McPherson's Limited
ABN: 98 004 068 419

Half year ended 31 December 2022

Results for announcement to the market

				$'000
Sales revenue	up	3.0%	to	**112,032**
Profit before tax excluding specific material items	down	23.9%	to	**5,066**
Profit after tax excluding specific material items	down	27.3%	to	**3,231**
Profit before tax[1]		n/m[2]		**1,026**
Profit after tax[1]		n/m[2]		**82**
Profit after tax attributable to members[1]		n/m[2]		**82**

[1]Including specific material items in the current financial year results (refer to Note 2).
[2]Results changed from a loss position to a profit position. Ratio not considered meaningful.

Dividends	**Amount per security**	**Franked amount per security**
Interim ordinary dividend	**2.0¢**	**2.0¢**
Previous corresponding period – ordinary dividend	3.0¢	3.0¢

Other Information	**December 2022 $**	**June 2022 $**
Net tangible asset per ordinary share	**0.24**	0.23

Payment date for interim ordinary dividend	**6 April 2023**
Record date for determining entitlements to interim ordinary dividend	**21 March 2023**

McPherson's Limited
Directors' Report
For the half year ended 31 December 2022

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 2022 (1H23).

(a) Directors

The Directors of the Company at any time during the period ended 31 December 2022 or up to the date of this report, are listed below. Directors held office the entire period unless stated.

A. Mervis	▸ Chair of the Board ▸ Member of the Audit Committee and the People and Culture Committee
G.W. Peck	▸ Chief Executive Officer and Managing Director
J.M. McKellar	▸ Chair of the People and Culture Committee ▸ Member of the Risk and Compliance Committee
A.J. Cook	▸ Chair of the Risk and Compliance Committee ▸ Member of the Audit Committee and the People and Culture Committee
G.R. Pearce	▸ Resigned as a Non-Independent Non-Executive Director on 22 November 2022
H.L. Thornton	▸ Non-Executive Director ▸ Chair of the Audit Committee and member of the Risk and Compliance Committee

(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, vitamins, supplements 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 revenue is primarily derived from its 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. McPherson's also manages a small number of brands for agency partners.

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 $112.0 million was 3% above 1H22 ($108.8 million). The Company recorded double-digit growth in sales of its essential beauty brands, Swisspers, Lady Jayne and Manicare and 30% growth in sales of the Fusion Health brand. However, a 6% decline in sales of Multix during the half as well as lower sales of A'kin, largely offset these gains, resulting in a 3% overall increase in revenue for the half.

Underlying profit before tax for the half year was $5.1 million (1H22 $6.7 million), excluding specific material items disclosed in note 2, in-line with the guidance provided on 17 January 2023. Reduced sales and margins in the grocery channel, where the company's Multix brand is sold, was the key driver of the decline in 1H23 underlying profit before tax. The weak consumer environment, higher sea freight charges and raw material cost pressures compounded the impact on profitability.

Statutory profit before tax, inclusive of specific material items, for the half year was $1.0 million (1H22 statutory loss before tax: ($3.0) million).

McPherson's Limited
Directors' Report (continued)
For the half year ended 31 December 2022

(c) Review of operations (continued)

1H23 Commercial Business Unit (CBU) Performance

Australian and New Zealand (ANZ)
Following the integration of the Health business unit into the larger Beauty business unit during 1H23, the ANZ CBU now comprises all sales made to domestic customers in the Australian and New Zealand markets. The 1H22 comparative figures have been restated to combine the previous ANZ and Health CBUs.

Underlying results	**1H23 ($m)**	**1H22 ($m)**	**Change ($m)**	**Change (%)**
Sales revenue	107.1	105.1	2.0	2%
Underlying EBITDA*	11.6	13.6	(2.0)	(15%)

** EBITDA: Earnings before interest, tax, depreciation, amortisation and impairment.*

Integrating these business units resulted in cost efficiencies by combining the selling, distribution and administration functions of these previously separate operations.

The 2% increase in ANZ CBU sales was driven by a 7% increase in sales of owned brand products. This resulted in market share growth in four of the seven core categories in which the Company operates.

The three core essential beauty brands – Manicare, Lady Jayne and Swisspers – all recorded strong double-digit growth in sales, while health brands grew by 17%, driven by 30% growth in sales of the Fusion Health brand. The Company's Strategic Alliance with Chemist Warehouse contributed to a 16% growth in sales in the pharmacy channel through new ranging of the Fusion Health brand and increased ranging and performance of the Company's essential beauty brands.

Domestic skincare sales declined by 7%, with Dr. LeWinn's growing marginally and A'kin declining by 32% in part due to reduced ranging in the grocery channel. Sales of agency products increased by 8%, partly due to the exclusive distribution agreement with Chemist Warehouse. Private label sales declined by 59%, as the Company consciously reduced its participation in the low-margin bags, wraps and foils segment.

The favourable contribution from strong growth in the Company's essential beauty and health brands was largely offset by Multix volume declines, impacting the brand's contribution by $0.9 million, and material cost increases in sea freight and raw materials, which increased by $0.9 million and $0.8 million respectively in 1H23 compared with the prior year. The Company's $A/$US hedging program more than offset the negative impact of $A/$US depreciation during 1H23.

Recent substantial reductions in sea freight costs and stabilisation of raw material costs are expected to result in materially improved margins in FY24, as these cost reductions will take time to flow through the supply chain and current inventories.

Underlying operating expenses, excluding depreciation and amortisation, increased by $2.7 million (9%) from $29.7 million in 1H22 to $32.4 million in 1H23. An additional $1.7 million was invested in advertising and promotion primarily to support growth in the Fusion Health and essential beauty brands and travel expenses increased by $0.4 million.

Advertising and promotion investment in 2H23 is expected to be in line with prior year.

McPherson's Limited
Directors' Report (continued)
For the half year ended 31 December 2022

(c) Review of operations (continued)

1H23 Commercial Business Unit (CBU) Performance (continued)

International
The International CBU comprises the Company's brands sold into geographies other than Australia and New Zealand.

Underlying results	1H23 ($m)	1H22 ($m)	Change ($m)	Change (%)
Sales revenue	4.9	3.7	1.2	32%
Underlying LBITDA*	(0.3)	(0.9)	0.6	67%

** LBITDA: Losses before interest, tax, depreciation, amortisation and impairment.*

A $1.0 million increase in sales of Dr LeWinn's products in China, totalling $2.4 million in 1H23, largely drove the 32% increase in International CBU sales. While the Company has continued its transition to a more diversified channel strategy, trading conditions in the cross-border e-commerce channel were constrained by limited access to the Chinese market. The establishment of a broader digital path-to-purchase for the Chinese consumer remains a priority. Sales in the Singapore market and surrounding regions increased by $0.1 million from $1.9 million in 1H22 to $2.0 million in 1H23.

Contribution margin increased from 42% in 1H22 to 44% in 1H23, while operating expenses excluding depreciation and amortisation were unchanged at $2.4 million.

Specific material items impacting statutory results
The Company has recognised the following items in its 1H23 statutory result:

1. The $3.9 million non-cash impairment in the Multix brand reflects a reassessment of future revenue flows, given anticipated changes in consumer preferences, including expected lower demand for resin-based products, reducing its carrying value by 19% from $20.2 million to $16.3 million.
2. The $1.0 million non-cash impairment in the other brands, including Maseur, which enjoyed strong growth in the early stages of the pandemic, but following price increases at the start of the financial year, revenue in the half year was below expectations and has given rise to lower growth expectations, reducing its carrying value by 16% from $5.1 million to $4.3 million.
3. The $1.0 million favourable write-back of the FY22 provision for Dr. LeWinn's inventory is due to the achievement of above forecast sales of Dr. LeWinn's products over the last 12 months, particularly in the international market.
4. Restructuring costs of $0.2 million have been incurred, largely due to the integration of the Health CBU into the ANZ CBU.

Net Debt and Cashflow
Net debt, excluding lease liabilities, remains low at $13.9 million (1H22: $8.8 million), and the Company's gearing ratio (net bank debt excluding lease liabilities / total funds employed) was 10% at 31 December 2022 (31 December 2021: 7%).

McPherson's reported an operating cash outflow of $6.0 million, before interest and tax, for the six months ended 31 December 22. The Company typically has seasonally lower cash flow over the first half of its fiscal year as it builds inventories ahead of the Chinese New Year factory shutdown period and has a seasonal increase in its trade receivables. Seasonal reductions in working capital over the six months to 30 June 2023 is forecast to result in strong 2H23 cash conversion.

McPherson's Limited
Directors' Report (continued)

(d) Dividends

The Directors have recommended that an interim ordinary dividend (fully franked) of 2.0 cents per share be paid on 6 April 2023. 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 2022. Given the Group's low level of bank debt ($13.9 million at 31 December 2022), the dividend reinvestment plan remains suspended.

The Company's dividend policy remains to pay a minimum dividend of 60% of underlying profit after tax, subject to other cash requirements.

(e) Debt facility refinancing

The Group's three-year loan facilities have a limit of $52.5 million (2022: $52.5 million) and expire in June 2023. As at 31 December 2022, the Group was compliant with its debt covenants and is forecasting to be compliant with its debt covenants for the remainder of the facility period.

The Group is in the process of refinancing its debt facility and at the date of this report has received credit approved term sheets from the potential lender syndicate, and is well advanced in completing legal documentation, which is expected to be finalised shortly after the release of this interim financial report.

In preparing these financial statements the Directors have considered the funding requirements for a period of at least 12 months from the date of the interim financial report. As there is an inherent risk associated with completion of any new facility documentation, the Directors have also assessed the availability of alternate sources of funding with the assistance of external expertise. Accounting Standard AASB 101, paragraph 25, requires the Group to disclose this as a material uncertainty which may cast significant doubt upon the entity's ability to continue as a going concern and, therefore if the current refinancing process does not proceed and if alternate financing is not secured, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. In the context of the Group's low level of debt, the Directors are confident that funding alternatives would be available in the unlikely event that the current refinancing process does not proceed, and consequently these financial statements are prepared on a going concern basis.

(f) Events subsequent to balance date

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.

(g) Rounding

The Company 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.

(h) 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 6.

Signed in accordance with a resolution of the Directors:

A. Mervis	**G. Peck**
Chair of the Board	Managing Director
13 March 2023	13 March 2023

Auditor's Independence Declaration

As lead auditor for the review of McPherson's Limited for the half-year ended 31 December 2022, 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
13 March 2023

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McPherson's Limited
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2022

	Note	Half Year December 2022 $'000	Half Year December 2021 $'000
Revenue			
Sales revenue		112,032	108,804
Other income		29	60
Total revenue and other income		112,061	108,864
Expenses			
Materials and consumables		(57,815)	(66,735)
Employee costs		(20,073)	(19,852)
Advertising and promotions		(12,476)	(10,645)
Cartage and freight		(3,610)	(3,427)
Third party warehousing		(1,195)	(1,039)
Rental expenses		(161)	(265)
Depreciation		(2,808)	(2,477)
Amortisation		(238)	(324)
Impairment of intangible assets	10	(4,900)	-
Other expenses		(6,989)	(6,356)
Operating profit or (loss) before net finance costs and income tax		1,796	(2,256)
Interest income		6	30
Borrowing costs		(776)	(578)
Net finance costs		(770)	(548)
Share of net profit or (loss) of joint ventures accounted for using the equity method		-	(173)
Profit / (Loss) before income tax		1,026	(2,977)
Income tax (expense) / benefit	6	(944)	833
Profit / (Loss) after tax		82	(2,144)

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 2022

	Note	Half Year December 2022 $'000	Half Year December 2021 $'000
Profit / (Loss) after tax		**82**	(2,144)
Other comprehensive income / (expense)			
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges		**692**	1,270
Exchange differences on translation of foreign operations		**480**	123
Income tax benefit / (expense) relating to these items		**(212)**	(380)
Other comprehensive income / (expense)		**960**	1,013
Total comprehensive income / (expense)		**1,042**	(1,131)

		Cents	Cents
Basic earnings / (loss) per share	13	**0.1**	(1.7)
Diluted earnings / (loss) per share	13	**0.1**	(1.7)

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 2022

	Note	**31 December 2022 $'000**	30 June 2022 $'000
Current assets			
Cash and cash equivalents		**11,024**	13,139
Trade and other receivables		**37,110**	29,759
Inventories	7	**53,024**	45,542
Derivative financial instruments	3	**2,982**	2,077
Current tax asset		**-**	1,398
Other assets*	8	**1,009**	779
Total current assets		**105,149**	92,694
Non-current assets			
Property, plant and equipment		**6,983**	6,544
Right-of-use assets	9	**12,604**	13,138
Intangible assets	10	**85,259**	90,464
Deferred tax assets		**307**	278
Other assets*	8	**8,477**	8,916
Total non-current assets		**113,630**	119,340
Total assets		**218,779**	212,034
Current liabilities			
Trade and other payables		**41,146**	43,030
Borrowings	11	**24,943**	14,887
Lease liabilities	9	**3,692**	3,571
Provisions		**7,514**	7,397
Derivative financial instruments	3	**957**	674
Current tax liabilities		**269**	66
Total current liabilities		**78,521**	69,625
Non-current liabilities			
Other payables		**364**	435
Lease liabilities	9	**10,300**	10,922
Provisions		**991**	974
Deferred tax liabilities		**9,367**	9,272
Total non-current liabilities		**21,022**	21,603
Total liabilities		**99,543**	91,228
Net assets		**119,236**	120,806
Equity			
Contributed equity	12	**217,218**	207,244
Reserves		**(204)**	8,543
Accumulated losses		**(97,778)**	(94,981)
Total equity		**119,236**	120,806

The above consolidated balance sheet should be read in conjunction with the following notes.
*Refer to Note 8 for details of prior period immaterial restatement

McPherson's Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2022

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 30 June 2022	**207,244**	**8,543**	**(94,981)**	**120,806**
Profit for the half year	-	-	82	82
Other comprehensive income / (expense)	-	960	-	960
Total comprehensive income / (expense)	**-**	**960**	**82**	**1,042**
Transactions with shareholders				
Shares issued, net of transaction costs and tax	9,974	(9,974)	-	-
Dividends provided for or paid	-	-	(2,879)	(2,879)
Share-based payment transactions with employees	-	267	-	267
Total transactions with shareholders	**9,974**	**(9,707)**	**(2,879)**	**(2,612)**
Balance at 31 December 2022	**217,218**	**(204)**	**(97,778)**	**119,236**

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 2022

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 30 June 2021	**206,363**	**(803)**	**(90,937)**	**114,623**
Loss for the half year	-	-	(2,144)	(2,144)
Other comprehensive income / (expense)	-	1,013	-	1,013
Total comprehensive income / (expense)	**-**	**1,013**	**(2,144)**	**(1,131)**
Transactions with shareholders				
Shares issued, net of transaction costs and tax	277	(277)	-	-
Dividends provided for or paid	-	-	(1,930)	(1,930)
Share-based payment transactions with employees	-	123	-	123
Total transactions with shareholders	**277**	**(154)**	**(1,930)**	**(1,807)**
Balance at 31 December 2021	**206,640**	**56**	**(95,011)**	**111,685**

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 2022

	Note	**Half Year December 2022 $'000**	Half Year December 2021 $'000
Cash flows from operating activities			
Receipts from customers inclusive of GST		**118,194**	119,197
Payments to suppliers and employees inclusive of GST		**(124,146)**	(115,059)
Interest received		**6**	1
Interest and borrowing costs paid		**(719)**	(393)
Income tax refund received		**540**	556
Net cash (outflows) / inflows from operating activities		**(6,125)**	4,302
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		**(1,267)**	(952)
Payments for purchase of intangible assets		**(54)**	(75)
Net cash (outflows) from investing activities		**(1,321)**	(1,027)
Cash flows from financing activities			
Proceeds from borrowings		**34,057**	20,557
Repayment of borrowings		**(24,000)**	(17,500)
Repayment of leases		**(1,941)**	(1,805)
Dividends paid	5	**(2,879)**	(1,930)
Net cash inflows / (outflows) from financing activities		**5,237**	(678)
Net (decrease) / increase in cash held		**(2,209)**	2,597
Cash at beginning of the half year		**13,139**	7,354
Effects of exchange rate changes on cash		**94**	40
Cash and cash equivalents at end of the half year		**11,024**	9,991

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 2022

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 2022 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 2022 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.

Going concern

The Group's three-year loan facilities have a limit of $52.5 million (2022: $52.5 million) and expire in June 2023. As at 31 December 2022, the Group was compliant with its debt covenants and is forecasting to be compliant with its debt covenants for the remainder of the facility period.

The Group is in the process of refinancing its debt facility and at the date of this report has received credit approved term sheets from the potential lender syndicate, and is well advanced in completing legal documentation, which is expected to be finalised shortly after the release of this interim financial report.

In preparing these financial statements the Directors have considered the funding requirements for a period of at least 12 months from the date of the interim financial report. As there is an inherent risk associated with completion of any new facility documentation, the Directors have also assessed the availability of alternate sources of funding with the assistance of external expertise. Accounting Standard AASB 101, paragraph 25, requires the Group to disclose this as a material uncertainty which may cast significant doubt upon the entity's ability to continue as a going concern and, therefore if the current refinancing process does not proceed and if alternate financing is not secured, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. In the context of the Group's low level of debt, the Directors are confident that funding alternatives would be available in the unlikely event that the current refinancing process does not proceed, and consequently these financial statements are prepared on a going concern basis.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2022

1. Significant Accounting Policies (continued)

(b) Significant Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for 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:

Estimated recoverable amount of goodwill and indefinite life brand names

The Group tests goodwill and indefinite life 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 inventory 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 selling prices.

Amortisation method and period for contract asset and inventory prepayment

The Preferred Brand Agreement contract asset is amortised to the income statement over the five-year term of the agreement corresponding to the run rate of sales benefitting from the agreement. The Exclusive Distribution Agreement inventory prepayment is amortised over the 20-year term of the agreement on a straight line basis.

The periods for the contract asset and inventory prepayment have been determined by estimating the projected future sales, purchases and margins over the life of the agreements. The judgements involved include estimates of future cash flows, assumptions regarding the exercise of extension options and assessing relevant discount rates. In particular, the valuation assumes that the requisite performance thresholds will be met for the Exclusive Distribution Agreement to be renewed on a brand-by-brand basis for each of the three additional five-year terms from 1 July 2027.

(c) Reclassification

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

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2022

2. Material Items

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

31 December 2022	Expense / (Income) $'000	Tax (benefit) / expense $'000	Total $'000
Write-back of Dr. LeWinn's inventory provision*	(1,036)	311	**(725)**
Net inventory provision expense	128	(38)	**90**
Total release from inventory provision	**(908)**	**273**	**(635)**
Multix brand impairment*	3,900	(1,170)	**2,730**
Other brand impairment*	1,000	-	**1,000**
Restructuring expenses*	176	(32)	**144**
Total material items	**4,168**	**(929)**	**3,239**
***Material items adjusted in the assessment of underlying performance**	**4,040**	**(891)**	**3,149**

31 December 2021	Expense / (Income) $'000	Tax (benefit) / expense $'000	Total $'000
Additional Dr. LeWinn's inventory provision*	9,435	(2,830)	**6,605**
Net inventory provision expense	1,068	(320)	**748**
Total inventory provision	**10,503**	**(3,150)**	**7,353**
Net favourable impact from the exit of the joint ventures*	(442)	53	**(389)**
Regulatory review expenses*	260	(78)	**182**
Restructuring expenses*	379	(189)	**190**
Total material items	**10,700**	**(3,364)**	**7,336**
***Material items adjusted in the assessment of underlying performance**	**9,632**	**(3,044)**	**6,588**

The total Dr. LeWinn's inventory provision write-back to the statement of comprehensive income during the period is $1,576,000 of which $1,036,000 relates to the additional $9,435,000 December 2021 material item balance. The remaining $540,000 is not adjusted in the assessment of underlying performance as quoted in the ASX announcements.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2022

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 2022 and 30 June 2022 on a recurring basis:

	31 December 2022				30 June 2022			
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								
Derivative financial instruments	**-**	**2,982**	**-**	**2,982**	-	2,077	-	2,077
Total financial assets at fair value	**-**	**2,982**	**-**	**2,982**	-	2,077	-	2,077

	31 December 2022				30 June 2022			
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	**-**	**(957)**	**-**	**(957)**	-	(674)	-	(674)
Total financial liabilities at fair value	**-**	**(957)**	**-**	**(957)**	-	(674)	-	(674)

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 instruments as at 31 December 2022.

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.

McPherson's Limited
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4. Segment Information

In the prior financial year, segment information reported to the Group's Chief Operating Decision Maker (CEO and Managing Director) was presented for the three operating segments:

- Australia and New Zealand (ANZ) CBU;
- Health CBU; and
- International CBU.

The integration of the Health CBU into the larger ANZ CBU was completed during the half year ended 31 December 2022, with cost efficiencies achieved through the combination of the selling, distribution and administration functions of these previously separate operations. The Group's financial information reported to the CEO and Managing Director to undertake performance assessment and make decisions on resource allocation was presented in two CBUs:

- Australia and New Zealand (ANZ) CBU; and
- International CBU.

Therefore management determined that the operating and reportable segments under AASB 8 are (i) ANZ, and (ii) International. The comparatives have been restated accordingly.

Segment revenues

Revenues of approximately $60,885,207 (2022: $54,850,000) were derived from three (2022: three) external customers, which individually amount to 10% or more of the Group's revenue. These revenues were attributable to the Australia and New Zealand segment.

McPherson's Limited
Notes to the Consolidated Financial Statements
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4. Segment Information (continued)

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	ANZ $'000	International $'000	Corporate $'000	Consolidated $'000
31 December 2022				
Sales to external customers	107,113	4,919	-	112,032
Inter-segment sales	372	(372)	-	-
Total sales revenue	**107,485**	**4,547**	**-**	**112,032**
Other income	23	3	3	29
Total segment revenue and other income (excluding interest)	**107,508**	**4,550**	**3**	**112,061**
EBITDA / (LBITDA) before specific material items	11,594	(257)	(2,455)	8,882
Depreciation and amortisation expense	(2,728)	(149)	(169)	(3,046)
Segment EBIT / (LBIT) before specific material items	**8,866**	**(406)**	**(2,624)**	**5,836**
Specific material items before tax and borrowing costs	(5,048)	1,008	-	(4,040)
Segment EBIT / (LBIT) including specific **material items**	**3,818**	**602**	**(2,624)**	**1,796**
Borrowing costs				(770)
Profit before income tax				**1,026**
Income tax expense				(944)
Profit after income tax				**82**

Assets are reported on a consolidated level to the Group's Chief Operating Decision Maker.

McPherson's Limited
Notes to the Consolidated Financial Statements
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4. Segment Information (continued)

	ANZ $'000	International $'000	Corporate $'000	Consolidated $'000
31 December 2021				
Sales to external customers	105,061	3,743	-	108,804
Inter-segment sales	412	(412)	-	-
Total sales revenue	**105,473**	**3,331**	**-**	**108,804**
Other income	53	7	-	60
Total segment revenue and other income (excluding interest)	**105,526**	**3,338**	**-**	**108,864**
EBITDA / (LBITDA) before specific material items	13,583	(888)	(2,691)	10,004
Depreciation and amortisation expense	(2,474)	(158)	(169)	(2,801)
Segment EBIT / (LBIT) before specific material items	**11,109**	**(1,046)**	**(2,860)**	**7,203**
Specific material items before tax and borrowing costs	(379)	(9,435)	182	(9,632)
Segment EBIT / (LBIT) including specific material items	**10,730**	**(10,481)**	**(2,678)**	**(2,429)**
Borrowing costs				(548)
Loss before income tax				**(2,977)**
Income tax benefit				833
Loss after income tax				**(2,144)**

Assets are reported on a consolidated level to the Group's Chief Operating Decision Maker.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the half year ended 31 December 2022

5. Dividends

Details of dividends declared or paid during or subsequent to the half year ended 31 December 2022 are as follows:

	Half Year December 2022 $'000	Half Year December 2021 $'000
Ordinary Final 30 June 2022 dividend of 2.0 cents per fully paid share (2021: 1.5 cents per fully paid share) fully franked at 30%	**2,879**	1,930
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 2.0 cents per fully paid share (2022: 3.0 cents per fully paid share). The aggregate amount of the dividends to be paid on 6 April 2023 but not recognised as a liability at half year end is:	**2,879**	3,859
Franked Dividends Franked dividends paid after 31 December 2022 will be franked out of existing franking credits. Franking credits available for subsequent reporting periods based on a tax rate of 30% amount to:	**19,109**	20,799

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 2022.

6. Income Tax

	Half Year December 2022 $'000	Half Year December 2021 $'000
Profit / (loss) before tax	**1,026**	(2,977)
Prima facie income tax at 30%	**308**	(893)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Tax rate differences in overseas entities	**(19)**	(8)
Share of net loss of joint ventures	**-**	52
Share-based payments expense	**118**	14
New Zealand tax losses not recognised	**(96)**	27
Adjustment in respect of previous period income tax	**323**	16
Impairment of brand names	**300**	-
Other	**10**	(41)
Income tax expense / (benefit)	**944**	(833)

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7. Inventories

	31 December 2022 $'000	30 June 2022 $'000
Raw materials	**4,397**	5,343
Finished goods	**58,903**	54,227
Total inventories	**63,300**	59,570
Provision for inventory obsolescence	**(10,276)**	(14,028)
Total inventories, net of obsolescence provision	**53,024**	45,542

8. Other assets

	31 December 2022 $'000	Restated 30 June 2022 $'000
Preferred Brand Agreement – current	738	725
Preferred Brand Agreement – non-current	3,330	3,550
Total contract asset	**4,068**	4,275
Exclusive Distribution Agreement – current	271	54
Exclusive Distribution Agreement – non-current	5,147	5,366
Total inventory prepayment	**5,418**	5,420
Total other asset	**9,486**	9,695

Restatement of prior year
In the June 2022 financial statements, management allocated the valuation of contract assets and inventory prepayments based on the share based consideration issued as part of the strategic alliance with Chemist Warehouse Group.

The allocation of valuation involved critical accounting estimates and assumptions including estimates of future cash flows, assumptions relating to the exercise of extension options and assessing relevant discount rates. As part of the assessment of the asset rate of amortisation and useful life for 31 December 2022, management has noted an error in the assumptions for allocation of valuation for the contract assets and inventory prepayment and made an immaterial restatement to the 30 June 2022 balances as follows:

	30 June 2022 $'000	Increase / (Decrease) $'000	Restated 30 June 2022 $'000
Current assets			
Preferred Brand Alliance	489	236	725
Exclusive Distribution Agreement	361	(307)	54
Total Other assets	**850**	**(71)**	**779**
Non-current assets			
Preferred Brand Alliance	1,899	1,651	3,550
Exclusive Distribution Agreement	6,946	(1,580)	5,366
Total Other assets	**8,845**	**71**	**8,916**

McPherson's Limited
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8. Other assets (continued)

Impact of reasonably possible changes in key assumptions for the Exclusive Distribution Agreement
If the projected sales by brand were 10.0% below the current estimate, an impairment charge of $0.3 million would arise for Exclusive Distribution Agreement.

If the discount rate is 1.0% above the current estimate of 12%, no impairment charge would arise.

If the Exclusive Distribution Agreement for each brand was not extended beyond 5 years, an additional amortisation expense of $405,000 would arise.

9. Leases

	31 December 2022 $'000	30 June 2022 $'000
Right-of-use assets		
Buildings	**10,560**	11,107
Equipment and Vehicles	**2,044**	2,031
Total right-of-use assets	**12,604**	13,138
Lease liabilities		
Current		
Buildings	**2,843**	2,803
Equipment and Vehicles	**849**	768
Total current lease liabilities	**3,692**	3,571
Non-current		
Buildings	**9,090**	9,683
Equipment and Vehicles	**1,210**	1,239
Total non-current lease liabilities	**10,300**	10,922
Total lease liabilities	**13,992**	14,493

McPherson's Limited
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10. Intangible Assets

	31 December 2022 $'000	30 June 2022 $'000
Goodwill	**33,705**	33,641
Brand names	**48,900**	53,843
Customer relationships	2,700	2,700
Accumulated amortisation	(703)	(535)
Total customer relationships	**1,997**	2,165
Other intangibles	8,888	8,946
Accumulated amortisation	(8,231)	(8,131)
Total other intangibles	**657**	815
Total intangibles	**85,259**	90,464

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 2022	**33,641**	**53,843**	**2,165**	**815**	**90,464**
Additions	-	-	-	-	-
Amortisation charge	-	-	(168)	(70)	(238)
Impairment charge	-	(4,900)	-	-	(4,900)
Contingent consideration adjustment	-	(43)	-	(80)	(123)
Foreign currency exchange differences	64	-	-	(8)	56
Carrying amount at 31 December 2022	**33,705**	**48,900**	**1,997**	**657**	**85,259**

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 annual impairment tests, and are more regularly assessed if there is an indicator of impairment.

McPherson's Limited
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10. Intangible Assets (continued)

Impairment testing:
Goodwill
In the prior financial year, the Group's goodwill was allocated to two groups of cash generating units (CGUs) being the Australia and New Zealand (ANZ) CGU and Health CGU.

The integration of the Health CBU into the larger ANZ CBU which was completed during the half year ended 31 December 2022, achieved cost efficiencies through the combination of the selling, distribution and administration functions of these previously separate operations.

The Health and ANZ business integration resulted in the cash inflows of the ANZ and Health CGUs being no longer independent given the expansion of health products into the ANZ customer base and the integration of the selling and distribution operations. Goodwill is now monitored at the ANZ level. In accordance with AASB 136 *Impairment of Assets*, the Group has combined the goodwill from the Health CGU with the Australia and New Zealand (ANZ) CGU.

At the share price of $0.67 on 31 December 2022, there is a market capitalisation deficiency in comparison to the consolidated net assets of the company of $26.5 million. Management therefore performed an impairment assessment of goodwill in the two separate CGUs prior to the date of integration and noted no impairment. A key assumption for the impairment assessment on Health CGU prior to the date of integration is the growth rate for Fusion Health as disclosed in the brand names assumptions below.

	31 December 2022 $'000	30 June 2022 $'000
Australia and New Zealand (ANZ)	**33,705**	15,754
Health	**n/a**	17,887
Total	**33,705**	**33,641**

The recoverable amount of a CGU is determined based on a value-in-use calculation. The value-in-use calculation includes cash flow projections based on the latest Board approved 2023 forecast. Cash flows from financial year 2024 are extrapolated using estimated growth rates from the Board approved Group five-year plan.

The assumptions used in the value-in-use calculation of the CGUs are set out below:

	31 December 2022				**30 June 2022**			
CGUs	**5-year EBIT Growth Rates**	**Terminal Growth Rate**	**Post-Tax Discount Rate**	**Pre-Tax Discount Rate**	**5-year EBIT Growth Rates**	**Terminal Growth Rate**	**Post-Tax Discount Rate**	**Pre-Tax Discount Rate**
ANZ	5.9% - 40.5%	2.5%	12.0%	16.2%	1.4% - 34.5%	2.5%	12.0%	16.2%
Health	n/a	n/a	n/a	n/a	11.8% - 53.5%	2.5%	12.0%	16.2%

Impact of reasonably possible changes in key assumptions
The Directors do not believe there is a reasonably possible change in assumptions that would result in an impairment. The year one projected EBIT would need to reduce by 10.9% to result in the recoverable amount of goodwill equal to its carrying amount

McPherson's Limited
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10. 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 (VIU) or fair value less costs of disposal (FVLCD) calculations.

The fair value less costs of disposal calculations are prepared using the relief from royalty analysis and the value-in-use calculations are prepared using a discounted cash flow analysis. Each analysis calculates the future net contribution expected to be generated by the brand, which is based on the latest Board approved 2023 forecast. Cash flows from financial year 2024 are extrapolated using estimated growth rates from the Company's Board approved five-year plan.

The carrying values of the purchased brand names are:

	31 December 2022 $'000	30 June 2022 $'000
Multix	**16,266**	20,166
Manicare	**9,366**	9,366
Dr. LeWinn's	**5,719**	5,719
Maseur	**4,261**	5,061
Fusion Health	**4,200**	4,200
Swisspers	**4,156**	4,156
Other brand names	**4,932**	5,175
Total brand names	**48,900**	**53,843**

The assumptions used in the brand name relief from royalty analysis and the discounted cash flow analysis, are set out below.

31 December 2022						
Brands	**Valuation method**	**Estimated annual sales revenue growth rates**	**Royalty relief rates as % of revenue**	**Terminal year growth rates**	**Post-tax discount rates**	**Pre-tax discount rates**
Multix	FVLCD	(0.5%) – 1.7%	3.6%	2.5%	10.0%	13.3%
Manicare	FVLCD	7.9% - 8.4%	6.4%	2.5%	11.0%	14.7%
Dr. LeWinn's	FVLCD	15.6% - 30.0%	4.5%	2.5%	20.0%	26.8%
Maseur	VIU	5.9% - 6.7%	-	2.5%	14.0%	20.1%
Fusion Health	FVLCD	6.7% - 48.5%	4.7%	2.5%	14.0%	19.0%
Swisspers	FVLCD	1.2% - 6.5%	2.4%	2.5%	10.0%	13.3%
Other brand names	VIU / FVLCD	(6.6%) – 9.3%	4.0%-10.5%	2.5%	11.0%-12.0%	14.6%-17.3%

30 June 2022						
Brands	**Valuation method**	**Estimated annual sales revenue growth rates**	**Royalty relief rates as % of revenue**	**Terminal year growth rates**	**Post-tax discount rates**	**Pre-tax discount rates**
Multix	FVLCD	(0.5%) – 8.7%	3.6%	2.5%	10.0%	13.4%
Manicare	FVLCD	9.2% - 12.6%	6.4%	2.5%	11.0%	14.6%
Dr. LeWinn's	FVLCD	11.7% - 32.0%	4.5%	2.5%	20.0%	26.3%
Maseur	VIU	8.6% - 8.7%	-	2.5%	14.0%	19.7%
Fusion Health	FVLCD	3.0% - 104.6%	4.7%	2.5%	14.0%	19.1%
Swisspers	FVLCD	5.1% - 9.2%	2.4%	2.5%	10.0%	13.2%
Other brand names	VIU / FVLCD	(32.7%)-10.0%	4.0%-10.5%	2.5%	11.0%-12.0%	14.7%-16.2%

McPherson's Limited
Notes to the Consolidated Financial Statements
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10. Intangible Assets (continued)

Impairment testing (continued)
Brand names (continued)

Impairment charge
At 31 December 2022, the total carrying value of brand names was $48,900,000 (2022: $53,843,000). The higher valuation of the relief from royalty analysis and the discounted cash flow analysis for these brand names exceeded their carrying values except for Multix and Maseur.

In the six months ended 31 December 2022, an impairment charge of $3,900,000 (2022: nil) was recognised for the Multix brand which was adversely impacted by reductions in volumes due to a deterioration in the weak consumer environment and cost pressures on margins in the domestic grocery channel, which combined to materially impact profitability.

The Maseur brand enjoyed strong growth in the early stages of the pandemic but following price increases at the start of the financial year, revenue in the half year was below expectations and has given rise to a reduced growth expectation, resulting in an impairment of $800,000 (2022: nil). A further impairment of $200,000 (2022: nil) was recognised in respect of Oriental Botanicals as a result of management's decision to increase the allocation of new product development and marketing support toward its Fusion Health brand and reduce emphasis on the Oriental Botanicals brand.

When performing the 31 December impairment test of the Maseur brand, an error was identified in the 30 June 2022 FVLCD impairment model. The impairment test for 30 June 2022 was performed using value in use (VIU) and it was determined that the recoverable amount exceeded the carrying value of the brand at that time.

Impact of reasonably possible changes in key assumptions
An impairment was recognised for Multix, Maseur and Oriental Botanicals which resulted in no headroom at 31 December 2022.

If the projected sales by brand were 10.0% below the current estimate, an additional impairment charge of $1.6 million would arise for Multix, $0.2 million for Oriental Botanicals, and $0.8 million for Maseur.

If the royalty rates by brand were 10.0% below the current estimate, an additional impairment charge of $1.6 million would arise for Multix.

If the discount rates by brand were 1.0% above the current estimate, an additional impairment charge of $1.8 million would arise for Multix, $0.1 million for Oriental Botanicals, and $0.5 million for Maseur.

If the terminal rates by brand were 1% below the current estimate, an additional impairment charge of $1.5 million would arise for Multix, $0.1 million for Oriental Botanicals, and $0.2 million for Maseur.

11. Borrowings

	31 December 2022 $'000	30 June 2022 $'000
Bank loan – secured	**25,000**	15,000
Debt issue costs	**(57)**	(113)
Total current borrowings	**24,943**	14,887
Total borrowings	**24,943**	14,887

The Group's three-year facility, denominated in Australian dollars, has a facility limit of $47.5 million (2022: $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.

McPherson's Limited
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11. Borrowings (continued)

Drawings under the $35.0 million working capital tranche of the facility are required to be backed by eligible trade debtor and inventory assets. In addition to the three-year $47.5 million facility, the Group holds a $5 million overdraft facility (2022: $5 million).

As at 31 December 2022, the Group was compliant with its debt 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.

Maturity profile of the Group's non-derivative financial liabilities

The table below classifies the Group's non-derivative financial liabilities 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.

31 December 2022	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
Non-derivatives						
Payables	41,146	-	-	-	**41,146**	**41,146**
Borrowings	26,016	-	-	-	**26,016**	**24,943**
Lease liabilities	3,718	3,354	2,694	4,877	**14,643**	**13,992**
Total non-derivative financial liabilities	**70,880**	**3,354**	**2,694**	**4,877**	**81,805**	**80,081**

30 June 2022	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
Non-derivatives						
Payables	43,030	-	435	-	**43,465**	**43,465**
Borrowings	15,323	-	-	-	**15,323**	**14,887**
Lease liabilities	3,583	2,958	2,601	6,111	**15,253**	**14,493**
Total non-derivative financial liabilities	**61,936**	**2,958**	**3,036**	**6,111**	**74,041**	**72,845**

The Group is in the process of refinancing its debt facility and at the date of this report has received credit approved term sheets from the potential lender syndicate, and is well advanced in completing legal documentation, which is expected to be finalised shortly after the release of this interim financial report. Refer to Note 1 for further details on going concern assessment.

McPherson's Limited
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12. Contributed Equity

	31 December 2022 $'000	30 June 2022 $'000
Issued and paid up capital		
143,949,141 fully paid ordinary shares (June 2022: 129,451,100)	**217,218**	207,244

Movements in ordinary share capital

Date	Details	Number of Shares	Price $	$'000
1 July 2022	**Opening balance**	**129,451,100**		**207,244**
1 July 2022	CWG share subscription fair value	14,223,817	0.68	9,743
24 August 2022	FY22 Employee Share Scheme	274,224	0.85	232
	Transactions costs associated with shares issued			(2)
	Tax effect of share issue transaction costs recognised directly in equity			1
31 December 2022	**Closing Balance**	**143,949,141**		**217,218**

13. Earnings Per Share

	Half Year December 2022 Cents	Half Year December 2021 Cents
Basic earnings / (loss) per share	**0.1**	(1.7)
Diluted earnings / (loss) per share	**0.1**	(1.7)
Basic earnings per share excluding specific material items	**2.2**	3.5
Diluted earnings per share excluding specific material items	**2.2**	3.4

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13. Earnings Per Share (continued)

Weighted average number of shares used as the denominator

	Half Year December 2022 Number of shares	Half Year December 2021 Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**143,907,721**	128,567,000
Adjustments for calculation of diluted earnings per share:		
Commencement and performance rights granted to the former Managing Director	**-**	803,000
Shares estimated to be issued under employee share scheme are dilutive and therefore are included in the calculation of diluted earnings per share	**-**	321,087
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**143,907,721**	129,691,087

Restatement of prior year
An error was identified in the calculation of earnings per share disclosed at 30 June 2022. Correcting for this results in diluted earnings per share being 0.3 (previously disclosed 0.2), basic earnings per share excluding specific material items being 5.3 (previously disclosed 5.4) and diluted earnings per share excluding material items being 5.2 (previously disclosed 4.9), for the year ended 30 June 2022.

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.

McPherson's Limited
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15. Contingent Liabilities

As announced to the ASX on 9 December 2022, ASIC has commenced civil proceedings in the Federal Court of Australia against McPherson's Limited and its former managing director/chief executive officer in relation to events during the period 30 October 2020 to 1 December 2020. The company is defending these proceedings and has not recognised a provision for the matter in the financial statements because there is no current liability or present obligation. Given the early stage of the proceedings, it is not practicable for the company to meaningfully determine a possible outcome or range of outcomes in relation to them for the purposes of disclosing an estimate of any possible financial effect, or an indication of the uncertainties relating to the amount or timing of any possible outflow.

The Group is subject to claims and litigation during the normal course of its business. The Board has considered 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 for in these financial statements.

16. Subsequent Events

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 7 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 2022 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.

A. Mervis
Chair of the Board
13 March 2023

G. Peck
Managing Director
13 March 2023

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 2022, 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 2022 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the half year financial report, which indicates that the Group is dependent upon refinancing its debt facilities which are due to expire in June 2023. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities 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 2022 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

Paddy Carney
Partner

Sydney
13 March 2023