

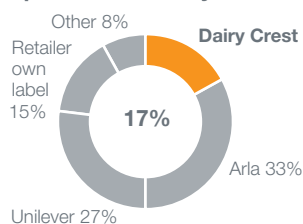
## PERFORMANCE

### Spreads & butters



£ million	2013/14	2012/13
<b>Revenue</b>	<b>177.4</b>	194.5
<b>Product group profit</b>	<b>16.8</b>	25.5
<b>Margin</b>	<b>9.5%</b>	13.1%

#### Share of retail butter and spreads market by value



Source: IRI 52 weeks ended 29 March 2014

**We make butter at our Severnside dairy in Gloucestershire and pack butter and make spreads in Kirkby, Merseyside. We have two key brands, Clover (a dairy spread) and Country Life (spreadable and block butter). We also have several secondary brands in the spreads category and we produce and sell Frylight one calorie cooking spray through MH Foods.**

Reported revenue for the year ended 31 March 2014 fell by 9% to £177.4 million. Profits from the Spreads and butters product group declined by 34% to £16.8

million, resulting in a margin of 9.5% (2013: profit £25.5 million, margin 13.1%) Although the year was a difficult one overall, lower cream prices in the last few months of the year and strong results from MH Foods meant the second half performance was better than the first. Looking forward, the action we have taken to reduce our cost base will make us more efficient and allow us to continue to compete strongly. Spreads and butters remains a high margin product group.

#### Mixed performance of key brands in a difficult market

The butter and spreads market continued to decline during the year. Market volumes fell by around 5% and values by 4%. Own label sales grew at the expense of brands and butter sales declined less than those of spreads. Both butters and spreads were heavily promoted but this failed to reverse the downward trend in consumption.

Clover grew volume but lost a little value market share. During the year we introduced a new range of healthy spreads into the Clover range and supported them and the other products in the range with TV advertising.

Country Life spreadable grew sales and volumes, outperforming the market and other spreadable brands. However higher cream prices for most of the year increased the cost of Country Life block butter and we chose to promote it less. This led to significantly lower sales and

market share. For the first time Country Life spreadable sales were higher than those of Country Life block butter.

In addition, the declining spreads market has led to some retailers reducing the amount of space they allocate to butters and spreads in their store and one of our secondary brands, Utterly Butterly, was particularly adversely affected.

#### Good performance by Frylight one calorie cooking spray

We purchased MH Foods in 2011/12 and have grown sales and profits consistently. Following a significant rationalisation of the product range last year we have cut production costs and reinvested some of the savings in higher marketing expenditure. The brand has responded well and sales and profits have grown.

#### Looking forward – a more efficient business

We will shortly complete the rationalisation of our spreads and butter manufacturing onto one well-invested site in Kirkby, Merseyside, where we have spent over £30 million to create a modern, efficient facility. As previously announced, we expect to close our factory in Crudgington, Shropshire, in the year ending 31 March 2015. We expect this to generate significant cost savings that will benefit the future profitability of our Spreads and butter operations.



# £30m

Investment to create a modern manufacturing and packing facility in Kirkby