McPherson's Limited
ABN: 98 004 068 419
Half Year ended 31 December 2018

Results for Announcement to the Market

				$'000
Revenue from continuing operations	up	0.4%	to	**106,498**
Profit from continuing operations before tax excluding significant items	down	18.3%	to	**7,766**
Profit from continuing operations after tax excluding significant items	down	11.3%	to	**5,536**
Profit before tax[1]	up	106.9%	to	**7,766**
Profit after tax [1]	up	NM[2]	to	**5,536**
Profit after tax attributable to members [1]	up	NM[2]	to	**5,536**
Net profit for the period attributable to members [1]	up	NM[2]	to	**5,536**

[1]Including discontinued operations in both periods.
[2]Not meaningful

Dividends	**Amount per security**	**Franked amount per security**
Interim ordinary dividend	**4.0¢**	**4.0¢**
Special dividend	**2.0¢**	**2.0¢**
Previous corresponding period – ordinary dividend	6.0¢	6.0¢
Previous corresponding period – special dividend	Nil	Nil

Payment date for interim and special dividends	**21 March 2019**
Record date for determining entitlements to both dividends	**4 March 2019**

McPherson's Limited
Directors' Report
For the half year ended 31 December 2018

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 2018.

(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 (Managing Director)
G. Peck (Chairman of the Audit, Risk Management and Compliance Committee)
J.M. McKellar (Chairman of the Remuneration Committee)
G.R. Pearce
A.J. Mew (appointed on 24 July 2018)

(b) Principal activities

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

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

(c) Review of operations

The $7.8m underlying profit before tax from continuing operations (excluding significant, non-recurring items) was 18.3% below the prior comparative period. Underlying profit before tax for 1H18 was $9.5m from continuing operations i.e. excluding Home Appliances, which was divested on 28 February 2018. The statutory profit before tax for 1H18, inclusive of Home Appliances, was $3.8m.

Underlying profit before tax from continuing operations and excluding Coty Fine Fragrances distribution from the previous corresponding period increased 1.0% to $7.8m from $7.7m. The Coty Fine Fragrances distribution arrangement (which ceased effect from 1 February 2018) generated $10.8m in sales revenue and $1.8m in profit before tax in 1H18.

Divisional performance

Total sales revenue from continuing operations of $106.5m was broadly in-line with last year (1H18 $106.1m) and increased by 11.8% excluding Coty Fine Fragrances distribution revenue from the period.

This growth in underlying sales revenue was largely due to significant growth from McPherson's key owned brand Dr. LeWinn's in both domestic and export markets, strong domestic pharmacy growth for A'kin, as well as revenue gains in the Multix brand in the grocery channel which reflected the successful introduction of the new "Greener" range of Multix products.

While the company has achieved positive momentum in sales revenue, Multix brand margins have been impacted by approximately $1m due to elevated USD commodity costs and a weaker Australian dollar during the period. Sales revenue from the Essential Beauty brands of Manicare, Swisspers and Lady Jayne were also impacted by a reduction in stock levels by some of our key customers.

McPherson's Limited
Directors' Report (continued)
For the half year ended 31 December 2018

(c) Review of operations (continued)

Cash flow, balance sheet and FX hedging
The Company's gearing ratio (net debt/total funds employed) has increased from 9.9% to 17.1% over the 6 months to 31 December 2018.

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

(d) Dividends
The Directors have recommended that an interim ordinary dividend (fully franked) of 4.0 cents per share and a special dividend (fully franked) of 2.0 cents per share be paid on 21 March 2019. 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 2018.

(e) Events subsequent to balance date
Subsequent to 31 December 2018, the Company has executed an amended facility agreement and common terms deed with its lenders, the National Australia Bank and Westpac. Existing facilities totalling $36.9 million have been extended and a new "Joint Venture facility" totalling $10 million has been established, with all facilities expiring 31 August 2020. The terms associated with the extended and new facilities are similar to the expiring facilities.

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 ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

(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 4.

Signed in accordance with a resolution of the Directors.

Dated at Sydney this 20th day of February 2019.

G A Cubbin

G. A. Cubbin
Director

L. McAllister
Director

Auditor's Independence Declaration

As lead auditor for the review of McPherson's Limited for the half-year ended 31 December 2018, 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
20 February 2019

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McPherson's Limited
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2018

	Note	**Half Year December 2018 $'000**	Half Year December 2017 $'000
Continuing operations			
Revenue			
Sales revenue		**106,485**	106,059
Interest		**13**	4
Total revenue		**106,498**	106,063
Other income		**-**	551
Total revenue and other income		**106,498**	106,614
Expenses			
Materials and consumables used		**(58,136)**	(55,243)
Employee costs		**(15,486)**	(16,440)
Advertising and promotional		**(11,484)**	(10,085)
Cartage and freight		**(3,738)**	(3,604)
Third party warehousing		**(1,135)**	(1,151)
Rental expenses relating to operating leases		**(2,150)**	(2,303)
Depreciation		**(701)**	(709)
Amortisation of other intangibles		**(310)**	(395)
Other expenses		**(5,146)**	(5,464)
Borrowing costs		**(446)**	(1,720)
Profit from continuing operations before income tax expense		**7,766**	9,500
Income tax expense	6	**(2,230)**	(3,419)
Profit from continuing operations for the half year after tax		**5,536**	6,081
Discontinued operations			
Loss from discontinued operations, net of income tax	7	**-**	(5,966)
Profit for the half year after tax		**5,536**	115

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

McPherson's Limited
Consolidated Statement of Comprehensive Income (continued)
For the half year ended 31 December 2018

	Note	Half Year December 2018 $'000	Half Year December 2017 $'000
Profit for the half year after tax		**5,536**	115
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges		**649**	320
Exchange differences on translation of foreign operations		**233**	(150)
Income tax (expense) relating to these items		**(207)**	(94)
Other comprehensive income for the half year		**675**	76
Total comprehensive income for the half year		**6,211**	191
Total comprehensive income for the half year to owners of McPherson's Limited arises from:			
Continuing operations		**6,211**	6,157
Discontinued operations		**-**	(5,966)
		6,211	191

	Note	Cents	Cents
Basic earnings per share	11	**5.3**	0.11
Diluted earnings per share	11	**5.3**	0.11
Basic earnings per share from continuing operations	11	**5.3**	5.9
Diluted earnings per share from continuing operations	11	**5.3**	5.9

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

McPherson's Limited
Consolidated Balance Sheet
As at 31 December 2018

	Note	31 December 2018 $'000	30 June 2018 $'000
Current assets			
Cash and cash equivalents		**7,633**	8,607
Trade and other receivables		**36,704**	29,930
Inventories		**44,708**	38,438
Derivative financial instruments	3	**2,348**	1,559
Total current assets		**91,393**	78,534
Non-current assets			
Property, plant and equipment		**5,559**	3,268
Intangible assets	8	**73,654**	73,900
Investment in joint venture	13	**1,158**	-
Loan receivable from joint venture	13	**1,183**	-
Deferred tax assets		**189**	200
Total non-current assets		**81,743**	77,368
Total assets		**173,136**	155,902
Current liabilities			
Trade and other payables	14	**35,985**	27,958
Borrowings	9	**27,113**	18,454
Provisions		**4,975**	7,028
Current tax liabilities		**681**	2,919
Total current liabilities		**68,754**	56,359
Non-current liabilities			
Provisions		**616**	743
Deferred tax liabilities		**9,492**	8,780
Total non-current liabilities		**10,108**	9,523
Total liabilities		**78,862**	65,882
Net assets		**94,274**	90,020
Equity			
Contributed equity	10	**156,439**	155,882
Reserves		**5,608**	4,828
Accumulated losses		**(67,773)**	(70,690)
Total equity		**94,274**	90,020

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 2018

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2018	**155,882**	**4,828**	**(70,690)**	**90,020**
Profit for the half year	-	-	5,536	5,536
Other comprehensive income	-	675	-	675
Total comprehensive income	**-**	**675**	**5,536**	**6,211**
Transactions with shareholders				
Shares issued, net of transaction costs and tax	557	-	-	557
Dividends provided for or paid	-	-	(2,619)	(2,619)
Share-based payment transactions with employees	-	105	-	105
Total transactions with shareholders	**557**	**105**	**(2,619)**	**(1,957)**
Balance at 31 December 2018	**156,439**	**5,608**	**(67,773)**	**94,274**

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 2018

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
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 Cash Flows
For the half year ended 31 December 2018

	Note	Half Year December 2018 $'000	Half Year December 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**115,770**	155,597
Payments to suppliers and employees (inclusive of GST)		**(113,721)**	(142,168)
Interest received		**13**	4
Interest and borrowing costs paid		**(446)**	(733)
Income taxes paid		**(3,959)**	(3,793)
Net cash (outflows) / inflows from operating activities		**(2,343)**	8,907
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		**(2,979)**	(861)
Payments for purchase of other intangible assets	8	**-**	(87)
Loan to joint venture	13	**(1,183)**	-
Payments for acquisition of joint venture	13	**(1,158)**	-
Net cash (outflows) from investing activities		**(5,320)**	(948)
Cash flows from financing activities			
Proceeds from borrowings		**34,659**	29,746
Repayment of borrowings		**(26,000)**	(32,000)
Dividends paid		**(2,062)**	(1,848)
Net cash inflows / (outflows) from financing activities		**6,597**	(4,102)
Net (decrease) / increase in cash held		**(1,066)**	3,857
Cash at beginning of the half year		**8,607**	6,584
Effects of exchange rate changes on cash		**92**	-
Cash at end of the half year		**7,633**	10,441

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 2018

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 2018 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 2018 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 adoption of new and amended standards set out below.

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

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the AASB 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 1(b) below. The other standards did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

Impact of standards issued but not yet applied by the entity

AASB 16 Leases

AASB 16 was issued in February 2016. The standard is mandatory for financial years commencing on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect the accounting for the Group’s operating leases.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group’s profit or loss and classification of cash flows going forward.

At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

(b) Changes in accounting policies

This section explains the impact of the adoption of AASB 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

AASB 15 - Impact on the financial statements

The Group adopted the standard using the modified retrospective approach which means that the cumulative impact of adoption has been recognised in retained earnings as of 1 July 2018 and that the comparatives have not been restated.

The following table shows the adjustment recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals cannot be recalculated from the numbers provided. As at 1 July 2018, there was nil impact to the retained earnings. The adjustments are explained in more detail below.

Consolidated Balance Sheet (extract)	**30 June 2018 as originally presented $'000**	**Effects of the adoption of AASB 15 $'000**	**1 July 2018 restated $'000**
Current assets			
Trade and other receivables	29,930	4,216	**34,146**
Current liabilities			
Trade and other payables	(27,958)	(4,216)	**(32,174)**

(i) Accounting for refunds
When the customer has a right to return the product within a given period, the Group has a potential obligation to refund the purchase price. The Group previously recognised a provision for returns which was measured on a net basis at the margin on the sales ($83,000 at 31 December 2018 and $99,000 at 30 June 2018).

(ii) Presentation of assets and liabilities related to contracts with customers
The Group has voluntarily changed the presentation of certain amounts in its balance sheet to reflect the terminology of AASB 15. Customer contract liabilities in relation to expected settlement and promotional discounts, and rights to return of $4,216,000 were previously presented as part of trade and other receivables. The Group has also reclassified $6,748,000 from other payables to contract liabilities on 1 July 2018 within trade and other payables.

AASB 15 – Accounting policies

Sales revenue
The Group markets and distributes health, wellness and beauty products. Sales are recognised when the control of the products has transferred, being when the products are delivered to the customer. The customer has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's products are often sold on terms that include settlement discounts and volume rebates. Revenue from these sales is recognised based on the price specified in the contract, net of estimated discounts and rebates, using the expected value method. A contract liability is recognised for expected discounts and rebates payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as sales are made with credit term normally between 30 and 60 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Changes in accounting policies (continued)

AASB 15 – Accounting policies (continued)

Accounting for refunds
When the customer has a right to return the product within a given period, the entity has a potential obligation to refund the purchase price. A refund liability for the expected refunds to customers is recognised as adjustment to revenue in trade and other payables. At the same time, the Group has a right to recover the product from the customer where the customer exercises its right of return and recognises an asset in trade and other receivables and a corresponding adjustment to cost of sales. The asset is measured by reference to the former carrying amount of the product. The costs to recover the products are not material because the customer usually returns the product in a saleable condition to the Group.

The Group does not have any contracts where the period between the supply of goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(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 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.

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. These estimates are based on projected sales volumes and sell prices determined using current information and past experience, estimates of net realisable values for the excess volumes are made and provisions recognised where necessary.

(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 2018

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 2018 $'000	Half Year December 2017 $'000
(a) Impairment of Goodwill	7,8	-	(6,444)
Less: Applicable income tax expense		-	-
		-	(6,444)
(b) Restructure costs		-	(764)
Less: Applicable income tax benefit		-	229
		-	(535)
(c) Impairment of net deferred tax of New Zealand business segment		-	(160)
		-	(160)
Total significant items		-	(7,208)
Less: Applicable income tax benefits		-	69
		-	(7,139)

The significant items set out in the table above are detailed below:

Impairment of goodwill
During the prior period, 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.

Restructure costs – related to Home Appliances business in prior half year

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

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

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

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 2018 and 30 June 2018 on a recurring basis:

Recurring fair value measurements	31 December 2018 Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	30 June 2018 Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value								
Derivative financial instruments	-	2,348	-	2,348	**-**	**1,559**	**-**	**1,559**
Total financial assets at fair value	**-**	**2,348**	**-**	**2,348**	**-**	**1,559**	**-**	**1,559**

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 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 and recognised at point in time. Sales between segments are eliminated on consolidation.

Revenues of approximately $17,378,000 (2018: $14,163,000) and $16,933,000 (2018: $16,649,000) 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 2018

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	New Zealand $'000	Rest of the World $'000	Inter-segment eliminations $'000	Consolidated $'000	Less Discontinued Operations $'000	Continuing Operations $'000
2018							
Sales to external customers	**97,660**	**4,898**	**3,927**	**-**	**106,485**	**-**	**106,485**
Inter-segment sales	1,429	-	1,153	(2,582)	-	-	-
Total sales revenue	**99,089**	**4,898**	**5,080**	**(2,582)**	**106,485**	**-**	**106,485**
Other revenue / income (excluding interest)	-	-	-	-	-	-	-
Total segment revenue and other income (excluding interest)	**99,089**	**4,898**	**5,080**	**(2,582)**	**106,485**	**-**	**106,485**
EBITDA before significant items	8,333	257	622	-	9,212	-	9,212
Depreciation and amortisation expense	(869)	(101)	(43)	-	(1,013)	-	(1,013)
Segment result before significant items	**7,464**	**156**	**579**	**-**	**8,199**	**-**	**8,199**
Significant items before tax (excluding borrowing related costs)	-	-	-	-	-	-	-
Segment result including significant items before tax	**7,464**	**156**	**579**	**-**	**8,199**	**-**	**8,199**
Net borrowing costs					(433)	-	(433)
Profit before income tax					**7,766**	**-**	**7,766**
Income tax expense					(2,230)	-	(2,230)
Profit after income tax					**5,536**	**-**	**5,536**
Segment assets	**144,547**	**3,410**	**25,179**	**-**	**173,136**		
Non-current assets (other than financial assets, deferred tax and investment in joint venture)	**77,350**	**236**	**1,627**	**-**	**79,213**		
Additions to non-current assets (other than financial assets, deferred tax and investment in joint venture)	**2,904**	**7**	**68**	**-**	**2,979**		

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2018

4. Segment Information (continued)

	Australia $'000	New Zealand $'000	Rest of the World $'000	Inter-segment eliminations $'000	Consolidated $'000	Less Discontinued Operations[1] $'000	Continuing Operations $'000
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)	(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

5. Dividends

Details of dividends declared or paid during or subsequent to the half year ended 31 December 2018 are as follows:

	Half Year December 2018 $'000	Half Year December 2017 $'000
Ordinary		
Final 30 June 2018 dividend of 2.5 cents per fully paid share (2017: 2.0 cents per fully paid share) fully franked @ 30%	**2,619**	2,079

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 4.0 cents per fully paid share (2017: 6.0 cents per fully paid share), and a fully franked special dividend of 2.0 cents per fully paid share (2017: nil).

The aggregate amount of the dividends to be paid on 21 March 2019 but not recognised as a liability at half year end is:	**6,308**	6,247

Dividend Reinvestment Plan (DRP)

The Company's DRP will operate at a discount of 2.5% and will apply to the upcoming interim dividend and special dividend. Shareholders on the register at the record date of 4 March 2019 will be eligible for both dividends. Shareholders wishing to participate in the DRP need to have elected to do so by no later than the trading day immediately following the record date, or by 5 March 2019. Shareholders that have previously elected to participate in the DRP will continue to do so on the same basis unless a formal election to vary or cease participation is provided by 5 March 2019.

The shares issued under the DRP are fully paid ordinary shares and rank equally with other fully paid ordinary shares. The issue price under the DRP 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, less the 2.5% discount.

6. Income Tax Expense

	Half Year December 2018 $'000	Half Year December 2017 $'000
Profit before tax	**7,766**	3,753
Prima facie income tax at 30%	**2,330**	1,127
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of Goodwill	**-**	1,933
Tax rate differences in overseas entities	**(115)**	(108)
Share-based payments expense	**32**	12
(Over) / under provision in prior years	**(59)**	445
Impairment of deferred tax of New Zealand business segment	**-**	160
Other	**42**	69
Income tax expense	**2,230**	3,638

7. Discontinued Operations

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 was estimated to be $28m. The business unit was classified as held for sale and a discontinued operation as at 31 December 2017 and was 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 was 28 February 2018.

	Half Year December 2017 $'000
Results of discontinued operations	
Revenue	34,554
Expenses	(33,857)
Profit from operating activities before income tax and impairment	697
Income tax expense	(219)
Impairment of intangible assets	(6,444)
Loss from operating activities, net of income tax	(5,966)
Cash flows from discontinued operations	
Net cash from operating activities	1,073
Net cash used in investing activities	(838)
Net cash used in financing activities	(3,721)
Net decrease in cash from discontinued operations	(3,486)

During the prior period, 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.

8. Intangible Assets

	31 December 2018 $'000	30 June 2018 $'000
Goodwill	**15,738**	15,674
Brand names	**56,827**	56,827
Other intangibles	5,989	7,975
Accumulated amortisation	(4,900)	(6,576)
Total other intangibles	**1,089**	1,399
Total intangibles	**73,654**	73,900

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	Other intangibles $'000	Total $'000
Carrying amount at 1 July 2018	15,674	56,827	1,399	73,900
Additions	-	-	-	-
Amortisation charge	-	-	(310)	(310)
Foreign currency exchange differences	64	-	-	64
Carrying amount at 31 December 2018	**15,738**	**56,827**	**1,089**	**73,654**

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 annual impairment test.

Impairment testing

Goodwill
Goodwill is allocated to the following cash generating unit:

	31 December 2018 $'000	30 June 2018 $'000
Australia (excluding Home Appliances)	15,738	15,674
	15,738	15,674

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 the prior 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 2018				30 June 2018			
	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%

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 prior period, 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, for further details.

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 2018	30 June 2018
Estimated growth rates	**1.0% - 5.0%**	1.0% - 5.0%
Post-tax discount rate	**10.0%**	10.0%
Pre-tax discount rate equivalent	**13.1%**	13.1%

Impairment charge

No impairment charge was recognised in the current or prior period.

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, an impairment charge of $102,000 (2018: Nil) would arise.

If the year one contribution margin percentages were 2 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 percentage point lower than management’s estimates, no brand impairment charge would arise.

9. Borrowings

	31 December 2018 $'000	30 June 2018 $'000
Current		
Bank loans – secured	27,000	18,000
Other borrowings	113	454
Total current	**27,113**	18,454
Total borrowings	**27,113**	18,454

The Group's new facility is denominated in Australian dollars and the facility limit is $46,900,000 (2018: $38,500,000). Drawings under this facility are required to be backed by eligible trade debtor and inventory assets. As at 31 December 2018, the Group was compliant with its debt covenants.

Refer to Note 16 Subsequent Events regarding the extension of the Group's borrowing facilities.

Under the terms of the new borrowing facilities, the Group is required to comply with the following key financial covenants:

- The total leverage ratio must not exceed 2.25 times on the secured bank facility;
- The Debt Service cover ratio must not be less than 3.50 times; and
- Total Shareholder funds must not be less than $65,000,000.

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 2018						
Payables	35,985	-	-	-	35,985	35,985
Borrowings	27,532	-	-	-	27,532	27,113
Total non-derivative financial liabilities	**63,517**	**-**	**-**	**-**	**63,517**	**63,098**
30 June 2018						
Payables	27,958	-	-	-	27,958	27,958
Borrowings	18,739	-	-	-	18,739	18,454
Total non-derivative financial liabilities	46,697	-	-	-	46,697	46,412

10. Contributed Equity

	31 December 2018 $'000	30 June 2018 $'000
Issued and paid up capital:		
105,140,078 (June 2018: 104,771,194) ordinary shares - fully paid	**156,439**	155,882

Movements in ordinary share capital

Date	Details	Number of Shares	Price $	$'000
1 July 2018	Opening balance	104,771,194		155,882
19 October 2018	Shares issued - Dividend Reinvestment Plan	368,884	1.52	560
	Transactions costs associated with shares issue			(4)
	Tax effect of share issue transaction costs recognised directly in equity			1
31 December 2018	**Closing Balance**	**105,140,078**		**156,439**

11. Earnings Per Share

	Half Year December 2018 Cents	Half Year December 2017 Cents
Basic earnings per share	**5.3**	0.11
Diluted earnings per share	**5.3**	0.11
Basic earnings per share excluding significant items	**5.3**	7.0
Basic earnings per share from continuing operations	**5.3**	5.9
Diluted earnings per share from continuing operations	**5.3**	5.9
Basic earnings per share from continuing operations excluding significant items	**5.3**	6.0

Reconciliation of earnings used in calculating earnings per share

	Half Year December 2018 \$'000	Half Year December 2017 \$'000
Basic and diluted earnings per share		
Profit for the half year (excluding significant items)	**5,536**	7,254
Significant items, net of tax (Note 2)	**-**	(7,139)
Profit for the half year	**5,536**	115
Basic and diluted earnings per share		
Profit for the half year from continuing operations (excluding significant items)	**5,536**	6,241
Significant items from continuing operations, net of tax	**-**	(160)
Profit for the half year from continuing operations	**5,536**	6,081

Weighted average number of shares used as the denominator

	Half Year December 2018 Number	Half Year December 2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**104,918,748**	104,016,356
Adjustments for calculation of diluted earnings per share:		
Commencement rights granted to the Managing Director	**224,412**	155,226
Shares estimated to be issued under employee share scheme are dilutive and therefore are included in the calculation of diluted earnings per share	**111,324**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**105,254,484**	104,171,582

12. Net Tangible Asset Backing

	31 December 2018	30 June 2018
Net tangible asset backing per ordinary share	$0.20	$0.15

13. Joint Venture

(a) Kotia acquisition

On 21 November 2018, the Group announced a joint venture with New Zealand Deer Cosmetics Ltd (NZDC), a privately owned New Zealand company, to create a unique market offering as the world's first cosmetic range formulated with pure New Zealand deer milk, under the new brand "Kotia".

On 17 December 2018, NZDC transferred its business in New Zealand into a new venture, Kotia Limited (Kotia). NZDC then sold 51% of this new venture to the Group. The consideration for this holding was determined in part through an initial investment of $2.3m in Kotia Limited, comprising direct equity and a loan to the joint venture.

Under the terms of the agreement the parties entered into the following put and call options:

- The Group has the option to call an additional 44% of the shares owned by NZDC; and
- NZDC has the option to put its 49% interest in Kotia to the Group.

(b) Interest in joint venture

The entity below has share capital consisting solely of ordinary shares, 51% of which is held directly by the Group. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business / country of incorporatior	% of ownership interest 31 December 2018	Nature of relationship	Measurement method	Quoted fair value $'000 31 December 2018	Carrying amount $'000 31 December 2018
Kotia Limited	New Zealand	51	Joint Venture	Equity method	-*	1,158

*Private entity – no quoted price available

(i) Significant judgement : existence of joint control

The new venture is deemed to represent a joint venture on the basis that the unanimous consent of both shareholders is required for several key decisions. Consequently, the Group does not consolidate the results of this joint venture, rather it equity-accounts for its share of the joint venture's profit or loss and movements in other comprehensive income. Any dividends received from the joint venture in future periods will be recognised as dividend income and a reduction in the carrying amount of the Group's investment in this entity.

(ii) Commitments and contingent liabilities in respect of joint venture

There are no commitments and contingent liabilities at 31 December 2018.

13. Joint Venture (continued)

(b) Interest in joint venture (continued)

(iii) Call option

As part of the arrangement, the Group has entered into a call option to acquire 44% of shares of Kotia Limited owned by NZDC. The call option can be exercised by the Group at any time from 30 June 2024 and is valued based on Earnings Before Interest and Tax (EBIT) generated by Kotia Limited in the financial year prior to when the option is exercised.

(iv) Put option

The Group has granted an irrevocable put option to NZDC, whereby NZDC may require the Group to buy its 49% interest in Kotia. The put option can be exercised by NZDC depending upon a threshold of ownership in the shares of the Group by any third party and the ASX de-listing of the Group.

The consideration for the 49% put option of total issued capital of Kotia is determined by applying a mutually agreed EBIT multiple, determined by an independent valuer to the EBIT of Kotia for the 12-month period immediately prior to the date of the Put Option Exercise.

(v) Summarised financial information for the Kotia joint venture

The tables below provide summarised financial information for the Kotia joint venture. The information disclosed reflects the amounts presented in the financial statements of the joint venture and not Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised balance sheet – Kotia Limited	**31 December 2018 $'000**
Current assets	
- Cash and cash equivalents	380
- Other current assets	237
Total current assets	**617**
Non-current assets	
- Property, plant and equipment	1
- Intangible assets	3,938
Total non-current assets	**3,939**
Current liabilities	
- Financial liabilities (excluding trading payables)	9
Total current liabilities	**9**
Non-current liabilities	
- Financial liabilities (excluding trading payables)	2,278
Total non-current liabilities	**2,278**
Net assets	**2,269**

13. Joint Venture (continued)

(b) Interest in joint venture (continued)

(v) Summarised financial information for the Kotia joint venture (continued)

Reconciliation to carrying amounts – Kotia Limited	**31 December 2018 $'000**
Opening net assets at 1 July 2018	-
Net assets incorporated	2,278
Loss for the half year	(8)
Other comprehensive loss	(1)
Dividends paid	-
Closing net assets at 31 December 2018	**2,269**
Group's share in %	51
Group's share in $	1,158
Goodwill	-
Carrying amount	**1,158**

Summarised statement of comprehensive income – Kotia Limited	**Half year December 2018 $'000**
Interest expense	**(8)**
Loss for the half year	**(8)**
Loss from continuing operations	**(8)**
Loss for the period	**(8)**
Other comprehensive loss	**(1)**
Total comprehensive loss	**(9)**

(c) Loan receivable from joint venture

The shareholder loan of $1,183,000 advanced by the Group to Kotia funds the acquisition of the intangible assets and the working capital of the joint venture and bears interest of 6% per annum. The loan is not expected to be repaid within 12 months. The fair value of the loan receivable from the joint venture is not materially different to its carrying amount, as the interest rate is close to current market rates.

14. Trade and other payables

	31 December 2018 $'000	**30 June 2018 $'000**
Trade payables	**19,200**	16,326
Contract liabilities	**11,930**	-
Other payables	**4,855**	11,632
	35,985	27,958

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

15. 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.

16. Subsequent Events

Subsequent to 31 December 2018, the Company has executed an amended facility agreement and common terms deed with its lenders, the National Australia Bank and Westpac. Existing facilities totalling $36.9 million have been extended and a new "Joint Venture facility" totalling $10 million has been established, with all facilities expiring 31 August 2020. The terms associated with the extended and new facilities are similar to the expiring facilities.

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 5 to 28 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 2018 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 20th day of February 2019.

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 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for McPherson's Limited. The Group 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 Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of McPherson's Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

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

1. giving a true and fair view of the Group's financial position as at 31 December 2018 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
20 February 2019