

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of McPherson's Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for certain assets which are carried at deemed cost or fair value.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by McPherson's Limited (parent entity) as at 30 June 2009 and the results of all controlled entities for the year then ended. Controlled entities are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. McPherson's Limited and its controlled entities together are referred to as the Group. All inter-company balances, transactions and unrealised profits resulting from inter-company transactions have been eliminated. Where control of an entity is obtained during a financial year its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included up to the point in the year when control ceases.

Investments in controlled entities are accounted for at cost in the individual financial statements of the parent entity.

Associates

Associates are all entities over which the Group have significant influence but not control.

The Group has a 33 $\frac{1}{3}$ % shareholding in an associate company Denward Court Pty Ltd which is incorporated in Australia and whose principal activity is book binding. The investment in the associate is accounted for in the consolidated financial statements using the equity method of accounting after initially being recognised at cost.

Details relating to shareholding in this associate are set out in Note 16.

The Group's share of its associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

1. Summary of significant accounting policies (continued)

(d) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is McPherson's Limited's functional and presentation currency.

(ii) *Transactions and balances*

Transactions in foreign currencies are initially translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) *Translation of foreign controlled entities*

The results and financial position for all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

(e) Revenue recognition

Sales revenue

Sales revenue comprises revenue earned (net of returns, allowances, duties and taxes) from the provision of products or services to entities outside the Group. Sales revenue is recognised when the goods are dispatched, or when title passes to the customer, at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Other income

Other income is recognised when the income is received or becomes receivable.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

McPherson's Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation effective 1 July 2002. As a consequence, McPherson's Limited, as the head entity in the tax consolidated group, recognises current tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting Tax Funding Agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the Tax Funding Agreement are presented as income tax expense (credit).

(g) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor substantially retains all such risks and benefits. Where a non-current asset is acquired by means of a finance lease, the lower of the fair value of leased property and the present value of the minimum lease payments is established as a non-current asset at the beginning of the lease term and amortised on a straight-line basis over its expected economic life. A corresponding liability is also established and each lease payment is allocated between the principal component and interest expense.

Operating lease payments are charged to the income statement on a straight-line basis over the period of the lease.

(h) Business combinations

The purchase method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to paragraph (r)). If the cost of acquisition is less than the fair value of the net assets of the business acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(i) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

For purposes of the cash flow statements, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts. The balance sheet and cash flows reflect remittances from trade debtors received on the first day of the next financial period. If this policy were not applied, trade receivables and interest bearing liabilities would each increase by \$7,195,000 at 30 June 2009 (2008: \$8,213,000), and receipts from customers in the year ended 30 June 2009 increase by \$1,018,000 (2008: \$1,046,000).

(k) Trade receivables

Trade receivables are recognised initially at fair value, less provision for impairment. Trade receivables are generally due for settlement no more than 60 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

1. Summary of significant accounting policies (continued)

(l) Inventories

Inventories (including work in progress) are valued at the lower of cost or net realisable value. Costs are assigned to individual items of inventory on a weighted average basis. Cost of work in progress and finished manufactured products includes materials, labour and an appropriate proportion of factory overhead expenditure, the latter being allocated on the basis of normal operating capacity. Unrealised profits on inter-company inventory transfers are eliminated on consolidation.

(m) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

(n) Investments and other financial assets

The Group classifies its investments in the following categories:

- financial assets at fair value through profit or loss; and
- loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short-term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges which qualify for hedge accounting.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(o) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast purchase that is hedged is sold). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Cash flow hedges that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income, other expenses or finance costs.

(p) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of interest rate hedge contracts is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts and other foreign currency contracts are determined using forward exchange market rates at the balance sheet date.

The net nominal value of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(q) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to the asset revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their net cost, over their estimated useful lives, as follows:

Buildings	25 – 50 years
Plant and equipment	2½ – 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in reserves in respect of those assets to retained earnings.

1. Summary of significant accounting policies (continued)

(r) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

(ii) Supply contracts and distribution agreements

Certain supply contracts and distribution agreements acquired as part of a business combination have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives.

(iii) Brandnames

The major brandnames of the Company, have been, in some cases, in existence for more than 50 years and continue to be in active use. The brandnames are utilised predominantly on consumer products which do not suffer from technical obsolescence. The brandnames are also readily transferable between a number of different current and future product categories within the general kitchenware and household products sector. Brandnames such as Wiltshire, Grosvenor, Strachan, Stanley Rogers, Ai-de-Chef, Crown, Lady Jayne, Manicare and Multix will continue to provide support to the economic entity. The carrying amount of the brandnames is not amortised as the Directors believe that, in total, they will have a remaining useful life of at least the length of their life to date. The Directors do not expect this life to be curtailed in the foreseeable future.

Brandnames are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Brandnames are tested individually and any net increments or decrements in their carrying values, are recognised directly in the income statement where appropriate.

(iv) IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis generally over three years.

IT development costs include only those costs directly attributable to the development phase and are only recognised where the Group has an intention and ability to use the asset.

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to balance date whether or not billed at that date. Trade accounts are normally settled within 60 days.

(t) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligations; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(u) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave are recognised and measured as the amount unpaid at balance date at remuneration rates expected to be paid when those obligations are settled in respect of employees' service up to that date.

(ii) Long service leave

A liability for long service leave is recognised as the present value of expected future payments to be made in respect of services provided by employees up to balance date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match as closely as possible the estimated future cash outflows.

(iii) Bonus plans

A liability for employee benefits in the form of bonuses is recognised in provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; and
- past practice gives clear evidence of the amount of the obligation.

(iv) Superannuation

Contributions to employee superannuation funds are made by McPherson's Limited and controlled entities. Contributions are charged against income as they become payable.

(v) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operations, are recognised when a detailed plan has been developed and a valid expectation has been raised in those employees affected, that the termination will be carried out. The liabilities for termination benefits are recognised in other creditors unless timing of the payment is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits related to an acquired entity or operation that arises as a consequence of acquisitions are recognised as at the date of acquisition if, at or before acquisition date, the main features of the terminations were planned and a valid expectation had been raised in those employees affected, that the terminations would be carried out and this is supported by a detailed plan.

(vi) Employee benefit on-costs

Employee benefit on-costs are recognised and included in employee benefit liabilities when the employee benefits to which they relate are recognised as liabilities.

(vii) Share-based payments

Share-based compensation benefits are provided to employees via the McPherson's Limited Employee Share/Option Purchase Plan.

The fair value of options granted under the McPherson's Limited Employee Share/Option Purchase Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

1. Summary of significant accounting policies (continued)

(v) Dividends

Provision is made for any dividend declared by the Directors on or before the end of the financial year but not distributed at balance date.

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of McPherson's Limited by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account potential ordinary shares arising from the exercise of options outstanding.

(x) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(y) Borrowing costs

Borrowing costs are expensed as incurred.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. The Group's assessment of the impact of these new standards and interpretations which are applicable to the Group are set out below.

(i) *AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8*
AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group intends to apply the revised standard from 1 July 2009 and at this stage it is not expected to affect any of the amounts recognised in the financial statements or the information being reported in the segment note of the financial report.

(ii) *Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(iii) *AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)*

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(iv) *Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)*

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in Note (h) above.

(v) **AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)**

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

(vi) **AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)**

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

(aa) **Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(r). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 18 for details of these assumptions.

2. Financial risk management

The Group's activities expose it to financial risks such as currency risk, interest rate risk, credit risk and liquidity risk. In order to minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange and interest rate hedge contracts are used to hedge certain risk exposures. Derivatives are used exclusively for hedging purposes and not as trading or other speculative instruments.

Risk management is predominantly controlled by a central treasury department under policies approved by the Board of Directors. The central treasury department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Financial assets				
Cash (Note 10)	2,281	940	1,885	4
Receivables (Note 11)	55,782	56,820	2,744	8,039
Derivative financial instruments (Note 14)	18	1,973	–	1,838
	58,081	59,733	4,629	9,881
Financial liabilities				
Payables (Note 20)	39,242	42,532	9,930	8,151
Borrowings (Notes 21 and 24)	106,384	107,221	123,491	124,334
Derivative financial instruments (Note 14)	13,571	502	12,791	502
Hire purchase (Notes 21 and 24)	36	86	–	–
	159,233	150,341	146,212	132,987

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Financial risk management (continued)

(a) Foreign exchange risk

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investment in foreign operations. The risk is measured using cash flow forecasting.

The Board's risk management policy is to generally hedge about 80-100% of anticipated cash flows (mainly inventory purchases) in United States dollars for approximately 6 months subsequent, subject to a review of the cost of implementing each hedge. At balance date 100% (2008: 100%) of projected purchases qualified as "highly probable" forecast transactions for hedge accounting purposes.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	\$000's										
	USD	NZD	SGD	Euro	£Stg	CAD	CHF	MYR	HKD	AUD	JPY
30 June 2009 – Group											
Receivables	191	–	–	–	–	–	–	7	68	1,130	–
Payables	36	10	–	303	275	31	86	–	861	1,284	–
Forward foreign exchange contracts											
(Note 14) – buy foreign currency	54,895	–	–	1,983	122	–	–	–	–	527	–
– sell foreign currency	190	–	–	–	–	–	–	–	–	–	–
Foreign currency options	34,946	–	–	–	–	–	–	–	–	–	–
30 June 2008 – Group											
Receivables	157	–	–	–	–	–	–	12	104	524	–
Payables	2,098	2	–	371	195	43	298	–	568	641	599
Forward foreign exchange contracts											
(Note 14) – buy foreign currency	4,027	137	779	1,516	4	–	–	–	–	915	–
– sell foreign currency	90	–	–	–	–	–	–	–	–	–	–
Foreign currency options	26,786	–	–	–	–	–	–	–	–	–	–
30 June 2009 – Parent Entity											
Forward foreign exchange contracts											
(Note 14) – buy foreign currency	49,792	–	–	–	–	–	–	–	–	–	–
Foreign currency options	34,946	–	–	–	–	–	–	–	–	–	–
30 June 2008 – Parent Entity											
Forward foreign exchange contracts											
(Note 14) – buy foreign currency	769	119	779	–	–	–	–	–	–	–	–
Foreign currency options	26,786	–	–	–	–	–	–	–	–	–	–

Group Sensitivity

Based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/strengthened by 5% against other foreign currencies at that date, with all other variables held constant, it is estimated that equity would have been \$2,996,000 higher/\$2,607,000 lower (2008: \$498,000 higher/\$279,000 lower), arising from forward foreign exchange contracts and foreign currency options designated as cash flow hedges. The Group's exposure to unhedged amounts is not material.

Parent Entity Sensitivity

It is estimated that the parent entity's equity would have been \$2,639,000 higher/\$2,284,000 lower (2008: \$217,000 higher/\$16,000 lower), had the Australian dollar weakened/strengthened by 5% against other foreign currencies at that date, with all other variables held constant, arising from forward foreign exchange contracts and foreign currency options designated as cash flow hedges.

(b) Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Interest on borrowings is paid at variable rates which expose the Group to cash flow interest rate risk. The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial liabilities at balance date is set out below. Financial liabilities which are not listed below are not subject to interest rate risk.

	Floating Interest Rate \$000's	Fixed Interest Rate \$000's	Total \$000's	Weighted Average Interest Rate %
2009				
Financial liabilities				
<i>Currency – Australian dollars</i>				
Bank loans	105,000	–	105,000	
Bank overdraft	1,262	–	1,262	
Hire purchase	36	–	36	
	106,298	–	106,298	3.2
<i>Currency – Hong Kong dollars</i>				
Bank overdraft	122	–	122	6.5
Notes 21 and 24	106,420	–	106,420	
2008				
Financial liabilities				
<i>Currency – Australian dollars</i>				
Bank loans	107,000	–	107,000	
Bank overdraft	64	–	64	
Hire purchase	86	–	86	
	107,150	–	107,150	7.9
<i>Currency – Hong Kong dollars</i>				
Bank overdraft	98	–	98	6.0
<i>Currency – New Zealand dollars</i>				
Bank overdraft	59	–	59	13.1
Notes 21 and 24	107,307	–	107,307	

Weighted average interest rates exclude the Group's credit margin. The floating rate terms are predominantly of 90 days maturity.

2. Financial risk management (continued)

(b) Interest rate risk (continued)

The Board's risk management policy is to hedge 75% of the term debt facilities which also satisfies the hedging requirements of the Group's term debt facility agreement. Hedge contracts in place at 30 June 2009 generally have commencement dates of 1 July 2008, termination dates of 1 July 2011 and cover an initial aggregate amount of \$90.0 million, reducing annually to an aggregate of \$72.0 million at 30 June 2010. The contracts are subject to different conditions but generally restrict interest rate exposure to rates between 6.75% and 7.63%.

All contracts are settled on a quarterly basis and compared with the 90 day Bank Bill Swap Reference Rate (BBSW).

Group and parent sensitivity

At 30 June 2009, if interest rates had changed by +/- 50 basis points from the year end rates with all other variables held constant, equity is estimated to have been \$744,000 higher/\$1,011,000 lower (2008: \$1,087,000 higher/\$1,253,000 lower) as a result of an increase/decrease in the fair value of the interest rate cash flow hedges.

Profit and loss is estimated to have been \$174,000 lower/\$174,000 higher as a result of a change in interest rates of +/- 50 basis points applied to the average unhedged portion of debt throughout the year.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at balance date is the carrying amount of the financial assets as summarised in Note 2.

Credit limits are set and monitored by management with respect to individual customers and in some instances debtor insurance is taken out against specific customers in order to minimise the credit risk. Credit limits are based on the customers' financial position and prior payment history.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

For derivative financial instruments, the Board determines the coverage required by the Group and this is reviewed on a regular basis.

Refer to Notes 11 and 14 for additional information regarding receivables and credit risk exposure.

(d) Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they fall due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

	Consolidated	
	2009	2008
	\$000's	\$000's
Financing arrangements		
The Group has available to it a committed financing facility of \$136,684,000 at 30 June 2009. As at the end of the financial year \$106,384,000 of these facilities were utilised. Facilities in the main are able to be transferred between the parent entity and other members of the Group. Interest rates on all facilities are variable.		
Unrestricted access was available at balance date to the following lines of credit:		
Total facilities		
Bank overdrafts	9,684	9,639
Bank loan facilities	127,000	133,000
	136,684	142,639
Used at balance date		
Bank overdrafts	1,384	221
Bank loan facilities	105,000	107,000
	106,384	107,221
Unused at balance date		
Bank overdrafts	8,300	9,418
Bank loan facilities	22,000	26,000
	30,300	35,418

The bank loan facilities are available under a 43 month amortising committed financing facility with the Group's bankers, of which 18 months had elapsed at 30 June 2009.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Financial risk management (continued)

(d) Liquidity risk (continued)

Maturity of financial assets and liabilities

The tables below analyse the Group's and the parent entity's financial assets and 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.

	Less than 1 year \$000's	Between 1 & 3 years \$000's	Total Contractual Cash Flows \$000's	Carrying Amount \$000's
30 June 2009 – Group				
<i>Non-derivatives</i>				
Interest bearing assets (Note 10)	1,861	–	1,861	1,861
Non-interest bearing assets (Note 10)	404	–	404	404
Non-interest bearing assets (Note 11)	55,782	–	55,782	55,782
	58,047	–	58,047	58,047
Non-interest bearing liabilities (Note 20)	39,242	–	39,242	39,242
Interest bearing liabilities (Notes 21 and 24)	1,384	114,565	115,949	106,384
Hire purchase (Notes 21 and 24)	10	26	36	36
	40,636	114,591	155,227	145,662
<i>Derivatives (Note 14)</i>				
Forward foreign exchange contracts – inflow	57,717	–	57,717	
Forward foreign exchange contracts – outflow	(57,717)	–	(57,717)	
	–	–	–	8,520
Interest rate contracts	2,185	2,090	4,275	4,275
Total derivative financial instrument liabilities	2,185	2,090	4,275	12,795
Forward foreign exchange contracts – assets	–	–	–	18
Foreign currency options – liabilities	1,186	–	1,186	776

30 June 2008 – Group	Less than 1 year \$000's	Between 1 & 5 years \$000's	Total Contractual Cash Flows \$000's	Carrying Amount \$000's
<i>Non-derivatives</i>				
Interest bearing assets (Note 10)	748	–	748	748
Non-interest bearing assets (Note 10)	176	–	176	176
Non-interest bearing assets (Note 11)	56,820	–	56,820	56,820
	57,744	–	57,744	57,744
Non-interest bearing liabilities (Note 20)	42,532	–	42,532	42,532
Interest bearing liabilities (Notes 21 and 24)	221	134,320	134,541	107,221
Hire purchase (Notes 21 and 24)	29	57	86	86
	42,782	134,377	177,159	149,839
<i>Derivatives (Note 14)</i>				
Forward foreign exchange contracts – inflow	7,468	–	7,468	
Forward foreign exchange contracts – outflow	(7,468)	–	(7,468)	
	–	–	–	135
Interest rate contracts	721	1,117	1,838	1,838
Total derivative financial instrument assets	721	1,117	1,838	1,973
Foreign currency options – liabilities	545	–	545	502

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Financial risk management (continued)

(d) Liquidity risk (continued)

Maturity of financial assets and liabilities (continued)

30 June 2009 – Parent

Non-derivatives

	Less than 1 year \$000's	Between 1 & 3 years \$000's	Total Contractual Cash Flows \$000's	Carrying Amount \$000's
Non-interest bearing assets (Note 11)	2,744	–	2,744	2,744
Interest bearing assets (Note 10)	1,882	–	1,882	1,882
	4,626	–	4,626	4,626
Non-interest bearing liabilities (Note 20)	9,930	–	9,930	9,930
Interest bearing liabilities (Notes 21 and 24)	18,491	114,565	133,056	123,491
	28,421	114,565	142,986	133,421

Derivatives (Note 14)

Forward foreign exchange contracts – inflow	49,792	–	49,792	
Forward foreign exchange contracts – outflow	(49,792)	–	(49,792)	
	–	–	–	7,740
Interest rate contracts	2,185	2,090	4,275	4,275
Total derivative financial instrument liabilities	2,185	2,090	4,275	12,015
Foreign currency options – liabilities	1,186	–	1,186	776

30 June 2008 – Parent

Non-derivatives

	Less than 1 year \$000's	Between 1 & 5 years \$000's	Total Contractual Cash Flows \$000's	Carrying Amount \$000's
Interest bearing assets (Note 10)	1	–	1	1
Non-interest bearing assets (Note 11)	8,039	–	8,039	8,039
	8,040	–	8,040	8,040
Non-interest bearing liabilities (Note 20)	8,151	–	8,151	8,151
Interest bearing liabilities (Notes 21 and 24)	17,334	134,320	151,654	124,334
	25,485	134,320	159,805	132,485

Derivatives (Note 14)

Forward foreign exchange contracts – inflow	1,667	–	1,667	
Forward foreign exchange contracts – outflow	(1,667)	–	(1,667)	
	–	–	–	–
Interest rate contracts	721	1,117	1,838	1,838
Total derivative financial instrument assets	721	1,117	1,838	1,838
Foreign currency options – liabilities	545	–	545	502

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
3. Operating profit				
(a) Expenses				
Materials and consumables used	191,410	159,201	–	–
Employee costs	66,240	67,031	1,754	2,833
Rental expenses relating to operating leases	9,888	9,176	44	44
Amortisation of other intangibles	787	593	–	–
Depreciation/other amortisation	4,978	5,497	21	34
Advertising and promotional	10,790	11,462	–	–
Repairs and maintenance	2,125	2,217	1	2
Cartage and freight	14,698	13,357	–	–
Restructure costs	2,452	–	1,800	–
Costs associated with proposed joint venture	–	500	–	500
Impairment of investment in controlled entity	–	–	4,594	–
Other expenses	18,707	20,129	1,078	121
Total expenses	322,075	289,163	9,292	3,534
(b) Profit before income tax expense includes the following net expenses and gains:				
Expenses				
<i>Depreciation/amortisation:</i>				
Property	166	154	–	13
Plant and equipment	4,730	5,256	7	8
Leasehold improvements	82	87	14	13
	4,978	5,497	21	34
<i>Amortisation:</i>				
Other intangibles	787	593	–	–
Total depreciation and amortisation	5,765	6,090	21	34
<i>Rental expenses relating to operating leases:</i>				
Minimum lease payments	9,767	9,119	44	44
Contingent rentals	121	57	–	–
Total rental expenses relating to operating leases	9,888	9,176	44	44
<i>Other charges (credits) against assets:</i>				
Bad and doubtful debts – trade debtors	125	43	–	–
Provision for stock obsolescence	407	(107)	–	–
Total other charges (credits) against assets	532	(64)	–	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
3. Operating profit (continued)				
(b) Profit before income tax expense includes the following net expenses and gains: (continued)				
Expenses (continued)				
<i>Other provisions:</i>				
Employee entitlements	4,443	4,579	215	180
Employee incentives	624	2,448	31	1,253
Restructure	1,800	–	1,800	–
Claims and returns	2,510	1,217	–	–
Other	117	418	–	–
Total other provisions	9,494	8,662	2,046	1,433
<i>Other expenses:</i>				
Cost of goods sold	216,901	186,201	–	–
Loss on disposal of plant and equipment	21	119	–	–
Net exchange losses/(gains)	3,065	(184)	(132)	(1,116)
Gains				
Profit on disposal of plant and equipment	35	106	–	–
4. Revenue				
<i>Revenue from operating activities:</i>				
Sales revenue	356,847	333,941	–	–
<i>Other revenue:</i>				
Dividends received/receivable (controlled entities)	–	–	22,429	26,075
Interest received/receivable	34	101	28	38
Royalties	534	447	2,609	2,365
Total revenue	357,415	334,489	25,066	28,478
5. Other income				
Net gain on disposal of property, plant and equipment	14	–	–	–
Waste recoveries	1,013	757	–	–
Administration fees	–	–	2,295	3,466
Commissions	86	151	–	–
Rental	–	–	–	27
Sundry	379	136	13	15
Total other income	1,492	1,044	2,308	3,508

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
6. Income tax				
(a) Income tax expense				
Current tax	7,891	10,634	(2,958)	(2,851)
Deferred tax	(180)	(416)	(121)	145
Over-provision in prior years	(17)	(32)	24	(75)
	7,694	10,186	(3,055)	(2,781)
Deferred income tax expense (credit) included in income tax expense comprises:				
Increase in deferred tax assets (Note 19)	(27)	(162)	(51)	(58)
(Decrease)/increase in deferred tax liabilities (Note 26)	(153)	(254)	(70)	203
	(180)	(416)	(121)	145
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Operating profit before tax	27,167	36,682	7,559	17,442
Tax at the Australian tax rate of 30% (2008 – 30%)	8,150	11,005	2,268	5,233
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share of net profit of associate	(70)	(68)	–	–
Share-based payments	1	7	1	7
Exempt income	–	–	(6,729)	(7,822)
Tax rate differences in overseas entities	(250)	(37)	–	–
(Over)/under provision in prior years	(17)	(32)	24	(75)
Net benefit of tax losses not previously recognised	(229)	(622)	–	–
Impairment of investment in controlled entity	–	–	1,378	–
Other	109	(67)	3	(124)
Income tax expense/(credit)	7,694	10,186	(3,055)	(2,781)
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited (or credited) to equity:				
Deferred tax assets (Note 19)	(3,920)	312	(3,686)	190
Deferred tax liabilities (Note 26)	(591)	596	(551)	551
Total	(4,511)	908	(4,237)	741

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
6. Income tax (continued)				
(d) Tax losses				
The Directors estimate that the maximum potential deferred tax asset in respect of tax losses not brought to account at balance date is:				
United States – Gross	148	720	–	–
– Tax effected	52	252	–	–

This benefit for tax losses will only be obtained if:

- (i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation including time limitations for tax loss utilisation where applicable; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

(e) Tax consolidations legislation

McPherson's Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation effective 1 July 2002. The accounting policy is set out in Note 1(f).

The entities have entered into a Tax Sharing Agreement and a Tax Funding Agreement. Under the terms of the Tax Funding Agreement the wholly-owned entities reimburse McPherson's Limited for any current income tax payable by McPherson's Limited in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a tax related receivable in the parent entity accounts.

The Tax Sharing Agreement limits the joint and several liability of the wholly-owned entities in the case of default by the parent entity.

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
7. Dividends				
Ordinary				
Final 30 June 2008 dividend of 13.0 cents per fully paid share (2007 – 10.0 cents per fully paid share) fully franked @ 30%	8,386	6,442	8,386	6,442
Interim 2009 dividend of nil cents per fully paid share (2008 – 12.0 cents per fully paid share) fully franked @ 30%	–	7,755	–	7,755
Total dividends paid	8,386	14,197	8,386	14,197
Dividends not recognised at year end				
Directors did not declare or recommend a final 30 June 2009 dividend.	–	8,386	–	8,386

Franked dividends

Franked dividends paid after 30 June 2009 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2010.

Franking credits available for subsequent financial years based on a tax rate of 30%

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits which are expected to arise from the payment of current tax liabilities.

Consolidated		Parent Entity	
2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
17,625	16,776	17,625	16,776

8. Auditors' remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Assurance services

1. Audit services

PricewaterhouseCoopers Australian firm:

Audit and review of financial reports and other audit work under the *Corporations Act 2001*

Consolidated		Parent Entity	
2009 \$	2008 \$	2009 \$	2008 \$
300,855	362,505	109,610	128,515
51,958	88,070	–	–
15,190	–	–	–
368,003	450,575	109,610	128,515
2. Other assurance services			
PricewaterhouseCoopers Australian firm:			
Other accounting services			
–	4,600	–	4,600
Overseas affiliates of PricewaterhouseCoopers Australian firm:			
Audit of pension plans			
2,684	2,019	–	–
Financial statements preparation			
4,000	14,984	–	–
IFRS accounting services			
–	2,163	–	–
6,684	23,766	–	4,600
374,687	474,341	109,610	133,115

Total remuneration for audit services

2. Other assurance services

PricewaterhouseCoopers Australian firm:

Other accounting services

Overseas affiliates of PricewaterhouseCoopers Australian firm:

Audit of pension plans

Financial statements preparation

IFRS accounting services

Total remuneration for other assurance services

Total remuneration for assurance services

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
9. Key management personnel				
Key management personnel compensation				
Short-term employee benefits	2,551,745	3,716,611	1,644,093	2,376,426
Post-employment benefits	387,049	403,335	290,904	304,647
Long-term benefits	76,124	71,338	63,636	57,840
Termination benefits	115,200	730,398	115,200	298,800
Share-based payments	4,064	50,142	–	31,167
	3,134,182	4,971,824	2,113,833	3,068,880

Detailed remuneration disclosures are provided in the Remuneration Report contained within the Directors' Report, which is on pages 23 to 34 of the Annual Report.

Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of options

Details of options provided as remuneration and shares issued on the exercise of options, together with terms and conditions of the options, can be found in the Remuneration Report on pages 23 to 34 of the Annual Report. There were no options issued as remuneration during the year ended 30 June 2009, however on 9 July 2009 the Company announced that it was proposed to grant 1.5 million options over ordinary shares in the Company to Mr Paul Maguire under the McPherson's Limited Share/Option Purchase Plan. The grant is subject to the approval of shareholders which will be sought at the McPherson's Limited Annual General Meeting on 13 November 2009. The options will form part of Mr Maguire's remuneration arrangements. Further details relating to these options are provided in the Remuneration Report contained within the Directors' Report on pages 23 to 34 of the Annual Report.

Option holdings

The number of options over ordinary shares in the Company held during the financial year by each Director of McPherson's Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2009

Name	Balance at the Start of the Year	Granted as Remuneration	Exercised	Other Changes	Balance at the End of the Year	Vested and Exercisable	Unvested
<i>Director of McPherson's Limited</i>							
D.J. Allman	150,000	–	–	(150,000)	–	–	–
<i>Other key management personnel of the Group</i>							
M.A. O'Kelly	60,000	–	–	(60,000)	–	–	–
P.J. Maguire	120,000	–	–	(60,000)	60,000	–	60,000
S.K.S. Chan	30,000	–	–	(30,000)	–	–	–
P.R. Bennett	60,000	–	–	(60,000)	–	–	–
A.E. Fahy	30,000	–	–	(30,000)	–	–	–
G.P. Mitchell	30,000	–	–	(30,000)	–	–	–

2008

Name	Balance at the Start of the Year	Granted as Remuneration	Exercised	Other Changes	Balance at the End of the Year	Vested and Exercisable	Unvested
<i>Director of McPherson's Limited</i>							
D.J. Allman	300,000	–	(150,000)	–	150,000	150,000	–
<i>Other key management personnel of the Group</i>							
M.A. O'Kelly	120,000	–	(60,000)	–	60,000	60,000	–
P.J. Maguire	120,000	–	–	–	120,000	–	120,000
S.K.S. Chan	60,000	–	–	(30,000)	30,000	30,000	–
P.R. Bennett	120,000	–	–	(60,000)	60,000	60,000	–
A.E. Fahy	60,000	–	–	(30,000)	30,000	30,000	–
G.P. Mitchell	60,000	–	–	(30,000)	30,000	30,000	–
M.G. Dagg	60,000	–	–	(60,000)*	–	–	–

* Includes 30,000 lapsed options and 30,000 as a consequence of Mr Dagg ceasing to be a key management person due to the termination of his employment.

All vested options are exercisable at the end of the year.

Shareholdings

The numbers of shares in the Company held during the financial year by each Director of McPherson's Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2009

Name	Balance at the Start of the Year	Received During the Year on the Exercise of Options	Other Changes During the Year	Balance at the End of the Year
<i>Directors of McPherson's Limited</i>				
S.A. Rowell	65,863	–	137,374	203,237
D.J. Allman	453,050	–	(14,286)	438,764
A. Waislitz	–	–	–	–
J.P. Clifford	–	–	–	–
P.D.J. Landos	–	–	–	–
<i>Other key management personnel of the Group</i>				
M.A. O'Kelly	–	–	7,396	7,396
P.J. Maguire	–	–	400,000	400,000
S.K.S. Chan	–	–	–	–
P.R. Bennett	2,512	–	3,323	5,835
A.E. Fahy	354	–	11,710	12,064
G.P. Mitchell	–	–	–	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

9. Key management personnel (continued)

Equity instrument disclosures relating to key management personnel (continued)

2008

Name	Balance at the Start of the Year	Received During the Year on the Exercise of Options	Other Changes During the Year	Balance at the End of the Year
<i>Directors of McPherson's Limited</i>				
S.A. Rowell	36,553	–	29,310	65,863
D.J. Allman	306,500	150,000	(3,450)	453,050
A. Waislitz	–	–	–	–
J.P. Clifford	–	–	–	–
P.D.J. Landos (Alternate)	–	–	–	–
R.C. King	1,358,000	–	(1,358,000)*	–
<i>Other key management personnel of the Group</i>				
M.A. O'Kelly	–	60,000	(60,000)	–
P.J. Maguire	–	–	–	–
S.K.S. Chan	–	–	–	–
P.R. Bennett	1,050	–	1,462	2,512
A.E. Fahy	–	–	354	354
G.P. Mitchell	–	–	–	–

* As a consequence of Mr King ceasing to be a Director due to his retirement from the Board.

Loans to key management personnel

There were no loans made to Directors of McPherson's Limited, or to any other key management personnel of the Group, including their personally-related entities during the current or previous year, nor were there any loans outstanding at the end of the current or prior financial year.

Other transactions with key management personnel

During the year the Group sold minor quantities of household consumer products and glassware for domestic use to key management personnel on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with an employee at arm's length in the same circumstances.

There were no transactions between the consolidated entity and the Directors of McPherson's Limited or with any other key management personnel of the Group, including their personally-related entities, during the current or previous financial year other than those disclosed above, and relating to remuneration and to transactions concerning options and shares.

10. Current assets – cash

Cash on hand
Cash at bank and on deposit (at call)

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Cash on hand	16	16	3	3
Cash at bank and on deposit (at call)	2,265	924	1,882	1
	2,281	940	1,885	4
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Balances as above	2,281	940	1,885	4
Less: Bank overdrafts (Note 21)	(1,384)	(221)	(8,365)	(6,403)
Balances per cash flow statements	897	719	(6,480)	(6,399)

Interest rate risk exposure

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets at balance date is set out below. Financial assets which are not listed below are not subject to interest rate risk.

	Interest Bearing (Floating Rate) \$000's	Weighted Average Interest Rate %	Non-Interest Bearing \$000's	Total \$000's
2009				
Financial assets				
<i>Cash and deposits</i>				
Currency – Australian dollars	1,674	2.9	83	1,757
Currency – United States dollars	–	–	270	270
Currency – Pounds sterling	–	–	–	–
Currency – Singapore dollars	187	0.5	42	229
Currency – New Zealand dollars	–	–	6	6
Currency – Hong Kong dollars	–	–	3	3
	1,861	–	404	2,265
2008				
Financial assets				
<i>Cash and deposits</i>				
Currency – Australian dollars	372	7.7	–	372
Currency – United States dollars	252	1.6	59	311
Currency – Pounds sterling	–	–	79	79
Currency – Singapore dollars	124	0.5	36	160
Currency – New Zealand dollars	–	–	–	–
Currency – Hong Kong dollars	–	–	2	2
	748	–	176	924

Non-interest bearing cash and deposits represent clearing accounts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
11. Current assets – receivables				
Trade receivables	53,842	54,334	–	–
Provision for impairment	(202)	(179)	–	–
	53,640	54,155	–	–
Other receivables/prepayments	2,142	2,665	388	861
Tax related amounts receivable from controlled entities	–	–	747	5,589
Other amounts receivable from controlled entities	–	–	1,609	1,589
	55,782	56,820	2,744	8,039
Movements in the provision for impairment of trade receivables are as follows:				
Balance at 1 July	(179)	(277)		
Provisions for impairment recognised during the year	(125)	(158)		
Written-off during the year as uncollectible	106	189		
Business acquired	–	(51)		
Unused amount reversed	–	115		
Foreign exchange	(4)	3		
	(202)	(179)		

Other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received in full when due.

Credit risk

The credit risk relating to trade and other receivables of the Group which have been recognised on the balance sheet, is the carrying amount, net of any provision for impairment. The following provides an overview of the credit risk associated with trade receivables.

	Consolidated	
	2009 \$000's	2008 \$000's
Neither past due nor impaired	39,271	38,676
Past due, but not impaired:		
– less than 30 days	12,327	12,901
– 30 to 59 days	1,485	2,124
– 60 to 89 days	280	418
– 90 to 119 days	119	12
– 120 days or more	157	20
	53,639	54,151
Impaired	203	183
Gross carrying amount	53,842	54,334
Provision for impairment	(202)	(179)
Net carrying amount	53,640	54,155

Credit risk concentration

It is not considered that the Group is exposed to significant credit risk concentration with any single debtor. The Group's concentration of risk at balance date, by industry, in Australian dollars, is detailed below.

Printing (predominantly Australia)	7,201	8,384
Consumer Products (predominantly Australasia)	46,641	45,950
	53,842	54,334
Less: Provision for impairment	(202)	(179)
	53,640	54,155

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
12. Current assets – inventories				
Raw materials	6,416	6,811	–	–
Work in progress	2,196	3,331	–	–
Finished goods	47,266	36,802	–	–
Stock in transit	6,745	10,576	–	–
	62,623	57,520	–	–
Provision for inventory obsolescence	(1,372)	(1,294)	–	–
	61,251	56,226	–	–

The basis of inventory valuation adopted is set out in Note 1(l).

Inventory recognised as expenses during the year ended 2009 amounted to \$216,901,000 (2008: \$186,201,000).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

13. Current assets – other financial assets at fair value through profit or loss

Interest rate hedges

A number of hedge contracts had been entered into to limit the Group's exposure to possible increases in interest rates. These contracts had commencement dates of 1 July 2003, 1 August 2003 and 11 November 2004 and covered initial aggregate principal amounts of \$133.5 million, reducing annually to an aggregate \$87.0 million at 30 June 2008. Each contract was subject to different terms and conditions, but generally restricted the interest rate exposure to 6% or less. These contracts expired on 30 June 2008 and were replaced with new contracts (refer Notes 2(b) and 14).

The gain or loss from remeasuring the expired hedge instruments at fair value was re-classified into profit and loss, as set out below, as the contracts did not qualify for hedge accounting.

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
At beginning of year	-	311	-	311
Revaluation	-	(311)	-	(311)
At end of year	-	-	-	-
Changes in fair value of other financial assets at fair value through profit or loss are recorded in the income statement as follows:				
Finance costs expense	-	(311)	-	(311)
14. Derivative financial instruments				
<i>Current assets</i>				
Interest rate contracts – cash flow hedges	-	721	-	721
Forward foreign exchange contracts – cash flow hedges	18	135	-	-
Total current derivative financial instrument assets	18	856	-	721
<i>Non-current assets</i>				
Interest rate contracts – cash flow hedges	-	1,117	-	1,117
<i>Current liabilities</i>				
Interest rate contracts – cash flow hedges	2,185	-	2,185	-
Forward foreign exchange contracts – cash flow hedges	8,520	-	7,740	-
Foreign currency options – cash flow hedges	776	502	776	502
Total current derivative financial instrument liabilities	11,481	502	10,701	502
<i>Non-current liabilities</i>				
Interest rate contracts – cash flow hedges	2,090	-	2,090	-

(a) **Instruments used by the Group**

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer Note 2).

(a)(i) **Forward foreign exchange contracts – cash flow hedges**

Certain controlled entities and the parent entity enter into forward foreign exchange contracts to hedge highly probable forecast purchases, sales, short-term loan repayments and capital commitments denominated in foreign currencies. The terms of these commitments are rarely more than six months.

The following table sets out the gross Australian dollar equivalent value to be received/paid under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of contracts outstanding at balance date for the Group.

	2009 \$000's	Weighted Average Contracted Exchange Rate	2008 \$000's	Weighted Average Contracted Exchange Rate
Maturity 0 – 6 months				
<i>Sell Australian dollars/Buy:</i>				
United States dollars	46,605	0.6749	1,084	0.9299
New Zealand dollars	–	–	119	1.2620
Singapore dollars	–	–	779	1.2949
<i>Sell New Zealand dollars/Buy:</i>				
United States dollars	4,584	0.5555	2,943	0.7547
Euro	1,983	0.4341	1,516	0.5049
Australian dollars	527	0.8127	915	0.8332
Pounds sterling	122	0.3926	4	0.3939
<i>Sell Singapore dollars/Buy:</i>				
New Zealand dollars	–	–	8	0.9637
<i>Buy Australian dollars/Sell:</i>				
United States dollars	190	0.7307	90	0.9398
Maturity 6 – 12 months				
<i>Sell Australian dollars/Buy:</i>				
United States dollars	3,187	0.7610	–	–
<i>Sell New Zealand dollars/Buy:</i>				
United States dollars	519	0.6211	–	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

14. Derivative financial instruments (continued)

(a)(i) Forward foreign exchange contracts – cash flow hedges (continued)

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

Group

At balance date these contracts were assets of \$18,000 and liabilities of \$8,520,000 (2008: assets of \$135,000).

Parent entity

At balance date these contracts were liabilities of \$7,740,000 (2008: nil value).

(a)(ii) Foreign currency options – cash flow hedges

The Group has also entered into foreign currency option contracts to partially hedge a portion of anticipated United States dollar purchases. At balance date, the outstanding foreign currency option contracts cover the period from October 2009 to January 2010.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

Group

At balance date these contracts were liabilities of \$776,000 (2008: liabilities of \$502,000).

Parent entity

At balance date these contracts were liabilities of \$776,000 (2008: liabilities of \$502,000).

(a)(iii) Interest rate swap contracts – cash flow hedges

The Group has entered into a number of hedge contracts to limit the exposure of possible increases in interest rates. Refer to Note 2.

(b) Credit risk exposure

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity.

Foreign exchange and option contracts are subject to credit risk in relation to the relevant counterparties, which are major banks. The maximum credit risk exposure on hedging contracts is the full amount the Group pays when settlement occurs should the counterparty fail to pay the amount which it is committed to pay to the Group.

(c) Interest rate and foreign exchange risk

For an analysis of the sensitivity of derivatives to interest rate and foreign exchange risk refer to Note 2.

15. Non-current assets – receivables

Amounts receivable from controlled entities

Consolidated		Parent Entity	
2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
–	–	92,111	96,945

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
16. Non-current assets – other financial assets				
Shares in associate	1,486	1,752	–	–
Shares in controlled entities – at cost	–	–	232,530	232,530
Provision for impairment	–	–	(57,750)	(53,156)
	1,486	1,752	174,780	179,374
Shares in associate				
<i>(i) Movements in carrying amount</i>				
Carrying amount at the beginning of the financial year	1,752	1,825		
Share of profit after income tax	234	227		
Dividends received	(500)	(300)		
Carrying amount at the end of the financial year	1,486	1,752		
<i>(ii) Share of associate's profit or loss</i>				
Profit before income tax	334	324		
Income tax expense	(100)	(97)		
Profit after income tax	234	227		
<i>(iii) Share of associate's expenditure commitments other than for the supply of inventories</i>				
Lease commitments	429	569		
<i>(iv) Summarised financial information of associate</i>				
			Group's Share of:	
	Assets \$000's	Liabilities \$000's	Revenues \$000's	Profits \$000's
2009	2,407	776	2,597	234
2008	2,783	939	2,733	227

Provision for impairment

An additional provision for impairment of \$4,594,000 was raised in the parent entity during the year as the net carrying value of the shares in a controlled entity exceeded the recoverable amount of that entity's net assets and estimated future cash flows.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
17. Non-current assets – property, plant and equipment				
<i>Freehold land and buildings:</i>				
At cost	6,444	5,332	–	–
Accumulated depreciation	(1,904)	(1,738)	–	–
	4,540	3,594	–	–
<i>Leasehold improvements:</i>				
At cost	1,803	1,792	103	103
Accumulated amortisation	(1,581)	(1,499)	(103)	(89)
	222	293	–	14
Total property	4,762	3,887	–	14
<i>Plant and equipment:</i>				
At cost	66,504	63,673	132	130
Accumulated depreciation	(47,559)	(44,026)	(119)	(112)
Total plant and equipment	18,945	19,647	13	18
Total property, plant and equipment	23,707	23,534	13	32

(a) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year are set out below:

	Freehold Land and Buildings \$000's	Leasehold Improvements \$000's	Plant and Equipment \$000's	Total \$000's
<i>Consolidated</i>				
Carrying amount at 1 July 2007	3,753	374	21,740	25,867
Additions	–	27	2,929	2,956
Business acquisitions (Note 37(ii))	–	–	593	593
Disposals	(5)	(6)	(186)	(197)
Depreciation/amortisation expense (Note 3(b))	(154)	(87)	(5,256)	(5,497)
Foreign currency exchange differences	–	(15)	(173)	(188)
Carrying amount at 30 June 2008	3,594	293	19,647	23,534
<i>Parent Entity</i>				
Carrying amount at 1 July 2007	1,750	27	19	1,796
Additions	–	–	7	7
Disposals	(1,737)	–	–	(1,737)
Depreciation/amortisation expense (Note 3(b))	(13)	(13)	(8)	(34)
Carrying amount at 30 June 2008	–	14	18	32

	Freehold Land and Buildings \$000's	Leasehold Improvements \$000's	Plant and Equipment \$000's	Total \$000's
<i>Consolidated</i>				
Carrying amount at 1 July 2008	3,594	293	19,647	23,534
Additions	1,112	9	4,051	5,172
Transfers to intangibles	–	–	(21)	(21)
Disposals	–	–	(60)	(60)
Depreciation/amortisation expense (Note 3(b))	(166)	(82)	(4,730)	(4,978)
Foreign currency exchange differences	–	2	58	60
Carrying amount at 30 June 2009	4,540	222	18,945	23,707
<i>Parent Entity</i>				
Carrying amount at 1 July 2008	–	14	18	32
Additions	–	–	2	2
Depreciation/amortisation expense (Note 3(b))	–	(14)	(7)	(21)
Carrying amount at 30 June 2009	–	–	13	13

(b) **Non-current assets pledged as security**

Refer to Note 24(a) for information on non-current assets pledged as security by the parent entity and its controlled entities.

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
18. Non-current assets – intangibles				
Goodwill	142,293	141,806	–	–
Other intangibles	5,377	5,066	–	–
Accumulated amortisation	(4,224)	(3,235)	–	–
	1,153	1,831	–	–
Brandnames	45,059	45,059	4,156	4,156
Total intangibles	188,505	188,696	4,156	4,156

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

18. Non-current assets – intangibles (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the financial year are set out below:

	Goodwill \$000's	Other Intangibles \$000's	Brandnames \$000's	Total \$000's
<i>Consolidated</i>				
Carrying amount at 1 July 2007	138,713	934	42,259	181,906
Additions	–	490	–	490
Business acquisitions (Note 37(ii))	3,708	1,000	2,800	7,508
Amortisation charge (Note 3(b))	–	(593)	–	(593)
Foreign currency exchange differences	(615)	–	–	(615)
Carrying amount at 30 June 2008	141,806	1,831	45,059	188,696
<i>Parent Entity</i>				
Carrying amount at 1 July 2007	–	–	4,156	4,156
Carrying amount at 30 June 2008	–	–	4,156	4,156
<i>Consolidated</i>				
Carrying amount at 1 July 2008	141,806	1,831	45,059	188,696
Additions	284	88	–	372
Transfer from plant and equipment	–	21	–	21
Amortisation charge (Note 3(b))	–	(787)	–	(787)
Foreign currency exchange differences	203	–	–	203
Carrying amount at 30 June 2009	142,293	1,153	45,059	188,505
<i>Parent Entity</i>				
Carrying amount at 1 July 2008	–	–	4,156	4,156
Carrying amount at 30 June 2009	–	–	4,156	4,156

Acquired brandnames that will continue to be recognised will not be amortised under AASB 138, as Directors consider these to have an indefinite life. These brandnames will be subject to an annual impairment test.

Impairment testing

Goodwill

Goodwill is allocated to the Group's cash-generating units (CGU's) according to business segment as follows:

	\$000's
Printing	8,530
Consumer Products Australia	129,368
Consumer Products New Zealand	4,395
	<u>142,293</u>

The recoverable amount of a CGU is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets covering a 1 year period. Cash flows beyond the projected period are extrapolated using an estimated growth rate for two years of 1% and 2% respectively, increasing to 3% thereafter (2008: 3% for all years). In performing the value-in-use calculations for each CGU, the Company has applied a post-tax discount rate of 11.5% (2008: 11.5%) to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rate is 15.1% (2008: 15.1%).

Brandnames

Brandnames are allocated to the Group's cash-generating units (CGU's) according to business segment. All brandnames are currently allocated to the Consumer Products Australia segment.

The recoverable amount of a brandname is determined using the 'relief from royalty method'. The 'relief from royalty method' assumes that if a business did not own the identifiable brandname under consideration it would have to pay a royalty to the owners of the brandname for its use. The calculation is prepared on a discounted cash flow analysis of the future royalty stream which is based on financial budgets covering a 1 year period. The calculations assume sales growth rates beyond the projected period of two years growth of 1% and 2% respectively, increasing to 3% thereafter (2008: 3% for all years) and a post-tax discount rate of 11.5% (2008: 11.5%), the equivalent pre-tax discount rate equating to 15.1% (2008: 15.1%).

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
19. Non-current assets – deferred tax assets				
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Trade receivables impairment	59	49	–	–
Employee benefits	2,823	2,865	218	241
Depreciation/amortisation	1,622	1,619	–	11
Inventory obsolescence	364	353	–	–
Borrowing costs	–	15	–	15
Claims and returns	123	141	–	–
Other provisions and accruals	281	389	73	47
Unrealised exchange losses	76	–	–	–
Costs associated with proposed joint venture	–	70	–	70
License fees	233	283	233	283
Restructure costs	202	–	202	–
	5,783	5,784	726	667
<i>Amounts recognised directly in equity</i>				
Transaction costs arising on share issues	8	18	8	18
Cash flow hedges	4,071	151	3,837	151
Total temporary differences	9,862	5,953	4,571	836
Tax losses	56	166	–	–
	9,918	6,119	4,571	836

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

19. Non-current assets – deferred tax assets (continued)

Movements

	Tax Losses \$000's	Cash Flow Hedges \$000's	Employee Benefits \$000's	Depreciation \$000's	Obsoles- cence \$000's	Borrowing Costs \$000's	Other \$000's	Total \$000's
<i>Consolidated</i>								
Opening balance at 1 July 2007	–	466	2,662	1,332	531	124	900	6,015
Credited/(charged) to the income statements (Note 6)	–	–	85	287	(171)	(109)	70	162
Businesses acquired	–	–	127	–	–	–	47	174
Charged to equity	–	(315)	–	–	–	–	3	(312)
Amortisation of transaction costs on share issues	–	–	–	–	–	–	(71)	(71)
Under-provision in prior years	–	–	–	–	–	–	4	4
Tax losses not previously recognised	289	–	–	–	–	–	–	289
Tax losses utilised	(123)	–	–	–	–	–	–	(123)
Foreign currency exchange differences	–	–	(9)	–	(7)	–	(3)	(19)
Closing balance at 30 June 2008	166	151	2,865	1,619	353	15	950	6,119
(Charged)/credited to the income statements (Note 6)	(11)	–	(26)	3	4	(15)	72	27
Credited to equity	–	3,920	–	–	–	–	–	3,920
Amortisation of transaction costs on share issues	–	–	–	–	–	–	(10)	(10)
Under/(over) provision in prior years	10	–	(18)	–	–	–	(30)	(38)
Tax losses utilised	(106)	–	–	–	–	–	–	(106)
Foreign currency exchange differences	(3)	–	2	–	7	–	–	6
Closing balance at 30 June 2009	56	4,071	2,823	1,622	364	–	982	9,918

	Cash Flow Hedges \$000's	Employee Benefits \$000's	Depreciation \$000's	Borrowing Costs \$000's	Other \$000's	Total \$000's
<i>Parent</i>						
Opening balance at 1 July 2007	344	278	15	124	192	953
(Charged)/credited to the income statements (Note 6)	–	(37)	(4)	(109)	208	58
(Charged)/credited to equity	(193)	–	–	–	3	(190)
Amortisation of transaction costs on share issues	–	–	–	–	(71)	(71)
Under-provision in prior years	–	–	–	–	86	86
Closing balance at 30 June 2008	151	241	11	15	418	836
(Charged)/credited to the income statements (Note 6)	–	(24)	(11)	(15)	101	51
Credited to equity	3,686	–	–	–	–	3,686
Amortisation of transaction costs on share issues	–	–	–	–	(10)	(10)
Under-provision in prior years	–	1	–	–	7	8
Closing balance at 30 June 2009	3,837	218	–	–	516	4,571

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Deferred tax assets to be recovered within 12 months	7,088	3,634	3,727	537
Deferred tax assets to be recovered after more than 12 months	2,830	2,485	844	299
	9,918	6,119	4,571	836
20. Current liabilities – payables				
Trade creditors	23,679	25,629	–	–
Other creditors	15,563	16,903	6,440	7,114
Amounts payable to controlled entities	–	–	3,192	704
Tax related amounts payable to controlled entities	–	–	298	333
	39,242	42,532	9,930	8,151

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
21. Current liabilities – borrowings				
Bank overdraft (Note 10)	1,384	221	8,365	6,403
Hire purchase (Note 29)	10	29	–	–
Amounts payable to controlled entities	–	–	10,126	10,931
	1,394	250	18,491	17,334
Secured liabilities				
Bank overdraft (Note 10)	1,384	221	8,365	6,403
Hire purchase (Note 29)	10	29	–	–
	1,394	250	8,365	6,403
<p>The parent entity has established a legal right of set-off with a financial institution and certain deposits from controlled entities with that institution have been set-off against borrowings.</p> <p>Details of the security relating to each of these liabilities is set out in Note 24.</p> <p>Information regarding interest rate exposure is set out in Note 2.</p>				
22. Current liabilities – provisions				
Employee entitlements	8,473	7,724	591	517
Directors' retiring benefits	137	137	137	137
Employee incentives	469	2,278	–	1,175
Restructure costs	1,800	–	1,800	–
Claims and returns	400	470	–	–
Other	55	130	–	–
	11,334	10,739	2,528	1,829

(a) Employee entitlements

Amounts reflect employees' entitlement to take accrued annual leave and long service leave during the next 12 months. However, based on past experience, the Group expects that approximately 50% of the current balance will be taken or paid within the next 12 months.

(b) Directors' retiring benefits

Entitlement of McPherson's Limited's non-executive Directors to payments on the conclusion of their directorship with the Group.

(c) Employee incentives

Amounts reflect incentive payments to employees on the basis that certain criteria are fulfilled during the current financial year.

(d) Restructure costs

Estimate of unpaid costs at 30 June 2009 in relation to the restructuring of the Australian Consumer Products businesses.

(e) Claims and returns

Provision is made for the estimated product related claims and returns by customers of the Consumer Products Division.

(f) Other

Miscellaneous obligations for which there is a probability of an outflow of resources.

Movement in provisions

Movements in each class of provision during the financial year, other than employee entitlements are set out below:

	Restructure Costs \$000's	Directors' Retiring Benefits \$000's	Employee Incentives \$000's	Claims and Returns \$000's	Other \$000's
<i>Consolidated 2009</i>					
Carrying amount at 1 July 2008	–	137	2,278	470	130
Additional provisions recognised	1,800	–	624	2,510	117
Payments	–	–	(2,453)	(2,580)	(192)
Foreign currency exchange differences	–	–	20	–	–
Carrying amount at 30 June 2009	1,800	137	469	400	55
<i>Parent Entity 2009</i>					
Carrying amount at 1 July 2008	–	137	1,175	–	–
Additional provisions recognised	1,800	–	31	–	–
Payments	–	–	(1,206)	–	–
Carrying amount at 30 June 2009	1,800	137	–	–	–

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
23. Non-current liabilities – payables				
Amount payable to controlled entities	–	–	–	13,449
24. Non-current liabilities – borrowings				
Secured liabilities				
Bank loans	105,000	107,000	105,000	107,000
Hire purchase liabilities (Note 29)	26	57	–	–
Total secured non-current liabilities	105,026	107,057	105,000	107,000

Bank loans

Bank loans are available under a 43 month committed amortising financing facility with the Group's bankers of which 18 months have elapsed. Interest at variable rates is payable on the bank loans.

Security for borrowings

During the year, the Group continued to provide security to its bankers to secure bank overdraft, bank loan, bank bill and trade finance facilities. The security provided also secures letters of credit provided by the Group's bankers to overseas banks to support bank overdraft and loan facilities of controlled entities.

The Group facilities are secured by the following:

- fixed and floating charges over the assets of the parent and certain controlled entities;
- first mortgages over land and buildings owned by a controlled entity;
- mortgages over shares held in certain controlled entities; and
- cross guarantees and indemnities provided by the parent entity and certain controlled entities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
24. Non-current liabilities – borrowings (continued)				
(a) Assets pledged as security				
<i>First mortgage</i>				
Freehold land and buildings	1,700	1,725	–	–
<i>Mortgage over shares</i>				
Investments in controlled entities	–	–	174,780	179,374
<i>Fixed charge</i>				
Property, plant and equipment	21,986	21,704	13	32
Intangibles	187,628	187,906	4,156	4,156
Other financial assets	1,486	1,752	–	–
Receivables	–	–	92,111	96,945
<i>Hire purchase</i>				
Plant and equipment under hire purchase	8	92	–	–
<i>Floating charge</i>				
Deferred tax assets	9,798	5,893	4,571	836
Total non-current assets pledged as security	222,606	219,072	275,631	281,343
The following current assets are also pledged as security:				
<i>Fixed charge</i>				
Receivables	52,516	53,541	2,380	7,653
<i>Floating charge</i>				
Cash	2,051	699	1,885	4
Inventories	60,133	55,234	–	–
Receivables	1,737	1,895	363	386
Derivative financial instruments	18	1,973	–	1,838
Total current assets pledged as security	116,455	113,342	4,628	9,881
Total assets pledged as security	339,061	332,414	280,259	291,224

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
25. Non-current liabilities – provisions				
Employee entitlements	1,211	1,652	–	–
26. Non-current liabilities – deferred tax liabilities				
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Prepayments	5	7	–	–
Inventories	144	119	–	–
Brandnames	13,518	13,518	1,247	1,247
Depreciation	–	9	–	–
Unrealised foreign exchange gains	–	58	411	362
Interest	1	120	1	120
	13,668	13,831	1,659	1,729
<i>Amounts recognised directly in equity</i>				
Cash flow hedges	5	596	–	551
	13,673	14,427	1,659	2,280

Movements

	Inventories \$000's	Brandnames \$000's	Financial Assets through P&L \$000's	Cash Flow Hedges \$000's	Other \$000's	Total \$000's
<i>Consolidated</i>						
Opening balance at 1 July 2007	118	12,678	93	–	32	12,921
Charged/(credited) to the income statements (Note 6)	1	–	(93)	–	(162)	(254)
Businesses acquired (Note 37(ii))	–	840	–	–	3	843
Charged to equity	–	–	–	596	–	596
Under-provision in prior years	–	–	–	–	326	326
Foreign currency exchange differences	–	–	–	–	(5)	(5)
Closing balance at 30 June 2008	119	13,518	–	596	194	14,427
Charged/(credited) to the income statements (Note 6)	25	–	–	–	(178)	(153)
Credited to equity	–	–	–	(591)	–	(591)
Over-provision in prior years	–	–	–	–	(13)	(13)
Foreign currency exchange differences	–	–	–	–	3	3
Closing balance at 30 June 2009	144	13,518	–	5	6	13,673

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

26. Non-current liabilities – deferred tax liabilities (continued)

Movements (continued)

	Brandnames \$000's	Financial Assets through P&L \$000's	Cash Flow Hedges \$000's	Other \$000's	Total \$000's
<i>Parent</i>					
Opening balance at 1 July 2007	1,247	93	–	–	1,340
(Credited)/charged to the income statements	–	(93)	–	296	203
Charged to equity	–	–	551	–	551
Under-provision in prior years	–	–	–	186	186
Closing balance at 30 June 2008	1,247	–	551	482	2,280
Credited to the income statements	–	–	–	(70)	(70)
Credited to equity	–	–	(551)	–	(551)
Closing balance at 30 June 2009	1,247	–	–	412	1,659

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Deferred tax liabilities to be settled within 12 months	167	558	1	336
Deferred tax liabilities to be settled after more than 12 months	13,506	13,869	1,658	1,944
	13,673	14,427	1,659	2,280
27. Share capital				
Issued and paid up capital: 64,508,726 (2008: 64,628,411) ordinary shares – fully paid	112,727	113,024	112,727	113,024

Movements in ordinary share capital

Date	Details	Number of Shares	Issue Price \$	\$000's
1 July 2007	Opening Balance	64,303,411		111,589
5 July 2007	Exercise of options granted on 18 September 2003	10,000	3.26	33
25 July 2007	Exercise of options granted on 18 September 2003	20,000	3.26	65
26 July 2007	Exercise of options granted on 18 September 2003	30,000	3.26	98
14 August 2007	Exercise of options granted on 18 September 2003	55,000	3.26	179
8 November 2007	Exercise of options granted on 10 November 2003	150,000	3.26	489
13 December 2007	Exercise of options granted on 11 December 2003	60,000	3.26	196
	Transfer from share-based payments reserve			382
				<u>113,031</u>
	Less: Transaction costs arising on shares issues			(10)
	Plus: Tax credit recognised directly in equity			3
30 June 2008	Closing Balance	64,628,411		113,024
W/e 4 July 2008	Shares bought back on-market and cancelled	(8,000)	2.52	(20)
W/e 11 July 2008	Shares bought back on-market and cancelled	(35,662)	2.46	(88)
W/e 18 July 2008	Shares bought back on-market and cancelled	(28,500)	2.39	(68)
W/e 25 July 2008	Shares bought back on-market and cancelled	(30,300)	2.51	(76)
W/e 1 August 2008	Shares bought back on-market and cancelled	(9,500)	2.48	(23)
W/e 8 August 2008	Shares bought back on-market and cancelled	(6,279)	2.67	(17)
W/e 15 August 2008	Shares bought back on-market and cancelled	(847)	2.70	(2)
W/e 22 August 2008	Shares bought back on-market and cancelled	(597)	2.70	(2)
	Less: Transaction costs arising on share buyback			(1)
30 June 2009	Closing Balance	64,508,726		112,727

Ordinary Shares

At 30 June 2009 there were 64,508,726 ordinary fully paid issued shares.

Ordinary shares entitle the holder to participate in dividends of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan has been suspended until further notice.

Options

Information relating to the McPherson's Limited Employee Share/Option Purchase Plan, including details of options issued and exercised during the financial year and options outstanding at the end of the financial year are set out in the Directors' Report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
28. Reserves and retained profits				
(a) Reserves				
Hedging reserve – cash flow hedges	(9,487)	1,026	(8,954)	935
Share-based payments reserve	53	967	53	967
Foreign currency translation reserve	(2,472)	(3,490)	–	–
	(11,906)	(1,497)	(8,901)	1,902
Movements				
<i>Asset revaluation reserve:</i>				
Balance 1 July	–	–	–	831
Transfer to retained profits	–	–	–	(831)
Balance 30 June	–	–	–	–
<i>Hedging reserve – cash flow hedges:</i>				
Balance 1 July	1,026	(1,087)	935	(802)
Revaluation – gross	(10,681)	1,268	(9,918)	1,132
Deferred tax (Notes 19 and 26)	3,204	(380)	2,975	(340)
Transfer to cost of sales – gross	(2,505)	1,756	(2,370)	1,349
Deferred tax (Notes 19 and 26)	756	(531)	711	(404)
Transfer to finance costs – gross	(1,838)	–	(1,838)	–
Deferred tax (Notes 19 and 26)	551	–	551	–
Balance 30 June	(9,487)	1,026	(8,954)	935
<i>Share-based payments reserve:</i>				
Balance 1 July	967	1,790	967	1,790
Option expense	4	24	4	24
Transfer to share capital	–	(382)	–	(382)
Transfer to retained profits	(918)	(465)	(918)	(465)
Balance 30 June	53	967	53	967
<i>Foreign currency translation reserve:</i>				
Balance 1 July	(3,490)	(1,236)	–	–
Currency translation differences arising during the year	1,018	(2,254)	–	–
Balance 30 June	(2,472)	(3,490)	–	–
(b) Retained profits				
Balance 1 July	42,008	29,244	20,594	13,272
Profit after tax	19,473	26,496	10,614	20,223
Dividends paid	(8,386)	(14,197)	(8,386)	(14,197)
Transfer from reserves	918	465	918	1,296
Balance 30 June	54,013	42,008	23,740	20,594

(c) **Nature and purpose of reserves**

(i) **Asset revaluation reserve**

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

(ii) **Hedging reserve – cash flow hedges**

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(o). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(iii) **Share-based payments reserve**

The share-based payments reserve is used to recognise the fair value of options issued at grant date but not exercised.

(iv) **Foreign currency translation reserve**

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(d)(iii). The reserve is recognised in profit and loss when the net investment is disposed of.

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
29. Contractual commitments for expenditure				
(a) Capital commitments				
Aggregate capital expenditure contracted for at balance date, but not provided for in the accounts, due:				
Not later than one year	117	961	–	–
(b) Lease commitments				
<i>Operating leases</i>				
Aggregate amount of non-cancellable operating leases contracted for at balance date, but not provided for in the accounts, due:				
Not later than one year	8,711	8,467	13	17
Later than one year but not later than five years	19,402	20,234	9	21
Later than five years	3,531	7,042	–	–
	31,644	35,743	22	38
(c) Hire purchase commitments				
Commitments in relation to hire purchase payments are payable as follows:				
Not later than one year	12	34	–	–
Later than one year but not later than five years	27	61	–	–
	39	95	–	–
Future finance charges	(3)	(9)	–	–
Recognised as a liability	36	86	–	–
Representing hire purchase liabilities:				
Current (Note 21)	10	29	–	–
Non-current (Note 24)	26	57	–	–
	36	86	–	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

29. Contractual commitments for expenditure (continued)

The Group leases offices, warehouses, plant and machinery and motor vehicles under non-cancellable operating leases and hire purchase arrangements expiring within one to seven years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are generally re-negotiated.

30. Contingent liabilities

The parent entity has guaranteed the repayment of borrowings of certain controlled entities.

There are a number of claims pending against the Group including claims relating to product liability and associated damages. The Directors consider these claims to be minor which will not materially affect the results of the Group.

The cross guarantee given by those entities listed in Note 36 may give rise to liabilities in the parent entity if the subsidiaries do not meet their obligations under the terms of the overdrafts, loans, leases, or other liabilities subject to the guarantee.

The obligations of a controlled entity under an operating lease agreement are partly secured by a bank guarantee arranged by another controlled entity within the Group.

31. Segment Report

2009 Primary Reporting – business segments

	Consumer Products \$000's	Printing \$000's	Inter-segment Eliminations/ Unallocated \$000's	Consolidated \$000's
Sales to external customers	288,456	68,391	–	356,847
Inter-segment sales	–	60	(60)	–
Total sales revenue	288,456	68,451	(60)	356,847
Other revenue/income	825	1,229	6	2,060
Share of net profit of associate	–	234	–	234
Total segment revenue, other income and share of net profit of associate	289,281	69,914	(54)	359,141
Profit before interest, tax, depreciation and amortisation	41,155	7,365	(5,723)	42,797
Depreciation and amortisation expense	(2,701)	(3,044)	(20)	(5,765)
Segment result	38,454	4,321	(5,743)	37,032
Net borrowing costs				(9,865)
Profit before income tax				27,167
Income tax expense				(7,694)
Profit after income tax				19,473
Segment assets	307,142	51,622	(15,816)	342,948
Segment liabilities	112,304	40,542	35,268	188,114
Acquisition of property, plant and equipment, intangible and other non-current segment assets	1,976	3,567	1	5,544
Investment in associate	–	1,486	–	1,486

	Consumer Products \$000's	Printing \$000's	Inter-segment Eliminations/ Unallocated \$000's	Consolidated \$000's
2008 Primary Reporting – business segments				
Sales to external customers	263,304	70,637	–	333,941
Inter-segment sales	–	110	(110)	–
Total sales revenue	263,304	70,747	(110)	333,941
Other revenue/income	570	941	81	1,592
Share of net profit of associate	–	227	–	227
Total segment revenue, other income and share of net profit of associate	263,874	71,915	(29)	335,760
Profit before interest, tax, depreciation and amortisation	49,987	7,742	(5,143)	52,586
Depreciation and amortisation expense	(3,042)	(3,014)	(34)	(6,090)
Segment result	46,945	4,728	(5,177)	46,496
Net borrowing costs				(9,814)
Profit before income tax				36,682
Income tax expense				(10,186)
Profit after income tax				26,496
Segment assets	302,207	49,898	(16,045)	336,060
Segment liabilities	109,169	41,625	31,731	182,525
Acquisition of property, plant and equipment, intangible and other non-current segment assets	10,588	758	7	11,353
Investment in associate	–	1,752	–	1,752

The above business segments derive revenue from the following products and services:

Consumer Products

Producers of kitchen knives, scissors, cutlery, kitchen utensils, hair, beauty and personal care products, plastic bags, wraps, foils and other consumer products.

Printing

Printers of a wide range of products including quality books, paperbacks and loose leaf printing.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31. Segment Report (continued)

Secondary Reporting – geographical segments

	Segment Revenues from Sales to External Customers		Segment Assets		Acquisitions of Property, Plant and Equipment, Intangibles and Other Non-Current Segment Assets	
	2009	2008	2009	2008	2009	2008
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Australia	319,879	295,373	322,610	315,743	5,234	9,254
Europe	–	–	55	245	–	–
North America	1,936	4,065	111	397	–	–
Asia, New Zealand	35,032	34,503	20,172	19,675	310	2,099
	356,847	333,941	342,948	336,060	5,544	11,353

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an 'arms-length' basis and are eliminated on consolidation.

32. Earnings per share

	2009	2008
Basic earnings per share	30.2¢	41.1¢
Diluted earnings per share	30.2¢	41.1¢
Earnings used in calculating basic earnings per share	\$19,473,000	\$26,496,000
Earnings used in calculating diluted earnings per share	\$19,473,000	\$26,496,000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	64,514,300	64,537,754
Potential ordinary shares	–	–
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share.	64,514,300	64,537,754
Options that are not dilutive and are therefore not included in the calculation of diluted earnings per share	60,000	920,000

Information concerning the classification of securities

Options

Options granted to employees under the McPherson's Limited Employee Share/Option Purchase Plan (the Plan) are considered to be dilutive and therefore potential ordinary shares for the purpose of calculating diluted earnings per share, where their exercise price is below the average market price.

In relation to dilutive options to acquire ordinary shares, the calculation of diluted earnings per share is performed by adding to the denominator only those potential shares that are deemed in accordance with Australian Accounting Standard AASB 133 to have been issued for no consideration. Assumed earnings from proceeds are not added to the numerator.

The number of shares deemed to have been issued for no consideration is the difference between the number of shares that were issued at exercise price and the number of shares that would have been issued at average market price for actual proceeds.

No options have been included in the determination of basic earnings per share. Details relating to options are set out in the Directors' Report.

Employee Share Plans

Participation in employee share plans during the year ended 30 June 2009 were offered to employees under one or other of the two plans listed below.

Exempt Employee Share Plan ("EESP")

Under this plan, all permanent full or part-time Australian resident employees were invited to acquire \$1,000 worth of shares in McPherson's Limited.

Shares issued under the plan may not be sold until the earlier of three years after issue or cessation of employment with the Company ("holding lock period").

Deferred Employee Share Plan ("DESP")

Under this plan, Australian resident Directors, executives and employees approved by the Board were invited to acquire shares up to the equivalent value of 50% of their pre-tax salary and any incentive payable.

Shares issued under the plan may not be sold until the earlier of 10 years after issue or cessation of employment with the Company ("holding lock period").

Restrictions and conditions applying to both the EESP and DESP:

- Shares are acquired on-market by a stockbroker on behalf of the Company and held in the name of the employee subject to the holding lock.
- Shares cannot be offered to employees to the extent that the employee would hold a legal or beneficial interest in more than 5% of the total shares on issue or the employee would be in a position to cast, or control the casting of more than 5% of the maximum number of votes that might be cast at a general meeting of the Company.
- No invitation can be made to an employee if the total number of shares issued under the plan(s), and shares issued during the past five years under any employee share scheme of the Company, or any related body corporate, exceeds five percent (5%) of the total number of issued shares of the Company, at the time the invitation is made.
- Shares have the same rights and entitlements as all other ordinary shares.
- Offers in both plans are at the discretion of the Company.
- Employees are not permitted to participate in both plans.
- Employees may elect not to participate in either plan.
- Payment for the shares is by way of salary sacrifice.
- Operation of the plans in future years is at the discretion of the Board of Directors.

All Employee Share Plans were suspended effective 13 May 2009, pending the Government's proposed changes to Share Plans announced in the 2009 Federal Budget.

33. Particulars in relation to controlled entities

	Country of Incorporation
McPherson's Limited	Australia
<i>Controlled entities of McPherson's Limited</i>	
Domenica Pty Ltd*	Australia
Owen King Holdings Australia Pty Ltd*	Australia
McPherson's Printing Pty Ltd*	Australia
McPherson's Consumer Products (NZ) Limited	New Zealand
McPherson's Housewares Pty Limited*	Australia
McPherson's Consumer Products Pty Ltd*	Australia
Cork International Pte Ltd	Singapore
Multix Pty Ltd*	Australia
McPherson's America Inc.	USA
McPherson's Publishing Inc.	USA
Regent-Sheffield Ltd	USA
McPherson's Hong Kong Limited	Hong Kong
McPherson's Consumer Products (HK) Limited	Hong Kong
Cork International Far East Limited	Hong Kong
McPherson's (UK) Limited	United Kingdom
A.C.N. 082 110 101 Pty Ltd (formerly Oneida Australia Pty Ltd)	Australia

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to Note 36.

Disposal of controlled entities

- Yevad Products Pty Ltd was deregistered on 19 March 2009.
- 718932 Pty Ltd was deregistered on 29 October 2008.
- Revlect Pty Ltd was deregistered on 29 October 2008.

All investments represent 100% ownership interest.

34. Related parties

Directors

Details relating to the insurance of Directors are included in the Directors' Report.

Transactions with McPherson's Limited or its controlled entities

Some current Directors of controlled entities of McPherson's Limited are associated with firms which derive income for services provided to the Group. These transactions are conducted on a commercial basis with conditions no more favourable than those available to outside parties.

Mr J.B. Duncan and Ms A. Hutcheson, who were Directors of a United States controlled entity during the year, are a principal and employee respectively in the law firm J.B. Duncan P.C. This firm renders legal advice to certain controlled entities.

Directors' shares/options

Transactions of Directors and Director related entities concerning shares or share options are set out in the Directors' Report.

All transactions relating to shares and dividends were on the same basis as similar transactions with other shareholders.

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
- Purchase and sale of goods
- Receipt and payment of tax, rent, management and license fees

Related party transactions not reported elsewhere

The aggregate amounts of transactions with related parties not reported elsewhere were as follows:

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<i>Legal fees</i>				
J.B. Duncan P.C.	29,245	5,136	-	-

Related party transactions and balances

Related party transactions and balances are shown throughout the financial statements as follows:

	<u>Note Number</u>
Interest received/receivable	4
Shares in controlled entities and associate	16
Key management personnel	9
Amounts receivable from controlled entities	11,15
Amounts payable to controlled entities	20,21,23
Superannuation funds	35

35. Superannuation commitments

McPherson's Limited and its controlled entities contribute to a number of superannuation funds. The funds provide benefits on a cash accumulation basis for employees or their dependants on resignation, retirement, total and permanent disablement or death. Benefits are based on the contributions and net income thereon held by the funds on behalf of their members. The level of these benefits varies according to the fund to which the employee belongs. Company contributions to all superannuation funds are legally enforceable. Contributions may be made by the member in addition to Company contributions, as specified by the rules of the fund. Group Company contributions to employee superannuation funds during the year totalled \$4,395,041 (2008: \$4,283,851) whilst parent entity contributions totalled \$317,412 (2008: \$322,567).

McPherson's Limited outsources the superannuation function throughout the Group, and therefore does not sponsor any superannuation funds or pension schemes.

36. Deed of Cross Guarantee

McPherson's Limited, and the following controlled entities, are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others.

- McPherson's Consumer Products Pty Ltd
- McPherson's Printing Pty Ltd
- Multix Pty Ltd
- McPherson's Housewares Pty Limited
- Owen King Holdings Australia Pty Ltd
- Domenica Pty Ltd

By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a Financial Report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investment Commission.

(a) Condensed consolidated income statement and a summary of movements in consolidated retained profits

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by McPherson's Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2009 of the Closed Group.

	2009 \$000's	2008 \$000's
<i>Income statement</i>		
Revenue	325,042	294,145
Other income	1,674	1,643
Share of net profit in associate	234	227
Expenses	(296,029)	(248,272)
Finance costs	(10,529)	(11,010)
Profit before income tax	20,392	36,733
Income tax expense	(6,378)	(9,728)
Profit after income tax	14,014	27,005
<i>Summary of movements in consolidated retained profits</i>		
Retained profits at beginning of the financial year	32,497	18,393
Profit after income tax for the year	14,014	27,005
Dividends provided for or paid	(8,386)	(14,197)
Transfer from reserves	918	1,296
Retained profits at the end of the financial year	39,043	32,497

	2009 \$000's	2008 \$000's
(b) Balance sheet		
Set out below is a consolidated balance sheet as at 30 June 2009 of the Closed Group.		
Current assets		
Cash	1,893	9
Receivables	51,597	48,784
Inventories	53,178	45,317
Derivative financial instruments	18	721
Total current assets	106,686	94,831
Non-current assets		
Other financial assets	28,844	48,916
Property, plant and equipment	22,414	21,600
Deferred tax assets	9,386	5,657
Intangible assets	177,822	177,994
Derivative financial instruments	–	1,117
Total non-current assets	238,466	255,284
Total assets	345,152	350,115
Current liabilities		
Payables	52,801	50,949
Borrowings	1,265	64
Derivative financial instruments	10,702	502
Provisions	10,407	9,701
Current tax liabilities	2,295	5,474
Total current liabilities	77,470	66,690
Non-current liabilities		
Payables	3,219	13,449
Borrowings	105,033	107,000
Derivative financial instruments	2,090	–
Provisions	1,204	1,642
Deferred tax liabilities	13,256	13,911
Total non-current liabilities	124,802	136,002
Total liabilities	202,272	202,692
Net assets	142,880	147,423
Equity		
Share capital	112,727	113,024
Reserves	(8,890)	1,902
Retained profits	39,043	32,497
Total equity	142,880	147,423

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
37. Notes to the statements of cash flows				
(i) Reconciliation of net cash provided by operating activities to operating profit after income tax				
Operating profit after income tax	19,473	26,496	10,614	20,223
Amortisation of other intangibles	787	593	–	–
Depreciation/other amortisation	4,978	5,497	21	34
Share-based payments	4	24	4	24
(Profit)/loss on disposal of property, plant and equipment	(14)	13	–	–
Finance charges included in lease payments	–	4	–	–
Non-cash dividends	–	–	(20,396)	(24,300)
Impairment of investment in controlled entity	–	–	4,594	–
Share of profit in associate not received as dividends or distributions	(234)	(227)	–	–
Dividends received from associate	500	300	–	–
<i>Operating assets and liabilities, excluding the effects from purchase of businesses</i>				
Increase/(decrease) in payables	(3,147)	(291)	(1,787)	(1,599)
Increase/(decrease) in other provisions	(226)	168	626	(165)
Increase/(decrease) in employee entitlements	309	648	74	26
Increase/(decrease) in tax payable	(2,751)	903	(12,412)	(10,326)
(Increase)/decrease in receivables	1,295	(1,575)	412	90
(Increase)/decrease in inventories	(5,107)	(3,504)	–	–
Net cash inflow/(outflow) provided by operating activities	15,867	29,049	(18,250)	(15,993)

	Consolidated		Parent Entity	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
(ii) Acquisition of controlled entity/business				
<i>Fair value of identifiable net assets acquired</i>				
Cash	-	441		
Receivables	-	4,047		
Inventories	-	4,682		
Plant and equipment	-	593		
Brandnames	-	2,800		
Other intangibles	-	1,000		
Future income tax benefit	-	174		
Payables	-	(1,196)		
Provisions	-	(236)		
Provision for income tax	-	(689)		
Provision for deferred income tax	-	(843)		
Hire purchase liabilities	-	(140)		
	-	10,633		
Goodwill on acquisition	-	3,708		
Total consideration	-	14,341	-	13,963
(iii) Outflow of cash to acquire controlled entity/businesses				
Total consideration	-	14,341	-	13,963
Less: Cash acquired	-	(441)	-	-
Net cash outflow	-	13,900	-	13,963

38. Events occurring after balance date

Subsequent to the end of the financial year, the Company announced on 6 July 2009 that the operations of the Company's two consumer products businesses, McPherson's Consumer Products and Multix, have been combined into a single entity, and that Mr Paul Maguire, Chief Executive Officer of Multix, was appointed chief executive of the enlarged business. The Company also announced that after a transition period, Mr Maguire will also be appointed Managing Director of McPherson's Limited and the current Managing Director, Mr David Allman, will retire from the position at the conclusion of the transition period.

On 9 July 2009 the Company announced that it was proposed to grant 1.5 million options over ordinary shares in the Company to Mr Paul Maguire under the McPherson's Limited Share/Option Purchase Plan. The grant is subject to the approval of shareholders which will be sought at the McPherson's Limited Annual General Meeting on 13 November 2009. The options will form part of Mr Maguire's remuneration arrangements. The options are to be granted in four equal tranches of 375,000 and will be exercisable subject to the satisfaction of certain performance hurdles during the respective exercise periods.

On 14 August 2009 the Company announced it had completed a share placement to institutional, sophisticated and professional investors of 5,714,285 new ordinary shares at \$2.10 per share to raise \$12 million of additional capital. The Company also announced an offer to enable retail shareholders to participate in an underwritten Share Purchase Plan to raise an additional \$3 million in capital at \$2.10 per share. Shares under this plan are to be allotted on 17 September 2009. All new shares issued will rank equally with existing shares.