McBride plc (“McBride”, the “Company” or the “Group”)

Good momentum delivering business performance improvement, with expectations for full year on track

28 February 2023

McBride, the leading European manufacturer and supplier of private label and contract manufactured products for the domestic household and professional cleaning/hygiene markets, announces its unaudited interim results for the six months ended 31 December 2022.

Business headlines

- Business and revenue momentum in line with growth ambition:
  - private label volume growth of 2.6% in first half, gaining market share
  - cost conscious consumers supporting near-term growth
  - sustained pricing growth delivered
  - new products launched supporting product sustainability objectives
  - good pipeline of business wins
  - improved service levels

- Financial performance recovery:
  - trading results close to break-even with recovery to positive EBITA in final two months
  - strong margin recovery from pricing and product engineering
  - first half revenues up £102.9m, higher by 30.3% at constant currency(1), mostly from price rises
  - ‘Programme Compass’ £20m annualised savings on track

- Strategy and organisation development underpinning recovery:
  - divisional focus delivering step-up in customer experience and growth ambitions
  - Compass structure maturing and progressing well
  - Transformation team appointed, change programme design concluding
  - carbon reduction target setting expected in 2023

Financial headlines

- Group revenues up 31.8%
- EBITA improvement with adjusted operating losses(2) reduced to £1.3m from £14.8m loss in H1 FY22
- Net debt(2) steady at £169.4m (30 June 2022: £164.4m)
- Liquidity(2) comfortable at £58.9m (30 June 2022: £70.6m)

£m unless otherwise stated	**Half year to 31 Dec 2022**	Half year to 31 Dec 2021	Reported change	Constant currency change (1)
Total operations				
Group revenue	426.3	323.4	31.8%	30.3%
Adjusted operating loss (2)	(1.3)	(14.8)	13.5	13.5
Operating loss	(2.6)	(14.7)	12.1	
Adjusted loss before taxation(2)	(7.9)	(16.9)	9.0	9.0
Loss before taxation	(20.0)	(16.8)	(3.2)	
Adjusted diluted loss per share (3)	(4.2)p	(8.1)p	3.9p	
Diluted loss per share	(9.7)p	(8.0)p	(1.7)p	
Net debt (2,4)	169.4	164.4	5.0	
Adjusted return on capital employed (2)	(5.5)%	(4.6)%	(0.9) ppt	

1 Comparatives translated at six months to 31 December 2022 exchange rates.

2 Refer to note 16 for definition.

3 See note 6.

4 Net debt comparative is at 30 June 2022; all other comparatives refer to the six months ended 31 December 2021.

Outlook
The early part of the second half year has continued the momentum seen in the first half and our current expectations are for a stronger operating margin performance and hence a return to adjusted operating profit in the second half of the year. This is driven by the impact of the margin management actions implemented and in progress, steadying cost inflation and a favourable retail environment for private label products. Our full-year expectations remain on track.

Medium term, the Group will continue its strategic plans to grow shareholder value through its focus on delivering growth and cost efficiency benefits. Our growth ambitions are making good progress with new wins launching through 2023 and further innovative, consumer-insight led and new, eco-friendly product opportunities in the pipeline. The Transformation programme is being launched at present, targeting £50 million of benefits over five years.

Whilst positive about the outlook, we also remain vigilant as to the potential impacts of the ongoing and significant macroeconomic uncertainty, particularly around energy costs, high general inflation levels and the knock-on impacts of any escalation of the Ukraine conflict.

Chris Smith, Chief Executive Officer, commented:

"The first half year required continued high levels of attention to margin recovery in light of ongoing inflationary pressures. Whilst there are some early signs of stabilisation in certain input costs, many raw material costs remain historically high. Energy and employment costs continue to apply further inflationary pressure, and accordingly, we continue to action mitigations including price increases, product engineering and cost control.

It is pleasing to have returned to positive adjusted operating profit in the last two months of the period, with momentum improving into the second half as a result of higher volumes from new business wins, better customer service levels and pricing actions fully annualising. All of this is supported by consumer behaviour creating a more favourable environment for private label products.

The transformation agenda, signposted as part of Compass, gathers pace with the appointment of the Chief Transformation Officer, dedicated to the key change and improvement initiatives over the coming years.

The Group's core activities remain strong and the dedication of the entire McBride team to resolve the challenges confronting us is a strong demonstration of our values and the commitment to return the Group to sustainable levels of profitability."

McBride plc
Chris Smith, Chief Executive Officer — 0161 203 7401
Mark Strickland, Chief Financial Officer — 0161 203 7401

FTI Consulting LLP — 020 3727 1017
Ed Bridges, Nick Hasell

The results presentation will be available on the McBride plc investor relations website from 1.00pm today.

Strategy development
The Compass strategy and its financial objectives were to generate sustained revenue growth and improved margins from efficiency and effectiveness of our key activities, delivered through accountable business divisions and core central functions.

The divisional teams have been in place for nearly two years now and their maturity, accountability and strategic development is increasingly visible, with encouraging progress in support of the growth agenda. As the inflationary environment stabilises, our attention now turns to the efficiency and effectiveness element of Compass.

The Group's Transformation programme has been launched with the appointment of a new Chief Transformation Officer, a role that sits on the Executive Committee, with the programme shape mostly finalised.

The plan is consciously constructed to contain seven overall programmes overseen by a newly-appointed programme management office. Our carbon reduction programme will be a common thread through all the other programmes, as we look to decarbonise the business over the coming years. We expect that the benefits of these programmes will fall into two groups, one supporting sales and margin growth, the other delivering cost reduction and cash management improvements.

Key to cost benefit realisation will be the migration to a new ERP over the coming three to four years, permitting a more modern, standard operating model with improved data analytics. Supporting our sales and margin growth ambition will be programmes delivering commercial excellence from our customer facing teams and service excellence from our supply chain activities.

Most programmes will launch in the coming weeks and months, all in support of our targeted £50 million benefit over five years. A fuller roadmap will be provided at the year-end results announcement in September 2023.

Overall business performance
The business has delivered a first half performance in line with our business recovery plan. Delivery of this plan faced huge challenges, with a further £97.1 million of price increases delivered in the period and inflation adding over £87.6 million of further cost rises. However, our momentum is good and our road to recovery is well underway, with the Group returning consistently to positive monthly adjusted EBITDA(1) from May 2022 and positive monthly adjusted operating profit from November 2022.

In the period, McBride has continued to gain private label market share. First half sales volumes grew by 1.2% compared to the prior year, with private label volume growth at 2.6%. The overall European homecare market in the twelve months to December 2022 has seen volumes fall over 5%, especially in branded products, with a smaller fall of 2.2% for private label products. Alongside some residual Covid-19 effects in 2021, these volume falls are attributed to consumers being more frugal with dosing and usage. Our contract manufacturing business saw volumes decline 14.0%, mostly a result of weaker volumes for the brands in stores as shoppers make alternative choices to mitigate the impact of inflationary pressures.

The strategic aim from our Compass programme – whose objective is to deliver focused, specialist and expert support to our customers – is increasingly evident in our commercial performance. Our business win/loss ratio has turned positive, with new volumes coming on stream over the next twelve months. Several new products have been launched in line with our product sustainability objectives, including innovative carton packaging alternatives to plastic boxes and bottles. We have an encouraging pipeline of opportunities and innovation options for both private label and contract manufacturing customers.

Raw material input costs continued to increase, albeit at a slower rate than previously. Despite a more favourable feedstock environment on plastics and naturals compared to the second half of FY22, increased energy, indirect and labour costs, coupled with large pockets of supply/demand tightness, were key drivers of the increases and more than offset any feedstock-driven relief. Distribution costs of £38.5 million (2021: £30.8m) significantly increased year on year, particularly affected by the surge in the cost of fuel and driver shortages in Europe following the outbreak of the conflict in Ukraine.

All divisions continued to collaborate with customers to agree pricing actions and product engineering options to offset the inflationary challenges. Price increases agreed over the past 18 months have driven essential recovery in gross margins, but we remain vigilant to the likely need for further price increases in the coming months to offset continuing inflationary impacts, particularly in labour, transport, energy and general supplies. We have adopted the principle of not committing to price levels beyond a three-month horizon, to protect both our business but also our customers and consumers. The potential for volatility in input costs remains high and this approach will better align our private label business with the methods used typically in contract manufacturing.

Customer service levels improved progressively during the period, particularly due to improved factory performance and a strong recovery in our logistics performance.

Capital expenditure continues to be strictly controlled, with prioritisation processes to ensure that divisions' growth objectives can still be realised. During the period, capital expenditure, including capital payments on lease liabilities less proceeds from the sale of property, plant and equipment, decreased to £6.8 million (2021: £8.8m) in cash terms.

[1] *Refer to note 16 for definition.*

Divisional portfolio performance

Revenue	**Half year to 31 Dec 2022 £m**	Half year to 31 Dec 2021 £m	Reported change	Constant currency[1]
Liquids	**237.7**	182.8	30.0%	29.0%
Unit Dosing	**111.4**	81.6	36.5%	35.0%
Powders	**42.7**	32.8	30.2%	28.6%
Aerosols	**21.3**	15.8	34.8%	33.1%
Asia Pacific	**13.2**	10.4	26.9%	18.9%
Group	**426.3**	323.4	31.8%	30.3%

Adjusted operating (loss)/profit	**Half year to 31 Dec 2022 £m**	Half year to 31 Dec 2021 £m	Reported change	Constant currency[1]
Liquids	**0.2**	(10.2)	10.4	10.4
Unit Dosing	**2.2**	(0.4)	2.6	2.6
Powders	**(1.2)**	(1.4)	0.2	0.1
Aerosols	**—**	(0.8)	0.8	0.8
Asia Pacific	**0.8**	0.2	0.6	0.6
Corporate	**(3.3)**	(2.2)	(1.1)	(1.0)
Group	**(1.3)**	(14.8)	13.5	13.5

[1] *Comparatives translated at six months to 31 December 2022 exchange rates.*

Liquids performance review

Liquids revenue of £237.7 million was 29.0% higher on a constant currency basis, driven by the pass-through of input cost inflation to customers via increased selling prices.

Sales volumes grew by 0.7%, with private label volumes 1.2% higher, as private label share of the market grew in response to the cost-of-living crisis. Contract manufacturing volumes declined by 6.2%, reflecting lower demand for higher-priced branded products.

Dishwash volumes grew by 10.6%, driven by contract manufacturing gains in machine dishwash and private label volume growth in washing up liquids. Cleaners' volumes fell by 3.7%, as the last of the Covid-19 temporary demand subsided, and with a contract manufacturing customer choosing to bring volumes back in-house. Laundry volumes fell by 1.7%, with the cost-of-living crisis affecting fabric conditioner demand.

Customer service levels, following a period of supply chain shocks and driver availability issues which have disrupted supply across the industry for several years, are now moving back towards pre-Covid-19 levels, showing gradual month-on-month improvement with initiatives being put in place to sustain the performance.

Adjusted operating profit of £0.2 million was significantly improved on the prior year (2021: £10.2m loss) due to three main factors: annualisation of price increases realised in the prior year; new price increases agreed during the first half; and continued delivery of Programme Compass cost savings in line with our 'Cost Leadership' strategy.

Despite the huge demands on the team to recover margin and service performance in the period, we have made good progress with key strategic initiatives:

- Our lean conversion programme was launched during the first half with the aim of optimising processes and reducing conversion costs across sites. The financial benefits are expected to commence in the next financial year, supporting our Programme Compass cost-saving commitments.
- In February 2023, we launched a range of Liquids products in innovative recyclable cardboard carton packaging, supporting the Group's commitment to deliver more sustainable products.

Unit Dosing performance review

Unit Dosing revenue of £111.4 million was 35.0% higher on a constant currency basis. This revenue increase was largely driven by higher sales prices. Adjusted operating profit was £2.2 million, a significant improvement versus the prior year (2021: £0.4m loss), though still below historical profitability levels.

Throughout the last twelve months price increases have been agreed which recover a significant part of the exceptional raw material and logistics cost inflation that the business has and continues to experience. To help reduce the inflationary impact on consumers, our product development teams, in close co-operation with our customers, have also focused on product re-engineering.

Sales volumes grew moderately in the first half, driven by higher sales to private label customers across all categories. This was partly offset by lower sales to our contract manufacturing customers. Despite very challenging business conditions, continued progress has been made against the 'Product Leadership' strategic imperative. The turnaround of the laundry capsules business is progressing well, with our new eco-friendly, child-safe carton packaging for capsules being very well received by multiple customers. In dishwash, we successfully gained new business, which will launch in the months ahead and benefit the division's positive win/loss balance in the first half.

Our efforts in improving efficiency at our sites have seen positive progress, particularly at our largest dishwash site. Though overall service levels for the division have improved, further improvements are needed to realise service excellence, a key topic of our Transformation programme.

The key priority for the second half is the continued recovery of business performance. This will allow for mid-term increased investment in sustainable product offerings and growth of the division in line with its strategic objectives.

Powders performance review

Powders revenue of £42.7 million was 28.6% higher on a constant currency basis. Revenue grew significantly across all geographies. Market demand for private label laundry powders has grown as shoppers have shifted away from higher-priced branded powder products and other laundry product formats. Consumers have moved to shop more in discount retailers, where we have a strong presence, especially in the UK. In certain regions, we were able to grow due to higher demand from customers that competitors struggled to supply. Lastly, we benefited from the support of our customers in passing on the significant continued inflationary cost increases in raw materials for the manufacture of laundry powder products.

Adjusted operating loss decreased slightly to £1.2 million (2021: £1.4m loss), as the higher volumes driven by positive demand factors, higher prices agreed with customers and continued strict cost controls, were not sufficient to offset the exceptional inflationary increases in raw material and logistics costs. In particular, the cost of salts increased significantly later in the half year, driven by energy and feedstock inflation and availability issues. While the first half saw some benefits of the price increases negotiated with private label customers, the second half is expected to realise a fuller recovery of the negative input cost effects.

We continue to develop both our private label and contract manufacturing businesses through innovation in formulations and packaging solutions. Recent consumer test results in multiple countries have confirmed product superiority to both brands and other private label offers, providing a solid base for further private label business wins. Significant contract manufacturing wins have been achieved that will deliver their full potential during 2023.

Aerosols performance review
Aerosols revenue of £21.3 million (2021: £15.8m) was 33.1% higher on a constant currency basis. This is explained by volume growth of 11.4%, driven by increasing underlying demand and new business wins, with the remaining growth coming from pricing actions. Supply chain agility and strong cost controls have reinforced Aerosols' excellent reputation with customers and have been key factors in capturing new business in both private label and contract manufacturing. In the second half, we expect private label to continue its good progression and to benefit from recent contract manufacturing wins.

At break-even, adjusted operating profit was better than the prior year (2021: £0.8m loss), driven by higher sales, close control of overheads and productivity savings. The implementation of price increases with customers partially offset exceptional increases in raw material, packaging and logistics costs with further price increases planned in the early part of the second half.

Asia Pacific performance review
Asia Pacific revenue of £13.2 million was 18.9% higher on a constant currency basis. Sales recovered strongly in the first half with consumer spending in the main Asia Pacific markets returning to pre-Covid-19 pandemic levels. Strong inflationary pressures, especially in Australia, resulted in higher demand for private label products as consumers attempted to stretch the value of their money.

Following disruption last financial year from Covid-19-related workforce shortages, operations at our manufacturing site in Malaysia have stabilised and the value proposition has been strengthened by obtaining accreditation of ISO 22716 quality standards. Robust cost control and overhead efficiency programmes, coupled with moderate price increases implemented to offset input cost increases, resulted in the delivery of a much-improved adjusted operating profit of £0.8 million (2021: £0.2m).

We are continuing to progress the divisional 'Deliver to grow' strategy by expanding the range of private label products and pursuing business development opportunities in contract manufacturing, in both personal care and household product categories.

Input costs
The first half saw input costs continue to increase, albeit at a slower rate than previously experienced. Despite a generally more favourable feedstock environment on plastics and naturals compared to the second half of FY22, increased energy and labour costs coupled with large pockets of supply/demand tightness were key drivers behind the increases seen, more than offsetting any feedstock-driven relief.

There were a number of cases where energy and supply/demand imbalances caused significant price rises in key feedstock in the period. Products from the 'salts' and 'persalts' families increased by over 70% during the first half, while some feedstock continued to reach all-time highs. For example, caustic soda, where prices were already 100% above the multi-year average at the end of FY22, doubled again towards the end of the period, breaking new records.

In general, we are seeing more stability in our main materials input costs, with improving supply and visibility, but markets remain volatile and unpredictable. We are not seeing any significant deflation across our materials base and overall price levels remain close to 50% higher than the pre-pandemic period on the vast majority of our input costs.

Despite the market volatility and global supply/demand imbalances, our own supply chains have continued to demonstrate resilience, with minimal levels of disruption experienced so far.

Distribution costs

Global supply chains continue to see a significant impact from geopolitical events and the aftershocks of the Covid-19 pandemic. Underlying costs have significantly increased year on year, particularly affected by the surge in the cost of fuel and driver shortages in Europe following the outbreak of the conflict in Ukraine. Inflationary pressures have driven a c.20% increase in shipping costs per pallet.

Group operating results

The half-year operating loss was £2.6 million (2021: £14.7m loss). This includes amortisation of £1.3 million (2021: £1.3m) and exceptional costs of £nil (2021: £1.4m credit).

The half-year adjusted operating loss of £1.3 million (2021: £14.8m loss) was due primarily to exceptional raw material, packaging, logistics, energy and labour cost rises, which were unable to be fully recovered by price increases in the first half. Adjusted operating loss margin improved from (4.6)% to (0.3)%.

Corporate costs were £3.3 million, an increase of 43.5% from the prior year at constant currency (2021: £2.2m), driven by inflationary impacts and higher bonus provisions.

Group EBITDA

Half-year adjusted EBITDA(1) profit of £8.8 million (2021: £4.3m loss) reflected our improved trading performance and our ability to recover more of the exceptional cost pressures through price increases agreed with our customers.

[1] *Refer to note 16 for definition.*

Exceptional items

A total exceptional charge of £10.8 million recorded during the period relates to continuing operations (2021: £1.4m credit) and comprised costs incurred in respect of an independent business review and refinancing work completed in September 2022. These were recognised within finance costs (2021: operating costs).

Finance costs

At £6.6 million, non-exceptional finance costs (2021: £2.1m) increased as a result of revised terms under the lending agreement announced on 29 September 2022 and market interest rate increases.

Loss before tax and taxation

Reported loss before taxation from continuing operations was £20.0 million (2021: £16.8m loss). Adjusted loss before taxation from continuing operations was £7.9 million (2021: £16.9m loss), a decrease in losses of £9.0 million. The tax credit on continuing adjusted loss before tax for the period is £0.7 million (2021: £2.8 million credit) and the effective tax rate is 9% (2021: 17%). The effective tax rate is lower than the previous year on the basis that, in the prior year, additional deferred tax assets were recognised on losses in the UK.

The statutory effective tax rate on continuing operations for the period is 16% (2021: 18%). The Group forecasts an adjusted effective tax rate for the financial year of 8%.

Loss per share

On an adjusted basis, diluted loss per share from continuing operations was 4.2 pence (2021: 8.1p loss per share). Total adjusted diluted loss per share decreased to 4.2 pence (2021: 8.1p loss per share), with basic loss per share of 9.7 pence (2021: 8.0p loss per share).

Payments to shareholders

Per the terms of the amended revolving credit facility (RCF) announced on 29 September 2022, no dividends will be paid to shareholders at least until there is an 'exit event', being a change of control, refinancing of the RCF in full, prepayment and cancellation of the RCF in full, or upon the termination date of the RCF, being May 2026. Hence, at this interim stage, there is no distribution.

Cash flow and balance sheet

	Half year to 31 Dec 2022 £m	Half year to 31 Dec 2021 £m	Full year to 30 June 2022 £m
Adjusted EBITDA(1)	**8.8**	(4.3)	(3.6)
Working capital excluding provisions and pensions	**12.2**	8.4	(15.3)
Share-based payments and loss on disposal of property, plant and equipment	**0.5**	0.8	0.3
Non-exceptional reversal of impairment of property, plant and equipment	**—**	(0.1)	(0.1)
Pension deficit reduction contributions	**(2.0)**	(2.0)	(4.0)
Free cash flow	**19.5**	2.8	(22.7)
Exceptional items and tax paid	**(11.3)**	0.9	(4.2)
Capital expenditure including capital payments on lease liabilities less proceeds from sale of property, plant and equipment	**(6.8)**	(8.8)	(13.2)
Interest on borrowings and lease liabilities less interest receivable	**(3.6)**	(1.6)	(3.3)
Debt financing and refinancing activities	**5.3**	17.3	22.9
Settlement of derivatives	**(0.1)**	—	0.4
Free cash flow to equity(2)	**3.0**	10.6	(20.1)
Dividends paid/redemption of B shares	**—**	(0.1)	(0.1)
Share buy-back	**—**	(0.1)	(0.1)
Net increase/(decrease) in cash and cash equivalents	**3.0**	10.4	(20.3)
Cash conversion(1)	**222%**	n/a	n/a

Cash generated from continuing operations before exceptional items during the half year was £19.5 million (2021: £2.8m).

During the period, capital expenditure, including capital payments on lease liabilities less proceeds from the sale of property, plant and equipment, decreased to £6.8 million (2021: £8.8m) in cash terms. Capital expenditure continues to be strictly controlled.

Working capital management contributed a £12.2 million positive cash flow impact (2021: £8.4m). This was driven by improved payment terms agreed with customers, partially offset by an increase in the value of inventories due to higher input costs.

The Group's net assets decreased to £37.3 million (30 June 2022: £57.0m). Gearing(1) at 31 December was higher at 86% (30 June 2022: 80%) and adjusted return on capital employed(1) of (5.5)% improved on the prior year (30 June 2022: (11.4)%).

[1]Refer to note 16 for definition.

[2]Free cash flow to equity excludes cash flows relating to transactions with shareholders.

Bank facilities and net debt

Net debt at the half year increased to £169.4 million (30 June 2022: £164.4m).

The Group has a €175 million sustainability-linked RCF that is committed until 10 May 2026. At 31 December 2022, the amount undrawn on the facility was €39.7 million (30 June 2022: €64.5m).

As announced on 29 September 2022, the key provisions of the RCF are:

- it shall be secured against material asset, share and inter-company balances;
- commitments to reduce, and be cancelled, in the amount of the Euro equivalent of £2.5 million every three months from September 2024 up until the termination date;
- existing bilateral overdraft facilities shall become ancillary facilities committed until 30 September 2024;
- invoice discounting facilities shall be committed to 30 September 2024;
- liquidity shall not be less than £15 million when tested on or prior to 30 September 2024;
- liquidity shall not be less than £25 million when tested post 30 September 2024;
- net debt cover and interest cover covenants to be tested quarterly from 30 September 2024;
- no dividends will be paid to shareholders until there is an 'exit event', being a change of control, refinancing of the RCF in full, prepayment and cancellation of the RCF in full or upon the termination date of the RCF, being May 2026; and
- the arrangement includes an 'upside sharing' mechanism whereby a fee will become payable by the Group to members of the lender group upon the occurrence of an exit event. Such fee is determined as 11% of any increase in the market capitalisation of the Group as at 29 September 2022 compared to the market capitalisation of the Group at the date of such exit event.

At 31 December 2022, liquidity[(1)] as defined by the RCF agreement was £58.9 million (30 June 2022: £70.6m). Liquidity throughout the period was comfortably above the minimum liquidity covenant of £15 million.

At 31 December 2022, the Group had a number of facilities whereby it could borrow against certain of its trade receivables. In the UK, the Group had a £20 million facility that is committed until September 2024. In France and Belgium, the Group had an aggregate €30 million facility, which had a rolling notice period of six months for the French part and three months for the Belgian part, and is committed until September 2024. In Germany, the Group had a €40 million facility that is committed until September 2024. The Group can borrow from the provider of the relevant facility up to the lower of the facility limit and the value of the respective receivables.

The Group is currently negotiating to increase liquidity by a further £25 million through the extension of its invoice discounting facilities to unencumbered receivables ledgers. However, there is no certainty that these negotiations will be successful.

The Group also has access to uncommitted working capital facilities amounting to £0.2 million at 31 December 2022 (30 June 2022: £22.7m). At 31 December 2022, £nil (30 June 2022: £6.8m) was drawn against these facilities.

[1]*Refer to note 16 for definition.*

Pensions

The Group provides a number of post-employment benefit arrangements. In the UK, the Group operates a defined benefit scheme, which is closed to new members and to future accrual, and a defined contribution pension scheme. Elsewhere in Europe, the Group has a number of smaller unfunded post-employment benefit arrangements that are structured to accord with local conditions and practices in the countries concerned. At 31 December 2022, the Group recognised a deficit in its UK scheme of £22.8 million (30 June 2022: £14.4m). The £8.4 million deficit increase since 30 June 2022 was driven by the Fund's invested assets falling by more than the liabilities as a consequence of the gilt crisis in September/October 2022, reducing the matching of asset movements with liabilities.

The Group has other unfunded post-employment benefit obligations outside the UK that amounted to £1.9 million (30 June 2022: £1.7m).

Environmental, social and governance

We continue to report progress via our ESG dashboard and deliver on the 2025 targets for our operations and product sustainability, noting increases in our use of renewable electricity and moving more of our plastic packaging portfolio into recycled plastic (PCR).

We have measured our corporate carbon footprint now for two consecutive years and we are clear on the emission hotspots we would like to address. We will focus our efforts on energy, logistics, chemicals, and packaging. We are in the process of compiling our carbon reduction initiatives in the near-term with the SBTi. This year we have launched a range of new product initiatives based on carton board that has led to a reduction in overall plastic consumption.

We will continue to report against the Taskforce on Climate-related Financial Disclosures (TCFD) framework, taking the learnings from our FY22 Annual Reporting process.

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:

- Financing risks
- Supply chain resilience
- Changing market, customer and consumer dynamics
- Disruptions to systems and processes
- Challenges in attracting and retaining talent
- Climate change and environmental concerns
- Increased regulation

Responsibility statement

The Directors confirm that to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting' and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4 of the Disclosure and Transparency Rules.
- 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.

Chris Smith
Chief Executive Officer

Mark Strickland
Chief Financial Officer

28 February 2023

Condensed interim consolidated income statement

Continuing operations	Note	**Unaudited Half year to 31 Dec 2022 £m**	Unaudited Half year to 31 Dec 2021 £m	Audited Year ended 30 June 2022 £m
Revenue	3	**426.3**	323.4	678.3
Cost of sales		**(311.2)**	(233.2)	(487.5)
Gross profit		**115.1**	90.2	190.8
Distribution costs		**(38.5)**	(30.8)	(64.3)
Administrative costs		**(77.7)**	(72.8)	(153.8)
Impairment of trade receivables		**(1.5)**	(1.1)	(2.0)
(Loss)/gain on disposal of property, plant and equipment		**—**	(0.3)	3.4
(Reversal of) impairment of property, plant and equipment		**—**	0.1	(0.8)
Operating loss		**(2.6)**	(14.7)	(26.7)
Finance costs		**(17.4)**	(2.1)	(8.6)
Loss before taxation		**(20.0)**	(16.8)	(35.3)
Taxation		**3.2**	3.0	11.3
Loss for the period from continuing operations		**(16.8)**	(13.8)	(24.0)
Discontinued operations				
Loss for the period from discontinued operations		—	—	(0.3)
Total operations				
Loss for the period		**(16.8)**	(13.8)	(24.3)
Loss per ordinary share from continuing and discontinued operations attributable to the owners of the parent during the period	6			
Basic loss per share				
From continuing operations		**(9.7)p**	(8.0)p	(13.8)p
From discontinued operations		**—**	—	(0.2)p
From loss for the period		**(9.7)p**	(8.0)p	(14.0)p
Diluted loss per share				
From continuing operations		**(9.7)p**	(8.0)p	(13.8)p
From discontinued operations		**—**	—	(0.2)p
From loss for the period		**(9.7)p**	(8.0)p	(14.0)p

Operating loss from continuing operations		**(2.6)**	(14.7)	(26.7)
Adjusted for:				
Amortisation of intangible assets	8	**1.3**	1.3	2.6
Exceptional items	4	**—**	(1.4)	(0.4)
Adjusted operating loss from continuing operations		**(1.3)**	(14.8)	(24.5)

Loss before taxation from continuing operations		**(20.0)**	(16.8)	(35.3)
Adjusted for:				
Amortisation of intangible assets	8	**1.3**	1.3	2.6
Exceptional items	4	**10.8**	(1.4)	3.1
Adjusted loss before taxation from continuing operations		**(7.9)**	(16.9)	(29.6)

Condensed interim consolidated statement of comprehensive income

	Unaudited Half year to 31 Dec 2022 £m	Unaudited Half year to 31 Dec 2021 £m	Audited Year ended 30 June 2022 £m
Loss for the period	**(16.8)**	(13.8)	(24.3)
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Currency translation differences on foreign subsidiaries	**2.6**	(1.5)	0.2
(Loss)/gain on net investment hedges	**(0.5)**	1.0	0.5
Gain on cash flow hedges in the period	**3.4**	0.8	2.4
Cash flow hedges transferred to profit or loss	**(0.5)**	(0.2)	—
Taxation relating to items above	**(0.7)**	(0.1)	(0.5)
	4.3	—	2.6
Items that will not be reclassified to profit or loss:			
Net actuarial (loss)/gain on post-employment benefits	**(10.3)**	6.7	12.4
Taxation relating to item above	**2.6**	(1.6)	(3.1)
	(7.7)	5.1	9.3
Total other comprehensive (expense)/income	**(3.4)**	5.1	11.9
Total comprehensive expense	**(20.2)**	(8.7)	(12.4)
Total comprehensive expense attributable to equity shareholders arises from:			
Continuing operations	**(20.2)**	(8.7)	(12.1)
Discontinued operations	—	—	(0.3)
	(20.2)	(8.7)	(12.4)

Condensed interim consolidated balance sheet

	Note	**Unaudited As at 31 Dec 2022 £m**	Unaudited As at 31 Dec 2021 £m	Audited As at 30 June 2022 £m
Non-current assets				
Goodwill	8	**19.8**	19.7	19.7
Other intangible assets	8	**6.5**	7.6	7.3
Property, plant and equipment	8	**121.1**	122.1	122.9
Derivative financial instruments	9	**3.8**	0.7	1.9
Right-of-use assets	8	**9.9**	11.8	11.3
Deferred tax assets		**32.9**	23.2	29.7
		194.0	185.1	192.8
Current assets				
Inventories		**128.2**	96.4	118.9
Trade and other receivables		**131.1**	120.4	145.4
Current tax assets		**5.3**	5.0	3.9
Non-current assets classified as held for sale		**—**	1.6	—
Derivative financial instruments	9	**1.5**	1.3	0.6
Cash and cash equivalents	10	**8.0**	34.9	4.5
		274.1	259.6	273.3
Total assets		**468.1**	444.7	466.1
Current liabilities				
Trade and other payables		**211.9**	183.2	206.9
Borrowings	9	**47.5**	58.1	60.5
Lease liabilities	9	**3.8**	3.8	3.9
Derivative financial instruments	9	**0.2**	0.4	—
Current tax liabilities		**4.0**	5.4	5.3
Provisions		**2.8**	0.6	3.4
		270.2	251.5	280.0
Non-current liabilities				
Borrowings	9	**119.3**	88.9	96.4
Lease liabilities	9	**6.8**	9.0	8.1
Pensions and other post-employment benefits	11	**24.7**	23.4	16.1
Provisions		**3.9**	3.9	3.8
Deferred tax liabilities		**5.9**	6.5	4.7
		160.6	131.7	129.1
Total liabilities		**430.8**	383.2	409.1
Net assets		**37.3**	61.5	57.0
Equity				
Issued share capital		**17.4**	17.4	17.4
Share premium account		**68.6**	68.6	68.6
Other reserves		**81.5**	76.1	77.2
Accumulated losses		**(130.2)**	(100.6)	(106.2)
Total equity		**37.3**	61.5	57.0

Condensed interim consolidated cash flow statement

	Note	**Unaudited Half year to 31 Dec 2022 £m**	Unaudited Half year to 31 Dec 2021 £m	Audited Year ended 30 June 2022 £m
Operating activities				
Loss before tax				
Continuing operations		**(20.0)**	(16.8)	(35.3)
Discontinued operations		**—**	—	(0.4)
Finance costs		**17.4**	2.1	8.6
Exceptional items excluding finance costs	4	**—**	(1.4)	—
Share-based payments charge		**0.5**	0.5	—
Depreciation of property, plant and equipment	8	**8.2**	8.5	16.9
Depreciation of right-of-use assets	8	**1.9**	2.0	4.0
Loss on disposal of property, plant and equipment		**—**	0.3	0.3
Amortisation of intangible assets	8	**1.3**	1.3	2.6
Reversal of impairment of property, plant and equipment		**—**	(0.1)	(0.1)
Operating cash flow before changes in working capital and exceptional items		**9.3**	(3.6)	(3.4)
Decrease/(increase) in receivables		**17.6**	(4.6)	(27.4)
Increase in inventories		**(5.7)**	(5.2)	(25.7)
Increase in payables		**0.3**	18.2	37.8
Operating cash flow after changes in working capital before exceptional items		**21.5**	4.8	(18.7)
Additional cash funding of pension schemes		**(2.0)**	(2.0)	(4.0)
Cash generated/(used) from operations before exceptional items		**19.5**	2.8	(22.7)
Cash outflow in respect of exceptional items		**(0.8)**	(2.2)	(4.1)
Cash generated/(used) from operations		**18.7**	0.6	(26.8)
Interest paid		**(3.6)**	(1.6)	(3.3)
Taxation received/(paid)		**0.1**	0.5	(0.1)
Net cash generated/(used) from operating activities		**15.2**	(0.5)	(30.2)
Investing activities				
Proceeds from sale of property, plant and equipment		**—**	2.6	6.1
Purchase of property, plant and equipment		**(4.0)**	(5.7)	(12.6)
Purchase of intangible assets		**(0.5)**	(0.7)	(1.7)
Settlement of derivatives used in net investment hedges		**(0.1)**	—	0.4
Net cash used in investing activities		**(4.6)**	(3.8)	(7.8)
Financing activities				
Redemption of B Shares	12	**—**	(0.1)	(0.1)
(Repayment)/drawdown of overdrafts	10	**(4.1)**	(4.5)	0.7
(Repayment)/drawdown of other loans	10	**(10.6)**	11.2	6.0
Drawdown of bank loans	10	**20.0**	10.6	18.0
Refinancing costs paid		**(10.6)**	—	(1.8)
Repayment of IFRS 16 lease obligations	10	**(2.3)**	(2.4)	(5.0)
Purchase of own shares		**—**	(0.1)	(0.1)
Net (used)/cash generated in financing activities		**(7.6)**	14.7	17.7
Increase/(decrease) in net cash and cash equivalents		**3.0**	10.4	(20.3)
Net cash and cash equivalents at the start of the period		**4.5**	24.9	24.9
Currency translation differences		**0.5**	(0.4)	(0.1)
Net cash and cash equivalents at the end of the period		**8.0**	34.9	4.5

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 losses £m	Total equity £m
At 1 July 2022	**17.4**	**68.6**	**1.8**	**(1.8)**	**77.2**	**(106.2)**	**57.0**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**(16.8)**	**(16.8)**
Other comprehensive income/(expense)							
Items that may be reclassified to profit or loss:							
Currency translation differences of foreign subsidiaries	**—**	**—**	**—**	**2.6**	**—**	**—**	**2.6**
Loss on net investment hedges	**—**	**—**	**—**	**(0.5)**	**—**	**—**	**(0.5)**
Gain on cash flow hedges in the period	**—**	**—**	**3.4**	**—**	**—**	**—**	**3.4**
Cash flow hedges transferred to profit or loss	**—**	**—**	**(0.5)**	**—**	**—**	**—**	**(0.5)**
Taxation relating to items above	**—**	**—**	**(0.7)**	**—**	**—**	**—**	**(0.7)**
	—	**—**	**2.2**	**2.1**	**—**	**—**	**4.3**
Items that will not be reclassified to profit or loss:							
Net actuarial loss on post-employment benefits	**—**	**—**	**—**	**—**	**—**	**(10.3)**	**(10.3)**
Taxation relating to items above	**—**	**—**	**—**	**—**	**—**	**2.6**	**2.6**
	—	**—**	**—**	**—**	**—**	**(7.7)**	**(7.7)**
Total other comprehensive income/(expense)	**—**	**—**	**2.2**	**2.1**	**—**	**(7.7)**	**(3.4)**
Total comprehensive income/(expense)	**—**	**—**	**2.2**	**2.1**	**—**	**(24.5)**	**(20.2)**
Transactions with owners of the parent							
Share-based payments	**—**	**—**	**—**	**—**	**—**	**0.5**	**0.5**
At 31 December 2022	**17.4**	**68.6**	**4.0**	**0.3**	**77.2**	**(130.2)**	**37.3**

	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 losses £m	Total equity £m
At 1 July 2021	17.4	68.6	(0.1)	(1.0)	77.1	(92.2)	69.8
Loss for the period	—	—	—	—	—	(13.8)	(13.8)
Other comprehensive (expense)/income							
Items that may be reclassified to profit or loss:							
Currency translation differences of foreign subsidiaries	—	—	—	(1.5)	—	—	(1.5)
Gain on net investment hedges	—	—	—	1.0	—	—	1.0
Gain on cash flow hedges in the period	—	—	0.8	—	—	—	0.8
Cash flow hedges transferred to profit or loss	—	—	(0.2)	—	—	—	(0.2)
Taxation relating to items above	—	—	(0.1)	—	—	—	(0.1)
	—	—	0.5	(0.5)	—	—	—
Items that will not be reclassified to profit or loss:							
Net actuarial gain on post-employment benefits	—	—	—	—	—	6.7	6.7
Taxation relating to items above	—	—	—	—	—	(1.6)	(1.6)
	—	—	—	—	—	5.1	5.1
Total other comprehensive income/(expense)	—	—	0.5	(0.5)	—	5.1	5.1
Total comprehensive income/(expense)	—	—	0.5	(0.5)	—	(8.7)	(8.7)
Transactions with owners of the parent							
Redemption of B Shares	—	—	—	—	0.1	(0.1)	—
Share-based payments	—	—	—	—	—	0.5	0.5
Purchase of own shares	—	—	—	—	—	(0.1)	(0.1)
At 31 December 2021	17.4	68.6	0.4	(1.5)	77.2	(100.6)	61.5

	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 losses £m	Total equity £m
At 1 July 2021	17.4	68.6	(0.1)	(1.0)	77.1	(92.2)	69.8
Loss for the year	—	—	—	—	—	(24.3)	(24.3)
Other comprehensive income/(expense)							
Items that may be reclassified to profit or loss:							
Currency translation differences of foreign subsidiaries	—	—	—	0.2	—	—	0.2
Gain on net investment hedges	—	—	—	0.5	—	—	0.5
Gain on cash flow hedges in the year	—	—	2.4	—	—	—	2.4
Taxation relating to the items above	—	—	(0.5)	—	—	—	(0.5)
	—	—	1.9	0.7	—	—	2.6
Items that will not be reclassified to profit or loss:							
Net actuarial gain on post-employment benefits	—	—	—	—	—	12.4	12.4
Taxation relating to items above	—	—	—	—	—	(3.1)	(3.1)
	—	—	—	—	—	9.3	9.3
Total other comprehensive income/(expense)	—	—	1.9	0.7	—	9.3	11.9
Total comprehensive income/(expense)	—	—	1.9	0.7	—	(15.0)	(12.4)
Transactions with owners of the parent							
Redemption of B Shares	—	—	—	—	0.1	(0.1)	—
Purchase of own shares	—	—	—	—	—	(0.1)	(0.1)
Transfers between reserves	—	—	—	(1.5)	—	1.5	—
Taxation relating to items above	—	—	—	—	—	(0.3)	(0.3)
At 30 June 2022	17.4	68.6	1.8	(1.8)	77.2	(106.2)	57.0

At 30 June 2022, the accumulated losses included a deduction of £0.5 million (30 June 2021: £0.5m loss) for the cost of own shares held in relation to employee share schemes.

Notes to the condensed interim consolidated financial information

1. Corporate information
McBride plc ('the Company') is a public company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales. 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') is Europe's leading provider of private label and contract manufactured products for the domestic household and professional cleaning/hygiene markets. The Company has the scale to offer our development and manufacturing capabilities to customers in Europe and Asia Pacific.

2. Accounting policies
Basis of preparation
The interim financial information for the six months period ended 31 December 2022 has been prepared on the basis of the accounting policies set out in the 2022 annual financial statements and in accordance with UK adopted IAS 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority. The auditors' report on those 2022 accounts was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006, but did include a section highlighting a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

This interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2022 which were prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, modified in respect of financial assets and liabilities (derivative financial instruments) at fair value through profit or loss, assets held for sale and defined benefit pension plan assets.

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 not been reviewed or audited. The Group's statutory accounts were approved by the Directors on 29 September 2022 and have been reported on by PricewaterhouseCoopers LLP and delivered to the Registrar of Companies. The report of PricewaterhouseCoopers LLP was (i) unqualified, (ii) included a reference to a material uncertainty related to going concern to which the auditors 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.

Taxation
Taxation in the interim period is accrued using the tax rate that would be applicable to the expected annual profit or loss, adjusted for the tax effect of certain items recognised in full in the interim period.

New accounting standards and interpretations effective during the period
No new or amended accounting standards that became effective during the period have had a significant impact on the Group.

New accounting standards and interpretations issued but not yet effective
None of the amendments issued but not yet effective are expected to have a significant impact on the Group, however, the Group will continue to consider these and any additional amendments, interpretations and new standards to identify potential future impact.

Going concern
In determining the appropriate basis of preparation of the financial statements for the six months to 31 December 2022, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The rapid and unprecedented rise in input costs and the ongoing macroeconomic supply chain challenges as a result of the Covid-19 pandemic have had a negative effect on the financial performance of the Group and has cast a degree of uncertainty as to the future financial performance and cash flows of the Group. In particular, the Group's inability to immediately offset the significant input cost inflation by raising prices at which its products are sold to private label customers has resulted in a significant deterioration of the Group's profitability.

The Group meets its funding requirements through internal cash generation and bank credit facilities. As announced on 29 September 2022, the Group agreed an amended RCF with its lender group, ensuring the Group has sufficient levels of liquidity headroom and can comply with revised covenant requirements. In reaching this agreement, the Group agreed to:

- maintain liquidity (cash plus facility headroom) of at least £15 million when tested on or prior to 30 September 2024;
- not pay dividends to shareholders until there is an 'exit event', being a change of control, refinancing of the RCF in full, prepayment and cancellation of the RCF in full or upon the termination date of the RCF, being May 2026.

At 31 December 2022, liquidity amounted to £58.9 million.

In assessing the going concern assumptions, the Board has reviewed the Group's base case plans and considered reasonable worst-case downsides.

The Group's base case scenario to 30 June 2024 assumes:

- revenue growth of c.4% per annum;
- raw material prices marginally reducing compared to current still high levels;
- interest rates remaining unchanged from February 2023 levels;
- Sterling:Euro exchange rate per current spot rate (£1:€1.13); and
- £25 million extension of invoice discounting facilities to unencumbered receivables ledgers.

The Directors have considered a severe but plausible downside risk scenario including several downside assumptions to stress test the Group's financial forecasts:

- zero revenue growth from volumes, with revenue growing in H2 FY23 and FY24 only for pricing already agreed with customers;
- higher than forecast raw material and packaging input costs and additional inflationary pressures driven particularly by energy, distribution and labour, ultimately being recovered through pricing actions, but only after a lag;
- worsening trade working capital, caused by deterioration in both customer and supplier payment terms;
- interest rates increasing by a further 100 basis points;
- Sterling appreciating significantly against the Euro to £1:€1.185; and
- no extension of invoice discounting facilities to unencumbered receivables ledgers.

In the event that such a severe but plausible downside risk scenario occurs, the Group would incur a covenant breach and a liquidity shortfall. In this downside risk scenario, the Group would therefore need to obtain a covenant waiver and increase its funding facilities compared to those that are currently committed, to ensure that the business can meet its obligations for the next 18 months.

To mitigate against these risks, the Group is currently negotiating to further increase liquidity by £25 million by extending invoice discounting facilities to unencumbered receivables ledgers. However, there is no certainty that these negotiations will be successful.

After reviewing the current liquidity position, financial forecasts, stress testing of potential risks and considering the uncertainties described above, and based on the currently committed funding facilities, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence and without significant curtailment of operations for the foreseeable future. For these reasons, the Directors continue to adopt the going concern basis of accounting in preparing the Group financial statements. However, the occurrence of multiple downside trading and liquidity risks represents a material uncertainty at 28 February 2023 that could cast significant doubt upon the Group's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

The condensed interim consolidated financial statements were approved by the Board on 28 February 2023.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the condensed interim financial information 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 the condensed interim financial information, 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 2022.

Discontinued operations

During the 2019 financial year, the Group successfully completed the sale of the European Personal Care (PC) Liquids business. The financial results of this business have been treated as discontinued operations in the prior year financial statements. The remaining activities within the Group are referred to as continuing operations.

Alternative performance measures (APM)

The performance of the Group is assessed using a variety of adjusted measures that are not defined under IFRS and are therefore termed non-GAAP measures.

APM	**Definition**	**Source**
Adjusted operating loss	Operating loss before amortisation of intangible assets and exceptional items	Group income statement
Adjusted EBITDA	Adjusted operating loss before depreciation	Group income statement
Adjusted loss before tax	Adjusted loss before tax is based on adjusted operating loss less adjusted finance costs	Group income statement
Adjusted loss per share	Adjusted loss per share is based on the Group's loss for the period adjusted for the items excluded from operating loss in arriving at adjusted operating loss	Note 6 Group income statement
Free cash flow	Cash generated/(used) from continuing operations before exceptional items	Group cash flow statement
Cash conversion	Free cash flow as a percentage of adjusted EBITDA	Group income statement Group cash flow statement
Adjusted return on capital employed	Rolling 12 months total adjusted operating loss from continuing operations divided by the average of the past two years' capital employed. Capital employed is defined as the total of goodwill and other intangible assets, property, plant and equipment, right-of-use assets, inventories, trade and other receivables less trade and other payables.	Group income statement Group balance sheet
Liquidity	At any time, without double counting, the aggregate of: (a) cash; (b) cash equivalents; (c) the available facility	Group cash flow statement

	at that time, which comprises the headroom available in the RCF and other committed facilities; and (d) the aggregate amount available for drawing under uncommitted facilities.	Note 16
Net debt	Cash and cash equivalents, overdrafts, bank and other loans and lease liabilities	Group balance sheet

The APMs we use may not be directly comparable with similarly titled measures used by other companies.

Adjusted measures

Adjusted measures exclude specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and Executive Committee and is used for internal performance analysis and in relation to employee incentive arrangements. The Directors present these measures in the financial statements in order to assist investors in their assessment of the trading performance of the Group. Directors do not regard these measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS.

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. Exceptional items and amortisation are excluded from adjusted operating profit because they are not considered to be representative of the trading performance of the Group's businesses during the period.

See note 16 'Additional information' for further information on alternative performance measures.

3. Segment information

Background

Financial information is presented to the Board by division for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. There are five separately managed and accountable business divisions:

- Liquids
- Unit Dosing
- Powders
- Aerosols
- Asia Pacific

Intra-group revenue from the sale of products is agreed between the relevant customer-facing units and eliminated in the segmental presentation that is presented to the Board, and therefore excluded from the below figures. Our Compass strategy is delivering an increased focus on cost optimisation and has meant that most overhead costs are now directly attributed within the respective divisions' income statements. The only costs now allocated out to the divisions are central overheads, with corporate costs being retained at a Group level. Central overheads are allocated to a reportable segment proportionally using an appropriate cost driver. 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. Exceptional items are detailed in note 4 and are not allocated to the reportable segments as this reflects how they are reported to the Board. Finance expense and income are not allocated to the reportable segments, as the central treasury function manages this activity, together with the overall net debt position of the Group.

The Board uses adjusted operating (loss)/profit to measure the profitability of the Group's businesses. Adjusted operating (loss)/profit is, therefore, the measure of segment profit presented in the Group's segment disclosures. Adjusted operating (loss)/profit represents operating (loss)/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 years under review, the items excluded from operating (loss)/profit in arriving at adjusted operating (loss)/profit were the amortisation of intangible assets and exceptional items.

Period ended 31 December 2022	Liquids £m	Unit Dosing £m	Powders £m	Aerosols £m	Asia Pacific £m	Corporate £m	Group £m
Continuing operations							
Divisional revenue	**237.7**	**111.4**	**42.7**	**21.3**	**13.2**	**—**	**426.3**
Adjusted operating profit/(loss)	**0.2**	**2.2**	**(1.2)**	**—**	**0.8**	**(3.3)**	**(1.3)**
Amortisation of intangible assets							**(1.3)**
Exceptional items							**—**
Operating loss							**(2.6)**
Finance costs							**(17.4)**
Loss before taxation							**(20.0)**
Inventories	**62.6**	**36.2**	**15.5**	**10.3**	**3.6**	**—**	**128.2**
Capital expenditure	**1.6**	**1.3**	**0.3**	**0.1**	**0.1**	**—**	**3.4**
Amortisation and depreciation	**6.5**	**3.1**	**0.7**	**0.3**	**0.8**	**—**	**11.4**

Period ended 31 December 2021	Liquids £m	Unit Dosing £m	Powders £m	Aerosols £m	Asia Pacific £m	Corporate £m	Group £m
Continuing operations							
Divisional revenue	182.8	81.6	32.8	15.8	10.4	—	323.4
Adjusted operating (loss)/profit	(10.2)	(0.4)	(1.4)	(0.8)	0.2	(2.2)	(14.8)
Amortisation of intangible assets							(1.3)
Exceptional items							1.4
Operating loss							(14.7)
Finance costs							(2.1)
Loss before taxation							(16.8)
Inventories	49.6	25.7	10.6	7.6	2.9	—	96.4
Capital expenditure	1.8	1.5	0.2	0.3	0.2	1.0	5.0
Amortisation and depreciation	6.5	3.0	0.7	0.2	0.7	0.7	11.8

Year ended 30 June 2022	Liquids £m	Unit Dosing £m	Powders £m	Aerosols £m	Asia Pacific £m	Corporate £m	Group £m
Continuing operations							
Divisional revenue	383.9	171.5	68.6	31.9	22.4	—	678.3
Adjusted operating (loss)/profit	(15.9)	(0.8)	(2.5)	(1.5)	0.7	(4.5)	(24.5)
Amortisation of intangible assets							(2.6)
Exceptional items							0.4
Operating loss							(26.7)
Finance costs							(8.6)
Loss before taxation							(35.3)
Inventories	57.5	35.5	13.7	9.1	3.1	—	118.9
Capital expenditure	5.7	6.5	1.0	0.6	0.3	—	14.1
Amortisation and depreciation	13.7	6.5	1.4	0.5	1.4	—	23.5

4. Exceptional items

Analysis of exceptional items

	Unaudited Half year to 31 Dec 2022 £m	Unaudited Half year to 31 Dec 2021 £m	Audited Year ended 30 June 2022 £m
Continuing operations			
Reorganisation and restructuring costs:			
Factory footprint review	—	(1.5)	(1.4)
Review of strategy, organisation and operations	—	(0.1)	(0.4)
Logistics transformation programme	—	0.1	0.7
UK Aerosols closure	—	0.1	0.1
	—	(1.4)	(1.0)
Environmental remediation	—	—	0.6
Total credited to operating loss	—	(1.4)	(0.4)
Group refinancing	**10.8**	—	3.5
Total charged to finance costs	**10.8**	—	3.5
Total continuing operations	**10.8**	(1.4)	3.1
Discontinued operations			
Sale of PC Liquids business	—	—	0.5
Other	—	—	(0.1)
Total discontinued operations before tax	—	—	0.4
Tax on discontinued operations	—	—	(0.1)
Total discontinued operations	—	—	0.3
Total operations			
Total exceptional items before tax	**10.8**	(1.4)	3.5

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 understand better 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 2022, the Group incurred exceptional costs from continuing operations of £10.8 million (2021: £1.4m credit), relating to the Group refinancing programme, charged to finance costs.

During the period ended 31 December 2021, the Group recognised a £1.4 million credit in respect of exceptional items, included within operating costs. The credit comprised the following:

- £1.5 million credit comprising £1.8 million profit on the disposal of the closed Barrow site, the sale proceeds for which were £2.6 million, and £0.3 million of site closure costs;
- £0.1 million credit relating to the release of excess redundancy provisions in respect of Programme Compass;
- £0.1 million charge relating to the Group's logistics transformation programme; and
- £0.1 million charge in respect of legacy costs in relation to the former UK Aerosols site in Hull.

5. Taxation

Reported loss before taxation from continuing operations was £20.0 million (30 June 2022: £35.3m loss). Adjusted loss before taxation from continuing operations was £7.9 million (30 June 2022: £29.6m loss).

The tax credit on continuing adjusted profit before tax for the year is £0.7 million (30 June 2022: £9.3m credit) and the effective tax rate is a charge of 9% (30 June 2022: 31% credit). The effective tax rate is lower than the previous year on the basis that, in the prior year, additional deferred tax assets were recognised on losses in the UK.

The Group forecasts an adjusted effective tax rate for the full year of 8%, before discrete items.

6. Loss per ordinary share

Basic loss per ordinary share is calculated by dividing the loss 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 629,200 shares (2022: 629,200 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 2022**	Unaudited Half year to 31 Dec 2021	Audited Year ended 30 June 2022
Weighted average number of ordinary shares in issue (million)	a	**173.5**	173.5	173.5
Effect of dilutive share incentive plans (million)		**2.8**	—	1.0
Weighted average number of ordinary shares for calculating diluted loss per share (million)	b	**176.3**	173.5	174.5

Diluted loss per share is equal to the basic loss per share. During the period, the Company had equity-settled long-term incentive plan (LTIP) and restricted share unit (RSU) awards with a nil exercise price that are potentially dilutive ordinary shares. However, the calculation of diluted loss per share ignores the assumption that all potentially dilutive ordinary shares are converted, as this would decrease the loss per share.

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

From continuing operations	Reference	**Unaudited Half year to 31 Dec 2022 £m**	Unaudited Half year to 31 Dec 2021 £m	Audited Year ended 30 June 2022 £m
Loss for calculating basic and diluted loss per share	c	**(15.2)**	(13.8)	(24.0)
Adjusted for:				
Amortisation of intangible assets (note 8)		**1.3**	1.3	2.6
Exceptional items (note 4)		**10.8**	(1.4)	3.1
Taxation relating to the above items		**(2.5)**	(0.2)	(2.0)
Losses for calculating adjusted loss per share	d	**(5.6)**	(14.1)	(20.3)

	Reference	**Unaudited Half year to 31 Dec 2022 pence**	Unaudited Half year to 31 Dec 2021 pence	Audited Year ended 30 June 2022 pence
Basic loss per share	c/a	**(9.7)**	(8.0)	(13.8)
Diluted loss per share	c/b[1]	**(9.7)**	(8.0)	(13.8)
Adjusted basic loss per share	d/a	**(4.2)**	(8.1)	(11.7)
Adjusted diluted loss per share	c/b[1]	**(4.2)**	(8.1)	(11.7)

[1]*Diluted loss per share is considered equal to the basic loss per share as potentially dilutive ordinary shares cause a decrease in the loss per share.*

From discontinued operations	Reference	**Unaudited Half year to 31 Dec 2022 £m**	Unaudited Half year to 31 Dec 2021 £m	Audited Year ended 30 June 2022 £m
Losses for calculating basic and diluted earnings per share	e	**—**	—	(0.3)
Adjusted for:				
Exceptional items (note 4)		**—**	—	0.4
Taxation relating to the above items		**—**	—	(0.1)
Earnings for calculating adjusted earnings per share	f	**—**	—	—

	Reference	**Unaudited Half year to 31 Dec 2022 pence**	Unaudited Half year to 31 Dec 2021 pence	Audited Year ended 30 June 2022 pence
Basic loss per share	e/a	**—**	—	(0.2)
Diluted loss per share	e/b(1)	**—**	—	(0.2)
Adjusted basic loss per share	f/a	**—**	—	–
Adjusted diluted loss per share	f/b(1)	**—**	—	–

[1]Diluted loss per share is considered equal to the basic loss per share as potentially dilutive ordinary shares cause a decrease in the loss per share.

Total attributable to ordinary shareholders	Reference	**Unaudited Half year to 31 Dec 2022 £m**	Unaudited Half year to 31 Dec 2021 £m	Audited Year ended 30 June 2022 £m
Earnings for calculating basic and diluted earnings per share	g	**(15.2)**	(13.8)	(24.3)
Adjusted for:				
Amortisation of intangible assets (note 8)		**1.3**	1.3	2.6
Exceptional items (note 4)		**10.8**	(1.4)	3.5
Taxation relating to the above items		**(2.5)**	(0.2)	(2.1)
Earnings for calculating adjusted earnings per share	h	**(5.6)**	(14.1)	(20.3)

	Reference	**Unaudited Half year to 31 Dec 2022 Pence**	Unaudited Half year to 31 Dec 2021 pence	Audited Year ended 30 June 2022 Pence
Basic loss per share	g/a	**(9.7)**	(8.0)	(14.0)
Diluted loss per share	g/b(1)	**(9.7)**	(8.0)	(14.0)
Adjusted basic loss per share	h/a	**(4.2)**	(8.1)	(11.7)
Adjusted diluted loss per share	h/b(1)	**(4.2)**	(8.1)	(11.7)

[1]Diluted loss per share is considered equal to the basic loss per share as potentially dilutive ordinary shares cause a decrease in the loss per share.

7. Payments to shareholders

As set out in the Annual Report, per the terms of the amended RCF announced on 29 September 2022, no dividends will be paid to shareholders until there is an 'exit event', being a change of control, refinancing of the RCF in full, prepayment and cancellation of the RCF in full or upon the termination date of the RCF, being May 2026.

No payments to ordinary shareholders were made or proposed in respect of this year or the prior year.

Movements in the B Shares were as follows:

	Number 000	Nominal value £m
At 1 July 2021	747,399	0.7
Redeemed	(81,511)	(0.1)
At 31 December 2021, 30 June 2022 and 31 December 2022	**665,888**	**0.6**

B Shares carry no rights to attend, speak or vote at Company meetings, except on a resolution relating to the winding up of the Company.

8. Intangible assets, property, plant and equipment and right-of-use assets

	Goodwill and other intangible assets £m	Property, plant and equipment £m	Right-of-use assets £m
Net book value at 1 July 2022 (audited)	27.0	122.9	11.3
Currency translation differences	0.1	3.4	0.1
Additions	0.5	3.0	0.4
Depreciation charge	—	(8.2)	(1.9)
Amortisation charge	(1.3)	—	—
Net book value at 31 Dec 2022 (unaudited)	**26.3**	**121.1**	**9.9**

Included within goodwill and other intangible assets is goodwill of £19.8 million (30 June 2022: £19.7m), computer software of £4.4 million (30 June 2022: £5.3m) and customer relationships of £0.9 million (30 June 2022: £1.1m).

Capital commitments as at 31 December 2022 amounted to £4.6 million (30 June 2022: £4.0m). At 31 December 2022 the Group was committed to future minimum lease payments of £1.3 million (30 June 2022: £1.5m) in respect of leases which have not yet commenced and for which no lease liability has been recognised.

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 information does 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 Report and Accounts 2022. 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 are 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).

In the current and prior reporting periods, the Group has Level 2 assets and liabilities only.

	Unaudited As at 31 Dec 2022 £m	Unaudited As at 31 Dec 2021 £m	Audited As at 30 June 2022 £m
Level 2 Assets			
Derivative financial instruments:			
Forward currency contracts	**0.4**	1.2	0.4
Interest rate swaps	**4.9**	0.7	2.1
Contracts for Difference (HDPE)	—	0.1	—
Total financial assets	**5.3**	2.0	2.5
Level 2 Liabilities			
Derivative financial instruments:			
Forward currency contracts	**(0.2)**	(0.3)	—
Interest rate swaps	—	(0.1)	—
Total financial liabilities	**(0.2)**	(0.4)	—

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 2022 £m	Unaudited As at 31 Dec 2021 £m	Audited As at 30 June 2022 £m
Current	**51.3**	61.9	64.4
Non-current	**126.1**	97.9	104.5
Total borrowings	**177.4**	159.8	168.9

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

Movements in net debt were as follows:

	Audited As at 30 June 2022 £m	IFRS 16 non-cash movements[1] £m	Cash flow £m	Exchange differences £m	**Unaudited As at 31 Dec 2022 £m**
Cash and cash equivalents	4.5	—	3.0	0.5	**8.0**
Overdrafts	(6.8)	—	4.1	—	**(2.7)**
Bank and other loans	(150.1)	—	(9.4)	(4.6)	**(164.1)**
IFRS 16 lease liabilities	(12.0)	(0.5)	2.3	(0.4)	**(10.6)**
Total net debt	(164.4)	(0.5)	—	(4.5)	**(169.4)**

[1]IFRS 16 non-cash movements includes additions (£0.4m) and interest charged (£0.1m).

11. Pensions and post-employment benefits

The Group provides a number of post-employment benefit arrangements. In the UK, the Group operates a closed defined benefit pension scheme and a defined contribution pension scheme. Elsewhere in Europe, the Group has a number of smaller unfunded post-employment benefit arrangements that are structured to accord with local conditions and practices in the countries concerned. From 1 July 2021, the Group also recognised the assets and liabilities for all members of the defined contribution scheme in Belgium, accounting for the whole defined contribution section as a defined benefit scheme under IAS 19 ‘Employee Benefits’, as there is a risk the underpin will require the Group to pay further contributions to the scheme.

At 31 December 2022, the Group recognised a deficit on its UK defined benefit pension plan of £22.8 million (30 June 2022: £14.4m). The Group’s post-employment benefit obligations outside the UK amounted to £1.9 million (30 June 2022: £1.7m).

Defined benefit schemes had the following effect on the Group’s results and financial position:

	Unaudited Half year to 31 Dec 2022 £m	Unaudited Half year to 31 Dec 2021 £m	Audited Year ended 30 June 2022 £m
Profit or loss			
Service cost and administration expenses	**(0.5)**	(0.5)	(1.0)
Charge to operating loss	**(0.5)**	(0.5)	(1.0)
Net interest cost on defined benefit obligation	**(0.3)**	(0.3)	(0.5)
Charge to loss before taxation	**(0.8)**	(0.8)	(1.5)
Other comprehensive (expense)/income			
Net actuarial (loss)/gain	**(10.3)**	6.7	12.4
Other comprehensive (expense)/income	**(10.3)**	6.7	12.4

	Unaudited As at 31 Dec 2022 £m	Unaudited As at 31 Dec 2021 £m	Audited As at 30 June 2022 £m
Balance sheet			
Defined benefit obligations:			
UK – funded	**(97.6)**	(161.3)	(116.6)
Other – unfunded[1]	**(12.5)**	(2.8)	(12.0)
	(110.1)	(164.1)	(128.6)
Fair value of scheme assets:			
UK – funded	**74.8**	140.7	102.2
Other – unfunded[1]	**10.6**	—	10.3
	85.4	140.7	112.5
Deficit on the schemes	**(24.7)**	(23.4)	(16.1)

[1]*At 30 June 2022, the Group recognised the assets and liabilities for all members of the defined contribution scheme in Belgium, accounting for the whole defined contribution section as a defined benefit scheme under IAS 19 'Employee Benefits'. As at 30 June 2022 and 31 December 2022, the scheme assets and plan liabilities are reported on a gross basis.*

For accounting purposes, the UK scheme's benefit obligation as at 31 December 2022 has been calculated based on data gathered for the 2021 triennial actuarial valuation and by applying assumptions made by the Group on the advice of an independent actuary in accordance with IAS 19. 'Employee Benefits'.

12. Share capital

	Allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 1 July 2021	**174,242,702**	**17.4**
Shares bought back on-market and cancelled	(185,374)	—
At 31 December 2021, 30 June 2022 and 31 December 2022	**174,057,328**	**17.4**

Ordinary shares carry full voting rights and ordinary shareholders are entitled to attend Company meetings and to receive payments to shareholders.

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 financial statements.

Key management compensation and transactions with the Group's pension and post-employment schemes for the financial year ended 30 June 2022 are detailed in note 29 (page 198) of McBride plc's Annual Report and Accounts 2022. A copy of McBride plc's Annual Report and Accounts 2022 is available on McBride's website at www.mcbride.co.uk.

14. Exchange rates

The principal exchange rates used to translate the results, assets and liabilities and cash flows of the Group's foreign operations into sterling were as follows:

	Unaudited Half year to 31 Dec 2022	Unaudited Half year to 31 Dec 2021	Audited Year ended 30 June 2022
Average rate:			
Euro	**1.16**	1.17	1.18
US Dollar	**1.17**	1.36	1.33
Polish Zloty	**5.49**	5.39	5.45
Czech Koruna	**28.39**	29.87	29.57
Danish Krone	**8.62**	8.73	8.78
Hungarian Forint	**471.97**	421.77	433.28
Malaysian Ringgit	**5.32**	5.71	5.63
Australian Dollar	**1.75**	1.86	1.83
Closing rate:			
Euro	**1.13**	1.19	1.17
US Dollar	**1.20**	1.35	1.21
Polish Zloty	**5.28**	5.47	5.47
Czech Koruna	**27.19**	29.58	28.83
Danish Krone	**8.38**	8.85	8.67
Hungarian Forint	**451.97**	439.37	462.64
Malaysian Ringgit	**5.30**	5.62	5.33
Australian Dollar	**1.77**	1.86	1.76

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:

Financial:

- Continuing revenue: Revenue from contracts with customers from the sale of goods is measured at the invoiced amount, net of sales rebates, discounts, value-added tax and other sales taxes.
- Cost savings: Cost savings achieved from the implementation of the Compass strategy.
- Adjusted EBITDA margin advances: The calculation of adjusted EBITDA, which when divided by revenue gives this EBITDA margin, is defined in the adjusted measures section of Note 2 to the 2022 Accounts.
- Free cash flow increase: Free cash flow is defined as cash generated from continuing operations before exceptional items.
- Adjusted ROCE improvement: Total adjusted operating (loss)/profit from continuing operations divided by the total of goodwill and other intangible assets, property, plant and equipment, right-of-use assets, inventories, trade and other receivables less trade and other payables.

Non-financial:

- Health and safety: The number of lost time injuries x 100,000 divided by total number of person-hours worked.
- Customer service level: The volume of products delivered in the correct volumes and within requested timescales, as a percentage of total volumes ordered by customers.
- Gender split - female: The proportion of our workforce that is female.
- Customer quality: A customer satisfaction index, which combines critical issues, audit results, returns and complaints.
- Research & development expenditure: Total research and development expenditure as a percentage of Group revenue.

16. Additional information

Alternative performance measures

The performance of the Group is assessed using a variety of adjusted measures that are not defined under IFRS and are therefore termed non-GAAP measures. A reconciliation for each non-GAAP measure to the most directly comparable IFRS measure is set out below.

Adjusted operating loss and adjusted EBITDA

Adjusted EBITDA means adjusted operating loss before depreciation. A reconciliation between adjusted operating loss, adjusted EBITDA and the Group's reported statutory operating loss is shown below.

	Half year to 31 Dec 2022 £m	Half year to 31 Dec 2021 £m	Full year to 30 June 2022 £m
Operating loss	**(2.6)**	(14.7)	(27.1)
Add back: operating loss from discontinued operations	**—**	—	0.4
Operating loss from continuing operations	**(2.6)**	(14.7)	(26.7)
Exceptional items (note 4)	**—**	(1.4)	(0.4)
Amortisation of intangibles (note 8)	**1.3**	1.3	2.6
Adjusted operating loss from continuing operations	**(1.3)**	(14.8)	(24.5)
Depreciation of property, plant and equipment (note 8)	**8.2**	8.5	16.9
Depreciation of right-of-use assets (note 8)	**1.9**	2.0	4.0
Adjusted EBITDA	**8.8**	(4.3)	(3.6)

Adjusted loss before tax

Adjusted loss before tax is based on adjusted operating loss less adjusted finance costs. The table below reconciles adjusted loss before tax to the Group's reported loss before tax.

	Half year to 31 Dec 2022 £m	Half year to 31 Dec 2021 £m	Full year to 30 June 2022 £m
Loss before tax	**(20.0)**	(16.8)	(35.7)
Add back: loss before tax from discontinued operations	—	—	0.4
Loss before tax from continuing operations	**(20.0)**	(16.8)	(35.3)
Exceptional items (note 4)	**10.8**	(1.4)	3.1
Amortisation of intangibles (note 8)	**1.3**	1.3	2.6
Adjusted loss before tax from continuing operations	**(7.9)**	(16.9)	(29.6)

Adjusted loss per share

Adjusted loss per share is based on the Group's (loss)/profit for the year adjusted for the items excluded from operating (loss)/profit in arriving at adjusted operating (loss)/profit, and the tax relating to those items.

Free cash flow and cash conversion

Free cash flow is one of the Group's key performance indicators by which our financial performance is measured. It is primarily a liquidity measure. However, we also believe that free cash flow and cash conversion are important indicators of our overall operational performance as they reflect the cash we generate from operations. Free cash flow is defined as cash generated from continuing operations before exceptional items. Cash conversion is defined as free cash flow as a percentage of adjusted EBITDA. A reconciliation from net cash generated from operating activities, the most directly comparable IFRS measure to free cash flow, is set out as follows:

	Half year to 31 Dec 2022 £m	Half year to 31 Dec 2021 £m	Full year to 30 June 2022 £m
Net cash generated from operating activities	**15.2**	(0.5)	(30.2)
Add back:			
Taxation paid	**(0.1)**	(0.5)	0.1
Interest paid	**3.6**	1.6	3.3
Cash outflow from exceptional items	**0.8**	2.2	4.1
Free cash flow	**19.5**	2.8	(22.7)
Adjusted EBITDA	**8.8**	(4.3)	(3.6)
Cash conversion	**222%**	n/a	n/a

Adjusted return on capital employed (ROCE)

Adjusted ROCE serves as an indicator of how efficiently we generate returns from the capital invested in the business. It is a Group KPI that is directly relatable to the outcome of investment decisions. Adjusted ROCE is defined as total adjusted operating (loss)/profit from continuing operations divided by the average year-end capital employed. Capital employed is defined as the total of goodwill and other intangible assets, property, plant and equipment, right-of-use assets, inventories, trade and other receivables less trade and other payables. There is no equivalent statutory measure within IFRS. Adjusted ROCE is calculated as follows:

	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m	As at 31 Dec 2020 £m	As at 30 June 2022 £m
Goodwill (note 8)	**19.8**	19.7	19.8	19.7
Other intangible assets (note 8)	**6.5**	7.6	8.1	7.3
Property, plant and equipment (note 8)	**121.1**	122.1	135.9	122.9
Right-of-use assets (note 8)	**9.9**	11.8	10.7	11.3
Inventories	**128.2**	96.4	95.8	118.9
Trade and other receivables	**131.1**	120.4	134.5	145.4
Trade and other payables	**(211.9)**	(183.2)	(179.8)	(206.9)
Capital employed	**204.7**	194.8	225.0	218.6
Average period-end capital employed	**199.8**	209.9	223.3	214.0
Rolling 12 months adjusted operating (loss)/profit from continuing operations	**(11.0)**	(9.7)	35.7	(24.5)
Adjusted return on capital employed %	**(5.5)%**	(4.6)%	16.0%	(11.4)%

Liquidity

Liquidity means, at any time, without double counting, the aggregate of:

(a) cash;

(b) cash equivalents;

(c) the available facility at that time, which comprises the headroom available in the RCF and other committed facilities; and

(d) the aggregate amount available for drawing under uncommitted facilities.

	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m	As at 30 June 2022 £m
Cash and cash equivalents	**8.0**	34.9	4.5
RCF headroom	**35.2**	58.3	55.1
Other committed facilities headroom	**15.5**	—	—
Uncommitted facilities	**0.2**	21.0	11.0
Liquidity	**58.9**	114.2	70.6

Net debt

Net debt consists of cash and cash equivalents, overdrafts, bank and other loans and lease liabilities.

Net debt is a measure of the Group's net indebtedness that provides an indicator of overall balance sheet strength. It is a key indicator used by management to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net debt is considered to be an alternative performance measure as it is not defined in IFRS. A reconciliation from loans and other borrowings, lease liabilities and cash and cash equivalents, the most directly comparable IFRS measures to net debt is set out below:

	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m	As at 30 June 2022 £m
Current assets			
Cash and cash equivalents	**8.0**	34.9	4.5
Current liabilities			
Borrowings (note 9)	**(47.5)**	(58.1)	(60.5)
Lease liabilities	**(3.8)**	(3.8)	(3.9)
	(51.3)	(61.9)	(64.4)
Non-current liabilities			
Borrowings (note 9)	**(119.3)**	(88.9)	(96.4)
Lease liabilities	**(6.8)**	(9.0)	(8.1)
	(126.1)	(97.9)	(104.5)
Net debt	**(169.4)**	(124.9)	(164.4)