McBride plc Half-Year Report 2012

Effective execution …everyday!

About McBride

Passionate about Private Label

McBride is Europe's leading provider of Private Label Household and Personal Care products developing, producing and selling our products to the major grocery retailers throughout Europe and beyond.

With our market knowledge, product development skills, manufacturing scale and technical know-how, we are dedicated to supporting the changing needs of our retail customers and consumers.

Highlights

- 6% revenue reduction at constant currency, mainly as a consequence of the previously announced reduction in contract manufacturing.
- 2% revenue growth in our Core and Future Growth categories, with a 2% overall decline in Private Label due to the previously announced exit of certain low-margin non-core business.
- Adjusted operating profit[(1)] increased 13%, reflecting margin improvement from a strengthening business mix and cost reduction measures.
- Net debt of 1.7x annualised adjusted EBITDA.[(1)]
- Interim dividend in line with previously re-based final dividend.
- New product development feeding a pipeline of product launches, with 15 already executed.

£m unless otherwise stated	2012	2011[(2)]	Change
Revenue	378.2	423.1	-11%
Revenue (constant currency)	378.2	403.8	-6%
Operating profit	9.1	2.7	+237%
Adjusted operating profit[(1)]	11.6	10.3	+13%
Diluted earnings/(loss) per share	2.4p	(0.2)p	n/a
Adjusted diluted earnings per share[(1)]	3.5p	3.0p	+17%
Return on capital employed[(1)]	12.2%	10.3%	+1.9pts
Interim dividend per share[(3)]	1.7p	2.0p	-15%
Net debt	77.8	81.2	-4%

(1) Adjusted operating profit and adjusted diluted earnings per share are calculated before adjusting items. See page 3 for definition of adjusting items. Adjusted operating profit is used to calculate return on capital employed.
(2) Net debt comparative is as at 30 June 2012, all other comparatives refer to the six months ended on 31 December 2011 unless otherwise stated.
(3) See page 5.

"The most pleasing aspect of our results today is the 2% revenue growth achieved in the Private Label categories that we have identified as being central to our long term growth plans. This is a clear sign that consumers are preferring Private Label as they seek cost-effective but high-performing Household and Personal Care products.

Growth in Adjusted Operating Profit of 13% is also positive, reflecting the improved mix and increased efficiencies that we are driving across the business.

Looking forward, we have an exciting programme of product launches for the second half that will accelerate further our Private Label revenue growth."

Chris Bull
Chief Executive

Business review

Overview

Overall the Group has delivered a performance in line with the Board's expectations, achieving margin improvement over the same period in the prior year despite lower revenues, which were mainly driven by planned reductions in contract manufacturing and exit from low-margin non-core business.

- Reported revenue decreased by 11%, and on a constant currency basis decreased by 6%.
- The Group continues to focus on cost efficiency with administrative costs before adjusting items £7.2 million lower than prior year and £3.3 million lower at constant currency.
- Adjusted operating profit[1] for the first half was £11.6 million (2011: £10.3m), reflecting the impact of cost reduction programmes in the current and previous years and margin improvement from strengthening business mix. As a result, adjusted operating profit[1] margin increased to 3.1% (2011: 2.4%) and return on capital employed[1] increased to 12.2% (2011: 10.3%).
- Cash generated from operations, before exceptional items, was £20.3 million (2011: £17.3m).
- In the UK external revenue decreased by 6% to £150.0 million (2011: £160.3m) reflecting the exiting of low margin contracts. Adjusted operating profit[1] increased 3% to £7.1 million (2011 re-presented[2]: £6.9m) driven by cost reductions.
- In Western Europe external revenue decreased by 17% to £196.9 million (2011 re-presented[2]: £236.2m) and decreased by 10% on a constant currency basis mainly as a consequence of the wind down in contract manufacturing. Adjusted operating profit[1] increased 6% to £7.2 million (2011 re-presented[2]: £6.8m), driven by cost reductions and restructuring benefits.
- In the Rest of the World revenues increased by 18% to £31.3 million (2011 re-presented[2]: £26.6m) and increased by 22% on a constant currency basis, while adjusted operating profit[1] doubled to £0.6 million (2011: £0.3m).

Strategy

Our strategy is to drive Private Label growth in Household and Personal Care sectors throughout Europe and into developing and emerging markets through product innovation, excellent customer service and quality, and by exploiting our scale in procurement and operational efficiency. We will continue to focus on a number of core product categories which we believe offer the best growth prospects, and to examine opportunities to expand our geographic reach.

The main achievements have been:

- Delivery of the Supply Chain re-structuring savings with administrative overheads before adjusting items reduced by £7.2 million (£3.3m at constant currency) compared to the same period in the prior year;
- The Group-led R&D function driving New Product Development ('NPD') projects more effectively through Centres of Excellence and with greater customer engagement;
- The further development of the organisation of the Group, with the removal of the divisional structures in July 2012 and the creation of Group Commercial Business Units and Operations functions focused respectively on driving growth and cost reduction;
- The planned reduction in contract manufacturing activity in the first half, which has allowed the Group to pursue Private Label opportunities supported by its R&D structure with 60 new product launches planned in the second half;
- Operating margin improvements across the business segments compared to the same period in the prior year.

We continue to pursue our strategy of driving revenue growth, supported by extending the use of our category management approach; targeting profitable new product development through the re-organised R&D team; delivering targets from Lean manufacturing; achieving targeted overhead cost reductions, complexity reduction and process improvements; and continuing to strengthen our geographic weighting in higher growth environments.

Outlook

Trading since the end of December has been in line with the Board's expectations and our programme of product launches is being executed in line with plan. The full impact of this growth in the second half remains dependent on the exact timing of the remaining launches and wider economic conditions.

Reconciliation of adjusted results to statutory results

	Operating profit			Diluted adjusted earnings per share		
	Unaudited 6 months to 31 Dec 2012 £m	Unaudited 6 months to 31 Dec 2011 £m	Audited Year ended to 30 June 2012 £m	**Unaudited 6 months to 31 Dec 2012 p**	Unaudited 6 months to 31 Dec 2011 p	Audited Year ended to 30 June 2012 p
Adjusted result	**11.6**	10.3	29.5	**3.5**	3.0	9.7
Less:						
Amortisation of intangible assets	**(0.5)**	(0.9)	(1.7)	**(0.2)**	(0.4)	(0.7)
Exceptional items	**(2.0)**	(6.3)	(11.6)	**(0.8)**	(2.6)	(4.6)
Changes in estimates of contingent consideration arising on business combinations	**–**	(0.4)	1.9	**–**	(0.2)	0.7
Unwind of discount on initial recognition of contingent consideration	**–**	–	–	**(0.1)**	–	(0.1)
Statutory result	**9.1**	2.7	18.1	**2.4**	(0.2)	5.0

(1) Adjusted operating profit, adjusted EBITDA and adjusted earnings per share are stated before those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying performance achieved by the Group ('adjusting items'). Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax. Adjusted operating profit is used to calculate return on capital employed.

(2) The segmental review of the Group has been re-presented to reflect the new structure with the reportable segments being defined as UK, Western Europe and Rest of the World (covering Eastern Europe and Asia). As part of these changes the Group's internal reporting moved to a see through margin basis ignoring intercompany adjustments to allow greater visibility of gross margins on external sales. These changes are reflected in the segmental analysis and prior period figures have been re-presented to reflect the same basis, with further explanations provided in note 3 to these accounts.

Business review
continued

Business Review
On 1 July 2012, we implemented a re-organisation of the Group with the principal aim of removing the divisional structures. This is a logical progression from the organisational changes we have implemented under 'Project Refresh' over the last two years to exploit our scale and capabilities. The resulting leaner organisation is focused around Group Commercial Business Units, Supply Chain Operations and R&D functions. Management review the business based on the new commercial structure which is based on business units ('BUs'). The segmental reporting of the Group has therefore been re-presented to reflect the new structure with the segments being defined as UK, Western Europe and Rest of the World (covering Eastern Europe and Asia). As part of these changes the Group's internal reporting moved to a see through margin basis ignoring intercompany adjustments to allow greater visibility of gross margins on external sales. These changes are reflected in the segmental analysis below and in note 3.

UK business review
In the UK market we have seen a weak overall retail environment with high levels of branded promotional activity. The UK business saw revenue reduce by 6% reflecting the exiting of low margin contracts and weaker than expected demand in December.

Private Label's Household products volume market share for the 26 weeks ending December 2012 remained broadly flat compared to December 2011. The Private Label sectors including McBride's core growth categories: machine dish-wash tablets, laundry liquids and cleaners outperformed gaining volume share with other household categories marginally lower.

The business remains focused on operational excellence and new product development.

(Source of market data: McBride estimates based on Kantar Europanel data.)

Western Europe business review
Reported revenue for the Western European business decreased by 17% to £196.9 million (2011 re-presented: £236.2m), and decreased by 10% on a constant currency basis. The decrease was principally driven by the planned reduction in the level of contract manufacturing activity.

Markets in Western Europe continue to be affected by the weak economic environment and continuing high levels of unemployment in many countries. Private Label products continue to outperform. In Italy, France and Germany the total market for Household products declined in the year to December 2012, whilst Private Label volumes remained broadly flat resulting in Private Label volume shares of 22%, 32% and 44% respectively.

The business is focussed on delivery of new product development initiatives and delivery of further operational cost efficiencies.

(Source of market data: IRI Symphony.)

Rest of the World business review
Reported revenue for the Rest of the World increased 18% to £31.3 million (2011 re-presented: £26.6m), and at constant currency increased by 22%. We expect the ongoing development of retail chains in the region, to continue to drive growth in Private Label market share. Growth was particularly strong in Poland.

In Poland, Private Label products demonstrated strong market growth with Household and Personal care products up 23% in the year to December 2012, with Private Label market share improving to 18% (2011: 16%).

Group financial review
Revenue
Group revenue decreased 11% to £378.2 million (2011: £423.1m) which includes organic revenue reduction of 6% in the period and 5% adverse currency impact. The revenue reduction was mainly due to reduced contract manufacturing activity. Private Label sales in our core and future growth categories grew by 2% compared to the prior year on a constant currency basis.

In the UK external revenues decreased by 6% to £150.0 million (2011: £160.3m). Revenues in Western Europe fell by 17% to £196.9 million (2011 re-presented: £236.2m) as this segment was strongly impacted by the planned decline in contract manufacturing business. In the Rest of the World revenues increased by 18% to £31.3 million (2011 re-presented: £26.6m), with strong growth in Poland.

Adjusted operating profit
Group adjusted operating profit (see note 2) increased 13% to £11.6 million (2011: £10.3m). The operating margin increased to 3.1% from 2.4% reflecting the effects of cost reduction programmes and margin improvement.

UK adjusted operating profit was up 3% at £7.1 million (2011 re-presented: £6.9m) and the operating margin increased from 4.3% to 4.7%. In Western Europe, adjusted operating profit increased by 6% to £7.2 million (2011 re-presented: £6.8m) and the margin increased from 2.9% to 3.7%. In the Rest of the World, adjusted operating profit doubled to £0.6 million (2011 re-presented: £0.3m) and the margin increased from 1.1% to 1.9%.

Finance costs
Net finance costs increased slightly to £3.2 million (2011: £3.1m).

Adjusting items
There were exceptional charges of £2.0 million in the period. This charge includes exceptional charges of £1.4 million in respect of setting up a new Shared Service Centre ('SSC') in Manchester as part of the functional reorganisation effective from July 2012. Of this charge, £1.0 million related to the UK segment and comprised project management and advisory costs of £0.5 million and other restructuring costs of £0.5 million. The remaining £0.4 million was incurred in the Western Europe segment and consisted of £0.3 million of redundancy costs and £0.1 million of project management and advisory costs. There were additional net costs of £0.6 million in Western Europe in relation to the previously announced restructuring of the Group's supply chain, which comprised £1.5 million of logistics and storage costs, offset by reduced redundancy costs.

The charge in relation to amortisation of intangible assets in the period was £0.5 million (2011: £0.9m). There was no charge in relation to revision of estimates of contingent consideration (2011: £0.4m) and there was a non-cash finance charge from the unwind of initial recognition of contingent consideration of £0.3 million (2011: £0.1m).

Profit/loss before tax and tax charge

Profit before tax was £5.9 million (2011: loss of £0.4m) and, excluding adjusting items, adjusted profit before tax increased 19% to £8.7 million (2011: £7.3m). The £1.5 million tax charge (2011: £0.1m credit) reflects a 25% effective rate (2011: 25%).

Earnings/(loss) per share and payments to shareholders

Basic earnings per share ('EPS') was 2.4 pence (2011: loss per share of 0.2p) and adjusted basic EPS increased to 3.5 pence (2011: 3.0p). On an adjusted basis, diluted EPS increased 17% to 3.5 pence (2011: 3.0p). The weighted average number of shares in the period used in calculating basic and diluted earnings per share was 182.1 million (2011: 179.6m) and 182.6 million (2011: 180.6m) respectively.

The Board is intending to continue to utilise the 'B Share' scheme as a mechanism for making payments to shareholders. Accordingly, the Board is recommending the allotment of 17 B shares (2011: 20), equating to an interim dividend payment of 1.7 pence per share (2011: 2.0p) reflecting an interim dividend in line with the previously re-based final dividend for 2011/12. The B shares would be issued and credited as fully paid to shareholders who are on the register on 26 April 2013 such that they would receive 17 B Shares having an aggregate nominal amount of 1.7 pence for each ordinary share held. This would be coupled with an offer to elect to redeem B shares for cash at their nominal value on 31 May 2013. These elections must be made by 13 May 2013.

Cash flow and net debt

Net cash generated from operations, excluding cash flows relating to exceptional items, was £20.3 million (2011: £17.3m). There was a net working capital outflow in the first half of £1.8 million (2011: £3.8m).

Capital expenditure in the period was £5.1 million (2011: £10.8m). Overall net debt at 31 December 2012 was £77.8 million compared to £81.2 million at 30 June 2012. The £3.4 million decrease included a cash outflow of £5.8 million relating to exceptional items. There were favourable currency related movements of £0.5 million.

Balance sheet

Group net assets of £109.0 million were £3.4 million lower compared to 30 June 2012. This was mainly due to an increase in the deficit in the UK pension scheme.

The pre-tax return on average capital employed, before adjusting items was 12.2% compared to 10.3% for the first half of the prior year and 14.7% for the full year. The increase was largely driven by improved operating profit margin, due to tight cost control.

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. These risks, along with events in the financial markets and their potential impacts on the wider economy, remain the most likely to affect the Group in the second half of the year.

- → Unrecovered cost inflation
- → Serious loss of volume
- → Increasingly competitive market
- → Degree of business change
- → Supplier failure

For greater detail of these risks, please refer to page 56 to 59 of the McBride plc Annual Report and Accounts 2012, which is available on the Group's website **www.mcbride.co.uk**.

The Board has reviewed the company's funding and liquidity at 31 December 2012. A number of forward looking down-side scenarios have been examined, including one that considers a significant increase in raw material prices. In each case, there would be sufficient headroom within the company's credit facility to accommodate the impact of the scenario, and still allow sufficient contingency headroom. The facility expires in June 2015.

Responsibility statement

We confirm that to the best of our 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 4.2.7R 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 4.2.8R 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 changes in the related party transactions described in the last annual report that could do so.

The Board

The Board of Directors that served during the six months to 31 December 2012 and their respective responsibilities can be found on pages 47 and 75 of the McBride plc Annual Report and Accounts 2012. Steve Hannam was appointed a Non Executive Director of the Board on 4 February 2013.

By order of the Board

6 February 2013

Independent review report to McBride plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2012, which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated cash flow statement, condensed consolidated statement of changes in equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
6 February 2013

Notes:

(a) The maintenance and integrity of the McBride plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Condensed interim consolidated income statement

	Note	Unaudited 6 months to 31 Dec 2012 £m	Unaudited 6 months to 31 Dec 2011 £m	Audited Year ended 30 June 2012 £m
Revenue	3	**378.2**	423.1	813.9
Cost of sales		**(257.8)**	(294.3)	(558.3)
Gross profit		**120.4**	128.8	255.6
Distribution costs		**(25.7)**	(28.2)	(52.4)
Administrative costs:				
Before adjusting items		**(83.1)**	(90.3)	(173.7)
Amortisation of intangible assets		**(0.5)**	(0.9)	(1.7)
Exceptional items	9	**(2.0)**	(6.3)	(11.6)
Changes in estimates of contingent consideration arising on business combinations		**–**	(0.4)	1.9
Administrative costs including adjusting items		**(85.6)**	(97.9)	(185.1)
Operating profit	3	**9.1**	2.7	18.1
Adjusted operating profit	3	**11.6**	10.3	29.5
Financial income		**2.0**	2.5	4.9
Financial expenses				
Before adjusting items		**(4.9)**	(5.5)	(10.7)
Unwind of discount on contingent consideration		**(0.3)**	(0.1)	(0.2)
Net financing costs including adjusting items		**(3.2)**	(3.1)	(6.0)
Profit/(loss) before tax		**5.9**	(0.4)	12.1
Taxation		**(1.5)**	0.1	(3.0)
Profit/(loss) for the period		**4.4**	(0.3)	9.1
Earnings/(loss) per ordinary share (pence)	6			
Basic		**2.4**	(0.2)	5.1
Diluted		**2.4**	(0.2)	5.0

Condensed interim consolidated statement of comprehensive income

	Unaudited 6 months to 31 Dec 2012 £m	Unaudited 6 months to 31 Dec 2011 £m	Audited Year ended 30 June 2012 £m
Profit/(loss) for the period	**4.4**	(0.3)	9.1
Other comprehensive income/(expense)			
Foreign exchange translation differences	**0.8**	(10.0)	(14.3)
Net (loss)/gain on hedge of net investment in foreign subsidiaries	**(0.8)**	7.0	10.0
Effective portion of loss in fair value of cash flow hedges	**(1.0)**	(1.8)	(4.4)
Net changes in fair value of cash flow hedges transferred to income statement	**2.0**	(1.4)	0.8
Actuarial loss on defined benefit pension schemes	**(3.8)**	(2.2)	(5.8)
Taxation relating to components of other comprehensive income	**0.1**	0.3	1.9
Total other comprehensive expense	**(2.7)**	(8.1)	(11.8)
Total comprehensive income/(expense) for the period	**1.7**	(8.4)	(2.7)

Condensed interim consolidated balance sheet

	Note	Unaudited as at 31 Dec 2012 £m	Unaudited as at 31 Dec 2011 £m	Audited as at 30 June 2012 £m
Non-current assets				
Intangible assets		35.5	37.8	35.7
Property, plant and equipment	5	169.9	177.1	175.6
Other non-current assets		0.6	0.6	0.6
Derivative financial instruments		0.1	–	0.2
Deferred tax		3.0	2.7	2.1
		209.1	218.2	214.2
Current assets				
Inventories		80.6	77.4	72.1
Trade and other receivables		135.8	148.4	143.1
Derivative financial instruments		–	1.9	0.6
Cash and cash equivalents	8	11.7	5.1	12.4
Assets classified as held for sale		1.2	4.4	1.6
		229.3	237.2	229.8
Total assets		438.4	455.4	444.0
Current liabilities				
Interest bearing loans and borrowings	8	42.0	43.8	48.9
Trade and other payables		190.9	201.8	190.8
Derivative financial instruments		1.6	4.5	2.4
Current tax payable		6.8	5.0	3.8
Provisions		3.0	14.5	7.0
		244.3	269.6	252.9
Non-current liabilities				
Interest bearing loans and borrowings	8	47.5	46.5	44.7
Pensions and other post-employment benefits	11	22.6	17.1	19.5
Trade and other payables		3.9	6.3	3.6
Derivative financial instruments		2.1	–	2.2
Provisions		0.5	0.5	0.4
Deferred tax		8.5	7.8	8.3
		85.1	78.2	78.7
Total liabilities		329.4	347.8	331.6
Net assets		109.0	107.6	112.4
Equity				
Issued share capital		18.3	18.1	18.3
Share premium account		123.7	131.3	129.2
Other reserves		16.6	8.2	10.0
Retained earnings		(50.2)	(50.6)	(45.7)
Equity attributable to owners of the Company		108.4	107.0	111.8
Non-controlling interests		0.6	0.6	0.6
Total equity		109.0	107.6	112.4

Condensed interim consolidated cash flow statement

	Unaudited 6 months to 31 Dec 2012 £m	Unaudited 6 months to 31 Dec 2011 £m	Audited Year ended 30 June 2012 £m
Profit/(loss) before tax	**5.9**	(0.4)	12.1
Net financing costs	**3.2**	3.1	6.0
Pre-tax exceptional charge in the period	**2.0**	6.3	11.6
Changes in estimate of contingent consideration	**–**	0.4	(1.9)
Share based payments	**0.1**	–	0.3
Profit on sale of non-current assets	**(0.1)**	–	(1.0)
Depreciation	**11.5**	12.0	23.5
Amortisation of intangible assets	**0.5**	0.9	1.7
Operating cash flow before changes in working capital	**23.1**	22.3	52.3
Decrease in receivables	**6.9**	2.4	0.2
(Increase)/decrease in inventories	**(8.2)**	(0.1)	3.0
Decrease in payables	**(0.5)**	(6.1)	(13.7)
Additional cash funding of pension scheme	**(1.0)**	(1.2)	(2.3)
Cash outflow in respect of exceptional items	**(5.8)**	(2.3)	(6.7)
Cash generated from operations	**14.5**	15.0	32.8
Interest paid	**(2.3)**	(2.9)	(5.5)
Taxation received/(paid)	**0.9**	1.4	–
Net cash from operating activities	**13.1**	13.5	27.3
Cash flows from investing activities			
Proceeds from sale of non-current assets	**0.5**	–	4.3
Acquisition of property, plant and equipment	**(4.8)**	(9.8)	(25.2)
Acquisition of intangible assets	**(0.3)**	(1.0)	(1.2)
Acquisition of businesses, net of cash acquired	**(0.5)**	(1.9)	(1.9)
Interest received	**–**	0.1	0.1
Settlement of forward contracts used in net investment hedging	**0.2**	1.4	2.4
Net cash used in investing activities	**(4.9)**	(11.2)	(21.5)
Cash flows from financing activities			
Proceeds from issue of share capital	**0.3**	–	2.6
Repurchase of own shares	**–**	(1.1)	(1.1)
Redemption of B shares	**(5.6)**	(8.3)	(11.8)
Increase in borrowings	**40.6**	8.8	17.5
Repayment of borrowings	**(43.1)**	(9.8)	(7.2)
Payment of finance lease liabilities	**(0.1)**	(0.3)	(0.4)
Net cash used in financing activities	**(7.9)**	(10.7)	(0.4)
Net increase/(decrease) in cash and cash equivalents	**0.3**	(8.4)	5.4
Cash and cash equivalents at start of period	**7.6**	2.6	2.6
Effect of exchange rate fluctuations on cash held	**0.7**	0.5	(0.4)
Cash and cash equivalents at end of period	**8.6**	(5.3)	7.6

Condensed interim consolidated statement of changes in equity

	Issued share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity and reserves £m
At 1 July 2011	**18.1**	**139.9**	**6.1**	**(39.3)**	**124.8**	**0.6**	**125.4**
Half-year to 31 December 2011							
Total comprehensive income/(expense)	–	–	(6.2)	(2.2)	(8.4)	–	(8.4)
Transactions with owners of the Company:							
Share based payments	–	–	–	0.3	0.3	–	0.3
Issue of B Shares	–	(8.6)	–	–	(8.6)	–	(8.6)
Redemption of B Shares	–	–	8.3	(8.3)	–	–	–
Own shares acquired and held as Treasury shares	–	–	–	(1.1)	(1.1)	–	(1.1)
Related tax movements	–	–	–	–	–	–	–
At 31 December 2011	**18.1**	**131.3**	**8.2**	**(50.6)**	**107.0**	**0.6**	**107.6**
Half-year to 30 June 2012							
Total comprehensive income/(expense)	–	–	(1.7)	7.4	5.7	–	5.7
Transactions with owners of the Company:							
Share based payments	–	–	–	0.2	0.2	–	0.2
Issue of B Shares	–	(3.6)	–	–	(3.6)	–	(3.6)
Redemption of B Shares	–	–	3.5	(3.5)	–	–	–
Own shares acquired and held as Treasury shares	–	–	–	–	–	–	–
Shares issued to satisfy share option exercises	0.2	1.5	–	0.9	2.6	–	2.6
Related tax movements	–	–	–	(0.1)	(0.1)	–	(0.1)
At 30 June 2012	**18.3**	**129.2**	**10.0**	**(45.7)**	**111.8**	**0.6**	**112.4**
Half-year to 31 December 2012							
Total comprehensive income/(expense)	–	–	1.0	0.7	1.7	–	1.7
Transactions with owners of the Company:							
Share based payments	–	–	–	0.1	0.1	–	0.1
Issue of B Shares	–	(5.5)	–	–	(5.5)	–	(5.5)
Redemption of B Shares	–	–	5.6	(5.6)	–	–	–
Shares issued to satisfy share option exercises	–	–	–	0.3	0.3	–	0.3
Related tax movements	–	–	–	–	–	–	–
At 31 December 2012	**18.3**	**123.7**	**16.6**	**(50.2)**	**108.4**	**0.6**	**109.0**

Notes to the condensed interim financial statements

1. Basis of preparation

This Half Year Report has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom Financial Services 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 2012 and those standards that have been endorsed by the European Union and will be applied at 30 June 2013. This report should be read in conjunction with the financial statements for the year ended 30 June 2012.

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 comparative figures for the financial year ended 30 June 2012 are not the Group's statutory accounts for that financial year. Those accounts were approved by the Directors 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 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.

Going concern basis

The Group has a robust business model with a relatively conservative level of debt-to-equity gearing. As a result, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic climate. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the condensed interim financial statements are prepared on the going concern basis.

The interim financial statements were approved by the Board on 6 February 2013.

2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2012, with the exception of the change in the presentation of the operating segments detailed in note 3.

Adjusted results

The Group believes that adjusted operating profit and adjusted earnings per share (see note 6) 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, changes in estimates of contingent consideration arising on business combinations, any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

Segment reporting

For segment reporting purposes the Executive Management Team, designated as Chief Operating Decision Maker ('CODM'), regularly reviews the Adjusted result described above as the profit measure by operating segment – excluding unallocated corporate expenses – to assess performance and allocate resources. Therefore the segment profit measure is defined as Adjusted results excluding unallocated corporate expenses. This measure is believed to be the most representative of the underlying performance of the Group.

Notes to the condensed interim financial statements continued

3. Segment information

In accordance with IFRS 8 'Operating Segments', the identification of the Group's operating segments is based on internal management reporting as reviewed by the CODM.

The Group has implemented a re-organisation with the principal aim of removing the divisional structures. The CODM reviews the business based on the new commercial structure which is based on business units (BUs). The segmental reporting of the Group has therefore been re-presented to reflect the new structure with the reportable segments being defined as UK, Western Europe and Rest of the World (covering Eastern Europe and Asia), following aggregation in accordance with IFRS 8. As part of these changes the Group's internal reporting moved to a see through margin basis ignoring intercompany adjustments to allow greater visibility of profitability of the end sale. The comparative information has been re-presented using estimates where necessary to provide a reasonable comparative basis. The main change from previous years is the transfer of Germany, Austria, Switzerland into the Western Europe segment from the previous classification of Central and Eastern Europe, as well as presenting Asia together with Eastern Europe within the Rest of the World segment. Under this new management approach the balance sheet items are regularly reviewed by the CODM at Group level and not by operating segment, therefore presentation of these have been removed from the disclosures.

	Segment revenue		
	6 months to 31 Dec 2012 £m	Re-presented 6 months to 31 Dec 2011 £m	Re-presented Year ended 30 Jun 2012 £m
United Kingdom	**150.0**	160.3	309.0
Western Europe	**196.9**	236.2	448.7
Rest of the World	**31.3**	26.6	56.2
	378.2	423.1	813.9

	Segment profit		
	6 months to 31 Dec 2012 £m	Re-presented 6 months to 31 Dec 2011 £m	Re-presented Year ended 30 Jun 2012 £m
United Kingdom	**7.1**	6.9	20.1
Western Europe	**7.2**	6.8	16.5
Rest of the World	**0.6**	0.3	0.3
	14.9	14.0	36.9

Reconciliation of segment profit to reported (loss)/profit before tax

	6 months to 31 Dec 2012 £m	6 months to 31 Dec 2011 £m	Year ended 30 Jun 2012 £m
Total segment profit	**14.9**	14.0	36.9
Corporate costs	**(3.3)**	(3.7)	(7.4)
Adjusted operating profit	**11.6**	10.3	29.5
Amortisation of intangible assets	**(0.5)**	(0.9)	(1.7)
Changes in contingent consideration	**–**	(0.4)	1.9
Exceptional items	**(2.0)**	(6.3)	(11.6)
Reported operating profit	**9.1**	2.7	18.1
Net financing costs	**(3.2)**	(3.1)	(6.0)
Reported profit/(loss) before tax	**5.9**	(0.4)	12.1

4. Acquisitions

6 months ended 31 December 2012

On 1 August 2012 following the exercise of its put/call option, the Group acquired the remaining 15% shareholding in Fortlab Holdings Sdn Bhd for consideration of £0.5 million (RM2.7m).

5. Property, plant and equipment

	Total £m
Net book value at 1 July 2012	**175.6**
Exchange movements	0.5
Additions	5.3
Disposals	–
Depreciation charge	(11.5)
Net book value at 31 December 2012	**169.9**

The contractual capital commitments as at 31 December 2012 were £2.4 million.

6. Earnings/(loss) per ordinary share

		6 months to 31 Dec 2012	6 months to 31 Dec 2011	Year ended 30 Jun 2012
Total earnings/(loss) (£m)	a	**4.4**	(0.3)	9.1
Weighted average number of ordinary shares (million)	b	**182.1**	179.6	179.8
Basic earnings/(loss) per share (pence)	a/b	**2.4**	(0.2)	5.1

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on assumption of conversion of all potentially dilutive ordinary shares. The Company has two categories of potentially dilutive ordinary shares: shares allocated to an approved Save As You Earn scheme, which finished during the period and share awards with no option price.

		6 months to 31 Dec 2012	6 months to 31 Dec 2011	Year ended 30 Jun 2012
Weighted average number of ordinary shares (million)	b	**182.1**	179.6	179.8
Effect of dilutive share awards (million)		**0.1**	0.2	0.3
Effect of dilutive SAYE scheme shares (million)		**0.4**	0.8	0.8
	c	**182.6**	180.6	180.9
Diluted earnings/(loss) per share (pence)	a/c	**2.4**	(0.2)	5.0

Adjusted basic earnings per share applies to earnings excluding adjusting items as defined in note 2 since the directors consider that this gives additional information as to the underlying performance of the Group.

		6 months to 31 Dec 2012	6 months to 31 Dec 2011	Year ended 30 Jun 2012
Earnings used to calculate basic and diluted EPS (£m)	a	**4.4**	(0.3)	9.1
Exceptional items after tax (£m)		**1.4**	4.7	8.3
Amortisation of intangible assets after tax (£m)		**0.4**	0.7	1.3
Changes in estimates of contingent consideration arising on business combinations (£m)		**–**	0.3	(1.3)
Unwind of discount on contingent consideration after tax (£m)		**0.2**	–	0.2
Earnings before adjusting items (£m)	d	**6.4**	5.4	17.6
Adjusted basic earnings per share (pence)	d/b	**3.5**	3.0	9.8
Adjusted diluted earnings per share (pence)	d/c	**3.5**	3.0	9.7

Notes to the condensed interim financial statements continued

7. Payments to shareholders

	6 months to 31 Dec 2012 £m	6 months to 31 Dec 2011 £m	Year ended 30 Jun 2012 £m
Issue of B shares in lieu of final dividend	5.5	8.6	–
Issue of B shares in lieu of interim dividend	–	–	3.5
Dividends paid in period	–	–	8.3
	5.5	8.6	11.8
Proposed issue of B shares in lieu of final dividend	–	–	5.5
Proposed issue of B shares in lieu of interim dividend	3.1	3.6	–

On 24 March 2011, shareholders approved proposals for the implementation of a 'B Share' scheme as a mechanism for making payments to shareholders. This involves the issue of non-cumulative redeemable preference shares (known as 'B shares') in place of income distributions. Shareholders are able to redeem any number of their B Shares for cash. Any B Shares retained attract a dividend of 75 per cent of LIBOR on the 0.1p nominal value of each share, paid on a twice-yearly basis. The nominal value of unredeemed B shares is included in trade and other payables in the balance sheet.

Movements in the B Shares were as follows:

Issued and Fully paid	Number	Nominal value £m
At 30 June 2011	**136,372,005**	**0.1**
Half year to 31 December 2011		
Issued to equity shareholders	8,621,426,688	8.6
Redeemed	(8,326,131,133)	(8.3)
At 31 December 2011	**431,667,560**	**0.4**
Half year to 30 June 2012		
Issued to equity shareholders	3,583,022,360	3.6
Redeemed	(3,519,305,032)	(3.5)
At 30 June 2012	**495,384,888**	**0.5**
Half year to 31 December 2012		
Issued to equity shareholders	5,465,811,510	5.5
Redeemed	(5,591,305,669)	(5.6)
At 31 December 2012	**369,890,729**	**0.4**

8. Net debt

	As at 30 Jun 2012 £m	Cash flow £m	Exchange differences £m	Total £m
Cash and cash equivalents per the balance sheet	12.4	(1.3)	0.6	11.7
Overdrafts	(4.8)	1.6	0.1	(3.1)
Cash and cash equivalents per the cash flow statement	7.6	0.3	0.7	8.6
Debt: Due after one year	(44.6)	(2.6)	(0.1)	(47.3)
Debt: Due within one year	(43.8)	5.1	(0.1)	(38.8)
Debt: Finance leases	(0.4)	0.1	–	(0.3)
Net debt	**(81.2)**	2.9	0.5	**(77.8)**

9. Exceptional items

Exceptional items are presented separately as, due to their nature or the infrequency of the events giving rise to them, this allows users of the financial statements to understand better the elements of financial performance for the year, to facilitate comparison with prior periods, and to assess the trends of financial performance.

The amounts charged to the income statement in the period mainly relate to the reorganisation of the management structure in July 2012 and the subsequent creation of a new shared service centre in Manchester; and to restructure the business partner support to the supply chain and commercial operations. Offsetting these charges are the lower than originally planned levels of redundancy costs as a result of increased activities in the areas affected by the initial provision. The amounts are summarised below:

	6 months to 31 Dec 2012 £m
Redundancies	**0.3**
Restructuring and business reorganisation costs	**2.6**
Reduction in previously provided redundancy costs*	**(0.9)**
	2.0

* Lower level of provision was required owing to the supply chain restructuring initiative.

10. Related party transactions

In the course of normal operations, related party transactions entered into by the Group have been contracted on an arm's length basis.

(i) Transactions with key management personnel, pensions and post-employment schemes

Key management compensation and transactions with the Group's pension and post-employment schemes for the financial year ended 30 June 2012 are detailed in note 5 (page 95) and note 19 (page 107) respectively of McBride plc's 2012 Annual Report. A copy of McBride plc's Annual Report is available on McBride's website at **http://www.mcbride.co.uk**. There have been no changes in the composition of the Executive Management Team or in the type of transactions with them since the year end.

11. Pensions and post-employment benefits

The most recently completed triennial actuarial valuation of the UK defined benefit scheme was performed by an independent actuary for the trustees of the scheme and was carried out as at 31 March 2009. The results of that valuation have been projected to 31 December 2012 and then updated based on the assumptions at that date. The next triennial valuation of the UK defined benefit scheme as at 31 March 2012 is currently in progress and is expected to be finalised before 30 June 2013. The result of that valuation will be used as a basis for calculating the defined benefit scheme liability at 30 June 2013.

Notes to the condensed interim financial statements continued

Financial calendar for the year ending 31 December 2013

Payments to shareholders		
Interim	Announcement	7 February 2013
	Ex-dividend entitlement to B Shares	29 April 2013
	Redemption of B Shares	31 May 2013
Final	Announcement	September 2013
	Ex-dividend entitlement to B Shares	October 2013
	Redemption of B Shares	November 2013
Results		
Interim	Announcement	7 February 2013
Preliminary statement for full year	Announcement	September 2013
Report and Accounts	Circulated	September 2013
Annual General Meeting	To be held	October 2013

Exchange rates

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

	6 months to 31 Dec 2012	6 months to 31 Dec 2011	Year ended 30 June 2012
Average rate:			
Euro	**1.25**	1.15	1.18
Polish Zloty	**5.16**	4.95	5.05
Czech Koruna	**31.44**	28.70	29.63
Hungarian Forint	**354.31**	334.00	346.47
Malaysian Ringgit	**4.92**	4.91	4.89
Closing rate:			
Euro	**1.23**	1.20	1.24
Polish Zloty	**5.03**	5.34	5.23
Czech Koruna	**30.94**	30.50	31.56
Hungarian Forint	**359.05**	377.00	353.17
Malaysian Ringgit	**4.97**	4.93	4.98

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