McPherson's Limited
ABN: 98 004 068 419
Half Year ended 31 December 2017

Results for Announcement to the Market

				$000's
Revenue from continuing operations	down	7.4%	to	**106,063**
Profit from continuing operations before tax excluding significant items	up	2.4%	to	**9,500**
Profit from continuing operations after tax excluding significant items	down	6.5%	to	**6,241**
Profit before tax[1]	up	137.4%	to	**3,753**
Profit after tax [1]	up	101%	to	**115**
Profit after tax attributable to members [1]	up	101%	to	**115**
Net profit for the period attributable to members [1]	up	101%	to	**115**

[1]Including discontinued operations in both periods.

Dividends	**Amount per security**	**Franked amount per security**
Interim dividend	6.0¢	6.0¢
Previous corresponding period	6.0¢	6.0¢

Payment date for interim dividend	**22 March 2018**
Record date for determining entitlements to the dividend	**5 March 2018**

McPherson's Limited
Directors' Report
For the half year ended 31 December 2017

The Board of Directors present 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 2017.

(a) Directors

The following persons were Directors of McPherson's Limited during or since the half year period to the date of this report:

G.A. Cubbin
L. McAllister
G. Peck (appointed on 14 December 2017)
A.M. Lacaze (resigned on 20 February 2018)
J.M. McKellar
P.M. Payn (resigned on 20 February 2018)
G.R. Pearce (appointed on 20 February 2018)

(b) Principal activities

McPherson's is a leading supplier of health, wellness and beauty brands including Dr. LeWinn's, A'kin, Manicare, Lady Jayne and Swisspers. With over 420 employees, McPherson's is present across Australia, New Zealand, Hong Kong and Singapore. The company supplies to approximately 10,000 retail outlets with customers that include supermarkets, department stores, pharmacies and independent stores.

For further information on McPherson's business and its strategy and to view our most recent corporation video please refer to the company's website http://www.mcphersons.com.au.

The Home Appliance business markets and distributes large appliances such as ovens, cooktops, washing machines and dishwashers, and owns the market-leading Euromaid and Baumatic brands.

(c) Review of operations

The $11.0m underlying profit before tax (excluding significant, non-recurring items), inclusive of the Home Appliances Group (HAPL), was in line with the prior comparative period. Excluding the impact of HAPL, the Group's 1H FY18 underlying profit before tax is 2.4% above prior comparative period at $9.5m.

Divisional performance

During the period, McPherson's saw substantial growth in skincare, haircare and baby brands, with revenue increasing 24%. This was driven primarily by strong growth in A'kin and Dr. LeWinn's. Both brands saw an increase in demand from domestic and export channels, particularly into China and UK. A'kin achieved a significant milestone, entering the top ten brands in natural skincare in the pharmacy channel for the first time.

Within the essential beauty area, Manicare performed strongly off the back of fashion-led innovations such as Glam by Manicare, a broadening of the product range and a targeted approach to younger consumers, while the group saw steady sales in its Swisspers brand. Lady Jayne experienced an expected temporary drop in sales due to a change in packaging. Essential beauty revenue was $30.1m compared with $30.5m in 1H FY17.

The Company is focused on maintaining market leadership in its Multix brand through innovation and developing strategic customer relationships. Through the period Multix was impacted by a continued move to private label products which contributed to a drop in revenue in the household essentials and other brands segment (down 12%). McPherson's recently launched a new Multix "Greener" range to appeal to environmentally conscious shoppers and differentiate its product from competitors. This range is currently being rolled out across major grocery retailers with good early interest.

McPherson's Limited
Directors' Report (continued)
For the half year ended 31 December 2017

(c) Review of operations (continued)

Divisional performance (continued)
On the 14 December, 2017, the company announced the divestment of the Home Appliance business to Glen Dimplex. The transaction is on track to be completed on the 28 February 2018. Approximately $28m in net proceeds will be generated from the divestment and will be applied to buy back the outstanding $25m in Corporate Bonds, further reducing the company's net debt and borrowing costs.

Cash flow, balance sheet and FX hedging
The company's gearing ratio (net debt/total funds employed) has reduced from 29.2% to 25.9% over the 6 months to 31 December 2017.

The company's foreign exchange hedging policy remains unchanged, with estimated USD and Euro requirements hedged 12 months forward on a rolling basis using options and foreign exchange contracts.

(d) Dividends
The Directors have recommended that an interim dividend (fully franked) of 6.0 cents per share be paid on 22 March 2018. 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 2017.

(e) Events subsequent to balance date
The divestment of the Group's Home Appliances business has a completion date of 28 February 2018. The net consideration for this transaction is estimated to be $28m. An impairment charge of $6.4m has been recognised in December 2017 against the Home Appliances business to reflect the ascribed the final estimated purchase price upon its divestment.

The McPherson's Group agreed to separate from the agreement with the Coty Group acting as an agent for the Coty Group supporting the management of brands including Gucci, Lacoste and Hugo Boss Fragrances effective 31 January 2018. This is a result of the acquisition by Coty of the rights to these fragrances from the Procter & Gamble Group.

On 20 February 2018, Ms Margaret Payn resigned from her positions as the Audit Risk Management and Compliance Committee Chairman, member of the Board of Directors and member of the Nomination and Remuneration Committee with effect from the conclusion of the Board Meeting. Mr Grant Peck was appointed as the Audit Risk Management and Compliance Committee Chairman, with effect from the conclusion of the Audit Risk Management and Compliance Committee meeting held on 20 February 2018. Mr Grant has also been appointed as a member of Nomination and Remuneration Committee as of 20 February 2018.

Ms Amanda Lacaze resigned from her positions a member of the Board of Directors and a member of the Audit Risk Management and Compliance Committee with effect from the conclusion of the Board Meeting held on 20 February 2018. Mr Geoff Pearce was appointed as a member of the Board of Directors with effect from 20 February 2018.

McPherson's Limited
Directors' Report (continued)
For the half year ended 31 December 2017

(e) Events subsequent to balance date (continued)

Other than the matters 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.

(f) Rounding

The Company is of a kind referred to in ASIC Corporations (rounding in Financial / Director's Reports) Instrument 2016/191 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 Directors' Report and the financial report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars in accordance, or in certain circumstances to the nearest dollar.

(g) 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 5.

Signed in accordance with a resolution of the Directors.

Dated at Sydney this 21st day of February 2018.

G. A. Cubbin	**L. McAllister**
Director	Director

Auditor's Independence Declaration

As lead auditor for the review of McPherson's Limited for the half-year ended 31 December 2017, 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.

S.T. Maher

Shannon Maher
Partner
PricewaterhouseCoopers

Sydney
21 February 2018

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McPherson's Limited
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2017

	Note	**Half Year December 2017 $000's**	Half Year* December 2016 $000's
Continuing operations			
Revenue			
Sales revenue		**106,059**	114,546
Interest		**4**	36
Total revenue		**106,063**	114,582
Gain on sale of business	2	**-**	194
Other income		**551**	191
Total revenue and other income		**106,614**	114,967
Expenses			
Materials and consumables used		**(56,211)**	(65,282)
Employee costs		**(16,729)**	(15,976)
Advertising and promotional		**(10,085)**	(9,368)
Cartage and freight		**(3,604)**	(3,945)
Third party warehousing		**(1,151)**	(1,413)
Rental expenses relating to operating leases		**(2,303)**	(2,441)
Depreciation		**(709)**	(690)
Amortisation of other intangibles		**(395)**	(371)
Restructure costs	2	**-**	(780)
Other expenses		**(4,207)**	(3,480)
Borrowing costs		**(1,720)**	(3,197)
Impairment of intangible assets	2	**-**	(7,800)
Profit from continuing operations before income tax expense		**9,500**	224
Income tax expense	6	**(3,419)**	(2,289)
Profit / (loss) from continuing operations for the half year after tax		**6,081**	(2,065)
Discontinued operations			
Loss from discontinued operations, net of income tax	**7**	**(5,966)**	(9,738)
Profit / (loss) for the half year after tax		**115**	(11,803)

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

*The December 2016 comparative numbers of the Group have been restated to show the discontinued operations separately from the continuing operations.

McPherson's Limited
Consolidated Statement of Comprehensive Income (continued)
For the half year ended 31 December 2017

	Note	Half Year December 2017 $000's	Half Year December 2016 $000's
Profit / (loss) for the half year after tax		**115**	(11,803)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges		**320**	3,714
Exchange differences on translation of foreign operations		**(150)**	16
Income tax (expense) relating to these items		**(94)**	(1,111)
Other comprehensive income for the half year		**76**	2,619
Total comprehensive income / (loss) for the half year		**191**	(9,184)

	Note	Cents	Cents
Basic earnings / (loss) per share	11	**0.11**	(11.4)
Diluted earnings / (loss) per share	11	**0.11**	(11.4)
Basic earnings / (loss) per share from continuing operations*		**5.9**	(2.0)
Diluted earnings / (loss) per share from continuing operations*		**5.9**	(2.0)

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

*The December 2016 comparative numbers of the Group have been restated to show the discontinued operations separately from the continuing operations.

McPherson's Limited
Consolidated Balance Sheet
As at 31 December 2017

	Note	31 December 2017 $000's	30 June 2017 $000's
Current assets			
Cash and cash equivalents		**10,441**	6,584
Trade and other receivables		**39,280**	40,221
Inventories		**41,186**	59,365
Derivative financial instruments	3	**16**	-
Current tax assets		**102**	241
Assets classified as held for sale	7	**36,143**	-
Total current assets		**127,168**	106,411
Non-current assets			
Property, plant and equipment		**3,323**	4,928
Intangible assets	8	**74,172**	92,994
Deferred tax assets		**3,580**	4,672
Total non-current assets		**81,075**	102,594
Total assets		**208,243**	209,005
Current liabilities			
Trade and other payables		**52,364**	48,640
Borrowings	9	**16,153**	18,406
Derivative financial instruments	3	**1,831**	2,036
Provisions		**6,249**	10,052
Current tax liabilities		**2,654**	2,497
Liabilities directly associated with assets classified as held for sale	7	**5,243**	-
Total current liabilities		**84,494**	81,631
Non-current liabilities			
Borrowings	9	**24,720**	24,600
Derivative financial instruments	3	**413**	559
Provisions		**713**	943
Deferred tax liabilities		**11,035**	12,786
Total non-current liabilities		**36,881**	38,888
Total liabilities		**121,375**	120,519
Net assets		**86,868**	88,486
Equity			
Contributed equity	10	**155,020**	154,790
Reserves		**1,352**	1,236
Accumulated losses		**(69,504)**	(67,540)
Total equity		**86,868**	88,486

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 2017

	Contributed equity $000's	Reserves $000's	Accumulated losses $000's	Total equity $000's
Balance at 1 July 2017	**154,790**	**1,236**	**(67,540)**	**88,486**
Profit for the half year	-	-	115	115
Other comprehensive income	-	76	-	76
Total comprehensive income	**-**	**76**	**115**	**191**
Transactions with shareholders				
Shares issued, net of transaction costs and tax	230	-	-	230
Dividends provided for or paid	-	-	(2,079)	(2,079)
Share-based payment transactions with employees	-	40	-	40
Total transactions with shareholders	**230**	**40**	**(2,079)**	**(1,809)**
Balance at 31 December 2017	**155,020**	**1,352**	**(69,504)**	**86,868**

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)
For the half year ended 31 December 2017

	Contributed equity $000's	Reserves $000's	Accumulated losses $000's	Total equity $000's
Balance at 1 July 2016	**154,042**	**635**	**(50,192)**	**104,485**
Loss for the half year	-	-	(11,803)	(11,803)
Other comprehensive income	-	2,619	-	2,619
Total comprehensive income	**-**	**2,619**	**(11,803)**	**(9,184)**
Transactions with shareholders				
Shares issued, net of transaction costs and tax	149	-	-	149
Dividends provided for or paid	-	-	(2,069)	(2,069)
Share-based payment transactions with employees	-	133	-	133
Total transactions with shareholders	149	133	(2,069)	(1,787)
Balance at 31 December 2016	**154,191**	**3,387**	**(64,064)**	**93,514**

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 2017

	Note	Half Year December 2017 $000's	Half Year December 2016 $000's
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**155,597**	164,712
Payments to suppliers and employees (inclusive of GST)		**(142,168)**	(148,854)
Interest received		**4**	34
Interest and borrowing costs paid		**(733)**	(2,672)
Income taxes paid		**(3,793)**	(1,006)
Net cash inflows from operating activities		**8,907**	12,214
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		**(861)**	(737)
Payments for purchase of intangible assets	8	**(87)**	(308)
Proceeds from sale of business assets	2	**-**	194
Proceeds from sale of property, plant and equipment		**-**	27
Net cash (outflows) from investing activities		**(948)**	(824)
Cash flows from financing activities			
Proceeds from borrowings		**29,746**	34,817
Repayment of borrowings		**(32,000)**	(36,827)
Bond buy-back		**-**	(10,400)
Dividends paid		**(1,848)**	(1,916)
Net cash (outflows) from financing activities		**(4,102)**	(14,326)
Net increase / (decrease) in cash held		**3,857**	(2,936)
Cash at beginning of the half year		**6,584**	16,490
Effects of exchange rate changes on cash		**-**	14
Cash at end of the half year		**10,441**	13,568

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 2017

1. Significant Accounting Policies

McPherson's Limited is a company domiciled in Australia. The consolidated interim financial report for the half year period ended 31 December 2017 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 2017 and the announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and the 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.

(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 area involving a higher degree of judgement or complexity, where assumptions and estimates are significant is 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 8 for details of these assumptions.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2017

2. Significant Items

The Group's profit/(loss) after income tax includes the following items that are significant because of their nature or size:

	Note	Half Year December 2017 $000's	Half Year December 2016 $000's
(a) Impairment of Goodwill	7,8	**(6,444)**	(8,800)
Less: Applicable income tax expense		**-**	-
		(6,444)	(8,800)
(b) Restructure costs		**(764)**	(780)
Less: Applicable income tax benefit		**229**	234
		(535)	(546)
(c) Impairment of net deferred tax of New Zealand business segment		**(160)**	-
		(160)	-
(d) Impairment of Brand names	8	**-**	(11,000)
Less: Applicable income tax benefit		**-**	1,059
		-	(9,941)
(e) Costs associated with bonds buy back		**-**	(670)
Less: Applicable income tax benefit		**-**	81
		-	(589)
(f) Gain recognised on divestment of Impulse Merchandising business in Singapore		**-**	194
Less: Applicable income tax expense		**-**	-
		-	194
Total significant items		**(7,208)**	(21,056)
Less: Applicable income tax benefits		**69**	1,374
		(7,139)	(19,682)

The significant items set out in the table above are detailed on the next page.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2017

2. Significant Items (continued)

Impairment of goodwill
During the current half year, a goodwill impairment charge of $6,444,000 was recognised against the Home Appliances cash generating unit. This was to reduce the value of the Home Appliances business to reflect the ascribed purchase price upon its pending divestment.

During the prior period the Group recognised an $8,800,000 impairment of Goodwill, $7,000,000 of which relates to the Group's Australian cash generating unit of Home Appliances and $1,800,000 relating to the New Zealand cash generating unit. This was as a direct result of a downgrade in EBIT forecasts.

Restructure costs – related to Home Appliances Group in current half year and recruitment costs of incoming Managing Director and separation costs of retiring Managing Director in prior period

During the current half year, the Group recognised restructure costs of $764,000 related to redundancy due to the pending divestment of the Home Appliances business.

During the prior period the Group had undergone a leadership transition. The recruitment cost of the new Managing Director (MD) and separation cost of the previous MD amounted to $780,000.

Impairment of net deferred tax of New Zealand business segment
During the current half year, the Group wrote-off net deferred tax assets of $160,000 relating to the Group's New Zealand business segment.

Impairment of brand names
During the prior period the Group recognised an $11,000,000 impairment of Brand names of which $5,000,000 relates to the Group's Australian cash generating unit of Home Appliances and $6,000,000 relating to McPherson's Consumers Products Australia's cash generating unit. This is as a result of reduced performance of the Home Appliance business and range rationalisation respectively.

Costs associated with bonds buy back
During the prior period the Group purchased $10,000,000 of unsecured fixed rate corporate bonds. The associated transaction cost of the bond buy back and the pro-rated transaction costs capitalised at inception amount to $670,000 were recognised in the profit and loss during the prior period.

Gain recognised on divestment of Impulse Merchandising (IMD) business in Singapore
During the prior period MCP Singapore recognised a $194,000 capital gain associated with the divestment of its IMD business.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2017

3. Fair Value Measurement of Financial Instruments

The Group holds the following financial instruments which are measured and recognised at fair value at 31 December 2017 and 30 June 2017 on a recurring basis:

	31 December 2017				30 June 2017			
Recurring fair value measurements	**Level 1 $000's**	**Level 2 $000's**	**Level 3 $000's**	**Total $000's**	**Level 1 $000's**	**Level 2 $000's**	**Level 3 $000's**	**Total $000's**
Financial assets at fair value								
Derivative financial instruments	-	16	-	16	**-**	**-**	**-**	**-**
Total financial assets at fair value	**-**	**16**	**-**	**16**	**-**	**-**	**-**	**-**
Financial liabilities at fair value								
Derivative financial instruments	-	2,244	-	2,244	**-**	**2,595**	**-**	**2,595**
Total financial liabilities at fair value	**-**	**2,244**	**-**	**2,244**	**-**	**2,595**	**-**	**2,595**

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The fair value of the derivative financial instruments is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of interest rate swaps is calculated as the present value of the estimated cash flows and the fair value of forward exchange and option contracts is determined using forward exchange market rates at the end of the reporting period.

4. Segment Information

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. Sales between segments are eliminated on consolidation.

Revenues of approximately $16,678,000 (2017: $17,196,600) and $16,649,000 (2017: $18,549,000) were derived from two external customers. These revenues were attributable to the Australian continuing operation.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2017

4. Segment Information (continued)

Segment assets

Segment assets are allocated based on where the asset is located. Assets arising from transactions between segments are eliminated on consolidation.

	Australia $000's	New Zealand $000's	Rest of the World $000's	Inter-segment eliminations $000's	Consolidated $000's	Less Discontinued Operations[1] $000's	Continuing Operations $000's
2017							
Sales to external customers	**133,413**	**4,090**	**3,109**	**-**	**140,612**	**34,553**	**106,059**
Inter-segment sales	792	-	989	(1,781)	-	-	-
Total sales revenue	**134,205**	**4,090**	**4,098**	**(1,781)**	**140,612**	**34,553**	**106,059**
Other revenue / income (excluding interest)	552	-	-	-	552	1	551
Total segment revenue and other income (excluding interest)	**134,757**	**4,090**	**4,098**	**(1,781)**	**141,164**	**34,554**	**106,610**
EBITDA before significant items	13,739	(150)	677	-	14,266	1,946	12,320
Depreciation and amortisation expense	(1,451)	(97)	(41)	-	(1,589)	(485)	(1,104)
Segment result before significant items	**12,288**	**(247)**	**636**	**-**	**12,677**	**1,461**	**11,216**
Significant items before tax (excluding borrowing related costs, refer Note 2)	(7,208)	-	-	-	(7,208)	(7,208)	-
Segment result including significant items before tax	**5,080**	**(247)**	**636**	**-**	**5,469**	**(5,747)**	**11,216**
Net borrowing costs					(1,716)	-	(1,716)
Profit before income tax					**3,753**	**(5,747)**	**9,500**
Income tax expense					(3,638)	(219)	(3,419)
Profit after income tax					**115**	**(5,966)**	**6,081**
Segment assets	**199,417**	**3,508**	**23,303**	**(17,985)**	**208,243**		
Non-current assets (other than financial assets and deferred tax)	**88,939**	**382**	**1,510**	**-**	**90,831**		
Additions to non-current assets (other than financial assets and deferred tax)	**866**	**54**	**28**	**-**	**948**		

[1] Refer to discontinued operations – Note 7

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2017

4. Segment Information (continued)

	Australia $000's	New Zealand $000's	Rest of the World $000's	Inter-segment eliminations $000's	Consolidated $000's	Less Discontinued Operations[1] $000's	Continuing Operations $000's
2016							
Sales to external customers	**138,617**	**5,320**	**4,760**	**-**	**148,697**	**34,151**	**114,546**
Inter-segment sales	1,030	-	1,823	(2,853)	-	-	-
Total sales revenue	**139,647**	**5,320**	**6,583**	**(2,853)**	**148,697**	**34,151**	**114,546**
Other revenue / income (excluding interest)	27	-	365	-	392	7	385
Total segment revenue and other income (excluding interest)	**139,674**	**5,320**	**6,948**	**(2,853)**	**149,089**	**34,158**	**114,931**
EBITDA before significant items	13,689	132	1,244	-	15,065	2,231	12,834
Depreciation and amortisation expense	(1,417)	(82)	(39)	-	(1,538)	(477)	(1,061)
Segment result before significant items	**12,272**	**50**	**1,205**	**-**	**13,527**	**1,754**	**11,773**
Significant items before tax (excluding borrowing related costs, refer Note 2)	(18,780)	(1,800)	194	-	(20,386)	(12,000)	(8,386)
Segment result including significant items before tax	**(6,508)**	**(1,750)**	**1,399**	**-**	**(6,859)**	(10,246)	3,387
Net borrowing costs					(3,163)	-	(3,163)
Profit before income tax					**(10,022)**	**(10,246)**	**224**
Income tax expense					(1,781)	508	(2,289)
(Loss) after income tax					**(11,803)**	**(9,738)**	**(2,065)**
Segment assets	**199,603**	**7,733**	**25,716**	**(17,201)**	**215,851**		
Non-current assets (other than financial assets and deferred tax)	**95,842**	**3,258**	**1,560**	**-**	**100,660**		
Additions to non-current assets (other than financial assets and deferred tax)	**948**	**64**	**33**	**-**	**1,045**		

Restated for discontinued operations for the half year ended 31 December 2016.
[1] Refer to discontinued operations – Note 7

McPherson's Limited
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For the half year ended 31 December 2017

5. Dividends

Details of dividends declared or paid during or subsequent to the half year ended 31 December 2017 are as follows:

	Half Year December 2017 $000's	Half Year December 2016 $000's
Ordinary		
Final 30 June 2017 dividend of 2.0 cents per fully paid share (2016: 2.0 cents per fully paid share) fully franked @ 30%	**2,079**	2,069
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 6.0 cents per fully paid share (2016: 6.0 cents per fully paid share). The aggregate amount of the dividend to be paid on 22 March 2018 but not recognised as a liability at half year end is:	**6,247**	6,208

Dividend reinvestment plan

The Company's dividend reinvestment plan will apply to the upcoming interim dividend. Shareholders on the register at the record date of 5 March 2018 will be eligible for the dividend. Shareholders wishing to participate in the dividend reinvestment plan need to have elected to do so by no later than the trading day immediately following the record date, or by 6 March 2018. Shareholders that have previously elected to participate in the dividend reinvestment plan (VWAP) will continue to do so on the same basis unless a formal election to vary or cease participation is provided by 6 March 2018.

The shares issued under the dividend reinvestment plan are fully paid ordinary shares and rank equally with other fully paid ordinary shares. The issue price under the dividend reinvestment plan is calculated as the volume weighted average price of all shares sold through normal trade on the ASX during the five trading days commencing on the third trading day after the record date. No discount will be applied to the determined VWAP price.

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6. Income Tax Expense

	Half Year December 2017 $000's	Half Year December 2016 $000's
Profit / (loss) before tax	**3,753**	(10,022)
Prima facie income tax at 30%	**1,127**	(3,007)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of Goodwill	**1,933**	2,640
Impairment of Brand names	**-**	2,241
Tax rate differences in overseas entities	**(108)**	(236)
Capital loss on bonds buy back	**-**	120
Share-based payments expense	**12**	40
Non-assessable gain on the disposal of Impulse Merchandising business in Singapore	**-**	58
Under / (over) provision in prior years	**445**	(31)
Impairment of deferred tax of New Zealand business segment	**160**	-
Other	**69**	(44)
Income tax expense	**3,638**	1,781

McPherson's Limited
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7. Discontinued Operations and Assets Held for Sale

During December 2017, following a strategic review, the Group announced the divestment of its Home Appliance business to Glen Dimplex Australia Pty Limited. The net consideration for this transaction is estimated to be $28m. The business unit is classified as held for sale and a discontinued operation as at 31 December 2017 and has been re-presented to show the discontinued operation separately from continuing operations. The business accounts for a significant proportion of the Australian geographical segment.

The completion date for the transaction is 28 February 2018.

	Half Year December 2017 $000's	Half Year December 2016 $000's
Results of discontinued operations		
Revenue	**34,554**	34,151
Expenses	**(33,857)**	(32,397)
Profit from operating activities before income tax and impairment	**697**	1,754
Income tax (expense)/benefit	**(219)**	508
Impairment of intangible assets	**(6,444)**	(12,000)
Loss from operating activities, net of income tax	**(5,966)**	(9,738)
Cash flows from discontinued operations		
Net cash from operating activities	**1,073**	5,221
Net cash used in investing activities	**(838)**	(482)
Net cash used in financing activities	**(3,721)**	(4,187)
Net (decrease) / increase in cash from discontinued operations	**(3,486)**	552
Assets and liabilities classified as held for sale		
Inventories	**21,429**	
Property, plant and equipment	**1,288**	
Intangible assets	**12,048**	
Deferred tax assets	**1,378**	
Provisions	**(3,578)**	
Deferred tax liabilities	**(1,665)**	
Net assets	**30,900**	

During the current half year, a goodwill impairment charge of $6,444,000 was recognised against the Home Appliances cash generating unit. This was to reduce the value of the Home Appliances business to reflect the ascribed purchase price upon its divestment.

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8. Intangible Assets

	31 December 2017 $000's	30 June 2017 $000's
Goodwill	**15,620**	28,002
Brand names	**56,827**	62,351
Other intangibles	**7,920**	8,640
Accumulated amortisation	**(6,195)**	(5,999)
	1,725	2,641
Total intangibles	**74,172**	92,994

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:

	Note	**Goodwill $000's**	**Brand names $000's**	**Other intangibles $000's**	**Total $000's**
Carrying amount at 1 July 2017		28,002	62,351	2,641	92,994
Additions		-	-	87	87
Impairment charge	7	(6,444)	-	-	(6,444)
Assets classified as held for sale	7	(5,949)	(5,524)	(575)	(12,048)
Amortisation charge		-	-	(428)	(428)
Foreign currency exchange differences		11	-	-	11
Carrying amount at 31 December 2017		**15,620**	**56,827**	**1,725**	**74,172**

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

Impairment testing

Goodwill
Goodwill is allocated according to the following cash generating units:

	31 December 2017 $000's	30 June 2017 $000's
Australia (excluding Home Appliances)	15,620	15,609
Home Appliances (classified as held for sale)	5,949	12,393
	21,569	28,002

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8. Intangible Assets (continued)

The recoverable amount of a cash generating unit is determined based on a value-in-use calculation with the exception in this period of Home Appliances which has been based on fair value less cost to sell. 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 cash generating unit, 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 cash generating units, are set out below:

	31 December 2017				30 June 2017			
	Estimated Growth Rates Year 2 Onwards	**Terminal Growth Rate**	**Post–Tax Discount Rate**	**Pre-Tax Discount Rate**	**Estimated Growth Rates Year 2 Onwards**	**Terminal Growth Rate**	**Post-Tax Discount Rate**	**Pre-Tax Discount Rate**
Australia (ex Home Appliances)	2.0%	2.0%	10.0%	13.7%	2.0%	2.0%	10.0%	13.7%
Home Appliances	n/a	n/a	n/a	n/a	3.0%	2.5%	10.3%	13.8%
New Zealand	n/a	n/a	n/a	n/a	2.0%	2.0%	10.8%	14.6%

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.

Impairment charge

During the current half year, a goodwill impairment charge of $6,444,000 was recognised against the Home Appliances cash generating unit. This was to reduce the value of the Home Appliances business to reflect the ascribed purchase price upon its divestment. Refer to Note 7, Discontinued Operations and Assets Held for Sale, for further details.

During the prior half year a goodwill impairment charge of $7,000,000 was recognised against the Home Appliances cash generating unit and $1,800,000 was recognised against the New Zealand cash generating unit. The impairment charge was a direct result of the reduction in the forecasted EBIT.

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8. Intangible Assets (continued)

Brand names

Brand names 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 brand name 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 are set out below.

	31 December 2017	30 June 2017
Estimated growth rates	**1.0% - 5.0%**	**1.0% - 5.0%**
Post-tax discount rate	**10.0%**	**10.0% - 10.3%**
Pre-tax discount rate equivalent	**13.1%**	**13.1% - 14.1%**

Impairment charge

During the prior half year period an impairment charge of $6,000,000 was recognised against the Revitanail brand name in the Australian consumer products business. This charge was necessitated by the range rationalisation associated with the brand. This charge was included within the Australian reportable segment within Note 4 Segment Information.

In addition, during the prior half year period, an impairment charge of $5,000,000 was also required to be recognised against the Home Appliance brand names as a result of the reduced performance of that business. This charge was also included within the Australian reportable segment within Note 4 Segment Information.

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, no brand impairment charge would arise.

If the year one contribution margin percentages were 2.0 percentage points below the current estimates used in the value-in-use calculations, no brand impairment charge would arise.

If the terminal year growth rates used in the value-in-use calculations were to be 1.0 percentage point lower than management's estimates, no brand impairment would arise.

9. Borrowings

	31 December 2017 $000's	30 June 2017 $000's
Current		
Bank loans – secured	16,000	18,000
Other borrowings	153	406
Total current	**16,153**	18,406
Non-current		
Bonds – unsecured	25,000	25,000
Debt issue costs	(280)	(400)
Total non-current	24,720	24,600
Total borrowings	**40,873**	43,006

The Group's facilities are denominated in Australian dollars and comprise:

- $10,000,000 unsecured variable rate corporate bonds. The bonds mature in March 2019 and pay a coupon rate of 4.30% over the 90 day Bank Bill Swap Rate;
- $15,000,000 unsecured fixed rate corporate bonds. The bonds mature in March 2021 and pay a fixed rate of 7.10%;
- The Group's facility is denominated in Australian dollars and the facility limit is $51,000,000. Drawings under this facility are required to be backed by eligible trade debtor and inventory assets. The working capital loan as at 31 December 2017 has been drawn down to $16,000,000.

The corporate bonds were issued to professional and sophisticated investors only under Part 6D.2 of the *Corporations Act 2001*.

Under the terms of the bank borrowing facilities, up until 6 February 2017, the Group was required to comply with the following key financial covenants:

- The unsecured leverage ratio must not exceed 2.50 times on the secured bank facility;
- The total leverage ratio must not exceed 4.50 times;
- The EBIT interest cover must not be less than 3.50 times; and
- Total Shareholder's funds must not be less than $80,000,000.

On 7 February 2017, the Group refinanced its working capital facilities. The life of the facility is 2 years expiring on 28 February 2019.

The following key changes have been made and are effective from 7 February 2017:

- The total leverage ratio must not exceed 3.50 times; and
- Total Shareholder's funds must be greater than $65,000,000.

In addition to the above mentioned facility, as of 7 February 2017 the Group has a $5,000,000 overdraft facility.

As at 31 December 2017, the Group was compliant with its debt covenants.

9. Borrowings (continued)

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	Between 1 & 2 Years $'000	Between 2 & 3 Years $'000	Between 4 & 6 Years $'000	Total Contractual Cash Flows $'000	Carrying Amount $'000
31 December 2017						
Payables	52,364	-	-	-	52,364	52,364
Borrowings	18,255	11,217	16,331	-	45,803	40,873
Total non-derivative financial liabilities	**54,619**	**27,217**	**16,331**	**-**	**98,167**	**93,237**
30 June 2017						
Payables	48,640	-	-	-	48,640	48,640
Borrowings	20,345	11,675	17,130	-	49,150	43,006
Total non-derivative financial liabilities	68,985	11,675	17,130	-	97,790	91,646

10. Contributed Equity

	31 December 2017 $000's	30 June 2017 $000's
Issued and paid up capital:		
104,116,637(June 2017: 103,951,015) ordinary shares - fully paid	**155,020**	154,790

Movements in ordinary share capital

Date	**Details**	**Number of Shares**	**Price $**	**$000's**
1 July 2017	Opening balance	103,951,015		154,790
20 October 2017	Shares issued - Dividend reinvestment plan	165,622	1.39	231
	Transactions costs associated with shares issue			(2)
	Tax effect of share issue transaction costs recognised directly in equity			1
31 December 2017	**Closing Balance**	**104,116,637**		**155,020**

McPherson's Limited
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11. Earnings / (Loss) Per Share

	Half Year December 2017 Cents	Half Year December 2016 Cents
Basic earnings / (loss) per share	**0.11**	(11.4)
Diluted earnings / (loss) per share	**0.11**	(11.4)
Basic earnings per share excluding significant items	**7.0**	7.6

Reconciliation of earnings used in calculating earnings per share

	Half Year December 2017 $000's	Half Year December 2016 $000's
Basic and diluted earnings per share		
Profit for the half year (excluding significant items)	**7,254**	7,879
Significant items, net of tax	**(7,139)**	(19,682)
Profit / (loss) for the half year	**115**	(11,803)

Weighted average number of shares used as the denominator

	Half Year December 2017 Number	Half Year December 2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**104,016,356**	103,359,098
Potential ordinary shares	**-**	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**104,016,356**	103,359,098
Options and performance rights that are not dilutive and are therefore not included in the calculation of diluted earnings per share	**3,293,000**	2,772,000

12. Net Tangible Asset /(Liability) Backing

	31 December 2017 Cents	31 December 2016 Cents
Net tangible asset / (liability) backing per ordinary share	0.12	(1.7)

McPherson's Limited
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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

The divestment of the Group's Home Appliances business has a completion date of 28 February 2018. The net consideration for this transaction is estimated to be $28m. An impairment charge of $6.4m has been recognised in December 2017 against the Home Appliances business to reflect the ascribed final estimated purchase price upon its divestment. Refer to Note 7, Discontinued Operations and Assets Held for Sale for further details.

The McPherson's Group agreed to separate from the agreement with the Coty Group acting as an agent for the Coty Group supporting the management of brands including Gucci, Lacoste and Hugo Boss Fragrances effective 31 January 2018. This is a result of the acquisition by Coty of the rights to these fragrances from the Procter & Gamble Group.

On 20 February 2018, Ms Margaret Payn resigned from her positions as the Audit Risk Management and Compliance Committee Chairman, member of the Board of Directors and member of the Nomination and Remuneration Committee with effect from the conclusion of the Board Meeting. Mr Grant Peck was appointed as the Audit Risk Management and Compliance Committee Chairman, with effect from the conclusion of the Audit Risk Management and Compliance Committee meeting held on 20 February 2018. Mr Grant has also been appointed as a member of Nomination and Remuneration Committee as of 20 February 2018.

Ms Amanda Lacaze resigned from her positions a member of the Board of Directors and a member of the Audit Risk Management and Compliance Committee with effect from the conclusion of the Board Meeting held on 20 February 2018. Mr Geoff Pearce was appointed as a member of the Board of Directors with effect from 20 February 2018.

Other than the matters 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.

McPherson's Limited and Controlled Entities
Directors Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 6 to 27 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 2017 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 21st day of February 2018.

G. A. Cubbin
Director

L. McAllister
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 (the Company), which comprises the consolidated balance sheet as at 31 December 2017, 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, significant accounting policies, other explanatory notes and the directors' declaration for McPherson's Limited. The consolidated entity comprises 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 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 Australian 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 half-year 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 2017 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*.

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:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

S.T. Maher

Shannon Maher
Partner

Sydney
21 February 2018