



Welcome to the McBride plc Half-Year Report 2020

McBride, the leading European manufacturer and supplier of Contract Manufactured and Private Label products for the domestic household and professional cleaning/hygiene markets, announces its results for the six months ended 31 December 2019.

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

Contents

Headlines	1
Executive review	2
Responsibility statement	6
Independent review report to McBride plc	7
Condensed interim consolidated income statement	8
Condensed interim consolidated statement of comprehensive income	9
Condensed interim consolidated balance sheet	10
Condensed interim consolidated cash flow statement	11
Condensed interim consolidated statement of changes in equity	12
Notes to the condensed interim financial statements	15
Additional information	27
Advisers	28

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Headlines

Weaker second quarter revenues in difficult market conditions; strategy review underway

Business

- Ludwig de Mot appointed as CEO, November 2019
- Revenue growth in South, East and Asia offset by declines in UK, France and North
- Further delivery against key business improvement objectives:
 - logistics improvement study nearing conclusion
 - new Malaysian factory expected to be operational by end 2020;
 - Barrow, UK site, expected to close in summer 2020;
 - Aerosols standalone business established, operating at targeted break even position; and
 - sale of land and buildings at former Aerosols site at Hull, UK completed during second quarter for £3.0m.
- Review of strategy, organisation and operations underway, output expected September 2020 alongside full-year results presentation

Financial

Continuing operations

- Household reported revenues of £334.4m (2018: £341.6m), 2.1% lower, down 1.4% at constant currency
- Marked revenues slowdown in last two months of the period
- Group reported revenues £350.4m (2018: £369.2m), 5.1% lower, down 4.4% at constant currency
- Adjusted operating profit⁽³⁾ of £11.6m, lower by £5.2m
- Operating profit of £8.5m (2018: £15.6m)
- Finance costs down to £1.9m, from £2.3m in the prior half year
- Adjusted profit before tax of £9.7m (2018: £14.5m)
- Profit before tax £6.6m, lower by £6.7m
- Adjusted diluted EPS 33.9% lower at 3.7p (2018: 5.6p)

Total Group

- Net debt at £121.7m (30 June 2019 restated for IFRS 16: £130.3m)
- Excluding IFRS 16, net debt £113.5m, down £7.4m since 30 June 2019 (£120.9m)
- Interim payment to shareholders 0.8p (2018: 1.5p)

£m unless otherwise stated	Half year to 31 Dec 2019	Half year to 31 Dec 2018	Reported % change	Constant currency % change ⁽²⁾
Continuing operations				
Household revenue	334.4	341.6	(2.1%)	(1.4%)
Group revenue	350.4	369.2	(5.1%)	(4.4%)
Adjusted operating profit ⁽³⁾	11.6	16.8	(31.0%)	(30.1%)
Operating profit	8.5	15.6	(45.5%)	
Adjusted profit before taxation	9.7	14.5	(33.1%)	(32.2%)
Profit before taxation	6.6	13.3	(50.4%)	
Adjusted diluted earnings per share ⁽⁴⁾	3.7p	5.6p	(33.9%)	
Diluted earnings per share	2.0p	5.0p	(60.0%)	
Total operations				
Revenue	350.4	391.1	(10.4%)	(9.8%)
Adjusted operating profit ⁽³⁾	11.6	16.5	(29.7%)	(28.8%)
Operating profit	8.2	13.5	(39.3%)	
Adjusted profit before taxation	9.7	14.2	(31.7%)	(30.7%)
Profit before taxation	6.3	11.2	(43.8%)	
Adjusted diluted earnings per share ⁽⁴⁾	3.7p	5.5p	(32.7%)	
Diluted earnings per share	1.9p	4.9p	(61.2%)	
Net debt ^{(1), (5)}	121.7	130.3		
Net debt pre-IFRS 16 ^{(1), (6)}	113.5	120.9		
Return on capital employed ⁽⁷⁾	13.4%	20.8%		
Interim payment to shareholders (per ordinary share)	0.8p	1.5p		

(1) Net debt is at 30 June 2019, all other comparatives refer to the six months ended 31 December 2018 unless otherwise stated.

(2) Comparatives translated at 31 December 2019 exchange rates.

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

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

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

(6) Net debt excluding IFRS 16 comprises cash and cash equivalents, overdraft, bank and other loans, excluding lease liabilities.

(7) Rolling twelve months adjusted operating profit to 31 December 2019 as a percentage of average period end net assets excluding net debt.

Executive review



Chris Smith
Chief Finance Officer

Ludwig de Mot
Chief Executive Officer



McBride has a strong market position but the Group's recent performance has been disappointing. Accordingly, a review of the Group's strategy, organisation and operations has been initiated.



Business progress

Ludwig de Mot became Chief Executive on 1 November 2019 and the Group is in the process of a review of its strategy, organisation and operations. It is expected that the outcome from this review will be reported at the time of our full-year results announcement in September 2020.

During the six months to 31 December 2019, the Group has continued with a number of key business improvement initiatives:

Logistics network

- The Group is at an advanced stage in its externally supported study to identify savings and operational improvements in its warehousing network and is complete in the review of improvement options for transport management activities. It is expected that the final roadmap will be concluded in the third quarter and the implementation will be aligned with the outcome of the strategy review. The annualised benefits will accrue over a number of years as warehouse locations change in line with existing contractual arrangements.

Asia expansion

- As previously announced, the Group is expanding its Asian operations, including the introduction of a new production facility in Malaysia. The project is progressing ahead of schedule and we now expect the new facility to be operational later this year.

Business process improvement - segmentation

- The Group identified benefits from implementing a segmentation approach to managing its customer and product ranges. As well as supporting improved and differentiated customer service and inventory levels, this initiative determines priorities over development projects and complexity management. This initiative is considered a key component supporting the Group's future strategic direction.

Factory footprint

- In light of continuing reducing levels of demand for laundry powders, the Group announced the proposed closure of its Barrow, UK site, one of its three laundry powder manufacturing locations. Consultation with affected colleagues has recently completed and it is expected the site will cease operations in summer 2020, with its volumes transferring to other Group locations.

Aerosols

- Following the decision last financial year to consolidate the Group's two aerosols operations to a single factory, the former Hull factory ceased operations in 2019 and the site was sold during the second quarter, realising £3.0 million of proceeds. The on-going business is now a standalone operation and first half-year results are in line with the break even ambition set for this financial year.

Group operating results

The financial results of the PC Liquids business, which was sold in the prior financial year, have been treated as discontinued operations in the half-year financial statements. The remaining activities within the Group are referred to as continuing operations.

Continuing operations

Income statement

The Group's first half Household revenues at constant currency were 1.4% lower compared to the prior year. Following a steady performance in the first four months of the period, the Group experienced a marked slowdown in the last two months of the period, especially in the UK and East regions.

Reflecting the decision to exit UK Aerosol manufacture in the fourth quarter of the previous financial year, half-year Group revenues at £350.4 million were £18.8 million (5.1%) lower than the prior period (4.4% at constant currency).

Half-year adjusted operating profit of £11.6 million was lower than the last half year (2018: £16.8m) with adjusted operating profit margin decreasing by 1.3 percentage points to 3.3% (2018: 4.6%).

Half-year operating profit was £8.5 million (2018: £15.6m). This includes amortisation of £1.0 million and exceptional charges of £2.1 million, largely related to consultancy and redundancy costs associated with the factory footprint review.

Exceptional items

Total exceptional items incurred in relation to the continuing business of £2.1 million were recorded during the period (2018: £0.3m). The charges primarily comprised the following:

- £1.2 million professional fees incurred in relation to a review of the Group's factory footprint;
- £0.8 million charge from restructuring activities to reduce the operational cost base in the UK also as part of the review of the Group's factory footprint; and
- £0.8 million gain on sale of the land and buildings at the former UK Aerosols site in Hull. Additionally, charges totalling £0.9 million were incurred in relation to the termination of a contract with a third party to operate the Hull warehouse and other site closure costs.

In January 2020 we concluded the consultation process with our Barrow site in the UK and the closure is expected in summer 2020. Expected future exceptional costs relating to the proposed site closure of Barrow are £7.5 million, of which £3.2 million is a non-cash asset write off.

Discontinued operations

Income statement and exceptional items

In the first half year there was no revenue or operating profit/loss related to the PC Liquids business. In the prior period, the PC Liquids business generated revenues of £21.9 million and had an adjusted operating loss of £0.3 million.

Following the sale of our PC Liquids business in the previous financial year, liabilities for specific future redundancy remained with McBride. These were implemented in the first half year by Royal Sanders and £0.3 million of exceptional costs were transferred to McBride.

This project is now closed with no further costs expected.

Other financial information - total Group

Finance costs

Finance costs of £1.9 million (2018: £2.3m) were lower as a result of lower interest cost levels and certain benefits of a stronger Sterling on currency derivative revaluations. This level of reduction is not expected into the second half year.

Profit before tax and tax rate

Reported profit before taxation from continuing operations was £6.6 million (2018: £13.3m). Adjusted profit before taxation from continuing operations reduced by £4.8 million to £9.7 million (2018: £14.5m). The tax charge on continuing adjusted profit before tax for the period of £2.9 million (2018: £4.2m) represents an effective tax rate of 30% (2018: 29%). The increase in the tax rate resulted from weaker UK profitability in the mix of profits, where corporate tax rates are lower than the Group's other jurisdictions.

Earnings per share

On an adjusted basis, diluted earnings per share (EPS) from continuing operations fell versus prior year to 3.7 pence (2018: 5.6p). Total adjusted diluted EPS decreased to 3.7 pence (2018: 5.5p) with basic diluted EPS at 1.9 pence (2018: 4.9p).

Payments to shareholders

The Group's current policy on payments to shareholders is to distribute adjusted earnings to shareholders based on a dividend cover range of 2x-3x progressive with earnings of the Group, taking into account funding availability. As a result, a payment to shareholders of 0.8 pence per share will be paid at the interim stage in May. It is intended this will be issued using the Company's B Share scheme.

The Board has initiated a dividend policy review as part of the overall strategy review which will include consultation with major shareholders, on which we expect to report in September 2020.

Continuing operations

Segmental performance

As previously advised, our Asia segment is now reported as part of the Group's Household activities. Aerosols is now operating as a standalone business unit and is reported as a separate segment within these financial statements. Corporate costs, which include the costs associated with the Board, Group leadership teams, governance and listed company costs and certain central functions (mostly associated with financial disciplines such as treasury), are reported separately to Household and Aerosols.

Executive review continued

Continuing operations continued

Segmental performance continued

Household

Reported revenues decreased 2.1% to £334.4 million (2018: £341.6m). Revenues at constant currency were down 1.4% with volume decreases partially offset by the full-year effect of the customer pricing programme implemented in the last financial year.

Adjusted operating profit for the Household business was £14.9 million (2018: £22.5m). Adjusted operating profit margins in this segment declined from 6.6% to 4.5%. Following the closure of the Hull site and establishment of Aerosols as a standalone business unit together with a detailed review of Aerosols use of shared functions, a proportion of the related overhead was reallocated from Aerosols to the Household segment.

	Half year to 31 Dec 2019 £m	Half year to 31 Dec 2018 £m	Reported change	Constant currency ⁽¹⁾
Revenue				
UK	82.3	89.4	(7.9%)	(7.9%)
France	59.4	64.3	(7.6%)	(6.8%)
North	52.7	55.3	(4.7%)	(3.8%)
South	45.2	39.5	14.4%	15.6%
East	82.7	82.2	0.6%	1.6%
Asia	12.1	10.9	11.0%	11.0%
	334.4	341.6	(2.1%)	(1.4%)

(1) Comparatives translated at 31 December 2019 exchange rates. Comparatives quoted in Trading Update issued 14 January 2020 based on unrounded data.

In the UK, revenues of £82.3 million were 7.9% lower versus prior year. Q1 was 2.9% down on prior year, with Q2 down 12.9% on prior year. This was due in part to lost contracts as well as weaker Private Label activity caused by a higher level of branded promotions and lower retail footfall in December than in previous years.

In the France region, revenues of £59.4 million declined 6.8% at constant currency versus the prior year, consistent with its weaker performance in recent periods. In particular, the region was affected by a 6.6% decrease in volume levels, mainly as a result of high promotional activities from brands and a negative customer reaction following our pricing action in the prior year.

In the North region, revenues of £52.7 million compared with £55.3 million in the prior year. Volumes declined largely as expected following contract losses in the prior financial year. This was partially offset by the pricing recovery programme also implemented in the prior financial year.

Our South region reported revenues of £45.2 million, a revenue increase of 15.6% at constant currency, driven by growth in both Iberia and Italy. The period saw continued progress in our Iberian business where new customer and contract wins resulted in a volume increase of 34.8% versus prior year. Within the larger Italian market, volumes increased by 4.3% versus prior year, which was an encouraging result against a backdrop of slower consumer demand.

The East region, covering Germany, Poland and other East European countries, reported revenues of £82.7 million, an increase of 1.6% at constant currency. Q1 was up 9.8% versus prior year, whilst Q2 declined 5.9% versus the prior year. Growth in Q1 was driven by contract gains, strong promotional activity and run-rate improvements. However, the Q2 decrease, largely due to contract losses, softened the half-year performance. The region's performance in the second half of the current year is expected to be broadly consistent with the second half of last year.

Asia reported sales of £12.1 million, an 11.0% increase on prior year and continues to show strong progress. This has been driven by significant contract gains with key customers. The Group's growth plans will expand manufacturing facilities in the region to provide a platform to significantly increase our local manufacturing capacity, with a focus on developing our Household business in the region.

Across the half year to December 2019, the Group saw relative stability in raw material prices and packaging costs. Whilst pricing on palm and coconut oil derived products ran higher in the last few months, overall costs were in line with expectations as a result of price stability in the majority of our other raw material inputs.

Logistics costs as a percentage of revenues continued to increase, reflecting the higher distribution costs associated with our growing business in Germany. Additionally, following a period of transport capacity issues, and to ensure certainty of supply, a number of new contracts were secured, with both existing and new suppliers, with some at higher rates. Excluding the impact of lower volumes, distribution costs increased 7.1% versus the prior year.

In the first half year, administrative overheads excluding exceptional items increased £1.6 million versus the prior year. While the improvement in customer service levels seen in the second half of the last financial year continued into the first half of this financial year, penalties from customers increased by £0.4 million versus the prior period, mainly due to specific quality and service issues in the East region. Customer service remains a priority for the Group and recent improvements are expected to lead to lower penalty levels in the second half. An increase in the cost of packaging recycling levies in the UK led to an additional charge of £0.6 million compared to the prior year. The remaining cost increase relates primarily to recent senior appointments.

Aerosols

Aerosols is now managed as a standalone business unit and is reported as a separate segment. This financial half year saw the sale of the Hull site for £3.0 million in the second quarter that resulted in an exceptional gain of £0.8 million

Reported revenues were £16.0 million (2018: £27.6m) with the revenue decline reflecting the decision to exit UK Aerosol manufacture in the fourth quarter of the previous financial year. Overall, this resulted in an adjusted operating profit of £0.4 million for the half year (2018: loss £1.9m), in line with our strategic aim to bring the Aerosols business back to at least a break even position by this financial year.

Other financial information – total Group Balance sheet and net debt

Net debt excluding IFRS 16 decreased from £120.9 million at 30 June 2019 to £113.5 million at 31 December 2019 mainly as a result of a decrease in working capital and favourable currency movements. Net debt including IFRS 16 at the half year decreased to £121.7 million (30 June 2019: £130.3m).

Trading working capital efficiency⁽¹⁾ has increased slightly to 12.4% (30 June 2019: 12.0%). Inventory levels decreased by £4.8 million reflecting the decrease in volumes, whilst trade receivables reduced by £14.0 million and trade payables reduced by £13.8 million from 30 June 2019. This resulted in a significant improvement in free cash flow in the first half versus the second half of the last financial year.

Cash generated from operations before exceptional items was lower at £17.8 million (2018: £25.3m) in the six months to 31 December 2019, mainly as a result of the lower profitability levels.

During the period, capital expenditure on property, plant and equipment increased by £0.8 million compared to the prior year, and cash consideration of £3.0 million was received in relation to the disposal of the former manufacturing site at Hull.

Net assets reduced to £60.9 million (30 June 2019: £64.2m) with gearing⁽²⁾ unchanged at 66% (30 June 2019: 66%).

Return on capital employed (excluding IFRS 16) decreased to 13.4% compared to 15.3% at 30 June 2019 and the prior half year of 20.8% mainly as a result of the lower profitability levels.

Covenants

The Group's 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⁽³⁾) 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. The Group remains well within these covenants. As at 31 December 2019, the debt cover ratio was 2.2x and the interest cover was 11.8x, both well within the banking limits.

Pensions

The Group operates a funded defined benefit scheme in the UK. At 31 December 2019, the Group recognised a deficit on its UK scheme of £28.9 million (30 June 2019: £28.1m). The deficit is broadly unchanged over the period due to changes in asset values being broadly in-line with changes in assumptions used to calculate pension liabilities.

The Group has other unfunded post-employment benefit obligations outside the UK that amounted to £2.9 million (30 June 2019: £3.0m).

Current trading and outlook

Our third quarter revenue run rates are as expected. Our revenue outlook remains in line with our expectations despite our markets remaining challenging. Material costs are tracking consistently with the first half year. The Board's expectations for the full year remain in line with our January trading update.

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;
- supply chain risk relating to COVID-19; and
- Brexit impacts.

Cautionary statement

This report contains forward-looking statements that are subject to risk factors associated with, among other things the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this report will be realised.

The forward-looking statements reflect the knowledge and information available at the date of preparation of this report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this report should be construed as a profit forecast.

Ludwig de Mot

Chief Executive Officer

Chris Smith

Chief Finance Officer

20 February 2020

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

(2) Gearing defined as the ratio of equity to net debt excluding IFRS 16.

(3) Earnings before interest, tax, depreciation and amortisation.

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

Ludwig de Mot

Chief Executive Officer

Chris Smith

Chief Finance Officer

20 February 2020

Independent review report to McBride plc

Report on the condensed interim financial statements

Our conclusion

We have reviewed McBride plc's condensed interim financial statements (the "interim financial statements") in the half-year report of McBride plc for the 6 month period ended 31 December 2019. 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 2019;
- 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 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

20 February 2020

Condensed interim consolidated income statement

		Unaudited Half year to 31 Dec 2019 £m	Unaudited Half year to 31 Dec 2018 £m	Audited Year ended 30 June 2019 £m
Continuing operations				
	Note			
Revenue	4	350.4	369.2	721.3
Cost of sales		(232.4)	(248.2)	(480.9)
Gross profit		118.0	121.0	240.4
Distribution costs		(28.7)	(28.0)	(56.6)
Administrative expenses		(80.8)	(77.4)	(157.2)
Operating profit		8.5	15.6	26.6
Finance costs		(1.9)	(2.3)	(4.6)
Profit before taxation		6.6	13.3	22.0
Taxation	5	(2.9)	(4.1)	(10.0)
Profit for the period from continuing operations		3.7	9.2	12.0
Discontinued operations				
Loss for the period from discontinued operations		(0.3)	(0.3)	(3.9)
Profit for the period		3.4	8.9	8.1
Earnings per ordinary share from continuing and discontinued operations attributable to the owners of the parent during the period				
Basic earnings per share	6			
From continuing operations		2.0p	5.0p	6.5p
From discontinued operations		(0.1)p	(0.1)p	(2.1)p
From profit for the period		1.9p	4.9p	4.4p
Diluted earnings per share	6			
From continuing operations		2.0p	5.0p	6.5p
From discontinued operations		(0.1)p	(0.1)p	(2.1)p
From profit for the period		1.9p	4.9p	4.4p
Continuing operating profit		8.5	15.6	26.6
Adjusted for:				
Amortisation of intangible assets		1.0	0.9	1.9
Exceptional items	7	2.1	0.3	0.4
Adjusted operating profit		11.6	16.8	28.9
Continuing profit before taxation		6.6	13.3	22.0
Adjusted for:				
Amortisation of intangible assets		1.0	0.9	1.9
Exceptional items	7	2.1	0.3	0.4
Unwind of discount on provisions		—	—	0.2
Adjusted profit before taxation		9.7	14.5	24.5

Condensed interim consolidated statement of comprehensive income

	Unaudited Half year to 31 Dec 2019 £m	Unaudited Half year to 31 Dec 2018 £m	Audited Year ended 30 June 2019 £m
Profit for the period	3.4	8.9	8.1
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Currency translation differences on foreign subsidiaries	(3.4)	1.2	0.6
Gain/(loss) on net investment hedges	2.7	(1.4)	(0.9)
(Loss)/gain on cash flow hedges	(0.5)	0.1	(0.2)
(Loss)/gain on cash flow hedges transferred to profit or loss	(0.1)	—	0.2
Taxation relating to items above	0.2	—	—
	(1.1)	(0.1)	(0.3)
Items that will not be reclassified to profit or loss:			
Net actuarial loss on post-employment benefits	(2.5)	(0.7)	(3.5)
Taxation relating to item above	0.4	0.1	0.5
	(2.1)	(0.6)	(3.0)
Total other comprehensive expense	(3.2)	(0.7)	(3.3)
Total comprehensive income for the period attributable to owners of the Parent	0.2	8.2	4.8
Total comprehensive income/(expense) attributable to equity shareholders arises from:			
Continuing operations	0.5	8.5	8.7
Discontinued operations	(0.3)	(0.3)	(3.9)
	0.2	8.2	4.8

Condensed interim consolidated balance sheet

	Note	Unaudited as at 31 Dec 2019 £m	Unaudited as at 31 Dec 2018 £m	Audited as at 30 June 2019 £m
Non-current assets				
Goodwill	8	20.3	20.6	20.4
Other intangible assets	8	8.8	9.4	9.1
Property, plant and equipment	8	128.1	134.9	136.0
Right-of-use assets	2	6.7	—	—
Derivative financial instruments	9	0.1	—	0.1
Deferred tax assets		11.9	12.3	10.9
Other non-current assets		0.5	0.6	0.6
		176.4	177.8	177.1
Current assets				
Inventories		90.2	95.2	95.0
Trade and other receivables		132.5	140.8	145.9
Current tax asset		8.3	0.8	2.1
Derivative financial instruments	9	0.2	0.7	0.6
Cash and cash equivalents	10	13.5	15.3	14.4
		244.7	252.8	258.0
Total assets		421.1	430.6	435.1
Current liabilities				
Trade and other payables		165.1	194.0	182.3
Borrowings	9	31.5	39.1	43.5
Lease liabilities	2	3.0	—	—
Derivative financial instruments	9	0.7	0.2	0.3
Current tax liabilities		16.6	8.6	7.4
Provisions		1.1	3.9	3.7
		218.0	245.8	237.2
Non-current liabilities				
Borrowings	9	95.5	74.2	91.8
Lease liabilities	2	5.2	—	—
Derivative financial instruments	9	0.3	0.3	0.4
Pensions and other post-employment benefits	11	31.8	30.8	31.1
Provisions		3.7	3.8	4.2
Deferred tax liabilities		5.7	5.1	6.2
		142.2	114.2	133.7
Total liabilities		360.2	360.0	370.9
Net assets		60.9	70.6	64.2
Equity				
Issued share capital		18.3	18.3	18.3
Share premium account		70.6	76.7	73.9
Other reserves		72.1	67.2	69.9
Accumulated loss		(100.1)	(91.6)	(97.9)
Total equity		60.9	70.6	64.2

Condensed interim consolidated cash flow statement

	Note	Unaudited Half year to 31 Dec 2019 £m	Unaudited Half year to 31 Dec 2018 £m	Audited Year ended 30 June 2019 £m
Operating activities				
Profit before tax		6.3	11.2	16.2
Finance costs		1.9	2.3	4.6
Exceptional items	7	2.4	2.1	5.4
Share-based payments charge/(credit)		0.2	0.3	(0.2)
Depreciation of property, plant and equipment	8	8.6	9.0	18.4
Depreciation of right-of-use assets	2	1.7	—	—
Amortisation of intangible assets	8	1.0	0.9	1.9
Profit on disposal of property, plant and equipment		(0.6)	—	—
Operating cash flow before changes in working capital		21.5	25.8	46.3
Decrease in receivables		9.0	16.3	8.1
Decrease/(increase) in inventories		0.9	(5.9)	(3.6)
Decrease in payables		(11.6)	(9.4)	(20.9)
Operating cash flow after changes in working capital		19.8	26.8	29.9
Additional cash funding of pension schemes		(2.0)	(1.5)	(4.2)
Cash flow from operations before exceptional items		17.8	25.3	25.7
Cash outflow in respect of exceptional items		(3.0)	(2.1)	(6.9)
Cash generated from operations		14.8	23.2	18.8
Interest paid		(1.5)	(1.7)	(4.3)
Taxation paid		(1.4)	(1.6)	(7.2)
Net cash generated from operating activities		11.9	19.9	7.3
Investing activities				
Proceeds from sale of Hull site		3.0	—	—
Proceeds from sale of property, plant and equipment		0.2	—	—
Proceeds from sale of Solaro		—	1.6	1.6
Proceeds from sale of PC Liquids		—	11.5	12.5
Purchase of property, plant and equipment		(9.1)	(7.9)	(17.1)
Purchase of intangible assets		(1.0)	(0.9)	(1.6)
Sale of plant and equipment in Hull		—	—	0.8
Settlement of derivatives used in net investment hedging		2.6	(1.4)	(0.8)
Net cash (used)/generated in investing activities		(4.3)	2.9	(4.6)
Financing activities				
Redemption of B Shares		(3.3)	(5.7)	(8.6)
Net (repayment)/drawdown of borrowings		(2.6)	(13.6)	8.9
Repayment of IFRS 16 lease obligations		(1.9)	—	—
Purchase of own shares		(0.1)	—	—
Capital element of finance lease rentals		—	(0.1)	(0.2)
Net cash (used)/generated in financing activities		(7.9)	(19.4)	0.1
(Decrease)/increase in net cash and cash equivalents		(0.3)	3.4	2.8
Net cash and cash equivalents at the start of the period		14.4	11.7	11.7
Currency translation differences		(0.6)	0.2	(0.1)
Net cash and cash equivalents at the end of the period		13.5	15.3	14.4

Condensed interim consolidated statement of changes in equity

	Issued share capital £m	Share premium account £m	Other reserves			Accumulated losses £m	Total equity £m
			Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m		
At 30 June 2019	18.3	73.9	—	(0.9)	70.8	(97.9)	64.2
IFRS 16 Transition (note 2)	—	—	—	—	—	0.6	0.6
IFRIC 23 Transition (note 2)	—	—	—	—	—	(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)
Loss on 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

	Issued share capital £m	Share premium account £m	Other reserves			Accumulated losses £m	Total equity £m
			Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m		
At 30 June 2018	18.3	81.8	—	(0.6)	62.2	(94.1)	67.6
IFRS 15 transition	—	—	—	—	—	(0.4)	(0.4)
At 1 July 2018	18.3	81.8	—	(0.6)	62.2	(94.5)	67.2
Profit for the period	—	—	—	—	—	8.9	8.9
Other comprehensive income/(expense)							
Items that may be reclassified to profit or loss:							
Currency translation differences on foreign subsidiaries	—	—	—	1.2	—	—	1.2
Loss on net investment hedges	—	—	—	(1.4)	—	—	(1.4)
Gain on cash flow hedges in the period	—	—	0.1	—	—	—	0.1
	—	—	0.1	(0.2)	—	—	(0.1)
Items that will not be reclassified to profit or loss:							
Net actuarial loss on post-employment benefits	—	—	—	—	—	(0.7)	(0.7)
Taxation relating to item above	—	—	—	—	—	0.1	0.1
	—	—	—	—	—	(0.6)	(0.6)
Total other comprehensive income/(expense)	—	—	0.1	(0.2)	—	(0.6)	(0.7)
Total comprehensive income/(expense)	—	—	0.1	(0.2)	—	8.3	8.2
Transactions with owners of the parent							
Issue of B Shares	—	(5.1)	—	—	—	—	(5.1)
Redemption of B Shares	—	—	—	—	5.7	(5.7)	—
Share-based payments	—	—	—	—	—	0.3	0.3
At 31 December 2018	18.3	76.7	0.1	(0.8)	67.9	(91.6)	70.6

Condensed interim consolidated statement of changes in equity

continued

	Issued share capital £m	Share premium account £m	Other reserves			Accumulated losses £m	Total equity £m
			Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m		
At 30 June 2018	18.3	81.8	—	(0.6)	62.2	(94.1)	67.6
IFRS 15 transition	—	—	—	—	—	(0.4)	(0.4)
At 1 July 2018	18.3	81.8	—	(0.6)	62.2	(94.5)	67.2
Profit for the year	—	—	—	—	—	8.1	8.1
Other comprehensive income/(expense)							
Items that may be reclassified to profit or loss:							
Currency translation differences on foreign subsidiaries	—	—	—	0.6	—	—	0.6
Loss on net investment hedges	—	—	—	(0.9)	—	—	(0.9)
Loss on cash flow hedges in the year	—	—	(0.2)	—	—	—	(0.2)
Gain on cash flow hedges transferred to profit or loss	—	—	0.2	—	—	—	0.2
Taxation relating to items above	—	—	—	—	—	—	—
	—	—	—	(0.3)	—	—	(0.3)
Items that will not be reclassified to profit or loss:							
Net actuarial loss on post-employment benefits	—	—	—	—	—	(3.5)	(3.5)
Taxation relating to item above	—	—	—	—	—	0.5	0.5
	—	—	—	—	—	(3.0)	(3.0)
Total other comprehensive expense	—	—	—	(0.3)	—	(3.0)	(3.3)
Total comprehensive (expense)/income	—	—	—	(0.3)	—	5.1	4.8
Transactions with owners of the parent							
Issue of B Shares	—	(7.9)	—	—	—	—	(7.9)
Redemption of B Shares	—	—	—	—	8.6	(8.6)	—
Share-based payments	—	—	—	—	—	0.1	0.1
At 30 June 2019	18.3	73.9	—	(0.9)	70.8	(97.9)	64.2

Notes to the condensed interim financial statements

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 Household products. 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 2019 and those standards that have been endorsed by the European Union and will be applied at 30 June 2020 except for those described in note 2 below. This report should be read in conjunction with the financial statements for the year ended 30 June 2019.

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 5 September 2019 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 2019, committed undrawn facilities and net cash position amounted to £62.3 million. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate well within its current bank facilities.

The Group has a reasonable level of debt compared to earnings. As a result, the Directors believe that the Group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis.

The condensed interim consolidated financial statements were approved by the Board on 20 February 2020.

2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2019 except for the following described below.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2019:

- IFRS 16, 'Leases' (effective 1 January 2019, not yet endorsed by EU); and
- IFRIC 23, 'Uncertainty over Income Tax Treatments'.

IFRS 16 'Leases'

The Group has adopted this new standard with the modified retrospective approach from 1 July 2019 with the cumulative net effect of initial application being an adjustment to the opening balance of retained earnings as at 1 July 2019. Comparative information has not been restated and is presented, as previously reported, under IAS 17 and therefore may not be directly comparable.

The Group currently leases both properties and vehicles, comprising cars and commercial vehicles, which under IAS 17, were classified as a series of operating lease contracts with payments made (net of any incentives received from the lessor) charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, under IFRS 16, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

For leases, the liabilities were measured at the present value of the remaining lease payments, discounted, in the absence of a rate implicit in the lease, at the Group's incremental borrowing rate on the current facility as of 1 July 2019, adjusted for risk weighting by country, currency, size of asset and credit risk. The discount rate applied therefore differs by lease and ranges from 1.6% to 4.9%.

Notes to the condensed interim financial statements continued

2. Accounting policies continued

IFRS 16 'Leases' continued

The associated right-of-use assets were measured using the approach set out in IFRS 16.C8(b)(ii), whereby right-of-use assets are equal to the lease liabilities, adjusted by the amount of onerous lease contracts that required an adjustment to the right-of-use assets at the date of initial application.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period using the effective interest method. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- in determining whether existing contracts meet the definition of a lease, the Group will not reassess those contracts previously identified as leases and will not apply the standard to those contracts not previously assessed as leases;
- leases with less than twelve months remaining as at the date of adoption of the new standard will not be within the scope of IFRS 16;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- to rely on its assessment of whether leases are onerous applying IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' rather than performing an impairment review.

In addition the Group has elected to make use of the following exemptions in IFRS 16:

- short-term leases (twelve months or less from commencement) will not be within the scope of IFRS 16; and
- leases for which the asset is of low value (IT equipment and small items of office equipment) will not be within the scope of IFRS 16.

The effect of IFRS 16 adoption is as follows:

Impact on the statement of financial position as at 1 July 2019:

	As at 30 June 2019 £m	IFRS 16 adjustment £m	As at 1 July 2019 £m
Non-current assets			
Right-of-use assets	—	7.9	7.9
Current liabilities			
Lease liabilities	—	3.0	3.0
Provisions	3.7	(0.5)	3.2
Non-current liabilities			
Lease liabilities	—	6.4	6.4
Provisions	4.2	(1.6)	2.6
Net assets	64.2	0.6	64.8
Equity			
Accumulated loss	(97.9)	0.6	(97.3)
Total equity	64.2	0.6	64.8

£2.1 million (£0.5 million current and £1.6 million non-current) of provisions held on the balance sheet for onerous leases at 30 June 2019 have been reversed under the transitional practical expedient and offset to impair the respective right-of-use asset.

A reconciliation of the revised operating lease commitments as disclosed at 30 June 2019 under IAS 17 to the lease liabilities at 1 July 2019 under IFRS 16 is as follows:

	£m
Operating lease commitments under IAS 17 at 30 June 2019	8.5
Additional contract leases identified as part of ongoing IFRS 16 assessment	2.3
Adjusted operating lease commitments under IAS 17 at 30 June 2019	10.8
Discounted using the Group's incremental borrowing rate at 1 July 2019	(0.5)
Less: short-term leases recognised as an expense on a straight-line basis	(0.4)
Less: low value leases recognised as an expense on a straight-line basis	(0.5)
Lease liabilities at 1 July 2019	9.4

For the six months ended 31 December 2019 the application of IFRS 16 resulted in a £0.1 million increase in profit before tax. The table below shows a reconciliation of the impact on profit under IAS 17 and IFRS 16:

	£m
Operating lease costs under IAS 17	1.9
Less: depreciation of right-of-use assets	(1.7)
Less: finance costs associated with IFRS 16 lease liabilities	(0.1)
Profit before tax	0.1

During the six months to 31 December 2019 the movements in the right-of-use assets and lease liabilities are as follows:

	As at 31 Dec 2019 £m
Right-of-use assets	
Opening net book value	7.9
New leases recognised	0.7
Exchange movements	(0.2)
Depreciation	(1.7)
Closing net book value	6.7
Lease liabilities	
Opening liabilities	9.4
New leases recognised	0.7
Lease payments	(1.9)
Exchange movements	(0.1)
Finance costs	0.1
Closing liabilities	8.2

IFRIC 23 'Uncertainty over Income Tax Treatments'

IFRIC 23 changes the method of calculating provisions for uncertain tax positions. The Group previously recognised provisions based on the most likely amount of the liability, if any, for each separate uncertain tax position.

The interpretation requires a probability weighted average approach to be taken in situations where there is a wide range of possible outcomes. For tax issues with a binary outcome, the most likely amount method remains in use.

The Group has implemented the interpretation using the modified retrospective approach with the cumulative impact of application recognised at 1 July 2019 without restatement of comparatives. The effect of this was an increase to the provision for uncertain tax positions of £0.9 million. The Group has updated its accounting policy to reflect the requirements of the interpretation.

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, exceptional tax charges 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.

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 2019.

Notes to the condensed interim financial statements continued

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 Personal Care & 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.

Following the disposal of the Group's PC Liquids assets in the prior period, the respective results of this division are disclosed as a discontinued operation.

Analysis by reportable segment

31 December 2019	Household - Regions						Operating segments				Total Group £m
	UK £m	France £m	North ⁽¹⁾ £m	South ⁽²⁾ £m	East ⁽³⁾ £m	Asia £m	Total Household £m	Personal Care & Aerosols ⁽⁴⁾ £m	Total segments £m	Corporate ⁽⁵⁾ £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
Discontinued operations											
Segment revenue	—	—	—	—	—	—	—	—	—	—	—
Adjusted operating loss							—	—	—	—	—
Inventories							85.2	5.0	90.2	—	90.2
Capital expenditure							9.5	0.2	9.7	—	9.7
Amortisation and depreciation ⁽⁶⁾							11.2	0.1	11.3	—	11.3

31 December 2018 ⁽⁷⁾	Household - Regions						Operating segments				Total Group £m
	UK £m	France £m	North ⁽¹⁾ £m	South ⁽²⁾ £m	East ⁽³⁾ £m	Asia £m	Total Household £m	Personal Care & Aerosols ⁽⁴⁾ £m	Total segments £m	Corporate ⁽⁵⁾ £m	
Continuing operations											
Segment revenue	89.4	64.3	55.3	39.5	82.2	10.9	341.6	27.6	369.2	—	369.2
Adjusted operating profit/(loss)							22.5	(1.9)	20.6	(3.8)	16.8
Amortisation of intangible assets											(0.9)
Exceptional items (see note 7)											(0.3)
Operating profit											15.6
Finance costs											(2.3)
Profit before taxation											13.3
Discontinued operations											
Segment revenue	—	—	—	—	—	—	—	21.9	21.9	—	21.9
Adjusted operating loss							—	(0.3)	(0.3)	—	(0.3)
Inventories							90.9	4.3	95.2	—	95.2
Capital expenditure							7.9	0.9	8.8	—	8.8
Amortisation and depreciation							9.8	0.1	9.9	—	9.9

30 June 2019	Household - Regions						Operating segments				Total Group £m
	UK £m	France £m	North ⁽¹⁾ £m	South ⁽²⁾ £m	East ⁽³⁾ £m	Asia £m	Total Household £m	Personal Care & Aerosols ⁽⁴⁾ £m	Total segments £m	Corporate ⁽⁵⁾ £m	
Continuing operations											
Segment revenue	173.1	122.0	111.3	79.4	166.4	21.4	673.6	47.7	721.3	—	721.3
Adjusted operating profit/(loss)							39.9	(4.0)	35.9	(7.0)	28.9
Amortisation of intangible assets											(1.9)
Exceptional items (see note 7)											(0.4)
Operating profit											26.6
Finance costs											(4.6)
Profit before taxation											22.0
Discontinued operations											
Segment revenue	—	—	—	—	—	—	—	21.9	21.9	—	21.9
Adjusted operating loss							—	(0.8)	(0.8)	—	(0.8)
Inventories							90.3	4.7	95.0	—	95.0
Capital expenditure							17.1	1.6	18.7	—	18.7
Amortisation and depreciation							20.1	0.2	20.3	—	20.3

(1) Belgium, Holland and Scandinavia.

(2) Italy and Spain.

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

(4) Continuing operations relates to Aerosols activity only.

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

(6) Depreciation includes £1.7 million of depreciation from IFRS 16 right-of-use assets.

(7) 2018 comparatives have been restated to reflect the revised reportable segments.

Notes to the condensed interim financial statements continued

5. Taxation

The tax charge for the year on the continuing adjusted profit before tax of £2.9 million (30 June 2019: £6.8m) reflects an effective tax rate of 30% (30 June 2019: 28%) on continuing adjusted profit before taxation of £9.7 million (30 June 2019: £24.5m).

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 (2018: 135,630 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 2019	Unaudited Half year to 31 Dec 2018	Audited Year ended 30 June 2019
Weighted average number of ordinary shares in issue (million)	a	182.8	182.8	182.8
Effect of dilutive share incentive plans (million)		0.1	0.1	0.1
Weighted average number of ordinary shares for calculating diluted earnings per share (million)	b	182.9	182.9	182.9

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 and Deferred Annual Bonus Plan awards (together the "share incentive plans") that are potentially dilutive ordinary shares.

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

	Reference	Unaudited Half year to 31 Dec 2019 £m	Unaudited Half year to 31 Dec 2018 £m	Audited Year ended 30 June 2019 £m
From continuing operations				
Earnings for calculating basic and diluted earnings per share	c	3.7	9.2	12.0
Adjusted for:				
Amortisation of intangible assets		1.0	0.9	1.9
Exceptional items (see note 7)		2.1	0.3	0.4
Unwind of discount on provisions		—	—	0.2
Taxation relating to the above items		(0.1)	(0.1)	(0.9)
Exceptional items – taxation		—	—	4.1
Earnings for calculating adjusted earnings per share	d	6.7	10.3	17.7

	Reference	Unaudited Half year to 31 Dec 2019 pence	Unaudited Half year to 31 Dec 2018 pence	Audited Year ended 30 June 2019 pence
Basic earnings per share	c/a	2.0	5.0	6.5
Diluted earnings per share	c/b	2.0	5.0	6.5
Adjusted basic earnings per share	d/a	3.7	5.6	9.7
Adjusted diluted earnings per share	d/b	3.7	5.6	9.7

	Reference	Unaudited Half year to 31 Dec 2019 £m	Unaudited Half year to 31 Dec 2018 £m	Audited Year ended 30 June 2019 £m
From discontinued operations				
Earnings for calculating basic and diluted earnings per share	c	(0.3)	(0.3)	(3.9)
Adjusted for:				
Exceptional items (see note 7)		0.3	1.8	5.0
Taxation relating to the above items		—	(1.7)	(1.7)
Earnings for calculating adjusted earnings per share	d	—	(0.2)	(0.6)

	Reference	Unaudited Half year to 31 Dec 2019 pence	Unaudited Half year to 31 Dec 2018 pence	Audited Year ended 30 June 2019 pence
Basic earnings per share	c/a	(0.1)	(0.1)	(2.1)
Diluted earnings per share	c/b	(0.1)	(0.1)	(2.1)
Adjusted basic earnings per share	d/a	—	(0.1)	(0.3)
Adjusted diluted earnings per share	d/b	—	(0.1)	(0.3)

	Reference	Unaudited Half year to 31 Dec 2019 £m	Unaudited Half year to 31 Dec 2018 £m	Audited Year ended 30 June 2019 £m
Total attributable to ordinary shareholders				
Earnings for calculating basic and diluted earnings per share	c	3.4	8.9	8.1
Adjusted for:				
Amortisation of intangible assets		1.0	0.9	1.9
Exceptional items (see note 7)		2.4	2.1	5.4
Unwind of discount on provisions		—	—	0.2
Taxation relating to the above items		(0.1)	(1.8)	(2.6)
Exceptional items – taxation		—	—	4.1
Earnings for calculating adjusted earnings per share	d	6.7	10.1	17.1

	Reference	Unaudited Half year to 31 Dec 2019 pence	Unaudited Half year to 31 Dec 2018 pence	Audited Year ended 30 June 2019 pence
Basic earnings per share	c/a	1.9	4.9	4.4
Diluted earnings per share	c/b	1.9	4.9	4.4
Adjusted basic earnings per share	d/a	3.7	5.5	9.4
Adjusted diluted earnings per share	d/b	3.7	5.5	9.4

7. Exceptional items

	Reference	Unaudited Half year to 31 Dec 2019 £m	Unaudited Half year to 31 Dec 2018 £m	Audited Year ended 30 June 2019 £m
Continuing operations				
Reorganisation and restructuring costs:				
Acquisition of Danlind		—	0.2	0.7
UK Aerosols reorganisation		0.1	—	(1.2)
Factory footprint review		1.2	—	—
Efficiency based restructuring		0.8	—	0.8
Other		—	0.1	0.1
Total charged to operating profit		2.1	0.3	0.4
Reduction of ACT deferred tax asset		—	—	4.1
Total charged to taxation		—	—	4.1
Total continuing operations		2.1	0.3	4.5
Discontinued operations				
Sale of PC Liquids business		0.3	1.8	5.0
Total discontinued operations		0.3	1.8	5.0
Total		2.4	2.1	9.5

Notes to the condensed interim financial statements continued

7. Exceptional items continued

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 2019, the Group recognised total exceptional items of £2.4 million (2018: £2.1m), of which £2.1 million was from continuing operations as follows:

- exceptional charge of £0.1 million from the UK Aerosols reorganisation comprising of a gain of £0.8 million following the sale of the land and buildings at the former UK Aerosols site in Hull. In addition, an exceptional charge of £0.9 million has been recognised following the termination of a contract with a third party to operate the warehouse at Hull and other site closure costs;
- exceptional charge of £1.2 million incurred in respect of professional fees to undertake a review of the Group's factory footprint; and
- exceptional charge of £0.8 million for restructuring activities to reduce the operational cost base in the UK also as part of the Group's review of the factory footprint.

The charges in relation to discontinued operations were as follows:

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

During the prior period ended 31 December 2018, the Group recognised £2.1 million of exceptional charges. The charges were made up of the following items:

- exceptional charge of £0.2 million incurred as part of the further integration of Danlind;
- exceptional gain of £0.1 million following the sale of the former manufacturing site in Italy; and
- exceptional charge of £0.2 million incurred in respect of the equalisation of male and female Guaranteed Minimum Pension (GMP) entitlement. This is following the UK High Court ruling handed down on 26 October 2018 involving Lloyds Banking Group's defined benefit pension scheme.

The charges in relation to discontinued operations were as follows:

- £1.8 million of exceptional costs were incurred in relation to discontinued operations from the sale of the Group's PC Liquids activities. This was made up of £1.2 million in relation to termination and consultancy costs, and £0.6 million incurred as a loss on disposal of assets.

8. Property, plant and equipment and intangible assets

	Goodwill and other intangible assets £m	Property, plant and equipment £m
Net book value at 1 July 2019 (audited)	29.5	136.0
Exchange movements	(0.4)	(5.5)
Additions	1.0	8.7
Disposal of Hull site	—	(2.1)
Disposal of assets	—	(0.4)
Depreciation charge	—	(8.6)
Amortisation charge	(1.0)	—
Net book value at 31 December 2019 (unaudited)	29.1	128.1

Goodwill and other intangible assets comprise goodwill of £20.3 million (30 June 2019: £20.4m) and computer software of £5.4 million (30 June 2019: £5.2m), brands of £0.9 million (30 June 2019: £1.1m) and customer relationships of £2.5 million (30 June 2019: £2.8m).

Capital commitments as at 31 December 2019 amounted to £13.9 million (30 June 2019: £8.8m).

Impairment tests carried out during the period

Goodwill is tested for impairment annually at the level of the cash generating unit (CGU) to which it is allocated. At the end of each reporting period, management are required to consider possible indicators of impairment and, where applicable, perform impairment testing on the relevant CGUs. As a result of the lowering of earnings expectations disclosed in the January 2020 trading update, management undertook to perform additional impairment testing. In each of the tests carried out, the recoverable amount of the CGUs concerned was measured on a value-in-use basis.

The impairment review has been performed on the basis of the annual impairment review set out on pages 103 to 104 of the 2019 Annual Report. Management based its cash flow estimates on the Group's Board-approved forecast for the 2020 financial year. Discount rates applied to the cash flow projections were held in line with the discount rates at June 2019. Having performed the impairment tests, no impairment has been recognised for the period ended 31 December 2019 (year ended 30 June 2019: £nil).

As part of forming this conclusion a sensitivity analysis was performed which focused on the change required in key assumptions (long-term growth and the pre-tax discount rate), both individually and collectively, to give rise to an impairment.

In line with our conclusions at 30 June 2019, management estimates that in the case of all CGUs, a reduction in the perpetual growth rate to 0.0% would not result in an impairment charge. Management estimates that in the case of Household Powders and Tablets, an increase in the pre-tax discount rate from 11.7% to 19% would reduce the headroom in the CGU to nil but would not result in an impairment charge. No reasonable movement in the discount rate applied to the remaining CGUs would result in nil headroom or impairment.

Additionally, due to market conditions at the period end, a sensitivity has been applied to gross margin. A reduction in the forecast gross margin by 1.9 percentage points would reduce the headroom of the Powders and Tablets CGU to nil, but would not result in an impairment charge.

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 2019. 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 2019 £m	Unaudited as at 31 Dec 2018 £m	Audited as at 30 June 2019 £m
Assets			
Level 2:			
Derivative financial instruments			
Forward currency contracts	0.2	0.7	0.7
Interest rate swaps	0.1	–	–
Total financial assets	0.3	0.7	0.7
Liabilities			
Level 2:			
Derivative financial instruments			
Forward currency contracts	(0.7)	(0.2)	(0.3)
Interest rate swaps	(0.3)	(0.3)	(0.4)
Total financial liabilities	(1.0)	(0.5)	(0.7)

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.

Notes to the condensed interim financial statements continued

9. Financial risk management continued

Financial assets and liabilities measured at amortised cost

The fair value of borrowings are as follows:

	Unaudited as at 31 Dec 2019 £m	Unaudited as at 31 Dec 2018 £m	Audited as at 30 June 2019 £m
Current	34.5 ⁽¹⁾	39.1	43.5
Non-current	100.7 ⁽¹⁾	74.2	91.8
Total borrowings	135.2	113.3	135.3

(1) Current borrowings includes £3.0 million of IFRS 16 lease liabilities due less than one year. Non-current borrowings includes £5.2 million of IFRS 16 lease liabilities due greater than one year.

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 2019 £m	IFRS 16 non-cash movements ⁽¹⁾ £m	Cash flow £m	Exchange differences £m	Unaudited as at 31 Dec 2019 £m
Cash and cash equivalents	14.4	—	(0.3)	(0.6)	13.5
Overdrafts	(13.4)	—	9.0	0.5	(3.9)
Bank and other loans	(121.9)	—	(6.4)	5.2	(123.1)
Net debt (excluding IFRS 16)	(120.9)	—	2.3	5.1	(113.5)
IFRS 16 lease liabilities	—	(10.2)	1.9	0.1	(8.2)
Total net debt	(120.9)	(10.2)	4.2	5.2	(121.7)

(1) IFRS 16 non-cash movements includes the initial liability at adoption of the new standard (£9.4m), and additions (£0.7m) and interest charged (£0.1m).

11. Pensions and post-employment benefits

The Group provides a number of post-employment benefit arrangements. In the UK, the Group operates a closed defined benefit pension scheme and a defined contribution pension scheme. Elsewhere in Europe, the Group has a number of smaller unfunded post-employment benefit arrangements that are structured to accord with local conditions and practices in the countries concerned.

At 31 December 2019, the Group recognised a deficit on its UK Defined Benefit pension plan of £28.9 million (30 June 2019: £28.1m). The Group's post-employment benefit obligations outside the UK amounted to £2.9 million (30 June 2019: £3.0m).

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

	Unaudited Half year to 31 Dec 2019 £m	Unaudited Half year to 31 Dec 2018 £m	Audited Year ended 30 June 2019 £m
Profit or loss			
Service cost and administration expenses	(0.4)	(0.5)	(1.3)
Charge to operating profit	(0.4)	(0.5)	(1.3)
Net interest cost on defined benefit obligation	(0.3)	(0.4)	(0.7)
Charge to profit before taxation	(0.7)	(0.9)	(2.0)
Other comprehensive expense			
Net actuarial loss	(2.5)	(0.7)	(3.5)
Other comprehensive expense	(2.5)	(0.7)	(3.5)

	Unaudited as at 31 Dec 2019 £m	Unaudited as at 31 Dec 2018 £m	Audited as at 30 June 2019 £m
Balance sheet			
Defined benefit obligations:			
UK – funded	(155.8)	(141.0)	(153.2)
Other – unfunded	(2.9)	(2.5)	(3.0)
	(158.7)	(143.5)	(156.2)
Fair value of scheme assets	126.9	112.7	125.1
Deficit on the schemes	(31.8)	(30.8)	(31.1)

For accounting purposes, the UK scheme's benefit obligation as at 31 December 2019 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 2019 ⁽¹⁾	Unaudited Half year to 31 Dec 2018	Audited Year ended 30 June 2019
Interim	0.8p	1.5p	1.5p
Final	n/a	n/a	1.8p

(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 2018 (audited)	1,560,374	1.5
Issued	5,118,351	5.1
Redeemed	(5,696,243)	(5.6)
At 31 December 2018 (unaudited)	982,482	1.0
Issued	2,741,974	2.8
Redeemed	(2,908,825)	(3.0)
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

Notes to the condensed interim financial statements continued

13. Acquisitions and disposals

Sale of Hull site

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 has been recognised in the period.

PC Liquids sale

In the prior period, the Group completed the disposal of its PC Liquids activities on 16 November 2018. The transaction comprised the disposal of the trade and assets of the Group's PC Liquids business for a cash consideration of £12.5 million. In the prior period, the PC Liquids business generated revenues of £21.9 million and had an adjusted trading loss of £0.3 million.

Former manufacturing site in Italy

On 25 July 2018, the Group completed the sale of the Solaro site in Italy (held on the balance sheet at £1.3 million). Cash consideration of £1.6 million was received with respect to this sale. After accounting for costs to sell an exceptional gain of £0.1 million was recognised in the prior period.

14. Events after the balance sheet date

In November 2019, the Group announced a proposal to close its Barrow site and, at the balance sheet date, the Group was in collective consultation with the employees affected. In January, the Group concluded the consultation process and the closure of the Barrow site is expected in summer 2020.

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 2019 are detailed in note 28 (page 123) of McBride plc's Annual Report and Accounts 2019. A copy of McBride plc's Annual Report and Accounts 2019 is available on McBride's website at www.mcbride.co.uk.

Ludwig de Mot, the Chief Executive of the Company appointed on 1 November 2019, is a Non-Executive Director of VPK Packaging Group which is a supplier to the Group. During the period from 1 November 2019 to 31 December 2019, the Group purchased goods to a total value of £0.2 million. At the period end, the amount owed to VPK Packaging was £0.2 million. Purchases and balances between related parties are made at normal market prices.

Aside from this, there are no other related party transactions.

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.

Additional information

Financial calendar for the year ending 30 June 2020

Payments to shareholders

Interim	Announcement	20 February 2020
	Entitlement to B Shares	24 April 2020
	Redemption of B Shares	29 May 2020
Final	Announcement	3 September 2020
	Entitlement to B Shares	23 October 2020
	Redemption of B Shares	27 November 2020

Results

Interim	Announcement	20 February 2020
Preliminary statement for full year	Announcement	3 September 2020
Annual Report and Accounts 2020	Circulated	September 2020
Annual General Meeting	To be held	20 October 2020

Exchange rates

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

	Unaudited Half year to 31 Dec 2019	Unaudited Half year to 31 Dec 2018	Audited Year ended 30 June 2019
Average rate:			
Euro	1.14	1.12	1.14
US Dollar	1.26	1.30	1.30
Polish Zloty	4.88	4.84	4.88
Czech Koruna	29.12	28.97	29.20
Danish Krone	8.48	8.38	8.47
Hungarian Forint	374.60	363.77	365.28
Malaysian Ringgit	5.24	5.34	5.34
Australian Dollar	1.84	1.78	1.81
Closing rate:			
Euro	1.18	1.12	1.12
US Dollar	1.32	1.28	1.27
Polish Zloty	5.00	4.81	4.74
Czech Koruna	29.86	28.76	28.38
Danish Krone	8.78	8.35	8.33
Hungarian Forint	388.49	358.83	360.71
Malaysian Ringgit	5.40	5.29	5.25
Australian Dollar	1.88	1.81	1.81

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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FTSE4Good

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



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