McBride
Manufacturing our future

# Creating growth

McBride plc Half-Year Report

2019

# Welcome to the McBride plc Half-Year Report 2019

McBride plc, the leading European manufacturer and supplier of Contract Manufactured and Private Label products for the domestic Household and professional cleaning and hygiene markets, announces its half-year results for the six months ended 31 December 2018.

During the period, the Group successfully completed the sale of the European Personal Care (PC) Liquids business following the disposal of its Skincare business in the Czech Republic the previous year. The financial results of these businesses have been treated as discontinued operations in both the current and prior half-year financial statements. The remaining activities within the Group are referred to as continuing operations.

The use of the expression "underlying" refers to figures excluding the impact of acquisitions or disposals and stated at constant currency.

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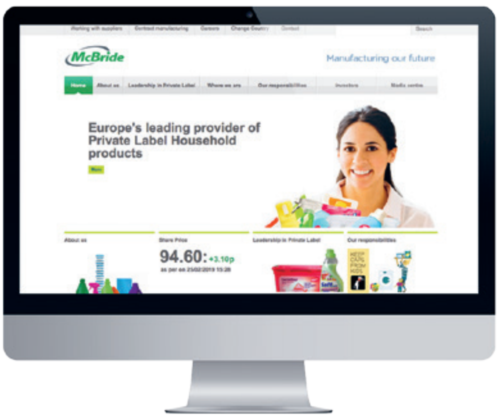
**www.mcbride.co.uk**



## Headlines

# Household delivering strong growth; well positioned in challenging markets

### Financial

- Revenues at constant currency 10.8% higher at £369.2m, underlying[7] revenues 6.0% higher after excluding the benefit of first quarter revenues from Danlind
- Adjusted operating profit[3] of £16.8m in line with prior half year, contribution from sales growth offset by higher materials and distribution costs
- Operating profit of £15.6m (2017: £15.9m) after adjusting items of £1.2m, mostly amortisation of £0.9m and exceptional costs of £0.3m
- Adjusted profit before tax from continuing operations of £14.5m in line with prior half year (2017: £14.6m); reported profit before tax on continuing operations up £0.1m to £13.3m
- Adjusted, diluted EPS from continuing operations of 5.6p (2017: 5.6p)
- Strong cash flow generated from operations £23.2m (2017: £12.0m)
- Proceeds from sale of PC Liquids and Solaro site in period of £13.1m
- Net debt at £98.0m (30 June 2018: £114.3m), debt ratio 1.8x (2017: 2.3x)
- Total diluted EPS of 4.9p (2017: 0.7p)
- Interim payment to shareholders held at 1.5p (2017: 1.5p)

### Strategic actions

- Household underlying revenues up 5.9%; good growth in key laundry and auto dishwash categories
- Installation of triple capsule and additional auto dishwash production lines completed in period
- Successful integration of Danlind factories onto Group ERP system in second quarter
- Successful sale for £12.5m of loss-making European PC Liquids business completed in second quarter
- Asia expansion plan launched
- Continued progress with factory and overhead efficiency projects
- Distribution footprint initiatives delayed, reflecting temporary operational constraints

| £m unless otherwise stated | **Half year to 31 Dec 2018** | Half year to 31 Dec 2017[1] | Reported change | Constant currency change[2] |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | **369.2** | 334.1 | 10.5% | 10.8% |
| Adjusted operating profit[3] | **16.8** | 16.8 | — | 0.6% |
| Adjusted operating margin[3] | **4.6%** | 5.0% | (0.4ppts) | (0.4ppts) |
| Operating profit | **15.6** | 15.9 | (1.9%) | |
| Operating margin | **4.2%** | 4.8% | (0.6ppts) | |
| Adjusted profit before taxation | **14.5** | 14.6 | (0.7%) | — |
| Profit before taxation | **13.3** | 13.2 | 0.8% | |
| Adjusted diluted earnings per share[4] | **5.6p** | 5.6p | — | |
| Diluted earnings per share | **5.0p** | 4.9p | 2.0% | |
| **Total operations** | | | | |
| Revenue | **391.1** | 368.4 | 6.2% | 6.5% |
| Adjusted operating profit | **16.5** | 15.8 | 4.4% | 5.1% |
| Operating profit | **13.5** | 6.7 | 101.5% | |
| Adjusted profit before taxation | **14.2** | 13.6 | 4.4% | 5.2% |
| Profit before taxation | **11.2** | 4.0 | 180.0% | |
| Adjusted diluted earnings per share[4] | **5.5p** | 5.2p | 5.8% | |
| Diluted earnings per share | **4.9p** | 0.7p | 600.0% | |
| Net debt[5] | **98.0** | 114.3 | | |
| Return on capital employed[6] | **20.8%** | 20.6% | | |
| Interim payment to shareholders (per ordinary share) | **1.5p** | 1.5p | | |

(1) Net debt is at 30 June 2018, all other comparatives refer to the six months ended 31 December 2017 unless otherwise stated.
(2) Comparatives translated at 31 December 2018 exchange rates.
(3) Adjustments were made for the amortisation of intangible assets and exceptional items.
(4) Adjustments were made for the amortisation of intangible assets, exceptional items, non-cash financing costs from unwind of discount on initial recognition of contingent consideration; unwind of discount on provisions and any related tax.
(5) Net debt comprises cash and cash equivalents, overdraft, bank and other loans and finance lease liabilities.
(6) Rolling twelve months adjusted operating profit to 31 December 2018 as a percentage of average period end net assets excluding net debt.
(7) "Underlying" refers to figures excluding the impact of acquisitions or disposals and stated at constant currency.

# Executive review

Given McBride's market leadership, sound financial position and continued growth prospects, the Group remains well placed in the current difficult trading environment to make further progress against its strategic ambitions.

**Rik De Vos**
Chief Executive Officer

**Chris Smith**
Chief Finance Officer

## Strategy progress

### Sales growth

Having concluded the details of our commercial growth strategy in the autumn of 2017 the Group made further progress against its strategic growth ambitions in the first half of this financial year. The category-focused plan achieved underlying first half sales growth of 5.9% in our Household business versus the prior period. This growth was primarily achieved through the previously announced retail contract gains in Germany and the UK and contract wins across the regions resulting from further competitor weakness.

The category-focused commercial plan, supplemented by the Danlind acquisition and specific asset investment, has delivered critical additional capacity in key growth areas. As a result, in laundry capsules we have seen first half underlying sales growth versus the prior half year of 12.1% whilst in auto dishwash, underlying sales growth was 26.5% for the same period.

Our pan-European presence, technical capability, production capacity, as well as our financial strength, mean that we are now uniquely positioned as a trusted and reliable long-term partner in competitive tenders, with both the major European-wide retail operators and brand owners as contract manufacturing customers.

### Danlind

In September 2017, we announced the acquisition of Danlind a/s, a supplier of auto dishwash and laundry products in Denmark. During the second quarter of this financial year, the Group successfully integrated the Danish factories onto the McBride ERP system, enabling the Group to fully absorb Danlind into the current Household operations and thus take greater advantage of the value proposition the acquisition provides.
This acquisition is a good demonstration of our M&A strategy aligned to category priorities and we continue to look for such complementary opportunities.

### European Personal Care & Aerosols

At our half-year results in February 2018, we announced plans to launch an accelerated transformation programme for the loss-making European Personal Care & Aerosols (PCA) segment and confirmed the disposal of the Czech-based Skincare business as a first step in this plan.

We also announced plans for the closure of our UK aerosols operations at Hull with the absorption of some volumes into the French aerosols operation. This action will be completed during the second half year as expected.

As the final element in the plan, on 16 November 2018, we successfully completed the sale of the Group's European PC Liquids activities, which comprised two manufacturing sites at Bradford, UK and Ieper, Belgium to Royal Sanders Group.

These actions have seen the Group exit from a major part of our PC activities in Europe such that, once completed, there will be a reduction in annual Group revenues of c.£85 million when compared to the year to June 2018. The remaining PCA activities, which comprises Aerosols and Asia (to be known now as AA) are expected to operate at a break-even level from the start of the next financial year in July 2019.

## Group operating results

During the period, the Group successfully completed the sale of the European PC Liquids business, following the disposal of its Skincare business in the Czech Republic the previous year. The financial results of these businesses have been treated as discontinued operations in both the current and prior half-year financial statements. The remaining activities within the Group are referred to as continuing operations.

The use of the expression "underlying" refers to figures excluding the impact of acquisitions or disposals and stated at constant currency.

## Continuing operations

### Income statement

Half-year Group revenues at £369.2 million were £35.1 million (10.5%) higher than the prior period, primarily as a result of higher sales in the Household regions of East and UK and aided by the additional first quarter revenues from Danlind. On an underlying basis, half-year sales were higher by £20.1 million (6.0%).

Half-year underlying Household sales were higher by 5.9% and the Aerosols and Asia (AA) segment, which is the balance of the Personal Care and Aerosols segment following the sale of European PC Liquids, was higher by 7.2%. In Household the increase was primarily as a result of the previously-disclosed contract wins in East that resulted from competitor weakness, and UK growth following a number of contract wins. These volume gains were offset by volume losses in the North region due to continuing difficult market conditions but the overall net impact of the additional contribution from volume has been very positive in the period.

The AA segment reported higher Aerosol revenues as customers began to stock build ahead of the planned closure of the UK Aerosols manufacturing plant in the second half year. Underlying revenues were up 7.4% against the prior half year. Asia continued to show strong growth, up 6.9% versus the prior half year, driven primarily by increased sales in Australia.

As previously reported, the Group initiated a plan to recover the impact of the significantly higher input costs experienced over the previous 18 months from our customer base through price increases. Of our increased revenues in the first half 0.6% can be attributed to customer price with the full effect of agreements being realised in the second half.

Across the half year to December 2018, raw material prices increased by approximately 3.2% when compared to the prior year, of which some 0.3% of this was due to foreign exchange. Whilst the pricing outlook for many of our key raw materials has improved in the past quarter, continuing volatility and uncertainty in certain feedstocks means the size of the benefits in the second half will now be lower than previously estimated. We do expect, however, to see material pricing slightly lower during the second half year when compared to the first six months.

# Executive review
continued

## Continuing operations continued

### Income statement continued

Distribution price pressure continued in the first half year due to transport capacity issues and an increasingly tight driver labour market. Additionally, supply difficulties at a number of our manufacturing locations in recent months have required additional 'inefficient' spend to meet customer orders, which is now expected to continue into the second half. The overall impact on costs was significant, with distribution costs increasing 16.3% versus the prior year excluding the impact of increased volumes. During the period we were required at short notice to relocate two of our key distribution centres, this activity together with managing logistics in such a difficult market has forced further delays in the 'footprint' review.

In the first half, the Group recommenced certain efficiency and rationalisation initiatives in its supply chain that had been deferred whilst we managed the effect of the significant additional volume secured in H2 FY18. Combined with a series of overhead initiatives, the Group secured £3.0 million of operational savings net of inflation in the period.

Half-year adjusted operating profit of £16.8 million was flat against last half year (2017: £16.8m) with adjusted operating profit margin decreasing to 4.6% (2017: 5.0%).

Danlind Q1 operating profits were £0.5 million being the difference between our continuing reported result at constant currency and underlying result.

On an underlying basis, adjusted operating profits were lower by £0.4 million which comprised higher profits of £0.2 million in underlying Household, £0.1 million of lower corporate costs, offset by £0.7 million higher losses in AA.

Half-year operating profit decreased by £0.3 million to £15.6 million (2017: £15.9m). This includes amortisation of £0.9 million and exceptional charges of £0.3 million due to costs incurred as part of further integration of Danlind, profit on disposal of our former manufacturing plant in Italy and a charge incurred in respect of the equalisation of male and female Guaranteed Minimum Pension (GMP) entitlement.

### Segmental performance

We continue to separately manage the Group's Household and AA activities and our segmental reporting reflects this. Following the organisational changes which became effective from 1 July 2018, our segmental reporting has been amended so as to now fully integrate Danlind within our existing segmental structure, whilst treating our French operations as a separate region within our Household activities to provide new management focus.

Corporate costs, which include the costs associated with the Board and the Executive Leadership Team, governance and listed company costs and certain central functions (mostly associated with financial disciplines such as treasury), are reported separately to Household and AA.

| Revenue | Half year to 31 Dec 2018 £m | Half year to 31 Dec 2017 £m | Reported change | Underlying change(1) |
|---|---|---|---|---|
| UK | **89.4** | 80.9 | 10.5% | 10.5% |
| France | **64.3** | 63.5 | 1.3% | 0.6% |
| North | **55.3** | 46.8 | 18.2% | (11.3%) |
| South | **39.5** | 41.0 | (3.7%) | (3.4%) |
| East | **82.2** | 65.8 | 24.9% | 23.4% |
| | **330.7** | 298.0 | 11.0% | 5.9% |

(1) Comparatives translated at 31 December 2018 exchange rates and excluding the impact of quarter 1 of Danlind in the current period.

#### Household

Reported revenues increased by 11.0% to £330.7 million (2017: £298.0m). Underlying revenues were up 5.9% with underlying volume increases of £16.0 million aided by £1.4 million from increased customer pricing.

In the UK, revenues of £89.4 million were 10.5% higher compared to the prior year due to increased volumes and customer pricing (reflecting recovery of the high raw material prices experienced in the UK). Volume gains equated to £6.6 million as several key strategic customers extended their partnership with the Group.

Within the newly separated France region, revenues remained broadly flat versus the prior half year. This stabilisation is encouraging given the disruption in the period due to the 'Gilets Jaunes' protests and the successive year-on-year declines in prior periods arising from both changing consumer behaviours and increased branded promotional activity. The new management focus in this region is expected to further support the business development going forward.

In the North region, underlying volumes declined significantly following contract losses and were 9.4% down on the previous year, with a 1.9% overall decline in pricing reflecting ongoing competitive pressure.

Overall, our South region reported a revenue decline of 3.4% at constant currency with the Iberia business continuing to show significant improvement, with volumes up 30.7% on the prior half year following new business wins. Within Italy, revenues were down 12.5% driven primarily by low consumer demand in the weak economy. H1 sales were also impacted by the loss of two contracts. Some improvement is expected in H2.

The East region, covering Germany, Poland and other East European countries, saw volumes up 22.5% on prior year, with overall pricing 0.9% higher following the significant new business wins in the second half of the prior year following the failure of a key competitor.

The combination of a number of mainly external cost challenges, including raw materials, labour market pressures and transportation costs, resulted in underlying adjusted trading profit margins in this segment declining from 7.1% to 6.8%. Certain stranded costs following the sale of our PC Liquids business are now accounted for within the Household segment.

### Personal Care & Aerosols, now Aerosols and Asia (AA)

Following the completed sale of the European PC Liquids activities and the prior year disposal of the Skincare business in the Czech Republic, the continuing business comprises the Aerosols businesses in Europe and Group activities in Asia.

On a reported basis, continuing revenues for AA increased 6.6% to £38.5 million (2017: £36.1m). Underlying revenues were 7.2% higher, driven by increases across both European Aerosols and Asia.

Overall reported profitability for this segment declined to a loss of £1.2 million (2017: loss £0.5m). The increased loss is entirely due to the effect of increased raw material prices affecting our European Aerosols business. The closure of our UK Aerosols manufacturing plant and the development of an Aerosols dedicated Commercial and Operational team, based in France, will facilitate both better decision making and the removal of Group overheads in the second half of this financial year. We remain on track to deliver a break-even position for this division in our next financial year.

During the period, we have completed our Asia expansion planning. The plan will facilitate additional manufacturing facilities in the region to provide a platform to triple our local manufacturing capacity, with a focus on developing our Household business in the region.

#### Exceptional items

Total exceptional items incurred in relation to the continuing business of £0.3 million were recorded during the period (2017: £0.8m). The charge comprises the following:

- exceptional charge of £0.2 million incurred as part of the further integration of Danlind;
- exceptional gain of £0.1 million following the sale of the former manufacturing site in Italy;
- exceptional charge of £0.2 million incurred in respect of the equalisation of male and female Guaranteed Minimum Pension (GMP) entitlement. This is following the UK High Court ruling handed down on 26 October 2018 involving Lloyds Banking Group's defined benefit pension scheme.

### Discontinued operations

#### Income statement

The discontinued operations in the current half year relate to the activities for the European PC Liquids business which was disposed of on 16 November 2018. The previous half-year discontinued result additionally includes the disposed activities of the Skincare business at Brno which was disposed of in February 2018.

In the period to disposal the European PC Liquids business generated revenues of £21.9 million (2017: £28.3m) and an adjusted trading loss of £0.3 million (2017: £1.1m loss).

Our Skincare business was disposed of during February 2018 and its six months of trade in the prior financial half year have been included in those results. During the prior year, this business generated revenues of £6.0 million with an adjusted trading profit of £0.1 million.

#### Exceptional items

Total exceptional costs of £1.8 million were incurred in relation to the discontinued business during the period (2017: £8.2m). As part of the disposal of the European PC Liquids activities, the Group has recognised an additional £1.8 million of exceptional items. Of this, £1.2 million is in relation to termination costs and additional legal and consultancy costs. As part of the completion, an additional £0.6 million has been incurred as a loss on disposal of the assets held for sale.

# Executive review
continued

## Other financial information

### Net finance costs

Underlying finance costs of £2.2 million (2017: £2.2m) in line with the prior half year, continuing to benefit from the Group's refinancing completed in June 2017.

### Profit before tax and tax rate

Adjusted profit before taxation from continuing operations reduced £0.1 million to £14.5 million (2017: £14.6m). Reported profit before taxation from continuing operations was £13.3 million (2017: £13.2m). The tax charge on continuing adjusted profit before tax for the period of £4.2 million (2017: £4.4m) represents a 29% (2017: 30%) effective tax rate.

### Earnings per share

On an adjusted basis, diluted earnings per share (EPS) from continuing operations was unchanged on prior half year at 5.6 pence. Total adjusted EPS increased 5.8% to 5.5 pence (2017: 5.2p) with basic EPS at 4.9 pence (2017: 0.7p).

### Payments to shareholders

In line with the policy on payments to shareholders, the Group expects to distribute adjusted earnings to shareholders based on a dividend cover range of 2x-3x progressive with earnings of the Group, taking into account funding availability.

The Board recommends the interim payment to shareholders to be maintained at last year's level in light of Household growth prospects and the effectiveness of the actions that are expected to result from the PCA recovery strategy. The interim payment of 1.5 pence per share, in line with the 1.5 pence in 2017, will be paid to shareholders in May and it is intended this will be issued using the Company's B Share scheme.

### Balance sheet and net debt

Return on capital employed remained consistent with prior half year at 20.8% (2017: 20.6%). Trading working capital(1) as a percentage of sales decreased from 10.6% at 30 June 2018 to 10.4% at the end of the period, aided by working capital reduction at Danlind as part of synergy actions post acquisition.

Net debt at the half year decreased significantly to £98.0 million (30 June 2018: £114.3m) due to strong cash generation from trading and disposal proceeds in the period.

Cash generated from operations before exceptional items was £25.3 million (2017: £14.3m) in the six months to 31 December 2018, with slightly lower capital expenditure in the period of £8.8 million (2017: £12.7m), mostly a result of project timings. The cash impact from changes in working capital was broadly neutral at £1.0 million inflow (2017: £10.4m outflow) as a result of focus on working capital cash management over the period.

During the year, cash consideration of £11.5 million was received in relation to the successful disposal of the European PC Liquids business in addition to £1.6 million cash received for the disposal of our former manufacturing site in Italy.

The Group's balance sheet remains robust with net assets of £70.6 million (30 June 2018: £67.6m). Gearing declined to 55% (30 June 2018: 71%) with the debt cover ratio strengthening to 1.8x (30 June 2018: 2.1x).

### Covenants

The Group's funding arrangements are subject to covenants, representations and warranties that are customary for unsecured borrowing facilities, including two financial covenants: Debt Cover (the ratio of net debt to EBITDA(2)) may not exceed 3:1 and Interest Cover (the ratio of EBITDA to net interest) may not be less than 4:1. For the purpose of these calculations, net debt excludes amounts drawn under the invoice discounting facilities. The Group remains comfortably within these covenants.

### Pensions

The Group operates a funded defined benefit scheme in the UK. At 31 December 2018, the Group recognised a deficit on its UK scheme of £28.3 million (30 June 2018: £28.5m). The deficit is broadly unchanged over the period due to changes in asset values being broadly in line with changes in the pension liabilities.

The Group has made an allowance in the pension liabilities at 31 December 2018 for the equalisation of GMP entitlement following recent changes in UK legislation. The change in pension liabilities recognised in relation to GMP equalisation involves estimation uncertainty. The Company and the Scheme Trustees are yet to decide which approach they will use to equalise GMP as a range of options are available. While the financial statements reflect the current best estimate of the impact on pension liabilities, this estimate reflects a number of assumptions and the information currently available. The current best estimate reflects an increase in liabilities of 0.1% (£0.2m), which has been recognised as a past service cost in exceptional items.

The Group has other unfunded post-employment benefit obligations outside the UK that amounted to £2.5 million (30 June 2018: £2.4m).

(1) Trading working capital consists of inventories, trade receivables and trade payables.

(2) Earnings before interest, tax, depreciation and amortisation.

## Current trading and outlook

As announced on 20 February, the Group continues to see pressure on its cost base. We continue to expect the overall raw material pricing outlook to show improvements in the second half, but not to the extent anticipated in early January. In addition, distribution costs continue to rise beyond our previous estimates due to market rates and efficiency challenges driven by logistics capacity shortfalls and internal service gaps. Accordingly, although the Group continues to anticipate further good sales growth in the second half year, the Board now expects full-year adjusted profits before tax to be approximately 10% to 15% lower than the prior financial year.

The Group made significant strategic progress in the period, delivering strong growth in revenues whilst completing the European PC Liquids sale and the integration of Danlind onto the McBride IT systems. In order to seek to mitigate the effect of rising costs, the business has been implementing price increases and continues with further supply chain efficiency measures and overhead rationalisation actions to counter continuing cost inflation.

Given McBride's market leadership, sound financial position and continued growth prospects, the Group remains well placed in the current difficult trading environment to make further progress against its strategic ambitions.

### Brexit

McBride remains concerned by the continuing lack of progress towards clarity on the various implications for our business activities which may arise from the UK's withdrawal from the EU (Brexit).

For McBride, the key immediate challenges in the short term from a potential No Deal Brexit on 29 March 2019 have been identified as follows:

- cross-border trading – potential additional costs on imported raw materials and finished goods from customs tariffs and the additional associated administration;
- cross-border trading – delays at ports from border control processes and cross-border transport availability;
- regulatory – concerns regarding uncertain and varying regulatory requirements between the UK and EU;
- employment/citizens' rights – impact on employee rights and practical implications of travel going forward; and
- financial – impact of adverse movements in FX, interest rates, inflationary costs.

The UK represents circa 30% of Group revenues and for most product ranges McBride produces in the UK for UK customers and there is a very minimal level of exports from the UK factories to our EU customers. There are certain specific product ranges imported to the UK from the EU that would be impacted with cross-border movement and the Group is making limited contingency arrangements.

We are active in monitoring the implications for possible regulation changes, especially around chemicals and finished product classifications but aside from various registrations, there is little to implement at this stage.

We continue to communicate and engage with our UK-based EU colleagues to advise and support any concerns and queries they have about their UK status in the future.

The Group has continued its financial hedging policy consistently through the past twelve months and has taken no specific additional actions for hedging FX or interest rate risk in a no deal scenario.

The cross-functional Brexit Task Force has transitioned from actively monitoring developments to the implementation of contingency planning to mitigate the potential impact of the above risks where there is minimal incremental cost to the business.

## Principal risks and uncertainties

The Group is subject to risk factors both internal and external to its business, and has a well-established set of risk management procedures. The following risks and uncertainties are those that the directors believe could have the most significant impact on the Group's business:

- consumer and customer trends;
- market competitiveness;
- input costs;
- legislation;
- financial risks;
- breach of IT security; and
- Brexit.

## Cautionary statement

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

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

## Responsibility statement

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7 of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8 of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any material changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

**Rik De Vos**
Chief Executive Officer

**Chris Smith**
Chief Financial Officer

21 February 2019

# Independent review report to McBride plc

## Report on the condensed consolidated interim financial statements

### Our conclusion

We have reviewed McBride plc's condensed interim consolidated interim financial statements (the "interim financial statements") in the half year report of McBride plc for the 6 month period ended 31 December 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### What we have reviewed

The interim financial statements comprise:

- the condensed interim consolidated balance sheet as at 31 December 2018;
- the condensed interim consolidated income statement for the period then ended;
- the condensed interim consolidated statement of comprehensive income for the period then ended;
- the condensed interim consolidated cash flow statement for the period then ended;
- the condensed interim consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## Responsibilities for the interim financial statements and the review

### Our responsibilities and those of the directors

The half year report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

**PricewaterhouseCoopers LLP**
Chartered Accountants

Manchester

21 February 2019

# Condensed interim consolidated income statement

| Continuing operations | Note | Unaudited Half year to 31 Dec 2018 £m | Unaudited Half year to 31 Dec 2017 £m | Audited Year ended 30 June 2018 £m |
|---|---|---|---|---|
| **Revenue** | 4 | **369.2** | 334.1 | 689.8 |
| Cost of sales | | **(248.2)** | (219.4) | (454.2) |
| **Gross profit** | | **121.0** | 114.7 | 235.6 |
| Distribution costs | | **(28.0)** | (22.6) | (48.9) |
| Administrative expenses | | **(77.4)** | (76.2) | (154.9) |
| **Operating profit** | | **15.6** | 15.9 | 31.8 |
| Net finance costs | | **(2.3)** | (2.7) | (5.3) |
| **Profit before taxation** | | **13.3** | 13.2 | 26.5 |
| Taxation | 5 | **(4.1)** | (4.3) | (7.5) |
| **Profit for the period from continuing operations** | | **9.2** | 8.9 | 19.0 |
| Discontinued operations | | | | |
| **Loss for the period from discontinued operations** | | **(0.3)** | (7.7) | (15.6) |
| **Profit for the period** | | **8.9** | 1.2 | 3.4 |
| **Earnings per ordinary share from continuing and discontinued operations attributable to the owners of the parent during the period** | | | | |
| **Basic earnings per share** | 6 | | | |
| From continuing operations | | **5.0p** | 4.9p | 10.4p |
| From discontinuing operations | | **(0.1)p** | (4.2)p | (8.5)p |
| From profit for the period | | **4.9p** | 0.7p | 1.9p |
| **Diluted earnings per share** | 6 | | | |
| From continuing operations | | **5.0p** | 4.9p | 10.4p |
| From discontinuing operations | | **(0.1)p** | (4.2)p | (8.5)p |
| From profit for the period | | **4.9p** | 0.7p | 1.9p |
| **Operating profit** | | **15.6** | 15.9 | 31.8 |
| Adjusted for: | | | | |
| Amortisation of intangible assets | | **0.9** | 0.4 | 1.4 |
| Exceptional items | 7 | **0.3** | 0.5 | 4.5 |
| **Adjusted operating profit** | | **16.8** | 16.8 | 37.7 |
| **Profit before taxation** | | **13.3** | 13.2 | 26.5 |
| Adjusted for: | | | | |
| Amortisation of intangibles assets | | **0.9** | 0.4 | 1.4 |
| Exceptional items | 7 | **0.3** | 0.8 | 4.8 |
| Unwind of discount on provisions | | **—** | 0.2 | 0.5 |
| **Adjusted profit before taxation** | | **14.5** | 14.6 | 33.2 |

# Condensed interim consolidated statement of comprehensive income

| | Unaudited Half year to 31 Dec 2018 £m | Unaudited Half year to 31 Dec 2017 £m | Audited Year ended 30 June 2018 £m |
|---|---|---|---|
| **Profit for the period attributable to owners of the Parent** | **8.9** | 1.2 | 3.4 |
| **Other comprehensive income/(expense)** | | | |
| Items that may be reclassified to profit and loss: | | | |
| Currency translation differences on foreign subsidiaries | **1.2** | 0.7 | 0.6 |
| (Loss)/profit on net investment hedges | **(1.4)** | (0.1) | 0.1 |
| Gain on cash flow hedges | **0.1** | 0.2 | 0.1 |
| Loss on cash flow hedges transferred to profit or loss | **–** | (0.6) | (0.6) |
| Taxation relating to items above | **–** | 0.1 | 0.1 |
| Purchase of non-controlling interest of Fortune Organics | **–** | – | (0.5) |
| | **(0.1)** | 0.3 | (0.2) |
| Items that will not be reclassified to profit or loss: | | | |
| Net actuarial (loss)/gain on post-employment benefits | **(0.7)** | 4.2 | 9.5 |
| Taxation relating to item above | **0.1** | (0.7) | (1.6) |
| | **(0.6)** | 3.5 | 7.9 |
| **Total other comprehensive (expense)/income** | **(0.7)** | 3.8 | 7.7 |
| **Total comprehensive income for the period** | **8.2** | 5.0 | 11.1 |
| **Attributable to:** | | | |
| Owners of the parent | **8.2** | 5.0 | 11.7 |
| Non-controlling interests | **–** | – | (0.6) |
| | **8.2** | 5.0 | 11.1 |
| **Total comprehensive attributable to equity shareholders arises from:** | | | |
| Continuing operations | **8.5** | 12.7 | 26.7 |
| Discontinued operations | **(0.3)** | (7.7) | (15.6) |
| | **8.2** | 5.0 | 11.1 |

# Condensed interim consolidated balance sheet

| | Note | Unaudited as at 31 Dec 2018 £m | Unaudited as at 31 Dec 2017 £m | Audited as at 30 June 2018 £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | 8 | **20.6** | 23.6 | 20.4 |
| Other intangible assets | 8 | **9.4** | 4.1 | 9.5 |
| Property, plant and equipment | 8 | **134.9** | 151.6 | 135.6 |
| Derivative financial instruments | 9 | **—** | — | 0.1 |
| Deferred tax assets | | **12.3** | 12.4 | 12.9 |
| Other non-current assets | | **0.6** | 0.6 | 0.6 |
| | | **177.8** | 192.3 | 179.1 |
| **Current assets** | | | | |
| Inventories | | **95.2** | 97.6 | 88.9 |
| Trade and other receivables | | **140.8** | 146.1 | 155.2 |
| Current tax asset | | **0.8** | — | 0.8 |
| Derivative financial instruments | 9 | **0.7** | 0.4 | 0.3 |
| Cash and cash equivalents | 10 | **15.3** | 29.6 | 11.7 |
| Assets classified as held for sale | | **—** | 1.3 | 12.1 |
| | | **252.8** | 275.0 | 269.0 |
| **Total assets** | | **430.6** | 467.3 | 448.1 |
| **Current liabilities** | | | | |
| Trade and other payables | | **194.0** | 193.6 | 202.2 |
| Borrowings | 9 | **39.1** | 50.2 | 43.6 |
| Derivative financial instruments | 9 | **0.2** | 0.3 | 0.3 |
| Current tax liabilities | | **8.6** | 6.3 | 7.3 |
| Provisions | | **3.9** | 1.2 | 3.0 |
| | | **245.8** | 251.6 | 256.4 |
| **Non-current liabilities** | | | | |
| Borrowings | 9 | **74.2** | 102.2 | 82.4 |
| Derivative financial instruments | 9 | **0.3** | 0.1 | 0.2 |
| Pensions and other post-employment benefits | 11 | **30.8** | 37.2 | 30.9 |
| Provisions | | **3.8** | 3.1 | 4.2 |
| Deferred tax liabilities | | **5.1** | 9.0 | 6.4 |
| | | **114.2** | 151.6 | 124.1 |
| **Total liabilities** | | **360.0** | 403.2 | 380.5 |
| **Net assets** | | **70.6** | 64.1 | 67.6 |
| **Equity** | | | | |
| Issued share capital | | **18.3** | 18.3 | 18.3 |
| Share premium account | | **76.7** | 84.5 | 81.8 |
| Other reserves | | **67.2** | 58.9 | 61.6 |
| Accumulated loss | | **(91.6)** | (98.2) | (94.1) |
| **Equity attributable to owners of the Parent** | | **70.6** | 63.5 | 67.6 |
| Non-controlling interests | | **—** | 0.6 | — |
| **Total equity** | | **70.6** | 64.1 | 67.6 |

# Condensed interim consolidated cash flow statement

| | Note | Unaudited Half year to 31 Dec 2018 £m | Unaudited Half year to 31 Dec 2017 £m | Audited Year ended 30 June 2018 £m |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Profit before taxation | | **11.2** | 4.0 | 7.8 |
| Net finance costs | | **2.3** | 2.7 | 5.3 |
| Exceptional items | 7 | **2.1** | 8.7 | 21.7 |
| Share-based payments charge | | **0.3** | 0.7 | (0.4) |
| Depreciation of property, plant and equipment | 8 | **9.0** | 9.7 | 19.1 |
| Amortisation of intangible assets | 8 | **0.9** | 0.4 | 1.4 |
| **Operating cash flow before changes in working capital** | | **25.8** | 26.2 | 54.9 |
| Decrease/(increase) in receivables | | **16.3** | 4.5 | (7.7) |
| Increase in inventories | | **(5.9)** | (6.4) | (7.6) |
| (Decrease)/increase in payables | | **(9.4)** | (8.5) | 6.4 |
| **Operating cash flow after changes in working capital** | | **26.8** | 15.8 | 46.0 |
| Additional cash funding of pension schemes | | **(1.5)** | (1.5) | (3.0) |
| **Cash flow from operations before exceptional items** | | **25.3** | 14.3 | 43.0 |
| Cash outflow in respect of exceptional items | | **(2.1)** | (2.3) | (4.1) |
| **Cash generated from operations** | | **23.2** | 12.0 | 38.9 |
| Interest paid | | **(1.7)** | (1.6) | (3.7) |
| Taxation paid | | **(1.6)** | (2.6) | (6.8) |
| **Net cash from operating activities** | | **19.9** | 7.8 | 28.4 |
| **Investing activities** | | | | |
| Proceeds from sale of Brno | | **—** | — | 1.0 |
| Proceeds from sale of Solaro | | **1.6** | — | — |
| Proceeds from sale of European Personal Care Liquids | | **11.5** | — | — |
| Purchase of property, plant and equipment | | **(7.9)** | (12.4) | (22.4) |
| Purchase of intangible assets | | **(0.9)** | (0.3) | (1.2) |
| Purchase of non-controlling interest of Fortune Organics | | **—** | — | (0.5) |
| Purchase of Danlind, net of cash and borrowings acquired | | **—** | (35.7) | (35.7) |
| Settlement of derivatives used in net investment hedging | | **(1.4)** | (0.4) | 0.2 |
| **Net cash used in investing activities** | | **2.9** | (48.8) | (58.6) |
| **Financing activities** | | | | |
| Redemption of B Shares | | **(5.7)** | (5.0) | (7.7) |
| Net (repayment)/drawdown of borrowings | | **(13.6)** | 49.6 | 23.7 |
| Capital element of finance lease rentals | | **(0.1)** | (0.1) | (0.1) |
| **Net cash (used)/generated in financing activities** | | **(19.4)** | 44.5 | 15.9 |
| Increase in net cash and cash equivalents | | **3.4** | 3.5 | (14.3) |
| Net cash and cash equivalents at start of the period | | **11.7** | 26.0 | 26.0 |
| Currency translation differences | | **0.2** | 0.1 | — |
| **Net cash and cash equivalents at end of the period** | | **15.3** | 29.6 | 11.7 |

# Condensed interim consolidated statement of changes in equity

| | Issued share capital £m | Share premium account £m | Other reserves: Cash flow hedge reserve £m | Other reserves: Currency translation reserve £m | Other reserves: Capital redemption reserve £m | Accumulated loss £m | Equity attributable to owners of the Parent Total £m | Non-controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2018 | 18.3 | 81.8 | — | (0.6) | 62.2 | (94.1) | 67.6 | — | 67.6 |
| IFRS 15 opening adjustment | — | — | — | — | — | (0.4) | (0.4) | — | (0.4) |
| **Profit for the period** | — | — | — | — | — | 8.9 | 8.9 | — | 8.9 |
| **Other comprehensive income/(expense)** | | | | | | | | | |
| Items that may be reclassified to profit or loss: | | | | | | | | | |
| Currency translation differences on foreign subsidiaries | — | — | — | 1.2 | — | — | 1.2 | — | 1.2 |
| Loss on net investment hedges | — | — | — | (1.4) | — | — | (1.4) | — | (1.4) |
| Gain on cash flow hedges in the period | — | — | 0.1 | — | — | — | 0.1 | — | 0.1 |
| | — | — | 0.1 | (0.2) | — | — | (0.1) | — | (0.1) |
| Items that will not be reclassified to profit or loss: | | | | | | | | | |
| Net actuarial loss on post-employment benefits | — | — | — | — | — | (0.7) | (0.7) | — | (0.7) |
| Taxation relating to items above | — | — | — | — | — | 0.1 | 0.1 | — | 0.1 |
| | — | — | — | — | — | (0.6) | (0.6) | — | (0.6) |
| **Total other comprehensive (expense)/income** | — | — | 0.1 | (0.2) | — | (0.6) | (0.7) | — | (0.7) |
| **Total comprehensive income** | — | — | 0.1 | (0.2) | — | 8.3 | 8.2 | — | 8.2 |
| **Transactions with owners of the Parent** | | | | | | | | | |
| Issue of B Shares | — | (5.1) | — | — | — | — | (5.1) | — | (5.1) |
| Redemption of B Shares | — | — | — | — | 5.7 | (5.7) | — | — | — |
| Share-based payments charge | — | — | — | — | — | 0.3 | 0.3 | — | 0.3 |
| **At 31 December 2018** | **18.3** | **76.7** | **0.1** | **(0.8)** | **67.9** | **(91.6)** | **70.6** | **—** | **70.6** |

| | share capital £m | Issued premium account £m | Other reserves: Share hedge reserve £m | Other reserves: Cash flow translation reserve £m | Other reserves: Currency redemption reserve £m | Capital Accumulated loss £m | Equity attributable to owners of the Parent Total £m | Non-controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2017 | 18.3 | 89.8 | 0.4 | (1.3) | 54.5 | (98.1) | 63.6 | 0.6 | 64.2 |
| **Profit for the period** | — | — | — | — | — | 1.2 | 1.2 | — | 1.2 |
| **Other comprehensive income/(expense)** | | | | | | | | | |
| Items that may be reclassified to profit or loss: | | | | | | | | | |
| Currency translation differences on foreign subsidiaries | — | — | — | 0.7 | — | — | 0.7 | — | 0.7 |
| Loss on net investment hedges | — | — | — | (0.1) | — | — | (0.1) | — | (0.1) |
| Gain on cash flow hedges in the period | — | — | 0.2 | — | — | — | 0.2 | — | 0.2 |
| Loss on cash flow hedges transferred to profit or loss | — | — | (0.6) | — | — | — | (0.6) | — | (0.6) |
| Taxation relating to items above | — | — | 0.1 | — | — | — | 0.1 | — | 0.1 |
| | — | — | (0.3) | 0.6 | — | — | 0.3 | — | 0.3 |
| Items that will not be reclassified to profit or loss: | | | | | | | | | |
| Net actuarial gain on post-employment benefits | — | — | — | — | — | 4.2 | 4.2 | — | 4.2 |
| Taxation relating to items above | — | — | — | — | — | (0.7) | (0.7) | — | (0.7) |
| | — | — | — | — | — | 3.5 | 3.5 | — | 3.5 |
| **Total other comprehensive income/(expense)** | — | — | (0.3) | 0.6 | — | 3.5 | 3.8 | — | 3.8 |
| **Total comprehensive income** | — | — | (0.3) | 0.6 | — | 4.7 | 5.0 | — | 5.0 |
| **Transactions with owners of the Parent** | | | | | | | | | |
| Issue of B Shares | — | (5.3) | — | — | — | — | (5.3) | — | (5.3) |
| Redemption of B Shares | — | — | — | — | 5.0 | (5.0) | — | — | — |
| Share-based payments charge | — | — | — | — | — | 0.2 | 0.2 | — | 0.2 |
| **At 31 December 2017** | **18.3** | **84.5** | **0.1** | **(0.7)** | **59.5** | **(98.2)** | **63.5** | **0.6** | **64.1** |

## Condensed interim consolidated statement of changes in equity continued

| | Issued share capital £m | Share premium account £m | Other reserves: Cash flow hedge reserve £m | Other reserves: Currency translation reserve £m | Other reserves: Capital redemption reserve £m | Accumulated loss £m | Equity attributable to owners of the Parent Total £m | Non-controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2017 | 18.3 | 89.8 | 0.4 | (1.3) | 54.5 | (98.1) | 63.6 | 0.6 | 64.2 |
| **Profit for the year** | — | — | — | — | — | 3.4 | 3.4 | — | 3.4 |
| **Other comprehensive income/(expense)** | | | | | | | | | |
| Items that may be reclassified to profit or loss: | | | | | | | | | |
| Currency translation differences on foreign subsidiaries | — | — | — | 0.6 | — | — | 0.6 | — | 0.6 |
| Gain on net investment hedges | — | — | — | 0.1 | — | — | 0.1 | — | 0.1 |
| Gain on cash flow hedges in the year | — | — | 0.1 | — | — | — | 0.1 | — | 0.1 |
| Loss on cash flow hedges transferred to profit or loss | — | — | (0.6) | — | — | — | (0.6) | — | (0.6) |
| Taxation relating to items above | — | — | 0.1 | — | — | — | 0.1 | — | 0.1 |
| Purchase of non-controlling interest of Fortune Organics | — | — | — | — | — | 0.1 | 0.1 | (0.6) | (0.5) |
| | — | — | (0.4) | 0.7 | — | 0.1 | 0.4 | (0.6) | (0.2) |
| Items that will not be reclassified to profit or loss: | | | | | | | | | |
| Net actuarial gains on post-employment benefits | — | — | — | — | — | 9.5 | 9.5 | — | 9.5 |
| Taxation relating to items above | — | — | — | — | — | (1.6) | (1.6) | — | (1.6) |
| | — | — | — | — | — | 7.9 | 7.9 | — | 7.9 |
| **Total other comprehensive income/(expense)** | — | — | (0.4) | 0.7 | — | 8.0 | 8.3 | (0.6) | 7.7 |
| **Total comprehensive income** | — | — | (0.4) | 0.7 | — | 11.4 | 11.7 | (0.6) | 11.1 |
| **Transactions with owners of the Parent** | | | | | | | | | |
| Issue of B Shares | — | (8.0) | — | — | — | — | (8.0) | — | (8.0) |
| Redemption of B Shares | — | — | — | — | 7.7 | (7.7) | — | — | — |
| Share-based payments charge | — | — | — | — | — | 0.3 | 0.3 | — | 0.3 |
| **At 30 June 2018** | **18.3** | **81.8** | **—** | **(0.6)** | **62.2** | **(94.1)** | **67.6** | **—** | **67.6** |

# Notes to the condensed interim financial statements

## 1. Basis of preparation

McBride plc ('the Company') is a company incorporated and domiciled in the United Kingdom. The Company's ordinary shares are listed on the London Stock Exchange. The registered office of the Company is Middleton Way, Middleton, Manchester M24 4DP. For the purposes of DTR 6.4.2R, the Home State of McBride plc is the United Kingdom.

The Company and its subsidiaries (together, 'the Group') comprise of the leading European manufacturer and supplier of Contract Manufactured and Private Label products for the domestic Household and professional cleaning and hygiene markets.

This half-year report has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority; IAS 34 'Interim Financial Reporting' as adopted by the European Union; on the basis of the accounting policies and the recognition and measurement requirements of IFRS applied in the financial statements at 30 June 2018 and those standards that have been endorsed by the European Union and will be applied at 30 June 2019 except for those described in note 2 below. This report should be read in conjunction with the financial statements for the year ended 30 June 2018.

The results for each half year are unaudited and do not represent the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim financial information has been reviewed, not audited. The Group's statutory accounts were approved by the Directors on 6 September 2018 and have been reported on by PricewaterhouseCoopers LLP and delivered to the Registrar of Companies. The report of PricewaterhouseCoopers LLP was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 of the Companies Act 2006.

### Going concern basis

The Group meets its funding requirements through internal cash generation and bank credit facilities, most of which are committed until June 2022.

At 31 December 2018, committed undrawn facilities and net cash position amounted to £96.9 million. 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 relatively conservative level of debt compared to earnings. As a result, the Directors believe that the Group is well placed to manage its business risks successfully. 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, they continue to adopt the going concern basis.

The condensed interim consolidated financial statements were approved by the Board on 21 February 2019.

## 2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2018 except for the following described below.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2018:

- IFRS 9, 'Financial Instruments'; and
- IFRS 15, 'Revenue from Contracts with Customers'.

### IFRS 9

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 has been adopted by the Group in the period with no significant impact on the consolidated results or financial position of the Group for the following reasons:

- impairment: from 1 July 2018, the Group implemented an expected credit loss impairment model for financial assets. For trade receivables, the Group's calculation methodology has been updated to consider expected losses based on ageing profile. The adoption of the expected credit loss approach has not resulted in a material change in impairment provision for any financial asset; and
- hedge accounting: the Group applied the hedge accounting requirements of IFRS 9 prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedge relationships and hence the adoption of IFRS 9 has not had a material impact on the recognition of such financial instruments.

### IFRS 15

On transition to IFRS 15 the Group moved to recognise revenue in relation to a small number of sales at a different point in time. The impact of this change is not material to either the income statement or balance sheet and therefore the modified retrospective method has been applied. The opening balance sheet has been adjusted resulting in a reduction to opening retained earnings of £0.4 million.

All other changes to the above accounting policies will have no material financial effect on the consolidated financial statements for the year ended 30 June 2019.

# Notes to the condensed interim financial statements continued

## 2. Accounting policies continued

### Adjusted results

The Group believes that adjusted operating profit, adjusted profit before taxation and adjusted earnings per share 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, any non-cash financing costs from unwind of discount on initial recognition of contingent consideration, unwind of discount on provisions and any related tax.

### Taxation

Taxation in the interim period is accrued using the tax rate that would be applicable to the expected annual profit or loss.

### Accounting standards issued but not yet adopted

Recently issued accounting standards that are relevant to the Group but have not yet been adopted are outlined below:

- IFRS 16, 'Leases' (effective 1 January 2019, not yet endorsed by EU).

The Group is currently assessing the impact of the above standard and will provide a fuller assessment for the year ended 30 June 2019. The standards and interpretations addressed above will be applied for the purpose of the Group financial statements from the date they become effective.

## 3. Critical accounting judgements and estimates

The preparation of the condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 30 June 2018.

## 4. Segment information

Financial information is presented to the Board by product category for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. It is considered that Household products have different market characteristics to AA in terms of volumes, market share and production requirements. Accordingly, the Group's operating segments are determined by product category. Following the organisational changes which became effective from 1 July 2018, our segmental reporting has been amended so as to now fully integrate Danlind within our current segmental structure, whilst treating our French operations as a separate region within our Household activities to provide new management focus.

Corporate costs, which include the costs associated with the Board and the Executive Leadership Team, governance and listed company costs and certain central functions (mostly associated with financial disciplines such as treasury), are reported separately to Household and AA.

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

Following the disposal of the Group's Skincare business in the Czech Republic and European Personal Care Liquids assets, the respective results of this division will be disclosed as a discontinued operation. Where necessary the results for the period ended 31 December 2017 have been restated to present these as discontinued operations.

### Analysis by reportable segment

| 31 December 2018 | Household UK £m | France £m | North[(1)] £m | South[(2)] £m | East[(3)] £m | Total Household £m | Aerosols and Asia £m | Total segments £m | Corporate[(4)] £m | Total Group £m |
|---|---|---|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | | | | |
| **Segment revenue** | **89.4** | **64.3** | **55.3** | **39.5** | **82.2** | **330.7** | **38.5** | **369.2** | **—** | **369.2** |
| **Adjusted operating profit/(loss)** | | | | | | **21.8** | **(1.2)** | **20.6** | **(3.8)** | **16.8** |
| Amortisation of intangible assets | | | | | | | | | | **(0.9)** |
| Exceptional items (see note 7) | | | | | | | | | | **(0.3)** |
| **Operating profit** | | | | | | | | | | **15.6** |
| Net finance costs | | | | | | | | | | **(2.3)** |
| **Profit before taxation** | | | | | | | | | | **13.3** |
| **Discontinued operations** | | | | | | | | | | |
| Segmental revenue | **—** | **—** | **—** | **—** | **—** | **—** | **21.9** | **21.9** | **—** | **21.9** |
| Adjusted operating loss | | | | | | **—** | **(0.3)** | **(0.3)** | **—** | **(0.3)** |
| Inventories | | | | | | **87.8** | **7.4** | **95.2** | **—** | **95.2** |
| Capital expenditure | | | | | | **7.5** | **1.3** | **8.8** | **—** | **8.8** |
| Amortisation and depreciation | | | | | | **9.6** | **0.3** | **9.9** | **—** | **9.9** |

| 31 December 2017 | Household UK £m | France £m | North[(1)] £m | South[(2)] £m | East[(3)] £m | Total Household £m | Aerosols and Asia £m | Total segments £m | Corporate[(4)] £m | Total Group £m |
|---|---|---|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | | | | |
| **Segment revenue** | 80.9 | 63.5 | 46.8 | 41.0 | 65.8 | 298.0 | 36.1 | 334.1 | — | 334.1 |
| **Adjusted operating profit/(loss)** | | | | | | 21.2 | (0.5) | 20.7 | (3.9) | 16.8 |
| Amortisation of intangible assets | | | | | | | | | | (0.4) |
| Exceptional items (see note 7) | | | | | | | | | | (0.5) |
| **Operating profit** | | | | | | | | | | 15.9 |
| Net finance costs | | | | | | | | | | (2.7) |
| **Profit before taxation** | | | | | | | | | | 13.2 |
| **Discontinued operations** | | | | | | | | | | |
| Segmental revenue | — | — | — | — | — | — | 34.3 | 34.3 | — | 34.3 |
| Adjusted operating loss | | | | | | — | (1.0) | (1.0) | — | (1.0) |
| Inventories | | | | | | 79.4 | 18.2 | 97.6 | — | 97.6 |
| Capital expenditure | | | | | | 12.0 | 0.7 | 12.7 | — | 12.7 |
| Amortisation and depreciation | | | | | | 9.2 | 0.9 | 10.1 | — | 10.1 |

# Notes to the condensed interim financial statements continued

## 4. Segment information continued

### Analysis by reportable segment continued

| 30 June 2018 | Household UK £m | France £m | North(1) £m | South(2) £m | East(3) £m | Total Household £m | Aerosols and Asia £m | Total segments £m | Corporate(4) £m | Total Group £m |
|---|---|---|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | | | | |
| **Segment revenue** | 164.8 | 107.1 | 128.1 | 76.5 | 140.6 | 617.1 | 72.7 | 689.8 | — | 689.8 |
| **Adjusted operating profit/(loss)** | | | | | | 46.0 | (1.5) | 44.5 | (6.8) | 37.7 |
| Amortisation of intangible assets | | | | | | | | | | (1.4) |
| Exceptional items (see note 7) | | | | | | | | | | (4.5) |
| **Operating profit** | | | | | | | | | | 31.8 |
| Net finance costs | | | | | | | | | | (5.3) |
| **Profit before taxation** | | | | | | | | | | 26.5 |
| **Discontinued operations** | | | | | | | | | | |
| Segmental revenue | — | — | — | — | — | — | 65.2 | 65.2 | — | 65.2 |
| Adjusted operating loss | | | | | | — | (1.5) | (1.5) | — | (1.5) |
| Inventories | | | | | | 73.6 | 15.3 | 88.9 | — | 88.9 |
| Capital expenditure | | | | | | 20.7 | 1.2 | 21.9 | — | 21.9 |
| Amortisation and depreciation | | | | | | 18.6 | 1.9 | 20.5 | — | 20.5 |

(1) Belgium, Holland & Scandinavia.
(2) Italy and Spain.
(3) Germany, Poland, Luxembourg & other Eastern Europe.
(4) Corporate represents costs related to the Board, the Executive Leadership Team and key supporting functions.

## 5. Taxation

The tax charge for the year on the continuing adjusted profit before tax of £4.2 million (30 June 2018: £10.0m) reflects an effective tax rate of 29% (30 June 2018: 30%) on continuing adjusted profit before taxation of £14.5 million (30 June 2018: £33.2m).

## 6. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of the Company's ordinary shares in issue during the financial period. The weighted average number of the Company's ordinary shares in issue excludes 0.1 million shares (2017: 0.9m shares), being the weighted average number of own shares held during the year in relation to employee share schemes.

| | Reference | **Unaudited Half year to 31 Dec 2018** | Unaudited Half year to 31 Dec 2017 | Audited Year ended 30 June 2018 |
|---|---|---|---|---|
| **Weighted average number of ordinary shares in issue (million)** | a | **182.8** | 182.1 | 182.6 |
| Effect of dilutive share incentive plans (million) | | **0.1** | 0.9 | 0.7 |
| **Weighted average number of ordinary shares for calculating diluted earnings per share (million)** | b | **182.9** | 183.0 | 183.3 |

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue assuming the conversion of all potentially dilutive ordinary shares. During the period, the Company had both equity-settled Long Term Incentive Plan (LTIP) awards and Deferred Annual Bonus Plan awards (together the "share incentive plans") that are potentially dilutive ordinary shares.

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

| From continuing operations | Reference | Unaudited Half year to 31 Dec 2018 £m | Unaudited Half year to 31 Dec 2017 £m | Audited Year ended 30 June 2018 £m |
|---|---|---|---|---|
| **Earnings for calculating basic and diluted earnings per share** | c | **9.2** | 8.9 | 19.0 |
| Adjusted for: | | | | |
| Amortisation of intangible assets | | **0.9** | 0.4 | 1.4 |
| Exceptional items (see note 7) | | **0.3** | 0.8 | 4.8 |
| Unwind of discount on provisions | | **—** | 0.2 | 0.5 |
| Taxation relating to the above items | | **(0.1)** | (0.1) | (2.5) |
| **Earnings for calculating adjusted earnings per share** | d | **10.3** | 10.2 | 23.2 |

| | Reference | Unaudited Half year to 31 Dec 2018 pence | Unaudited Half year to 31 Dec 2017 pence | Audited Year ended 30 June 2018 pence |
|---|---|---|---|---|
| Basic earnings per share | c/a | **5.0** | 4.9 | 10.4 |
| Diluted earnings per share | c/b | **5.0** | 4.9 | 10.4 |
| Adjusted basic earnings per share | d/a | **5.6** | 5.6 | 12.7 |
| Adjusted diluted earnings per share | d/b | **5.6** | 5.6 | 12.7 |

| From discontinued operations | Reference | Unaudited Half year to 31 Dec 2018 £m | Unaudited Half year to 31 Dec 2017 £m | Audited Year ended 30 June 2018 £m |
|---|---|---|---|---|
| **Earnings for calculating basic and diluted earnings per share** | c | **(0.3)** | (7.7) | (15.6) |
| Adjusted for: | | | | |
| Exceptional items (see note 7) | | **1.8** | 8.2 | 17.2 |
| Taxation relating to the above items | | **(1.7)** | (1.2) | (2.6) |
| **Earnings for calculating adjusted earnings per share** | d | **(0.2)** | (0.7) | (1.0) |

| | Reference | Unaudited Half year to 31 Dec 2018 pence | Unaudited Half year to 31 Dec 2017 pence | Audited Year ended 30 June 2018 pence |
|---|---|---|---|---|
| Basic earnings per share | c/a | **(0.1)** | (4.2) | (8.5) |
| Diluted earnings per share | c/b | **(0.1)** | (4.2) | (8.5) |
| Adjusted basic earnings per share | d/a | **(0.1)** | (0.4) | (0.5) |
| Adjusted diluted earnings per share | d/b | **(0.1)** | (0.4) | (0.6) |

| Total attributable to ordinary shareholders | Reference | Unaudited Half year to 31 Dec 2018 £m | Unaudited Half year to 31 Dec 2017 £m | Audited Year ended 30 June 2018 £m |
|---|---|---|---|---|
| **Earnings for calculating basic and diluted earnings per share** | c | **8.9** | 1.2 | 3.4 |
| Adjusted for: | | | | |
| Amortisation of intangible assets | | **0.9** | 0.4 | 1.4 |
| Exceptional items (see note 7) | | **2.1** | 9.0 | 22.0 |
| Unwind of discount on provisions | | **—** | 0.2 | 0.5 |
| Taxation relating to the above items | | **(1.8)** | (1.3) | (5.1) |
| **Earnings for calculating adjusted earnings per share** | d | **10.1** | 9.5 | 22.2 |

# Notes to the condensed interim financial statements continued

## 6. Earnings per ordinary share continued

| | Reference | Unaudited Half year to 31 Dec 2018 pence | Unaudited Half year to 31 Dec 2017 pence | Audited Year ended 30 June 2018 pence |
|---|---|---|---|---|
| Basic earnings per share | c/a | **4.9** | 0.7 | 1.9 |
| Diluted earnings per share | c/b | **4.9** | 0.7 | 1.9 |
| Adjusted basic earnings per share | d/a | **5.5** | 5.2 | 12.2 |
| Adjusted diluted earnings per share | d/b | **5.5** | 5.2 | 12.1 |

## 7. Exceptional items

| | Unaudited Half year to 31 Dec 2018 £m | Unaudited Half year to 31 Dec 2017 £m | Audited Year ended 30 June 2018 £m |
|---|---|---|---|
| **Continuing operations** | | | |
| **Reorganisation and restructuring costs:** | | | |
| Danlind acquisition and integration | **0.2** | 0.5 | 1.6 |
| Gain on sale of Solaro | **(0.1)** | – | – |
| GMP equalisation | **0.2** | – | – |
| Reorganisation of PCA business | **–** | – | 2.9 |
| **Total charged to operating profit** | **0.3** | 0.5 | 4.5 |
| Danlind finance charges incurred on acquisition | **–** | 0.3 | 0.3 |
| **Total charged to financing costs** | **–** | 0.3 | 0.3 |
| **Total continuing operations** | **0.3** | 0.8 | 4.8 |
| **Discontinued operations** | | | |
| **Impairment of long-lived assets, property, plant and equipment and inventory** | | | |
| European Personal Care Liquids | **–** | 6.2 | 6.2 |
| Fair value impairment of assets held for sale | **–** | – | 8.5 |
| Impairment of goodwill PCA | **–** | – | 0.2 |
| Brno, Czech Republic | **–** | 4.1 | 4.1 |
| | **–** | 10.3 | 19.0 |
| Reorganisation of PCA business | **1.2** | 0.9 | 1.2 |
| Loss on disposal of European Personal Care Liquids | **0.6** | – | – |
| Change in contingent consideration | **–** | (3.0) | (3.0) |
| **Total discontinued operations** | **1.8** | 8.2 | 17.2 |
| **Total** | **2.1** | 9.0 | 22.0 |

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 better understand the elements of financial performance for the year, to facilitate comparison with prior periods, and to assess the trends of financial performance.

During the period ended 31 December 2018, the Group recognised total exceptional items of £2.1 million (2017: £9.0m) of which £0.3 million were from continuing operations as follows:

- exceptional charge of £0.2 million incurred as part of the further integration of Danlind;
- exceptional gain of £0.1 million following the sale of the former manufacturing site in Italy; and
- exceptional charge of £0.2 million incurred in respect of the equalisation of male and female Guaranteed Minimum Pension (GMP) entitlement. This is following the UK High Court ruling handed down on 26 October 2018 involving Lloyds Banking Group's defined benefit pension scheme.

The charges in relation to discontinued operations as follows:

- as part of the disposal of the European Personal Care Liquids activities the Group has recognised an additional £1.8 million of exceptional items. Of this, £1.2 million is in relation to termination costs and additional legal and consultancy costs. As part of the completion, an additional £0.6 million has been incurred as a loss on disposal of the assets held for sale.

During the prior period ended 31 December 2017, the Group recognised £9.0 million of exceptional charges. The charges were made up of the following items:

- exceptional finance charges of £0.3 million incurred as part of the refinancing of the Danlind banking arrangements;
- as part of the acquisition of Danlind, exceptional costs of £0.5 million were incurred relating primarily to legal and advisory fees;
- the business is undertook a strategic review of the PCA business with £7.1 million of exceptional costs incurred in relation to redundancies (£0.9m) and the impairment of plant and machinery (£6.2m); and
- a net charge of £1.1 million in relation to the Czech Republic based Skincare business at Brno, comprising: the release of £3.0 million contingent consideration following the acquisition of the remaining 30% of the business for £nil consideration; and £4.1 million charge following the impairment review triggered by the now completed sale of 100% of the Czech Republic based Skincare business (equating to the net of the businesses book and fair values at December 2017).

## 8. Property, plant and equipment and intangible assets

| | Goodwill and other intangible assets £m | Property, plant and equipment £m |
|---|---|---|
| **Net book value at 1 July 2018 (audited)** | 29.9 | 135.6 |
| Exchange movements | 0.1 | 1.4 |
| Additions | 0.9 | 7.9 |
| Transfer to assets held for sale | — | (0.2) |
| Impairment | — | (0.8) |
| Depreciation charge | — | (9.0) |
| Amortisation charge | (0.9) | — |
| **Net book value at 31 December 2018 (unaudited)** | **30.0** | **134.9** |

Goodwill and other intangible assets comprise goodwill of £20.6 million (30 June 2018: £20.4m) and computer software of £9.4 million (30 June 2018: £9.5m).

Capital commitments as at 31 December 2018 amounted to £8.8 million (30 June 2018: £7.9m)

## 9. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and they should be read in conjunction with the Group's annual financial statements as at 30 June 2018. There have been no material changes in the risk management policies since the year end.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

# Notes to the condensed interim financial statements continued

## 9. Financial risk management continued

| | Unaudited as at 31 Dec 2018 £m | Unaudited as at 31 Dec 2017 £m | Audited as at 30 June 2018 £m |
|---|---|---|---|
| **Assets** | | | |
| **Level 2:** | | | |
| Derivative financial instruments | | | |
| Forward currency contracts | **0.7** | 0.4 | 0.4 |
| **Total financial assets** | **0.7** | 0.4 | 0.4 |
| **Liabilities** | | | |
| **Level 2:** | | | |
| Derivative financial instruments | | | |
| Forward currency contracts | **(0.2)** | (0.4) | (0.3) |
| Interest rate swaps | **(0.3)** | — | (0.2) |
| **Total liabilities** | **(0.5)** | (0.4) | (0.5) |

### Derivative financial instruments
Derivative financial instruments comprise the foreign currency derivatives, non-deliverable commodity derivatives and interest rate derivatives that are held by the Group in designated hedging relationships. Foreign currency forward contracts are measured by reference to prevailing forward exchange rates. Commodity forward contracts are measured by the difference to prevailing market prices. Foreign currency options are measured using a variant of the Monte Carlo valuation model. Interest rate swaps and caps are measured by discounting the related cash flows using yield curves derived from prevailing market interest rates.

### Valuation levels and techniques
There were no transfers between levels during the period and no changes in valuation techniques.

### Financial assets and liabilities measured at amortised cost
The fair value of borrowings are as follows:

| | Unaudited as at 31 Dec 2018 £m | Unaudited as at 31 Dec 2017 £m | Audited as at 30 June 2018 £m |
|---|---|---|---|
| Current | **39.1** | 50.2 | 43.6 |
| Non-current | **74.2** | 102.2 | 82.4 |
| **Total borrowings** | **113.3** | 152.4 | 126.0 |

The fair value of the following financial assets and liabilities approximate to their carrying amount:
- trade and other receivables;
- other current financial assets;
- cash and cash equivalents; and
- trade and other payables.

## 10. Net debt

| | Audited as at 30 June 2018 £m | Cash flow £m | Exchange differences £m | Unaudited as at 31 Dec 2018 £m |
|---|---|---|---|---|
| Cash and cash equivalents | 11.7 | 3.4 | 0.2 | **15.3** |
| Overdrafts | (4.1) | 3.0 | (0.1) | **(1.2)** |
| Bank and other loans | (121.7) | 10.6 | (0.9) | **(112.0)** |
| Finance lease liabilities | (0.2) | 0.1 | — | **(0.1)** |
| **Net debt** | (114.3) | 17.1 | (0.8) | **(98.0)** |

## 11. Pensions and post-employment benefits

The Group operates a number of post-employment benefit arrangements. In the UK, the Group operates a defined benefit pension scheme and defined contribution schemes. Together, these schemes cover most of the Group's UK employees. Elsewhere in Europe, the Group has a number of unfunded post-employment benefit arrangements that are structured to accord with local conditions and practices in the countries concerned.

At 31 December 2018, the Group recognised a deficit on its UK Defined Benefit pension plan of £28.3 million (30 June 2018: £28.5m). The Group's post-employment benefit obligations outside the UK amounted to £2.5 million (30 June 2018: £2.4m). Allowance has been made in the UK scheme's liabilities at 31 December 2018 for the equalisation of GMP entitlement following recent changes in UK legislation. The change in pension liabilities recognised in relation to GMP equalisation involves estimation uncertainty. The Company and the Scheme Trustees are yet to decide which approach they will use to equalise GMP as a range of options are available. While the financial statements reflect the current best estimate of the impact on pension liabilities, that estimate reflects a number of assumptions and the information currently available. The current best estimate reflects an increase in liabilities of 0.1% (£0.2m), which has been recognised as a past service cost in exceptional items.

Defined Benefit schemes had the following effect on the Group's results and financial position:

| | **Unaudited Half year to 31 Dec 2018 £m** | Unaudited Half year to 31 Dec 2017 £m | Audited Year ended 30 June 2018 £m |
|---|---|---|---|
| **Profit or loss** | | | |
| Service cost and administration expenses | **(0.5)** | (0.3) | (0.6) |
| **Charge to operating profit** | **(0.5)** | (0.3) | (0.6) |
| Net interest cost on defined benefit obligation | **(0.4)** | (0.5) | (1.1) |
| **Charge to profit before taxation** | **(0.9)** | (0.8) | (1.7) |
| Other comprehensive expense | | | |
| Net actuarial (loss)/gain | **(0.7)** | 4.2 | 9.5 |
| **Other comprehensive expense** | **(0.7)** | 4.2 | 9.5 |

| | **Unaudited as at 31 Dec 2018 £m** | Unaudited as at 31 Dec 2017 £m | Audited as at 30 June 2018 £m |
|---|---|---|---|
| **Balance sheet** | | | |
| Defined benefit obligations: | | | |
| UK – funded | **(141.0)** | (157.2) | (142.0) |
| Other – unfunded | **(2.5)** | (2.3) | (2.4) |
| | **(143.5)** | (159.5) | (144.4) |
| Fair value of scheme assets | **112.7** | 122.3 | 113.5 |
| **Deficit on the schemes** | **(30.8)** | (37.2) | (30.9) |

For accounting purposes, the UK scheme's benefit obligation as at 31 December 2018 has been calculated based on data gathered for the triennial actuarial valuation as at March 2018 and by applying assumptions made by the Group on the advice of an independent actuary in accordance with IAS 19, 'Employee Benefits'.

# Notes to the condensed interim financial statements continued

## 12. Payments to shareholders

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

Payments to ordinary shareholders made or proposed in respect of each period were as follows:

| | Unaudited Half year to 31 Dec 2018[1] | Unaudited Half year to 31 Dec 2017 | Audited Year ended 30 June 2018 |
|---|---|---|---|
| Interim | **1.5p** | 1.5p | 1.5p |
| Final | **n/a** | n/a | 2.8p |

(1) Interim payment to shareholders that is not recognised within these condensed interim consolidated financial statements.

Movements in the B Shares were as follows:

| | Number 000 | Nominal value £m |
|---|---|---|
| **At 30 June 2017 (audited)** | 1,205,612 | 1.2 |
| Issued | 5,284,070 | 5.3 |
| Redeemed | (4,996,018) | (5.0) |
| **At 31 December 2017 (unaudited)** | 1,493,664 | 1.5 |
| Issued | 2,738,549 | 2.7 |
| Redeemed | (2,671,839) | (2.7) |
| **At 30 June 2018 (audited)** | 1,560,374 | 1.5 |
| Issued | 5,118,351 | 5.1 |
| Redeemed | (5,696,243) | (5.6) |
| **At 31 December 2018 (unaudited)** | **982,482** | **1.0** |

## 13. Acquisitions and disposals

### i) Disposal of the Group's European Personal Care Liquids activities

The Group completed the disposal of its European Personal Care Liquids activities, which comprises two manufacturing sites at Bradford, UK and Ieper, Belgium on 16 November 2018 to Royal Sanders BV.

The gross consideration received was £12.5 million, which comprised an initial cash payment of £11.5 million on completion and £1.0 million held in escrow subject to the agreement of the completion accounts and post-acquisition warranties.

The cash proceeds have been used to further reduce the Group's bank debt.

| | £m |
|---|---|
| Consideration | 12.5 |
| Costs to sell | (1.0) |
| **Net consideration** | **11.5** |
| Net assets disposed of | (12.1) |
| **Loss on disposal** | **(0.6)** |

A loss on disposal of £0.6 million, representing the difference between proceeds received net of costs of disposal and the assets disposed of, has been recorded in exceptional items.

Analysis of the Group's European Personal Care Liquids results for the 1 July 2018 to 16 November 2018, and for the periods ended 31 December 2018 and 30 June 2018, are reported separately within discontinued operations as follows:

| | Unaudited as at 31 Dec 2018 £m | Unaudited as at 31 Dec 2017 £m | Audited as at 30 June 2018 £m |
|---|---|---|---|
| Revenue | **21.9** | 28.3 | 56.2 |
| Expenses | **(23.4)**[(1)] | (36.5)[(1)] | (65.3)[(1)] |
| Loss before tax of discontinued operations | **(1.5)** | (8.2) | (9.1) |
| Tax | **1.3** | 1.5 | 2.0 |
| **Loss after tax of discontinued operations** | **(0.2)** | (6.7) | (7.1) |
| Pre-tax loss recognised on the remeasurement of assets of disposal group | **—** | — | (8.5) |
| Loss on disposal | **(0.6)** | — | — |
| Tax | **0.5** | — | 1.1 |
| After tax loss on disposal group | **(0.1)** | — | (7.4) |
| **Loss for the year from discontinued operations** | **(0.3)** | (6.7) | (14.5) |

(1) Including exceptional charges of £1.2 million (2017: £7.1m, 30 June 2018: £7.6m) relating to termination costs and legal and consultancy fees.

## (a) Assets of disposal group

| | Unaudited as at 31 Dec 2018 £m | Unaudited as at 31 Dec 2017 £m | Audited as at 30 June 2018 £m |
|---|---|---|---|
| Property, plant and equipment | **4.2** | 11.6 | 3.4 |
| Inventory | **7.9** | 7.9 | 7.5 |
| | **12.1** | 19.5 | 10.9 |

## (b) Cash flow

| | Unaudited as at 31 Dec 2018 £m | Unaudited as at 31 Dec 2017 £m | Audited as at 30 June 2018 £m |
|---|---|---|---|
| Operating cash flows | **(0.7)** | (2.1) | (2.0) |
| Investing cash flows | **(0.8)** | (0.3) | (0.4) |
| | **(1.5)** | (2.4) | (2.4) |

### ii) Disposal of the Skincare based business at Brno, Czech Republic

On the 21 February 2018, the Group completed the disposal of its Skincare based business in Brno, Czech Republic for gross consideration of £1.3 million. At disposal, the net assets held of £1.3 million were equal to the consideration received therefore no gain or loss on disposal was recognised within the financial statements.

The results for the discontinued operation for the six-month period ended 31 December 2017 and the twelve months ended 30 June 2018 were as follows:

| | Unaudited as at 31 Dec 2017 £m | Audited as at 30 June 2018 £m |
|---|---|---|
| Revenue | 6.0 | 9.0 |
| Expenses | (7.0)[(1)] | (10.1)[(1)] |
| Loss before tax of discontinued operations | (1.0) | (1.1) |
| Tax | — | — |
| **Loss after tax of discontinued operations** | (1.0) | (1.1) |

(1) Includes exceptional charge of £1.1 million (see note 7).

### iii) Former manufacturing site in Italy

On the 25 July 2018, the Group completed the sale of the Solaro site in Italy (held on the balance sheet at £1.3m). Cash consideration of £1.6 million has been received with respect to this sale. After accounting for costs to sell an exceptional gain on disposal of £0.1 million has been recognised in the period.

# Notes to the condensed interim financial statements continued

## 14. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and, therefore, are not required to be disclosed in these condensed interim financial statements.

Key management compensation and transactions with the Group's pension and post-employment schemes for the financial year ended 30 June 2018 are detailed in note 28 (page 119) McBride plc's Annual Report and Accounts 2018. A copy of McBride plc's Annual Report and Accounts 2018 is available on McBride's website at www.mcbride.co.uk. Aside from this, there are no other related party transactions.

## 15. Key performance indicators (KPIs)

Management uses a number of KPIs to measure the Group's performance and progress against its strategic objectives. The most important of these are noted and defined below:

- organic revenue growth – change in revenue adjusted for the effect of exchange rate movements (constant currency);
- adjusted operating profit – operating profit before adjusting items;
- adjusted operating margin – adjusted operating profit as a percentage of revenue;
- labour cost/revenue – labour cost as a percentage of revenue;
- customer Service Level – volume of products delivered in the correct volumes and within agreed timescales as a percentage of total volumes of agreed orders from customers;
- adjusted diluted earnings per share – profit attributable to shareholders before adjusting items divided by the weighted average number of ordinary shares used for calculating diluting earnings per share; and
- return on capital employed – adjusted operating profit as a percentage of average period-end net assets excluding net debt.

# Additional information

## Financial calendar for the year ending 30 June 2019

### Payments to shareholders

| | | |
|---|---|---|
| Interim | Announcement | 21 February 2019 |
| | Entitlement to B Shares | 26 April 2019 |
| | Redemption of B Shares | 31 May 2019 |
| Final | Announcement | 5 September 2019 |
| | Entitlement to B Shares | 25 October 2019 |
| | Redemption of B Shares | 29 November 2019 |
| **Results** | | |
| Interim | Announcement | 21 February 2019 |
| Preliminary statement for full year | Announcement | 5 September 2019 |
| Annual Report and Accounts 2019 | Circulated | September 2019 |
| Annual General Meeting | To be held | 22 October 2019 |

### Exchange rates

The exchange rates used for conversion to Sterling were as follows:

| | Unaudited Half year to 31 Dec 2018 | Unaudited Half year to 31 Dec 2017 | Audited Year ended 30 June 2018 |
|---|---|---|---|
| **Average rate:** | | | |
| Euro | 1.12 | 1.12 | 1.13 |
| US Dollar | 1.30 | 1.32 | 1.35 |
| Polish Zloty | 4.84 | 4.76 | 4.78 |
| Czech Koruna | 28.97 | 28.99 | 28.99 |
| Danish Kroner | 8.38 | 8.39 | 8.44 |
| Malaysian Ringgit | 5.34 | 5.55 | 5.49 |
| Australian Dollar | 1.78 | 1.69 | 1.74 |
| **Closing rate:** | | | |
| Euro | 1.12 | 1.13 | 1.13 |
| US Dollar | 1.28 | 1.35 | 1.32 |
| Polish Zloty | 4.81 | 4.71 | 4.94 |
| Czech Koruna | 28.76 | 28.78 | 29.37 |
| Danish Kroner | 8.35 | 8.39 | 8.41 |
| Malaysian Ringgit | 5.29 | 5.47 | 5.31 |
| Australian Dollar | 1.81 | 1.73 | 1.78 |

**Note:** This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulation which came into effect on 3 July 2016.

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