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ASX and Media Release

(ASX: MCP)

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McPherson's Full Year Profit $25.6 million

10 cent final dividend fully franked

- **Profit after tax up 33% on prior year**
- **Earnings per share up 22% on prior year**
- **Full year dividend payout of 20 cents per share fully franked**
- **Gearing improved to 37% at 30 June 2010 from 67% a year ago**

McPherson's Limited, the consumer products and printing group, today announced an after-tax profit of $25.6 million for the year ended 30 June 2010, an increase of 33% over the prior year.

The pre-tax profit was $36.6 million, representing an increase of 36% or $9.7 million over the previous year's restated $26.9 million.

Directors have declared a fully franked final dividend of 10.0 cents per share, payable on 1 October 2010 to shareholders on the register at 10 September 2010. This brings the full year dividend payout to 20.0 cents per share, fully franked.

Results Summary (prior year restated*) for the year ended	**30 June 09** ($ million)	**30 June 10** ($ million)	**% change**
Sales revenue	356.8	**354.0**	(0.8)
EBIT (Earnings before interest and tax)	36.8	**44.5**	20.9
Profit before tax	26.9	**36.6**	36.1
Profit after tax	19.3	**25.6**	32.6
Earnings per share (cents)	29.9	**36.4**	21.7
Final dividend (cents) fully franked	0	**10.0**	N/A

** Earnings for the year ended 30 June 2009 have been restated in the reported figures including the Results Summary and in the Segment Summary below, in line with amended Accounting Standard AASB139 relating to the expensing of currency option premiums. The restatement decreased the 2009 pre-tax result by $290,000 and the after tax profit by $203,000.*

Segment Summary for the year ended

	Sales Revenue ($ million)		**Trading EBIT** ($ million)	
	30 June 09	**30 June 10**	**30 June 09**	**30 June 10**
Consumer Products	288.5	**289.7**	38.2	**45.2**
Printing	68.4	**64.3**	4.3	**3.8**
Corporate/unallocated	(0.1)	**(0.1)**	(5.7)	**(4.5)**
Group	356.8	**354.0**	36.8	**44.5**

Consumer Products Division - EBIT $45.2 million

McPherson's Consumer Products designs and markets a large range of consumer products. Its key brands are Wiltshire (housewares), Manicare (beauty care), Lady Jayne (hair care), Multix (kitchen essentials) and Swisspers (skin care), and 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.

Sales revenue was in line with the prior year, reflecting significant range rationalisation and a subdued retail environment, particularly in the second half.

However, margins continued to increase due to business improvement initiatives and the stronger Australian dollar. Although the favourable currency impact during the first half was limited by the company's foreign currency hedging policy, which is to cover forecast US dollar purchases six months forward, second half earnings benefited from the stronger currency and the margin improvement initiatives commenced in the previous year.

The margin improvement and benefit of cost savings resulted in a pleasing 18% lift in divisional EBIT to $45.2 million compared with $38.2 million last year.

The initial stage of the amalgamation of all Australian consumer product operations was completed successfully during the year, resulting in efficiencies and cost savings. The final stage was commenced later in the year and the division's two Melbourne premises were consolidated in July 2010 onto one new site with further efficiency gains.

Printing Division - EBIT $3.8 million

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.

Sales revenue was below the previous year due to the continuation of subdued market conditions and competitive pressures, particularly with respect to professional reference publications. Volumes in the 'read for pleasure' sector, however, held up reasonably well. Profit margins overall were at similar levels to the previous year with strong cash flows generated.

The business remains focused on cost containment and efficiency improvement through technology based initiatives.

Net Debt and Gearing

During the year the company raised additional capital of approximately $15 million through a share placement and a share purchase plan. This capital was used to repay debt and has substantially strengthened the company's balance sheet.

Strong operating cash flows resulted in net debt at 30 June 2010 of $71.9 million, compared with $104.2 million at 30 June 2009. Gearing (net debt to shareholders' equity) reduced to 37% from 67% a year earlier.

Interest expense for the year was $7.9 million (2009: $9.9 million). Interest cover was 5.6 times, compared with 3.7 times for the year ended 30 June 2009.

Term debt facilities have recently been renegotiated with the company's existing banking partners, with the term now extended until 31 August 2013.

Trading Commentary

Paul Maguire, Managing Director said "the 2010 result was a very solid outcome given the mixed market conditions, particularly affecting the retail sector in the second half. Although a continuing stronger currency would benefit consumer products margins going forward, competitive pressures and the present uncertain economic environment may also impact 2011 earnings. Despite those uncertainties the company is anticipating modest growth in 2011, with revenue and profit outcomes for the first two months of the new financial year consistent with that expectation".

Chairman Simon Rowell said "it is pleasing that the improved performance and strengthened balance sheet is allowing significant fully franked dividend payments to shareholders to continue. The Company is now actively seeking consumer products acquisition opportunities and is well positioned to take advantage of them".

For further information please contact:
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