McPherson's Limited
ABN: 98 004 068 419
Half Year ended 31 December 2012

Results for Announcement to the Market

				$000's
Revenue from continuing operations	up	6.9%	to	**153,958**
Profit before tax from continuing operations	down	7.9%	to	**15,257**
Profit after tax from continuing operations	down	6.4%	to	**10,911**
Profit after tax attributable to members	up	7.6%	to	**10,911**
Net profit for the period attributable to members	up	7.6%	to	**10,911**

Dividends/distributions	**Amount per security**	**Franked amount per security**
Interim dividend	**10.0¢**	**10.0¢**
Previous corresponding period	10.0¢	10.0¢

Payment date for interim dividend	**11 April 2013**
Record date for determining entitlements to the dividend	**25 March 2013**

McPherson's Limited and Controlled Entities
Directors' Report

The Board of Directors issues the following report on the consolidated entity (referred to hereafter as the Group) consisting of McPherson's Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2012.

(a) Directors

The following persons were Directors of McPherson's Limited during the whole of the half year and up to the date of this report:

D.J. Allman, P.J. Maguire, J.P. Clifford, G.A. Cubbin and A.M. Lacaze.

(b) Principal Activities

The Group is a leading marketer of personal care, non-electrical housewares and household consumables. Product ranges include beauty care, hair care, skin care, foot care, 'kitchen utensils' such as cutlery, kitchen knives, bakeware and cookware and 'kitchen essentials' such as plastic bags, baking paper, cling wrap and aluminium foil.

(c) Review of operations

Refer separate commentary which forms part of this report.

(d) Dividends

The Directors have recommended that an interim dividend (fully franked) of 10.0 cents per share be paid on 11 April 2013. This dividend was declared subsequent to the end of the half year period and therefore has not been recognised as a liability at 31 December 2012.

(e) Rounding

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report and Directors' Report. Amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

(f) Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Signed in accordance with a resolution of the Directors.

Dated at Sydney this 18th day of February 2013.

D.J. Allman	**P.J. Maguire**
Director	Director

Auditor's Independence Declaration

As lead auditor for the review of McPherson's Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of McPherson's Limited and the entities it controlled during the period.

P.J. Carney

Paddy Carney
Partner
PricewaterhouseCoopers

Sydney
18 February 2013

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McPherson's Limited
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2012

	Note	**Half Year December 2012 $000's**	Half Year December 2011 $000's
Continuing operations			
Revenue			
Sales revenue		153,227	143,919
Interest		4	20
Royalties		11	24
Total revenue		**153,242**	143,963
Commission		9	-
Contingent consideration adjustment		597	-
Other income		110	114
Total revenue and other income		**153,958**	144,077
Expenses			
Materials and consumables used		(81,897)	(75,730)
Employee costs		(22,042)	(22,140)
Rental expenses relating to operating leases		(3,418)	(3,345)
Amortisation of other intangibles		(113)	(121)
Depreciation/other amortisation		(1,208)	(1,215)
Advertising and promotional		(6,933)	(6,273)
Repairs and maintenance		(149)	(149)
Cartage and freight		(8,714)	(7,155)
Time value in option hedging contracts		127	793
Other expenses		(11,136)	(9,339)
Borrowing costs expense		(3,218)	(2,844)
Profit before income tax expense		**15,257**	16,559
Income tax expense	4	(4,346)	(4,896)
Profit from continuing operations after income tax expense		**10,911**	11,663
Discontinued Operation			
Loss from discontinued operation (net of income tax)	6	-	(1,526)
Profit for the half year		**10,911**	10,137

The above statement of comprehensive income should be read in conjunction with the following notes.

McPherson's Limited
Consolidated Statement of Comprehensive Income (continued)
For the half year ended 31 December 2012

	Half Year December 2012 $000's	Half Year December 2011 $000's
Profit for the half year	**10,911**	10,137
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	(421)	(170)
Exchange differences on translation of foreign operations	28	(2)
Income tax relating to components of other comprehensive income	125	60
Other comprehensive income for the half year	**(268)**	(112)
Total comprehensive income for the half year	**10,643**	10,025

Total comprehensive income for the half year arises from:		
Continuing operations	10,643	11,516
Discontinued operation	-	(1,491)
	10,643	10,025

	Cents	Cents
Basic earnings per share	**15.0**	14.0
Diluted earnings per share	**15.0**	14.0
Basic earnings per share - continuing operations	**15.0**	16.1
Diluted earnings per share - continuing operations	**15.0**	16.1

The above statement of comprehensive income should be read in conjunction with the following notes.

McPherson's Limited
Consolidated Balance Sheet
As at 31 December 2012

	Note	31 December 2012 $000's	30 June 2012 $000's
Current assets			
Cash		1,108	1,253
Receivables		71,346	55,550
Inventories		55,638	52,932
Derivative financial instruments		-	95
Total current assets		**128,092**	109,830
Non-current assets			
Property, plant and equipment		7,722	7,076
Intangibles	7	191,118	183,986
Deferred tax assets		5,546	5,462
Total non-current assets		**204,386**	196,524
Total assets		**332,478**	306,354
Current liabilities			
Payables		36,355	30,130
Derivative financial instruments		3,045	2,760
Borrowings	8	13,588	1,419
Provisions		8,631	6,085
Current tax liabilities		2,257	989
Total current liabilities		**63,876**	41,383
Non-current liabilities			
Derivative financial instruments		1,369	1,455
Borrowings	8	72,763	76,500
Provisions		876	828
Deferred tax liabilities		14,032	13,546
Total non-current liabilities		**89,040**	92,329
Total liabilities		**152,916**	133,712
Net assets		**179,562**	172,642
Shareholders' equity			
Share capital	9	104,488	103,253
Reserves		(4,602)	(4,444)
Retained profits		79,676	73,833
Total shareholders' equity		**179,562**	172,642

The above balance sheet should be read in conjunction with the following notes.

McPherson's Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2012

	Share Capital $000's	Reserves $000's	Retained Profits $000's	Total Equity $000's
Balance at 1 July 2012	**103,253**	**(4,444)**	**73,833**	**172,642**
Profit for the half year	-	-	10,911	10,911
Cash flow hedges, net of tax	-	(296)	-	(296)
Exchange differences on translation of foreign operations	-	28	-	28
Total comprehensive income	**-**	**(268)**	**10,911**	**10,643**
Transactions with shareholders				
Shares issued	1,235	-	-	1,235
Dividends paid	-	-	(5,068)	(5,068)
Share-based payment transactions	-	110	-	110
Total transactions with shareholders	**1,235**	**110**	**(5,068)**	**(3,723)**
Balance at 31 December 2012	**104,488**	**(4,602)**	**79,676**	**179,562**

The above statement of changes in equity should be read in conjunction with the following notes.

McPherson's Limited
Consolidated Statement of Changes in Equity (continued)
Prior year comparative

	Share Capital $000's	Reserves $000's	Retained Profits $000's	Total Equity $000's
Balance at 1 July 2011	**129,338**	**(4,181)**	**75,641**	**200,798**
Profit for the half year	-	-	10,137	10,137
Cash flow hedges, net of tax	-	(110)	-	(110)
Exchange differences on translation of foreign operations	-	(2)	-	(2)
Total comprehensive income	**-**	**(112)**	**10,137**	**10,025**
Transactions with shareholders				
Dividends paid	-	-	(10,136)	(10,136)
Share-based payment transactions	-	250	-	250
Total transactions with shareholders	**-**	**250**	**(10,136)**	**(9,886)**
Balance at 31 December 2011	**129,338**	**(4,043)**	**75,642**	**200,937**

The above statement of changes in equity should be read in conjunction with the following notes.

McPherson's Limited
Consolidated Statement of Cash Flows
For the half year ended 31 December 2012

	Note	**Half Year December 2012 $000's**	Half Year December 2011 $000's
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		154,531	171,706
Payments to suppliers and employees (inclusive of GST)		(146,364)	(158,854)
Interest received		4	20
Interest and borrowing costs paid		(4,367)	(2,782)
Income tax paid		(2,973)	(7,757)
Dividend received		-	100
Net cash inflows from operating activities	5	**831**	2,433
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(1,472)	(3,402)
Proceeds from sale of property, plant and equipment		-	29
Payments for purchase of intangibles		(6)	-
Payments for acquisition of business assets		(4,582)	(561)
Payments associated with Printing demerger costs		-	(645)
Net cash outflows from investing activities		**(6,060)**	(4,579)
Cash flows from financing activities			
Proceeds from borrowings		135,500	70,500
Repayment of borrowings		(125,500)	(60,000)
Dividends paid		(3,833)	(10,136)
Repayment of finance lease liabilities		-	(84)
Net cash inflows from financing activities		**6,167**	280
Net increase / (decrease) in cash held		**938**	(1,866)
Cash at beginning of the half year		(166)	486
Net effect of exchange rate changes on cash		(10)	16
Net cash at end of the half year		**762**	(1,364)

The above statement of cash flows should be read in conjunction with the following notes.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2012

1. Accounting Policies

McPherson's Limited is a company domiciled in Australia. The consolidated interim financial report for the half year period ended 31 December 2012 comprises McPherson's Limited and the entities it controlled at the end of, or during, the half year period (the "Group").

(a) Basis of Preparation

This interim financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is a for-profit entity for the purpose of preparing the interim financial statements. The report is presented in Australian dollars.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. The interim financial report has been prepared on the basis of historical cost, except where assets and liabilities are stated at their fair values in accordance with relevant accounting policies.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

A full description of the accounting policies adopted by the Group can be found in the Group's Annual Report for the year ended 30 June 2012.

(b) Significant Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an ongoing basis.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are discussed below:

Estimated recoverable amount of goodwill and indefinite lived brand names

The Group tests goodwill and indefinite lived brand names annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. In calculating the recoverable amount of these assets the use of assumptions is required. Refer to Note 7 for details of these assumptions.

Estimated carrying value of provision for contingent consideration

The Group's recent acquisition of the Footcare International business included a contingent consideration arrangement. Under this arrangement the Group may be required to pay the former owner a potential additional cash payment, up to a maximum of $3,500,000. In accordance with Australian Accounting Standards, management is required to estimate how much of this contingent consideration is likely to be paid in the future. The actual payout amount may differ to what has been estimated. Refer to Note 12 for further details on this estimate.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2012

2. Segment Information

	Australia $000's	New Zealand $000's	Rest of the World $000's	Unallocated / Eliminations $000's	Consolidated $000's
Half year December 2012					
Sales to external customers	132,387	16,482	4,358	-	153,227
Inter-segment sales	831	1	58,863	(59,695)	-
Total sales revenue	**133,218**	**16,483**	**63,221**	**(59,695)**	**153,227**
Other revenue / income	629	13	1,426	(1,337)	731
Total segment revenue and other income	**133,847**	**16,496**	**64,647**	**(61,032)**	**153,958**
EBITDA	16,589	2,050	1,153	-	19,792
Depreciation and amortisation expense	(1,086)	(209)	(26)	-	(1,321)
Segment result	**15,503**	**1,841**	**1,127**	**-**	**18,471**
Net borrowing costs					(3,214)
Profit before income tax					**15,257**
Income tax expense					(4,346)
Profit after income tax					**10,911**
Segment assets	**307,463**	**20,812**	**28,526**	**(24,323)**	**332,478**

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2012

2. Segment Information (continued)

	Australia $000's	New Zealand $000's	Rest of the World $000's	Printing (Discontinued) $000's	Unallocated / Eliminations $000's	Consolidated $000's
Half year December 2011						
Sales to external customers	122,367	17,062	4,490	22,857	-	166,776
Inter-segment sales	1,141	1	50,967	82	(52,191)	-
Total sales revenue	**123,508**	**17,063**	**55,457**	**22,939**	**(52,191)**	**166,776**
Other revenue / income	79	4	1,413	500	(1,352)	644
Share of net profit of associate	-	-	-	104	-	104
Total segment revenue and other income	**123,587**	**17,067**	**56,870**	**23,543**	**(53,543)**	**167,524**
EBITDA before significant items	16,904	2,778	1,036	1,907	-	22,625
Depreciation and amortisation expense	(1,103)	(208)	(25)	(1,559)	-	(2,895)
Segment result before significant items	**15,801**	**2,570**	**1,011**	**348**	**-**	**19,730**
Significant items (1)	-	-	-	-	(2,550)	(2,550)
Segment result including significant items	**15,801**	**2,570**	**1,011**	**348**	**(2,550)**	**17,180**
Net borrowing costs						(2,837)
Profit before income tax						**14,343**
Income tax expense						(4,206)
Profit after income tax						**10,137**
Segment assets	**303,424**	**20,881**	**25,969**	**34,709**	**(42,206)**	**342,777**

(1) This significant item expense relates to the expected costs associated with the demerger of the Printing business and its subsequent acquisition of the Opus Group. Refer to Note 6 of this financial report.

2. Operating segments (continued)

Operating segments are reported in a manner which is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director of McPherson's Limited.

The internal reports reviewed by the Managing Director, which are used to make strategic decisions, are separated into geographic segments and are considered on the basis of Australia, New Zealand and the rest of the world.

Segment revenues

Segment revenues are allocated based on the location in which the revenue originated.

Revenues of approximately $38,372,000 (2011: $35,441,000) and $35,912,000 (2011: $31,485,000) were derived from two external customers. These revenues were attributable to the Australian segment.

Segment assets

Segment assets are allocated based on where the asset is located.

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an 'arms-length' basis and are eliminated on consolidation.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2012

3. Dividends

Details of dividends declared or paid during or subsequent to the half year ended 31 December 2012 are as follows:

	Half Year December 2012 $000's	Half Year December 2011 $000's
Ordinary		
Final 30 June 2012 dividend of 7.0 cents per fully paid share (2011: 14.0 cents per fully paid share) fully franked @ 30%	**5,068**	10,136

Dividends not recognised at the end of the half year

In addition to the above dividends, since the end of the half year the Directors have declared a fully franked interim dividend of 10.0 cents per fully paid share (2011: 10.0 cents per fully paid share). The aggregate amount of the dividend to be paid on 11 April 2013 but not recognised as a liability at half year end is:	**7,311**	7,240

Dividend reinvestment plans

The Company's Dividend Reinvestment Plan was reactivated, with a discount of 2.5%, with effect from the final dividend for the 30 June 2012 financial year, and continues to operate.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2012

4. Income tax

	Half Year December 2012 $000's	Half Year December 2011 $000's
Operating profit before tax – continuing operations	15,257	16,559
Operating loss before tax – discontinued operation	-	(2,216)
Total operating profit before tax	**15,257**	14,343
Prima facie income tax at 30%	4,577	4,303
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share of net profit of associate	-	(31)
Share-based payments expense	33	75
Non-assessable contingent consideration adjustment	(179)	-
Tax rate differences in overseas entities	(181)	(180)
Under/(over) provision in prior years	2	(2)
Other	94	41
Income tax expense	**4,346**	4,206
Income tax expense/(benefit) is attributable to:		
Continuing operations	4,346	4,896
Discontinued operation	-	(690)
	4,346	4,206

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2012

5. Notes to the statement of cash flows

	Half Year December 2012 $000's	Half Year December 2011 $000's
Operating profit after income tax	**10,911**	10,137
Amortisation of other intangibles	113	121
Depreciation/other amortisation	1,208	2,774
Profit on disposal of property, plant and equipment	-	(10)
Share-based payments expense	110	250
Share of profit in associate not received as dividends or distributions	-	(104)
Dividends received from associate	-	100
Time value in option hedging contracts	(127)	(793)
Contingent consideration adjustment	(597)	-
Finance charges included in lease payments	-	14
Costs associated with Printing demerger	-	2,550
Changes in operating assets and liabilities, excluding the effects from purchase or disposal of controlled entities:		
Increase in payables	6,191	2,958
Decrease in other provisions	(390)	(1,941)
Increase/(decrease) in employee entitlements	6	(976)
Increase/(decrease) in tax balances	1,250	(3,551)
Increase in receivables	(16,242)	(12,407)
(Increase)/decrease in inventories	(1,602)	3,311
Net cash inflows from operating activities	**831**	2,433

6. Discontinued operation

During the comparative period, on 18 November 2011 the Group announced its intention to demerge its Printing business into a separate company. Subsequent to demerging, the Printing business completed an acquisition of the Opus Group, in order to create a substantial business services group with operations in Australia, New Zealand and Singapore, and was listed on the ASX.

The demerger was completed via a demerger distribution, which was satisfied by the Group distributing all its shares in the McPherson's Printing Group to the shareholders of McPherson's Limited.

On 16 January 2012, the shareholders of McPherson's Limited approved the demerger at an extraordinary general meeting and the demerger took place on 31 January 2012.

As a result of this transaction, and in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* the Group's Printing business has been disclosed as a discontinued operation for the comparative period.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2012

6. Discontinued operation (continued)

	Half Year December 2012 $000's	Half Year December 2011 $000's
Revenue	-	22,939
Other income	-	604
Expenses	-	(23,195)
Borrowing costs	-	(13)
Profit before income tax and significant items	**-**	335
Income tax expense	-	(76)
Profit after income tax before significant items	**-**	259
Significant items		
Costs associated with demerger and subsequent acquisition of Opus (net of tax)	-	(1,785)
Loss from discontinued operation for the period	**-**	(1,526)
Basic earnings per share (before significant items) – cents	-	0.4
Diluted earnings per share (before significant items) – cents	-	0.4

Cash flow information		
Net cash inflows from operating activities	-	1,627
Net cash outflows from investing activities	-	(2,175)
Net cash outflows from financing activities	-	(68)
Net cash outflows for the period	**-**	(616)

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2012

7. Non-current assets – intangibles

	31 December 2012 $000's	30 June 2012 $000's
Goodwill	143,719	137,992
Other intangibles	4,436	4,437
Accumulated amortisation	(4,119)	(4,007)
	317	430
Brandnames	47,082	45,564
Total intangibles	**191,118**	**183,986**

Reconciliations
Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the half year are set out below:

	Goodwill $000's	**Other intangibles $000's**	**Brandnames $000's**	**Total $000's**
Consolidated				
Carrying amount at 1 July 2012	137,992	430	45,564	183,986
Additions	7,201	-	6	7,207
Transfers	(1,512)	-	1,512	-
Amortisation charge	-	(113)	-	(113)
Foreign currency exchange differences	38	-	-	38
Carrying amount at 31 December 2012	**143,719**	**317**	**47,082**	**191,118**

Acquired brandnames are not amortised under AASB 138, as Directors consider these to have an indefinite life. These brandnames are subject to an annual impairment test.

During the half year the acquisition accounting associated with the Cosmex International acquisition was finalised. As a result, $1,512,000 of brandname intangible assets were transferred from Goodwill and separately recognised as brandname assets. These brandnames have been assessed as having an indefinite useful life.

In accordance with Australian Accounting Standards the Group's Goodwill balance increased $453,000 during the period as a result of recognising the required deferred tax liability associated with the Cosmex brandnames.

7. Non-current assets – intangibles (continued)

Impairment Testing

Goodwill
Goodwill is allocated according to business segment as follows:

	31 December 2012 $000's	30 June 2012 $000's
Australia	139,049	133,360
New Zealand	4,670	4,632
	143,719	137,992

The recoverable amount of a business segment is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets/forecasts covering a one year period. Cash flows beyond the projected period are extrapolated using estimated growth rates. In performing the value-in-use calculations for each business segment, the Group has applied a post-tax discount rate to discount the forecast future attributable post-tax cash flows.

The assumptions used in the value-in-use calculations, for both the Australian and New Zealand business segments, are set out below.

	31 December 2012	**30 June 2012**
Estimated growth rates	3.0%	3.0%
Post-tax discount rate	11.5%	11.5%
Pre-tax discount rate equivalent – Australia	15.1%	15.1%
Pre-tax discount rate equivalent – New Zealand	14.7%	14.7%

In addition to the above, it is noted that the year one cash flow projection is a key assumption within the value-in-use calculations. The cash flow projections used for the year one cash flows are based on the Board approved financial budgets/forecasts. At 31 December 2012, the value-in-use calculations for both the Australian and New Zealand business segments exceed the carrying value of their net assets. The surplus amount within the Australian calculation is $6,708,000 (June 2012: $26,958,000). The surplus amount within the New Zealand calculation is NZD$12,698,000 (June 2012: NZD$21,302,000). The decreases in the reported surpluses arise partly from increases in working capital as a result of the seasonal nature of the business.

7. Non-current assets – intangibles (continued)

Impact of possible changes in key assumptions

If the year one earnings before interest and tax (EBIT) used in the value-in-use calculation for the Australian business segment were to be 1.9% below the actual earnings from the past 12 months, the recoverable amount of the Australian business segment would equal its carrying amount.

If the post-tax discount rate used in the value-in-use calculation for the Australian business segment were to be 0.2 percentage points higher than management's estimate (11.7% instead of 11.5%) the recoverable amount of the Australian business segment would equal its carrying amount.

If the terminal year growth rate used in the value-in-use calculation for the Australian business segment were to be 0.3 percentage points lower than management's estimate (2.7% instead of 3.0%) the recoverable amount of the Australian business segment would equal its carrying amount.

There were no reasonably possible changes to key assumptions associated with the New Zealand business segment that resulted in the recoverable amount of this business segment being equal to or below its carrying value.

Brandnames

Brandnames are tested for impairment on an individual basis annually and more frequently if events or changes in circumstances indicate that they might be impaired. The recoverable amount of a brandname is determined based on the higher of value-in-use or fair value less costs to sell calculations.

The value-in-use calculations are prepared using a discounted cash flow analysis of the future net contribution expected to be generated by the brand, which is based on financial budgets/forecasts covering a one year period. Cash flows beyond the projected period are extrapolated using estimated growth rates. In performing the value-in-use calculations the Group has applied a post-tax discount rate to discount the forecast future attributable post-tax cash flows.

The assumptions used in the value-in-use calculations, for all brandnames tested using this method, are set out below.

	31 December 2012	30 June 2012
Estimated growth rates	3.0%	3.0%
Post-tax discount rate	11.5%	11.5%
Pre-tax discount rate equivalent	15.1%	15.1%

At 31 December 2012, the total carrying value of brandnames tested using the value-in-use method was $45,639,000. The value-in-use calculations for these brandnames exceeded their carrying values.

7. Non-current assets – intangibles (continued)

The fair value less costs to sell calculation is determined using a ‘relief from royalty’ approach. The ‘relief from royalty’ method assumes that if a business did not own the identifiable brandname under consideration it would have to pay a royalty to the owners of the brandname for its use. The calculation is prepared on a discounted cash flow analysis of the future royalty stream which is based on financial budgets/forecasts covering a one year period. The calculation assumes sales growth rates beyond the projected period range of 3.0% (June 2012: 3.0%) and a post-tax discount rate of 11.5% (June 2012: 11.5%), the equivalent pre-tax discount rate equating to 15.1% (June 2012: 15.1%).

At 31 December 2012, the total carrying value of brandnames tested using the ‘relief from royalty’ method was $1,443,000.

Impact of possible changes in key assumptions

If the year one projected sales by brand were 10.0% below the current estimates used in the value-in-use calculations, the recoverable amount of certain brands would be $70,000 below their current carrying amount.

If the year one contribution margin percentages were 5.0 percentage points below the current estimates used in the value-in-use calculations, the recoverable amount of certain brands would be $8,790,000 below their current carrying amount.

If the terminal year growth rate used in the value-in-use calculations for all brands were to be 0.5 percentage points lower than management’s estimate (2.5% instead of 3.0%) no brand impairment would arise.

If the year one projected sales were 10.0% below the current estimate used in the relief from royalty calculation the recoverable amount of the brand tested using this method would be $56,000 below its current carrying value.

If the estimated royalty rate was 1.0 percentage point below the current estimate used in the relief from royalty calculation the recoverable amount of the brand tested using this method would be $929,000 below its current carrying value.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2012

8. Borrowings

	31 December 2012 $000's	30 June 2012 $000's
Current		
Bank overdraft - secured	346	119
Bank loans - secured	13,500	1,300
Debt issue costs	(258)	-
Total current	**13,588**	1,419
Non-current		
Bank loans - secured	73,000	76,500
Debt issue costs	(237)	-
Total non-current	**72,763**	76,500
Total borrowings	**86,351**	77,919

In December 2012, the Group refinanced its borrowing facilities. The new facilities are denominated in Australian dollars and variable interest rates apply (the Group does however hedge its exposure to interest rates for no less than 60% of the term debt facilities). The new facilities provide an amortising core debt facility of $81.0 million (3 year term), an acquisition facility of $15.0 million (expiring at the same time as the core debt facility), a working capital facility of $27.0 million (1 year term subject to annual review) and an additional seasonal working capital facility of $8.0 million (1 year term subject to annual review). The facilities have financial covenants attached relating to net leverage ratio, cash dividend payout ratio, EBIT interest coverage, gearing ratio, maximum permitted financial indebtedness limit and working capital ratio.

The core debt facility amortises by $4.0 million each May and November up until May 2015 at which time the maximum available core debt facility will be $61.0 million.

Maturity profile of the Group's borrowings

The table below analyses the Group's borrowings into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 Year $000's	**Between 1 & 2 Years $000's**	**Between 2 & 3 years $000's**	**Total Contractual Cash Flows $000's**	**Carrying Amount $000's**
31 December 2012					
Payables	36,355	-	-	36,355	36,355
Borrowings	18,572	12,243	68,628	99,443	86,351
Total non-derivatives	**54,927**	**12,243**	**68,628**	**135,798**	**122,706**
30 June 2012					
Payables	30,130	-	-	30,130	30,130
Borrowings	5,856	77,240	-	83,096	77,919
Total non-derivatives	35,986	77,240	-	113,226	108,049

8. Borrowings (continued)

Security for borrowings
The Group continues to provide security to its financiers to secure bank overdraft, bank loan, bank bill and trade finance facilities. The security provided also secures letters of credit provided by the Group's bankers to overseas banks to support bank overdraft and loan facilities of controlled entities. The security provided under the refinanced facilities is consistent with what was provided under the previous financing arrangement.

The Group facilities are secured by the following:

- Fixed and floating charges over the assets of the parent and certain controlled entities
- Mortgages over shares held in certain controlled entities
- Cross guarantees and indemnities provided by the parent entity and certain controlled entities

Assets pledged as security

	31 December 2012 $000's	30 June 2012 $000's
Fixed charge		
Property, plant and equipment	7,647	6,999
Intangibles	190,308	183,184
Total non-current assets pledged as security	**197,955**	190,183
The following current assets are also pledged as security:		
Fixed charge		
Receivables	66,827	52,010
Floating charge		
Cash	993	1,092
Inventories	54,359	51,911
Receivables	2,627	1,771
Derivative financial instruments	-	95
Total current assets pledged as security	**124,806**	106,879
Total assets pledged as security	**322,761**	297,062

9. Share Capital

	31 December 2012 $000's	30 June 2012 $000's
Issued and paid up capital:		
73,106,633 (June 2012: 72,401,758) ordinary shares - fully paid	**104,488**	103,253

Movements in ordinary share capital

Date	**Details**	**Number of Shares**	**Price $**	**$000's**
1 July 2012	Opening balance	72,401,758		103,253
31 October 2012	Shares issued - Dividend reinvestment plan for 30 June 2012 final dividend	704,875	1.75	1,235
31 December 2012	**Closing Balance**	**73,106,633**		**104,488**

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2012

10. Earnings Per Share

	Half Year December 2012 Cents	Half Year December 2011 Cents
Basic earnings per share		
From continuing operations	15.0	16.1
From discontinued operation	-	(2.1)
Total basic earnings per share	**15.0**	14.0
Diluted earnings per share		
From continuing operations	15.0	16.1
From discontinued operation	-	(2.1)
Total diluted earnings per share	**15.0**	14.0

Reconciliation of earnings used in calculating earnings per share

	Half Year December 2012 $000's	Half Year December 2011 $000's
Basic and diluted earnings per share		
Profit from continuing operations	10,911	11,663
Loss from discontinued operation	-	(1,526)
	10,911	10,137

Weighted average number of shares used as the denominator

	Half Year December 2012 Number	Half Year December 2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**72,636,716**	72,401,758
Potential ordinary shares	51,511	215,861
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**72,688,227**	72,617,619
Options that are not dilutive and are therefore not included in the calculation of diluted earnings per share	775,000	1,050,000

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2012

11. Net tangible asset backing

	31 December 2012 Cents	31 December 2011 Cents
Net tangible asset backing per ordinary share	**(15.8)**	29.9

12. Business combinations

Current period

On 1 August 2012, the Group's Australian business acquired the business assets of Footcare International, a leading marketer and distributor of a range of quality foot comfort, shoe care products and shoe accessories, for a total consideration of $8,082,000 (inclusive of $3,500,000 in contingent consideration that was expected to be paid).

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$000's
Purchase consideration	
Cash paid	4,582
Contingent consideration	3,500
Total purchase consideration	**8,082**

12. Business combinations (continued)

The assets and liabilities recognised as a result of the acquisition were as follows:

	Fair Value $000's
Prepayments	13
Inventories	1,026
Plant and equipment	376
Deferred tax asset	34
Payables	(45)
Employee entitlements	(70)
Net identifiable assets acquired	**1,334**
Add: Goodwill and other intangibles	6,748
Net assets acquired	**8,082**

The goodwill recognised is attributable to both the future earnings prospects of the acquisition and the synergies expected to be achieved from integrating this business into the Group's existing business. It will not be deductible for tax purposes.

(i) Contingent consideration

The Footcare International acquisition agreement includes a contingent consideration arrangement. Under this arrangement the Group may be required to pay the former owner a potential additional cash payment, up to a maximum of $3,500,000 depending on the adjusted contribution amount generated during the year ending 30 June 2013.

The potential additional payment that the Group could be required to make under this arrangement is between $0 and $3,500,000.

In accordance with AASB 3 *Business Combinations*, where an acquisition agreement includes a contingent consideration arrangement, the Group is required to estimate, at acquisition date, the amount of contingent consideration expected to be paid. This amount then forms part of the consideration amount used for acquisition accounting purposes. Based on the facts and circumstances that existed at acquisition date, the Group estimated that the contingent consideration payment expected to be paid was $3,500,000. As at 31 December 2012, the Group was required to reassess the amount of consideration expected to be paid. Based on the current facts and circumstances the Group has revised the estimated payment amount down to $2,903,000. As a result of this adjustment, and in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, the Group has recognised a $597,000 gain in the current period. This amount has been separately disclosed in the Statement of Comprehensive Income within the revenue and other income section.

(ii) Revenue and profit contribution

The acquired business contributed revenues of $2,691,000 to the Group for the period from 1 August 2012 to 31 December 2012. Net profit generated from this business for this period has not been separately disclosed as it is impracticable to calculate an accurate amount for this given this business has been completely integrated into the Group's existing operations.

Prior period

On 30 November 2011, the Group's New Zealand business acquired the business assets of Gainsborough Limited, a distributor of beauty related products within the New Zealand market, for A$561,000. Goodwill of A$319,000 was recognised on acquisition.

13. Contingent Liabilities

From time to time, and in the ordinary course of business, claims arise against the Group including claims relating to product and general liability. The Directors consider these claims to be minor which will not materially affect the results of the Group.

14. Subsequent events

On 18 February 2013, the Directors of the Company declared an interim dividend of 10.0 cents per share fully franked which is payable on 11 April 2013 (refer to Note 3).

Other than the matter discussed above, there has not arisen in the interval between the end of the half year and the date of this report, any item, transaction or event, of a material and unusual nature likely to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 4 to 29 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that McPherson's Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Dated at Sydney this 18th Day of February 2013.

D. J. Allman Director	P. J. Maguire Director

Independent auditor's review report to the members of McPherson's Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of McPherson's Limited, which comprises the consolidated balance sheet as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the McPherson's Limited group (the consolidated entity). The consolidated entity comprises both McPherson's Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of McPherson's Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report 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 Australian Auditing Standards 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of McPherson's Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 31 December 2012 included on McPherson's Limited web site. The company's directors are responsible for the integrity of the McPherson's Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

P.J. Carney

Paddy Carney
Partner

Sydney
18 February 2013