



McBride plc  
Half Year Report 2007

## More choice for the consumer



**We are Europe's leading provider of Private Label household and personal care products.**

For us, the key to thriving in our dynamic markets is to set the standards, not merely follow them. With our know-how and commitment, we remain aligned with the evolving needs of our customers and our markets. It is our close, proactive relationship with customers, combined with our distinct culture focused on team working and continuous improvement, that keeps us right at the top of the Private Label sector.

Our dedication to the sustained growth of Private Label category sales has kept us busy this year. Behind the label, we have been adding more growth, innovation, scale, efficiency and sustainability.

## Highlights

- > Revenue up 23% to £342.9m (2006: £278.2m) driven by recent acquisitions
- > Adjusted operating profit was £16.0m (2006: £16.4m)<sup>(1)</sup>; reported operating profit was £13.5m (2006: £16.3m)
- > Adjusted basic earnings per share were 5.6p (2006: 6.3p)<sup>(1)</sup>; reported basic earnings per share were 4.6p (2006: 6.3p)
- > Interim dividend per share maintained at 1.7p (2006: 1.7p)
- > Net debt of £102.6m as at 31 December 2007, an increase of £21.7m in the six month period

(1) Adjusted operating profit and adjusted basic earnings per share are calculated before amortisation of intangible assets and exceptional items.

Miles Roberts, Chief Executive, commented:

“We have experienced, mainly in the second quarter of the first half, unprecedented increases in our raw material costs. These cost increases have been partially mitigated by continuing improvements in operational efficiencies, purchasing and value engineering. Additionally, we have been discussing price increases with our customers and, to date, a significant proportion of these cost increases have been recovered. The inevitable time lag between cost and selling price increases has impacted margins.

Trading since the end of December has been in line with our expectations. The Board recognises that the Company still needs to fully mitigate its cost pressures and the measures it has taken to secure the necessary cost recoveries are well in hand.”

# Business overview

## Overview

Overall the Group delivered a resilient performance in the face of unprecedented increases in raw materials costs and competitive trading conditions in the two main household products markets in the UK and France.

- > Recovery of increased raw materials costs through selling price increases commenced and continues into the second half
- > Continue to seek opportunities to improve efficiencies and ensure the optimum asset base for the Group's future development
- > Recent acquisitions deliver good trading performance
- > Total revenue up 23% to £342.9m (2006: £278.2m). Organic<sup>(1)</sup> revenue declined 1% with personal care growing 6%
- > Adjusted Group operating profit was £16.0m (2006: £16.4m), reflecting increased raw materials costs partially mitigated by operational efficiencies, purchasing savings and the contribution from recent acquisitions
- > In the UK, total revenue was up 13% to £151.8m (2006: £134.6m). Adjusted operating profit declined 26% to £9.2m (2006: £12.4m)
- > The Western Continental Europe business delivered a resilient performance, with total revenue up 36% to £188.2m (2006: £138.3m), reflecting strong contributions from recent acquisitions. Adjusted operating profit improved 59% to £6.2m (2006: £3.9m) driven by the recent acquisitions
- > Eastern Continental Europe is continuing to benefit from buoyant trading conditions with revenues up 38% to £16.3m (2006: £11.8m) and adjusted operating profit up 25% to £1.0m (2006: £0.8m)

(1) Organic refers to the results of underlying businesses at constant currency, excluding the effect of acquisitions.

## Current trading and outlook

Trading since the end of December has been in line with our expectations although the second half remains challenging.

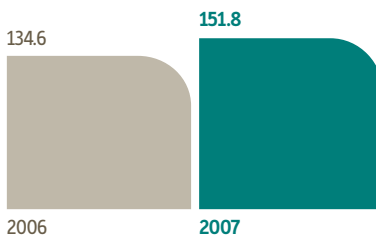
We will continue to make McBride a more robust business by rigorous execution in our existing businesses and increasing our exposure to more attractive product categories and geographies.

## UK business review

### Revenue by origin (€m)

#### UK

6 months to 31 December



The UK household products market is relatively mature with modest overall growth in value terms driven by innovation and momentum in selected product categories such as automatic dishwashing and air care. Private Label has maintained a market share of around 20% in recent years with actual Private Label sales declining by 2% in the period to December 2007.

In personal care, the total UK market grew by 5% in value in the year to December 2007 whilst Private Label grew well ahead of the market. Product categories showing good growth were skin care, liquid soap, mouthwash and deodorants. Private Label's value share of the market was 19% in the year to December 2007.

McBride's UK business increased total revenue by 13% to £151.8m (2006: £134.6m) driven by the contribution from the recent acquisitions of Henkel's UK Private Label household products business and Darcy Industries as well as organic growth of 8% in personal care.

Adjusted operating profit declined by 26% reflecting material cost inflation. To counter the cost inflation, we have commenced various initiatives to improve performance including achieving operational efficiencies, rationalisation and obtaining price increases from our customers.

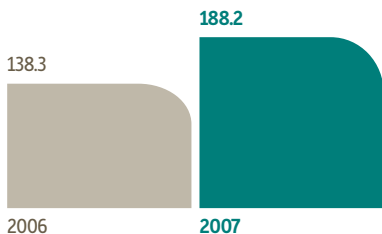
(Source of market data: McBride estimates based on Taylor Nelson Sofres retail selling price data.)

## Western Continental Europe business review

### Revenue by origin (£m)

#### Western Continental Europe

6 months to 31 December



France is McBride's largest market in Western Continental Europe. The overall household products and personal care markets have continued their recent trend of modest growth. In the year to November 2007 these markets recorded 1% growth and 1% decline respectively. However, Private Label has continued its recent outperformance against the overall market, recording 6% and 4% growth in household products and personal care respectively in the year to November 2007. Growth in household products, for both the overall market and Private Label, was concentrated in categories such as washing up liquid, automatic dishwashing products and air care. In addition, Private Label performed well in a weak overall laundry market. In personal care, the market has been driven by strong performances in bath and shower products, soap products and deodorants.

In Italy, McBride's second largest market in Western Continental Europe, the total household products market has been growing at an annual rate of 3-4% over the last two years. Growth in the overall market has been driven particularly by the laundry liquid and automatic dishwashing product categories. Private Label has shown consistent value growth in recent years and its growth has accelerated recently, from 2% in the year to December 2006 to 6% in the year to December 2007 driven by strong performances in laundry liquid, up 25%, washing up liquid, up 11%, and household cleaners, up 5%.

McBride's third largest market in Western Continental Europe, Spain, has also continued its recent strong growth with the household products market delivering overall growth of 6% and Private Label growth of 7% in the year to December 2007. This growth was driven by strong performances in categories such as laundry liquid, automatic dishwashing products, household cleaners and air care.

McBride's Western Continental Europe business increased total sales by 36% to £188.2m (2006: £138.3m) reflecting the contribution of the acquisitions of Henkel's Private Label household products business in Continental Europe and Dasty Italia. Dasty Italia has performed particularly well, capitalising on strong market conditions in Italy. Personal care as well as household products in Italy and Spain continued to deliver good organic growth but our main French household products business experienced difficult trading conditions. Underlying organic revenue reduced 1% reflecting a 2% decline in household and 6% growth in personal care.

Adjusted operating profit increased by 59% reflecting the contribution from the acquisitions of Henkel's Private Label business in Western Europe and Dasty Italia. The acquisitions bring significant additional strength to the business with their strong positioning in two of our growth product categories – automatic dishwashing and household cleaners. In addition, we have continued to make progress in improving the operational and financial performance of the underlying business. Nevertheless recent raw materials cost inflation has made it necessary to obtain price increases from customers.

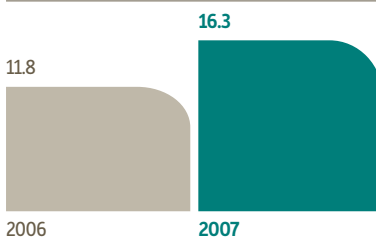
(Source of market data: IRI retail selling price data with data for Italy for the whole market and for France and Spain including supermarkets and hypermarkets but not the hard discount sector.)

## Eastern Continental Europe business review

### Revenue by origin (£m)

#### Eastern Continental Europe

6 months to 31 December



The household and personal care markets of Eastern Continental Europe have demonstrated dynamic growth in recent years. This attractive environment is expected to remain in place for the foreseeable future, supported by a positive macro-economic outlook, growing consumer affluence and the rapid expansion of discounters and international retailers in the region.

## Business overview continued

McBride recently enhanced the resources committed to this business with the appointment of a new senior management team. The process of strengthening the business continues with the aim of this region becoming a more significant contributor to overall Group performance. We are already seeing the expected benefits from this investment with strong organic revenue growth delivered in the period.

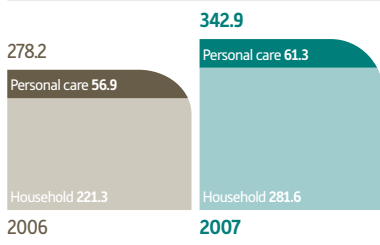
As well as driving further expansion of our core Eastern Continental Europe business in Poland, we have started to see increased activity further east and south across the region.

Total revenue in Eastern Continental Europe increased 38% to £16.3m (2006: £11.8m). Adjusted operating profit increased 25% with the benefits of strong revenue growth offsetting higher raw material costs and investment in people.

### Group financial review Revenue

#### Revenue by class of business (£m)

6 months to 31 December



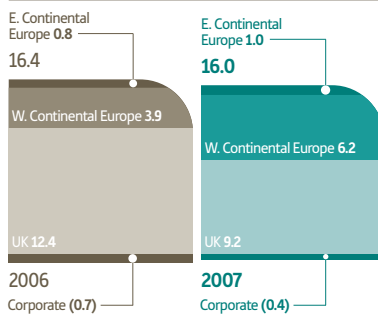
Group revenue increased 23% to £342.9m (2006: £278.2m), with the acquisitions of Dasty Italia, Henkel's European Private Label household products business and Darcy contributing substantially the whole increase. There was a favourable 1% exchange rate impact from the strengthening Euro which was offset by a 1% reduction in organic revenues. The reduction in organic revenues reflects a 3% decline in household products and a 6% increase in personal care.

UK revenues increased 13% to £151.8m (2006: £134.6m), with 15% (£20.2m) from acquisitions and a 2% organic reduction. Western Continental Europe's revenues improved 36% to £188.2m (2006: £138.3m), representing a 35% first time contribution from acquisitions and 2% exchange benefit partially offset by a 1% reduction in organic, primarily French household. Eastern Continental Europe's revenues improved 38% to £16.3m (2006: £11.8m), reflecting increases in both household and personal care.

### Operating profit

#### Operating profit (£m)\*

6 months to 31 December



\* Operating profit is calculated before amortisation of intangible assets and exceptional items.

Group operating profit, before amortisation of intangible assets and exceptional items ('adjusted operating profit'), declined 2% to £16.0m (2006: £16.4m). The operating margin reduced from 5.9% to 4.7% reflecting a significant increase in materials, fuel and other input costs, and higher administrative costs mainly due to acquisitions, partially offset by operational efficiencies and purchasing savings.

Administrative costs, before amortisation of intangible assets and exceptional items, increased 28% to £74.2m (2006: £57.9m), with 18% of the increase from acquisitions and 2% from exchange rate movements. The remaining 8% reflects both volume increases generated from other bolt on acquisitions made in 2006/07, mainly in the UK, and an increasing focus on product development.

UK adjusted operating profit declined 26% to £9.2m (2006: £12.4m) and the operating margin declined from 9.2% to 6.1%. In Western Continental Europe, adjusted operating profit increased 59% to £6.2m (2006: £3.9m) and the margin improved from 2.8% to 3.3%, helped by an above average return from the Dasty acquisition. In Eastern Continental Europe, adjusted operating profit improved 25% to £1.0m (2006: £0.8m) although the margin reduced from 6.8% to 6.1%, impacted by high material costs.

### Finance costs

Net finance costs increased to £2.3m (2006: £0.7m) reflecting primarily an increased interest expense arising from higher debt levels to fund the acquisitions completed in 2007.

### Exceptional items and amortisation of intangible assets

There was a £1.7m pre-tax operating exceptional charge to the income statement in the period related to redundancy programmes in the UK, of £1.0m and Western Continental Europe, of £0.7m. There was a £0.8m amortisation of intangible assets charge in the period.

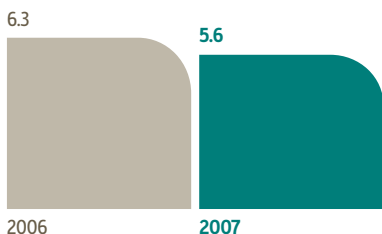
### Profit before tax and tax charge

Adjusted profit before tax declined 13% to £13.7m (2006: £15.7m). Reported profit before tax declined 28% to £11.2m (2006: £15.6m). The effective tax rate reduced to 27% (2006: 28%). Adjusted profit after tax declined 12% to £10.0m (2006: £11.3m).

### Earnings per share and dividend

#### Adjusted basic earnings per share (pence)\*

6 months to 31 December



\* Adjusted basic earnings per share are calculated before amortisation of intangible assets and exceptional items.

Reported basic earnings per share were 4.6p (2006: 6.3p) and diluted earnings per share were 4.5p (2006: 6.1p). Adjusted basic and diluted earnings per share, calculated before amortisation of intangible assets and exceptional items, were 5.6p (2006: 6.3p) and 5.5p (2006: 6.2p) respectively. The weighted average number of shares in the period used in calculating basic and diluted earnings per share was 180.0m (2006: 177.1m) and 181.6m (2006: 180.8m) respectively.

An interim dividend of 1.7p per share (2006: 1.7p) will be paid on 23 May 2008 to shareholders on the register on 25 April 2008.

### Cash flow and net debt

Net cash generated from operations, excluding cashflows relating to exceptional items, was £14.6m (2006: £22.3m). The reduced cash flows reflect primarily some significant non-recurring payables.

The Group's overall net cash flow during the period was also affected by increased interest costs related to the additional debt used to finance recent acquisitions and cash outflows relating to exceptional items. These factors combined with the translational impact of the stronger Euro on Euro debt, resulted in net debt increasing to £102.6m from £80.9m at 30 June 2007.

### Balance sheet

Net assets were marginally higher at 31 December 2007 at £121.1m compared to £120.3m at 30 June 2007.

The pre-tax, before amortisation of intangible assets and exceptional items, return on average capital employed declined from 24.6% to 15.1% reflecting lower profitability as well as higher capital employed following acquisitions completed in the last 12 months.

# 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 2007 and their respective responsibilities can be found on pages 26 and 27 of the McBride plc Annual Report and Accounts 2007.

## **By order of the Board**

6 February 2008



# 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 2007 which comprises the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of recognised income and expense and the related explanatory 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.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

## 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 DTR of the UK FSA.

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

## 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.

## 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 UK. 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 2007 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

## KPMG Audit Plc

Chartered Accountants  
8 Salisbury Square  
London EC4Y 8BB

6 February 2008

# Consolidated income statement

	Note	Unaudited 6 months to 31 Dec 2007 £m	Unaudited 6 months to 31 Dec 2006 £m	Audited Year ended 30 June 2007 £m
<b>Revenue</b>	3	<b>342.9</b>	278.2	592.0
Cost of sales		<b>(230.0)</b>	(185.0)	(393.0)
<b>Gross profit</b>		<b>112.9</b>	93.2	199.0
Distribution costs		<b>(22.7)</b>	(18.9)	(39.7)
Administrative costs:				
Before amortisation of intangible assets and exceptional items		<b>(74.2)</b>	(57.9)	(124.8)
Amortisation of intangible assets		<b>(0.8)</b>	(0.1)	(0.5)
Exceptional items	4	<b>(1.7)</b>	-	(2.1)
Administrative costs including amortisation of intangible assets and exceptional items		<b>(76.7)</b>	(58.0)	(127.4)
<b>Operating profit</b>	3	<b>13.5</b>	16.3	31.9
<b>Operating profit before amortisation of intangible assets and exceptional items</b>		<b>16.0</b>	16.4	34.5
Financial income		<b>3.2</b>	2.4	4.8
Financial expenses		<b>(5.5)</b>	(3.1)	(7.2)
Net financing costs		<b>(2.3)</b>	(0.7)	(2.4)
<b>Profit before tax</b>		<b>11.2</b>	15.6	29.5
Taxation	5	<b>(3.0)</b>	(4.4)	(8.2)
<b>Profit for the period</b>	3	<b>8.2</b>	11.2	21.3
Attributable to:				
Equity holders of the parent		<b>8.2</b>	11.1	21.2
Minority interest		-	0.1	0.1
<b>Profit for the period</b>		<b>8.2</b>	11.2	21.3
<b>Earnings per ordinary share (pence)</b>	6			
Basic		<b>4.6</b>	6.3	11.9
Diluted		<b>4.5</b>	6.1	11.7
<b>Dividends</b>				
Paid in period (£m)		<b>7.0</b>	6.2	9.2
Paid in period (pence per share)		<b>3.9</b>	3.5	5.2
Proposed (£m)		<b>3.1</b>	3.0	6.9
Proposed (pence per share)		<b>1.7</b>	1.7	3.9

# Consolidated balance sheet

	Note	Unaudited as at 31 Dec 2007 £m	Unaudited as at 31 Dec 2006 £m	Audited as at 30 June 2007 £m
<b>Non-current assets</b>				
Intangible assets		41.2	171	41.1
Property, plant and equipment		175.2	128.8	164.3
Other non-current assets		0.5	0.5	0.5
Deferred tax		0.5	4.6	2.6
		<b>217.4</b>	151.0	208.5
<b>Current assets</b>				
Inventories		60.8	48.9	59.7
Trade and other receivables		130.0	104.8	130.7
Cash and cash equivalents		3.3	2.8	6.6
Assets classified as held for sale		1.3	–	1.3
		<b>195.4</b>	156.5	198.3
<b>Total assets</b>	3	<b>412.8</b>	307.5	406.8
<b>Current liabilities</b>				
Interest bearing loans and borrowings		19.4	2.6	9.9
Trade and other payables		159.7	145.0	173.1
Current tax payable		1.8	2.9	1.9
Provisions		2.0	0.6	2.0
		<b>182.9</b>	151.1	186.9
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings		86.5	25.3	77.6
Pensions and other post-employment benefits		8.1	14.4	8.9
Provisions		0.9	0.7	1.6
Deferred tax		13.3	7.1	11.5
		<b>108.8</b>	47.5	99.6
<b>Total liabilities</b>	3	<b>291.7</b>	198.6	286.5
<b>Net assets</b>		<b>121.1</b>	108.9	120.3
<b>Equity</b>				
Issued share capital		18.0	17.8	17.8
Share premium account		143.0	141.8	141.8
Other reserves		1.3	(0.9)	(0.2)
Retained earnings		(41.2)	(50.4)	(39.1)
<b>Total equity attributable to equity holders of the parent</b>		<b>121.1</b>	108.3	120.3
Minority interest		–	0.6	–
<b>Total equity and reserves</b>	10	<b>121.1</b>	108.9	120.3

# Consolidated cash flow statement

	Note	Unaudited 6 months to 31 Dec 2007 £m	Unaudited 6 months to 31 Dec 2006 £m	Audited Year ended 30 June 2007 £m
Profit before tax		11.2	15.6	29.5
Net financing costs		2.3	0.7	2.4
Pre-tax exceptional charge in the period		1.7	–	2.1
Share based payments		–	–	0.2
Profit on sale of property, plant and equipment		–	(0.1)	(0.1)
Depreciation		10.3	8.3	17.2
Amortisation of intangible assets		0.8	0.1	0.5
		26.3	24.6	51.8
Decrease/(increase) in receivables		9.5	–	(3.8)
Decrease/(increase) in inventories		2.0	(7.6)	(7.1)
(Decrease)/increase in payables		(23.2)	5.3	8.6
Cash outflow in respect of exceptional items		(2.0)	(0.5)	(1.7)
Cash generated from operations		12.6	21.8	47.8
Interest paid		(6.8)	(1.1)	(3.3)
Taxation paid		(2.2)	(2.4)	(6.3)
<b>Net cash from operating activities</b>		<b>3.6</b>	<b>18.3</b>	<b>38.2</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of land and buildings		–	0.1	0.1
Acquisition of property, plant and equipment		(13.4)	(8.0)	(19.8)
Acquisition of intangible assets		–	–	(0.2)
Acquisition of businesses, net of cash acquired		(0.1)	(2.7)	(57.8)
Acquisition of minority interest		–	–	(1.7)
Interest received		0.1	1.3	1.3
<b>Net cash used in investing activities</b>		<b>(13.4)</b>	<b>(9.3)</b>	<b>(78.1)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of share capital		1.5	0.7	0.7
Repurchase of own shares		(1.4)	–	–
Increase in/(repayment of) borrowings	8	9.3	(0.6)	49.3
Payment of finance lease liabilities		(0.5)	(0.2)	(0.7)
Dividends paid		(7.0)	(6.2)	(9.2)
<b>Net cash generated from/(used in) financing activities</b>		<b>1.9</b>	<b>(6.3)</b>	<b>40.1</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(7.9)</b>	<b>2.7</b>	<b>0.2</b>
Cash and cash equivalents at start of period		(1.0)	(1.3)	(1.3)
Effect of exchange rate fluctuations on cash held		0.1	(0.1)	0.1
<b>Cash and cash equivalents at end of period</b>		<b>(8.8)</b>	<b>1.3</b>	<b>(1.0)</b>
<b>Reconciliation of cash and cash equivalents per the balance sheet and cash flow statement</b>				
Cash and cash equivalents per the balance sheet		3.3	2.8	6.6
Overdrafts		(12.1)	(1.5)	(7.6)
Cash and cash equivalents per the cash flow statement		(8.8)	1.3	(1.0)

# Consolidated statement of recognised income and expense

	Note	Unaudited 6 months to 31 Dec 2007 £m	Unaudited 6 months to 31 Dec 2006 £m	Audited Year ended 30 June 2007 £m
Foreign exchange translation differences		10.3	(1.0)	(1.1)
Net (loss)/gain on hedge of net investment in foreign subsidiaries		(9.6)	0.9	0.8
Cash flow hedge reserve movement	9	1.1	(0.3)	(0.3)
Tax on items above taken directly to equity		(0.3)	–	0.1
Actuarial (loss)/gain net of deferred tax		–	(0.3)	3.1
Income and expense recognised directly in equity		1.5	(0.7)	2.6
Profit for the period		8.2	11.2	21.3
<b>Total recognised income and expense for the period</b>		<b>9.7</b>	10.5	23.9
Attributable to:				
Equity shareholders of the parent		9.7	10.4	23.8
Minority interest		–	0.1	0.1
		<b>9.7</b>	10.5	23.9

# Notes to the 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. The Half Year Report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and on the basis of the accounting policies and the recognition and measurement requirements of IFRS applied in the financial statements at 30 June 2007 and those standards that have been endorsed and will be applied at 30 June 2008. This report should be read in conjunction with the financial statements for the year ended 30 June 2007.

The results for each half-year are unaudited and do not represent the Group's statutory accounts. The comparative figures for the financial year ended 30 June 2007 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditors 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 237 (2) or (3) of the Companies Act 1985. Comparative figures for the periods ended 31 December 2006 and 30 June 2007 have been restated so as to be consistently presented with those of the period end.

The interim financial statements were approved by the Board on 6 February 2008.

## 2 Change in accounting standards

*IFRS 7 Financial Instruments – Disclosures* and the Amendment to *IAS 1 Presentation of Financial Statements: Capital Disclosures* will both be effective for the Group's 2008 financial statements. Disclosures about the significance of financial instruments on the Group's financial position and performance and qualitative and quantitative disclosures on the nature and extent of risks as required by IFRS 7 and capital disclosures as required by IAS 1 will be given in the annual financial statements.

## 3 Segment information

Segment information is presented below in respect of the Group's geographic and business segments. The primary format, geographic segments, is based on the Group's operating divisions and internal reporting structure. Transfer prices between segments are set on an arm's length basis. Segment revenue and profit include transfers between segments which are eliminated on consolidation.

### Geographic segments

	United Kingdom			Western Continental Europe		
	6 months to 31 Dec 2007 £m	6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m	6 months to 31 Dec 2007 £m	6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m
External revenue	149.2	133.6	274.5	178.1	133.1	292.8
Inter-segment revenue	2.6	1.0	2.6	10.1	5.2	11.4
Total segment revenue	151.8	134.6	277.1	188.2	138.3	304.2
Segment profit pre amortisation						
of intangible assets	9.2	12.4	24.5	6.2	3.9	10.4
Amortisation of intangible assets	(0.3)	(0.1)	(0.2)	(0.5)	–	(0.2)
Segment profit	8.9	12.3	24.3	5.7	3.9	10.2

## 3 Segment information (continued)

	Eastern Continental Europe			6 months to 31 Dec 2007 £m	Elimination 6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m
	6 months to 31 Dec 2007 £m	6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m			
External revenue	15.6	11.5	24.7	-	-	-
Inter-segment revenue	0.7	0.3	0.3	(13.4)	(6.5)	(14.3)
Total segment revenue	16.3	11.8	25.0	(13.4)	(6.5)	(14.3)
Segment profit pre amortisation of intangible assets	1.0	0.8	1.5	-	-	(0.1)
Amortisation of intangible assets	-	-	(0.1)	-	-	-
Segment profit	1.0	0.8	1.4	-	-	(0.1)

	6 months to 31 Dec 2007 £m	Total	
		6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m
External revenue	342.9	278.2	592.0
Inter-segment revenue	-	-	-
Total segment revenue	342.9	278.2	592.0
Segment profit pre amortisation of intangible assets	16.4	17.1	36.3
Amortisation of intangible assets	(0.8)	(0.1)	(0.5)
Segment profit	15.6	17.0	35.8
Corporate costs*	(0.4)	(0.7)	(1.8)
Exceptional items (see note 4)	(1.7)	-	(2.1)
Operating profit	13.5	16.3	31.9
Net financing costs	(2.3)	(0.7)	(2.4)
Taxation	(3.0)	(4.4)	(8.2)
Profit for the period	8.2	11.2	21.3

\* Corporate costs relate primarily to head office costs that are not reallocated to one of the geographic segments.

# Notes to the interim financial statements continued

## 3 Segment information (continued)

	United Kingdom			Western Continental Europe		
	6 months to 31 Dec 2007 £m	6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m	6 months to 31 Dec 2007 £m	6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m
Segment assets	<b>152.1</b>	127.3	155.4	<b>239.5</b>	161.1	231.9
Segment liabilities	<b>(74.3)</b>	(73.5)	(74.8)	<b>(124.0)</b>	(82.9)	(110.9)
Capital expenditure*	<b>5.6</b>	3.7	9.1	<b>7.4</b>	3.0	9.2
Amortisation and depreciation	<b>4.2</b>	3.8	7.7	<b>6.6</b>	4.3	9.5

	Eastern Continental Europe			Corporate		
	6 months to 31 Dec 2007 £m	6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m	6 months to 31 Dec 2007 £m	6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m
Segment assets	<b>19.5</b>	13.3	15.8	<b>1.7</b>	5.8	3.7
Segment liabilities*	<b>(6.1)</b>	(3.4)	(5.0)	<b>(87.3)</b>	(38.8)	(95.8)
Capital expenditure*	<b>0.4</b>	1.3	1.7	–	–	–
Amortisation and depreciation	<b>0.3</b>	0.3	0.5	–	–	–

	6 months to 31 Dec 2007 £m	Total 6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m
Segment assets	<b>412.8</b>	307.5	406.8
Segment liabilities	<b>(291.7)</b>	(198.6)	(286.5)
Capital expenditure*	<b>13.4</b>	8.0	20.0
Amortisation and depreciation	<b>11.1</b>	8.4	17.7

\* Corporate liabilities include external debt and tax liabilities. Capital expenditure includes property, plant and equipment and intangible assets.



### 3 Segment information (continued)

#### Business segments

	6 months to 31 Dec 2007 £m	Household 6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m	6 months to 31 Dec 2007 £m	Personal Care 6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m
Segment revenue	<b>281.6</b>	221.3	476.9	<b>61.3</b>	56.9	115.1
Segment profit pre amortisation of intangible assets	<b>12.4</b>	12.2	26.9	<b>4.0</b>	4.9	9.4
Amortisation of intangible assets	<b>(0.8)</b>	(0.1)	(0.4)	<b>–</b>	–	(0.1)
Segment profit	<b>11.6</b>	12.1	26.5	<b>4.0</b>	4.9	9.3

	6 months to 31 Dec 2007 £m	Total 6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m
Segment revenue	<b>342.9</b>	278.2	592.0
Segment profit pre amortisation of intangible assets	<b>16.4</b>	17.1	36.3
Amortisation of intangible assets	<b>(0.8)</b>	(0.1)	(0.5)
Segment profit	<b>15.6</b>	17.0	35.8
Corporate costs*	<b>(0.4)</b>	(0.7)	(1.8)
Exceptional items (see note 4)	<b>(1.7)</b>	–	(2.1)
Operating profit	<b>13.5</b>	16.3	31.9

\* Corporate costs related primarily to head office costs that are not allocated to one of the business segments.

	6 months to 31 Dec 2007 £m	Household 6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m	6 months to 31 Dec 2007 £m	Personal Care 6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m
Segment assets	<b>340.4</b>	231.5	327.2	<b>70.7</b>	70.2	75.9
Capital expenditure*	<b>8.5</b>	6.0	12.9	<b>4.9</b>	2.0	7.1

	6 months to 31 Dec 2007 £m	Corporate 6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m	6 months to 31 Dec 2007 £m	Total 6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m
Segment assets	<b>1.7</b>	5.8	3.7	<b>412.8</b>	307.5	406.8
Capital expenditure*	<b>–</b>	–	–	<b>13.4</b>	8.0	20.0

\* Capital expenditure includes property, plant and equipment and intangible assets.

# Notes to the interim financial statements continued

## 3 Segment information (continued)

### External revenue by destination

Segment information is also presented below in respect of external revenue by destination. Revenue to Switzerland which was previously included as revenue to Rest of World has been reclassified in this period, and for comparative periods, as revenue to Western Continental Europe.

	United Kingdom			Western Continental Europe		
	6 months to 31 Dec 2007 £m	6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m	6 months to 31 Dec 2007 £m	6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m
External revenue by destination	<b>142.7</b>	126.8	261.0	<b>171.6</b>	130.1	284.5

	Eastern Continental Europe and Rest of World			Total		
	6 months to 31 Dec 2007 £m	6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m	6 months to 31 Dec 2007 £m	6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m
External revenue by destination	<b>28.6</b>	21.3	46.5	<b>342.9</b>	278.2	592.0

## 4 Exceptional items

The Group presents certain items as "exceptional". These are items which, in management's judgement, need to be disclosed by virtue of their size or incidence in order to obtain a proper understanding of the financial information.

There was a £1.7m pre-tax operating exceptional charge to the income statement in the period relating to redundancy programmes at both UK and Western Continental Europe divisions.

There was a £2.1m pre-tax operating exceptional charge to the income statement in the year ended 30 June 2007 relating to the incremental costs of integrating the recently acquired businesses of Dasty Italia S.p.A, Henkel's European Private Label household products businesses and other acquisitions, and Sanmex International acquired in 2006. This includes disruption costs, asset write-offs and consultant costs.

In terms of segment analysis in Note 3, the exceptional charge relates to the UK £1.0m (30 June 2007: £0.8m), Western Continental Europe £0.7m (30 June 2007: £0.8m) and Corporate Enil (30 June 2007: £0.5m) on a geographic basis, and household £1.6m (30 June 2007: £1.6m), personal care £0.1m (30 June 2007: £nil) and Corporate Enil (30 June 2007: £0.5m) on a business basis.

## 5 Taxation

The £3.0m tax charge for the half year ended 31 December 2007 (2006: £4.4m) consists of £1.4m (2006: £3.3m) of UK tax and £1.6m (2006: £1.1m) of overseas tax. The Group's consolidated effective tax rate for the half year ended 31 December 2007 was 27% (2006: 28%).

## 6 Earnings per ordinary share

Basic earnings per ordinary share is calculated on profit after tax and minority interest, attributable to equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the period in accordance with IAS 33.

		6 months to 31 Dec 2007	6 months to 31 Dec 2006	Year ended 30 Jun 2007
Total earnings (£m)	a	8.2	11.1	21.2
Weighted average number of ordinary shares	b	179,960,782	177,144,652	177,405,917
Basic earnings per share (pence)	a/b	4.6	6.3	11.9

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on assumption of conversion of all dilutive ordinary shares. The Company has three categories of potentially dilutive ordinary shares: share options issued whose exercise price is less than the average price of the Company's ordinary shares during the period, share awards with no option price and shares allocated to an approved Save As You Earn scheme.

		6 months to 31 Dec 2007	6 months to 31 Dec 2006	Year ended 30 Jun 2007
Weighted average number of ordinary shares (million)	b	180.0	177.1	177.4
Effect of dilutive share options (million)		0.3	0.3	0.3
Effect of dilutive share awards (million)		1.1	0.7	0.8
Effect of dilutive SAYE scheme shares (million)		0.2	2.7	2.7
	c	181.6	180.8	181.2
<b>Diluted earnings per share (pence)</b>	a/c	<b>4.5</b>	6.1	11.7

Adjusted basic earnings per share applies to earnings excluding exceptional items and amortisation of intangible assets since the directors consider that this gives additional information as to the underlying performance of the Group.

		6 months to 31 Dec 2007 £m	6 months to 31 Dec 2006 £m	Year ended 30 Jun 2007 £m
Earnings used to calculate basic and diluted EPS	a	8.2	11.1	21.2
Exceptional items after tax		1.2	–	1.5
Amortisation of intangible assets after tax		0.6	0.1	0.4
Earnings before exceptional items and amortisation of intangible assets	d	10.0	11.2	23.1
<b>Adjusted basic earnings per share (pence)</b>	d/b	<b>5.6</b>	6.3	13.0
<b>Adjusted diluted earnings per share (pence)</b>	d/c	<b>5.5</b>	6.2	12.7

The 2006 restatement relates to the adjustment to earnings for amortisation of intangible assets not previously included.

# Notes to the interim financial statements continued

## 7 Reconciliation of net cash flow to movement in net debt

	6 months to 31 Dec 2007 £m	6 months to 31 Dec 2006 £m	Year ended 30 June 2007 £m
(Decrease)/increase in cash and cash equivalents in the period	(7.9)	2.7	0.2
Cash (inflow)/outflow from movement in debt	(9.3)	0.6	(49.3)
Movement on finance leases	0.5	0.2	0.7
<b>Change in net debt resulting from cash flows</b>	<b>(16.7)</b>	3.5	(48.4)
Lease financing acquired with subsidiary	–	–	(1.2)
Loans acquired with subsidiaries	–	–	(2.9)
Translation differences	(5.0)	0.5	0.7
<b>Movement in net debt in the period</b>	<b>(21.7)</b>	4.0	(51.8)
Net debt at the beginning of the period	(80.9)	(29.1)	(29.1)
<b>Net debt at the end of the period</b>	<b>(102.6)</b>	(25.1)	(80.9)

## 8 Increase in/(repayment of) borrowings

The net amounts drawn down and repaid during the period were £14.1m (2006: £1.0m) and £4.8m (2006: £1.6m) respectively.

## 9 Cash flow hedges

During the period, the effective portion of changes in the fair value of cash flow hedges was £0.9m (2006: £0.2m loss). The net difference in changes in fair value of cash flow hedges transferred to the income statement was £0.2m (2006: £0.1m loss).

## 10 Fair values on acquisition of Henkel's European Private Label household products businesses

On 13 April 2007, the Group acquired all of the shares of Chemolux S.a.r.l. and the business and assets of Henkel's UK Private Label household products business. As a result of the proximity of the acquisition date to the 30 June 2007 year end, the fair value of the Henkel identifiable assets and liabilities were prepared on a provisional basis. In accordance with IFRS 3 *Business Combinations*, management has one year from the date of acquisition to finalise these fair values.

## 11 Reconciliation of movement in equity and reserves

	Issued share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Minority interest £m	Total equity and reserves £m
<b>At 1 July 2006</b>	<b>17.7</b>	<b>141.8</b>	<b>(0.8)</b>	<b>(55.2)</b>	<b>103.5</b>	<b>0.4</b>	<b>103.9</b>
Profit for the period	-	-	-	11.1	11.1	0.1	11.2
Movement in cash flow hedge	-	-	(0.3)	-	(0.3)	-	(0.3)
Actuarial loss net of deferred tax	-	-	-	(0.3)	(0.3)	-	(0.3)
Foreign exchange translation differences	-	-	(1.0)	-	(1.0)	0.1	(0.9)
Net gain on hedge of net investment in foreign subsidiaries	-	-	0.9	-	0.9	-	0.9
Treasury shares issued to satisfy employee share option exercises*	0.1	-	-	0.7	0.8	-	0.8
Equity dividends	-	-	-	(6.2)	(6.2)	-	(6.2)
Other movements	-	-	0.3	(0.5)	(0.2)	-	(0.2)
<b>At 31 December 2006</b>	<b>17.8</b>	<b>141.8</b>	<b>(0.9)</b>	<b>(50.4)</b>	<b>108.3</b>	<b>0.6</b>	<b>108.9</b>
Profit for the period	-	-	-	10.1	10.1	-	10.1
Actuarial gain net of deferred tax	-	-	-	3.4	3.4	-	3.4
Foreign exchange translation differences	-	-	(0.1)	-	(0.1)	(0.1)	(0.2)
Net loss on hedge of net investment in foreign subsidiaries	-	-	(0.1)	-	(0.1)	-	(0.1)
Equity dividends	-	-	-	(3.0)	(3.0)	-	(3.0)
Acquisition of minority interest	-	-	1.2	-	1.2	(0.5)	0.7
Other movements	-	-	(0.3)	0.8	0.5	-	0.5
<b>At 30 June 2007</b>	<b>17.8</b>	<b>141.8</b>	<b>(0.2)</b>	<b>(39.1)</b>	<b>120.3</b>	<b>-</b>	<b>120.3</b>
Profit for the period	-	-	-	8.2	8.2	-	8.2
Movement in cash flow hedge	-	-	1.1	-	1.1	-	1.1
Foreign exchange translation differences	-	-	10.3	-	10.3	-	10.3
Net loss on hedge of net investment in foreign subsidiaries	-	-	(9.6)	-	(9.6)	-	(9.6)
Own shares acquired and held as Treasury shares**	(0.1)	-	0.1	(1.4)	(1.4)	-	(1.4)
Shares issued to satisfy employee share option exercises***	0.3	1.2	-	-	1.5	-	1.5
Equity dividends	-	-	-	(7.0)	(7.0)	-	(7.0)
Tax on items taken directly to equity	-	-	(0.3)	(1.9)	(2.2)	-	(2.2)
Other movements	-	-	(0.1)	-	(0.1)	-	(0.1)
<b>At 31 December 2007</b>	<b>18.0</b>	<b>143.0</b>	<b>1.3</b>	<b>(41.2)</b>	<b>121.1</b>	<b>-</b>	<b>121.1</b>

\* 1.0 million ordinary 10p shares were issued out of Treasury for a consideration of £0.7m in order to satisfy the exercise of employee share options.

\*\* 0.8 million ordinary 10p shares were repurchased by the Company for £1.4m to be held as Treasury Shares for the expected future exercise of employee share options.

\*\*\* 3.3 million ordinary 10p shares were issued for £1.5m to satisfy the Save As You Earn savings scheme that matured in August 2007.

# Financial calendar for the year ending 30 June 2008

## Dividends

Interim	Announcement	7 February 2008
	Payment	23 May 2008
Final	Announcement	September 2008
	Payment	November 2008

## Results

Interim	Announcement	7 February 2008
Preliminary statement for full year Report and Accounts	Announcement	September 2008
Annual General Meeting	Circulated	September 2008
	To be held	October 2008

## Exchange rates

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

	6 months to 31 Dec 2007	6 months to 31 Dec 2006	Year ended 30 June 2007
Average rate:			
Euro	<b>1.44</b>	1.48	1.48
Polish Zloty	<b>5.38</b>	5.77	5.74
Czech Koruna	<b>39.6</b>	41.7	41.8
Hungarian Forint	<b>364.6</b>	396.6	384.2
Closing rate:			
Euro	<b>1.36</b>	1.48	1.49
Polish Zloty	<b>4.90</b>	5.68	5.59
Czech Koruna	<b>36.2</b>	40.9	42.7
Hungarian Forint	<b>344.2</b>	373.1	365.0

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