



IN FOCUS





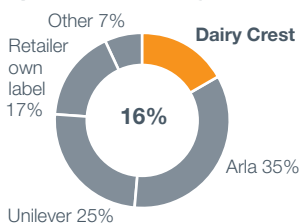
Spreads & butters



£ million	2014/15	2013/14
Revenue	170.0	177.4
Product group profit*	33.8	16.8
Margin	19.9%	9.5%

* Before exceptional items and amortisation of acquired intangibles

Share of retail butter and spreads market by value



Source: IRI 52 weeks ended 28 March 2015

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 produce Frylight one calorie cooking spray in Erith, Kent, and have several secondary brands in the spreads category.

Reported revenue for the year ended 31 March 2015 fell by 4% to £170.0 million. However profits from the Spreads and butters product group increased sharply by 101% to £33.8 million, resulting in a margin of 19.9% (2014: profit £16.8 million, margin 9.5%). Lower raw material prices and reduced overheads following the consolidation of packing onto one site both contributed to the improved performance. In addition we have adjusted our aged accruals in line with the Grocery Supply Code of Practice.

Market decline slows – butter in growth

The butter and spreads market continued to decline during the year. However the pace of decline fell from that recorded in the year ended 31 March 2014. Across the category as a whole, both market

volumes and values fell by 4%. Within the overall category, butter sales grew volume by 2% with unchanged values, driven by supermarket own label butter sales growth, whereas spreads volumes and values both fell by around 8%.

Clover performed in line with the spreads market and Country Life Spreadable, which now accounts for nearly 60% of total Country Life sales, grew sales by 2% and outperformed the butter market. However Country Life block butter sales fell as a result of lower promotional activity.

We continue to innovate and support our brands. Clover was awarded Which magazine's 'Best Buy' in the spreads category (Source: Which February 2015) and Clover Lighter than Light is firmly established as a lower fat alternative.

Our comprehensive category strategy project, 'Dairy for Life', will form the foundation for future innovation, marketing and category merchandising for both Clover and Country Life. On the back of this project we have worked with one customer to install freestanding refrigerators for butters and spreads next to their instore bakeries and with another on a 'cupcake challenge'.

Frylight one calorie cooking spray, a brand we purchased in 2011, has performed strongly with sales up 22% compared to last year. This brand has responded well to increased marketing support and has the potential to grow further. In future we expect to report it as one of our key spreads and butter brands alongside Clover and Country Life butter.

Driving efficiency, generating cash

With all our packet butter and spreads manufacturing now on one site, we expect to be able to drive efficiencies in this business and lower our manufacturing costs further. We expect to use some of the manufacturing savings to increase our marketing expenditure to grow and protect our share of this high-margin category. We would also expect to see this business improve its cash generation in future years as capital expenditure falls back to more normal levels.

101%

profit increase from the Spreads and butters product group