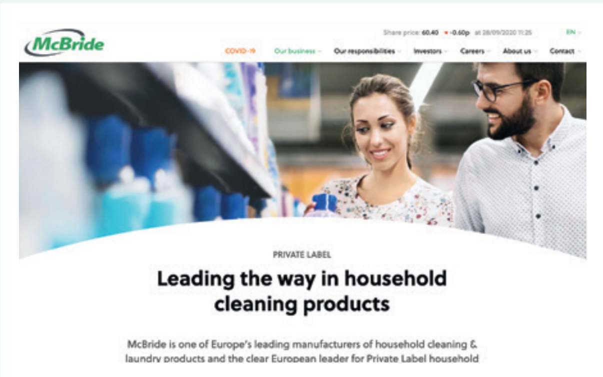
McBride plc
Half-Year Report 2021

Welcome to the McBride plc Half-Year Report 2021

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 results for the six months ended 31 December 2020.



Find out more online at

mcbride.co.uk

Contents

(1) Comparatives translated at 31 December 2020 exchange rates.

(2) Adjustments were made for the amortisation of intangible assets and exceptional items.

(3) Adjustments were made for the amortisation of intangible assets, exceptional items, unwind of discount on provisions and any related tax.

(4) Comparatives for net debt and ROCE are at 30 June 2020, all other comparatives refer to the six months ended 31 December 2019 unless otherwise stated.

(5) Net debt comprises cash and cash equivalents, overdraft, bank and other loans and lease liabilities.

(6) Rolling twelve months adjusted operating profit as a percentage of average period-end net assets excluding net debt.

(7) Net debt divided by rolling twelve months adjusted operating profit. Adjustments were made for the amortisation of intangible assets, exceptional items and depreciation.

(8) During the 2018 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. The remaining activities within the Group are referred to as continuing operations.

Our highlights

Strategy and management

- Programme Compass divisional reorganisation complete; new organisation in place from 1 January 2021
  - Five divisions: Liquids, Unit Dosing, Powders, Asia Pacific and Aerosols
- Divisional structure supported by a leaner Group structure
- Refreshed Executive team including permanent Group CFO and Divisional Managing Directors

Business

- Robust response to Covid-19 challenges, company-wide commitment to ensuring no production or business disruption from pandemic
- Overall customer service levels recovered to 90-95% range
- Household Contract Manufacturing delivered strong growth
- Strong profit performance driven by increased demand for cleaning, dishwash and aerosol products outweighing weakness in laundry products, and a slight softening of certain raw material and packaging pricing
- Further delivery against key business improvement objectives

Financial

- Group revenues of £362.9 million (2019: £350.4m), 3.6% higher (1.7% at constant currency)
- Adjusted operating profit(2) of £19.0 million, (2019: £11.6m)
- Operating profit from continuing operations of £15.6 million (2019: £8.5m)
- Adjusted profit before tax of £16.9 million (2019: £9.7m), 74.2% higher
- Profit before tax from continuing operations of £13.5 million (2019: £6.6m)
- Adjusted diluted EPS(3) from continuing operations 91.9% higher at 7.1 pence (2019: 3.7p)
- Diluted EPS from continuing operations 5.4 pence (2019: 2.0p)
- Share buy-back: 2.1 million shares purchased and cancelled at total cost of £1.5 million
- Dividend policy reviewed as part of Group strategy reset; no interim dividend proposed (2019: 0.0p)
- Net debt(5) at £117.6 million (30 June 2020: £101.5m)
- Debt/adjusted EBITDA(7) 2.2x accounting basis (30 June 2020: 2.1x); 1.1x banking covenant basis (30 June 2020: 1.4x)

£m unless otherwise stated	Half year to 31 Dec 2020	Half year to 31 Dec 2019	Reported % change	Constant currency % change(1)
Continuing operations(8)				
Household revenue	344.1	334.4	2.9%	1.1%
Group revenue	362.9	350.4	3.6%	1.7%
Adjusted operating profit(2)	19.0	11.6	63.8%	58.3%
Operating profit	15.6	8.5	83.5%	
Adjusted profit before taxation	16.9	9.7	74.2%	67.3%
Profit before taxation	13.5	6.6	104.5%	
Adjusted diluted earnings per share(3)	7.1p	3.7p	91.9%	
Diluted earnings per share	5.4p	2.0p	170.0%	
Total operations(8)				
Revenue	362.9	350.4	3.6%	1.7%
Adjusted operating profit(2)	19.0	11.6	63.8%	58.3%
Operating profit	15.4	8.2	87.8%	
Adjusted profit before taxation	16.9	9.7	74.2%	67.3%
Profit before taxation	13.3	6.3	111.1%	
Adjusted diluted earnings per share(3)	7.1p	3.7p	91.9%	
Diluted earnings per share	5.3p	1.9p	178.9%	
Net debt(4), (5)	117.6	101.5		
Return on capital employed(4), (6)	19.3%	15.6%		

Executive review

Chris Smith
Chief Executive Officer

Mark Strickland
Chief Financial Officer

Introduction

McBride has traded well in the first half of the current financial year. We have responded effectively to ongoing Covid-19 challenges, with no significant disruptions to our business. Our strong profit delivery has been driven by higher revenues and improved gross margins. Household Contract Manufacturing has delivered revenue growth of 23.8%, driven by a laundry capsules contract gain with a brander and strong growth in auto dishwash, washing up liquid and cleaners, the key product categories that have been growing since the Covid-19 pandemic first impacted our key markets. Our gross margins improved, due to a stronger product mix and a slight softening of certain input costs earlier in the period, although it should be noted that prices of certain feedstocks have risen since November 2020. Additionally, we have continued to make progress on key business improvement initiatives, while also completing our Compass programme. Our new Compass strategy has been finalised and approved by the Board, with our divisional reorganisation completed and implemented from 1 January 2021.

Compass strategy

From 1 January 2021, the European Household business has been restructured into three new business divisions of Liquids, Unit Dosing and Powders, which now operate alongside the existing Asia Pacific and Aerosols divisions. A smaller central structure will support the divisions with a number of activities retained as Group-wide functions to maximise synergy benefits.

This structure will give the focus and accountability to deliver the Group's vision of profitably growing annual revenues to €1 billion over the next five years. Through the comprehensive strategic review, all divisions and central functions have developed individual strategies, aligned to their differing dynamics, in order to achieve this collective goal.

Covid-19

During the period, the challenges surrounding the Covid-19 pandemic have been ever-present in the business. Our main priority has always been the safety, welfare and wellbeing of our colleagues and their families in such difficult times. The Group has actively been supporting our teams with a range of initiatives under the banner 'McBride Cares', including helplines and online self-help support. We have also recognised our employees' great work through the provision of gifts and local engagement initiatives.

The pandemic has posed many questions of our teams including erratic demand fluctuations, transportation and material shortages and, of course, difficulties with the management of day-to-day activities for our people. Our factories have remained operational throughout the period with all colleagues admirably coping with the disruption of higher absenteeism at work and balancing the challenges of supporting different situations at home, whilst still having to attend the workplace. Most of our office-based colleagues have remained working from home through this period and the teams have continued their excellent work throughout.

The Group's senior teams remain vigilant in addressing the challenges posed by the Covid-19 pandemic through constant local monitoring and engagement with our teams, thereby ensuring timely and relevant responses to the ever-changing landscape across our activities.

Brexit

The Group experienced minimal disruption following the end of the transition period with the EU on 31 December 2020, largely as a result of the steps taken to address those areas identified from the Government's guidance of the new rules that apply. Whilst most product ranges produced in the UK are manufactured for UK customers, importation of product ranges from the EU have a well-established and prepared supply route which has operated effectively since the end of December. We experienced some limited disruption during December 2020 as a result of the closure of the French border resulting from Covid-19 concerns. We are currently experiencing additional costs and increased freight rates from a combination of Covid-19 restrictions and changes to administrative procedures related to Brexit.

The Group has delivered a strong first half performance, in challenging times, with adjusted profit before tax up 74%.

Business improvement initiatives

We have continued to make good progress on a number of key strategic initiatives:

- Product sustainability: we have made good progress against our plastics reduction, responsible sourcing and product compaction targets that will help us to improve sustainability for every new product launched;
- Factory footprint (Barrow): production at our Barrow, UK powders facility ceased as planned in October 2020, as part of the consolidation of laundry powder volumes from three plants to two. The closure of the Barrow facility represents the sixth facility closure in the last five years, demonstrating our relentless pursuit to rightsizing our manufacturing cost structure for the needs of the business;
- Factory footprint (Asia Pacific): due to certain delays caused by Covid-19 restrictions in Malaysia, we now expect to be fully operational in our new Malaysian factory in April 2021, with an exit from the old facility by the end of April 2021;
- Logistics footprint: good progress is being made on changes to our warehouse network and the implementation of our transport management system. We have closed our warehouse in Guesnain, France this month and the move to a more strategic 3rd party location for our German inventories is scheduled for the end of March 2021. Our new transport management system is on track for its phased introduction from the end of April 2021;
- Integrated Business Planning: good progress has been made to roll out this sales and operations planning process to support our new Compass divisional operating model;
- Customer segmentation: the consideration of how best to segment our customers, leveraging insights from a market study performed by leading external consultants, was a key component in the development of the separate divisional strategies; and
- Underperforming sectors: our Aerosols business fully transitioned to a stand-alone operation in FY20. It has continued to make great progress as a separate division, delivering in H1 FY21 sales growth of 15.3% at constant currency and operating profit improvement of £0.5 million.

Executive review continued

Group operating results

Continuing operations

Half-year Group revenues at £362.9 million were 1.7% higher than prior year at constant currency, reflecting continued strong demand for cleaning products due to the Covid-19 pandemic. The Group's first-half Household revenues at constant currency were 1.1% higher compared to the prior year. This performance was driven by significant year-on-year growth in our North (+16.6%) and South (+9.7%) regions and Asia (+12.6%), offsetting lower revenues from the UK (-10.0%). Further detail on these performances is provided below.

Our Aerosols business reported revenues 15.3% higher at constant currency in the first half compared to the prior year. This growth was driven by sales of aerosol-based sanitising products that were developed in the second half of FY20 to help fight against the spread of the Covid-19 virus.

Following the 'panic buying' during the first wave of the pandemic in spring 2020, our inventory levels became heavily reduced, putting pressure on our customer service levels in the months that followed. This was especially true in sites producing the products most in demand, such as liquid cleaners and auto dishwash, most of which were running close to full capacity and hence recovery times have been extended. It has been a key priority through the period to ensure our customers return to receiving the highest service standards. As we exited the period, our overall service levels were back to the 90-95% range, with inventory levels also recovered.

Half-year adjusted operating profit of £19.0 million was higher than the last half year (2019: £11.6m) with adjusted operating profit margin increasing by 1.9 percentage points to 5.2% (2019: 3.3%).

The slight softening of certain raw material and packaging pricing observed in the second half of the last financial year continued into the first half of FY21, contributing to improved gross margin delivery. While prices of many key feedstocks were below average for the first four months of the period, they increased significantly through November and December, with most ending the period above pre-lockdown levels. Half-year operating profit was £15.6 million (2019: £8.5m). This includes amortisation of £1.2 million and exceptional charges of £2.2 million, largely related to consultancy and redundancy costs associated with Programme Compass, our review of strategy, organisation and operations.

Adjusted profits before taxation increased by £7.2 million to £16.9 million (2019: £9.7m). Diluted adjusted earnings per share was 7.1 pence (2019: 3.7p).

Household

Reported revenues in our Household business increased by 2.9% to £344.1 million (2019: £334.4m), up 1.1% at constant currency, and adjusted operating profit was £20.8 million (2019: £14.9m), with adjusted operating profit margins increasing from 4.5% to 6.0%.

Revenue	Half year to 31 Dec 2020 £m	Half year to 31 Dec 2019 £m	Reported change	Constant currency(1)
UK	**74.1**	82.3	(10.0%)	(10.0%)
France	**59.6**	59.4	0.3%	(2.3%)
North	**63.2**	52.7	19.9%	16.6%
South	**50.9**	45.2	12.6%	9.7%
East	**82.9**	82.7	0.2%	(2.0%)
Asia	**13.4**	12.1	10.7%	12.6%
	344.1	334.4	2.9%	1.1%

(1) Comparatives translated at 31 December 2020 exchange rates.

The Group's first-half Household revenues at constant currency were 1.1% higher versus prior year. Changes in consumer demand due to Covid-19 experienced in the last four months of FY20 have continued into the first six months of FY21, with consumers' focus on hygiene increasing demand for bleach and surface cleaning products (run rates up 12.0%), whilst dishwashing tablets and liquids (run rates up 12.7%) benefited from more food and drink being consumed at home. This was offset in part by a decline in demand for laundry products (run rates down 5.0%).

In the UK, revenues of £74.1 million were 10.0% lower versus prior year. This decline was entirely due to contracts lost in the prior year, mainly in laundry categories. Sales grew 2.5% versus prior year excluding contract losses. Cleaners, which represent 35% of total sales, grew 15.7% versus prior year due to Covid-19 related demand and contract wins. These gains could not offset laundry products, which are equally important to the overall business mix, which were negatively impacted by contract losses as well as the general market decline for this category caused by Covid-19.

In France, revenues of £59.6 million declined 2.3% at constant currency versus the prior year, driven by net contract losses and a decline in demand for laundry liquids. Excluding contract losses, the business grew 4.6% driven by additional Covid-19 demand for cleaners as well as new gains in laundry capsules.

In the North region, revenues of £63.2 million represented a 16.6% increase on prior year at constant currency. Volumes grew with Contract customers, in part due to run rate sales for dishwash and cleaners linked to Covid-19 demand. Growth was also achieved in laundry capsules due to new Contract Manufacturing sales to a brander.

Our South region reported revenues of £50.9 million, an increase of 9.7% at constant currency, with growth in both Italy and Iberia. Gains came primarily from Contract customers in the dishwash and cleaner categories driven by Covid-19 related demand, although Private Label also benefited. South was the only region with additional sales coming in laundry liquids and fabric conditioner, which again were related to Contract customers.

The East region, covering Germany, Poland and other East European countries, reported revenues of £82.9 million, a decrease of 2.0% at constant currency. Q1 was down 8.5% while Q2 improved 4.8% versus prior year. The current year's performance was strongly impacted by the end of a laundry capsules contract and lower demand for laundry powders. Excluding losses, sales growth of 7.2% was achieved through Covid-19 driven demand and contract wins in the dishwash and cleaner categories.

Asia reported sales of £13.4 million, a 12.6% increase on prior year at constant currency. This growth was driven by sales of dishwasher tablets, liquid hand wash and hand sanitiser, as Covid-19 demand trends experienced in the prior four months of FY20 continued in H1 of FY21. In addition to strong growth in our core markets of Australia and Malaysia, we grew new business in Thailand and Singapore. The new Malaysian factory, which due to Covid-19 related challenges is now expected to be fully operational slightly later than planned in April 2021, will provide increased manufacturing capacity and capabilities to enable our strategy of accelerating sales growth in the Asia Pacific region.

Executive review continued

Group operating results continued
Continuing operations continued
Household continued

The slight softening of certain raw material and packaging pricing observed in the second half of the last financial year continued into the first half of FY21. Prices of many key feedstocks have increased significantly through November and December, with most ending 2020 above pre-lockdown levels. Further price fluctuations on other direct inputs were experienced due to supply and demand imbalances. The Ocean freight market has seen significant increases through our first half year as availability has become a growing issue globally, and is something that we are continuing to closely monitor. Coconut oil (CNO) and palm kernel oil (PKO) ended the half year at their highest levels since late 2017, and continued their upward trajectory into the early part of the second half year. The large on-cost for recycled plastics versus virgin plastics also remains. In light of these recent dynamics, we expect to see gross margins weaken slightly in the second half of the year.

Distribution costs overall have been relatively stable compared to last year. Whilst there has been some easing of earlier price pressures, following a reduction in oil price levels that benefit the transport sector, we have seen offsetting cost increases caused by ongoing challenges arising from the Covid-19 pandemic and also cost inflation from administrative changes and certain packaging requirements as a consequence of the Brexit process and its impact on UK and EU supply lines. During the period, the logistics management team have continued work on the organisational planning and preparation related to execution of the new distribution strategy and this activity is now moving fully into an implementation phase which commenced in January 2021.

Administrative overheads before exceptional items and amortisation increased by £2.1 million at constant currency, primarily a result of a year-on-year change in incentive accrual levels.

Aerosols

Reported revenues were £18.8 million, a 15.3% increase on prior year at constant currency. All of the growth was driven by sales of aerosol-based sanitising products that were developed in the second half of FY20 to help fight the spread of the Covid-19 virus. Sales of the core range of products declined slightly as reduced sales of personal care products were only partially offset by growth in household and insecticides. Personal care product sales were down due to lower demand for certain products during the Covid-19 pandemic, particularly haircare, and due to exited contracts for shaving products. Adjusted operating profit was £0.9 million, an increase of £0.5 million on the prior year, driven by higher sales and improved margins of both the new aerosol-based sanitising products and our core range of personal care, household and insecticide products.

Exceptional items

Total exceptional items of £2.2 million were recorded during the period in relation to continuing operations (2019: £2.1m). The charges primarily comprised the following:

- an exceptional charge of £1.7 million relating to Programme Compass that comprises £0.8 million of redundancy costs, £0.7 million in consulting support and £0.2 million in other project expenses;
- an exceptional charge of £0.4 million in respect of one-off legacy costs in relation to the former UK Aerosols site in Hull; and
- an exceptional charge of £0.1 million relating to the closure costs for the Barrow production facility, which ceased operations in October 2020.

Discontinued operations

During the current and previous half year there was no revenue or adjusted operating profit/loss related to discontinued operations. During the 2018 financial year, the Group successfully completed the sale of the European Personal Care (PC) Liquids business. In the current period, the Group incurred an exceptional charge of £0.2 million in respect of the impairment of a leased asset relating to the closed St Helens site. In the prior period, McBride paid £0.3 million in relation to specific redundancy liabilities related to the sale of PC Liquids that remained with McBride and these costs have been treated as discontinued operations. The remaining activities within the Group are referred to as continuing operations.

Finance costs

Finance costs of £2.1 million (2019: £1.9m) were higher than prior year, mainly due to foreign exchange benefits on currency revaluations in the prior year.

Taxation

Reported profit before taxation from continuing operations was £13.5 million (2019: £6.6m). Adjusted profit before taxation from continuing operations increased by £7.2 million to £16.9 million (2019: £9.7m). The adjusted tax charge for the period of £3.9 million (2019: £3.0m) represents an effective tax rate of 23% (2019: 30%). The effective tax rate is lower than the prior year due to the release of a provision in the first half of the financial year, following the settlement of a tax enquiry. The Group forecasts an adjusted effective tax rate for the full year of 28%.

Earnings per share

On an adjusted basis, diluted earnings per share (EPS) from continuing operations increased versus prior year to 7.1 pence (2019: 3.7p). Total adjusted diluted EPS increased to 7.1 pence (2019: 3.7p) with basic diluted EPS at 5.3 pence (2019: 1.9p).

Payments to shareholders

On 2 November 2020, the Company announced that it would commence a share buy-back programme of up to £12 million in McBride plc ordinary shares, running from 2 November 2020 through to the date of the Company's next Annual General Meeting, expected in October 2021. The maximum number of shares that may be repurchased by the Company under the programme is 18.3 million.

The purpose of the share buy-back programme is to reduce the share capital of the Company (any shares repurchased for this purpose will be cancelled). The Board believed that it was in the interests of all shareholders to commence this programme based on the Board's assessment that McBride's current share price did not reflect the value of the underlying business, which has resilient revenues, a strong balance sheet and highly visible cash flows.

At at 31 December 2020, the Group had purchased and cancelled 2,136,319 ordinary shares. The buy-back and cancellation was approved by shareholders at the 2020 AGM. The shares were acquired at an average price of 68.4 pence per share, with prices ranging from 62.1 pence per share to 80.0 pence per share. The total cost of £1.5 million was deducted from equity. A transfer of £0.2 million was made from share capital to the capital redemption reserve.

As part of the Group's strategy reset, it is targeting an accounting basis debt/EBITDA ratio of less than 2.0x. Our new distribution approach will link distribution to this debt cover measure. Since the current ratio is over 2.0x, the Board believe that it is prudent not to pay an interim dividend at this stage. Going forward the Board intend moving to a single annual total dividend to be communicated at the time of the annual results.

Executive review continued

Group operating results continued
Cash flow and balance sheet
Cash generated from operations before exceptional items was £14.2 million (2019: £17.8m) in the six months to 31 December 2020. Trading working capital[(1)] as a percentage of sales was 11.9% at 31 December 2020 (30 June 2020: 10.6%, 31 December 2019: 12.4%). As signposted at the finals stage last year, working capital levels at June 2020 benefited from a one-off upside relating to the consequences of exceptionally high demand in March 2020 from which the rebuilding of inventory over the four months to June saw higher creditor levels than usual at the year-end date. The December 2020 working capital ratio has returned to more normal levels.

During the first half year, capital expenditure increased to £13.4 million in cash terms. We continue to prioritise capital expenditure to underpin our strategy of focused investment in growth categories. In the prior year, cash consideration of £3.0 million was received in relation to sale of land and buildings at the former Aerosols site at Hull, UK.

The Group bought back shares for a total cash outflow of £1.5 million in the first half of the year as part of its share buy-back programme.

The Group's net assets increased to £70.0 million (30 June 2020: £66.9m). Gearing[(2)] increased to 64% (30 June 2020: 57%) and return on capital employed was 19.3% (30 June 2020: 15.6%).

(1) Trade working capital defined as inventories, trade receivables and trade payables as a percentage of sales.

(2) Gearing defined as the ratio of net debt/average period-end capital.

Bank facilities and net debt
Net debt at the end of the period increased by £16.1 million to £117.6 million (30 June 2020: £101.5m) due mostly to the large cash outflow in relation to trade payables as described earlier and additional lease liabilities of £5.7 million, mostly in relation to our new Asian factory.

The Group has an unsecured €175 million revolving credit facility (RCF) that is committed until June 2022. The Group is now engaging with a number of existing and potential new lenders to refinance the existing facility. This will be completed before 30 June 2021. At 31 December 2020, the amount undrawn on the facility was €93.8 million (30 June 2020: €61.3m).

The Group's RCF funding arrangements are subject to banking 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 IFRS 16 leases and amounts drawn under the invoice discounting facilities. As at 31 December 2020, the debt cover ratio under the RCF funding arrangements was 1.1x (30 June 2020: 1.4x) and the interest cover was 13.3x (30 June 2020: 12.2x). The Group remains well within these covenants.

Additionally, the Group has a number of facilities whereby it can borrow against certain of its trade receivables. In the UK, the Group has a £25 million facility that is committed until October 2021. In France and Belgium, the Group has an aggregate €30 million facility, which has a rolling notice period of six months for the French part and three months for the Belgian part. In the final quarter of 2020, the Group initiated a new facility in Germany for €26 million that is committed until December 2023.

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 also has access to uncommitted working capital facilities amounting to £41.5 million at 31 December 2020 (30 June 2020: £32.8m).

Pensions

The Group provides a number of post-employment benefit arrangements. In the UK, the Group operates a closed defined benefit 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. At 31 December 2020, the Group recognised a deficit on its UK scheme of £29.5 million (30 June 2020: £28.4m). The net increase in deficit is £1.1 million over the period as a lower discount rate meant that pension liabilities increased more than the increase in asset returns and deficit contributions paid by the Group.

The Group has other unfunded post-employment benefit obligations outside the UK that amounted to £3.1 million (30 June 2020: £3.1m).

Product sustainability

Product sustainability is the first major commitment under our new Environmental, Social and Governance (ESG) ambition.

In September 2020 we published our 2025 product sustainability ambitions, these focused on three key pillars:

- plastics reduction;
- responsible sourcing; and
- product compaction.

We are making good progress against the targets that we set as we endeavour to ensure that every new product we develop will deliver a more sustainable footprint than the product it replaces.

Principal risks and uncertainties

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

- Consumer and customer trends;
- Market competitiveness;
- Input costs;
- Legislation;
- Financial risks;
- Breach of IT security;
- Covid-19; and
- Brexit impacts.

Current trading and outlook

The Group has delivered a strong performance in the first half, and the business continues to show its resilience and adaptability to the many and varied challenges of the Covid-19 pandemic. The early part of the second half has seen the Company's consumer end markets continue to be both buffeted and enhanced in different ways by the Covid-19 environment making demand levels more variable than usual. As anticipated, we have seen input costs start to tick up but overall the Board's expectations for the full year remain in line with our December trading update.

Chris Smith
Chief Executive Officer

Mark Strickland
Chief Financial Officer

23 February 2021

Remuneration Committee

LTIP awards – update on performance measures

Elizabeth McMeikan
Chair of the Remuneration Committee

Dear shareholder

On behalf of the Remuneration Committee, I am pleased to provide an update on the performance measures that will be used for McBride's LTIP awards to help drive the strategy of the business.

Overview

The Long-Term Incentive Plan (LTIP) is McBride plc's long-term incentive scheme approved by shareholders at the 2014 Annual General Meeting. On 10 September 2020, awards were made to the 2020 participants which comprise the Chief Executive Officer, as set out in the table below, and other select senior executives within the Group's operating companies. On 25 February 2021, awards were also made to the Chief Financial Officer who joined the Group on 4 January 2021. Awards take the form of conditional awards of McBride plc shares and the amounts stated represent the maximum possible opportunity.

Chris Smith Chief Executive Officer	877,016
Mark Strickland Chief Financial Officer	178,378

The awards made in September 2020 and February 2021 were made in anticipation of, or in accordance with, the Remuneration Policy approved by shareholders on 23 November 2020. To the extent that an award does not vest at the end of the three-year performance period, it will lapse. Additional shares will be awarded on vesting in lieu of dividends on the shares that vest. Awards to Executive Directors and members of the Executive Committee are subject to an additional two-year post-vesting holding period.

Performance measures

The extent to which awards vest in 2023 will depend on the Group's performance over the three-year performance period from 1 July 2020 to 30 June 2023.

On 15 February 2021, the Remuneration Committee approved the performance measures to be used for the awards to help drive the strategy of the business as follows:

a) 50% of the awards are subject to an EPS performance condition:

EPS Compound Annual Growth Rate from 2020 to 2023[1]	Percentage of part of award subject to EPS that vests[2]
<7% p.a.	0%
7% p.a.	10%
14.3% p.a.	50%
21.1% p.a.	100%

(1) Adjusted to include effects of amortisation of intangible assets and exceptional items.

(2) Intermediate performance vesting on straight-line basis.

b) 50% of the awards are subject to an average return on capital employed (ROCE) performance condition:

Average ROCE for three years to 30 June 2023[1]	Percentage of part of award subject to ROCE that vests[2]
<14.8%	0%
14.8%	10%
17.2%	50%
18.6%	100%

(1) The ROCE measure is the average of the three annual ROCE[3] calculations in the performance period.

(2) Intermediate performance vesting on straight-line basis.

(3) Annual ROCE is the adjusted operating profit as a percentage of average capital employed in the period. Capital employed is defined as tangible and intangible fixed assets, including goodwill plus inventories and current trade and other receivables, less current trade and other payables.

In approving these performance conditions, the Remuneration Committee considered a broad range of factors, taking into account feedback collected through consultation with a number of shareholders prior to seeking shareholder approval of the 2020 Remuneration Policy.

Elizabeth McMeikan
Chair of the Remuneration Committee
23 February 2021

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

Chris Smith
Chief Executive Officer

Mark Strickland
Chief Financial Officer
23 February 2021

Independent review report to McBride plc

Report on the consolidated interim financial statements

Our conclusion

We have reviewed McBride plc's consolidated interim financial statements (the "interim financial statements") in the Half-Year Report of McBride plc for the period from 1 July 2020 to 31 December 2020 (the "period").

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 2020;
- the condensed interim consolidated income statement and condensed interim consolidated statement of comprehensive income for the period then ended;
- the condensed interim consolidated cash flow statement for the period then ended;
- the condensed interim consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The Half-Year Report, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-Year Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

What a review of interim financial statements involves

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

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

We have read the other information contained in the Half-Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Manchester

23 February 2021

Condensed interim consolidated income statement

Six months ended 31 December 2020

Continuing operations	Note	**Unaudited Half year to 31 Dec 2020 £m**	Unaudited Half year to 31 Dec 2019 £m	Audited Year ended 30 June 2020 £m
Revenue	4	**362.9**	350.4	706.2
Cost of sales		**(233.2)**	(232.4)	(463.0)
Gross profit		**129.7**	118.0	243.2
Distribution costs		**(29.7)**	(28.7)	(57.3)
Administrative expenses		**(84.3)**	(80.8)	(168.3)
Impairment of goodwill		**—**	—	(0.5)
Impairment of fixed assets		**(0.1)**	—	(1.7)
Operating profit		**15.6**	8.5	15.4
Finance costs		**(2.1)**	(1.9)	(4.2)
Profit before taxation		**13.5**	6.6	11.2
Taxation		**(3.6)**	(2.9)	(4.5)
Profit for the period from continuing operations		**9.9**	3.7	6.7
Discontinued operations				
Loss for the period from discontinued operations		**(0.2)**	(0.3)	(0.2)
Profit for the period		**9.7**	3.4	6.5
Earnings/(loss) per ordinary share from continuing and discontinued operations attributable to the owners of the parent during the period				
Basic earnings/(loss) per share	6			
From continuing operations		**5.4p**	2.0p	3.7p
From discontinued operations		**(0.1p)**	(0.1p)	(0.1p)
From profit for the period		**5.3p**	1.9p	3.6p
Diluted earnings/(loss) per share	6			
From continuing operations		**5.4p**	2.0p	3.7p
From discontinued operations		**(0.1p)**	(0.1p)	(0.1p)
From profit for the period		**5.3p**	1.9p	3.6p

	Note			
Operating profit from continuing operations		**15.6**	8.5	15.4
Adjusted for:				
Amortisation of intangible assets	8	**1.2**	1.0	2.1
Exceptional items	7	**2.2**	2.1	10.8
Adjusted operating profit from continuing operations		**19.0**	11.6	28.3

	Note			
Profit before taxation from continuing operations		**13.5**	6.6	11.2
Adjusted for:				
Amortisation of intangible assets	8	**1.2**	1.0	2.1
Exceptional items	7	**2.2**	2.1	10.8
Unwind of discount on provisions		**—**	—	0.1
Adjusted profit before taxation from continuing operations		**16.9**	9.7	24.2

Condensed interim consolidated statement of comprehensive income

Six months ended 31 December 2020

	Unaudited Half year to 31 Dec 2020 £m	Unaudited Half year to 31 Dec 2019 £m	Audited Year ended 30 June 2020 £m
Profit for the period	**9.7**	3.4	6.5
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Currency translation differences on foreign subsidiaries	**(1.6)**	(3.4)	–
Gain on net investment hedges	**1.0**	2.7	0.8
(Loss)/gain on cash flow hedges	**(0.1)**	(0.5)	0.4
Cash flow hedges transferred to profit or loss	**(0.5)**	(0.1)	0.2
Taxation relating to items above	**0.1**	0.2	(0.1)
	(1.1)	(1.1)	1.3
Items that will not be reclassified to profit or loss:			
Net actuarial loss on post-employment benefits	**(2.9)**	(2.5)	(3.7)
Taxation relating to item above	**0.6**	0.4	1.8
	(2.3)	(2.1)	(1.9)
Total other comprehensive expense	**(3.4)**	(3.2)	(0.6)
Total comprehensive income	**6.3**	0.2	5.9
Total comprehensive income/(expense) attributable to equity shareholders arises from:			
Continuing operations	**6.5**	0.5	6.1
Discontinued operations	**(0.2)**	(0.3)	(0.2)
	6.3	0.2	5.9

Condensed interim consolidated balance sheet
At 31 December 2020

	Note	Unaudited As at 31 Dec 2020 £m	Unaudited As at 31 Dec 2019 £m	Audited As at 30 June 2020 £m
Non-current assets				
Goodwill	8	**19.8**	20.3	19.9
Other intangible assets	8	**8.1**	8.8	8.5
Property, plant and equipment	8	**135.9**	128.1	134.7
Right-of-use assets	8	**10.7**	6.7	7.3
Derivative financial instruments	9	**—**	0.1	—
Deferred tax assets		**14.5**	11.9	13.8
Other non-current assets		**—**	0.5	—
		189.0	176.4	184.2
Current assets				
Inventories		**95.8**	90.2	97.5
Trade and other receivables		**134.5**	132.5	138.3
Current tax asset		**4.7**	8.3	6.2
Derivative financial instruments	9	**0.6**	0.2	1.4
Cash and cash equivalents	10	**21.5**	13.5	44.2
		257.1	244.7	287.6
Total assets		**446.1**	421.1	471.8
Current liabilities				
Trade and other payables		**179.8**	165.1	198.1
Borrowings	9	**54.4**	31.5	33.2
Lease liabilities		**3.7**	3.0	3.5
Derivative financial instruments	9	**0.2**	0.7	0.4
Current tax liabilities		**11.1**	16.6	12.4
Provisions		**3.2**	1.1	6.3
		252.4	218.0	253.9
Non-current liabilities				
Borrowings	9	**73.0**	95.5	103.8
Lease liabilities		**8.0**	5.2	5.2
Derivative financial instruments	9	**0.2**	0.3	0.3
Pensions and other post-employment benefits	11	**32.6**	31.8	31.5
Provisions		**3.5**	3.7	3.6
Deferred tax liabilities		**6.4**	5.7	6.6
		123.7	142.2	151.0
Total liabilities		**376.1**	360.2	404.9
Net assets		**70.0**	60.9	66.9
Equity				
Issued share capital		**18.1**	18.3	18.3
Share premium account		**68.6**	70.6	70.6
Other reserves		**75.4**	72.1	74.6
Accumulated loss		**(92.1)**	(100.1)	(96.6)
Total equity		**70.0**	60.9	66.9

Condensed interim consolidated cash flow statement

Six months ended 31 December 2020

	Note	Unaudited Half year to 31 Dec 2020 £m	Unaudited Half year to 31 Dec 2019 £m	Audited Year ended 30 June 2020 £m
Operating activities				
Profit before tax				
Continuing operations		**13.5**	6.6	11.2
Discontinued operations		**(0.2)**	(0.3)	(0.3)
Finance costs		**2.1**	1.9	4.2
Exceptional items	7	**2.4**	2.4	8.9
Share-based payments charge		**0.3**	0.2	0.4
Depreciation of property, plant and equipment	8	**8.4**	8.6	17.1
Depreciation of right-of-use assets	8	**1.9**	1.7	3.7
Amortisation of intangible assets	8	**1.2**	1.0	2.1
Profit on disposal of property, plant and equipment		**(0.1)**	(0.6)	(0.7)
Impairment of goodwill		**—**	—	0.5
Impairment of fixed assets		**0.1**	—	1.7
Operating cash flow before changes in working capital before exceptional items		**29.6**	21.5	48.8
Decrease in receivables		**2.2**	9.0	8.6
Decrease/(increase) in inventories		**0.4**	0.9	(1.3)
(Decrease)/increase in payables		**(16.0)**	(11.6)	12.8
Operating cash flow after changes in working capital before exceptional items		**16.2**	19.8	68.9
Additional cash funding of pension schemes		**(2.0)**	(2.0)	(4.0)
Cash generated from operations before exceptional items		**14.2**	17.8	64.9
Cash outflow in respect of exceptional items		**(5.0)**	(3.0)	(5.2)
Cash generated from operations		**9.2**	14.8	59.7
Interest paid		**(1.6)**	(1.5)	(3.3)
Taxation paid		**(3.7)**	(1.4)	(4.7)
Net cash generated from operating activities		**3.9**	11.9	51.7
Investing activities				
Proceeds from sale of Hull site		**—**	3.0	3.0
Proceeds from sale of property, plant and equipment		**0.2**	0.2	0.3
Purchase of property, plant and equipment		**(12.6)**	(9.1)	(17.6)
Purchase of intangible assets		**(0.8)**	(1.0)	(1.6)
Settlement of derivatives used in net investment hedges		**0.8**	2.6	0.6
Net cash used in investing activities		**(12.4)**	(4.3)	(15.3)
Financing activities				
Redemption of B Shares	12	**(1.7)**	(3.3)	(3.4)
Net drawdown/(repayment) of overdrafts	10	**0.5**	(9.0)	(10.2)
Net (repayment)/drawdown of bank loans	10	**(8.4)**	6.4	9.9
Repayment of IFRS 16 lease obligations	10	**(2.5)**	(1.9)	(4.3)
Purchase of own shares	14	**(1.5)**	(0.1)	(0.1)
Net cash used in financing activities		**(13.6)**	(7.9)	(8.1)
(Decrease)/increase in net cash and cash equivalents		**(22.1)**	(0.3)	28.3
Net cash and cash equivalents at the start of the period		**44.2**	14.4	14.4
Currency translation differences		**(0.6)**	(0.6)	1.5
Net cash and cash equivalents at the end of the period		**21.5**	13.5	44.2

Condensed interim consolidated statement of changes in equity

Six months ended 31 December 2020

	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 2020	18.3	70.6	0.5	(0.1)	74.2	(96.6)	66.9
Profit for the period	—	—	—	—	—	9.7	9.7
Other comprehensive income/(expense)							
Items that may be reclassified to profit or loss:							
Currency translation differences on foreign subsidiaries	—	—	—	(1.6)	—	—	(1.6)
Gain on net investment hedges	—	—	—	1.0	—	—	1.0
Loss on cash flow hedges in the period	—	—	(0.1)	—	—	—	(0.1)
Cash flow hedges transferred to profit or loss	—	—	(0.5)	—	—	—	(0.5)
Taxation relating to items above	—	—	0.1	—	—	—	0.1
	—	—	(0.5)	(0.6)	—	—	(1.1)
Items that will not be reclassified to profit or loss:							
Net actuarial loss on post-employment benefits	—	—	—	—	—	(2.9)	(2.9)
Taxation relating to item above	—	—	—	—	—	0.6	0.6
	—	—	—	—	—	(2.3)	(2.3)
Total other comprehensive expense	—	—	(0.5)	(0.6)	—	(2.3)	(3.4)
Total comprehensive (expense)/income	—	—	(0.5)	(0.6)	—	7.4	6.3
Transactions with owners of the parent							
Issue of B Shares	—	(2.0)	—	—	—	—	(2.0)
Redemption of B Shares	—	—	—	—	1.7	(1.7)	—
Share-based payments	—	—	—	—	—	0.3	0.3
Shares bought back on-market and cancelled	(0.2)	—	—	—	0.2	—	—
Purchase of own shares	—	—	—	—	—	(1.5)	(1.5)
At 31 December 2020	**18.1**	**68.6**	**—**	**(0.7)**	**76.1**	**(92.1)**	**70.0**

Six months ended 31 December 2019

	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 30 June 2019	18.3	73.9	—	(0.9)	70.8	(97.9)	64.2
IFRS 16 transition	—	—	—	—	—	0.6	0.6
IFRIC 23 transition	—	—	—	—	—	(0.9)	(0.9)
At 1 July 2019	18.3	73.9	—	(0.9)	70.8	(98.2)	63.9
Profit for the period	—	—	—	—	—	3.4	3.4
Other comprehensive income/(expense)							
Items that may be reclassified to profit or loss:							
Currency translation differences on foreign subsidiaries	—	—	—	(3.4)	—	—	(3.4)
Gain on net investment hedges	—	—	—	2.7	—	—	2.7
Loss on cash flow hedges in the period	—	—	(0.5)	—	—	—	(0.5)
Cash flow hedges transferred to profit or loss	—	—	(0.1)	—	—	—	(0.1)
Taxation relating to items above	—	—	0.2	—	—	—	0.2
	—	—	(0.4)	(0.7)	—	—	(1.1)
Items that will not be reclassified to profit or loss:							
Net actuarial loss on post-employment benefits	—	—	—	—	—	(2.5)	(2.5)
Taxation relating to item above	—	—	—	—	—	0.4	0.4
	—	—	—	—	—	(2.1)	(2.1)
Total other comprehensive expense	—	—	(0.4)	(0.7)	—	(2.1)	(3.2)
Total comprehensive (expense)/income	—	—	(0.4)	(0.7)	—	1.3	0.2
Transactions with owners of the parent							
Issue of B Shares	—	(3.3)	—	—	—	—	(3.3)
Redemption of B Shares	—	—	—	—	3.3	(3.3)	—
Share-based payments	—	—	—	—	—	0.2	0.2
Purchase of own shares	—	—	—	—	—	(0.1)	(0.1)
At 31 December 2019	**18.3**	**70.6**	**(0.4)**	**(1.6)**	**74.1**	**(100.1)**	**60.9**

Condensed interim consolidated statement of changes in equity continued
Year ended 30 June 2020

	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 30 June 2019	18.3	73.9	—	(0.9)	70.8	(97.9)	64.2
IFRS 16 transition	—	—	—	—	—	0.7	0.7
IFRIC 23 transition	—	—	—	—	—	(0.9)	(0.9)
At 1 July 2019	18.3	73.9	—	(0.9)	70.8	(98.1)	64.0
Profit for the year	—	—	—	—	—	6.5	6.5
Other comprehensive income/(expense)							
Items that may be reclassified to profit or loss:							
Gain on net investment hedges	—	—	—	0.8	—	—	0.8
Gain on cash flow hedges in the year	—	—	0.4	—	—	—	0.4
Cash flow hedges transferred to profit or loss	—	—	0.2	—	—	—	0.2
Taxation relating to items above	—	—	(0.1)	—	—	—	(0.1)
	—	—	0.5	0.8	—	—	1.3
Items that will not be reclassified to profit or loss:							
Net actuarial loss on post-employment benefits	—	—	—	—	—	(3.7)	(3.7)
Taxation relating to item above	—	—	—	—	—	1.8	1.8
	—	—	—	—	—	(1.9)	(1.9)
Total other comprehensive income/(expense)	—	—	0.5	0.8	—	(1.9)	(0.6)
Total comprehensive income	—	—	0.5	0.8	—	4.6	5.9
Transactions with owners of the parent							
Issue of B Shares	—	(3.3)	—	—	—	—	(3.3)
Redemption of B Shares	—	—	—	—	3.4	(3.4)	—
Share-based payments	—	—	—	—	—	0.4	0.4
Purchase of own shares	—	—	—	—	—	(0.1)	(0.1)
At 30 June 2020	**18.3**	**70.6**	**0.5**	**(0.1)**	**74.2**	**(96.6)**	**66.9**

Notes to the condensed interim financial statements
Six months ended 31 December 2020

1. Basis of preparation
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 develops and manufactures products for the majority of retailers and major brand owners throughout the UK, Europe and Asia.

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 2020; and those standards that have been endorsed by the European Union. The financial statements for the year ending 30 June 2021 will be prepared under international accounting standards in conformity with the Companies Act 2006. This will have no impact on recognition, measurement or disclosure. This report should be read in conjunction with the financial statements for the year ended 30 June 2020.

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 8 October 2020 and have been reported on by PricewaterhouseCoopers LLP and delivered to the Registrar of Companies. The report of PricewaterhouseCoopers LLP was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 of the Companies Act 2006.

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

At 31 December 2020, committed undrawn facilities and net cash position amounted to £101.2 million and the Group has a reasonable level of debt compared to earnings. In adopting the going concern basis for preparing the consolidated financial statements, the Directors have considered the issues impacting the Group during the period and have reviewed the Group's projected compliance with its banking covenants. Based on the Group's cash flow forecasts and operating budgets, and considerations of the potential impact of the Covid-19 pandemic and other principal risks and uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the adoption of the going concern basis remains appropriate.

The condensed interim consolidated financial statements were approved by the Board on 23 February 2021.

2. Accounting policies
The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2020.

Use of adjusted measures
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 the unwinding of the discount on provisions and tax related to those items.

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.

3. Critical accounting judgements and key sources of estimation uncertainty

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 2020.

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

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 Aerosols.

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

	Household – Regions						Operating segments				
31 December 2020	UK £m	France £m	North[1] £m	South[2] £m	East[3] £m	Asia £m	Total Household £m	Aerosols £m	Total segments £m	Corporate[4] £m	Total Group £m
Continuing operations											
Segment revenue	74.1	59.6	63.2	50.9	82.9	13.4	344.1	18.8	362.9	—	362.9
Adjusted operating profit/(loss)							20.8	0.9	21.7	(2.7)	19.0
Amortisation of intangible assets											(1.2)
Exceptional items (see note 7)											(2.2)
Operating profit											15.6
Finance costs											(2.1)
Profit before taxation											13.5
Inventories							88.4	7.4	95.8	—	95.8
Capital expenditure							12.5	0.3	12.8	—	12.8
Amortisation and depreciation							11.2	0.3	11.5	—	11.5

							Operating segments				
	Household – Regions										
							Total		Total		Total
31 December	UK	France	North[1]	South[2]	East[3]	Asia	Household	Aerosols	segments	Corporate[4]	Group
2019	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations											
Segment revenue	82.3	59.4	52.7	45.2	82.7	12.1	334.4	16.0	350.4	—	350.4
Adjusted operating profit/(loss)							14.9	0.4	15.3	(3.7)	11.6
Amortisation of intangible assets											(1.0)
Exceptional items (see note 7)											(2.1)
Operating profit											8.5
Finance costs											(1.9)
Profit before taxation											6.6
Inventories							85.2	5.0	90.2	—	90.2
Capital expenditure							9.5	0.2	9.7	—	9.7
Amortisation and depreciation							11.2	0.1	11.3	—	11.3

							Operating segments				
	Household – Regions										
							Total		Total		Total
30 June	UK	France	North[1]	South[2]	East[3]	Asia	Household	Aerosols	segments	Corporate[4]	Group
2020	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations											
Segment revenue	159.8	118.5	110.7	88.4	167.5	26.1	671.0	35.2	706.2	—	706.2
Adjusted operating profit/(loss)							33.1	2.2	35.3	(7.0)	28.3
Amortisation of intangible assets											(2.1)
Exceptional items (see note 7)											(10.8)
Operating profit											15.4
Finance costs											(4.2)
Profit before taxation											11.2
Inventories							90.2	7.3	97.5	—	97.5
Capital expenditure							19.2	1.2	20.4	—	20.4
Amortisation and depreciation							22.6	0.3	22.9	—	22.9

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

5. Taxation

The adjusted tax charge for the period of £3.9 million (30 June 2020: £6.8m) reflects an effective tax rate of 23% (30 June 2020: 28%) on adjusted profit before taxation of £16.9 million (30 June 2020: £24.2m).

The effective tax rate is lower than the prior year due to the release of a provision in the first half of the financial year, following the settlement of a tax enquiry. The Group forecasts an adjusted effective tax rate for the full year of 28%.

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 42,041 shares (2019: 42,041 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 2020**	Unaudited Half year to 31 Dec 2019	Audited Year ended 30 June 2020
Weighted average number of ordinary shares in issue (million)	a	**182.4**	182.8	182.8
Effect of dilutive share incentive plans (million)		**0.1**	0.1	—
Weighted average number of ordinary shares for calculating diluted earnings per share (million)	b	**182.5**	182.9	182.8

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue assuming the conversion of all potentially dilutive ordinary shares. During the period, the Company had both equity-settled Long-Term Incentive Plan (LTIP) awards, Restricted Share Unit 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 period attributable to owners of the Company before adjusting items as follows:

From continuing operations	Reference	**Unaudited Half year to 31 Dec 2020 £m**	Unaudited Half year to 31 Dec 2019 £m	Audited Year ended 30 June 2020 £m
Earnings for calculating basic and diluted earnings per share	c	**9.9**	3.7	6.7
Adjusted for:				
Amortisation of intangible assets		**1.2**	1.0	2.1
Exceptional items (see note 7)		**2.2**	2.1	10.8
Unwind of discount on provisions		**—**	—	0.1
Taxation relating to the above items		**(0.3)**	(0.1)	(2.3)
Earnings for calculating adjusted earnings per share	d	**13.0**	6.7	17.4

	Reference	**Unaudited Half year to 31 Dec 2020 pence**	Unaudited Half year to 31 Dec 2019 pence	Audited Year ended 30 June 2020 pence
Basic earnings per share	c/a	**5.4**	2.0	3.7
Diluted earnings per share	c/b	**5.4**	2.0	3.7
Adjusted basic earnings per share	d/a	**7.1**	3.7	9.5
Adjusted diluted earnings per share	d/b	**7.1**	3.7	9.5

From discontinued operations	Reference	**Unaudited Half year to 31 Dec 2020 £m**	Unaudited Half year to 31 Dec 2019 £m	Audited Year ended 30 June 2020 £m
Losses for calculating basic and diluted earnings per share	c	**(0.2)**	(0.3)	(0.2)
Adjusted for:				
Exceptional items (see note 7)		**0.2**	0.3	0.3
Taxation relating to the above items		**—**	—	(0.1)
Earnings for calculating adjusted earnings per share	d	**—**	—	—

	Reference	**Unaudited Half year to 31 Dec 2020 pence**	Unaudited Half year to 31 Dec 2019 pence	Audited Year ended 30 June 2020 pence
Basic loss per share	c/a	**(0.1)**	(0.1)	(0.1)
Diluted loss per share	c/b	**(0.1)**	(0.1)	(0.1)
Adjusted basic loss per share	d/a	**—**	—	—
Adjusted diluted loss per share	d/b	**—**	—	—

Total attributable to ordinary shareholders	Reference	**Unaudited Half year to 31 Dec 2020 £m**	Unaudited Half year to 31 Dec 2019 £m	Audited Year ended 30 June 2020 £m
Earnings for calculating basic and diluted earnings per share	c	**9.7**	3.4	6.5
Adjusted for:				
Amortisation of intangible assets		**1.2**	1.0	2.1
Exceptional items (see note 7)		**2.4**	2.4	11.1
Unwind of discount on provisions		**—**	—	0.1
Taxation relating to the above items		**(0.3)**	(0.1)	(2.4)
Earnings for calculating adjusted earnings per share	d	**13.0**	6.7	17.4

	Reference	**Unaudited Half year to 31 Dec 2020 pence**	Unaudited Half year to 31 Dec 2019 pence	Audited Year ended 30 June 2020 pence
Basic earnings per share	c/a	**5.3**	1.9	3.6
Diluted earnings per share	c/b	**5.3**	1.9	3.6
Adjusted basic earnings per share	d/a	**7.1**	3.7	9.5
Adjusted diluted earnings per share	d/b	**7.1**	3.7	9.5

7. Exceptional items

	Unaudited Half year to 31 Dec 2020 £m	Unaudited Half year to to 31 Dec 2019 £m	Audited Year ended 30 June 2020 £m
Continuing operations			
Reorganisation and restructuring costs:			
UK Aerosols closure	**0.4**	0.1	0.1
Factory footprint review	**0.1**	2.0	9.4
Review of strategy, organisation and operations	**1.7**	—	1.3
Total continuing operations	**2.2**	2.1	10.8
Discontinued operations			
Sale of PC Liquids business	**0.2**	0.3	0.3
Total discontinued operations	**0.2**	0.3	0.3
Total	**2.4**	2.4	11.1

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 2020, the Group recognised total exceptional items of £2.4 million (2019: £2.4m), of which £2.2 million was from continuing operations as follows:

- exceptional charge of £0.4 million in respect of one-off legacy costs in relation to the former UK Aerosols site in Hull;
- exceptional charge of £0.1 million relating to the closure costs for the Barrow production facility, which ceased operations in October 2020; and
- exceptional charge of £1.7 million relating to Programme Compass that comprises £0.8 million of redundancy costs, £0.7 million in consulting support and £0.2 million in other project expenses.

The charges in relation to discontinued operations were as follows:

- exceptional charge of £0.2 million in respect of the impairment of a leased asset relating to the closed St Helens site.

During the prior period ended 31 December 2019, the Group recognised £2.4 million of exceptional charges, of which £2.1 million was from continuing operations as follows:

- exceptional charge of £0.1 million from the UK Aerosols reorganisation of 2019; and
- exceptional charge of £2.0 million in respect of the Group's factory footprint review, comprising £1.2 million of professional fees and £0.8 million for restructuring activities to reduce the operational cost base in the UK.

The charges in relation to discontinued operations were as follows:

- as part of the sale agreement with Royal Sanders, the Group incurred an additional £0.3 million of redundancy costs relating to the sale of the Group's PC Liquids activities in 2019.

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 2020 (audited)	28.4	134.7	7.3
Exchange movements	(0.1)	(2.2)	(0.2)
Additions	0.8	12.0	5.9
Impairment	—	(0.1)	(0.2)
Disposal of assets	—	(0.1)	(0.2)
Depreciation charge	—	(8.4)	(1.9)
Amortisation charge	(1.2)	—	—
Net book value at 31 December 2020 (unaudited)	**27.9**	**135.9**	**10.7**

Goodwill and other intangible assets comprise goodwill of £19.8 million (30 June 2020: £19.9m), computer software of £5.7 million (30 June 2020: £5.6m), brands of £0.5 million (30 June 2020: £0.7m) and customer relationships of £1.9 million (30 June 2020: £2.2m).

Capital commitments as at 31 December 2020 amounted to £6.0 million (30 June 2020: £6.0m). At 31 December 2020, the Group was committed to future minimum lease payments of £3.9 million (30 June 2020: £nil) 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 statements do not include all financial risk management information and disclosures required in the annual financial statements and they should be read in conjunction with the Group's annual financial statements as at 30 June 2020. 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 2020 £m	Unaudited As at 31 Dec 2019 £m	Audited As at 30 June 2020 £m
Assets			
Level 2:			
Derivative financial instruments			
Forward currency contracts	**0.6**	0.2	1.4
Interest rate swaps	**—**	0.1	—
Total financial assets	**0.6**	0.3	1.4
Liabilities			
Level 2:			
Derivative financial instruments			
Forward currency contracts	**(0.2)**	(0.7)	(0.4)
Interest rate swaps	**(0.2)**	(0.3)	(0.3)
Total financial liabilities	**(0.4)**	(1.0)	(0.7)

9. Financial risk management continued

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. Foreign currency options are measured using a variant of the Monte Carlo valuation model. Interest rate swaps and caps are measured by discounting the related cash flows using yield curves derived from prevailing market interest rates.

Valuation levels and techniques

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

Financial assets and liabilities measured at amortised cost

The fair value of borrowings are as follows:

	Unaudited As at 31 Dec 2020 £m	Unaudited As at 31 Dec 2019 £m	Audited As at 30 June 2020 £m
Current	58.1	34.5	36.7
Non-current	81.0	100.7	109.0
Total borrowings	139.1	135.2	145.7

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 2020 £m	IFRS 16 non-cash movements(1) £m	Cash flow £m	Exchange differences £m	Unaudited As at 31 Dec 2020 £m
Cash and cash equivalents	44.2	—	(22.1)	(0.6)	21.5
Overdrafts	(4.1)	—	(0.5)	0.4	(4.2)
Bank and other loans	(132.9)	—	8.4	1.3	(123.2)
IFRS 16 lease liabilities	(8.7)	(5.6)	2.5	0.1	(11.7)
Total net debt	(101.5)	(5.6)	(11.7)	1.2	(117.6)

(1) IFRS 16 non-cash movements includes additions (£5.7 million), interest charged (£0.1 million) and write offs (-£0.2 million).

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.

At 31 December 2020, the Group recognised a deficit on its UK defined benefit pension plan of £29.5 million (30 June 2020: £28.4m). The Group's post-employment benefit obligations outside the UK amounted to £3.1 million (30 June 2020: £3.1m).

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

	Unaudited Half year to 31 Dec 2020 £m	Unaudited Half year to 31 Dec 2019 £m	Audited Year ended 30 June 2020 £m
Profit or loss			
Service cost and administration expenses	**(0.5)**	(0.4)	(0.7)
Charge to operating profit	**(0.5)**	(0.4)	(0.7)
Net interest cost on defined benefit obligation	**(0.2)**	(0.3)	(0.6)
Charge to profit before taxation	**(0.7)**	(0.7)	(1.3)
Other comprehensive expense			
Net actuarial loss	**(2.9)**	(2.5)	(3.7)
Other comprehensive expense	**(2.9)**	(2.5)	(3.7)

	Unaudited As at 31 Dec 2020 £m	Unaudited As at 31 Dec 2019 £m	Audited As at 30 June 2020 £m
Balance sheet			
Defined benefit obligations:			
UK – funded	**(167.9)**	(155.8)	(163.9)
Other – unfunded	**(3.1)**	(2.9)	(3.1)
	(171.0)	(158.7)	(167.0)
Fair value of scheme assets	**138.4**	126.9	135.5
Deficit on the schemes	**(32.6)**	(31.8)	(31.5)

For accounting purposes, the UK scheme's benefit obligation as at 31 December 2020 has been calculated based on data gathered for the triennial actuarial valuation as at March 2018 and by applying assumptions made by the Group on the advice of an independent actuary in accordance with IAS 19, 'Employee Benefits'.

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 2020[1]	Unaudited Half year to 31 Dec 2019	Audited Year ended 30 June 2020
Interim	—	—	—
Final	n/a	n/a	1.1p

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

Movements in the B Shares were as follows:

	Number 000	Nominal value £m
At 30 June 2019 (audited)	815,631	0.8
Issued	3,290,368	3.3
Redeemed	(3,295,335)	(3.3)
At 31 December 2019 (unaudited)	810,664	0.8
Issued	—	—
Redeemed	(97,534)	(0.1)
At 30 June 2020 (audited)	713,130	0.7
Issued	2,010,780	2.0
Redeemed	(1,669,075)	(1.7)
At 31 December 2020 (unaudited)	**1,054,835**	**1.0**

13. Acquisitions and disposals

Sale of Hull site

In the prior period, on 2 December 2019, the Group completed the sale of the UK Aerosols site at Hull (held on the balance sheet at £2.1 million). Cash consideration of £3.0 million was received in respect of this sale. After accounting for costs to sell of £0.1 million, an exceptional gain of £0.8 million was recognised in the prior period.

14. Share capital

Ordinary shares of 10 pence each	Allotted and fully paid Number	£m
At 1 July 2019 and 30 June 2020	182,840,301	18.3
Shares bought back on-market and cancelled	(2,136,319)	(0.2)
At 31 December 2020	**180,703,982**	**18.1**

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

McBride plc announced on 2 November 2020 that it would commence a share buy-back programme of up to £12 million in McBride plc ordinary shares, running from 2 November 2020 through to the date of the Company's next Annual General Meeting, expected in October 2021. The maximum number of shares that may be repurchased by the Company under the programme is 18.3 million. The purpose of the share buy-back programme is to reduce the share capital of the Company (any shares repurchased for this purpose will be cancelled). The Board believed that it was in the interests of all shareholders to commence this programme based on the Board's assessment that McBride's current share price did not reflect the value of the underlying business, which has resilient revenues, a strong balance sheet and highly visible cash flows.

As at 31 December 2020, the Group purchased and cancelled 2,136,319 ordinary shares. The buy-back and cancellation was approved by shareholders at the 2020 AGM. The shares were acquired at an average price of 68.4 pence per share, with prices ranging from 62.1 pence per share to 80.0 pence per share. The total cost of £1.5 million was deducted from equity. A transfer of £0.2 million was made from share capital to the capital redemption reserve.

15. 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 2020 are detailed in note 29 (page 155) of McBride plc's Annual Report and Accounts 2020. A copy of McBride plc's Annual Report and Accounts 2020 is available on McBride's website at **www.mcbride.co.uk.**

16. 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:

- 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;
- return on capital employed – adjusted operating profit as a percentage of average period-end net assets excluding net debt; and
- debt/adjusted EBITDA – net debt divided by EBITDA before adjusting items.

Additional information

Financial calendar for the year ending 30 June 2021

Payments to shareholders		
Final	Announcement	7 September 2021
Results		
Interim	Announcement	23 February 2021
Preliminary statement for full year	Announcement	7 September 2021
Annual Report and Accounts 2021	Circulated	September 2021
Annual General Meeting	To be held	19 October 2021

Exchange rates

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

	Unaudited Half year to 31 Dec 2020	Unaudited Half year to 31 Dec 2019	Audited Year ended 30 June 2020
Average rate:			
Euro	**1.11**	1.14	1.14
US Dollar	**1.31**	1.26	1.26
Polish Zloty	**4.95**	4.88	4.96
Czech Koruna	**29.39**	29.12	29.60
Danish Krone	**8.23**	8.48	8.51
Hungarian Forint	**394.80**	374.60	384.57
Malaysian Ringgit	**5.42**	5.24	5.30
Australian Dollar	**1.81**	1.84	1.88
Closing rate:			
Euro	**1.11**	1.18	1.10
US Dollar	**1.36**	1.32	1.23
Polish Zloty	**5.07**	5.00	4.89
Czech Koruna	**29.19**	29.86	29.31
Danish Krone	**8.28**	8.78	8.17
Hungarian Forint	**404.76**	388.49	390.80
Malaysian Ringgit	**5.49**	5.40	5.26
Australian Dollar	**1.77**	1.88	1.79

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

McBride plc 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.

Our locations

Europe

- Bagnatica
- Estaimpuis
- Etain
- Foetz
- Hammel
- Holstebro
- Ieper
- Manchester[1]
- Middleton
- Moyaux
- Rosporden
- Sallent
- Strzelce

Asia Pacific

- Hong Kong[1]
- Ho Chi Minh City
- Kuala Lumpur
- Melbourne[1]

(1) Offices.