

# Welcome to the McBride plc Half-Year Report 2017

“I am both encouraged and delighted by the Group’s solid performance in this first half of our financial year, in spite of the tough trading environment. Encouraged because our financial results remain strong and on track to meet our key three to five year objectives for profitability, cash and ROCE during the phased implementation of our strategy. Delighted as the McBride teams continue to implement the strategic objectives as defined for this “Prepare” phase while managing the business effectively in uncertain market circumstances. Our focus remains on preparing the Company for growth by securing the future building blocks required, while protecting the quality of the bottom line.

Uncertainty in both the size and timing of raw material inflation and changes to foreign exchange rates is to be expected in the second half of the year. We will work closely with customers to mitigate these but it is likely the second half will see some lag effect between higher input prices and margin recovery.

While trading conditions in the second half are expected to remain challenging, we believe our ongoing margin and cost initiatives position us well to mitigate these effects. As such, the Board’s full year expectations remain unchanged.”

## **Rik De Vos**

Chief Executive Officer

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# Headlines

- Adjusted operating profit up 30.1% (9.6% at constant currency)
- Further progress on margins, adjusted operating margin now 6.4% (2015: 5.1%)
- Underlying Group revenues<sup>(1)</sup> 4.5% lower on a constant currency basis, with a further 2.5% reduction in revenues due to the “customer choices” project
- Adjusted profit before taxation up 43.4% to £19.5 million (2015: £13.6m)
- Adjusted diluted EPS up 42.3% to 7.4 pence (2015: 5.2p)
- Strong cash generation continues with underlying net cash inflow of £14.8 million, resulting in an improved net debt cover ratio of 1.4x (30 June 2016: 1.7x)
- Further progress on ROCE at 28.0% (2015: 23.6%)
- Interim payment to shareholders up 16.7% to 1.4 pence (2015: 1.2p)
- Growth strategy and associated capital expenditure plans well advanced
- Board considering third party expressions of interest to acquire the Group’s Aerosols activities

## Prepare phase on track; Quality of earnings continuing to improve

£m unless otherwise stated	Half year to 31 Dec 2016	Half year to 31 Dec 2015 <sup>(2)</sup>	Reported change	Constant currency change <sup>(3)</sup>
Revenue	<b>360.6</b>	344.1	4.8%	(7.0%)
Adjusted operating profit <sup>(4)</sup>	<b>22.9</b>	17.6	30.1%	9.6%
Adjusted operating margin <sup>(4)</sup>	<b>6.4%</b>	5.1%	1.3ppts	1.0ppts
Operating profit	<b>22.5</b>	17.1	31.6%	
Operating margin	<b>6.2%</b>	5.0%	1.2ppts	
Adjusted profit before taxation	<b>19.5</b>	13.6	43.4%	15.4%
Profit before taxation	<b>18.8</b>	13.0	44.6%	15.3%
Diluted earnings per share	<b>7.1p</b>	4.9p	44.9%	
Adjusted diluted earnings per share <sup>(5)</sup>	<b>7.4p</b>	5.2p	42.3%	
Interim payment to shareholders (per ordinary share)	<b>1.4p</b>	1.2p	16.7%	
Cash flow from operations (before exceptional items)	<b>34.4</b>	26.2		
Net debt	<b>82.9</b>	90.9		
Return on capital employed <sup>(6)</sup>	<b>28.0%</b>	23.6%		

(1) Underlying revenues after adjusting for constant currency and excluding the impact of “customer choices” project.

(2) Net debt comparative is as at 30 June 2016, all other comparatives refer to the six months ended on 31 December 2015 unless otherwise stated.

(3) Comparatives translated at 2017 exchange rates.

(4) Adjustments made for the amortisation of intangible assets and exceptional items (see Consolidated income statement).

(5) Adjustments 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 (see Consolidated income statement).

(6) Annualised adjusted operating profit for the six months ended on 31 December 2016 and 31 December 2015 as a percentage of average period end net assets excluding net debt.

# Executive review



We are now preparing the Company for the future, by creating clarity on the markets, products and segments where we will sell in the future whilst identifying and approving investment programmes for our key assets to support this ambition.

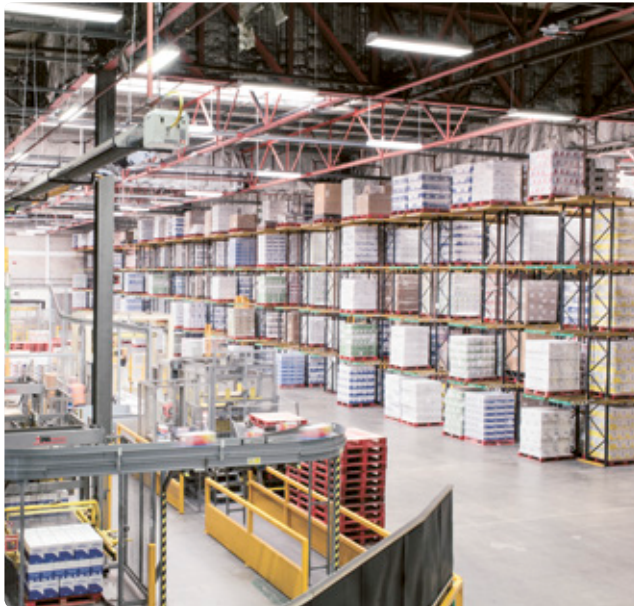
## Strategy update

In September 2015, the Group presented its “Manufacturing Our Future” strategy, with its three phases – “Repair, Prepare, Grow”, defining a clear roadmap to restore McBride to its core capability of manufacturing excellence with a three to five year ambition for adjusted operating margin (EBITA %) of 7.5% and ROCE targeted at 25% to 30%.

In September 2016 and as part of our 2016 annual results, we reported the successful delivery of our key Repair objectives within our Household business and highlighted the continuing work necessary within our Personal Care & Aerosols business. This has promoted clarity, simplification and focus in operational execution across the business and we are pleased to report the results of this effort are increasingly visible in our financial performance.

The separation of our Personal Care & Aerosols business from the Household activities has provided further insight into the business and the options the Group has for improved value generation from these activities. Since the separation, the Group has received a number of approaches from external parties, expressing interest in acquiring the Group’s Aerosols business. The initial interest has been narrowed down and the Group is making progress towards concluding its next steps. The Aerosols activities have annual revenues of approximately £60 million, operate from a manufacturing site in each of the UK and France and supply customers with a range of personal hygiene, aircare and homecare products. There can be no certainty that any transaction will result. The Board will provide updates as appropriate.

We are now preparing the Company for the future, by creating clarity on the markets, products and segments where we will sell in the future whilst identifying and approving investment programmes for our key assets to support this ambition. The definitive plans are nearing completion and in many aspects of the growth plan, the business is already busy implementing identified actions. We continue to develop the Group’s organisational structure and culture, and are setting out plans to address improvements needed in our underperforming businesses. We will provide further detail on our plans for the Grow phase of our strategy in due course.



### Group operating results

The Group has delivered an encouraging performance for the first half of the financial year.

Group revenues at £360.6 million were £16.5 million (4.8%) higher than the revenues reported for the prior half year, aided by the translation effect of a strong Euro. On a constant currency basis, sales were lower by £27.1 million (-7.0%), with Household sales lower by 7.2% and Personal Care & Aerosols (PCA) lower by 6.2%.

As reported at the 2016 year end, the Group has completed the process to reduce the levels of complexity in our customer and product portfolio (our “customer choices” project), the impact of which is to see revenues reduce on an annualised basis by approximately £20.0 million. This initiative commenced in the second half year of the previous financial year such that in the six months to 31 December 2016, the impact lowered revenues by £9.8 million, equating to approximately 2.5% of the period on period reduction in Group sales (at constant currency).

Excluding “customer choices”, overall consumer units are down 3.4% across the Group, 1.5% of which specifically relates to the exceptionally high volumes in December 2015 as retailers restocked for January 2016 promotions. Price pressure was most evident in the North region, which saw pricing lower overall by approximately 2%.

Half-year adjusted operating profit was £22.9 million (2015: £17.6m) with adjusted operating profit margin increasing to 6.4% (2015: 5.1%), showing good progress towards our 7.5% ambition. Excluding the impact of translation of exchange rates, adjusted operating profit improved by 9.6% or £2.0 million. Half-year operating profit increased by £5.4 million to £22.5 million (2015: £17.1m). Based on adjusted operating profit, the improved profitability levels led to an improved return on capital employed ratio (ROCE), with the measure rising to 28.0% (2015: 23.6%). The year-on-year profit improvement reflects cost saving initiatives, either in overheads or from structural buying improvements.

In the six-month period to December 2016, underlying raw material prices remained in line overall with the same period last year (excluding currency). However, key feedstock prices, especially those of natural feedstocks, have moved higher in recent months and the outlook is for further increases during the first half of calendar 2017.

Business simplification continues to generate purchasing efficiencies. Our purchasing teams are active in driving scale benefits in many aspects of our procurement activities. The significant effort to drive technically led formulation simplification and thorough reviews of how and what we buy has led to a steep fall in the number of components and chemicals used by the Group, which realised a benefit of over £2 million compared to the prior period. These purchasing benefits and a range of efficiency initiatives in our factories have delivered improved gross margins, which rose 1.3 percentage points to 36.8% (2015: 35.5%) despite the ongoing effect of lower unit sales pricing.



# Executive review

## continued

	Half year to 31 Dec 2016 £m	Half year to 31 Dec 2015 £m	Reported change	Constant currency change <sup>(1)</sup>
Household revenue				
UK	79.7	85.8	(7.1%)	(7.1%)
North	96.0	90.2	6.4%	(10.7%)
South	39.2	34.2	14.6%	(4.2%)
East	69.5	60.9	14.1%	(3.9%)
	284.4	271.1	4.9%	(7.2%)

(1) Comparatives translated at 2017 exchange rates.

Overhead savings of £4.3 million were achieved in the six months to December 2016, comprising further savings (in addition to the £2.2 million achieved in the year to 30 June 2016) of £2.5 million representing early and complete delivery of the cost savings required to balance the margin loss impact of the “customer choices” project. In addition, a further overhead reduction of £1.8 million has been achieved versus prior year comparatives as the business remained vigilant on costs given the uncertainty surrounding material pricing conditions.

The half year was a strong one for cash management with cash generated from operations before exceptional items of £34.4 million (2015: £26.2m). Capital expenditure cash flow remained steady at £7.4 million (2015: £5.6m) but is expected to increase during the second half of the financial year as our capital plans gain momentum in line with our expected £100 million capital expenditure investment objective over the coming four years.

Cash outflow for exceptional items of £1.5 million (2015: £3.5m) primarily reflects the impact of the charges taken in previous years for central overhead restructuring.

Net cash flow before payments to shareholders was £19.0 million (2015: £13.9m). Cash payments made to shareholders during the period amounted to £4.2 million (2015: £3.7m). Consequently, half-year end net debt decreased to £82.9 million (30 June 2016: £90.9m) comprising a strong net cash flow of £14.8 million reduced by £6.8 million of translation impact as a result of the weaker Sterling exchange rates on Euro and USD-denominated borrowings. Reported half-year end net debt, if translated using December 2015 exchange rates would have been £71.3 million.

The Group’s balance sheet remains robust with net assets of £64.8 million (30 June 2016: £69.1m). Gearing improved further to 56% (30 June 2016: 59%) and the debt cover ratio fell to 1:4x (30 June 2016: 1:7x). The Group has significant borrowing capacity with headroom of £134.0 million (2015: £94.6m) on committed debt facilities. The Group traded throughout the period with ample headroom on its banking covenants.

### Segmental performance

In line with our year-end reporting, we continue to separately manage the Group’s Household and PCA activities, and our segmental reporting reflects this.

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 PCA.

#### Household

The Household activities are managed by four regional teams, ensuring key organisational responsibility within our management structure. Whilst revenues for the four regions are split, trading profits are only measured and reported at the total segment level.

Reported revenues increased by 4.9% to £284.4 million (2015: £271.1m) but at constant currency revenues were lower by 7.2%. Of this sales decrease, £7.6 million related to the in-year effect of our “customer choices” project and £11.3 million due to a reduction in underlying volumes, of which an unusually strong December 2015 comparative was responsible for £5.7 million. The remaining revenue shortfall related to the effect of pricing deflation which has been particularly noticeable within our North region.

In the UK, revenues of £79.7 million compared to revenue of £85.8 million in 2015, a decline of 7.1%. In addition to an unusually high December 2015 comparative, the decrease reflected lower volumes particularly within McBride branded SKUs as a number of UK retailers delisted some secondary brands as they reduced their SKU ranges offered to consumers. Approximately £3.1 million of lost revenue resulted from our “customer choices” project.

The UK business imports materials used for manufacturing from the EU, for which the Group has been hedged at rates consistent with prior year averages in the first half year. In the second half of this year, the UK business, along with our competitors, will face some imported inflation and we will seek to mitigate this via increased pricing actions with customers.



In the North region, overall sales were impacted by an increasingly competitive market, particularly in France. Volume decline of 7.3% during the period was in part due to the “customer choices” project of 1.1%, in addition to price deflation of 1.8% driven by an increasingly competitive environment.

Our South region reported underlying flat sales at constant currency. Our Iberia business continues to show significant improvement with volumes up 5.4% on prior period following new business wins at the end of last financial year. Within Italy, revenue is down primarily driven by the impact from our “customer choices” project.

The East region, covering Germany, Poland and other East European countries, saw volumes slightly down on prior year but prices have remained consistent with the first half of last year. Germany has continued to perform well with some significant new Private Label contract wins during the period.

In Poland, sales are weaker as a result of certain key retailers shifting their business model towards higher proportions of branded SKUs in store.

Headline profits increased in Household by 27.4% (11.3% at constant currency), broadly matching the improvements seen in the Group overall. In spite of slightly lower revenues, further positive progress on margins and costs resulted in trading profit margins in this segment rising from 7.7% to 9.3%.

### Personal Care & Aerosols (PCA)

The PCA division comprises the Personal Care Liquids, Skincare and Aerosols businesses of McBride’s European operations and also the activities of McBride in Asia.

On a reported basis, revenues for this division grew by 4.4% to £76.2 million (2015: £73.0m) while at constant currency, revenues were lower by 6.2%. Within this segment revenues were significantly higher in Asia, up 16.9% at constant currency. Our European businesses saw volumes lower by 8% overall at constant currency with the main markets for these products, UK and France, continuing to see private label volumes under pressure from branders and high levels of in-store promotional activity.

Overall reported profitability for this segment reduced by £0.4 million to £0.9 million (2015: £1.3m). At constant currency, profitability reduced by £0.7 million reflecting the volume challenges during the period within our European business.

In Asia, the local teams have successfully turned a break-even operation to one that now makes underlying profit margins close to the Group average.

### Corporate costs

Costs remain consistent with last half year at £4.5 million (2015: £4.5m).

# Executive review

## continued

### Outlook

For the second half year, current expectations are for constant currency underlying revenues to be slightly lower year-on-year, in line with the performance witnessed in the first half year. As planned the impact from the “customer choices” project will reduce second half revenues by approximately £6.0 million. A number of business wins however, secured in the past six months, will start to be evident in our top line as we start the new financial year in July 2017.

Uncertainty in both the size and timing of raw material inflation and changes to foreign exchange rates is to be expected in the second half of the year. We will work closely with customers to mitigate these but it is likely the second half will see some lag effect between higher input prices and margin recovery.

While trading conditions in the second half are expected to remain challenging, we believe our ongoing margin and cost initiatives position us well to mitigate these effects. As such, the Board’s full-year expectations remain unchanged.

### Other financial information

#### Exceptional items

During the period ended 31 December 2016, the Group recognised no exceptional items (2015: £nil).

#### Net finance costs

Net finance costs were £3.7 million (2015: £4.1m) with the decrease mainly due to foreign exchange losses on financing activities in the prior year not being incurred during the current period.

#### Profit before taxation and tax rate

Reported profit before taxation was £18.8 million (2015: £13.0m) with adjusted profit before taxation totalling £19.5 million (2015: £13.6m). The tax charge on adjusted profit before taxation for the first half of 2016/17 of £6.0 million represents a 31% effective tax rate (30 June 2016: 31%).

#### Earnings per share

On an adjusted basis, diluted earnings per share (EPS) increased by 42.3% to 7.4 pence (2015: 5.2p) with basic EPS at 7.1 pence (2015: 4.9p).

#### Payments to shareholders

In line with the new policy on payments to shareholders implemented in September 2015, 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 an interim payment of 1.4 pence (2015: 1.2p) to shareholders in May and it is intended this will be issued using the Company’s B Share scheme.

### 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) 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 2016, the Group recognised a deficit on its UK scheme of £41.8 million (30 June 2016: £31.1m). The increase during the period is principally due to both a fall in the applied discount rate and an increase in expectations of long-term inflation.

The Group also has other unfunded post-employment benefit obligations outside the UK that amounted to £1.8 million (30 June 2016: £1.8m).

### Going concern

The Group meets its funding requirements through internal cash generation and bank credit facilities, most of which are committed until April 2019.

At 31 December 2016, committed undrawn facilities amounted to £134.0 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 to earnings. As a result, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements.

### 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 2016 are detailed in note 28 (page 106) of McBride plc’s Annual Report and Accounts 2016. A copy of McBride plc’s Annual Report and Accounts 2016 is available on McBride’s website at [www.mcbride.co.uk](http://www.mcbride.co.uk). Although there have been changes to the Executive Leadership Team since the year end, there are no other related party transactions.





#### 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:

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

For greater detail of these risks, please refer to pages 22 to 24 of the McBride plc Annual Report and Accounts 2016 - which is available on the Group's website [www.mcbride.co.uk](http://www.mcbride.co.uk).

#### Forward-looking statements

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

22 February 2017

# Independent review report to McBride plc

## Report on the condensed consolidated interim financial statements

### Our conclusion

We have reviewed McBride plc's condensed consolidated interim financial statements (the "interim financial statements") in the half year report of McBride plc for the 6 month period ended 31 December 2016. 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 2016;
- the condensed interim consolidated income statement and condensed interim consolidated statement of comprehensive income for the period then ended;
- the condensed interim consolidated statement of cash flows 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 Ireland) 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

St Albans

22 February 2017

### Notes:

- (a) The maintenance and integrity of the McBride plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Condensed interim consolidated income statement

	Note	Unaudited Half year to 31 Dec 2016 £m	Unaudited Half year to 31 Dec 2015 £m	Audited Year ended 30 June 2016 £m
Continuing operations				
<b>Revenue</b>	4	<b>360.6</b>	344.1	680.9
Cost of sales		<b>(227.9)</b>	(221.9)	(437.1)
<b>Gross profit</b>		<b>132.7</b>	122.2	243.8
Distribution costs		<b>(23.8)</b>	(24.1)	(46.5)
Administrative expenses		<b>(86.4)</b>	(81.0)	(164.4)
<b>Operating profit</b>		<b>22.5</b>	17.1	32.9
Net finance costs		<b>(3.7)</b>	(4.1)	(7.1)
<b>Profit before taxation</b>		<b>18.8</b>	13.0	25.8
Taxation	5	<b>(5.8)</b>	(4.0)	(8.8)
<b>Profit for the period attributable to owners of the Parent</b>		<b>13.0</b>	9.0	17.0
<b>Earnings per ordinary share</b>	6			
Basic		<b>7.1p</b>	4.9p	9.3p
Diluted		<b>7.1p</b>	4.9p	9.3p
<b>Operating profit</b>		<b>22.5</b>	17.1	32.9
Adjusted for:				
Amortisation of intangible assets		<b>0.4</b>	0.5	0.9
Exceptional items	7	<b>—</b>	—	2.4
<b>Adjusted operating profit</b>		<b>22.9</b>	17.6	36.2
<b>Profit before taxation</b>		<b>18.8</b>	13.0	25.8
Adjusted for:				
Amortisation of intangible assets		<b>0.4</b>	0.5	0.9
Exceptional items		<b>—</b>	—	2.4
Unwind of discount on contingent consideration		<b>0.1</b>	—	0.1
Unwind of discount on provisions		<b>0.2</b>	0.1	0.2
<b>Adjusted profit before taxation</b>		<b>19.5</b>	13.6	29.4

## Condensed interim consolidated statement of comprehensive income

	Unaudited Half year to 31 Dec 2016 £m	Unaudited Half year to 31 Dec 2015 £m	Audited Year ended 30 June 2016 £m
<b>Profit for the period attributable to owners of the Parent</b>	<b>13.0</b>	9.0	17.0
<b>Other comprehensive income/(expense)</b>			
Items that may be reclassified to profit and loss:			
Currency translation differences on foreign subsidiaries	<b>3.7</b>	3.0	12.0
Loss on net investment hedges	<b>(2.3)</b>	(2.5)	(10.4)
Gain on cash flow hedges	<b>4.8</b>	3.9	12.4
Loss on cash flow hedges transferred to profit or loss	<b>(8.1)</b>	(3.1)	(10.3)
Taxation relating to items above	<b>0.1</b>	(0.1)	(0.6)
	<b>(1.8)</b>	1.2	3.1
Items that will not be reclassified to profit or loss:			
Net actuarial loss on post-employment benefits	<b>(11.9)</b>	(1.2)	(2.6)
Taxation relating to item above	<b>0.8</b>	(0.7)	(0.4)
	<b>(11.1)</b>	(1.9)	(3.0)
<b>Total other comprehensive (expense)/income</b>	<b>(12.9)</b>	(0.7)	0.1
<b>Total comprehensive income for the period</b>	<b>0.1</b>	8.3	17.1

## Condensed interim consolidated balance sheet

	Note	Unaudited as at 31 Dec 2016 £m	Unaudited as at 31 Dec 2015 £m	Audited as at 30 June 2016 £m
<b>Non-current assets</b>				
Goodwill		17.5	17.6	17.5
Other intangible assets		2.8	2.1	2.5
Property, plant and equipment	8	136.4	126.9	136.2
Derivative financial instruments	9	15.2	12.1	12.7
Deferred tax assets		10.5	9.0	9.3
Other non-current assets		0.5	0.5	0.5
		<b>182.9</b>	168.2	178.7
<b>Current assets</b>				
Inventories		81.2	74.2	75.7
Trade and other receivables		132.2	129.6	135.7
Derivative financial instruments	9	0.7	1.3	2.6
Cash and cash equivalents	10	28.9	27.7	24.8
Assets classified as held for sale		1.3	1.1	1.2
		<b>244.3</b>	233.9	240.0
<b>Total assets</b>		<b>427.2</b>	402.1	418.7
<b>Current liabilities</b>				
Trade and other payables		187.2	176.1	181.7
Borrowings	9	36.8	29.3	30.3
Derivative financial instruments	9	0.9	0.4	1.2
Current tax liabilities		5.9	5.9	2.9
Provisions		2.1	1.4	3.5
		<b>232.9</b>	213.1	219.6
<b>Non-current liabilities</b>				
Trade and other payables	9	—	0.5	2.3
Borrowings	9	75.0	84.7	85.4
Derivative financial instruments	9	0.1	—	—
Pensions and other post-employment benefits	11	43.6	32.3	32.9
Provisions		3.5	3.3	2.9
Deferred tax liabilities		7.3	5.8	6.5
		<b>129.5</b>	126.6	130.0
<b>Total liabilities</b>		<b>362.4</b>	339.7	349.6
<b>Net assets</b>		<b>64.8</b>	62.4	69.1
<b>Equity</b>				
Issued share capital		18.3	18.3	18.3
Share premium account		92.3	98.9	96.7
Other reserves		46.8	40.4	44.4
Accumulated loss		(93.2)	(95.8)	(90.9)
<b>Equity attributable to owners of the Parent</b>		<b>64.2</b>	61.8	68.5
Non-controlling interests		0.6	0.6	0.6
<b>Total equity</b>		<b>64.8</b>	62.4	69.1



## Condensed interim consolidated cash flow statement

	Note	Unaudited Half year to 31 Dec 2016 £m	Unaudited Half year to 31 Dec 2015 £m	Audited Year ended 30 June 2016 £m
<b>Operating activities</b>				
Profit before taxation		18.8	13.0	25.8
Net finance costs		3.7	4.1	7.1
Exceptional items	7	—	—	2.4
Share-based payments charge		1.2	0.7	1.8
Depreciation of property, plant and equipment	8	9.7	9.3	18.2
Amortisation of intangible assets		0.4	0.5	0.9
<b>Operating cash flow before changes in working capital</b>		<b>33.8</b>	27.6	56.2
Decrease in receivables		7.2	5.4	11.0
Increase in inventories		(3.7)	(6.1)	(1.5)
(Decrease)/increase in payables		(1.4)	0.6	(10.1)
<b>Operating cash flow after changes in working capital</b>		<b>35.9</b>	27.5	55.6
Additional cash funding of pension schemes		(1.5)	(1.3)	(3.1)
<b>Cash flow from operations before exceptional items</b>		<b>34.4</b>	26.2	52.5
Cash outflow in respect of exceptional items		(1.5)	(3.5)	(4.2)
<b>Cash generated from operations</b>		<b>32.9</b>	22.7	48.3
Interest paid		(2.8)	(2.7)	(5.2)
Taxation paid		(2.6)	(0.2)	(8.2)
<b>Net cash from operating activities</b>		<b>27.5</b>	19.8	34.9
<b>Investing activities</b>				
Proceeds from sale of non-current assets		—	—	0.1
Purchase of property, plant and equipment		(6.8)	(5.1)	(11.5)
Purchase of intangible assets		(0.6)	(0.5)	(1.3)
Settlement of derivatives used in net investment hedging		(0.9)	(0.3)	(2.5)
<b>Net cash used in investing activities</b>		<b>(8.3)</b>	(5.9)	(15.2)
<b>Financing activities</b>				
Redemption of B Shares		(4.2)	(3.7)	(5.8)
Drawdown of borrowings		27.6	60.0	131.2
Repayment of borrowings		(38.6)	(66.1)	(145.3)
Repurchase of own shares		(0.2)	—	—
Capital element of finance lease rentals		(0.1)	(0.2)	(0.1)
<b>Net cash generated used in financing activities</b>		<b>(15.5)</b>	(10.0)	(20.0)
Increase/(decrease) in net cash and cash equivalents		3.7	3.9	(0.3)
Net cash and cash equivalents at start of the period		24.8	23.3	23.3
Currency translation differences		0.4	0.5	1.8
<b>Net cash and cash equivalents at end of the period</b>		<b>28.9</b>	27.7	24.8

## Condensed interim consolidated statement of changes in equity

	Issued share capital £m	Share premium account £m	Other reserves			Accumulated loss £m	Equity attributable to owners of the Parent Total	Non-controlling interests £m	Total equity £m
			Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m				
At 1 July 2016	18.3	96.7	(0.5)	(3.0)	47.9	(90.9)	68.5	0.6	69.1
<b>Profit for the period</b>	—	—	—	—	—	13.0	13.0	—	13.0
<b>Other comprehensive income/(expense)</b>									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	—	—	—	3.7	—	—	3.7	—	3.7
Loss on net investment hedges	—	—	—	(2.3)	—	—	(2.3)	—	(2.3)
Gain on cash flow hedges in the period	—	—	4.8	—	—	—	4.8	—	4.8
Loss on cash flow hedges transferred to profit or loss	—	—	(8.1)	—	—	—	(8.1)	—	(8.1)
Taxation relating to items above	—	—	0.1	—	—	—	0.1	—	0.1
	—	—	(3.2)	1.4	—	—	(1.8)	—	(1.8)
Items that will not be reclassified to profit or loss:									
Net actuarial loss on post-employment benefits	—	—	—	—	—	(11.9)	(11.9)	—	(11.9)
Taxation relating to items above	—	—	—	—	—	0.8	0.8	—	0.8
	—	—	—	—	—	(11.1)	(11.1)	—	(11.1)
<b>Total other comprehensive income/(expense)</b>	—	—	(3.2)	1.4	—	(11.1)	(12.9)	—	(12.9)
<b>Total comprehensive income/(expense)</b>	—	—	(3.2)	1.4	—	1.9	0.1	—	0.1
<b>Transactions with owners of the Parent</b>									
Issue of B Shares	—	(4.4)	—	—	—	—	(4.4)	—	(4.4)
Redemption of B Shares	—	—	—	—	4.2	(4.2)	—	—	—
Share-based payments charge	—	—	—	—	—	0.2	0.2	—	0.2
Repurchase of own shares	—	—	—	—	—	(0.2)	(0.2)	—	(0.2)
<b>At 31 December 2016</b>	<b>18.3</b>	<b>92.3</b>	<b>(3.7)</b>	<b>(1.6)</b>	<b>52.1</b>	<b>(93.2)</b>	<b>64.2</b>	<b>0.6</b>	<b>64.8</b>

## Condensed interim consolidated statement of changes in equity continued

	Issued share capital £m	Share premium account £m	Other reserves			Accumulated loss £m	Equity attributable to owners of the Parent Total	Non- controlling interests £m	Total equity £m
			Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m				
At 1 July 2015	18.3	102.4	(2.0)	(4.6)	42.1	(99.3)	56.9	0.6	57.5
<b>Profit for the period</b>	—	—	—	—	—	9.0	9.0	—	9.0
<b>Other comprehensive income/(expense)</b>									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	—	—	—	3.0	—	—	3.0	—	3.0
Loss on net investment hedges	—	—	—	(2.5)	—	—	(2.5)	—	(2.5)
Gain on cash flow hedges in the period	—	—	3.9	—	—	—	3.9	—	3.9
Loss on cash flow hedges transferred to profit or loss	—	—	(3.1)	—	—	—	(3.1)	—	(3.1)
Taxation relating to items above	—	—	(0.1)	—	—	—	(0.1)	—	(0.1)
	—	—	0.7	0.5	—	—	1.2	—	1.2
Items that will not be reclassified to profit or loss:									
Net actuarial loss on post-employment benefits	—	—	—	—	—	(1.2)	(1.2)	—	(1.2)
Taxation relating to items above	—	—	—	—	—	(0.7)	(0.7)	—	(0.7)
	—	—	—	—	—	(1.9)	(1.9)	—	(1.9)
<b>Total other comprehensive income/(expense)</b>	—	—	0.7	0.5	—	(1.9)	(0.7)	—	(0.7)
<b>Total comprehensive income</b>	—	—	0.7	0.5	—	7.1	8.3	—	8.3
<b>Transactions with owners of the Parent</b>									
Issue of B Shares	—	(3.5)	—	—	—	—	(3.5)	—	(3.5)
Redemption of B Shares	—	—	—	—	3.7	(3.7)	—	—	—
Share-based payments charge	—	—	—	—	—	0.1	0.1	—	0.1
<b>At 31 December 2015</b>	<b>18.3</b>	<b>98.9</b>	<b>(1.3)</b>	<b>(4.1)</b>	<b>45.8</b>	<b>(95.8)</b>	<b>61.8</b>	<b>0.6</b>	<b>62.4</b>

	Issued share capital £m	Share premium account £m	Other reserves			Accumulated loss £m	Equity attributable to owners of the Parent Total	Non- controlling interests £m	Total equity £m
			Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m				
At 1 July 2015	18.3	102.4	(2.0)	(4.6)	42.1	(99.3)	56.9	0.6	57.5
<b>Profit for the year</b>	—	—	—	—	—	17.0	17.0	—	17.0
<b>Other comprehensive income/(expense)</b>									
Items that may be reclassified to profit or loss:									
Currency translation differences on foreign subsidiaries	—	—	—	12.0	—	—	12.0	—	12.0
Loss on net investment hedges	—	—	—	(10.4)	—	—	(10.4)	—	(10.4)
Gain on cash flow hedges in the year	—	—	12.4	—	—	—	12.4	—	12.4
Loss on cash flow hedges transferred to profit or loss	—	—	(10.3)	—	—	—	(10.3)	—	(10.3)
Taxation relating to items above	—	—	(0.6)	—	—	—	(0.6)	—	(0.6)
	—	—	1.5	1.6	—	—	3.1	—	3.1
Items that will not be reclassified to profit or loss:									
Net actuarial loss on post-employment benefits	—	—	—	—	—	(2.6)	(2.6)	—	(2.6)
Taxation relating to items above	—	—	—	—	—	(0.4)	(0.4)	—	(0.4)
	—	—	—	—	—	(3.0)	(3.0)	—	(3.0)
<b>Total other comprehensive income/(expense)</b>	—	—	1.5	1.6	—	(3.0)	0.1	—	0.1
<b>Total comprehensive income</b>	—	—	1.5	1.6	—	14.0	17.1	—	17.1
<b>Transactions with owners of the Parent</b>									
Issue of B Shares	—	(5.7)	—	—	—	—	(5.7)	—	(5.7)
Redemption of B Shares	—	—	—	—	5.8	(5.8)	—	—	—
Share-based payments charge	—	—	—	—	—	0.2	0.2	—	0.2
<b>At 30 June 2016</b>	<b>18.3</b>	<b>96.7</b>	<b>(0.5)</b>	<b>(3.0)</b>	<b>47.9</b>	<b>(90.9)</b>	<b>68.5</b>	<b>0.6</b>	<b>69.1</b>

# 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 Co-manufactured and Private Label products for the Household and Personal Care market.

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 2016 and those standards that have been endorsed by the European Union and will be applied at 30 June 2017. This report should be read in conjunction with the financial statements for the year ended 30 June 2016.

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 7 September 2016 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 April 2019.

At 31 December 2016, committed undrawn facilities amounted to £134.0 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 to earnings. As a result, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis.

The condensed interim consolidated financial statements were approved by the Board on 22 February 2017.

## 2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2016.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2016:

- 'Accounting for acquisitions of interests in joint operations' – Amendments to IFRS 11;
- 'Clarification of acceptable methods of depreciation and amortisation' – Amendments to IAS 16 and IAS 38;
- 'Annual improvements to IFRS 2012' – 2014 cycle; and
- 'Disclosure initiative' – Amendments to IAS 1.

All of the above changes to accounting policies will have no material financial effect on the consolidated financial statements for the year ended 30 June 2017.

### 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 9, 'Financial instruments';
- IFRS 15, 'Revenue from contracts with customers'; and
- IFRS 16, 'Leases'.

The Group will undertake an assessment of the impact of these new standards and interpretations in due course.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.



### 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 2016.

### 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 Personal Care & Aerosols in terms of volumes, market share and production requirements. Accordingly, the Group's operating segments are determined by product category.

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.

#### Analysis by reportable segment

31 December 2016	Household				Total £m	Personal Care & Aerosols <sup>(4)</sup> £m	Total segments £m	Corporate <sup>(5)</sup> £m	Total Group £m
	UK £m	North <sup>(1)</sup> £m	South <sup>(2)</sup> £m	East <sup>(3)</sup> £m					
<b>Segment revenue</b>	<b>79.7</b>	<b>96.0</b>	<b>39.2</b>	<b>69.5</b>	<b>284.4</b>	<b>76.2</b>	<b>360.6</b>	<b>—</b>	<b>360.6</b>
<b>Adjusted operating profit/(loss)</b>					<b>26.5</b>	<b>0.9</b>	<b>27.4</b>	<b>(4.5)</b>	<b>22.9</b>
Amortisation of intangible assets									<b>(0.4)</b>
Exceptional items (see note 7)									<b>—</b>
<b>Operating profit</b>									<b>22.5</b>
Net finance costs									<b>(3.7)</b>
<b>Profit before taxation</b>									<b>18.8</b>
Inventories					<b>62.7</b>	<b>18.5</b>	<b>81.2</b>	<b>—</b>	<b>81.2</b>
Capital expenditure					<b>6.6</b>	<b>0.8</b>	<b>7.4</b>	<b>—</b>	<b>7.4</b>
Amortisation and depreciation					<b>8.6</b>	<b>1.5</b>	<b>10.1</b>	<b>—</b>	<b>10.1</b>

(1) France, Belgium, Holland and Scandinavia.

(2) Italy and Spain.

(3) Germany, Poland, Luxembourg and other Eastern Europe.

(4) Includes Asia.

(5) Corporate represents costs related to the Board, the Executive Leadership Team and key supporting functions.

# Notes to the condensed interim financial statements

## continued

### 4. Segment information continued

#### Analysis by reportable segment continued

31 December 2015	Household				Total £m	Personal Care & Aerosols <sup>(4)</sup> £m	Total segments £m	Corporate <sup>(5)</sup> £m	Total Group £m
	UK £m	North <sup>(1)</sup> £m	South <sup>(2)</sup> £m	East <sup>(3)</sup> £m					
<b>Segment revenue</b>	85.8	90.2	34.2	60.9	271.1	73.0	344.1	—	344.1
<b>Adjusted operating profit/(loss)</b>					20.8	1.3	22.1	(4.5)	17.6
Amortisation of intangible assets									(0.5)
Exceptional items (see note 7)									—
<b>Operating profit</b>									17.1
Net finance costs									(4.1)
<b>Profit before taxation</b>									13.0
Inventories					54.6	19.6	74.2	—	74.2
Capital expenditure					5.1	0.5	5.6	—	5.6
Amortisation and depreciation					8.3	1.5	9.8	—	9.8

30 June 2016	Household				Total £m	Personal Care & Aerosols <sup>(4)</sup> £m	Total segments £m	Corporate <sup>(5)</sup> £m	Total Group £m
	UK £m	North <sup>(1)</sup> £m	South <sup>(2)</sup> £m	East <sup>(3)</sup> £m					
<b>Segment revenue</b>	164.9	179.0	69.2	121.9	535.0	145.9	680.9	—	680.9
<b>Adjusted operating profit/(loss)</b>					42.7	2.7	45.4	(9.2)	36.2
Amortisation of intangible assets									(0.9)
Exceptional items									(2.4)
<b>Operating profit</b>									32.9
Net finance costs									(7.1)
<b>Profit before taxation</b>									25.8
Inventories					56.9	18.8	75.7	—	75.7
Capital expenditure					10.6	2.2	12.8	—	12.8
Amortisation and depreciation					16.0	3.1	19.1	—	19.1

### 5. Taxation

The tax charge reflects an effective tax rate of 31% (30 June 2016: 31%) on adjusted profit before taxation of £19.5 million (30 June 2016: £29.4m).

### 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 0.7 million shares (2015: 0.6m 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 2016	Unaudited Half year to 31 Dec 2015	Audited Year ended 30 June 2016
Weighted average number of ordinary shares in issue (million)	a	182.1	182.2	182.2
Effect of dilutive share incentive plans (million)		0.7	0.4	0.4
Weighted average number of ordinary shares for calculating diluted earnings per share (million)	b	182.8	182.6	182.6

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 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:

	Reference	Unaudited Half year to 31 Dec 2016 £m	Unaudited Half year to 31 Dec 2015 £m	Audited Year ended 30 June 2016 £m
Earnings for calculating basic and diluted earnings per share	c	13.0	9.0	17.0
Adjusted for:				
Amortisation of intangible assets		0.4	0.5	0.9
Exceptional items (see note 7)		—	—	2.4
Unwind of discount on contingent consideration		0.1	—	0.1
Unwind of discount on provisions		0.2	0.1	0.2
Taxation relating to the above items		(0.2)	(0.1)	(0.4)
Earnings for calculating adjusted earnings per share	d	13.5	9.5	20.2

	Reference	Unaudited Half year to 31 Dec 2016 pence	Unaudited Half year to 31 Dec 2015 pence	Audited Year ended 30 June 2016 pence
Basic earnings per share	c/a	7.1	4.9	9.3
Diluted earnings per share	c/b	7.1	4.9	9.3
Adjusted basic earnings per share	d/a	7.4	5.2	11.1
Adjusted diluted earnings per share	d/b	7.4	5.2	11.1

## 7. Exceptional items

Exceptional items are presented separately as, due to their nature or the infrequency of the events giving rise to them, this allows users of the financial statements to 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 2016, the Group recognised no exceptional costs (2015: £nil).

## 8. Property, plant and equipment

	Total £m
<b>Net book value at 1 July 2016 (audited)</b>	136.2
Exchange movements	3.3
Additions	6.8
Disposals	(0.2)
Depreciation charge	(9.7)
<b>Net book value at 31 December 2016 (unaudited)</b>	<b>136.4</b>

Capital commitments as at 31 December 2016 amounted to £7.0 million (2015: £2.5m).

# Notes to the condensed interim financial statements

## continued

### 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 Report and Accounts and they should be read in conjunction with the Group's Annual Report and Accounts as at 30 June 2016. 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).

	Unaudited as at 31 Dec 2016 £m	Unaudited as at 31 Dec 2015 £m	Audited as at 30 June 2016 £m
<b>Assets</b>			
Level 2:			
Derivative financial instruments			
- Forward currency contracts	0.8	1.5	2.4
- Cross currency interest rate swaps	15.1	11.9	12.7
- Contract for Difference (HDPE)	—	—	0.2
<b>Total assets</b>	<b>15.9</b>	13.4	15.3
<b>Liabilities</b>			
Level 2:			
Derivative financial instruments			
- Forward currency contracts	(1.0)	(0.4)	(1.2)
	(1.0)	(0.4)	(1.2)
Level 3:			
Trade and other payables			
- Contingent consideration	(2.6)	(0.5)	(2.3)
<b>Total liabilities</b>	<b>(3.6)</b>	(0.9)	(3.5)

**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.

**Contingent consideration**

Contingent consideration is measured at fair value based upon management's estimates of the future sales and profitability of the acquired business. At each reporting date, the Directors estimate the contingent consideration payable in relation to the 70% interest acquired and the liability to acquire the remaining 30% interest.

**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 was as follows:

	<b>Unaudited as at 31 Dec 2016 £m</b>	Unaudited as at 31 Dec 2015 £m	Audited as at 30 June 2016 £m
Current	<b>36.8</b>	29.3	30.3
Non-current	<b>75.0</b>	84.7	85.4
<b>Total borrowings</b>	<b>111.8</b>	114.0	115.7

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 2016 £m	Cash flow £m	Exchange differences £m	<b>Unaudited as at 31 Dec 2016 £m</b>
Cash and cash equivalents	24.8	3.7	0.4	<b>28.9</b>
Overdrafts	(8.3)	4.2	(0.1)	<b>(4.2)</b>
Bank and other loans	(106.9)	6.8	(7.1)	<b>(107.2)</b>
Finance lease liabilities	(0.5)	0.1	—	<b>(0.4)</b>
<b>Net debt</b>	<b>(90.9)</b>	14.8	(6.8)	<b>(82.9)</b>



# Notes to the condensed interim financial statements

## continued

### 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.

At 31 December 2016, the Group recognised a deficit on its UK Defined Benefit pension plan of £41.8 million (30 June 2016: £31.1m). The Group's post-employment benefit obligations outside the UK amounted to £1.8 million (30 June 2016: £1.8m). Defined Benefit schemes had the following effect on the Group's results and financial position:

	Unaudited Half year to 31 Dec 2016 £m	Unaudited Half year to 31 Dec 2015 £m	Audited Year ended 30 June 2016 £m
<b>Profit or loss</b>			
Service cost and administration expenses	(0.3)	(0.9)	(1.5)
<b>Charge to operating profit</b>	<b>(0.3)</b>	<b>(0.9)</b>	<b>(1.5)</b>
Net interest cost on Defined Benefit obligation	(0.5)	(0.6)	(1.1)
<b>Charge to profit before taxation</b>	<b>(0.8)</b>	<b>(1.5)</b>	<b>(2.6)</b>
<b>Other comprehensive expense</b>			
Net actuarial loss	(11.9)	(1.2)	(2.6)
<b>Other comprehensive expense</b>	<b>(11.9)</b>	<b>(1.2)</b>	<b>(2.6)</b>

	Unaudited as at 31 Dec 2016 £m	Unaudited as at 31 Dec 2015 £m	Audited as at 30 June 2016 £m
<b>Balance sheet</b>			
Defined Benefit obligations:			
UK - funded	(162.1)	(133.5)	(145.2)
Other - unfunded	(1.8)	(1.6)	(1.8)
	<b>(163.9)</b>	<b>(135.1)</b>	<b>(147.0)</b>
Fair value of scheme assets	120.3	102.8	114.1
<b>Deficit on the schemes</b>	<b>(43.6)</b>	<b>(32.3)</b>	<b>(32.9)</b>

Following consultation with staff and the UK plan's Trustees, the UK Defined Benefit plan was closed to future service accrual from 29 February 2016. Staff affected by this change were offered a new defined contribution scheme from that date.

For accounting purposes, the Fund's benefit obligation as at 31 December 2016 has been calculated based on data gathered for the triennial actuarial valuation as at March 2015 and by applying assumptions made by the Group on the advice of an independent actuary in accordance with IAS 19, 'Employee benefits'.

Following the last triennial valuation at March 2015, the Company and Trustees agreed a new deficit reduction plan based on the scheme funding deficit of £44.2 million. The deficit cash funding requirement of £3.0 million per annum took effect from 31 March 2015.

## 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 2016 <sup>(1)</sup>	Unaudited Half year to 31 Dec 2015	Audited Year ended 30 June 2016
Interim	1.4p	1.2p	1.2p
Final	n/a	n/a	2.4p

(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
<b>At 1 July 2015 (audited)</b>	969,007	1.0
Issued	3,461,977	3.5
Redeemed	(3,674,427)	(3.7)
<b>At 31 December 2015 (unaudited)</b>	756,557	0.8
Issued	2,188,512	2.2
Redeemed	(2,086,541)	(2.1)
<b>At 30 June 2016 (audited)</b>	858,528	0.9
Issued	4,373,024	4.4
Redeemed	(4,231,289)	(4.2)
<b>At 31 December 2016 (unaudited)</b>	<b>1,000,263</b>	<b>1.0</b>

## 13. 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 2016 are detailed in note 28 (page 106) McBride plc's Annual Report and Accounts 2016. A copy of McBride plc's Annual Report and Accounts 2016 is available on McBride's website at [www.mcbride.co.uk](http://www.mcbride.co.uk). Although there have been changes to the Executive Leadership Team since the year end, there are no other related party transactions.

## 14. 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 ordered by 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 year-end net assets excluding net debt.

## Additional information

### Financial calendar for the year ending 30 June 2017

Payments to shareholders		
Interim	Announcement	22 February 2017
	Entitlement to B Shares	21 April 2017
	Redemption of B Shares	26 May 2017
Final	Announcement	7 September 2017
	Entitlement to B Shares	27 October 2017
	Redemption of B Shares	1 December 2017
Results		
Interim	Announcement	22 February 2017
Preliminary statement for full year	Announcement	7 September 2017
Annual Report and Accounts 2017	Circulated	September 2017
Annual General Meeting	To be held	24 October 2017

### Exchange rates

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

	Unaudited Half year to 31 Dec 2016	Unaudited Half year to 31 Dec 2015	Audited Year ended 30 June 2016
<b>Average rate:</b>			
Euro	1.16	1.39	1.34
US Dollar	1.28	1.53	1.48
Polish Zloty	5.08	5.87	5.74
Czech Koruna	31.47	37.62	36.19
Malaysian Ringgit	5.35	6.39	6.14
Australian Dollar	1.69	2.12	2.04
Chinese Yuan	8.62	9.73	9.55
<b>Closing rate:</b>			
Euro	1.17	1.36	1.21
US Dollar	1.23	1.48	1.34
Polish Zloty	5.15	5.81	5.37
Czech Koruna	31.56	36.82	32.83
Malaysian Ringgit	5.52	6.40	5.36
Australian Dollar	1.70	2.10	1.81
Chinese Yuan	8.55	9.62	8.92

**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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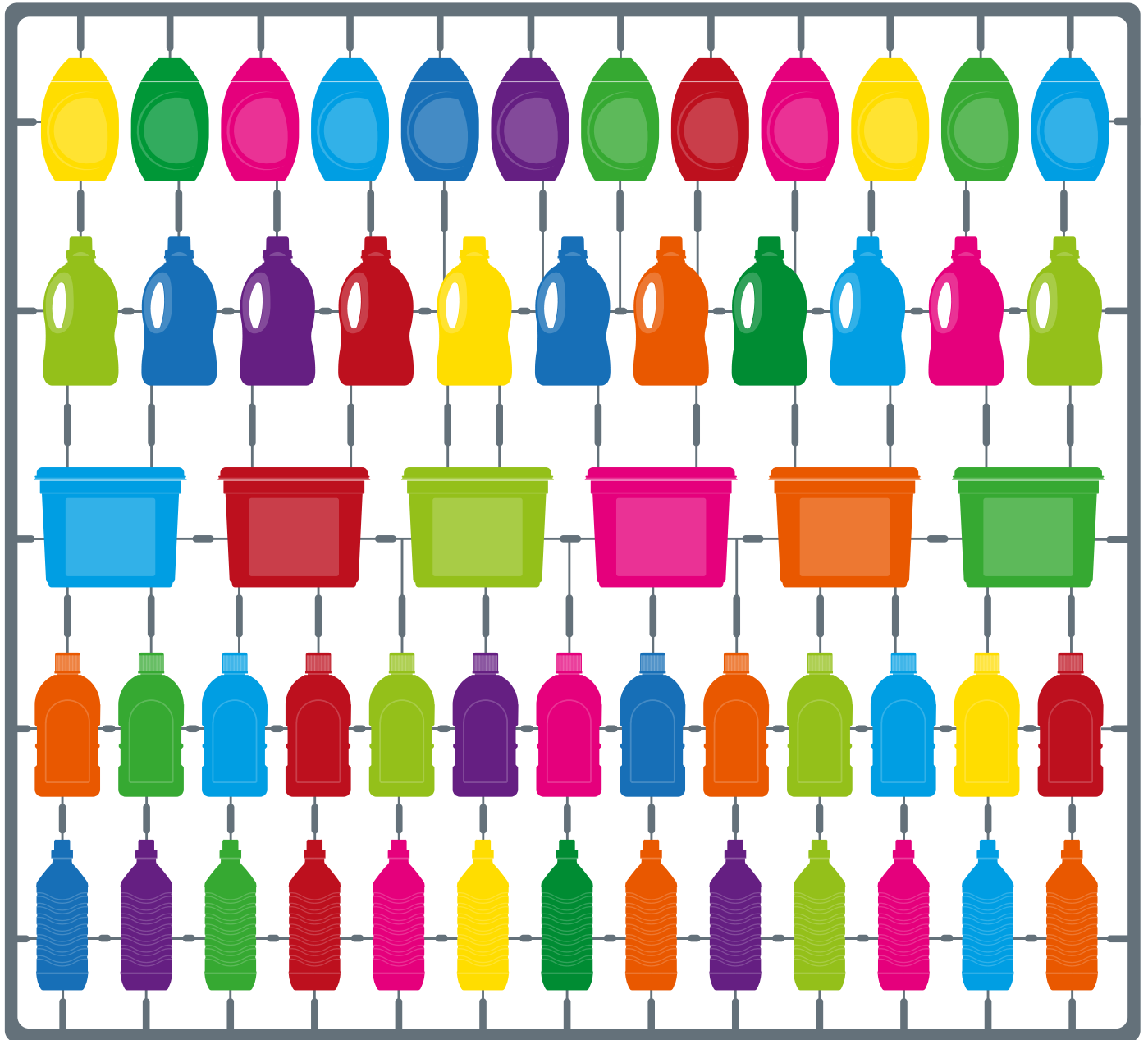
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**FTSE4Good**

McBride has been accepted into the FTSE4Good Index Series of leading companies which meet globally recognised corporate responsibility standards.



McBride has been a leading contributor in the development of the A.I.S.E. Charter for sustainable cleaning and was the first Private Label company to achieve Charter status.