McPherson's Limited
ABN: 98 004 068 419
Half Year ended 31 December 2020

Results for Announcement to the Market

				$'000
Sales revenue	down	4.1%	to	**101,739**
Profit before tax excluding significant items	down	15.9%	to	**7,136**
Profit after tax excluding significant items	down	20.0%	to	**4,581**
Profit before tax	down	81.1%	to	**1,600**
Profit after tax	down	79.7%	to	**1,164**
Profit after tax attributable to members	down	79.7%	to	**1,164**

Dividends	**Amount per security**	**Franked amount per security**
Interim ordinary dividend	**3.5¢**	**3.5¢**
Previous corresponding period – ordinary dividend	**4.0¢**	**4.0¢**

Other Information	**December 2020 $**	**June 2020 $**
Net tangible asset per ordinary share	**0.26**	**0.24**

Payment date for interim ordinary dividend	**18 March 2021**
Record date for determining entitlements to interim ordinary dividend	**1 March 2021**

On 30 November 2020, McPherson's Consumers Products Pty Ltd acquired the Global Therapeutics business, a leading provider of branded Oriental and Western herbal and complementary medicine formulations, for a total purchase consideration of $27,541,772.

The acquired business contributed revenues of $1,178,000 and profit before tax of $76,000 to McPherson's Limited for the period from 1 December 2020 to 31 December 2020.

Refer to note 13 for further disclosure on this business combination.

McPherson's Limited
Directors' Report
For the half year ended 31 December 2020

The Board of Directors presents 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 2020.

(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** (Chairman)
- **L. McAllister** (Resigned as Managing Director on 9 December 2020)
- **G. Peck** (Appointed as Managing Director on 9 December 2020 and resigned as Chairman of the Audit, Risk Management and Compliance Committee on 19 January 2021)
- **J.M. McKellar** (Chairman of the People and Culture Committee)
- **G.R. Pearce**
- **A.J. Cook*** (Appointed and Chairman of Audit, Risk Management and Compliance Committee on 19 January 2021)
- **A. Mervis** (Appointed as a Non-Executive Director on 16 February 2021)

**Ms. Alison J. Mew changed her name to Alison J. Cook with effect from 10 February 2021.*

(b) Principal activities

McPherson's, established in 1860, is a leading supplier of Health, Wellness and Beauty products with operations in Australia, New Zealand and Asia. McPherson's markets and distributes beauty care, hair care, skin care and personal care items such as facial wipes, cotton pads and foot comfort products, as well as a range of kitchen essentials such as baking paper, cling wrap and aluminium foil.

McPherson's manages some significant brands for agency partners and via joint venture arrangements, however, the majority of revenue is derived from the company's diversified portfolio of owned market-leading brands, including Dr. LeWinn's, A'kin, Manicare, Lady Jayne, Swisspers, Multix, Fusion Health, Oriental Botanicals, Moosehead and Maseur.

Manufacturing is outsourced to various suppliers, predominantly in Asia and Australia. McPherson's maintains a strong presence in Hong Kong and mainland China, focused on product sourcing and quality assurance.

(c) Review of operations

Total sales revenue of $101.7 million was 4.1% below 1H20 ($106.0 million). Domestic sales growth of 6% (excluding the acquired Fusion Health and Oriental Botanicals brands) was achieved in a challenging environment, driven by growth in market share in 4 of the Group's 6 core owned brands. The Group's A'kin, Manicare, Lady Jayne, Swisspers and Multix brands all recorded 1H21 growth in sales in comparison with the previous corresponding period (pcp), whiles sales of Dr. LeWinn's were materially below pcp, largely due to a 65% decline in export sales.

Underlying profit before tax for the half year was $7.1 million (1H20: $8.5 million), excluding significant items disclosed in note 2, within the guidance range provided in December 2020. Statutory profit before tax, inclusive of significant items, for the half year was $1.6 million (1H20: $8.5 million).

On 30 November 2020, McPherson's Consumers Products Pty Ltd acquired the Global Therapeutics business, a leading provider of branded Oriental and Western herbal and complementary medicine formulations, for a total purchase consideration of $27,541,772. The acquired business contributed revenues of $1,178,000 and profit before tax of $76,000 to the Group for the period from 1 December 2020 to 31 December 2020.

Contribution margins increased in 5 of the Group's 6 core owned brands driven by new product innovation and appreciation of the AUD/USD exchange rate. Operating expenses were well controlled, declining by 2.3% on pcp excluding significant items.

McPherson's Limited
Directors' Report (continued)
For the half year ended 31 December 2020

(c) Review of operations (continued)

Category performance

During the first half of the 2021 financial year, McPherson's strong growth trajectory in skincare, haircare and body care brands, was interrupted by a material decline in sales of Dr. LeWinn's products to China through its key partner Access Brands Management (ABM), in part due to a series of disruptions caused by the COVID-19 pandemic. Additionally, domestic sales of Dr. LeWinn's has been impacted by a significant decline in inbound Chinese students and tourists. Consequently 1H21 sales of Dr. LeWinn's declined by 42% to $13.9 million.

McPherson's and ABM continue to focus on initiatives to materially improve the 2H21 outcome through further incremental promotional investments, innovation in new products, two significant sales events and growth in ABM's reseller network.

A'kin, the Group's natural skincare, haircare and body care brand, commenced ranging of 5 SKUs in Woolworths in September 2020. This range is performing well and has contributed to a 5% domestic growth in A'kin sales in 1H21. Total A'kin sales increased by 3% to $3.8 million for the reporting period.

Sales in the essential beauty category were particularly strong, with 1H21 sales growth of 13% to $32.9 million, driven by 30% growth in the market leading hair accessories brand Lady Jayne and 13% growth in Manicare, the market leader in beauty accessories. The cotton consumables brand, Swisspers, also grew by 2% in 1H21.

The household essentials and other brands category recorded a sales increase of 8% to $33.5 million. Sales of the dominant product in this category, Multix, increased by 6% due to higher consumption of Multix products throughout the COVID-19 phase as people have engaged in more home based food preparation, food preservation and household waste disposal.

Our agency brands, which produce a lower contribution to overall Group outcomes, recorded a 10% decline in revenue to $6.5 million in 1H21.

Cash flow and balance sheet

The 1H21 cash conversion rate was seasonally lower at 68% given seasonal stock increases ahead of Chinese New Year shutdowns and relatively high December sales. However, the cash conversion rate was significantly higher than 1H20 (47%) and is expected to improve in 2H21 in line with seasonal trends and ongoing pro-active management.

Net debt excluding lease liabilities is very low at $3.8 million, following the $45.9 million equity capital raised in 1H21 to fund the Global Therapeutics acquisition and potential future acquisitions in the medium to long term. The company's gearing ratio at 31 December 2020 (excluding lease liabilities) was 3%, a significant reduction from 18% as at 31 December 2019.

McPherson's continues to work closely with its key manufacturing partner in the skincare, haircare and body care category, Aware Environmental Limited (Aware). The continuity of supply from Aware has been critical to McPherson's success over the last three years as sales of Dr. LeWinn's products has grown from approximately $20 million in FY17 to $58 million in FY20. The adverse impact of the current COVID-19 related downturn in demand from Chinese consumers on Aware's customer base, including McPherson's, has resulted in a deterioration in Aware's financial outlook in the medium term. Consequently, following a recapitalisation by Aware to mitigate liquidity concerns, McPherson's has impaired its 10.7% investment in Aware by $4.0 million to a carrying value of $2.0 million on 31 December 2020. This impairment is reflected as a reduction in the non-current asset "Financial asset at fair value through other comprehensive income" and a reduction in Reserves. It does not impact the Group's profit and loss statement.

McPherson's Limited
Directors' Report (continued)
For the half year ended 31 December 2020

(c) Review of operations (continued)

Strategy update
The Group remains focused on expansion in the lucrative Health, Wellness and Beauty categories through extension of existing market leading brands into new product lines and growth in export markets. Recent increased investment in our research and development capability will be leveraged to drive new product innovations, with further investments in this capability planned as our business grows.

The smooth integration of the newly acquired Global Therapeutics business is a key priority for the next six months as the new McPherson's Health business unit is established.

McPherson's strong balance sheet and excess operating capacity will be utilised to explore further accretive acquisitions in the Health, Wellness and Beauty space over the medium to long term.

The continued development of McPherson's existing team and the further strengthening of our capability set is a high priority as we proactively manage all risks associated with COVID-19.

(d) Dividends
The Directors have recommended that an interim ordinary dividend (fully franked) of 3.5 cents per share to be paid on 18 March 2021. These dividends were declared subsequent to the end of the half year period and therefore have not been recognised as a liability at 31 December 2020. Given the Group's low level of bank debt ($3.8 million at 31 December 2020), the dividend reinvestment plan has been suspended.

(e) Events subsequent to balance date
On 9 February 2021, McPherson's Consumers Products Pty Ltd and Blackmores Limited agreed on the $1.6 million completion working capital adjustment to the purchase consideration in relation to the acquisition of the Global Therapeutics business, as disclosed in note 13.

Other than the 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 Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that instrument, all financial information in this Directors' Report and the Financial Report have been rounded to the nearest thousand dollars unless otherwise stated.

(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:

G. A. Cubbin	**G. Peck**
Chairman	Managing Director
17 February 2021	17 February 2021

Auditor's Independence Declaration

As lead auditor for the review of McPherson's Limited for the half-year ended 31 December 2020, 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
17 February 2021

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

McPherson's Limited
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2020

	Note	Half Year December 2020 $'000	Half Year December 2019 $'000
Revenue			
Sales revenue		**101,739**	106,039
Other income		**239**	-
Total revenue and other income		**101,978**	106,039
Expenses			
Materials and consumables		**(59,958)**	(55,160)
Employee costs		**(19,041)**	(16,893)
Advertising and promotions		**(9,926)**	(11,388)
Cartage and freight		**(2,688)**	(3,121)
Third party warehousing		**(1,281)**	(1,136)
Rental expenses		**(94)**	(243)
Depreciation		**(2,253)**	(2,192)
Amortisation		**(237)**	(332)
Release of contingent consideration	12(c)	**1,528**	-
Other expenses		**(5,408)**	(5,677)
Operating profit before finance costs and income tax		**2,620**	9,897
Interest income		**134**	203
Borrowing costs		**(658)**	(680)
Net finance costs		**(524)**	(477)
Share of net loss of joint ventures accounted for using the equity method	12(a)	**(496)**	(939)
Profit before income tax		**1,600**	8,481
Income tax expense	6	**(436)**	(2,756)
Profit after tax		**1,164**	5,725

The above consolidated 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 2020

	Note	Half Year December 2020 $'000	Half Year December 2019 $'000
Profit after tax		**1,164**	5,725
Other comprehensive income / (expense)			
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges		**(4,067)**	(1,087)
Exchange differences on translation of foreign operations		**(141)**	117
Income tax benefit relating to these items		**1,204**	312
Items that will not be reclassified to profit or loss			
Changes in fair value of equity instruments at fair value through other comprehensive income	3	**(4,000)**	
Other comprehensive income / (expense)		**(7,004)**	(658)
Total comprehensive income / (expense)		**(5,841)**	5,067

		Cents	Cents
Basic earnings per share	11	**1.0**	5.4
Diluted earnings per share	11	**1.0**	5.4

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

McPherson's Limited
Consolidated Balance Sheet
As at 31 December 2020

	Note	31 December 2020 $'000	30 June 2020 $'000
Current assets			
Cash and cash equivalents		**10,931**	7,149
Trade and other receivables		**40,245**	46,695
Inventories	7	**48,292**	47,086
Total current assets		**99,468**	100,930
Non-current assets			
Financial asset at fair value through other comprehensive income	3	**2,000**	6,000
Property, plant and equipment		**6,250**	6,259
Right-of-use assets		**3,995**	5,034
Other receivables		**269**	307
Intangible assets	8	**90,392**	64,713
Investment in joint ventures	12(a)	**1,810**	1,909
Loan receivable from joint ventures	12(b)	**2,147**	1,457
Deferred tax assets		**191**	189
Total non-current assets		**107,054**	85,868
Total assets		**206,522**	186,798
Current liabilities			
Trade and other payables		**39,057**	49,858
Lease liabilities		**4,219**	4,507
Provisions		**7,120**	7,910
Derivative financial instruments		**4,576**	570
Current tax liabilities		**2,003**	4,291
Total current liabilities		**56,975**	67,136
Non-current liabilities			
Borrowings	9	**14,717**	16,377
Lease liabilities		**2,260**	3,785
Provisions		**905**	732
Deferred tax liabilities		**7,193**	6,718
Derivative financial instruments		**106**	45
Contingent consideration	12(c)	**302**	1,776
Total non-current liabilities		**25,483**	29,433
Total liabilities		**82,458**	96,569
Net assets		**124,064**	90,229
Equity			
Contributed equity	10	**206,388**	159,444
Reserves		**(2,416)**	4,342
Accumulated losses		**(79,908)**	(73,557)
Total equity		**124,064**	90,229

The above consolidated 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 2020

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 30 June 2020	**159,444**	**4,342**	**(73,557)**	**90,229**
Profit for the half year	-	-	1,164	1,164
Other comprehensive income / (expense)	-	(7,004)	-	(7,004)
Total comprehensive income / (expense)	**-**	**(7,004)**	**1,164**	**(5,840)**
Transactions with shareholders				
Shares issued, net of transaction costs and tax	46,944	-	-	46,944
Dividends provided for or paid	-	-	(7,515)	(7,515)
Share-based payment transactions with employees	-	246	-	246
Total transactions with shareholders	**46,944**	**246**	**(7,515)**	**39,675**
Balance at 31 December 2020	**206,388**	**(2,416)**	**(79,908)**	**124,064**

The above consolidated 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 2020

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 30 June 2019	**157,751**	**4,674**	**(65,897)**	**96,528**
Adoption of new AASB 16 Leases	**-**	**-**	**(3,061)**	**(3,061)**
Restated balance at 1 July 2019	**157,751**	**4,674**	**(68,958)**	**93,467**
Profit for the half year	-	-	5,725	5,725
Other comprehensive income / (expense)	-	(658)	-	(658)
Total comprehensive income / (expense)	**-**	**(658)**	**5,725**	**5,067**
Transactions with shareholders				
Shares issued, net of transaction costs and tax	1,059	-	-	1,059
Dividends provided for or paid	-	-	(6,387)	(6,387)
Share-based payment transactions with employees	-	157	-	157
Total transactions with shareholders	**1,059**	**157**	**(6,387)**	**(5,171)**
Balance at 31 December 2019	**158,810**	**4,173**	**(69,620)**	**93,363**

The above consolidated 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 2020

	Note	**Half Year December 2020 $'000**	Half Year December 2019 $'000
Cash flows from operating activities			
Receipts from customers inclusive of GST		**121,867**	112,028
Payments to suppliers and employees inclusive of GST		**(118,725)**	(106,624)
Interest received		**1**	62
Interest and borrowing costs paid		**(548)**	(680)
Income taxes paid		**(3,330)**	(3,793)
Net cash (outflows) / inflows from operating activities		**(735)**	993
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		**(856)**	(1,292)
Payments for purchase of intangible assets		**(136)**	(29)
Loan to joint ventures		**(379)**	(1,206)
Payments for financial assets at fair value through other comprehensive income		**-**	(3,000)
Payments for acquisition of Global Therapeutics	2(ii), 13	**(29,401)**	-
Payments for acquisition of joint ventures		**-**	(531)
Net cash (outflows) from investing activities		**(30,772)**	(6,058)
Cash flows from financing activities			
Proceeds from borrowings		**61,007**	38,736
Repayment of borrowings		**(62,666)**	(32,000)
Proceeds from issues of shares	10	**45,912**	-
Share issue transaction costs net of tax	10	**(920)**	-
Repayment of leases		**(2,116)**	(1,785)
Dividends paid		**(5,809)**	(5,546)
Net cash inflows / (outflows) from financing activities		**35,408**	(595)
Net increase / (decrease) in cash held		**3,901**	(5,660)
Cash at beginning of the half year		**7,149**	10,472
Effects of exchange rate changes on cash		**(119)**	8
Cash and cash equivalents at end of the half year		**10,931**	4,820

The above consolidated 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 2020

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 2020 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 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 2020 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, except for the changes in accounting policies and the adoption of new and amended standards set out hereafter.

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.

New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2020:

- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia

The group also elected to adopt the following amendments early:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New accounting policy

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

The Group amortises customer relationships with a finite useful life using the straight-line method over 8 years, based on historical customer attrition rate and subject to an annual review.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2020

1. Significant Accounting Policies (continued)

(c) 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, where assumptions and estimates are significant are discussed below:

Valuation of acquired brand names and customer relationships under a business combination

The fair value of brand names and customer relationships that were acquired as part of the acquisition of Global Therapeutics is determined using market value valuation techniques such as relief-from-royalty method and excess earnings method, based on forecasts and market conditions existing at acquisition date.

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 key assumptions is required.

Provision for stock obsolescence

Inventories are valued at the lower of cost and net realisable value. Estimates are required to be made in relation to the recoverable amount of inventory based on projected sales volumes and sell prices.

Investments in joint ventures

The recoverability of the investments in joint ventures and receivables from joint ventures is determined based on the net asset position of the joint ventures or a value-in-use calculation.

The value-in-use calculations are based on budgeted cash flow projections for a period of two to five years. Cash flows beyond the projected period are extrapolated using estimated growth rates. In performing the value-in-use calculations for the joint ventures, the Group has applied a post-tax discount rate to discount the forecast post-tax cash flows.

Financial asset at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) are equity investments which are not held for trading, and for which the Group’s management has elected to present fair value gains and losses in other comprehensive income.

The recoverability of the FVOCI is determined based on the net asset position of the investee, or a value-in-use calculation should the net asset position of the investee not exceed the carrying amount of FVOCI.

The value-in-use calculations are based on cash flow projections based on financial budgets for a two year period. Cash flows beyond the projected period are extrapolated using estimated growth rates. In performing the value-in-use calculations for the FVOCI, the Group has applied a post-tax discount rate to discount the forecast future attributable post-tax cash flows.

(d) Reclassification

Certain comparative amounts have been reclassified to conform with the current period classification to better reflect the nature of the financial position of the Group.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2020

2. Significant items

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

		Half Year December 2020 $'000	Half Year December 2019 $'000
(i)	Inventory provision for OzGuard hand sanitisers	(6,143)	-
	Less applicable income tax benefit	1,843	-
		(4,300)	-
(ii)	Acquisition costs in relation to the Global Therapeutics business	(231)	-
	Less applicable income tax benefit	69	-
		(162)	-
(iii)	Cash salary & fee package for the resignation of the Managing Director	(690)	-
	Less applicable income tax benefit	207	-
		(483)	-
(iv)	Release of contingent consideration for the My Kart joint venture	1,528	-
	Less applicable income tax expense	-	-
		1,528	-
	Total significant items before income tax	(5,536)	-
	Less applicable income tax benefits	2,119	-
	Total significant items after income tax	(3,417)	-

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2020

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 2020 and 30 June 2020 on a recurring basis:

	31 December 2020				30 June 2020			
Recurring fair value measurements	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value								
Financial assets through OCI	**-**	**-**	**2,000**	**2,000**	-	-	6,000	6,000
Total financial assets at fair value	**-**	**-**	**2,000**	**2,000**	**-**	**-**	6,000	6,000

	31 December 2020				30 June 2020			
Recurring fair value measurements	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities at fair value								
Derivative financial instruments	**-**	**(4,682)**	**-**	**(4,682)**	-	(615)	-	(615)
Total financial liabilities at fair value	**-**	**(4,682)**	**-**	**(4,682)**	**-**	(615)	-	(615)

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 group holds level 2 and level 3 instruments as at 31 December 2020.

Level 2 instruments
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 forward exchange and option contracts is determined using forward exchange market rates at the end of the reporting period.

Level 3 instruments
The Group's Financial Assets at Fair Value through OCI, being the unlisted equity securities of Aware Environmental Limited (AEL), were classified as Level 3 at 30 June 2020 as the timing of cash flows and discount rates were significant non-observable inputs.

The Group calculated the fair value of its Financial Assets at Fair Value through OCI at 31 December 2020, using a discounted cash flow model based on AEL's financial forecast, resulting in the $4.0 million write down of the Financial Assets at Fair Value through OCI from $6.0 million at 30 June 2020 to $2.0 million as at 31 December 2020.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2020

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 segment are eliminated on consolidation.

Revenues of approximately $17,994,000 (2020: $16,437,000) and $16,110,000 (2020: $17,213,000) were derived from the Group’s two most significant external customers. These revenues were attributable to the Australian operation.

Sales revenues derived from Access Brand Management (ABM), the Group’s key China facing customer, are classified as Australian revenue as ABM is an Australian entity and products are physically supplied to ABM’s Australian warehouse.

McPherson's Limited
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4. Segment Information (continued)

Segment assets
Segment assets are allocated based on the assets location. Assets arising from transactions between segments are eliminated on consolidation.

	Australia $'000	New Zealand $'000	Rest of the World $'000	Inter-segment eliminations $'000	Consolidated $'000
31 December 2020					
Sales to external customers	**94,161**	**5,406**	**2,172**	**-**	**101,739**
Inter-segment sales	2,290	-	66	(2,356)	-
Total sales revenue	**96,451**	**5,406**	**2,238**	**(2,356)**	**101,739**
Other income	-	41	198	-	239
Total segment revenue and other income (excluding interest)	**96,451**	**5,447**	**2,436**	**(2,356)**	**101,978**
EBITDA before significant items	9,585	316	383	-	10,284
Depreciation and amortisation expense	(2,043)	(159)	(288)	-	(2,490)
Segment EBIT before significant items	**7,542**	**157**	**95**	**-**	**7,794**
Significant items before tax and borrowing costs	(5,536)	-	-	-	(5,536)
Segment EBIT including significant items	**2,006**	**157**	**95**	**-**	**2,258**
Borrowing costs					(658)
Profit before income tax					**1,600**
Income tax expense					(436)
Profit after income tax					**1,164**
Segment assets	**180,284**	**3,140**	**23,098**	**-**	**206,522**

4. Segment Information (continued)

	Australia $'000	New Zealand $'000	Rest of the World $'000	Inter-segment eliminations $'000	Consolidated $'000
31 December 2019					
Sales to external customers	**97,599**	**4,955**	**3,485**	**-**	**106,039**
Inter-segment sales	1,861	-	910	(2,771)	-
Total sales revenue	**99,460**	**4,955**	**4,395**	**(2,771)**	**106,039**
Other income	-	-	-	-	-
Total segment revenue and other income	**99,460**	**4,955**	**4,395**	**(2,771)**	**106,039**
EBITDA before significant items	11,416	(163)	432	-	11,685
Depreciation and amortisation expense	(2,157)	(144)	(223)	-	(2,524)
Segment EBIT before significant items	**9,259**	**(307)**	**209**	**-**	**9,161**
Significant items before tax and borrowing costs	-	-	-	-	-
Segment EBIT including significant items	**9,259**	**(307)**	**209**	**-**	**9,161**
Net borrowing costs					(680)
Profit before income tax					**8,481**
Income tax expense					(2,756)
Profit after income tax					**5,725**
Segment assets	**153,193**	**3,838**	**25,553**	**-**	**182,584**

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2020

5. Dividends

Details of dividends declared or paid during or subsequent to the half year ended 31 December 2020 are as follows:

	Half Year December 2020 $'000	Half Year December 2019 $'000
Ordinary Final 30 June 2020 dividend of 7.0 cents per fully paid share (2019: 6.0 cents per fully paid share) fully franked at 30%	**7,515**	6,387
Dividends not recognised at the end of the half year Since the end of the half year, the Directors have declared a fully franked interim ordinary dividend of 3.5 cents per fully paid share (2020: 4.0 cents per fully paid share). The aggregate amount of the dividends to be paid on 18 March 2021 but not recognised as a liability at half year end is:	**4,494**	4,274
Franked Dividends Franked dividends paid after 31 December 2020 will be franked out of existing franking credits. Franking credits available for subsequent reporting periods based on a tax rate of 30% amount to:	**23,869**	23,287

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the reporting period.

Dividend Reinvestment Plan (DRP)
The Company will not be offering a DRP for the interim ordinary dividend in relation to the half year ended 31 December 2020.

6. Income Tax Expense

	Half Year December 2020 $'000	Half Year December 2019 $'000
Profit before tax	**1,600**	8,481
Prima facie income tax at 30%	**480**	2,544
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Tax rate differences in overseas entities	**(111)**	(32)
Share of net loss of joint ventures	**148**	294
Share-based payments expense	**127**	115
New Zealand tax losses not recognised	**-**	95
Release of contingent consideration	**(458)**	-
Under / (Over) provision in prior periods	**195**	(281)
Other	**55**	21
Income tax expense	**436**	2,756

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2020

7. Inventories

	31 December 2020 $'000	30 June 2020 $'000
Raw materials	**5,020**	9,013
Finished goods	**54,859**	41,821
Total inventories	**59,879**	50,834
Provision for inventory obsolescence	**(11,587)**	(3,748)
Total inventories, net of obsolescence provision	**48,292**	47,086

The increase in inventory provision is mainly due to the write down of OzGuard hand sanitisers, disclosed in note 2, and incremental excess stock for Dr. LeWinn's driven by the latest sales forecast with our customer ABM. The inventory provision expense for 1H21 is $7.3 million (1H20: $0.9 million) and is captured in the materials and consumables expenses of the consolidated statement of comprehensive income.

8. Intangible Assets

	31 December 2020 $'000	30 June 2020 $'000
Goodwill	**33,534**	15,757
Brand names	**53,610**	48,310
Customer relationships	**2,672**	-
Other intangibles	7,809	7,662
Accumulated amortisation	(7,233)	(7,016)
Total other intangibles	**576**	646
Total intangibles	**90,392**	64,713

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	Brand names $'000	Customer relationships $'000	Other intangibles $'000	Total $'000
Carrying amount at 1 July 2020	**15,757**	**48,310**	**-**	**646**	**64,713**
Additions	-	-	-	116	116
Acquisition of business	17,887	5,300	2,700	-	25,887
Amortisation charge	-	-	(28)	(209)	(237)
Foreign currency exchange differences	(110)	-	-	23	(87)
Carrying amount at 31 December 2020	**33,534**	**53,610**	**2,672**	**576**	**90,392**

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

8. Intangible Assets (continued)

Impairment testing

Goodwill
Goodwill is allocated to the following cash generating unit:

	31 December 2020 $'000	30 June 2020 $'000
Australia	**33,534**	15,757

Management is satisfied that the Global Therapeutics business forms part of the Australian cash generating unit on the basis that:

- The decision making and monitoring of the operations of the Global Therapeutics business are performed centrally by the McPherson's Senior Leadership Team; and
- The McPherson's Group's core assets will be operated together to generate the revenue of the acquired Global Therapeutics business.

The recoverable amount of a cash generating unit is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets and 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 calculation of the Australian cash generating unit (CGU) are set out below:

31 December 2020				30 June 2020			
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
2.0%	**2.0%**	**10.0%**	**13.7%**	2.0%	2.0%	10.0%	13.7%

In addition to the above, it is noted that the year one cash flow projection is a key assumption within the value-in-use calculation. The cash flow projection used for the year one cash flows are based on the Board approved financial forecasts. The forecasts reflect the Board's expectation of cash flows for the Australian CGU arising from profit optimisation initiatives, new product launches, acquisition of the Global Therapeutics business and inventory rationalisation.

Impact of possible changes in key assumptions
The value-in-use calculation is sensitive to changes in the key assumptions used in the impairment testing. As such, a sensitivity analysis was undertaken by management to examine the effect of changes in key assumptions which would cause the carrying amount to exceed the recoverable amount for the Australian CGU. Management is satisfied that any reasonably likely changes in the key assumptions would not cause the carrying value of the Australian CGU to materially exceed its recoverable amount.

If the year one projected earnings before interest and tax for the Australia CGU was 10.0% below the current estimates used in the value-in-use calculations, no impairment charge would arise.

8. Intangible Assets (continued)

Impairment testing (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 and 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 2020				30 June 2020			
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
1.0% - 7.8%	**1.0% - 3.0%**	**10.0%**	**13.7%**	1.0% - 15%	1.0% - 3.0%	10.0%	13.7%

Impact of possible changes in key assumptions (continued)

If the year one projected sales by brand were 10.0% below the current estimates used in the value-in-use calculations, no brand name impairment charge would arise.

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

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

If the post tax discount rate used in the value-in-use calculations was to be 0.5% higher than management’s estimates, no brand name impairment charge would arise.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2020

9. Borrowings

	31 December 2020 $'000	30 June 2020 $'000
Bank loan – secured	**15,000**	16,667
Debt issue costs	**(283)**	(290)
Total non-current borrowings	**14,717**	16,377
Total borrowings	**14,717**	16,377

The Group's three-year facility, denominated in Australian dollars, has a facility limit of $47.5 million (2020: $47.5 million) and expires in June 2023. This facility comprises three tranches:

- $35.0 million revolving working capital facility;
- $10.0 million acquisition facility; and
- $2.5 million documentary facility, covering the Group's bank guarantee and letters of credit requirements.

Drawings under the $35.0 million working capital tranche of the facility are required to be backed by eligible trade debtor and inventory assets.

Under the three-year facility, the Group is required to comply with the following key financial covenants:

- Secured leverage ratio must not exceed 2.50 times;
- Interest cover ratio must be at least 3.50 times; and
- Total shareholder funds must not be less than $70,000,000.

As at 31 December 2020, the Group was compliant with its debt covenants.

In addition to the three-year $47.5 million facility, the Group holds a $5 million overdraft facility (2020: $5 million)

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2020

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 2020						
Payables	39,057	-	-	-	**39,057**	**39,057**
Borrowings	153	153	15,230	-	**15,536**	**14,717**
Lease liabilities	4,176	2,163	199	-	**6,538**	**6,479**
Total non-derivative financial liabilities	**43,386**	**2,316**	**15,429**	**-**	**61,131**	**60,253**
30 June 2020						
Payables	49,858	-	-	-	**49,858**	**49,858**
Borrowings	183	183	16,850	-	**17,216**	**16,377**
Lease liabilities	4,507	3,486	268	214	**8,475**	**8,292**
Total non-derivative financial liabilities	**54,548**	**3,669**	**17,118**	**214**	**75,549**	**74,527**

McPherson's Limited
Notes to the Consolidated Financial Statements
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10. Contributed Equity

	31 December 2020 $'000	30 June 2020 $'000
Issued and paid up capital:		
128,403,460 (June 2020: 107,264,580) fully paid ordinary shares	**206,388**	159,444

Movements in ordinary share capital

Date	**Details**	**Number of Shares**	**Share Price $**	**$'000**
1 July 2020	Opening balance	107,264,580		159,444
12 August 2020	Employee Shares Scheme	88,288	2.80	247
24 September 2020	Dividend Reinvestment Plan	594,715	2.87	1,705
28 October 2020	Institutional Placement	16,090,606	2.27	36,526
20 November 2020	Share Purchase Plan	4,365,271	2.15	9,386
	Transactions costs associated with shares issued			(1,314)
	Tax effect of share issue transaction costs recognised directly in equity			394
31 December 2020	**Closing Balance**	**128,403,460**		**206,388**

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2020

11. Earnings Per Share

	Half Year December 2020 Cents	Half Year December 2019 Cents
Basic earnings per share	**1.0**	5.4
Diluted earnings per share	**1.0**	5.4
Basic earnings per share excluding significant items	**4.0**	5.4
Diluted earnings per share excluding significant items	**4.0**	5.4

Weighted average number of shares used as the denominator

	Half Year December 2020 Number of shares	Half Year December 2019 Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**114,099,234**	106,637,116
Adjustments for calculation of diluted earnings per share:		
Commencement rights granted to the Managing Director	**213,000**	263,000
Shares estimated to be issued under employee share scheme are dilutive and therefore are included in the calculation of diluted earnings per share	**192,965**	1,803
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**114,505,199**	106,901,919

12. Investment in joint ventures

(a) Interest in joint ventures

The following tables summarise financial information of the equity accounted investees as at 31 December 2020.

Name of entity	Country of incorporation	% of ownership interest	Nature of relationship	Measurement method	Carrying amount $'000	Share of loss $'000
Kotia Limited	New Zealand	51	Joint venture	Equity method	-	206
Sugarbaby & Co Pty Ltd	Australia	51	Joint venture	Equity method	-	190
My Kart Pty Ltd	Australia	51	Joint venture	Equity method	1,699	100
Dr. LeWinn's China Limited	Hong Kong	49	Joint venture	Equity method	111	-
Total					**1,810**	**496**

The joint ventures are private entities for which no quoted market prices are available.

The Group does not consolidate the results of these joint ventures, rather it equity accounts for its share of the joint ventures' profit or loss and movements in other comprehensive income.

Any dividends received from the joint ventures in future periods will be recognised as dividend income and a reduction in the carrying amount of the Group's investment in this entity.

McPherson's Limited
Notes to the Consolidated Financial Statements
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12. Investment in joint ventures (continued)

(b) Loan receivable from joint ventures

The following table summarises financial information in relation to the Group's loans to the joint ventures as at 31 December 2020:

Name of entity	Loans from the Group	Carrying amount $'000	Interest per annum	Term
Kotia Limited	Shareholder loan	54	6%	The loan is not expected to be repaid within 12 months
Sugarbaby & Co Pty Ltd	Shareholder loan	906	5%	The loan is not expected to be repaid within 12 months
My Kart Pty Ltd	Shareholder loan	1,067	6%	The loan is not expected to be repaid within 12 months
	Working capital loan	120	-	The loan is not expected to be repaid within 12 months
Total		**2,147**		

The purpose of these loans is to fund the capital expenditure and trade working capital requirements of the joint ventures.

(c) Contingent consideration

The My Kart Pty Ltd joint venture agreement, executed in 2020, includes a contingent consideration payable by the Group, based on a normalised EBIT multiple of My Kart Pty Ltd for the financial years ending 2021 and 2022. The Group has estimated the contingent consideration liability as $1.8 million as at 30 June 2020.

As a result of the current challenging retail environment in Australia and overseas, the financial performance of My Kart Pty Ltd has been below expectations and the contingent consideration has been decreased by $1.5 million to $0.3 million as at 31 December 2020.

McPherson's Limited
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13. Business combination

Summary of acquisition
On 30 November 2020, McPherson's Consumers Products Pty Ltd acquired the Global Therapeutics business, a leading provider of branded Oriental and Western herbal and complementary medicine formulations, for a total purchase consideration of $27,541,772.

This acquisition embeds a strong Vitamins and Dietary Supplements business with recognised brands, a go-to-market capability and a strong product innovation pipeline into McPherson's newly established Health Division.

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

	$000's
Purchase consideration	
Cash paid	29,170
Less: completion working capital adjustment (receivable)	(1,628)
Total purchase consideration	**27,542**

The acquired identifiable assets and assumed liabilities recognised as a result of the acquisition are as follows:

	Fair Value $000's
Trade and other receivables	2,077
Inventories	2,230
Brand names	5,300
Customer relationships	2,700
Right-of-use assets	148
Equipment	75
Deferred tax assets	123
Provision for employee entitlements	(410)
Make good provision	(40)
Lease liabilities	(148)
Deferred tax liabilities	(2,400)
Net identifiable assets acquired	**9,655**
Goodwill	17,887
Net assets acquired	**27,542**

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

(i) Acquired trade receivables
The fair value of acquired trade receivables is $1,905,000. The gross contractual amount for trade receivables due is $1,905,000, with no provision for doubtful debts recognised on acquisition.

(ii) Revenue and profit contribution
The acquired business contributed revenues of $1,178,000 and profit before tax of $76,000 to the Group for the period from 1 December 2020 to 31 December 2020.

If the acquisition had occurred on 1 July 2020, consolidated pro-forma revenue and earnings before interest and tax for the half year ended 31 December 2020 would have been $108,783,000 and $3,731,000 respectively based on the actual results of the acquired business of the six months ended 31 December 2020.

(iii) Acquisition-related costs
Acquisition-related costs of $231,000 were included within other expenses in profit or loss and in operating cash flows in the statement of cash flows. These costs are classified and disclosed as significant item in note 2(ii).

14. Related parties

(a) Transactions with controlled entities

Transactions between McPherson’s Limited and its controlled entities in the Group during the year consisted of:
- Amounts advanced to and by McPherson's Limited
- Amounts repaid to McPherson's Limited
- Amounts borrowed by McPherson's Limited
- Payment and receipt of interest on certain advances at prevailing rates
- Payment of dividends to McPherson's Limited
- Receipt and payment of tax, rent, management and license fees

Balances and transactions between McPherson’s Limited and its controlled entities have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(b) Transactions with joint ventures

Transactions with joint ventures	Half Year December 2020 $’000	Half Year December 2019 $’000
Trade purchases	**(588)**	(213)
Loan to joint ventures	**383**	949
Expense recharges and management fees	**431**	1,032

The carrying amount of investments and loans with the joint ventures is disclosed in note 12(b). The carrying amount of trade payables owed to the joint ventures as at 31 December 2020 is $555,751 (2020: $219,756).

(c) Transactions with Aware Environmental Limited (AEL)

On 10 October 2019, MCP and AEL executed a Subscription Agreement and a Deed of Amendment, which set the terms under which:
- MCP converted its 3,000,000 convertibles notes at a conversion price of $0.60 per share into 5,000,000 ordinary shares in AEL; and
- MCP subscribed for 5,000,000 shares in AEL at a subscription price of $0.60 per share.

The Group’s 10,000,000 shares represent 10.7% of the capital of AEL at 31 December 2020.

Mr. Geoffrey Pearce is a Director and a significant shareholder of AEL.

Transactions with AEL	Half Year December 2020 $’000	Half Year December 2019 $’000
Trade purchases	**(5,987)**	(2,765)

The above transactions were entered into in order to provide a more robust and reliable basis of skin care product supply to McPherson’s.

(d) Terms and conditions

Transactions with related parties are on an arm’s length basis. Receivable amounts outstanding, other than loans, are repayable in cash and are due to be settled within two months of balance date. Outstanding loans are unsecured and do not have a specified repayment date.

15. Contingent Liabilities

From time to time, the Group is subject to claims and litigation during the normal course of business. The Board has given consideration to such matters, which are or may be subject to litigation at year end and, is of the opinion that no material liability exists other than specifically provided in these financial statements.

16. Subsequent Events

On 9 February 2021, McPherson's Consumers Products Pty Ltd and Blackmores Limited agreed on the $1.6 million completion working capital adjustment to the purchase consideration in relation to the acquisition of the Global Therapeutics business, as disclosed in note 13.

Other than the 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.
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 30 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 2020 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.

G. A. Cubbin
Chairman
17 February 2021

G. Peck
Managing Director
17 February 2021

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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of McPherson's Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2020, 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 and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of management for the half-year financial report

Management is 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 management determines is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2020 and of 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*.

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

P.J. Carney

PJ Carney
Partner

Sydney
17 February 2021