2.0)	(1.7)	-	(1.7)
Administrative costs including amortisation of intangible assets		(194.8)	(12.8)	(207.6)	(181.0)	(7.1)	(188.1)
<b>Operating profit</b>	3,4	<b>48.0</b>	<b>(12.8)</b>	<b>35.2</b>	34.5	(7.1)	27.4
Financial income		3.8	-	3.8	6.2	-	6.2
Financial expenses		(9.4)	-	(9.4)	(11.4)	-	(11.4)
<b>Net financing costs</b>		<b>(5.6)</b>	-	<b>(5.6)</b>	(5.2)	-	(5.2)
<b>Profit before tax</b>		<b>42.4</b>	<b>(12.8)</b>	<b>29.6</b>	29.3	(7.1)	22.2
Taxation	7	(10.7)	3.2	(7.5)	(7.4)	1.8	(5.6)
<b>Profit for the year attributable to equity holders of the parent</b>		<b>31.7</b>	<b>(9.6)</b>	<b>22.1</b>	21.9	(5.3)	16.6
All activities relate to continuing operations							
<b>Earnings per ordinary share (pence)</b>	6						
Basic				12.3			9.2
Diluted				12.1			9.1
<b>Dividends</b>							
Paid in year (£m)				11.4			10.1
Paid in year (pence per share)				6.3			5.6
Proposed (£m)				8.7			7.7
Proposed (pence per share)				4.8			4.3

**Consolidated statement of comprehensive income  
for the year ended 30 June 2010**

	<b>2010</b>	2009
	<b>£m</b>	£m
<b>Profit for the year</b>	<b>22.1</b>	16.6
<b>Other comprehensive income/(expense)</b>		
Foreign exchange translation differences	(3.1)	6.9
Net gain/(loss) on hedge of net investment in foreign subsidiaries	2.5	(6.4)
Effective portion of changes in fair value cash flow hedges	(2.0)	(3.5)
Net changes in fair value of cash flow hedges transferred to profit or loss	0.9	0.6
Actuarial loss on defined benefit pension scheme	(4.3)	(9.7)
Taxation relating to components of other comprehensive income	1.5	4.3
<b>Total other comprehensive expense</b>	<b>(4.5)</b>	<b>(7.8)</b>
<b>Total comprehensive income for the year</b>	<b>17.6</b>	<b>8.8</b>

**Consolidated balance sheet  
at 30 June 2010**

	Note	2010 £m	2009 £m
<b>Non-current assets</b>			
Intangible assets		38.4	35.4
Property, plant and equipment		179.9	189.2
Other non-current assets		0.6	0.7
Deferred tax		2.9	2.4
		<b>221.8</b>	<b>227.7</b>
<b>Current assets</b>			
Inventories		69.9	68.0
Trade and other receivables		140.8	132.8
Cash and cash equivalents		5.0	2.8
Assets classified as held for sale		2.9	-
		<b>218.6</b>	<b>203.6</b>
<b>Total assets</b>	3	<b>440.4</b>	<b>431.3</b>
<b>Current liabilities</b>			
Interest bearing loans and borrowings		15.4	26.5
Trade and other payables		205.4	190.3
Current tax payable		3.5	1.3
Provisions		5.1	2.3
		<b>229.4</b>	<b>220.4</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings		49.6	58.7
Pensions and other post-employment benefits		23.6	18.9
Trade and other payables		0.6	-
Provisions		1.1	0.5
Deferred tax		11.4	14.3
		<b>86.3</b>	<b>92.4</b>
<b>Total liabilities</b>	3	<b>315.7</b>	<b>312.8</b>
<b>Net assets</b>		<b>124.7</b>	<b>118.5</b>
<b>Equity</b>			
Issued share capital		18.1	18.0
Share premium account		143.5	143.5
Other reserves		(3.8)	(2.1)
Retained earnings		(33.7)	(40.9)
<b>Equity attributable to owners of the Company</b>		<b>124.1</b>	<b>118.5</b>
Non-controlling interests		0.6	-
<b>Total equity and reserves</b>		<b>124.7</b>	<b>118.5</b>

C Bull  
Director

**Consolidated cash flow statement  
for the year ended 30 June 2010**

	Note	2010 £m	2009 £m
Profit before tax		29.6	22.2
Net financing costs		5.6	5.2
Pre-tax exceptional charge in the year		12.8	7.1
Share based payments		1.7	0.5
Loss on sale of property, plant and equipment		0.1	0.3
Depreciation		26.6	23.8
Amortisation of intangible assets		2.0	1.7
<b>Operating cash flow before changes in working capital</b>		<b>78.4</b>	<b>60.8</b>
(Increase)/decrease in receivables		(4.0)	7.6
(Increase)/decrease in inventories		(1.8)	0.2
Increase/(decrease) in payables		12.5	(6.8)
Cash flow in respect of exceptional items		(4.4)	(4.7)
<b>Cash generated from operations</b>		<b>80.7</b>	<b>57.1</b>
Interest paid		(6.0)	(6.0)
Taxation paid		(7.8)	(3.7)
<b>Net cash from operating activities</b>		<b>66.9</b>	<b>47.4</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		0.2	1.8
Acquisition of property, plant and equipment		(24.2)	(20.0)
Acquisition of intangible assets		(0.1)	-
Acquisition of businesses, net of cash acquired	5	(8.4)	5.3
Interest received		0.1	1.3
Forward contracts used in net investment hedging		(1.4)	(0.6)
<b>Net cash used in investing activities</b>		<b>(33.8)</b>	<b>(12.2)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		0.3	0.4
Repurchase of own shares		(1.4)	-
Increase in borrowings		5.5	7.1
Repayment of borrowings		(16.2)	(40.8)
Payment of finance lease liabilities		(0.7)	(0.9)
Dividends paid		(11.4)	(10.1)
<b>Net cash used in financing activities</b>		<b>(23.9)</b>	<b>(44.3)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9.2</b>	<b>(9.1)</b>
Cash and cash equivalents at start of year		(10.3)	(3.4)
Effect of exchange rate fluctuations on cash held		-	2.2
<b>Cash and cash equivalents at end of year</b>		<b>(1.1)</b>	<b>(10.3)</b>
<b>Reconciliation of cash and cash equivalents per the balance sheet and cash flow statement</b>			
Cash and cash equivalents per the balance sheet		5.0	2.8
Overdrafts		(6.1)	(13.1)
<b>Cash and cash equivalents per the cash flow statement</b>		<b>(1.1)</b>	<b>(10.3)</b>

**Reconciliation of net cash flow to movement in net debt  
for the year ended 30 June 2010**

	<b>2010</b>	2009
	<b>£m</b>	£m
Increase/(decrease) in cash and cash equivalents in the year	<b>9.2</b>	(9.1)
Cash outflow from movement in debt	<b>10.7</b>	33.7
Movement on finance leases	<b>0.7</b>	0.9
<b>Change in net debt resulting from cash flows</b>	<b>20.6</b>	25.5
Loans acquired with subsidiaries	<b>(0.1)</b>	-
Exchange movements	<b>1.9</b>	(4.6)
<b>Movement in net debt in the year</b>	<b>22.4</b>	20.9
Net debt at the beginning of the year	<b>(82.4)</b>	(103.3)
<b>Net debt at the end of the year</b>	<b>(60.0)</b>	(82.4)

**Consolidated statement of changes in equity  
for the year ended 30 June 2010**

	Issued share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity and reserves £m
<b>At 1 July 2008</b>	18.0	143.0	0.3	(42.4)	118.9	-	118.9
Profit for the year	-	-	-	16.6	16.6	-	16.6
Other comprehensive income/(expense):							
Foreign exchange translation differences	-	-	6.9	-	6.9	-	6.9
Net loss on hedge of net investment in foreign subsidiaries	-	-	(6.4)	-	(6.4)	-	(6.4)
Effective portion of changes in fair value of cash flow hedges	-	-	(3.5)	-	(3.5)	-	(3.5)
Net changes in fair value cash flow hedges transferred to profit or loss	-	-	0.6	-	0.6	-	0.6
Actuarial loss on defined benefit pension scheme	-	-	-	(9.7)	(9.7)	-	(9.7)
Taxation relating to components of other comprehensive income	-	-	-	4.3	4.3	-	4.3
<b>Total comprehensive income/(expense)</b>		-	(2.4)	11.2	8.8	-	8.8
Share based payments	-	-	-	0.4	0.4	-	0.4
Equity dividends	-	-	-	(10.1)	(10.1)	-	(10.1)
Other movements	-	0.5	-	-	0.5	-	0.5
<b>At 30 June 2009</b>	18.0	143.5	(2.1)	(40.9)	118.5	-	118.5
Profit for the year	-	-	-	22.1	22.1	-	22.1
Other comprehensive income/(expense):							
Foreign exchange translation differences	-	-	(3.1)	-	(3.1)	-	(3.1)
Net gain on hedge of net investment in foreign subsidiaries	-	-	2.5	-	2.5	-	2.5
Effective portion of changes in fair value of cash flow hedges	-	-	(2.0)	-	(2.0)	-	(2.0)
Net changes in fair value cash flow hedges transferred to profit or loss	-	-	0.9	-	0.9	-	0.9
Actuarial loss on defined benefit pension scheme	-	-	-	(4.3)	(4.3)	-	(4.3)
Taxation relating to components of other comprehensive income	-	-	-	1.5	1.5	-	1.5
<b>Total comprehensive income/(expense)</b>		-	(1.7)	19.3	17.6	-	17.6
Share based payments	-	-	-	1.1	1.1	-	1.1
Equity dividends	-	-	-	(11.4)	(11.4)	-	(11.4)
Own shares acquired and held as treasury shares				(1.4)	(1.4)		(1.4)
Shares issued to satisfy share option exercises	0.1			0.2	0.3		0.3
Acquisition of businesses	-	-	-	-	-	0.6	0.6
Related tax movements	-	-	-	(0.6)	(0.6)	-	(0.6)
<b>At 30 June 2010</b>	18.1	143.5	(3.8)	(33.7)	124.1	0.6	124.7

## NOTES TO THE FINANCIAL STATEMENTS

### 1) Exchange rates

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

	2010	2009	2010	2009
	Average rate		Closing rate	
Euro	1.14	1.17	1.22	1.17
Polish Zloty	4.66	4.67	5.05	5.24
Czech Koruna	29.3	30.4	31.4	30.5
Hungarian Forint	308.9	315.1	348.2	319.9
Malaysian Ringgit	4.81	-	4.84	-

### 2) Basis of preparation

The preliminary announcement for the year ended 30 June 2010 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Details of the accounting policies applied are those set out in McBride plc's Annual Report 2010. The preliminary announcement does not represent the Group's statutory accounts within the meaning of section 435 of the Companies Act 2006. The comparative figures for the financial year ended 30 June 2009 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies.

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

The Group has a robust business model and conservative balance sheet. As a result, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the consolidated financial statements are prepared on the going concern basis and the historical cost basis except where adopted IFRSs 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 2010 is based on, and is consistent with, that in the Group's audited Financial Statements for the year ended 30 June 2010, 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 2009 and 2010 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 2009, with the exceptions:

- IFRS 8 'Operating Segments' has been adopted. Under IFRS 8, reportable segments are determined on the basis of those segments whose operating results are regularly reviewed by the chief operating decision maker. These operating results are prepared on a basis that excludes exceptional items considered to be non-underlying in nature and amortisation of intangible assets. Note 3 of the preliminary announcement sets out the Group's reportable segments and sets out the reconciliations between these and the results reported in the income statement and balance sheet.
- IAS 1 'Presentation of Financial Statements (as revised)' has been adopted. This has resulted in a revision to the Group's primary financial statements, but has not affected its results or its net assets.
- Revised IFRS 3 'Business Combinations' and Revised IAS 27 'Consolidated and Separate Financial Statements' has been adopted and resulted in acquisition costs being expensed.
- Amendment to IFRS 7 'Financial Instruments: Disclosure', Revised IAS 23 'Borrowing Costs', Amendment to IAS 32 'Financial Instruments', Amendment to IAS 39 'Financial Instruments' and IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' have been adopted but did not have a material effect on the amounts recognised in the financial statements.

### 3) Segment information

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

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

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

Geographic segments	United Kingdom		Western Continental Europe		Eastern Continental Europe		Elimination / China**		Total	
	Restated*		Restated*		Restated*				Restated*	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	316.9	308.4	461.6	452.4	33.7	31.6	-	-	812.2	792.4
Inter-segment revenue	3.4	3.0	22.8	17.4	1.6	1.6	(27.8)	(22.0)	-	-
Total segment revenue	320.3	311.4	484.4	469.8	35.3	33.2	(27.8)	(22.0)	812.2	792.4
Segment profit	22.1	17.5	34.6	23.3	2.5	1.8	(0.4)	(0.4)	58.8	42.2
Amortisation of intangible assets									(2.0)	(1.7)
Corporate costs*									(8.8)	(6.0)
Exceptional items (see note 4)									(12.8)	(7.1)
Reported operating profit									35.2	27.4
Net financing costs									(5.6)	(5.2)
Reported profit before tax									29.6	22.2

\* On adoption of IFRS 8, the prior year segment profit has been restated to remove management charges which are not included in segment profit reported to the Group Management Team.

\*\* Includes China £1.0m (Household) sales (2009: £0.4m) which are all intergroup, and China operating loss of £(0.4)m (2009: £(0.4)m).

	United Kingdom		Western Continental Europe		Eastern Continental Europe		Corporate*		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Segment assets	174.9	167.9	224.1	240.0	19.9	18.7	21.5	4.7	440.4	431.3
Segment liabilities	(104.2)	(99.5)	(147.5)	(143.7)	(5.8)	(5.1)	(58.2)	(64.5)	(315.7)	(312.8)
Capital expenditure**	13.9	9.4	15.5	10.3	1.6	0.8	4.9	-	35.8	20.5
Amortisation and depreciation	9.7	8.6	17.9	16.1	0.9	0.7	0.1	0.1	28.6	25.5

\*Corporate liabilities include external debt and tax liabilities.

\*\*Capital expenditure includes property, plant and equipment, intangible assets and additionally for 2010 the amounts payable (including contingent consideration) in respect of the acquisitions of Homepride Limited and Fortlab Holdings Sdn Bhd, which are shown within United Kingdom and Corporate respectively.

Business segments	Household		Personal Care		Total	
	Restated*		Restated*		Restated*	
	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	£m	£m
Revenue from business segments	667.5	648.5	144.7	143.9	812.2	792.4
Profit from business segments	51.4	36.0	7.4	6.2	58.8	42.2
Amortisation of intangible assets					(2.0)	(1.7)
Corporate costs*					(8.8)	(6.0)
Exceptional items (see note 4)					(12.8)	(7.1)
Reported operating profit					35.2	27.4
Net financing costs					(5.6)	(5.2)
Reported profit before tax					29.6	22.2

\* On adoption of IFRS 8, the prior year segment profit has been restated to remove management charges which are not included in segment profit reported to the Group Management Team.

### 3) Segment information (continued)

#### 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:

<b>Revenue from external customers by country of destination</b>		
	<b>2010</b>	2009
	<b>£m</b>	£m
United Kingdom	<b>296.2</b>	290.1
Foreign countries		
France	<b>224.3</b>	214.3
Italy	<b>77.8</b>	76.4
Other Western Continental Europe	<b>155.3</b>	151.4
Eastern Continental Europe and Rest of World	<b>58.6</b>	60.2
Total revenue	<b>812.2</b>	792.4

  

<b>Non-current assets by geographical location</b>		
	<b>2010</b>	2009
	<b>£m</b>	£m
United Kingdom	<b>93.1</b>	91.0
Foreign countries		
Belgium	<b>47.9</b>	50.1
Italy	<b>24.6</b>	32.5
France	<b>13.7</b>	14.0
Other Western Continental Europe	<b>27.3</b>	30.4
Eastern Continental Europe and Rest of World	<b>12.3</b>	7.3
Total non-current assets	<b>218.9</b>	225.3

#### 4) Exceptional items

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

There was a £12.8 million pre-tax operating exceptional charge to the income statement in the year relating to restructuring programmes in the Western Continental Europe and UK divisions. Included in this charge was £5.4 million for redundancy, £5.0 million for asset write offs and £2.4 million of other charges, mainly consultants, logistics and storage costs.

The £7.1 million 2009 pre-tax operating exceptional charge related mainly to restructuring programmes in the UK and Western Continental Europe divisions.

In terms of segment analysis in note 3, the exceptional charge relates to the UK £3.6 million (2008: £5.1m) and Western Continental Europe £9.2 million (2009: £2.0m), on a geographic basis, and Household £12.6 million (2009: £6.0m) and Personal Care £0.2 million (2009: £1.1m) on a business basis.

#### 5) Acquisitions

##### Acquisitions in 2010

##### Homepride Limited

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

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

##### Fortlab Holdings Shd Bhd

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

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

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

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

The fair values of the FHSB identifiable assets and liabilities have been prepared on a provisional basis as a result of the proximity of the acquisition date to the year end.

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

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

The acquisitions had the following effect on the Group's assets and liabilities on their respective acquisition dates:

	Homepride Limited		Fortlab Holdings Shd Bhd				Total Fair value £m
	Book value £m	Fair value adjustments £m	Book value £m	Fair value adjustments £m	Book value £m	Fair value adjustments £m	
Net assets acquired:							
Property, plant and equipment	-	-	3.2	0.2	3.2	0.2	3.4
Intangible assets	-	1.4	0.1	0.1	0.1	1.5	1.6
Working capital	0.7	(0.3)	1.9	(0.4)	2.6	(0.7)	1.9
Cash and cash equivalents	0.2	-	0.3	-	0.5	-	0.5
Net debt	-	-	(0.1)	-	(0.1)	-	(0.1)
Non-current liabilities	-	-	(0.3)	-	(0.3)	-	(0.3)
Non-controlling interests*	-	-	(0.5)	(0.1)	(0.5)	(0.1)	(0.6)
	<b>0.9</b>	<b>1.1</b>	<b>4.6</b>	<b>(0.2)</b>	<b>5.5</b>	<b>0.9</b>	<b>6.4</b>
Fair value of assets acquired		2.0		4.4			6.4
Goodwill on acquisition		2.9		0.4			3.3
<b>Total</b>		<b>4.9</b>		<b>4.8</b>			<b>9.7</b>
Satisfied by:							
Cash paid		4.9		4.0			8.9
Contingent consideration		-		0.8			0.8
<b>Cash consideration</b>		<b>4.9</b>		<b>4.8</b>			<b>9.7</b>

\* Fortune Organics (F.E.) Shd Bhd is a 55% owned subsidiary of Fortlab Holdings Shd Bhd which had net assets at the acquisition date at a book value of £1.1 million and with a provisional fair value of £1.3 million.

## Acquisitions in 2009

On 5 June 2009, the Group purchased from the Administrators of 360 Brands Limited certain assets for a total consideration of £1.0 million. These predominantly comprised brands, for which the fair values were assessed to be equal to the consideration paid.

The Group also recovered part of the consideration paid relating to a prior period acquisition amounting to £6.3 million, which has reduced the goodwill arising on this acquisition.

## 6) Earnings per share

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

		2010	2009
Total earnings (£m)	a	22.1	16.6
Weighted average number of ordinary shares	b	180,276,613	180,288,282
Basic earnings per share (pence)	a/b	12.3	9.2

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

During the year, the Company had three categories of potentially dilutive ordinary shares: share options issued whose exercise price is less than the average price of the Company's ordinary shares during the year, share awards with no option price and shares allocated to an approved Save As You Earn scheme.

		2010	2009
Weighted average number of ordinary shares (million)	b	180.3	180.3
Effect of dilutive share options (million)		-	0.2
Effect of dilutive share awards (million)		1.6	1.0
Effect of dilutive SAYE scheme shares (million)		1.3	-
	c	183.2	181.5
<b>Diluted earnings per share (pence)</b>	a/c	<b>12.1</b>	9.1

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

		2010	2009
		£m	£m
Earnings used to calculate basic and diluted EPS	a	22.1	16.6
Exceptional items after tax		9.6	5.3
Amortisation of intangible assets after tax		1.5	1.3
Earnings before exceptional items and amortisation of intangible assets	d	33.2	23.2
<b>Adjusted basic earnings per share (pence)</b>	d/b	<b>18.4</b>	12.9
<b>Adjusted diluted earnings per share (pence)</b>	d/c	<b>18.1</b>	12.8

## 7) Taxation

The £7.5 million tax charge for the year ended 30 June 2010 (2009: £5.6m) consists of £1.9 million (2009: £2.0m) of UK tax and £5.6 million (2009: £3.6m) of overseas tax.

## 8) Subsequent events

On 1 September 2010, the Group agreed the acquisition of a 70% interest in Dermacol a.s., a manufacturer of skincare products based in the Czech Republic, for an expected consideration of around £8 million (CZK240 million) from its parent company, Alphaduct a.s. 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 (CZK650 million).

During the year ended 31 December 2009, Dermacol a.s. reported a profit before tax of £0.8 million (CZK24.1 million). At 31 December 2009, gross assets were £10.4 million (CZK312 million).

## 9) Other notes

- i) The Annual Report for 2010 will be issued to shareholders on 24 September 2010 and will be available from the company secretary at the Company's Registered Office, 28th Floor, Centre Point, 103 New Oxford Street, London, WC1A 1DD and from the Group's website at [www.mcbride.co.uk](http://www.mcbride.co.uk); the Annual General Meeting will be held on 25 October 2010.
- ii) If approved at the Annual General Meeting on 25 October 2009, a final dividend of 4.8 pence per share will be paid on 26 November 2010 to shareholders on the register at 29 October 2010.