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ASX/Media Release

(ASX: MCP)

20 August 2012

McPherson's FY2012 NPAT from continuing operations* $18.4 million

- **Results in line with guidance**
- **Final dividend of 7 cents per share and dividend reinvestment plan reinstated**
- **Operations streamlined with further improvements underway**
- **Two acquisitions successfully completed**

McPherson's Limited, the consumer products company, today announced an after-tax profit of $18.4 million from continuing operations for FY2012 (FY2011: $25.8 million). Pre-tax profit from continuing operations was $26.1 million (FY2011: $36.8 million), in line with guidance, and revenue from continuing operations was $276.2 million (FY2011: $289.9 million).

The directors have declared a final dividend of 7 cents per share fully franked (FY2011: 14 cents), payable on 31 October 2012 to shareholders on the register at 9 October 2012. This will bring total dividends for the year to 17 cents per share fully franked (FY2011: 26 cents), representing 67 per cent of earnings per share from continuing operations and in line with the company's policy to distribute at least 60 per cent of net profit before amortisation. In view of the company's strategy to grow through acquiring further complementary businesses and brands, the dividend reinvestment plan has been reinstated, with a discount of 2.5 per cent.

Results from continuing operations*	**FY2012 ($ million)**	**FY2011 ($ million)**	**Change (%)**
Sales revenue	**276.2**	289.9	(4.7)
Earnings before interest and tax	**32.0**	43.5	(26.5)
Profit before tax	**26.1**	36.8	(29.1)
Profit after tax	**18.4**	25.8	(28.7)
Earnings per share (cents)	**25.4**	35.9	(29.2)
Final dividend (cents) – fully franked	**7.0**	14.0	(50.0)
Total dividends for the year (cents) – fully franked	**17.0**	26.0	(34.6)

Sales revenue from continuing operations* by market	**FY2012 ($ million)**	**FY2011 ($ million)**	**Change (%)**
Australia	**236.9**	253.5	(6.6)
New Zealand	**30.0**	28.1	6.9
Other markets	**9.4**	8.3	12.9
Total	**276.2**	289.9	(4.7)

* Continuing operations represent the company's consumer products business and exclude the printing business demerged in January 2012 and the costs of the demerger. Statutory results including these items were: Sales revenue $302.8 million; Earnings before interest and tax $30.0 million; Profit before tax $24.0 million; Profit after tax $17.0 million.

‘As announced in June, we have had to face a number of major challenges, but our business has demonstrated its resilience and is well positioned to improve its performance over the coming year’, said Paul Maguire, managing director.

‘Sales in Australia were affected by the subdued retail environment, by retailers’ brand rationalisation and introduction of more private label products, and by a major retailer’s ‘clean aisle’ policy, which resulted in the removal of our impulse merchandise range. Product innovation, however, led to double digit growth for our Manicare and Lady Jayne brands, which increased sales through the pharmacy channel, and new product initiatives are expected to recover the lost revenue during the coming year.

‘New Zealand consumer demand was also weak, but we succeeded in increasing sales, particularly in the hair care and beauty categories with our Manicare and Mita brands, and in the household consumables category with our Multix brand. We maintained our substantial share of the housewares and glassware market with our Wiltshire, Stanley Rogers and Crown brands and a range of agency lines.

‘Sales in other markets continued to grow. We market an extensive range of personal care products and housewares throughout Asia from our office in Singapore, and our housewares are distributed by agents in North America and South Africa.

‘In January 2012, we acquired Cosmex International, a leading marketer and distributor of hair care and beauty products which owns flagship brands such as Moosehead and Davinci and holds Australian distribution rights for leading international brands such as Eylure and Montagne Jeunesse. These brands are a great complement to McPherson’s existing portfolio of market-leading brands.

‘Earlier this month, we acquired Footcare International which markets quality foot comfort and shoe care products through a wide range of channels including pharmacy and shoe retailers. The business also has a growing overseas customer base.

‘Margins were assisted by the favourable foreign exchange rates that prevailed during the year. However, this benefit was more than off-set by product mix, increased promotional spend and higher product input costs, particularly labour cost increases in China. Our sourcing division in Hong Kong is taking steps to mitigate the impact of product cost increases in the future. The company’s foreign currency hedging program, which extends hedging progressively on a rolling monthly basis, will provide protection for the 2013 financial year.

‘Expenses were reduced by $2.9 million through a number of initiatives, including closure of the corporate office in Melbourne and its merger into the Sydney operation, and the introduction of radio frequency technology for replenishment orders in the Kingsgrove distribution centre. Additional restructuring was implemented to better align the business structure with strategy, leading to improved efficiency and productivity at a lower cost. Comprehensive training and development programs were also put in place to strengthen employee skills, ensure the retention of high achievers and maximise employee engagement.

‘Other operational initiatives are currently being pursued that will yield further benefits. These include an upgrade of the company’s Enterprise Resource Planning system and the introduction of new systems to boost supply chain effectiveness and field force productivity. A major logistics initiative will also be undertaken, which will yield cost savings and provide a significant lift in available warehouse capacity.’

Cash flow and balance sheet

Operating cash flow before interest and tax from continuing operations was $31.9 million, representing 93 per cent of earnings before interest, tax, depreciation and amortisation. Net working capital from continuing operations increased by $2.3 million due largely to an increase in trade receivables.

Net debt at 30 June 2012 was $76.7 million, compared with $56.5 million at 1 July 2011. This increase was due partly to costs associated with the demerger of the printing business and to the acquisitions of Cosmex and Gainsborough. The ratio of net debt to total funds employed at 30 June 2012 was 30.8 per cent (1 July 2011: 22.0 per cent), which remains within the company’s target range. Net borrowing costs fell to $5.9 million from $6.8 million in FY2011.

Outlook

Mr Maguire said: 'While the retail environment remains challenging, initiatives we are undertaking to improve performance are expected to result in a modest increase in revenue and earnings during the coming year. This is before contributions from the recently acquired Footcare International, estimated to be $2 million over the coming twelve months, and any other acquisitions.

'Following the demerger of the printing business in January, we are now able to focus our management and financial resources on the growth of our consumer products business, and we are committed to pursuing all avenues that will improve shareholder returns. The pursuit of growth through new product development and innovation remains a major focus and this is being complemented by the establishment of new agency agreements and the acquisition of aligned businesses.'

About McPherson's

McPherson's, established in 1860, is a leading marketer of personal care, non-electrical housewares and household consumable products in Australia and New Zealand, with operations in Asia. Existing product ranges include beauty care; hair care; skin care; kitchen utensils such as cutlery, kitchen knives, bakeware and cookware; and kitchen essentials such as plastic bags, baking paper, cling wrap and aluminium foil. The company owns and markets a portfolio of market-leading brands, including Manicare, Lady Jayne, Swisspers, Moosehead, Wiltshire, Stanley Rogers and Multix.

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McPherson's Limited
ABN: 98 004 068 419
Year ended 30 June 2012

Results for Announcement to the Market

				$000's
Revenue from continuing operations	down	4.8%	to	**276,319**
Profit before tax from continuing operations	down	29.1%	to	**26,058**
Profit after tax from continuing operations	down	28.7%	to	**18,410**
Profit after tax attributable to members	down	12.7%	to	**17,028**
Net profit for the period attributable to members	down	12.7%	to	**17,028**

Dividends/distributions	**Amount per security**	**Franked amount per security**
Final dividend	**7.0¢**	**7.0¢**
Interim dividend	10.0¢	10.0¢

Payment date for final dividend	**31 October 2012**

Record date for determining entitlements to the dividend	**9 October 2012**

McPherson's Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2012

	Note	**2012 $000's**	2011 $000's
Continuing operations			
Revenue			
Sales revenue	2	276,246	289,934
Interest		39	313
Royalties		34	42
Total revenue		**276,319**	290,289
Other income		664	274
Total revenue and other income		**276,983**	290,563
Expenses			
Materials and consumables used		(146,485)	(146,530)
Employee costs		(44,586)	(45,002)
Rental expenses relating to operating leases		(6,743)	(6,990)
Amortisation of other intangibles		(242)	(221)
Depreciation/other amortisation		(2,446)	(2,329)
Advertising and promotional		(13,080)	(11,773)
Repairs and maintenance		(269)	(298)
Cartage and freight		(14,423)	(13,631)
Restructure costs		(365)	(508)
Time value in option hedging contracts		927	(2,280)
Other expenses		(17,243)	(17,151)
Borrowing costs expense		(5,970)	(7,098)
Total expenses		**(250,925)**	(253,811)
Profit before income tax expense		**26,058**	36,752
Income tax expense	4	(7,648)	(10,948)
Profit from continuing operations after income tax expense		**18,410**	25,804
Discontinued Operation			
Loss from discontinued operation (net of income tax)	6	(1,382)	(6,305)
Profit for the year		**17,028**	19,499

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 2012

	2012 $000's	2011 $000's
Profit for the year	**17,028**	19,499
Other comprehensive income		
Changes in the fair value of cash flow hedges	(1,605)	399
Exchange differences on translation of foreign operations	549	(1,987)
Income tax relating to components of other comprehensive income	488	(127)
Other comprehensive income for the year	**(568)**	(1,715)
Total comprehensive income for the year	**16,460**	17,784
Total comprehensive income for the year arises from:		
Continuing operations	17,820	24,111
Discontinued operation	(1,360)	(6,327)
	16,460	17,784

	2012 Cents	2011 Cents
Basic earnings per share	**23.5**	27.1
Diluted earnings per share	**23.5**	27.0
Basic earnings per share - continuing operations	**25.4**	35.9
Diluted earnings per share - continuing operations	**25.4**	35.7

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 2012

	Note	2012 $000's	2011 $000's
Current assets			
Cash		1,253	1,705
Receivables		55,550	57,930
Inventories		52,932	59,672
Derivative financial instruments		95	-
Total current assets		**109,830**	119,307
Non-current assets			
Other financial assets		-	1,249
Property, plant and equipment		7,076	23,713
Intangibles	7	183,986	179,163
Deferred tax assets		5,462	6,856
Total non-current assets		**196,524**	210,981
Total assets		**306,354**	330,288
Current liabilities			
Payables		30,130	36,742
Derivative financial instruments		2,760	3,251
Borrowings	8	1,419	1,235
Provisions		6,085	10,989
Current tax liabilities		989	5,376
Total current liabilities		**41,383**	57,593
Non-current liabilities			
Derivative financial instruments		1,455	191
Borrowings	8	76,500	57,000
Provisions		828	1,010
Deferred tax liabilities		13,546	13,696
Total non-current liabilities		**92,329**	71,897
Total liabilities		**133,712**	129,490
Net assets		**172,642**	200,798
Shareholders' equity			
Share capital	9	103,253	129,338
Reserves		(4,444)	(4,181)
Retained profits		73,833	75,641
Total shareholders' equity		**172,642**	200,798

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 2012

	Share Capital $000's	Reserves $000's	Retained Profits $000's	Total Equity $000's
Balance at 1 July 2011	**129,338**	**(4,181)**	**75,641**	**200,798**
Profit for the year	-	-	17,028	17,028
Cash flow hedges, net of tax	-	(1,117)	-	(1,117)
Exchange differences on translation of foreign operations	-	549	-	549
Total comprehensive income	**-**	**(568)**	**17,028**	**16,460**
Transactions with shareholders				
Dividends paid	-	-	(17,376)	(17,376)
Share based payment transactions	-	305	-	305
Distribution to owners – Printing demerger	(26,085)	-	(1,460)	(27,545)
Total transactions with shareholders	**(26,085)**	**305**	**(18,836)**	**(44,616)**
Balance at 30 June 2012	**103,253**	**(4,444)**	**73,833**	**172,642**

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

	Share Capital $000's	Reserves $000's	Retained Profits $000's	Total Equity $000's
Balance at 1 July 2010	**127,193**	**(2,290)**	**71,995**	**196,898**
Profit for the year	-	-	19,499	19,499
Cash flow hedges, net of tax	-	272	-	272
Exchange differences on translation of foreign operations	-	(1,987)	-	(1,987)
Total comprehensive income	**-**	**(1,715)**	**19,499**	**17,784**
Transactions with shareholders				
Dividends paid	-	-	(15,853)	(15,853)
Share based payment transactions	-	743	-	743
Share issues – options exercised	1,230	-	-	1,230
Transaction costs on share issues, net of tax	(4)	-	-	(4)
Transfers	919	(919)	-	-
Total transactions with shareholders	**2,145**	**(176)**	**(15,853)**	**(13,884)**
Balance at 30 June 2011	**129,338**	**(4,181)**	**75,641**	**200,798**

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 2012

	Note	2012 $000's	2011 $000's
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		330,888	385,577
Payments to suppliers and employees (inclusive of GST)		(297,313)	(327,762)
Interest received		39	322
Interest and borrowing costs paid		(5,934)	(7,669)
Income tax paid		(11,457)	(9,183)
Dividend received		100	300
Net cash inflows from operating activities	5	**16,323**	41,585
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(5,023)	(6,846)
Proceeds from sale of property, plant and equipment		40	583
Payments for purchase of intangibles		(505)	(167)
Payments for acquisition of business assets		(6,317)	-
Cash demerged with Printing business		(4,701)	-
Costs associated with Printing demerger		(2,530)	-
Net cash outflows from investing activities		**(19,036)**	(6,430)
Cash flows from financing activities			
Proceeds from exercise of options		-	1,223
Costs from exercise of options		-	(5)
Proceeds from borrowings		124,000	120,000
Repayment of borrowings		(104,500)	(140,000)
Dividends paid		(17,376)	(15,853)
Repayment of finance lease liabilities		(82)	(12)
Net cash inflows / (outflows) from financing activities		**2,042**	(34,647)
Net (decrease) / increase in cash held		**(671)**	508
Cash at beginning of the financial year		**486**	20
Net effect of exchange rate changes on cash		**19**	(42)
Net cash at end of financial year		**(166)**	486

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

1. Accounting Policies

McPherson’s Limited is a company domiciled in Australia. The consolidated preliminary financial report for the year ended 30 June 2012 comprises McPherson’s Limited and its controlled entities (the “Group”).

(a) Basis of Preparation

This preliminary 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.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 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.

(c) Rounding of Amounts

The company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2012

2. Operating Segments

	Consumer Products $000's	Printing (Discontinued) $000's	Inter-segment Eliminations/ Unallocated $000's	Consolidated $000's
2012 Segment Information				
Sales to external customers	276,246	26,527	-	302,773
Inter-segment sales	-	86	(86)	-
Total sales revenue	**276,246**	**26,613**	**(86)**	**302,773**
Other revenue / income	737	560	-	1,297
Share of net profit of associate	-	104	-	104
Total segment revenue, other income and share of net profit of associate	**276,983**	**27,277**	**(86)**	**304,174**
Profit / (loss) before interest, tax, depreciation, amortisation and significant items	37,400	2,417	(2,723)	37,094
Depreciation and amortisation expense	(2,686)	(1,818)	(3)	(4,507)
Segment result before significant items	**34,714**	**599**	**(2,726)**	**32,587**
Significant items – Printing demerger[1]	-	-	(2,619)	(2,619)
Segment result including significant items	**34,714**	**599**	**(5,345)**	**29,968**
Net borrowing costs				(5,968)
Profit before income tax				**24,000**
Income tax expense				(6,972)
Profit after income tax				**17,028**
Segment assets	**312,514**	**-**	**(6,160)**	**306,354**

[1] This significant item expense relates to the costs associated with the demerger of the Printing business and its subsequent acquisition of the Opus Group. Refer to the discontinued operation note disclosed at Note 6 to this financial report.

McPherson's Limited
Notes to the Consolidated Financial Statements
Prior Year Comparative

2. Operating Segments (continued)

	Consumer Products $000's	Printing (Discontinued) $000's	Inter-segment Eliminations/ Unallocated $000's	Consolidated $000's
2011 Segment Information				
Sales to external customers	289,934	58,889	-	348,823
Inter-segment sales	-	45	(45)	-
Total sales revenue	**289,934**	**58,934**	**(45)**	**348,823**
Other revenue / income	271	1,167	334	1,772
Share of net profit of associate	-	268	-	268
Total segment revenue, other income and share of net profit of associate	**290,205**	**60,369**	**289**	**350,863**
Profit / (loss) before interest, tax, depreciation, amortisation and significant items	50,994	5,859	(4,908)	51,945
Depreciation and amortisation expense	(2,548)	(2,973)	(1)	(5,522)
Segment result before significant items	**48,446**	**2,886**	**(4,909)**	**46,423**
Significant items – impairment of goodwill	-	(8,530)	-	(8,530)
Segment result including significant items	**48,446**	**(5,644)**	**(4,909)**	**37,893**
Net borrowing costs				(6,785)
Profit before income tax				**31,108**
Income tax expense				(11,609)
Profit after income tax				**19,499**
Segment assets	**303,081**	**31,776**	**(4,569)**	**330,288**

2. Operating Segments (continued)

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

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

The above reporting business segments derive revenue from the following products and services:

Consumer Products:
A leading marketer of personal care, non-electrical housewares and household consumables. Product ranges include beauty care, hair care, skin care, 'kitchen utensils' such as cutlery, kitchen knives, bakeware and cookware and 'kitchen essentials' such as plastic bags, baking paper, cling wrap and aluminium foil.

Printing (discontinued):
Printers of a wide range of products including quality books, paperbacks and loose-leaf printing.

Geographical Information

	Segment revenues from sales to external customers		Segment non-current assets	
	2012 $000's	2011 $000's	2012 $000's	2011 $000's
Australia	263,387	312,435	184,078	197,562
New Zealand	30,010	28,082	5,758	5,355
Asia	9,376	8,306	1,226	1,208
	302,773	**348,823**	**191,062**	**204,125**

Segment revenues
Segment revenues are allocated based on the location in which the revenue originated.

Revenues of approximately $67,862,000 (2011: $84,746,000) and $61,145,000 (2011: $61,904,000) were derived from two external customers. These revenues were attributable to the Consumer Products segment in Australia.

Segment assets
Segment assets are allocated based on where the asset is located. Non-current segment assets exclude deferred tax assets.

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.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2012

3. Dividends

Details of dividends declared or paid during or subsequent to the year ended 30 June 2012 are as follows:

	2012 $000's	2011 $000's
Ordinary		
Final 30 June 2011 dividend of 14.0 cents per fully paid share (2010: 10.0 cents per fully paid share) fully franked @ 30%	**10,136**	7,165
Interim 2012 dividend of 10.0 cents per fully paid share (2011: 12.0 cents per fully paid share) fully franked @ 30%	**7,240**	8,688
Total dividends paid	**17,376**	15,853

Dividends not recognised at year end

In addition to the above dividends, since the year end Directors have declared a fully franked final dividend of 7.0 cents per fully paid share (2011: 14.0 cents per fully paid share). The aggregate amount of the dividend to be paid on 31 October 2012 but not recognised as a liability at year end is:	**5,068**	10,136

Franked Dividends

Franked dividends paid after 30 June 2012 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 2013.

Franking credits available for subsequent financial years based on a tax rate of 30%	**26,090**	27,795

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 plans

The Directors have resolved to reactivate the Company's Dividend Reinvestment Plan with effect from the upcoming final dividend for the financial year ended 30 June 2012.

McPherson's Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2012

4. Income Tax

	2012 $000's	2011 $000's
Operating profit before tax – continuing operations	**26,058**	36,752
Operating (loss)/profit before tax – discontinued operations	**(2,058)**	(5,644)
Total operating profit before tax	**24,000**	31,108
Prima facie income tax at 30%	7,200	9,332
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share of net profit of associate	(31)	(80)
Share based payments expense	92	223
Impairment of goodwill	-	2,559
Non-assessable gain on acquisition	(120)	-
Tax rate differences in overseas entities	(327)	(227)
Under/(over) provision in prior years	4	(327)
Other	154	129
Income tax expense	**6,972**	11,609
Income tax expense/(benefit) is attributable to:		
Continuing operations	7,648	10,948
Discontinued operation	(676)	661
	6,972	11,609

5. Notes to the Cash Flow Statement

	2012 $000's	2011 $000's
Operating profit after income tax	**17,028**	19,499
Amortisation of other intangibles	242	221
Depreciation/other amortisation	4,265	5,301
Profit on disposal of property, plant and equipment	(9)	(208)
Share based payments expense	305	743
Impairment of goodwill	-	8,530
Share of profit in associate not received as dividends	(104)	(268)
Dividends received from associate	100	300
Time value in option hedging contracts	(927)	2,280
Finance charges included in lease payments	-	1
Gain on acquisition	(400)	-
Loss on demerger of the Printing business	45	-
Costs associated with Printing demerger	2,550	-
Operating assets and liabilities, excluding the effects from purchase or disposal of controlled entities:		
Increase/(decrease) in payables	279	(5,930)
Increase/(decrease) in other provisions	(1,608)	41
Increase/(decrease) in employee entitlements	(803)	284
Increase/(decrease) in tax balances	(4,500)	2,426
(Increase)/decrease in receivables	(3,906)	4,206
(Increase)/decrease in inventories	3,766	4,159
Net cash inflows from operating activities	**16,323**	41,585

6. Discontinued Operation

On 18 November 2011 the Group announced its intention to demerge its Printing business into a separate company. Subsequent to demerging, the Printing business completed an acquisition of the Opus Group, in order to create a substantial business services group with operations in Australia, New Zealand and Singapore, and was listed on the ASX.

The demerger was completed via a demerger distribution, which was satisfied by the Group distributing all its shares in the McPherson's Printing Group to the shareholders of McPherson's Limited.

On 16 January 2012, the shareholders of McPherson's Limited approved the demerger at an extraordinary general meeting and the demerger took place on 31 January 2012.

As a result of this transaction, and in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* the Group's Printing business has been disclosed as a discontinued operation. Consequently, the Consolidated Statement of Comprehensive Income (both current year and prior year comparative) has been prepared with the Printing business disclosed in the discontinued operations line.

On 31 January 2012, the Group distributed its shares in the McPherson's Printing Group to the shareholders of McPherson's Limited. The fair value of the net assets distributed was $27,545,000. The Group has reflected the distribution through a combination of a reduction in share capital of $26,085,000 and a dividend paid of $1,460,000.

The assets and liabilities distributed to shareholders are set out below:

	$000's
Cash	4,701
Receivables	6,531
Inventories	4,998
Derivative financial instruments	19
Other financial assets	1,252
Property, plant and equipment	20,068
Deferred tax assets	1,979
Payables	(6,243)
Borrowings	(3,002)
Provisions	(2,713)
Carrying amount of net assets distributed	27,590
Fair value of net assets distributed	27,545
Loss on distribution to shareholders	**(45)**

6. Discontinued Operation (continued)

	7 months to 31 January 2012 $000's	12 months to 30 June 2011 $000's
Revenue	26,527	58,889
Other income	664	1,411
Expenses	(26,592)	(57,414)
Borrowing costs	(37)	-
Profit before income tax and significant items	**562**	2,886
Income tax expense	(114)	(661)
Profit after income tax before significant items	**448**	2,225
Significant items		
Costs associated with demerger and subsequent acquisition of Opus	(2,550)	-
Loss on distribution to owners	(70)	-
Impairment of goodwill	-	(8,530)
Income tax benefit relating to significant items	790	-
Loss from discontinued operation for the period	**(1,382)**	(6,305)
Basic earnings per share (before significant items) – cents	0.6	3.1
Diluted earnings per share (before significant items) – cents	0.6	3.1

Cash flow information

Net cash inflows from operating activities	1,690	5,833
Net cash outflows from investing activities	(2,644)	(4,089)
Net cash inflows/(outflows) from financing activities	5,139	(3,000)
Net cash inflows/(outflows) for the period	**4,185**	(1,256)

7. Non-Current Assets – Intangibles

	2012 $000's	2011 $000's
Goodwill	137,992	133,432
Other intangibles	4,437	4,437
Accumulated amortisation	(4,007)	(3,765)
	430	672
Brandnames	45,564	45,059
Total intangibles	**183,986**	179,163

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:

	Goodwill $000's	**Other Intangibles $000's**	**Brandnames $000's**	**Total $000's**
Consolidated				
Carrying amount at 1 July 2010	142,341	735	45,059	188,135
Additions	-	166	-	166
Disposals previously provided	-	(8)	-	(8)
Impairment charge	(8,530)	-	-	(8,530)
Amortisation charge	-	(221)	-	(221)
Foreign currency exchange differences	(379)	-	-	(379)
Carrying amount at 30 June 2011	133,432	672	45,059	179,163
Additions	4,440	-	505	4,945
Amortisation charge	-	(242)	-	(242)
Foreign currency exchange differences	120	-	-	120
Carrying amount at 30 June 2012	**137,992**	**430**	**45,564**	**183,986**

Acquired brandnames are not amortised under AASB 138, as Directors consider these to have an indefinite life. These brandnames are subject to an annual impairment test.

7. Non-Current Assets – Intangibles (continued)

Impairment Testing

Goodwill
Goodwill is allocated according to business segment as follows:

	2012 $000's	2011 $000's
Consumer Products Australia	133,360	129,188
Consumer Products New Zealand	4,632	4,244
	137,992	133,432

The recoverable amount of a business segment is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets 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 business segment, the Company 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 both the Australian and New Zealand business segments, are set out below.

	2012	**2011**
Estimated growth rates	3.0%	1.0% - 3.0%
Post-tax discount rate	11.5%	11.5%
Pre-tax discount rate equivalent	15.1%	15.1%

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. At 30 June 2012, the value-in-use calculations for both the Australian and New Zealand consumer product business segments exceed the carrying value of their net assets. The surplus amount within the Australian calculation is $26,958,000 (2011: $85,373,000). The surplus amount within the New Zealand calculation is NZD$21,302,000 (2011: NZD$27,537,000).

7. Non-Current Assets – Intangibles (continued)

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 consumer products business segment were to be 2.9% below the current year actual earnings, the recoverable amount of the Australian consumer products business segment would equal its carrying amount.

If the post-tax discount rate used in the value-in-use calculation for the Australian consumer products business segment were to be 1.0 percentage point higher than management's estimate (12.5% instead of 11.5%) the recoverable amount of the Australian consumer products business segment would equal its carrying amount.

There were no reasonably possible changes to key assumptions associated with the New Zealand consumer products business segment that resulted in the recoverable amount of this business segment being equal to or below its carrying value.

At 30 June 2011, the value-in-use of the Printing business segment was less than the carrying value of its net assets, resulting in an impairment to goodwill of $8,530,000.

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 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 Company 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 brandnames tested using this method, are set out below.

	2012	**2011**
Estimated growth rates	3.0%	1.0% - 3.0%
Post-tax discount rate	11.5%	11.5%
Pre-tax discount rate equivalent	15.1%	15.1%

At 30 June 2012, the total carrying value of brandnames tested using the value-in-use method was $44,121,000. The value-in-use calculations for these brandnames exceeded their carrying values.

7. Non-Current Assets – Intangibles (continued)

The fair value less costs to sell calculation is 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 on a discounted cash flow analysis of the future royalty stream which is based on financial budgets covering a one year period. The calculation assumes sales growth rates beyond the projected period range of 3.0% (2011: 1.0% to 3.0%) and a post-tax discount rate of 11.5% (2011: 11.5%), the equivalent pre-tax discount rate equating to 15.1% (2011: 15.1%).

At 30 June 2012, the total carrying value of brandnames tested using the 'relief from royalty' method was $1,443,000.

Impact of possible changes in key assumptions

If the year one projected sales by brand were 10.0% below the current estimates used within the value-in-use calculations, no brand impairment would arise.

If the year one contribution margin percentage were 5.0 percentage points below the current estimates used within the value-in-use calculations, the recoverable amount of certain brands would be $3,386,000 below their current carrying amount.

If the year one projected sales were 10.0% below the current estimate used within the relief from royalty calculation the recoverable amount of the brand tested using this method would equal its carrying amount.

8. Loans and borrowings

	2012 $000's	2011 $000's
Current		
Bank overdraft - secured	119	19
Bank loans - secured	1,300	1,200
Hire purchase	-	16
	1,419	1,235
Non-current		
Bank loans - secured	**76,500**	57,000
Total	**77,919**	58,235

Maturity profile of the Group's loans and borrowings

The table below analyses the Group's loans and borrowings into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

2012	**Less than 1 Year $000's**	**Between 1 & 2 Years $000's**	**Between 2 & 3 years $000's**	**Carrying Amount $000's**
Bank overdraft	119	-	-	119
Bank loans	1,300	76,500	-	77,800
	1,419	**76,500**	**-**	**77,919**
2011				
Bank overdraft	19	-	-	19
Bank loans	1,200	-	57,000	58,200
Hire purchase	16	-	-	16
	1,235	-	57,000	58,235

Bank loans

Bank loans are available under a committed amortising financing facility with the Group's bankers with a maturity date of 31 August 2013. Interest at variable rates is payable on the bank loans.

8. Loans and borrowings (continued)

Security for borrowings
During the year, the Group continued to provide security to its bankers 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

	2012 $000's	2011 $000's
First mortgage		
Freehold land and buildings	-	1,657
Fixed charge		
Property, plant and equipment	6,999	21,941
Intangibles	183,184	178,383
Other financial assets	-	1,249
Hire purchase		
Plant and equipment under hire purchase	-	19
Total non-current assets pledged as security	**190,183**	203,249
The following current assets are also pledged as security:		
Fixed charge		
Receivables	52,010	53,925
Floating charge		
Cash	1,092	1,614
Inventories	51,911	58,844
Receivables	1,771	2,477
Derivative financial instruments	95	-
Total current assets pledged as security	**106,879**	116,860
Total assets pledged as security	**297,062**	320,109

9. Share Capital

	2012 $000's	2011 $000's
Issued and paid up capital:		
72,401,758 (2011: 72,401,758) ordinary shares - fully paid	**103,253**	129,338

Movements in ordinary share capital

Date	Details	Number of Shares	Price $	$000's
1 July 2010	Opening Balance	71,651,758		127,193
15 March 2011	Shares issued – Exercise of options granted on 6 July 2009	750,000	1.64	1,230
	Less: Transaction costs arising on shares issued			(5)
	Plus: Tax credit recognised directly in equity			1
	Transfer from share based payments reserve in relation to options exercised			919
30 June 2011	Closing Balance	72,401,758		129,338
31 January 2012	Distribution to owners – Printing demerger	-		(26,085)
30 June 2012	**Closing Balance**	**72,401,758**		**103,253**

10. Earnings Per Share

	2012 Cents	2011 Cents
Basic earnings per share		
From continuing operations	**25.4**	35.9
From discontinued operations	**(1.9)**	(8.8)
Total basic earnings per share	**23.5**	27.1
Diluted earnings per share		
From continuing operations	**25.4**	35.7
From discontinued operations	**(1.9)**	(8.7)
Total diluted earnings per share	**23.5**	27.0

Reconciliation of earnings used in calculating earnings per share

	2012 $000's	2011 $000's
Basic and diluted earnings per share		
Profit from continuing operations	18,410	25,804
Loss from discontinued operations	(1,382)	(6,305)
	17,028	19,499

Weighted average number of shares used as the denominator

	2012 Number	2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**72,401,758**	71,871,621
Potential ordinary shares	181,673	333,197
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**72,583,431**	72,204,818
Options that are not dilutive and are therefore not included in the calculation of diluted earnings per share	775,000	1,050,000

11. Net tangible asset backing

	2012 Cents	2011 Cents
Net tangible asset backing per ordinary share	**(15.7)**	29.9

12. Business Combinations

Summary of Acquisitions

On 30 November 2011, the Group's New Zealand consumer products business acquired the business assets of Gainsborough Limited, a distributor of beauty related products within the New Zealand market, for $A560,000.

On 20 January 2012, the Group's Australian consumer products business purchased the business assets of Cosmex International Pty Limited, a leading marketer and distributor of hair care and beauty products, for $5,757,000.

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

	$000's
Purchase consideration	
Total consideration for acquisition accounting purposes	6,717
Less: Contingent consideration not achieved	(400)
Total cash consideration actually paid	**6,317**

12. Business Combinations (continued)

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

	Fair Value $000's
Inventories	1,884
Plant and equipment	124
Prepayments	125
Deferred tax asset	144
Net identifiable assets acquired	**2,277**
Add: Goodwill and other intangibles	4,440
Net assets acquired	**6,717**

The Group will finalise the valuation of brands acquired in the first half of the 2013 financial year, at which time the value of the brands will be transferred from goodwill to brandnames.

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

There were no acquisitions in the year ending 30 June 2011.

(i) Contingent consideration

In accordance with AASB3 *Business Combinations*, where an acquisition agreement includes a contingent consideration agreement, 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.

Subsequent changes in the amount of contingent consideration do not affect the value of net assets acquired, rather these movements are recognised in profit or loss.

In accordance with these requirements, the Group has recognised a $400,000 gain in the current year in relation to adjustments made to the contingent consideration.

(ii) Revenue and profit contribution

The acquired businesses contributed revenues of $4,917,000 to the Group for the period from their acquisition dates to 30 June 2012. Net profit generated from these businesses for this period has not been separately disclosed as it is impracticable to calculate an accurate amount for this given these businesses have been completely integrated into the Group's existing operations.

13. 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.

14. Subsequent events

On 1 August 2012, the Group's Australian consumer products business acquired the business assets of Footcare International, a leading marketer and distributor of a range of quality foot comfort products, shoe care products and shoe accessories for $4,582,000.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event, of a material and unusual nature likely to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

15. Compliance Statement

The Financial Report is in the process of being audited.