McPherson's Limited
ABN: 98 004 068 419
Year ended 30 June 2014

Results for Announcement to the Market

				$'000
Revenue	up	18.1%	to	**353,413**
Profit before tax excluding significant items[1]	up	10.9%	to	**20,690**
Profit after tax excluding significant items[1]	up	12.8%	to	**14,734**
Loss before tax[1]	up	108.6%	to	**(61,908)**
Loss after tax[1]	up	99.8%	to	**(66,557)**
Loss after tax attributable to members[1]	up	99.8%	to	**(66,557)**
Net loss for the period attributable to members[1]	up	99.8%	to	**(66,557)**

Dividends	**Amount per security**	**Franked amount per security**
Final dividend	5.0¢	5.0¢
Interim dividend	6.0¢	6.0¢

Payment date for final dividend	**11 November 2014**
Record date for determining entitlements to the dividend	**8 October 2014**

[1] See Note 1 in the attached financial statements for details about restatements associated with the Group early adopting AASB 9 *Financial Instruments*

McPherson's Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2014

	Note	**2014 $'000**	2013[1] $'000
Revenue			
Sales revenue	4	353,386	299,189
Interest		27	64
Royalties		-	10
Total revenue		**353,413**	**299,263**
Commission		309	113
Contingent consideration adjustment	2	-	3,500
Other income		337	233
Total revenue and other income		**354,059**	**303,109**
Expenses			
Materials and consumables used		(205,685)	(163,823)
Employee costs		(48,732)	(45,619)
Advertising and promotional		(17,853)	(15,038)
Cartage and freight		(20,438)	(17,196)
Third party warehousing		(8,128)	(7,232)
Rental expenses relating to operating leases		(7,037)	(6,785)
Depreciation		(2,502)	(2,438)
Amortisation of other intangibles		(393)	(251)
Restructure costs	2	(1,450)	(1,581)
Other expenses		(17,102)	(16,182)
Borrowing costs		(6,647)	(6,642)
Impairment of intangible assets	2	(80,000)	(50,000)
Loss before income tax		**(61,908)**	**(29,678)**
Income tax expense	6	(4,649)	(3,641)
Loss for the year		**(66,557)**	**(33,319)**

[1] See Note 1 for details about restatements associated with the Group early adopting AASB 9 *Financial Instruments*

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

McPherson's Limited
Consolidated Statement of Comprehensive Income (continued)
For the year ended 30 June 2014

	Note	**2014 $'000**	2013[1] $'000
Loss for the year		**(66,557)**	(33,319)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		(7,955)	7,200
Exchange differences on translation of foreign operations		1,464	1,864
Income tax relating to these items		2,377	(2,154)
Other comprehensive income for the year		**(4,114)**	6,910
Total comprehensive income for the year		**(70,671)**	(26,409)

	Note	**2014 Cents**	2013 Cents
Basic loss per share	12	**(71.9)**	(43.2)
Diluted loss per share	12	**(71.9)**	(43.2)

[1] See Note 1 for details about restatements associated with the Group early adopting AASB 9 *Financial Instruments*

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

McPherson's Limited
Consolidated Balance Sheet
As at 30 June 2014

	Note	**2014 $'000**	2013[1] $'000	2012[1] $'000
Current assets				
Cash and cash equivalents		4,120	1,666	1,253
Trade and other receivables		63,272	56,762	55,550
Inventories		45,489	67,577	53,360
Derivative financial instruments		-	5,258	95
Assets classified as held for sale	8	53,281	-	-
Total current assets		**166,162**	131,263	110,258
Non-current assets				
Property, plant and equipment		6,040	7,667	7,076
Intangible assets	9	88,266	168,104	183,986
Deferred tax assets		6,010	5,597	5,462
Total non-current assets		**100,316**	181,368	196,524
Total assets		**266,478**	312,631	306,782
Current liabilities				
Trade and other payables		50,627	38,874	30,130
Borrowings	10	2,820	2,404	1,419
Derivative financial instruments		3,854	814	2,760
Provisions		20,364	15,965	6,085
Current tax liabilities		652	289	989
Liabilities directly associated with assets classified as held for sale	8	7,874	-	-
Total current liabilities		**86,191**	58,346	41,383
Non-current liabilities				
Borrowings	10	76,000	68,851	76,500
Derivative financial instruments		978	1,247	1,455
Provisions		863	949	828
Deferred tax liabilities		7,902	14,146	13,675
Total non-current liabilities		**85,743**	85,193	92,458
Total liabilities		**171,934**	143,539	133,841
Net assets		**94,544**	169,092	172,941
Equity				
Contributed equity	11	147,003	139,117	103,253
Reserves		(2,585)	1,401	(5,674)
(Accumulated losses) / retained earnings		(49,874)	28,574	75,362
Total equity		**94,544**	169,092	172,941

[1] See Note 1 for details about restatements associated with the Group early adopting AASB 9 *Financial Instruments*

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

McPherson's Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2014

	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2013[1]	**139,117**	**1,401**	**28,574**	**169,092**
Loss for the year	-	-	(66,557)	(66,557)
Other comprehensive income	-	(4,114)	-	(4,114)
Total comprehensive income	**-**	**(4,114)**	**(66,557)**	**(70,671)**
Transactions with shareholders				
Shares issued, net of transaction costs and tax	7,886	-	-	7,886
Dividends provided for or paid	-	-	(11,891)	(11,891)
Share-based payment transactions with employees	-	128	-	128
Total transactions with shareholders	**7,886**	**128**	**(11,891)**	**(3,877)**
Balance at 30 June 2014	**147,003**	**(2,585)**	**(49,874)**	**94,544**

[1] See Note 1 for details about restatements associated with the Group early adopting AASB 9 *Financial Instruments*

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

McPherson's Limited
Consolidated Statement of Changes in Equity
Prior year comparative

	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2012[1]	**103,253**	**(5,674)**	**75,362**	**172,941**
Loss for the year[1]	-	-	(33,319)	(33,319)
Other comprehensive income[1]	-	6,910	-	6,910
Total comprehensive income[1]	**-**	**6,910**	**(33,319)**	**(26,409)**
Transactions with shareholders				
Shares issued, net of transaction costs and tax	35,864	-	-	35,864
Dividends provided for or paid	-	-	(13,469)	(13,469)
Share-based payment transactions with employees	-	165	-	165
Total transactions with shareholders	**35,864**	**165**	**(13,469)**	**22,560**
Balance at 30 June 2013[1]	**139,117**	**1,401**	**28,574**	**169,092**

[1] See Note 1 for details about restatements associated with the Group early adopting AASB 9 *Financial Instruments*

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

McPherson's Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		379,083	334,519
Payments to suppliers and employees (inclusive of GST)		(345,142)	(306,966)
Interest received		27	64
Interest and borrowing costs paid		(6,435)	(7,001)
Income taxes paid		(4,339)	(5,847)
Net cash inflows from operating activities	7	**23,194**	14,769
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(1,405)	(2,399)
Payments for acquisition of subsidiary, net of cash acquired	14	-	(16,604)
Payments for acquisition of business assets	14	(23,654)	(4,582)
Payments for purchase of other intangible assets		(1,128)	(768)
Proceeds from sale of property, plant and equipment		70	65
Proceeds from sale of business assets		2,220	-
Net cash outflows from investing activities		**(23,897)**	(24,288)
Cash flows from financing activities			
Proceeds from issue of shares	11	4,804	33,651
Transaction costs for issue of shares	11	(111)	(737)
Proceeds from borrowings		143,529	172,412
Repayment of borrowings		(136,369)	(177,500)
Repayment of subsidiary borrowings at time of acquisition	14	-	(6,132)
Dividends paid		(8,731)	(10,740)
Net cash inflows from financing activities		**3,122**	10,954
Net increase in cash held		**2,419**	1,435
Cash at beginning of financial year		1,315	(166)
Effects of exchange rate changes on cash		(12)	46
Cash at end of financial year		**3,722**	1,315

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

1. Accounting Policies

McPherson’s Limited is a for-profit company domiciled in Australia. The consolidated financial report for the year ended 30 June 2014 comprises McPherson’s Limited and the entities it controlled at the end of, or during, the year (the “Group”).

(a) Basis of Preparation

This financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, other mandatory professional reporting requirements, and the Corporations Act 2001 for the purpose of fulfilling the Group’s obligation under Australian Securities Exchange (ASX) listing rules. The Group is a for-profit entity for the purpose of preparing the financial statements. The report is presented in Australian dollars.

The accounting policies have been applied consistently to all periods presented in the consolidated financial report. The financial report has been prepared on the basis of historical cost, except where assets and liabilities are stated at their fair values in accordance with relevant accounting policies.

Early adoption of accounting standard

During the year the Group elected to early adopt AASB 9 *Financial Instruments* as issued in December 2013. This standard replaces the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities; the derecognition of financial instruments; and hedge accounting.

The key change for the Group associated with adopting AASB 9 relates to hedge accounting and the treatment of the movement in time value of foreign currency options. Previously under AASB 139 the movement in time value of foreign currency options used as hedging instruments had to be recognised in profit or loss, whereas AASB 9 requires the movement to be recognised initially in the hedge reserve and is then recycled to profit or loss either over the period of the hedge, if the hedge is time related, or when the hedged transaction affects profit or loss, if the hedge is transaction related. While AASB 9 does not need to be applied by the Group until the financial year beginning on 1 July 2017, the Group has decided to early adopt the standard in the current year because the new accounting policies are considered to provide more reliable and relevant information.

In accordance with the transition provisions included within AASB 9 comparative figures have been restated. The restatement has resulted in the following changes being made to the 2013 statement of comprehensive income and balance sheet:

	2013 Previously stated $’000	**Restatement $’000**	**2013 Restated $’000**
Loss before tax	(27,736)	(1,942)	(29,678)
Tax expense	(4,224)	583	(3,641)
Loss for the year	**(31,960)**	**(1,359)**	**(33,319)**
Other comprehensive income	5,680	1,230	6,910
Total comprehensive income	**(26,280)**	**(129)**	**(26,409)**
Basic loss per share (cents)	(41.4)	(1.8)	(43.2)
Diluted loss per share (cents)	(41.4)	(1.8)	(43.2)
Inventories	67,334	243	67,577
Deferred tax liabilities	14,073	73	14,146
Retained earnings	28,404	170	28,574

Early adoption of accounting standard (continued)

In addition, the restatement resulted in the following changes being made to the 30 June 2012 closing balance sheet: an increase in inventory of $428,000; an increase in deferred tax liability of $129,000; a decrease in reserves of $1,230,000; and an increase in retained earnings of $1,529,000. All of these changes related to the Australian reportable segment disclosed within Note 4 Segment Information.

Except for the effects of early adopting AASB 9 *Financial Instruments* none of the new standards and amendments to standards that were mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

A full description of the accounting policies adopted by the Group can be found in the Group's full financial statements.

(b) Significant Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an ongoing basis.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are discussed below:

Estimated recoverable amount of goodwill and indefinite lived brandnames

The Group tests goodwill and indefinite lived brandnames annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. In calculating the recoverable amount of these assets the use of assumptions is required. Refer to Note 9 for details of these assumptions.

Estimated carrying value of provision for contingent consideration

A number of the Group's recent acquisitions have included a contingent consideration arrangement whereby the Group may be required to pay the vendors a variable amount of money depending on the performance of the acquired business or asset over a set period post acquisition. In accordance with Australian Accounting Standards, management is required to estimate how much of the contingent consideration is expected to be paid in the future. The actual payout amount may differ to what has been estimated. Refer to Note 14 for further details.

2. Significant items

The Group's loss after income tax includes the following items that are significant because of their nature or size:

	Note	2014 $'000	2013 $'000
(a) Impairment of goodwill within the Australian business segment	9	(78,243)	(45,000)
Less: Applicable income tax benefit		-	-
		(78,243)	(45,000)
(b) Impairment of brandnames within the Australian business segment	9	(1,757)	(5,000)
Less: Applicable income tax benefit		527	1,500
		(1,230)	(3,500)
(c) Business combination contingent consideration adjustment	14	-	3,500
Less: Applicable income tax expense		-	-
		-	3,500
(d) Restructure costs		(1,450)	(1,581)
Less: Applicable income tax benefit		435	457
		(1,015)	(1,124)
(e) Acquisition and transition related costs		(1,148)	(252)
Less: Applicable income tax benefit		345	-
		(803)	(252)
Total significant items		(82,598)	(48,333)
Less: Applicable income tax benefits		1,307	1,957
		(81,291)	(46,376)

The significant items set out in the table above are detailed below:

Impairment of goodwill and brandnames

During the current year an impairment charge of $80,000,000 was recognised against the Australian cash generating unit (excluding Home Appliances), with $78,243,000 of this charge being recognised against goodwill and the remaining $1,757,000 being recognised against certain brandnames. The impairment charge is a direct result of the reduced earnings being generated by the Group's Australian operations (excluding Home Appliances). Refer to Note 9 for further information.

2. Significant items (continued)

During the prior year an impairment charge of $50,000,000 was recognised against the Australian cash generating unit (excluding Home Appliances), with $45,000,000 of this charge being recognised against goodwill and the remaining $5,000,000 being recognised against certain brandnames. The impairment charge was a direct result of the reduced earnings being generated by the Group's Australian operations (excluding Home Appliances).

Refer to Note 9 for further information.

Business combination contingent consideration adjustment
During the prior year the Group recognised a $3,500,000 gain associated with the reassessment of the provision for contingent consideration relating to the Footcare International acquisition. The reassessment was based on the actual outcomes achieved for the year ended 30 June 2013.

Refer to Note 14 for further information.

Restructure costs
The restructure costs recognised in the current year primarily relate to redundancy and inventory clearance costs associated with restructuring activities undertaken by the Group in relation to the businesses disclosed as held for sale at 30 June 2014. The restructuring costs recognised in the prior year related to redundancy and inventory relocation costs.

Acquisition and transition related costs
Acquisition and transition related costs relate to the transaction and other one-off transition related costs incurred primarily associated with the Group's acquisition of the Think Appliances business (including the Baumatic brandname). The transaction costs associated with the acquisitions of the Dr LeWinn's, Revitanail, Maseur and Lemair brandnames have been capitalised as part of the respective asset costs given these acquisitions were considered asset only acquisitions rather than business combinations.

The Acquisition costs recognised in the prior year relate to the transaction costs incurred associated with the Group's acquisition of Footcare International and Home Appliances.

Refer to Note 14 for further information.

3. Fair value measurement of financial instruments

The following financial instruments held by the Group were measured and recognised at fair value at 30 June 2014 and 30 June 2013 on a recurring basis:

	30 June 2014				30 June 2013			
Recurring fair value measurements	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at fair value								
Derivative financial instruments	-	-	-	-	-	5,258	-	5,258
Financial liabilities at fair value								
Derivative financial instruments	-	4,832	-	4,832	-	2,061	-	2,061
Contingent consideration	-	-	12,885	12,885	-	-	9,040	9,040
Total financial liabilities at fair value	**-**	**4,832**	**12,885**	**17,717**	-	2,061	9,040	11,101

3. Fair value measurement of financial instruments (continued)

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The fair value of the derivative financial instruments is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of interest rate swaps is calculated as the present value of the estimated cash flows and the fair value of forward exchange and option contracts is determined using forward exchange market rates and volatilities at the end of the reporting period.

The following table presents the changes in level 3 instruments for the years ended 30 June 2014 and 30 June 2013:

	Contingent consideration payable $'000
Opening balance 1 July 2012	**-**
Acquisitions (refer Note 14)	12,540
Adjustments arising from reassessment of the provision (refer Note 2)	(3,500)
Closing balance at 30 June 2013	**9,040**
Acquisitions (refer Note 14)	4,140
Adjustments arising from reassessment of the provision[1]	(295)
Closing balance at 30 June 2014	**12,885**

[1] The current year adjustment to the contingent consideration provision was adjusted against the carrying value of the associated asset, as opposed to profit or loss, as this contingent consideration arrangement related to an asset purchase rather than a business combination.

The fair value of the Group's provision for contingent consideration payable is determined using an internal calculation which uses relevant current and projected performance, and the contingent consideration agreement, as inputs. Refer Note 14 for further information.

4. Segment Information

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 geographic segments and are considered on the basis of Australia, New Zealand and the rest of the world.

Segment revenues
Segment revenues are allocated based on the location in which the revenue originated. Sales between segments are eliminated on consolidation.

Revenues of approximately $80,649,000 (2013: $77,804,000) and $67,713,000 (2013: $65,524,000) were derived from two external customers. These revenues were attributable to the Australian segment.

Segment assets
Segment assets are allocated based on where the asset is located. Assets arising from transactions between segments are eliminated on consolidation.

	Australia $'000	New Zealand $'000	Rest of the World $'000	Inter-segment eliminations $'000	Consolidated $'000
2014					
Sales to external customers	308,109	33,466	11,811	-	353,386
Inter-segment sales	2,560	35	118,933	(121,528)	-
Total sales revenue	**310,669**	**33,501**	**130,744**	**(121,528)**	**353,386**
Other revenue / income	316	25	305	-	646
Total segment revenue and other income	**310,985**	**33,526**	**131,049**	**(121,528)**	**354,032**
EBITDA before significant items	23,871	3,251	3,083	-	30,205
Depreciation and amortisation expense	(2,436)	(411)	(48)	-	(2,895)
Segment result before significant items	21,435	2,840	3,035	-	27,310
Significant items (refer Note 2)	(82,598)	-	-	-	(82,598)
Segment result including significant items	(61,163)	2,840	3,035	-	(55,288)
Net borrowing costs					(6,620)
Loss before income tax					**(61,908)**
Income tax expense					(4,649)
Loss after income tax					**(66,557)**
Total segment assets	**239,980**	**21,659**	**34,582**	**(29,743)**	**266,478**
Non-current assets (other than financial assets and deferred tax)	86,497	6,551	1,258	-	94,306
Additions to non-current assets (other than financial assets and deferred tax)	25,929	217	16	-	26,162

4. Segment Information (continued)

	Australia $'000	New Zealand $'000	Rest of the World $'000	Inter-segment eliminations $'000	Consolidated $'000
2013					
Sales to external customers	259,505	30,473	9,211	-	299,189
Inter-segment sales	1,792	1	114,916	(116,709)	-
Total sales revenue	261,297	30,474	124,127	(116,709)	299,189
Other revenue / income	3,572	60	224	-	3,856
Total segment revenue and other income	264,869	30,534	124,351	(116,709)	303,045
EBITDA before significant items	22,709	2,858	2,355	-	27,922
Depreciation and amortisation expense	(2,232)	(407)	(50)	-	(2,689)
Segment result before significant items	20,477	2,451	2,305	-	25,233
Significant items (refer Note 2)	(48,162)	(50)	(121)	-	(48,333)
Segment result including significant items	(27,685)	2,401	2,184	-	(23,100)
Net borrowing costs					(6,578)
Loss before income tax					(29,678)
Income tax expense					(3,641)
Loss after income tax					(33,319)
Total segment assets	287,231	21,004	31,387	(26,991)	312,631
Non-current assets (other than financial assets and deferred tax)	168,279	6,186	1,306	-	175,771
Additions to non-current assets (other than financial assets and deferred tax)	36,544	452	18	-	37,014

5. Dividends

Details of dividends declared during the year ended 30 June 2014 are as follows:

	2014 $'000	2013 $'000
Final 30 June 2013 dividend of 7.0 cents per fully paid share (2012: 7.0 cents per fully paid share) fully franked @ 30%	6,251	5,068
Interim 2014 dividend of 6.0 cents per fully paid share (2013: 10.0 cents per fully paid share) fully franked @ 30%	5,640	8,401
Total dividends	**11,891**	13,469

Dividends not recognised at year end

In addition to the above dividends, since the year end the Directors have declared a fully franked final dividend of 5.0 cents per fully paid share (2013: 7.0 cents per fully paid share). The aggregate amount of the dividend to be paid on 11 November 2014 but not recognised as a liability at year end is:	**4,772**	6,251

Franked Dividends

Franked dividends paid after 30 June 2014 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 2015.

Franking credits available for subsequent financial years based on a tax rate of 30%	**21,351**	24,724

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.

Dividend reinvestment plan

The Company's dividend reinvestment plan continues to operate at a discount of 2.5% and will apply to the upcoming final dividend. Shareholders on the register at the record date of 8 October 2014 will be eligible for the dividend. Shareholders wishing to participate in the dividend reinvestment plan need to have elected to do so by no later than the trading day immediately following the record date, or by 9 October 2014. Shareholders that have previously elected to participate in the dividend reinvestment plan will continue to do so on the same basis unless a formal election to vary or cease participation is provided by 9 October 2014.

The shares issued under the dividend reinvestment plan are fully paid ordinary shares and rank equally with other fully paid ordinary shares. The issue price under the dividend reinvestment plan is calculated as the volume weighted average price of all shares sold through normal trade on the ASX during the five trading days commencing on the third trading day after the record date, less the 2.5% discount.

6. Income Tax

	2014 $'000	2013 $'000
Total operating loss before tax	(61,908)	(29,678)
Prima facie income tax at 30%	(18,572)	(8,904)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of intangible assets	23,473	13,500
Non-assessable contingent consideration adjustment	-	(1,050)
Tax rate differences in overseas entities	(469)	(354)
Share-based payments expense	38	50
(Over)/under provision in prior years	(121)	74
Other	300	325
Income tax expense	**4,649**	3,641

7. Notes to the Statement of Cash Flows

	2014 $'000	2013 $'000
Loss after income tax	**(66,557)**	(33,319)
Impairment of intangible assets	80,000	50,000
Depreciation	2,502	2,438
Amortisation of other intangibles	393	251
Loss on disposal of property, plant and equipment	130	52
Share-based payments expense	128	165
Contingent consideration adjustment	-	(3,500)
Changes in operating assets and liabilities, excluding the effects from purchase or disposal of controlled entities:		
Increase in payables	11,766	2,358
Increase/(decrease) in other provisions	37	(218)
Increase in employee entitlements	287	11
Increase/(decrease) in net tax liabilities	315	(2,340)
(Increase)/decrease in receivables	(5,068)	3,391
Increase in inventories	(739)	(4,520)
Net cash inflows from operating activities	**23,194**	14,769

8. Assets and liabilities classified as held for sale

	2014 **$'000**	2013 $'000
Inventories	26,136	-
Property, plant and equipment	428	-
Intangible assets	26,409	-
Deferred tax assets	308	-
Total assets classified as held for sale	**53,281**	-
Employee benefits	1,027	-
Deferred tax liabilities	6,847	-
Total liabilities directly associated with assets classified as held for sale	**7,874**	-

During the current period the Directors decided to pursue a sale of the Group's Household Consumables and Housewares businesses. Sales of these businesses are being pursued on an individual basis. The Directors expect to complete the sales within the financial year ending 30 June 2015.

In accordance with Australian Accounting Standards, as the Directors now expect to recover the identified assets and liabilities associated with these businesses through sale, these items have been disclosed separately as being held for sale within the Group's 30 June 2014 consolidated balance sheet.

The assets classified as held for sale have been measured at the lower of cost and fair value less costs to sell. No impairment writedowns were required as a result of the reclassification and remeasurement of these items.

These assets are presented within the total assets of the Australian business segment in Note 4.

9. Intangible assets

	2014 $'000	2013 $'000
Goodwill	37,464	124,641
Other intangibles	6,194	5,066
Accumulated amortisation	(4,651)	(4,258)
	1,543	808
Brandnames	49,259	42,655
Total intangible assets	**88,266**	**168,104**

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:

	Note	Goodwill $'000	Brandnames $'000	Other Intangibles $'000	Total $'000
Carrying amount at 1 July 2013		124,641	42,655	808	168,104
Additions		-	-	1,128	1,128
Acquisition of businesses/brands	14	448	23,177	-	23,625
Transfers/adjustments		(9,377)	(14,816)	-	(24,193)
Disposals		(460)	-	-	(460)
Impairment charge		(78,243)	(1,757)	-	(80,000)
Amortisation charge		-	-	(393)	(393)
Foreign currency exchange differences		455	-	-	455
Carrying amount at 30 June 2014		**37,464**	**49,259**	**1,543**	**88,266**

Acquired brandnames are not amortised under AASB 138 *Intangible Assets*, as the Directors consider these to have an indefinite life. The brandnames are subject to an annual impairment test.

During the year the Group received a $213,000 completion adjustment from the former owners of the Home Appliances business and the associated acquisition accounting was finalised. This resulted in $9,080,000 of intangible assets being transferred from goodwill and being separately recognised as brandname assets. In addition, a deferred tax liability of $2,724,000 was recognised in relation to the brandname assets. These adjustments resulted in a net increase in intangible assets of $2,511,000 (goodwill: decreased $6,569,000; brandnames: increased $9,080,000).

On 31 March 2014 the Group sold its Crown glassware business for $2,824,000. The assets disposed included $460,000 of goodwill. An impairment loss of $3,761,000 was recognised against goodwill and brandnames at 31 December 2013 due to the pending sale. The finalisation of the sale did not result in any further writedowns being required.

At 30 June 2014 the Group has transferred $2,808,000 of goodwill and $23,601,000 of brandnames to assets held for sale. Refer to Note 8 for further information

9. Intangible assets (continued)

Impairment Testing

Goodwill
Goodwill is allocated to the following cash generating units:

	2014 $'000	2013 $'000
Australia (excluding Home Appliances)	13,042	94,160
Home Appliances	19,393	25,514
New Zealand	5,029	4,967
	37,464	**124,641**

The recoverable amount of a cash generating unit is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets/forecasts covering a one year period. Cash flows beyond the projected period are extrapolated using estimated growth rates. In performing the value-in-use calculations for each cash generating unit, the Group has applied a post-tax discount rate to discount the forecast future attributable post-tax cash flows.

The assumptions used in the value-in-use calculations, for all cash generating units, are set out below:

	30 June 2014			**30 June 2013**		
	Estimated Growth Rates Year 2 Onwards	**Post–Tax Discount Rate**	**Pre-Tax Discount Rate**	**Estimated Growth Rates Year 2 Onwards**	**Post–Tax Discount Rate**	**Pre-Tax Discount Rate**
Australia (ex Home Appliances)	2.0%	11.5%	15.1%	3.0%	11.5%	15.1%
Home Appliances	3.0%	11.5%	15.1%	3.0%	11.5%	15.1%
New Zealand	2.0%	11.5%	14.7%	3.0%	11.5%	14.7%

In addition to the above, it is noted that the year one cash flow projection is a key assumption within the value-in-use calculations. The cash flow projections used for the year one cash flows are based on the Board approved financial budgets/forecasts. The budgets reflect the Board's expectation of improved cash flows, for the Australian (excl Home Appliances) cash-generating unit, arising from profit optimisation initiatives, new product launches and the full year impact of acquisitions and agency agreements. At 30 June 2014, the value-in-use calculations for all cash generating units exceeded the carrying value of their net assets. The surplus amount within the Australia (excluding Home Appliances) calculation is $44,579,000 (June 2013: Nil). The surplus amount within the Home Appliances calculation is $16,090,000 (June 2013: $9,193,000). The surplus amount within the New Zealand calculation is NZD$10,743,000 (June 2013: NZD$14,978,000).

Impairment charge
During the current year an impairment charge of $80,000,000 was recognised against the Australian cash generating unit (excluding Home Appliances), with $78,243,000 of this charge being recognised against goodwill and the remaining $1,757,000 being recognised against certain brandnames. The recoverable amount used in the goodwill calculations was based on a value-in-use model. The impairment charge was a direct result of the reduced earnings being generated by the Group's Australian operations (excluding Home Appliances).

This impairment charge is included within the Australian reportable segment disclosed within Note 4 Segment Information. The discount rate and other key assumptions used in the value-in-use calculations are disclosed above.

During the prior year an impairment charge of $50,000,000 was recognised against the Australian cash generating unit (excluding Home Appliances), with $45,000,000 of this charge being recognised against goodwill and the remaining $5,000,000 being recognised against certain brandnames. The recoverable amount used in the calculations was based on a value-in-use model. The impairment charge was a direct result of the reduced earnings being generated by the Group's Australian operations (excluding Home Appliances).

9. Intangible assets (continued)

The impairment charge is included within the Australian reportable segment disclosed within Note 4 Segment Information. The discount rate and other key assumptions used in the value-in-use calculation are disclosed above.

Impact of possible changes in key assumptions
If the year one earnings before interest and tax (EBIT) used in the value-in-use calculation for the Australian (excluding Home Appliances) cash generating unit were to be 10.0% below the current estimated EBIT the surplus within the calculation would reduce to $23,794,000.

If the post-tax discount rate used in the value-in-use calculation for the Australian (excluding Home Appliances) cash generating unit was to be 1.0 percentage point higher than management's estimate (12.5% instead of 11.5%) the surplus within the calculation would reduce to $25,438,000.

If the terminal year growth rate used in the value-in-use calculation for the Australian (excluding Home Appliances) cash generating unit was to be 1.0 percentage point lower than management's estimate (1.0% instead of 2.0%) the surplus within the calculation would reduce to $29,802,000.

If the year one earnings before interest and tax (EBIT) used in the value-in-use calculation for the Home Appliances cash generating unit were to be 10.0% below the current estimated EBIT the surplus within the calculation would reduce to $10,263,000.

If the post-tax discount rate used in the value-in-use calculation for the Home Appliances cash generating unit was to be 1.0 percentage point higher than management's estimate (12.5% instead of 11.5%) the surplus within the calculation would reduce to $10,169,000.

If the terminal year growth rate used in the value-in-use calculation for the Home Appliances cash generating unit was to be 1.0 percentage point lower than management's estimate (2.0% instead of 3.0%) the surplus within the calculation would reduce to $11,421,000.

If the year one earnings before interest and tax (EBIT) used in the value-in-use calculation for the New Zealand cash generating unit were to be 10.0% below the current estimated EBIT the surplus within the calculation would reduce to NZ$7,876,000.

If the post-tax discount rate used in the value-in-use calculation for the New Zealand cash generating unit was to be 1.0 percentage point higher than management's estimate (12.5% instead of 11.5%) the surplus within the calculation would reduce to NZ$7,981,000.

If the terminal year growth rate used in the value-in-use calculation for the New Zealand cash generating unit was to be 1.0 percentage point lower than management's estimate (1.0% instead of 2.0%) the surplus within the calculation would reduce to NZ$8,628,000.

Brandnames
Brandnames are tested for impairment on an individual basis annually and more frequently if events or changes in circumstances indicate that they might be impaired. The recoverable amount of a brandname is determined based on the higher of value-in-use or fair value less costs to sell calculations.

The value-in-use calculations are prepared using a discounted cash flow analysis of the future net contribution expected to be generated by the brand, which is based on financial budgets/forecasts covering a one year period. Cash flows beyond the projected period are extrapolated using estimated growth rates. In performing the value-in-use calculations the Group has applied a post-tax discount rate to discount the forecast future attributable post-tax cash flows.

9. Intangible assets (continued)

The assumptions used in the value-in-use calculations, for all brandnames tested using this method, are set out below.

	2014	2013
Estimated growth rates	1.0% - 3.0%	3.0%
Post-tax discount rate	11.5%	11.5%
Pre-tax discount rate equivalent	15.1%	15.1%

At 30 June 2014, the total carrying value of brandnames tested using the value-in-use method was $49,259,000 (2013: $40,898,000). The value-in-use calculations for these brandnames exceeded their carrying values.

In the current year the fair value less costs to sell calculation relates only to the brandnames that are classified as held for sale at 30 June 2014 and is based on expected disposal calculations. Based on these calculations all brandnames classified as held for sale at 30 June 2014 are considered recoverable. The total carrying value of brandnames tested using this method was $23,601,000 (2013:Nil).

In the prior year the fair value less costs to sell calculation was determined using a ‘relief from royalty’ approach. 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 using a discounted cash flow analysis of the future royalty stream which is based on financial budgets/forecasts covering a one year period. The calculation assumed sales growth rates, for those brands tested using this method, beyond the projected period of 0.0% to 3.0% and a post-tax discount rate of 11.5%, the equivalent pre-tax discount rate equating to 15.1%.

At 30 June 2013, the total carrying value of brandnames tested using the ‘relief from royalty’ method was $6,757,000.

Impact of possible changes in key assumptions

If the year one projected sales by brand were 10.0% below the current estimates used in the value-in-use calculations, for the brands tested using this method, an impairment charge of $1,394,000 (2013: Nil) would arise.

If the year one contribution margin percentages were 5.0 percentage points below the current estimates used in the value-in-use calculations, for the brands tested using this method, an impairment charge of $8,982,000 (2013: $6,859,000) would arise.

If the terminal year growth rates used in the value-in-use calculations were to be 1.0 percentage point lower than management’s estimates, for the brands tested using this method, no brand impairment would arise (2013: Nil).

If the estimated consideration to be received by the Group associated with the proposed disposals of the Household Consumable and Housewares businesses were to be 10% below management’s current estimate then a brand impairment of approximately $172,000 would arise.

10. Loans and borrowings

	2014 $'000	2013 $'000
Current		
Bank overdraft - secured	398	351
Bank loans - secured	2,000	2,000
Other borrowings	571	412
Debt issue costs	(149)	(359)
Total current	**2,820**	2,404
Non-current		
Bank loans - secured	76,000	69,000
Debt issue costs	-	(149)
Total non-current	**76,000**	68,851
Total borrowings	**78,820**	71,255

The Group's facilities are denominated in Australian dollars and variable interest rates apply (the Group does however hedge its exposure to interest rates for no less than 60% of the term debt facilities). The facilities provide an amortising core debt facility of $69.0 million (originally $81.0 million, maturing in December 2015), an acquisition facility of $15.0 million (expiring at the same time as the core debt facility), a working capital facility of $27.0 million (1 year term subject to annual review) and an additional seasonal working capital facility of $4.0 million (1 year term subject to annual review). The facilities have financial covenants attached relating to net leverage ratio, cash dividend payout ratio, EBIT interest coverage, gearing ratio, maximum permitted financial indebtedness limit and working capital ratio.

The core debt facility amortises by $4.0 million each May and November up until May 2015 at which time the maximum available core debt facility will be $61.0 million. At 30 June 2014 the core debt facility limit was $69.0 million.

During the year, at 31 December 2013, the Group was required to reclassify $80,000,000 of the Group's borrowings from non-current to current following a breach of the gearing ratio covenant as the Group's gearing ratio at 31 December 2013 of 48% was above the then 40% covenant limit. The Group's gearing ratio exceeded the covenant as a direct result of the $80,000,000 impairment charge booked against the Group's intangible assets at 31 December 2013. Had this impairment charge not been required the Group's gearing ratio would have been 34%. Following the covenant breach the Group obtained a waiver from its financiers for the covenant test at 31 December 2013. The waiver also amended the gearing covenant limit from 40% to 55% for the remainder of the debt facility term. At 30 June 2014 the Group has complied with all financial covenants associated with its borrowings.

10. Loans and borrowings (continued)

Maturity profile of the Group's borrowings

The table below analyses the Group's non-derivative financial 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	Between 1 & 2 Years $'000	Between 2 & 3 years $'000	Total Contractual Cash Flows $'000	Carrying Amount $'000
30 June 2014					
Payables	50,627	-	-	50,627	50,627
Borrowings	7,115	78,024	-	85,139	78,820
Contingent consideration[1]	4,170	8,715	-	12,885	12,885
Total non-derivative financial liabilities	**61,912**	**86,739**	**-**	**148,651**	**142,232**
30 June 2013					
Payables	38,874	-	-	38,874	38,874
Borrowings	7,037	12,002	62,687	81,726	71,255
Contingent consideration[1]	-	325	8,715	9,040	9,040
Total non-derivative financial liabilities	45,911	12,327	71,402	129,640	119,169

[1]The amounts disclosed above in relation to contingent consideration are based on management's best estimates of the likely future payments based on the facts and circumstances in existence at 30 June 2014 and 30 June 2013 respectively. The final payment amounts may significantly differ from the amounts disclosed above. Refer to Note 14 for further information.

10. Loans and borrowings (continued)

Security for borrowings
The Group continues to provide security to its financiers 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
- Mortgages over shares held in certain controlled entities
- Cross guarantees and indemnities provided by the parent entity and certain controlled entities.

Assets pledged as security

	2014 $'000	2013 $'000
Fixed charge		
Property, plant and equipment	6,425	7,603
Intangible assets	113,804	167,228
Total non-current assets pledged as security	**120,229**	174,831
The following current assets are also pledged as security:		
Fixed charge		
Receivables	58,514	52,168
Floating charge		
Cash	3,520	1,272
Inventories	70,071	66,274
Receivables	2,501	2,398
Derivative financial instruments	-	5,258
Total current assets pledged as security	**134,606**	127,370
Total assets pledged as security	**254,835**	302,201

The assets pledged as security also include the relevant assets disclosed as held for sale as at 30 June 2014. Refer to Note 8 for further information.

11. Contributed equity

	2014 $'000	2013 $'000
Issued and paid up capital:		
95,434,645 (June 2013: 89,294,198) ordinary shares – fully paid	**147,003**	139,117

Movements in ordinary share capital

Date	**Details**	**Number of Shares**	**Price $**	**$'000**
1 July 2013	Opening balance	89,294,198		139,117
12 November 2013	Shares issued - Dividend reinvestment plan for 30 June 2013 final dividend	1,088,243	1.33	1,447
12 November 2013	Shares issued – Dividend reinvestment plan underwriting arrangement	3,611,940	1.33	4,804
10 April 2014	Shares issued - Dividend reinvestment plan for 31 December 2013 interim dividend	1,440,264	1.19	1,713
	Transaction costs associated with share issues	-		(111)
	Tax effect of share issue transaction costs recognised directly in equity	-		33
30 June 2014	**Closing Balance**	**95,434,645**		**147,003**

Cancellation of senior executive options and issuance of performance rights

During the year the Directors decided to change the senior executive long term incentive plan by cancelling the share option plan and replacing it with a new performance rights plan. As a result, on 8 November 2013, 775,000 unlisted and non-vested options were cancelled in accordance with the rules of the Group's Employee share option purchase plan (ESOPP). The 750,000 unexercised options held by the Managing Director were not cancelled.

On 20 November 2013, subsequent to shareholder approval at the Annual General Meeting, the Group issued 416,000 performance rights to the Managing Director and certain other senior executives. Each right is entitled to acquire one share for no consideration subject to the satisfaction of the vesting conditions which are based on performance and time related conditions. The number of rights that will vest will be determined proportionately on a straight line basis based on the cumulative annual growth rate (CAGR) of the Group's earnings per share (EPS) over a two and three year period, with 50% of rights eligible to vest at 16 September 2015 and the remaining 50% of rights eligible to vest at 16 September 2016. The rights will vest proportionately from no rights vesting if the Group's EPS CAGR is 3.0% or less to 100% of rights vesting if the Group's EPS CAGR is 8.0% or higher. The performance rights carry no dividend or voting rights.

12. Earnings Per Share

	2014 Cents	2013 Cents
Basic loss per share	(71.9)	(43.2)
Diluted loss per share	(71.9)	(43.2)
Basic earnings per share excluding significant items	15.9	16.9

Reconciliation of earnings used in calculating earnings per share

	2014 $'000	2013 $'000
Basic and diluted earnings per share		
Profit for the period (excluding significant items)	14,734	13,057
Significant items, net of tax	(81,291)	(46,376)
Loss for the period	(66,557)	(33,319)

Weighted average number of shares used as the denominator

	2014 Number	2013 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**92,575,577**	77,203,558
Potential ordinary shares	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	92,575,577	77,203,558
Options and performance rights that are not dilutive and are therefore not included in the calculation of diluted earnings per share	1,166,000	1,525,000

13. Net tangible asset backing

	2014 Cents	2013 Cents
Net tangible asset backing per ordinary share	(21.1)	1.1

14. Acquisitions

Current period

Maseur

On 1 July 2013, the Group's Australian consumer products business acquired the brandname and associated assets of Maseur, a leading supplier of quality comfort footwear. Details of the purchase consideration and the net assets acquired are as follows:

	$'000
Purchase consideration	
Total purchase consideration – cash paid	5,257

The assets acquired were as follows:

	$'000
Inventories	206
Brandnames	5,051
Total assets acquired	**5,257**
Purchase consideration – cash outflow	
Cash consideration paid	5,257
Outflow of cash to acquire business assets – investing activities	**5,257**

14. Acquisitions (continued)

Think Appliances, the Baumatic brandname and Lemair
On 29 October 2013, the Group's Home Appliance business acquired the business assets of Think Appliances, a supplier of quality kitchen appliances including upright cookers, ovens, cooktops, rangehoods, dishwashers, microwaves, coffee machines and warming drawers. The Group also acquired the Baumatic brandname as part of this transaction, which was previously an agency relationship for the Think Appliances business. On 28 March 2014 the Group's Home Appliances business acquired the business assets of Tecma Lemair Pty Ltd, a supplier of quality refrigerators, freezers and small washing machines. A total consideration of $2,908,000 was paid for these three acquisitions.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Total purchase consideration - cash paid	2,908

The assets and liabilities recognised as a result of these acquisitions were as follows:

	$'000
Inventories	1,862
Plant and equipment	5
Brandnames	1,403
Deferred tax assets	348
Employee entitlements	(83)
Provision for warranty	(1,075)
Net identifiable assets acquired	**2,460**
Add: Goodwill	448
Net assets acquired	**2,908**
Purchase consideration – cash outflow	
Cash consideration paid	2,908
Outflow of cash to acquire business assets – investing activities	**2,908**

The goodwill recognised is attributable to both the future earnings prospects of the acquisition and the synergies expected to be achieved from integrating this business into the Group's existing business. It will not be deductible for tax purposes.

14. Acquisitions (continued)

Think Appliances, the Baumatic brandname and Lemair (continued)

(i) Acquisition and transition related costs
Acquisition and transition related costs of $1,019,000 are included within other expenses in profit or loss and in operating cash flows in the statement of cash flows.

(ii) Revenue and profit contribution
The Think Appliances, Baumatic brandname and Lemair brandname contributed revenues of $15,449,000 to the Group for the period from their acquisition date to 30 June 2014. Net profit generated from these acquisitions for this period has not been separately disclosed as it is impracticable to calculate an accurate amount for this given these acquisitions were completely integrated into the Group's Home Appliances operation.

Dr LeWinn's and Revitanail

On 31 October 2013, the Group's Australian consumer products business acquired the brandnames and associated assets of iconic skincare brand Dr LeWinn's and beauty treatment brand Revitanail.

Details of the purchase consideration and net assets acquired are as follows:

	$'000
Purchase consideration	
Cash paid	15,489
Contingent consideration	4,140
Total purchase consideration	**19,629**

The assets and liabilities acquired were as follows:

Inventories	2,932
Brandnames	16,723
Deferred tax assets	13
Employee entitlements	(39)
Net assets acquired	**19,629**

Purchase consideration – cash outflow	
Total consideration for acquisition accounting purposes	19,629
Less: Contingent consideration	(4,140)
Outflow of cash to acquire business assets – investing activities	**15,489**

14. Acquisitions (continued)

Dr LeWinn's and Revitanail (continued)

(i) Contingent consideration

The Dr LeWinn's / Revitanail acquisition agreement includes a contingent consideration arrangement. Under this arrangement the Group may be required to pay the former owner a potential additional cash payment depending on the level of sales and adjusted net contribution generated by these brands over the twelve month period from acquisition date to 31 October 2014. The expected range of the potential additional payment that the Group may be required to make under this arrangement is between $0 and $13,500,000.

Where an acquisition agreement includes a contingent consideration arrangement, the Group is required to estimate, at acquisition date, the amount of contingent consideration expected to be paid. This amount then forms part of the consideration amount used for acquisition accounting purposes. Based on the facts, circumstances and forecasts that existed at acquisition date, the Group estimated that the contingent consideration payment expected to be paid was $4,140,000.

As at 30 June 2014 the Group was required to reassess the amount of the contingent consideration expected to be paid. Based on the facts and circumstances that existed at 30 June 2014 the Group has retained the provision at $4,140,000. Given the acquisition of the Dr LeWinn's and Revitanail brandnames was an asset purchase, and not a business combination, any subsequent changes to the associated contingent consideration provision will be reflected as an adjustment to the carrying values of the respective brandnames rather than as an adjustment to profit or loss.

14. Acquisitions (continued)

Prior period

Footcare International
During the prior year, on 1 August 2012, the Group's Australian business acquired the business assets of Footcare International, a leading supplier of a range of quality foot comfort, shoe care products and shoe accessories, for a total consideration of $8,082,000 (inclusive of $3,500,000 in contingent consideration that was expected to be paid).

Details of the purchase consideration, the net assets acquired and goodwill were as follows:

	$'000
Purchase consideration	
Cash paid	4,582
Contingent consideration	3,500
Total purchase consideration	**8,082**

The assets and liabilities recognised as a result of the acquisition were as follows:

	Fair Value $'000
Prepayments	13
Inventories	1,026
Plant and equipment	376
Deferred tax asset	34
Payables	(57)
Employee entitlements	(70)
Net identifiable assets acquired	**1,322**
Add: Goodwill	6,760
Net assets acquired	**8,082**

The goodwill recognised is attributable to both the future earnings prospects of the acquisition and the synergies expected to be achieved from integrating this business into the Group's existing business. It will not be deductible for tax purposes.

	$'000
Purchase consideration – cash outflow	
Total consideration for acquisition accounting purposes	8,082
Less: Contingent consideration not achieved	(3,500)
Outflow of cash to acquire business – investing activities	**4,582**

14. Acquisitions (continued)

Prior period (continued)

Footcare (continued)

(i) Contingent consideration
The Footcare International acquisition agreement included a contingent consideration arrangement. Under this arrangement the Group could have been required to pay the former owner a potential additional cash payment, up to a maximum of $3,500,000 depending on the adjusted contribution amount generated during the year ended 30 June 2013.

The potential additional payment that the Group could have been required to make under this arrangement was between $0 and $3,500,000.

In accordance with Australian Accounting Standards the Group was required to estimate, at acquisition date, the amount of contingent consideration expected to be paid. This amount then formed part of the consideration amount used for acquisition accounting purposes. Based on the facts, circumstances and forecasts that existed at acquisition date, the Group estimated that the contingent consideration payment expected to be paid was $3,500,000. As at 30 June 2013, the Group was required to reassess the amount of consideration expected to be paid. Based on the actual outcomes achieved over the year ended 30 June 2013 the Group revised the estimated payment amount down to nil. As a result of this adjustment, and in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, the Group recognised a $3,500,000 gain at 30 June 2013. This amount has been separately disclosed in the Statement of Comprehensive Income, within the revenue and other income section, and within Note 2 Significant items.

(ii) Revenue and profit contribution
During the prior year the acquired business contributed revenues of $6,353,000 to the Group for the period from 1 August 2012 to 30 June 2013. Net profit generated from this business for this period has not been separately disclosed as it is impracticable to calculate an accurate amount for this given this business was completely integrated into the Group's existing operations.

(iii) Acquisition-related costs
During the prior year acquisition-related costs of $53,000 were included within other expenses in profit or loss and in operating cash flows in the statement of cash flows.

14. Acquisitions (continued)

Prior period (continued)

Home Appliances

During the prior financial year, on 28 March 2013 the Group's Australian business acquired 82.21% of the Home Appliances Pty Limited Group (Home Appliances). At the same time the Group also entered into a reciprocal put/call option whereby, the Group has the option to acquire the remaining shares, and the vendors who have retained ownership of 17.79% of Home Appliances have the right to put their remaining shares to the Group, after 30 June 2015. Home Appliances is a major supplier of cooking appliances, primarily into the Australian market, with its range focussing on ovens, cooktops, rangehoods, microwaves, washing machines, dishwashers, barbeques and coffee machines.

Details of the purchase consideration, net identifiable assets acquired (including goodwill and other intangible assets) are set out as follows:

	$'000
Purchase consideration	
Cash paid	18,320
Contingent consideration (relating to put/call option)	8,715
Total purchase consideration	**27,035**

The assets and liabilities recognised as a result of the acquisition were as follows:

	Fair Value $'000
Cash	1,716
Trade receivables	4,270
Other receivables	380
Inventories	8,223
Property, Plant and equipment	304
Intangible assets: software	115
Current tax asset	171
Deferred tax asset	375
Payables	(6,862)
Borrowings	(6,132)
Provision for employee entitlements	(333)
Provision for warranty claims	(706)
Net identifiable assets acquired	**1,521**
Add: Goodwill and other intangibles	25,514
Net assets acquired	**27,035**

14. Acquisitions (continued)

Prior period (continued)

Home Appliances (continued)

The goodwill recognised is attributed to both the future earnings prospects of the acquisition and the synergies expected to be achieved. It will not be deductible for tax purposes.

Purchase consideration – cash outflow	**$'000**
Cash consideration paid	18,320
Less: Cash acquired	(1,716)
Outflow of cash to acquire subsidiary, net of cash acquired – investing activities	16,604
Repayment of subsidiary external borrowings upon acquisition – financing activities	6,132
Total outflow of cash as a result of acquisition, net of cash acquired	**22,736**

(i) Non-controlling interest and contingent consideration
As previously noted, the Group currently owns 82.21% of Home Appliances with the remaining shares being subject to a reciprocal put/call option arrangement with an exercise date commencing after 30 June 2015. The Group assessed its position with respect to this arrangement and determined that the Group had taken over the significant risks and rewards of ownership of Home Appliances and as such no non-controlling interest is reflected in the Group's financial statements.

As a result of this put/call option arrangement it is expected that the Group will acquire the remaining 17.79% of Home Appliances at some stage subsequent to 30 June 2015. The required payment amount for these shares is dependent on the average earnings before interest and tax (EBIT) generated by Home Appliances over the preceding two financial years, and ranges from $1,141,000 to $13,507,000.

In accordance with Australian Accounting Standards, the Group estimated, at acquisition date, the expected amount to be paid to buy the remaining 17.79% of shares. This amount was included as part of the consideration amount used for acquisition accounting purposes. Based on the facts, circumstances and forecasts that existed at acquisition date, the Group estimated that the expected payment required was $8,715,000 and as such a provision for this amount was raised.

As at 30 June 2014 the Group was required to reassess the amount of contingent consideration expected to be paid. Based on the facts and circumstances that existed at 30 June 2014 the Group has retained the provision at $8,715,000.

(ii) Revenue and profit contribution
During the prior year the Home Appliances business contributed revenues of $9,209,000 and an EBIT of $861,000 to the Group for the period from 29 March 2013 to 30 June 2013.

(iii) Acquisition-related costs
During the prior year acquisition-related costs of $199,000 were included within other expenses in profit or loss and in operating cash flows in the statement of cash flows.

15. Contingent Liabilities

From time to time, and in the ordinary course of business, claims arise against the Group including claims relating to product and general liability. The Directors consider these claims to be minor which will not materially affect the results of the Group.

16. Subsequent events

On 1 July 2014 the Group commenced a two year renewable distribution agreement with Trilogy International Limited (a New Zealand listed consumer goods company) for the Group's Australian business to distribute the Trilogy branded natural skincare products within Australia.

On 3 July 2014 the Group's Australian business entered into an agreement to acquire the natural skincare brands A'kin and Lapurete and the natural hair care brand Al'chemy and associated inventory for $7,770,000. The acquisition is due to complete on 1 December 2014. The Group is currently selling the associated products as part of a transitional, short term agency relationship until the acquisition completes.

On 1 August 2014 the Group commenced a one year renewable distribution agreement with Proctor and Gamble Plc for the Group's Australian business to distribute the well known fragrance brands of Dolce&Gabbana, Gucci and Hugo Boss within the Australian Market (excluding duty free stores).

On 18 August 2014, the Group signed a Heads of Agreement with the Fackelmann Group which proposes the transfer of the Group's existing housewares business to a new venture in which the Fackelmann Group will acquire a majority stake at the proportionate net tangible asset value. Once established, the new venture will market and distribute the combined ranges of housewares products. This new venture is intended to be established by 1 November 2014. The terms of the Heads of Agreement with the Fackelmann Group provide a Put Option for McPherson's to divest the remaining 49% of the new housewares venture after one, two or three years for a consideration comprising the sum of net asset value and a multiple of future earnings. Additionally, the Fackelmann Group has a corresponding Call Option on similar terms. The parties are not bound to exercise these options.

On 18 August 2014, the Directors of the Company declared a final dividend of 5.0 cents per share fully franked which is payable on 11 November 2014 (refer to Note 5).

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected the Group's operations, results or state of affairs, or may do so in future financial years.

17. Compliance Statement

The Financial Statements from which this Financial Report is extracted have been audited.