McPherson's Limited
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ASX and Media Release **(ASX: MCP)**

23 February 2011

McPherson's First Half Profit $16.9 million

12 cent interim dividend fully franked

- **Profit after tax up 20% on prior year**
- **Earnings per share up 16% on prior year**
- **Interim dividend up 20% to 12 cents**
- **Debt reduced and gearing further improved**
- **Forecast 10% EPS increase for full year**

McPherson's Limited, the consumer products and printing group, today announced an after-tax profit of $16.9 million for the six months to 31 December 2010. This represents a 20% increase over the first half net profit in FY 2010 ($14.1 million).

Reflecting the company's stronger financial position and improved earnings, Directors have declared a fully franked interim dividend of 12 cents per share, payable on 1 April 2011. The company has substantial franking credits which will ensure future dividends are 100% franked.

Directors have determined that with effect from the 2011 final dividend, the dividend payment policy is to be changed from at least 50% of annual net profit before amortisation, to at least 60%, subject to other funding requirements.

Results summary for the six months	**31 Dec 09** ($ million)	**31 Dec 10** ($ million)	**Change** (%)
Sales revenue	190.1	**189.7**	(0.2)
EBIT (Earnings before interest and tax)	24.3	**28.0**	15.3
Profit before tax	20.1	**24.0**	19.8
Profit after tax	14.1	**16.9**	19.5
Earnings per share (cents)	20.3	**23.6**	15.8
Interim dividend (cents) fully franked	10.0	**12.0**	20.0

Segment summary for the six months				
	Sales Revenue ($ million)		**Trading EBIT** ($ million)	
	31 Dec 09	**31 Dec 10**	**31 Dec 09**	**31 Dec 10**
Consumer Products	157.7	**158.4**	24.8	**29.1**
Printing	32.4	**31.3**	1.5	**1.4**
Corporate/unallocated	0.0	**0.0**	(2.0)	**(2.5)**
Group	190.1	**189.7**	24.3	**28.0**

Consumer Products Division

McPherson's Consumer Products designs and markets a large range of consumer products. Its key brands are Wiltshire and Stanley Rogers (housewares), Manicare, Lady Jayne and Swisspers (personal care), Multix (household consumables) and Home Living (impulse merchandising). Distribution is through all major retailers throughout Australia and New Zealand, and in Asia. Manufacturing is outsourced to a range of countries, particularly China, and McPherson's has a major presence in Hong Kong and China focused on quality assurance and product sourcing. Most products are purchased in US dollars.

Consumer Products Divisional EBIT increased by 17% to $29.1 million.

Sales revenue increased by 0.5% despite the comparatively difficult environment experienced by the company's retail customers. There were significant revenue increases from key branded products – in particular Multix and Swisspers – but these were largely offset by a decline in impulse merchandising revenue due to a reduction in available selling space for this category in some retailers.

The business improvement initiatives commenced in the previous financial year are ongoing and the efficiency gains from these are being realised. The stronger Australian dollar has assisted margins and the company's foreign currency hedging arrangements have been extended to provide forward protection until December 2011. The margin gains from the stronger currency were partially offset by competitive pressures and by increased input costs caused by a combination of higher commodity prices and factory labour costs in China.

Brand development, together with new and improved products, continue to be the major focus of Consumer Products to ensure the company remains a leader in its field, providing continuous innovation to the company's retail partners.

Printing Division

McPherson's Printing Group provides printing services for a range of customers including major domestic and international book publishers, directory and professional reference information publishers, magazine and periodical publishers, corporate/industrial catalogue and manual publishers, the automotive and horse racing industries and a variety of other specialised users.

Printing Divisional EBIT decreased slightly to $1.4 million from $1.5 million last year.

Sales revenue was below the previous corresponding period due to the continuation of subdued market conditions. Profit margins remained consistent with the previous year.

The business remains focused on cost containment and efficiency improvement. During the half year the company committed to invest in new sheet-fed colour printing equipment, which will be commissioned at the Mulgrave plant during the second half of the year and allow two older presses to be retired. This investment will increase efficiency and provide opportunities to expand competitively into additional market sectors, with the full benefits to be realised in FY 2012.

Net Debt and Gearing

Strong operating cash-flows resulted in net debt decreasing to $62.0 million at 31 December 2010, compared with $81.2 million a year earlier and $71.9 million at 30 June 2010. Net debt at 31 December 2010 represented 31% of shareholders' funds, an improvement from the gearing level of 37% at 30 June 2010.

Net Debt and Gearing (Cont'd)

Interest expense for the half was $4.0 million (H1 2010: $4.2 million), with interest savings from lower borrowing levels partly offset by higher interest rates. Interest cover for the first half was 7.1 times compared with 5.8 times for the six months to 31 December 2009.

As reported previously, term debt facilities are in place until 31 August 2013.

Outlook

Paul Maguire, Managing Director, said: "Second half trading to date has been consistent with expectations, with the Consumer Products Division's earnings continuing to benefit from the strong Australian dollar and business efficiency initiatives.

"The company remains on target to achieve an increase of around 10% in earnings per share to approximately 40 cents for the full year to 30 June 2011, from the 36.4 cents reported last year. This assumes our performance is not unduly influenced by the uncertainties of the retail environment, competitive pressures or the net effect of movements in exchange rates and other input costs."

Chairman Simon Rowell said: "The company is now actively searching for consumer products acquisition opportunities in existing channels and considering expansion into other sales channels such as hardware. The strong balance sheet will assist in maximizing the ability to take advantage of attractive acquisitions."

For further information please contact:
Paul Maguire, Managing Director, telephone (03) 9566 3300.

McPherson's Limited
ABN: 98 004 068 419
Half Year ended 31 December 2010

Results for Announcement to the Market

				$A000's
Revenue	down	0.3%	to	**189,792**
Profit after tax attributable to members	up	20%	to	**16,883**
Net profit for the period attributable to members	up	20%	to	**16,883**

Dividends/distributions	**Amount per security**	**Franked amount per security**
Interim dividend	**12.0¢**	**12.0¢**
Previous corresponding period	10.0¢	10.0¢

Payment date for interim dividend	**1 April, 2011**
Record date for determining entitlements to the dividend	**15 March, 2011**

McPherson's Limited
Statement of Comprehensive Income
For the period ended 31 December 2010

	Half Year 31 Dec 2010 A$000's	Half Year 31 Dec 2009 A$000's
Revenue		
Sales revenue	**189,739**	190,096
Interest	**27**	14
Royalties	**26**	194
Total revenue	**189,792**	190,304
Other income		
Net gain from disposal of property, plant and equipment	**-**	12
Waste recoveries	**423**	437
Commissions	**76**	53
Sundry	**149**	142
Total other income	**648**	644
Share of net profit of associate	**152**	113
Total revenue, other income and share of net profit of associate	**190,592**	191,061
Expenses		
Materials and consumables used	**94,225**	101,871
Employee costs	**32,834**	32,253
Rental expenses relating to operating leases	**4,662**	4,828
Amortisation of other intangibles	**103**	340
Depreciation/other amortisation	**2,695**	2,437
Advertising and promotional	**7,737**	6,417
Repairs and maintenance	**1,155**	984
Cartage and freight	**8,486**	7,686
Net loss from disposal of property, plant and equipment	**186**	-
Other expenses	**10,469**	9,935
Borrowing costs expense	**3,997**	4,238
Total expenses	**166,549**	170,989
Profit before income tax expense	**24,043**	20,072
Income tax expense	**(7,160)**	(5,945)
Profit after income tax expense	**16,883**	14,127

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

McPherson's Limited
Statement of Comprehensive Income (continued)
For the period ended 31 December 2010

	Half Year 31 Dec 2010 A$000's	Half Year 31 Dec 2009 A$000's
Profit after income tax expense	**16,883**	14,127
Other comprehensive income		
Changes in the fair value of cash flow hedges	**(2,586)**	9,182
Exchange differences on translation of foreign operations	**(2,029)**	(536)
Income tax relating to components of other comprehensive income	**776**	(2,755)
Other comprehensive income for the half year	**(3,839)**	5,891
Total comprehensive income for the half year	**13,044**	20,018

	Half Year 31 Dec 2010 Cents	Half Year 31 Dec 2009 Cents
Basic earnings per share	**23.6**	20.3
Diluted earnings per share	**23.3**	20.3

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

McPherson's Limited
Balance Sheet
As at 31 December 2010

	31 Dec 2010	30 June 2010
	A$000's	A$000's
Current assets		
Cash	**5,635**	467
Receivables / prepayments	**68,043**	57,368
Inventories	**59,456**	64,297
Derivative financial instruments	**-**	258
Total current assets	**133,134**	122,390
Non-current assets		
Other financial assets	**1,333**	1,281
Property, plant and equipment	**21,280**	22,262
Intangibles	**187,585**	188,135
Derivative financial instruments	**226**	-
Deferred tax assets	**7,530**	6,274
Total non-current assets	**217,954**	217,952
Total assets	**351,088**	340,342
Current liabilities		
Payables	**45,379**	41,227
Derivative financial instruments	**4,833**	1,529
Borrowings	**150**	312
Provisions	**9,991**	10,947
Current tax liabilities	**5,246**	2,365
Total current liabilities	**65,599**	56,380
Non-current liabilities		
Derivative financial instruments	**-**	290
Borrowings	**67,514**	72,018
Provisions	**1,163**	1,084
Deferred tax liabilities	**13,701**	13,672
Total non-current liabilities	**82,378**	87,064
Total liabilities	**147,977**	143,444
Net assets	**203,111**	196,898

The above balance sheet should be read in conjunction with the following notes and appendices.

McPherson's Limited
Balance Sheet (continued)
As at 31 December 2010

	31 Dec 2010 A$000's	30 June 2010 A$000's
Shareholders' equity		
Share capital	**127,193**	127,193
Reserves	**(5,795)**	(2,290)
Retained profits	**81,713**	71,995
Total shareholders' equity	**203,111**	196,898

The above balance sheet should be read in conjunction with the following notes and appendices.

McPherson's Limited
Statement of Changes in Equity
For the period ended 31 December 2010

	Share Capital A$000's	Reserves A$000's	Retained Profits A$000's	Total A$000's
Balance at 1 July 2010	**127,193**	**(2,290)**	**71,995**	**196,898**
Profit after income tax for the half year	-	-	16,883	16,883
Cash flow hedges, net of tax	-	(1,810)	-	(1,810)
Exchange differences on translation of foreign operations	-	(2,029)	-	(2,029)
Total comprehensive income for the half year	**-**	**(3,839)**	**16,883**	**13,044**
Transactions with shareholders				
Share based payments expense	-	334	-	334
Dividends paid	-	-	(7,165)	(7,165)
Balance at 31 December 2010	**127,193**	**(5,795)**	**81,713**	**203,111**

The above statement of changes in equity should be read in conjunction with the following notes and appendices.

McPherson's Limited
Statement of Changes in Equity
Prior period comparative

	Share Capital A$000's	Reserves A$000's	Retained Profits A$000's	Total A$000's
Balance at 1 July 2009	**112,727**	**(11,906)**	**54,013**	**154,834**
Adjustment on application of AASB 2008-8, net of tax	-	554	(554)	-
	112,727	**(11,352)**	**53,459**	**154,834**
Profit after income tax for the half year	-	-	14,127	14,127
Cash flow hedges, net of tax	-	6,427	-	6,427
Exchange differences on translation of foreign operations	-	(536)	-	(536)
Total comprehensive income for the half year	**-**	**5,891**	**14,127**	**20,018**
Transactions with shareholders				
Share based payments expense	-	207	-	207
Share issues - equity raising	15,000	-	-	15,000
Net transaction costs arising on share issues	(541)	-	-	(541)
Transfers	-	(52)	52	-
	14,459	155	52	14,666
Balance at 31 December 2009	**127,186**	**(5,306)**	**67,638**	**189,518**

The above statement of changes in equity should be read in conjunction with the following notes and appendices.

McPherson's Limited
Statement of Cash Flow
For the period ended 31 December 2010

	Half Year 31 Dec 2010 A$000's	Half Year 31 Dec 2009 A$000's
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	**195,850**	196,167
Payments to suppliers and employees (inclusive of GST)	**(168,130)**	(175,773)
Interest received	**30**	18
Interest and borrowing costs paid	**(4,151)**	(4,295)
Income tax paid	**(4,654)**	(5,112)
Dividend received	**100**	-
Net cash inflows from operating activities	**19,045**	11,005
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	**(2,060)**	(2,169)
Proceeds from sale of property, plant and equipment	**61**	15
Payments for purchase of intangibles	**(10)**	(48)
Net cash outflows from investing activities	**(2,009)**	(2,202)
Cash flows from financing activities		
Proceeds from issue of shares	**-**	15,000
Costs from issue of shares	**-**	(773)
Proceeds from borrowings	**66,000**	64,000
Repayment of borrowings	**(70,500)**	(86,000)
Dividends paid	**(7,165)**	-
Repayment of finance lease liabilities	**(6)**	(6)
Net cash outflows from financing activities	**(11,671)**	(7,779)
Net increase in cash held	**5,365**	1,024
Cash at beginning of the financial year	**164**	897
Net effect of exchange rate changes on cash	**(36)**	(28)
Net cash at end of half year	**5,493**	1,893

The above statement of cash flow should read in conjunction with the following notes and appendices.

McPherson's Limited
Notes to the Financial Statements
For the period ended 31 December 2010

Material factors affecting the revenues and expenses of the Group for the current period.

Material factors affecting the revenues and expenses of the Group for the period ended 31 December 2010 and significant trends or events since that date, are included in the attachment to this announcement.

Material factors affecting the assets, liabilities and equity of the Group for the current period.

Significant movements in equity for the period are set out on pages 3 and 6.

Material factors affecting the cash flows of the Group for the current period.

A reconciliation of net cash provided by operating activities to operating profit after income tax is attached as Appendix A to this report.

Changes in accounting policies

There have been no changes in accounting policies since the last ASX release, required to be disclosed in accordance with Australian Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Extraordinary items

N/A

Reconciliation of income tax expense

A reconciliation of prima facie income tax to the actual income tax expense is attached as Appendix B to this report.

Segment note

Information on the business segments of the group is attached as Appendix C to this report and is prepared in accordance with Accounting Standard AASB 8 *Operating Segments*.

McPherson's Limited
Notes to the Financial Statements
For the period ended 31 December 2010

Discontinuing operations

N/A

Events occurring after reporting date

N/A

Impairment Testing – Intangibles

Impairment testing has been undertaken for the Printing Cash Generating Unit (CGU) at 31 December 2010. The key assumptions used in calculating the recoverable amount of the Printing CGU are largely unchanged from those applied at 30 June 2010 and reported in the 2010 financial statements. These assumptions have been reviewed and are considered appropriate. The impairment testing indicates that no impairment is evident at 31 December 2010.

Impairment testing of the Consumer Products CGUs has not been undertaken at 31 December 2010.

McPherson's Limited
Supplementary Appendix 4D information
For the period ended 31 December 2010

Statement of compliance

The financial report complies with Australian Accounting Standards, which includes Australian equivalents to International Financial Reporting Standards (AIFRS).

Compliance with AIFRS ensures the half year report complies with International Financial Reporting Standards (IFRS).

Additional dividend information

Details of dividends declared or paid during or subsequent to the period ended 31 December 2010 are as follows:

	A$000's
• Interim 2010/11 ordinary dividend of 12.0 cents per fully paid ordinary share declared by directors (fully franked) but not recognised as a liability at half year.	**8,598**

The 2010 final ordinary dividend of $7,165,000 (10.0 cents per fully paid ordinary share) referred to in the Directors' Report dated 24 August 2010 was paid on 1 October 2010.

Dividend reinvestment plans

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

NTA Backing

	Half Year 31 Dec 2010 cents	Half Year 31 Dec 2009 cents
Net tangible asset backing per ordinary share	**21.7**	1.9

Control gained over entities during the period

Nil

McPherson's Limited
Supplementary Appendix 4D information
For the period ended 31 December 2010

Loss of control of entities during the period

Nil

Associates and Joint Venture entities

The Group has a 33⅓% shareholding in an associate company, Denward Court Pty Ltd, which is incorporated in Australia and whose principal activity is book binding.

Audit

This report is based on accounts which have been subject to review in accordance with ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the entity.*

McPherson's Limited

P.R. Bennett
Company Secretary

Signed this 23rd day of February 2011.

APPENDIX A

McPherson's Limited
Reconciliation of net cash provided by operating activities to operating profit after income tax
For the period ended 31 December 2010

	Half Year 31 Dec 2010 A$000's	Half Year 31 Dec 2009 A$000's
Operating profit after income tax	**16,883**	14,127
Amortisation of other intangibles	**103**	340
Depreciation/other amortisation	**2,695**	2,437
Loss/(Profit) on disposal of property, plant and equipment	**186**	(12)
Loss in disposal of intangibles	**8**	-
Share based payments expense	**334**	207
Share of profit in associate not received as dividends or distributions	**(152)**	(113)
Dividends received from associate	**100**	-
Time value in option hedging contracts	**460**	28
Finance charges included in lease payments	**1**	1
Operating assets and liabilities, excluding the effects from purchase or sale of controlled entities:		
Increase/(Decrease) in payables	**3,540**	8,627
Increase/(Decrease) in other provisions	**(794)**	(1,842)
Increase/(Decrease) in employee entitlements	**43**	(654)
Increase/(Decrease) in tax payable	**2,506**	833
(Increase)/Decrease in receivables	**(11,112)**	(12,557)
(Increase)/Decrease in inventories	**4,244**	(417)
Net cash inflows from operating activities	**19,045**	11,005

APPENDIX B

McPherson's Limited
Reconciliation of prima facie income tax to actual income tax expense
For the period ended 31 December 2010

	Half Year 31 Dec 2010 A$000's	Half Year 31 Dec 2009 A$000's
Operating profit before tax	**24,043**	20,072
Prima facie income tax at 30%	**7,213**	6,022
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share of net profit of associate	**(46)**	(34)
Share based payments expense	**100**	62
Tax rate differences in overseas entities	**(128)**	(128)
(Over)/Under provision in prior years	**(25)**	33
Other	**46**	(10)
Income tax expense	**7,160**	5,945
Current tax	**7,564**	5,452
Deferred tax	**(379)**	460
(Over)/Under provision in prior years	**(25)**	33
Income tax expense	**7,160**	5,945
Deferred income tax expense included in tax expense comprises:		
(Increase)/Decrease in deferred tax assets	**(418)**	438
Increase in deferred tax liabilities	**39**	22
	(379)	460

APPENDIX C

McPherson's Limited
Segment Report
For the period ended 31 December 2010

	Consumer Products A$000's	Printing A$000's	Inter-segment Eliminations/ Unallocated A$000's	Consolidated A$000's
2010 Segment Information				
Sales to external customers	158,440	31,299	-	189,739
Inter-segment sales	-	39	(39)	-
Total sales revenue	158,440	31,338	(39)	189,739
Other revenue/income	142	546	13	701
Share of net profit of associate	-	152	-	152
Total segment revenue, other income and share of net profit of associate	158,582	32,036	(26)	190,592
Profit before interest, tax, depreciation and amorisation	30,373	2,976	(2,538)	30,811
Depreciation and amortisation expense	(1,262)	(1,535)	(1)	(2,798)
Profit before interest and tax	29,111	1,441	(2,539)	28,013
Net borrowing costs				(3,970)
Profit before income tax				24,043
Income tax expense				(7,160)
Profit after income tax				16,883

Operating segments are reported in a manner which is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director of McPherson's Limited.

The internal reports reviewed by the Managing Director, which are used to make strategic decisions, are separated into two distinct reporting segments; Consumer Products and Printing.

The reporting 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.

APPENDIX C
McPherson's Limited
Segment Report
Prior Period Comparative

	Consumer Products A$000's	Printing A$000's	Inter-segment Eliminations/ Unallocated A$000's	Consolidated A$000's
2009 Segment Information				
Sales to external customers	157,695	32,401	-	190,096
Inter-segment sales	-	45	(45)	-
Total sales revenue	157,695	32,446	(45)	190,096
Other revenue/income	326	524	2	852
Share of net profit of associate	-	113	-	113
Total segment revenue, other income and share of net profit of associate	158,021	33,083	(43)	191,061
Profit before interest, tax, depreciation and amorisation	26,100	2,955	(1,982)	27,073
Depreciation and amortisation expense	(1,317)	(1,458)	(2)	(2,777)
Profit before interest and tax	24,783	1,497	(1,984)	24,296
Net borrowing costs				(4,224)
Profit before income tax				20,072
Income tax expense				(5,945)
Profit after income tax				14,127

McPherson's Limited and Controlled Entities
Directors' Report

The Board of Directors issues the following report on the consolidated financial statements of the Group for the half-year ended 31 December 2010 and the state of affairs at that date.

(a) Directors

The names of the directors of McPherson's Limited who were in office from the beginning of the financial year to the date of this report are as follows:

S.A. Rowell, P.J. Maguire, D.J. Allman, J.P. Clifford and P.D.J. Landos

G.A. Cubbin was appointed a non-executive director on 28 September 2010.

(b) Review of operations

Refer separate commentary which forms part of this report.

(c) Dividends

Directors have recommended that an interim dividend of 12.0¢ per share be paid.

(d) Rounding

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 and Directors' Report.

(e) Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

Signed in accordance with a resolution of the directors.

Dated at Melbourne this 23rd day of February 2011.

S.A. Rowell
Director

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Auditor's Independence Declaration

As lead auditor for the review of McPherson's Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of McPherson's Limited and the entities it controlled during the period.

Graeme Billings
Partner
PricewaterhouseCoopers

Melbourne
23 February 2011

McPherson's Limited and Controlled Entities
Directors' Declaration

I, Simon A. Rowell being a director of McPherson's Limited, declare that in the opinion of the directors:

(a) the financial statements set out in the Half-Yearly Report:

(i) comply with Accounting Standards and have been prepared in accordance with the Corporations Act 2001 and other mandatory professional reporting requirements;

(ii) comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); and

(iii) give a true and fair view of the consolidated entity's financial position at 31 December 2010 and of their performance for the half-year ended on that date;

(b) there are reasonable grounds to believe that McPherson's Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Dated at Melbourne this 23rd day of February 2011.

S.A. Rowell
Director

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of McPherson's Limited which comprises the balance sheet as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the McPherson's Limited Group (the consolidated entity). The consolidated entity comprises both McPherson's Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As the auditor of McPherson's Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

PRICEWATERHOUSECOOPERS

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

PricewaterhouseCoopers

Graeme Billings
Partner

Melbourne
23 February 2011