



MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

APPENDIX 4D and

FINANCIAL REPORT

For the half-year ended 30 September 2023

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Appendix 4D

Reporting period (current period)	Half-year ended 30 September 2023
Previous corresponding period	Half-year ended 30 September 2022

Results for announcement to the market

	6 months to 30 Sep 2023 \$'000	6 months to 30 Sep 2022 (restated) \$'000	Percentage increase / (decrease)
Revenue from ordinary activities	2,094	1,493	40.25
Loss from continuing operations after income tax attributable to owners of the company	(2,963)	(3,686)	(19.61)
(Loss) / profit from discontinued operations after income tax Attributable to owners of the company	(2,482)	2,733	(190.82)
Net loss attributable to owners of the company	(5,445)	(953)	471.35

Dividend information

	Amount per share (cents)	Franked amount per share (cents)
Final 2023 dividend per share	Nil	Nil
Interim 2023 dividend per share	Nil	Nil

Net tangible assets

	30 Sep 2023	30 Sep 2022
Net tangible assets per ordinary share (cents)	32.32	46.17

Loss of control over entities

Name of entities	Date control lost
N/A	

Details of associates

	Reporting entity's percentage holding		Contribution to profit / (loss)	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	%	%	\$'000	\$'000
<i>Name of associate</i>				
Tianjin Tianxing Kesheng Leather Products Company Limited	33.79	33.79	-	-
<i>Group's aggregate share of associate entities profit</i>				
Profit from ordinary activities before income tax			-	-
Income tax on operating activities			-	-

Review of Results

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 30 September 2023. This Interim Financial Report should be read in conjunction with the most recent annual financial report.

Review Report

This Interim Financial Report has been subject to review by the Company's external auditor.

Directors' Report

The directors of Merchant House International Limited (the "Company") present their report on the Company and the entities it controlled (the "Group") for the half year ended 30 September 2023.

Directors

The Directors of the Company (the "Directors") during or since the end of the reporting period are:

Ms Loretta Bic Hing Lee	Executive Chairperson
Mr Ian James Burton	Non-executive Director
Ms Xiao Lan Wu	Non-executive Director
Mr Oliver Hein	Non-executive Director

Principal activities

During the period, the principal activities of the Group were the design, manufacture and marketing of leather boots and shoes and home textile products in the United States of America ("USA"). Products distributed by the Group include work boots, waterproof and safety toe footwear, and towels. The Group's major sales market is the USA.

Review of operations

The Group has more than 30 years' experience in sourcing, producing, and selling consumer products with an emphasis on footwear and home textile products. The Group is headquartered in Hong Kong and is listed on the Australian Securities Exchange (ASX: MHI). Where practical, the Group adheres to ASX best practices in relation to corporate governance. As a manufacturing group, there are also stringent practices in place to reduce overall risk from operational activities.

The Group has been engaged in the design, manufacturing and marketing of home textile, seasonal and decorative products, and leather shoes with the major market in the United States of America ("USA").

The Group has experienced significant losses in its footwear division in the USA, Footwear Industries of Tennessee Inc. ("FIT"), particularly since the COVID pandemic. Responding to this challenge, management conducted a detailed assessment of the division's ability to continue as a going concern, concluding it was unable to compete against overseas competitors to achieve profitability. Upon completion of this strategic review, the Board resolved to sell the business either in its present condition or as individual assets, but in September 2023 decided to prepare for the closure of the FIT operations. The assets and liabilities of FIT have been classified as held for sale as of 30 September 2023 as detailed in note 4 to the financial statements. The Group announced the closure of this division effective 27 October 2023.

On 13 July 2023, the Group announced it would not be renewing the co-operation agreement with the controlling shareholders of Tianjin Tianxing Kesheng Leather Products Company Limited (“Tianxing”). Forsan Limited (“Forsan”), a subsidiary of Merchant House International Limited (“MHI”), holds a 33.79% interest in Tianxing. The decision by the board of MHI not to continue its investment in Tianxing follows a progressive decline in profits in recent years. The Company is negotiating with the controlling shareholder to divest Forsan’s 33.79% share of Tianxing back to the controlling shareholder for US\$3,500 thousand after costs.

The discontinuation of its investment in Tianxing is anticipated to result in the dissolution of Forsan. Management is actively involved in managing the impact of the discontinuation on ongoing operations.

Moving forward the Group’s strategy will be focussed on the Home Textiles division American Merchant Inc. (“AMI”). AMI designs, manufactures, and markets home textile products, particularly towels, valuing the concept “Made in America”. This division reported a 40.38% increase in sales compared with the same period in the prior year, with a slight improvement in costs. Ongoing raw material cost increases, labour cost efficiencies and material wastage continue to be monitored for possible solutions to improve product quality.

Subsequent events

Other than the matters disclosed in note 12 of the notes to the consolidated financial statements, there have been no matters or circumstances that have arisen since the end of the reporting period that have affected or may affect, significantly, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Dividends

No final dividend was proposed or paid during the reporting period in respect of the year ended 31 March 2023 (2022: Nil).

No interim dividend was declared for the half-year ending 30 September 2023 (30 September 2022: Nil).

Signed in accordance with a resolution of Directors.

On behalf of the Directors,



Ian James Burton
Director

Perth, Australia
29 November 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Half-year ended 30 September 2023

		30 Sep 2023	30 Sep 2022 (Restated) ⁽¹⁾
	Note	\$'000	\$'000
Revenue	5	2,388	1,493
Cost of sales		(2,661)	(2,421)
Gross loss		(273)	(928)
Government grants and subsidies		27	315
Selling and distribution costs		-	(25)
Depreciation and amortisation		(1,103)	(1,007)
Employee benefits expense		(1,104)	(1,184)
Loss on sale of other assets under development		-	(156)
Other gains		20	22
General and administrative expenses		(602)	(712)
Results from operating activities		(3,035)	(3,675)
Interest income		89	46
Interest expense		(6)	(41)
		83	5
Loss before income tax expense from continuing operations		(2,952)	(3,670)
Income tax expense		(11)	(16)
Loss after income tax expense from continuing operations		(2,963)	(3,686)
(Loss) / profit after income tax expense from discontinued operations	4	(2,482)	2,733
Loss after income tax expense for the period		(5,445)	(953)

⁽¹⁾ The prior year comparative figures have been restated to reflect the impact of discontinued operations detailed in note 4.

The above statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Half-year ended 30 September 2023

	30 Sep 2023	30 Sep 2022 (Restated) ⁽¹⁾
	\$'000	\$'000
Loss for the period	(5,445)	(953)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign exchange translation	1,359	5,035
Derecognition of foreign currency translation reserve	-	434
Other comprehensive income for the period, net of tax	1,359	5,469
Total comprehensive (loss) / income for the period attributable to owners of the Company	(4,086)	4,516
(Loss) / profit for the period is attributable to:		
Continuing operations	(2,963)	(3,686)
Discontinued operations	(2,482)	2,733
	(5,445)	(953)
Comprehensive income for the period is attributable to:		
Continuing operations	(1,604)	1,349
Discontinued operations	(2,482)	3,167
	(4,086)	4,516
(Loss) / profit per share attributable to owners of the Company:		
Basic and diluted (cents per share) – continuing operations	(3.14)	(3.91)
Basic and diluted (cents per share) – discontinued operations	(2.63)	2.90
Basic and diluted (cents per share)	(5.77)	(1.01)

⁽¹⁾ The prior year comparative figures have been restated to reflect the impact of discontinued operations detailed in note 4.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2023

	Note	30 Sep 2023 \$'000	31 Mar 2023 \$'000
Assets			
Cash and cash equivalents		3,061	7,493
Receivables	6	669	1,750
Inventories	7	1,024	2,809
Prepayments		93	183
Assets held for sale	4	7,004	-
Total current assets		11,851	12,235
Property, plant, and equipment	8	26,587	28,450
Right of use assets		211	298
Deferred tax assets		11	22
Total non-current assets		26,809	28,770
Total assets		38,660	41,005
Liabilities			
Trade and other payables	9	2,794	5,833
Borrowings		-	88
Lease liabilities		196	192
Provisions		-	9
Liabilities associated with assets held for sale	4	4,963	-
Total current liabilities		7,953	6,122
Lease liabilities		21	111
Total non-current liabilities		21	111
Total liabilities		7,974	6,233
Net assets		30,686	34,772

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2023

	Note	30 Sep 2023 \$'000	31 Mar 2023 \$'000
Equity			
Issued capital	10	2,944	2,944
Foreign currency translation reserve		13,701	12,342
Retained earnings		14,041	19,486
Total equity		30,686	34,772

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Half-year ended 30 September 2023

	Attributable to owners of the Company			Total \$'000
	Issued capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	
Balance as of 1 April 2023	2,944	19,486	12,342	34,772
Loss for the period	-	(5,445)	-	(5,445)
Other comprehensive income	-	-	1,359	1,359
Total comprehensive income for the period	-	(5,445)	1,359	(4,086)
Balance as of 30 September 2023	2,944	14,041	13,701	30,686
Balance as of 1 April 2022	2,944	27,709	8,444	39,097
Loss for the period (restated)	-	(953)	-	(953)
Other comprehensive income	-	-	5,469	5,469
Total comprehensive income for the period	-	(953)	5,469	4,516
Balance as of 30 September 2022	2,944	26,756	13,913	43,613

⁽¹⁾ The prior year comparative figures have been restated to reflect the impact of discontinued operations detailed in note 4.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Half-year ended 30 September 2023

	Note	30 Sep 2023 \$'000	30 Sep 2022 \$'000
Cash flows from operating activities			
Receipts from customers		6,261	8,716
Payments to suppliers and employees		(10,641)	(12,136)
Receipts from government subsidies		269	63
Interest paid		(6)	(42)
Net cash used in operating activities	11	(4,117)	(3,399)
Cash flows from investing activities			
Interest received		88	42
Payments for property, plant, and equipment		(36)	(78)
Dividend received from associate		-	1,094
Proceeds from capital reduction of investment in associates		-	551
Proceeds from sale of other assets under development		-	257
Net cash generated from investing activities		52	1,866
Cash flows from financing activities			
Repayment of borrowings		(89)	(677)
Proceeds from related party loans		150	-
Repayment of related party loans		(150)	-
Payments of right of use asset lease liabilities		(97)	(21)
Net cash used in financing activities		(186)	(698)
Net decrease in cash and cash equivalents		(4,251)	(2,231)
Cash and cash equivalents at the beginning of the period		7,493	11,184
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		240	1,625
Cash and cash equivalents at the end of the period		3,482	10,578
Cash included in assets held for sale		(421)	-
Cash and cash equivalents held in continuing operations		3,061	10,578

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

NOTES TO THE FINANCIAL REPORT
Half-year ended 30 September 2023

CORPORATE INFORMATION

The financial statements cover Merchant House International Limited as a consolidated entity consisting of Merchant House International Limited (the “Company” or “MHI”) and the entities it controlled at the end of, or during, the half year. The financial statements are presented in Australian dollars, which is the Company’s presentation currency.

MHI is a listed public company limited by shares incorporated in Bermuda and domiciled in Hong Kong. Its registered office and principal place of business are:

Head office	Room 3, 30/FI., W50, 50 Wong Chuk Hang Road, Hong Kong
Registered office	1st Floor, 31 Cliff Street, Fremantle, Western Australia, 6160

A description of the nature of the Group’s operations and its principal activities are included in the directors’ report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of the directors, on 29 November 2023.

1. Significant Accounting Policies

These general-purpose financial statements for the interim half-year reporting period ended 30 September 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 “Interim Financial Reporting”, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 March 2023 and any public announcements made by the company during the interim reporting period.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

Standards and interpretations applicable to 30 September 2023

For the half-year ended 30 September 2023, the Directors have reviewed all new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the half year reporting periods beginning on or after 1 April 2023.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and therefore no material change is necessary to Group accounting policies.

Standards and interpretations in issue not yet adopted

The Directors have also reviewed all new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Group and effective for the half-year reporting periods beginning on or after 1 April 2023.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Group and therefore no material change is necessary to Group accounting policies.

Accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, revenue, and expenses. Management bases its judgements, estimates and assumptions on historical experience and other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

Discontinued operations

During the reporting period, the Board of MHI decided to discontinue all operations in its footwear trading and footwear manufacturing divisions. As the sale of these assets is expected to be completed within 12 months, Footwear Industries of Tennessee Inc. and Forsan Limited have been reclassified as discontinued operations at the reporting date and for the comparative accounting periods.

2. Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

As of 30 September 2023, the Group incurred an operating loss of \$5,445 thousand and had net cash outflows from operating activities of \$4,117 thousand, and a working capital surplus of \$3,898 thousand.

On 13 July 2023, the Group announced it would not renew the cooperation agreement and continue its investment in Tianxing when it expired on 11 August 2023, resulting in minimal profits to be generated from the footwear trading division.

The Group has also experienced significant losses in its footwear division in the USA, Footwear Industries Tennessee ("FIT"), particularly since the COVID pandemic. In response to this challenge, management conducted a detailed assessment of the division's ability to continue as a going concern, concluding it was unable to compete against overseas competitors and achieve profitability. As a result, the Group announced the closure of this division effective 27 October 2023.

These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. Going Concern (continued)

The Directors believe there are reasonable grounds that the Group can continue as a going concern based on the following assumptions:

- The Group being successful in its negotiation with the controlling shareholder of Tianxing to divest its 33.79% share of Tianxing (through its subsidiary Forsan) for US\$3,500 thousand after costs;
- The successful sale of land, buildings and property, plant and equipment held by FIT;
- The ability to meet forecasted profit targets for the home textile division in the USA;
- Continuation of active cost cutting measures; and
- The availability of loans from the Group's major shareholder, if required.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that may be necessary if the Group is unable to continue as a going concern.

3. Operating Segments

Information about reportable segments

The Group has identified its operating segments on the internal reports that are reviewed and used by the Board (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group currently operates in three distinct segments:

- Home textiles
- Footwear trading
- Footwear manufacturing

The home textiles segment manufactures and sells home textile products to both local and overseas customers.

The footwear trading segment is engaged in the export trading of work boots and safety shoes to overseas customers.

The footwear manufacturing segment manufactures work boots and safety shoes in the USA and sells directly to domestic customers.

During the reporting period, the Group made the strategic decision to discontinue the footwear trading and footwear manufacturing business segments. Discontinued operations are reported separately from continuing operations in the financial statements in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. Refer to note 4.

Unless otherwise stated, all amounts reported to the chief operating decision maker are determined in accordance with AASB 8 *Operating Segments*.

3. Operating Segments (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable operating segment for the period under review.

	Revenue		Segment loss	
	Half-year ended		Half-year ended	
	30 Sep	30 Sep	30 Sep	30 Sep
	2023	2022	2023	2022
		(Restated)		(Restated)
	\$'000	\$'000	\$'000	\$'000
Home textiles	2,094	1,493	(1,970)	(2,308)
Finance income			89	46
Finance costs			(6)	(41)
Central administrative expenses			(1,065)	(1,367)
Loss before tax from continuing operations			(2,952)	(3,670)

The elimination figure reported in the table above represents intercompany revenues and expenses which have been eliminated on consolidation.

Segment loss represents the loss before tax earned by each segment without allocation of central administrative expenses. These are the measures reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segment as at the end of the reporting period.

	Assets		Liabilities	
	30 Sep	31 Mar	30 Sep	31 Mar
	2023	2023	2023	2023
	\$'000	\$'000	\$'000	\$'000
Home textiles	28,310	28,044	2,593	1,737
Footwear trading	-	1,961	-	2,481
Footwear manufacturing	-	4,289	-	1,031
Total segment assets and liabilities	28,310	34,294	2,593	5,249
Corporate and other segment assets and liabilities	3,346	6,711	418	984
Assets and liabilities held for sale	7,004	-	4,963	-
Total	38,660	41,005	7,974	6,233

3. Operating Segments (continued)

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than deferred tax assets; and
- all liabilities are allocated to reportable segments other than corporate liabilities and deferred tax liabilities.

The chief operating decision maker monitors the cash, receivables, and payables positions. This is the information that the chief operating decision maker receives and reviews to make decisions.

4. Discontinued operations

Accounting Policy

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income in accordance with AASB % Non-current Assets Held for Sale and Discontinued Operations.

Footwear Industries of Tennessee Inc. ("FIT")

The Group has experienced significant losses in its footwear division, particularly since the COVID pandemic. Responding to this challenge, management conducted a detailed assessment of the division's ability to continue as a going concern, concluding it was unable to compete against overseas competitors to achieve profitability. Upon completion of this strategic review, the Board resolved to sell the business either in its present condition or as individual assets, but in September 2023 decided to prepare for the closure of the FIT operations. The assets and liabilities of FIT have been classified as held for sale as of 30 September 2023. The Group announced the closure of this division effective 27 October 2023.

To adequately reflect the continuing operations of the Group, the financial performance for FIT is disclosed as a discontinued operation for the financial periods ending 30 September 2023 and 30 September 2022.

	30 Sep 2023 \$'000	31 Mar 2023 \$'000
<i>Carrying amounts of assets and liabilities reclassified to held for sale</i>		
Cash and cash equivalents	90	-
Trade and other receivables	765	-
Inventories	1,394	-
Property, plant, and equipment	1,835	-
Right-of-use assets	-	-
Trade and other payables	(1,273)	-
Net assets	2,811	-

4. Discontinued operations (continued)

Footwear Industries of Tennessee Inc. ("FIT") (continued)

	30 Sep 2023	30 Sep 2022 (Restated)
	\$'000	\$'000
<i>Cash flow information</i>		
Net cash used in operating activities	(2,005)	(1,397)
Net cash from in investing activities	2,088	1,444
Net increase in cash and cash equivalents from discontinued operations	83	47
<i>Financial performance information</i>		
Revenue	2,079	1,866
Cost of sales	(3,774)	(2,269)
Gross loss	(1,695)	(403)
Government grants	-	671
Selling and distribution costs	(18)	(115)
Depreciation and amortisation	(173)	(149)
Employee benefits expense	(381)	(327)
Other losses	-	(8)
General and administrative expenses	(195)	(124)
Finance costs	(19)	(1)
Loss before income tax	(2,481)	(456)
Income tax expense	-	-
Loss after income tax expense on discontinued operations	(2,481)	(456)

Forsan Limited

The discontinuation of the investment in Tianxing is anticipated to result in the dissolution of Forsan, a subsidiary of MHI. Management is actively involved in managing the impact of the discontinuation on ongoing operations.

To adequately reflect the continuing operations of the Group, the financial performance for Forsan is disclosed as a discontinued operation for the financial periods ending 30 September 2023 and 30 September 2022.

4. Discontinued operations (continued)

Forsan Limited (continued)

	30 Sep 2023	30 Sep 2022 (Restated)
	\$'000	\$'000
<i>Cash flow information</i>		
Net cash (used in) / from operating activities	(518)	787
Net cash (used in) / from investing activities	(448)	77
Net (decrease) / increase in cash and cash equivalents from discontinued operations	(966)	864
<i>Financial performance information</i>		
Revenue	3,747	7,046
Cost of sales	(3,453)	(6,639)
Gross profit	294	407
Selling and distribution costs	(3)	(10)
Depreciation and amortisation	(1)	(1)
Employee benefits expense	(209)	(291)
Other losses	-	(26)
General and administrative expenses	(82)	(60)
Finance costs	-	-
(Loss) / profit before income tax	(1)	19
Income tax expense	-	(341)
Dividend received	-	1,216
Gain on dissolution of associate	-	2,295
(Loss) / profit after income tax expense on discontinued operations	(1)	3,189

4. Discontinued operations (continued)

Forsan Limited (continued)

	30 Sep 2023 \$'000	31 Mar 2023 \$'000
<i>Carrying amounts of assets and liabilities reclassified to held for sale</i>		
Cash and cash equivalents	331	-
Trade and other receivables	2,207	-
Prepayments	366	-
Property, plant, and equipment	16	-
Trade and other payables	(3,682)	-
Provisions	(8)	-
Net liabilities	(770)	-

5. Revenue

	30 Sep 2023 \$'000	30 Sep 2022 (restated) \$'000
From continuing operations		
<i>Revenue from contracts with customer</i>		
Sale of goods	2,094	1,493
Other income	294	-
Revenue from continuing operations	2,388	1,493

Sale of goods

Revenue is recognised when control over a product or services is transferred to the customers at the amount of promised consideration to which the company is expected to be entitled. Revenue is recognised when the customer has obtained control of the goods and is stated after deduction of any trade discounts.

5. Revenue (continued)

Control of goods for the Textile division, transfers to the customer Free on Board, ex-warehouse, per the terms of the sales agreements.

	30 Sep 2023 \$'000	30 Sep 2022 \$'000
<i>Revenue by geographical region / business segment</i>		
USA – Home textiles	2,388	1,493
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	2,388	1,493

Seasonality of operations

The operating results of the Group are significantly affected by seasonal fluctuations. This is particularly due to increased consumer demand in the USA for home textile products between June and October for Harvest, Halloween, and Christmas.

6. Receivables

	30 Sep 2023 \$'000	31 Mar 2023 \$'000
Current		
Trade receivables	583	1,846
Interest and other receivables	15	29
Deposits	71	68
	669	1,943
Provision for expected credit losses	-	(193)
	669	1,750
Movements in expected credit losses		
Opening balance	193	-
Provision for the year	-	189
Amounts written off as uncollectable	(88)	-
Amount included in assets held for sale	(111)	-
Exchange differences	6	4
	-	193

7. Inventory

	30 Sep 2023 \$'000	31 Mar 2023 \$'000
Materials	376	1,616
Work in progress	591	819
Finished goods	21	255
Finished goods – seconds	36	119
	1,024	2,809

8. Property, plant, and equipment

	Buildings \$'000	Freehold land \$'000	Building improvements \$'000	Plant and equipment \$'000	Total \$'000
Balance on 1 April 2022	4,135	595	4,893	17,812	27,435
Additions	-	-	-	196	196
Disposals	(62)	-	-	-	(62)
Depreciation	(176)	-	(307)	(1,831)	(2,314)
Exchange differences	484	70	572	2,069	3,195
Balance on 31 March 2023	4,381	665	5,158	18,246	28,450
Classified as assets held for sale	(1,198)	(78)	-	(749)	(2,025)
Depreciation	(62)	-	(157)	(786)	(1,005)
Exchange differences	182	28	213	744	1,167
Balance on 30 September 2023	3,303	615	5,214	17,455	26,587

9. Payables

	30 Sep 2023 \$'000	31 Mar 2023 \$'000
Current		
Trade payables	841	1,036
Amounts payable to associates	-	2,395
Accruals	416	883
Deferred government grant where conditions have not been satisfied	1,484	1,184
Others	53	335
	2,794	5,833

10. Issued capital

Issued capital as of 30 September 2023 amounted to \$2.94 million (94,266,496 ordinary shares). There were no movements in the issued capital of the Company in the current and prior interim reporting periods.

11. Reconciliation of loss after tax to net cash used in operating activities

Reconciliation of cash recorded in the Statement of Financial Position to Statement of Cash Flow

	30 Sep 2023 \$'000	31 Mar 2023 \$'000
Cash and Cash Equivalents		
Cash at bank and on hand	1,521	1,597
Fixed bank deposits with original maturities less than three months	1,540	5,896
Cash included in assets held for sale	421	-
	3,482	7,493

11. Reconciliation of loss after tax to net cash used in operating activities (continued)

Reconciliation of cash flows from operating activities

	30 Sep 2023	30 Sep 2022 (Restated)
	\$'000	\$'000
Loss for the period from continuing operations	(2,963)	(3,686)
Income tax expense for the period	-	-
Depreciation and amortisation of non-current assets	1,277	1,157
Net exchange loss on foreign currency transactions	-	1
Interest income	(70)	(46)
Deferred government grants – conditions now satisfied	(27)	(951)
Loss on sale of other assets under development	-	156
Change in receivables and prepayments	(2,044)	(1,638)
Change in inventories	495	(663)
Changes in deferred tax assets	11	16
Change in payables	1,688	2,697
Change in provisions	(2)	(5)
Cash used in continuing operations	(1,635)	(2,962)
Income tax paid	-	-
Net cash used in continuing operating activities	(1,635)	(2,962)
Operating loss from discontinued operations	(2,482)	(437)
Net cash used in operating activities	(4,117)	(3,399)

12. Events after the reporting date

Following the Group's decision to discontinue its footwear manufacturing operations, the FIT plant ceased trading on 27 October 2023.

Other than the above there have been no matters or circumstances that have arisen since the end of the interim period that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial periods.

Directors' Declaration

In the opinion of the Directors:

- (a) The attached consolidated financial statements and notes thereto:
 - (i) comply with Australian Accounting Standards (including the Australian Accounting Interpretations);
 - (ii) give a true and fair view of the Group's financial position as of 30 September 2023 and of its performance and cash flows for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the Board of Directors,



Ian James Burton
Director

Perth, Australia
29 November 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Merchant House International Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Merchant House International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 September 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of the Group does not present fairly, in all material respects, the financial position of the Group as at 30 September 2023, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with AASB 134 *Interim Financial Reporting*.

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*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and 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 relating to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the Group are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the 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 anything has come to our attention that causes us to believe that the half-year financial report does not present fairly, in all material respects, the financial position of the Group as at 30 September 2023 and of its financial performance and its cash flows for the half-year ended on that date, in accordance with Accounting Standard AASB 134 Interim Financial Reporting.

A review of a 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.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Dean Just', written over the printed name.

Dean Just

Director

Perth, 29 November 2023