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The year ended 30 June 2010 resulted in a net profit close to the record profit achieved in 2008, a considerable improvement on the previous year as the Company responded to the global financial crisis.

The highlights of the results were:-

- Net profit after tax of $25.6 million (up 33%)
- Earnings per share of 36.4 cents (up 22%)
- Gearing (net debt to shareholders' funds) improved to 37% from 67% in 2009
- Fully franked dividends of 20 cents per share

The Australian consumer products businesses were successfully merged into a single entity at the start of the financial year, to improve efficiency and reduce costs. Sales for the consumer products division were slightly higher than last year, at $289.7 million compared to $288.5 million in 2009. The key brands of Wiltshire, Manicare, Lady Jayne, Multix and Swisspers all achieved revenue growth in 2010. Growth in these key brands was largely offset by a range rationalisation programme and lower revenue from impulse merchandising caused by reduced ranging opportunities in some retailers.

Margins improved in most consumer products categories due to business improvement initiatives and the stronger Australian dollar. The Company has a hedging policy to provide cover six months forward, so the benefit of the higher currency was mainly felt in the second half of the year. The consumer products division produced earnings before interest and tax of $45.2 million, well up on the previous year's $38.2 million.

McPherson's Printing Group, which produces books and other high quality printed materials, achieved earnings before interest and tax of $3.8 million, slightly lower than the previous year's $4.3 million. Revenue fell 6% to $64.3 million, owing mainly to reduced demand in the commercial and professional reference segments. However, "read for pleasure" book printing volumes were steady with 2009. Selective capital investment assisted in productivity improvements to partly offset volume declines.

The Company's cashflow was strong during the year, with net pre-tax cash inflows of $39.8 million generated from operations. The Company also raised $15 million (before expenses) as new share capital. These two factors enabled the significant improvement in gearing, with net debt reducing to $71.9 million at the end of 2010 compared to $104.2 million a year earlier. The gearing level of 37% at 30 June 2010 is considered to be very satisfactory with further improvement anticipated through 2010/ 2011.

The Company has recently entered into new term facilities with its bankers, which now mature on 31 August 2013.

An interim dividend of 10 cents per share, fully franked, was paid during the year and a final dividend of 10 cents, also fully franked, was paid on 1 October 2010. Dividends were suspended in 2009 in order to conserve cash and reduce borrowings and it is very pleasing to have been able to reinstate dividends while still achieving the desired reduction in gearing and borrowings. The Company has sufficient franking credits to ensure future dividends are fully franked, and the policy is to pay out at least 50% of annual net profits as dividends.

McPherson's continues to focus strongly on innovation, brand development and product improvements and a recent review of all of the key brands has highlighted further areas of opportunity for growth.

Sales for the new financial year are in line with expectations, showing modest growth on the same period last year. The retail environment is inconsistent, but in general McPherson's key brands have continued to show sales growth, offset by further weakness in the impulse merchandising ranges, where retailers continue to reduce available selling space.

The strength of the Australian dollar continues to assist margins, although the full impact on the Company is generally felt with a six month delay owing to the hedging programme. Commodity prices and factory labour costs in China are adversely impacting margins by increasing input costs. However, overall the first quarter of the current financial year shows a reasonable growth in profit compared to last year.

At this stage, the result for the year to 30 June 2011 is expected to represent growth in earnings per share of approximately 10% compared with last year. This assumes that trading during the balance of the year is consistent with expectations. The result for the year will be influenced by the uncertainties of the retail environment, competitive pressures and the net effect of movements in exchange rates and other input costs.

The result for the half year to 31 December 2010 is expected to represent an increase in earnings per share of around 15% compared with the previous corresponding period, largely as a consequence of the lower effective exchange rates experienced in the first half of the previous financial year.

The Company continues to be active in searching for suitable acquisition targets to develop its core strategy of expansion in consumer products categories. The strong balance sheet and continued positive cashflows mean the Company is well placed to consider appropriate acquisitions.

This is the first full year with Paul Maguire as Chief Executive and I congratulate him and his team on the substantial achievements by the Company in the past year. The strategy for growth now being developed is underpinned by a sound financial footing. Marketing plans, product developments, product improvements and efficiency gains are all expected to generate stronger results over the medium term.

It was very pleasing that during the year the Company became part of the S&P/ASX 300 Index, thereby recognising McPherson's as one of the 300 largest companies listed on the Australian Securities Exchange. This naturally opens the Company to a number of investors who prefer to invest only in S&P/ASX 300 companies.

I am pleased to welcome Graham Cubbin as our new director. Graham has enjoyed an exciting career as an executive including many years as CFO of Consolidated Press Holdings and he brings a wealth of business experience to our board. My own term of office expires a year from now and I have decided to retire from the Board on or before that time. Accordingly a process has commenced to further rejuvenate the board composition and to appoint a new Chairman.

Finally I would also like to thank all McPherson's staff for their outstanding performance over the past year. McPherson's is strong, profitable and poised for further growth.