McPherson's Limited

ACN 004 068 419

5 Dunlop Road
PO Box 4490
Mulgrave VIC 3170
Australia

Telephone: +61 3 9566 3300
Facsimile: +61 3 9574 9075

ASX/Media release **26 August 2009**

McPherson's 2008/09 Results

McPherson's Limited today reported a net profit after tax of $19.5 million for the year to 30 June 2009, which represents 30.2 cents per share and is in line with previously announced guidance.

The underlying pre-tax profit was $29.6 million which compares with the previous year's $38.2 million.

The 2009 underlying pre-tax profit excludes the previously announced non-recurring expense of $2.5 million associated with the amalgamation of the Company's consumer products operations and management changes. The 2008 figure excludes non-recurring costs of $1.5 million related to the proposed Printing joint venture which did not proceed, and the settlement of a legal dispute.

Directors have decided not to declare a final dividend but expect to re-instate dividend payments for 2009/10, starting with an interim dividend.

Net debt at 30 June 2009 was $104.2 million with gearing (net debt to shareholders' funds) of 67%. This compares with 69% at 30 June 2008 and 79% at 31st December 2008.

Trading results summary for the year to 30 June ($ million)

	2008	2009
Sales revenue	333.9	**356.8**
EBITDA	54.1	**45.3**
EBIT	48.0	**39.5**
Underlying profit before tax	38.2	**29.6**

Segment EBIT summary for the year to 30 June ($ million)

	Sales Revenue		Trading EBIT	
	2008	2009	2008	2009
Consumer Products	263.3	**288.5**	47.0	**38.5**
Printing	70.7	**68.4**	4.7	**4.3**
Corporate/unallocated	(0.1)	**(0.1)**	(3.7)	**(3.3)**
Group	333.9	**356.8**	48.0	**39.5**

Managing Director David Allman said: 'This was an exceptionally difficult year for the company. The fact that McPherson's has overcome so many challenges and emerged with the resources to continue along its growth path demonstrates the resilience of its operations. The strength of our brands and the creation of a single consumer products business will enable us to reinforce our position as a leader in the Australian and New Zealand consumer products markets.'

McPherson's Consumer Products - EBIT $38.5 million

McPherson's Consumer Products produces and markets a large range of household items focusing on its major brands of Wiltshire (housewares), Manicare (beauty care), Lady Jayne (hair care), Multix (bags, wraps, foil and other household consumables) and Swisspers (skin care). The products are distributed through all major retailers and the commercial food service channel throughout Australia and New Zealand, and also in Asia. Manufacturing is outsourced to a range of suppliers mainly in China, and McPherson's Consumer Products has a major presence in Hong Kong and China focused on quality assurance and product sourcing and development. Most products are purchased in US dollars.

Despite a difficult and volatile year, sales revenue increased by 9% compared with the previous year. Organic sales growth of 5% was achieved, excluding the impact of the Oneida acquisition in February 2008, with all major brands increasing revenue.

The decline in the value of the Australian dollar between July 2008 and February 2009 significantly increased product costs (in Australian dollars) and this adversely impacted margins. Initiatives were implemented to restore margins through price increases wherever possible, product cost reductions, overhead reductions and new product launches at sustainable margins. These initiatives are now having significant positive impact.

The recent appreciation of the Australian dollar will also assist margins going forward but competitive pressures will limit the impact of this factor. In addition the Company's foreign currency hedging policy is to cover all forecast US dollar purchases 6 months forward so combined with inventory turnover the impact of the higher Australian dollar will not be fully felt until the second half of the 2009/10 year.

On 6 July 2009 the Company announced the amalgamation of all consumer product operations into one entity trading as McPherson's Consumer Products. The new integrated management structure under Chief Executive Paul Maguire is functioning well and all integration processes are proceeding smoothly.

McPherson's Printing Group (MPG) – EBIT $4.3 million

MPG is Australia's leading producer of books, with production plants at Maryborough and Mulgrave in Victoria, and it also produces a variety of other commercial printed products.

Sales revenue declined by 3%, due mainly to reduced demand in the commercial segment, but "read for pleasure" publishing volumes were steady. Efficiency savings in expenses were achieved during the year.

With trading conditions in the book market remaining subdued the business continues to focus on leveraging investments in technology to contain costs and add value for customers.

Capital Raising

On 14 August 2009 the Company announced the issue of 7.14 million new ordinary shares at $2.10 per share to raise additional capital of $15 million (before issue costs), through a $12 million share placement to institutional investors and $3 million from a fully underwritten Share Purchase Plan open to all shareholders in Australia and New Zealand. The capital raised will be used to further reduce debt levels, which will place the Company in a strong position to take advantage of any commercial opportunities which arise. Based on the 30 June 2009 balance sheet the additional capital would reduce the gearing level from the reported 67% to approximately 53%.

Appointment of new Managing Director

On 6 July 2009 it was announced that Paul Maguire would replace David Allman as Managing Director of McPherson's Limited after a transition period. The transition process, particularly the integration of the consumer products operations, is proceeding well and it is envisaged that Mr. Maguire will take over as Managing Director around the end of October 2009.

The Board is pleased to advise that Mr. Allman will be appointed a non-executive director of McPherson's Limited following his retirement as Managing Director.

Outlook

Trading to date for the 2009/10 year has continued the positive trend of the previous few months. Despite the difficult economic environment Directors remain confident that the Company is well placed to improve earnings per share during 2009/10, including earnings on the expanded capital from the placement and Share Purchase Plan, and it is expected that dividend payments will be re-instated for the 2009/10 financial year commencing with an interim 2009/10 dividend.

Chairman Simon Rowell said that the fresh capital raised will add further strength to the balance sheet and bring gearing down to a very satisfactory level.

For further information please contact:
David Allman, Managing Director, telephone (02) 9370 8020.

McPherson's Limited
Year ended 30 June 2009

Results for Announcement to the Market

				$A000's
Revenue	Up	7%	to	**357,415**
Profit after tax attributable to members	Down	27%	to	**19,473**
Net profit for the period attributable to members	Down	27%	to	**19,473**

Dividends/distributions	**Amount per security**	**Franked amount per security**
Final dividend	**Nil¢**	**Nil¢**
Interim dividend	Nil¢	Nil¢

Payment date for final dividend	N/A
Record date for determining entitlements to the dividend	N/A

McPherson's Limited
Income Statement
For the year ended 30 June 2009

	Current Period A$000's	Previous Corresponding Period A$000's
Revenue		
Sales Revenue	**356,847**	333,941
Interest	**34**	101
Royalties	**534**	447
Total revenue	**357,415**	334,489
Other Income		
Waste recoveries	**1,013**	757
Commissions	**86**	151
Net gain on disposal of property, plant and equipment	**14**	-
Sundry	**379**	136
Total Other Income	**1,492**	1,044
Share of net profit of associate	**234**	227
Total Revenue and Other Income	**359,141**	335,760
Expenses		
Materials and consumables used	**191,410**	159,201
Employee costs	**66,240**	67,031
Rental expenses relating to operating leases	**9,888**	9,176
Amortisation of other intangibles	**787**	593
Depreciation/other amortisation	**4,978**	5,497
Advertising and promotional	**10,790**	11,462
Repairs and maintenance	**2,125**	2,217
Cartage and freight	**14,698**	13,357
Costs associated with proposed Joint Venture	**-**	500
Restructure costs	**2,452**	-
Other expenses from ordinary activities	**18,707**	20,129
Borrowing costs expense	**9,899**	9,915
Total expenses	**331,974**	299,078
Profit before income tax expense	**27,167**	36,682
Income tax expense	**(7,694)**	(10,186)
Profit after income tax expense	**19,473**	26,496

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

McPherson's Limited
Income Statement
For the year ended 30 June 2009

	Current Period	Previous Corresponding Period
	Cents	Cents
Basic earnings per share	**30.2**	41.1
Diluted earnings per share	**30.2**	41.1

McPherson's Limited
Balance Sheet
As at 30 June 2009

	Current Period A$000's	Previous Corresponding Period A$000's
Current assets		
Cash	**2,281**	940
Receivables	**55,782**	56,820
Inventories	**61,251**	56,226
Derivative financial instruments	**18**	856
Total current assets	**119,332**	114,842
Non-current assets		
Other financial assets	**1,486**	1,752
Property, plant and equipment	**23,707**	23,534
Intangibles	**188,505**	188,696
Derivative financial instruments	**-**	1,117
Deferred tax assets	**9,918**	6,119
Total non-current assets	**223,616**	221,218
Total assets	**342,948**	336,060
Current liabilities		
Payables	**39,242**	42,532
Derivative financial instruments	**11,481**	502
Borrowings	**1,394**	250
Provisions	**11,334**	10,739
Current tax liabilities	**2,663**	5,366
Total current liabilities	**66,114**	59,389
Non-current liabilities		
Derivative financial instruments	**2,090**	-
Borrowings	**105,026**	107,057
Provisions	**1,211**	1,652
Deferred tax liabilities	**13,673**	14,427
Total non-current liabilities	**122,000**	123,136
Total liabilities	**188,114**	182,525
Net assets	**154,834**	153,535

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

McPherson's Limited
Balance Sheet
As at 30 June 2009

	Current Period	Previous Corresponding Period
	A$000's	A$000's
Shareholders' equity		
Share capital	**112,727**	113,024
Reserves	**(11,906)**	(1,497)
Retained profits	**54,013**	42,008
Total shareholders' equity	**154,834**	153,535

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

McPherson's Limited
Statement of Changes in Equity
For the year ended 30 June 2009

	Current Period A$000's	Previous Corresponding Period A$000's
Total equity at the beginning of the financial year	**153,535**	140,300
Exchange differences on translation of foreign operations	**1,018**	(2,254)
Cash flow hedges, net of tax	**(10,513)**	2,113
Net (expense)/income recognised directly in equity	**(9,495)**	(141)
Profit after tax for the financial year	**19,473**	26,496
Total recognised income and expense for the year	**9,978**	26,355
Transactions with shareholders		
Exercise of options granted on 18 September 2003	**-**	375
Exercise of options granted on 10 November 2003	**-**	489
Exercise of options granted on 11 December 2003	**-**	196
Share based payments	**4**	24
Share buyback – shares purchased	**(296)**	-
Net transaction costs	**(1)**	(7)
Dividends paid	**(8,386)**	(14,197)
	(8,679)	(13,120)
Total equity at the end of the financial year	**154,834**	153,535

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

McPherson's Limited
Cash Flow Statement
For the year ended 30 June 2009

	Current Period A$000's	Previous Corresponding Period A$000's
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	**391,245**	364,228
Payments to suppliers and employees (inclusive of GST)	**(355,634)**	(316,524)
Interest received	**38**	93
Interest and borrowing costs paid	**(9,870)**	(10,184)
Income tax paid	**(10,412)**	(8,864)
Dividends received	**500**	300
Net cash inflows from operating activities	**15,867**	29,049
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	**(4,984)**	(3,048)
Proceeds from disposal of property, plant and equipment	**74**	184
Payments for purchase of businesses	**-**	(13,900)
Payments for investments	**-**	(116)
Payments for purchase of intangibles	**(88)**	(490)
Net cash outflows from investing activities	**(4,998)**	(17,370)
Cash flows from financing activities		
Proceeds from issue of shares	**-**	1,057
Costs from issue of shares	**-**	(9)
Payments for buyback of shares	**(296)**	-
Costs from buyback of shares	**(1)**	-
Proceeds from borrowings	**112,500**	134,700
Repayment of borrowings	**(114,500)**	(135,400)
Dividends paid	**(8,386)**	(14,197)
Repayment of hire purchase liabilities	**(50)**	(58)
Net cash outflows from financing activities	**(10,733)**	(13,907)
Net increase/(decrease) in cash held	**136**	(2,228)
Cash at beginning of the financial year	**719**	2,954
Net effect of exchange rate changes on cash	**42**	(7)
Cash held at end of financial year	**897**	719

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

McPherson's Limited
Notes to the Financial Statements
For the year ended 30 June 2009

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

Material factors affecting the revenues and expenses of the economic entity for the period ended 30 June 2009 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 economic entity for the current period.

Significant movements in equity are set out on Page 6.

Material factors affecting the cash flows of the economic entity 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.

Fundamental errors

N/A

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 114: Segment Reporting.

Discontinuing operations

N/A

Events occurring after reporting 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. All new shares issued will rank equally with existing shares.

Impairment Testing – Intangibles

Goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) according to business segment. The recoverable amount of each CGU is determined based on a value-in-use calculation. In performing the value-in-use calculation, which uses cash flow projections based on management forecasts, the company has assumed growth rates beyond the forecast period of two years growth at 1% and 2% respectively, increasing to 3% thereafter, and applied a post-tax discount rate of 11.5% to discount the forecast future post-tax cash flows.

At 30 June 2009 the value-in-use of each CGU exceeds the carrying value of its net assets.

Brandnames

Brandnames are allocated to the Group's CGUs according to business segment. The recoverable amount of brandnames is determined using the 'relief from royalty method', which assumes that if a business did not own the identifiable brandnames under consideration, it would have to pay a royalty to the owners of the brandnames for their use. The calculation is prepared on a discounted cash flow analysis of management's forecast future post-tax royalty streams. The calculations assume growth rates beyond the forecast period of two years growth of 1% and 2% respectively, increasing to 3% thereafter, and a post-tax discount rate of 11.5%.

At 30 June 2009 the discounted cash flows exceed the carrying value of the brandnames.

McPherson's Limited
Notes to the Financial Statements
For the year ended 30 June 2009

Basis of financial report preparation

This report is a general purpose financial report prepared in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act, 2001. This report should be read in conjunction with the most recent Annual Report.

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 financial report complies with International Financial Reporting Standards (IFRS).

Additional dividend information

Details of dividends declared or paid during or subsequent to the year ended 30 June 2009 are as follows:

	A$000's
▪ Final 2007/08 ordinary dividend of 13.0 cents per fully paid ordinary share paid on 1 October 2008 (fully franked)	8,386

Dividend Reinvestment Plan

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

McPherson's Limited
Notes to the Financial Statements
For the year ended 30 June 2009

Retained Earnings

	Current Period A$000's	Previous Corresponding Period A$000's
Retained profits at the beginning of the financial year	**42,008**	29,244
Profit after tax	**19,473**	26,496
Dividends paid	**(8,386)**	(14,197)
Transfers from reserves	**918**	465
Retained profits at the end of the financial year	**54,013**	42,008

NTA Backing

	Current Period cents	Previous Corresponding Period cents
Net tangible asset backing per ordinary share	**(52.2)**	(54.4)

Control gained over entities during the period

Nil.

Loss of control of entities during the period

Nil.

Associate entity

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 audited.

McPherson's Limited

P.R. Bennett
Company Secretary

Signed this 26th day of August 2009

APPENDIX A

McPherson's Limited
Reconciliation of net cash provided by operating activities to operating profit after income tax
For the year ended 30 June 2009

	Current Period A$000's	Previous Corresponding Period A$000's
Operating profit after income tax	**19,473**	26,496
Amortisation of other intangibles	**787**	593
Depreciation/other amortisation	**4,978**	5,497
Share based payments	**4**	24
(Profit)/loss on disposal of property, plant and equipment	**(14)**	13
Finance charges included in lease payments	**-**	4
Share of profit in associate not received as dividends or distributions	**(234)**	(227)
Dividends received from associate	**500**	300
Operating assets and liabilities, excluding the effects from purchase of businesses:		
Increase/(decrease) in payables	**(3,147)**	(291)
Increase/(decrease) in other provisions	**(226)**	168
Increase/(decrease) in employee entitlements	**309**	648
Increase/(decrease) in tax payable	**(2,751)**	903
(Increase)/decrease in receivables	**1,295**	(1,575)
(Increase)/decrease in inventories	**(5,107)**	(3,504)
Net cash inflow provided by operating activities	**15,867**	29,049

APPENDIX B

McPherson's Limited
Reconciliation of prima facie income tax to actual income tax expense
For the year ended 30 June 2009

	Current Period	Previous Corresponding Period
	A$000's	A$000's
Operating profit before tax	**27,167**	36,682
Prima facie income tax at 30%	**8,150**	11,005
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
Tax rate differences in overseas entities	**(250)**	(37)
Over provision in prior years	**(17)**	(32)
Net benefit of tax losses not previously recognised	**(229)**	(622)
Other	**109**	(67)
Income tax expense	**7,694**	10,186
Current tax	**7,891**	10,634
Deferred tax	**(180)**	(416)
Over provision in prior years	**(17)**	(32)
Income tax expense	**7,694**	10,186
Deferred income tax expense (revenue) included in tax expense comprises:		
Increase in deferred tax assets	**(27)**	(162)
Decrease in deferred tax liabilities	**(153)**	(254)
	(180)	(416)

APPENDIX C

McPherson's Limited
Segment Report
For the year ended 30 June 2009

	Consumer Products $000's	Printing $000's	Inter-segment Eliminations/ Unallocated $000's	Consolidated $000's
2009 Primary Reporting - business segments				
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

APPENDIX C

McPherson's Limited
Segment Report Prior Period Comparative
For the year ended 30 June 2009

	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

APPENDIX C

McPherson's Limited
Segment Report (continued)
For the year ended 30 June 2009

Primary Reporting - business segments (continued)

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.

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 A$000's	2008 A$000's	**2009 A$000's**	2008 A$000's	**2009 A$000's**	2008 A$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.