09

McPHERSON'S LIMITED | ANNUAL REPORT 2009

McPherson's

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Vision

McPherson's primary objective is to increase shareholder wealth through the payment of dividends and long-term share price appreciation. This will be achieved through operating businesses which are capable of producing superior returns and utilising cash flow to acquire compatible businesses in order to produce growth, enhance returns through rationalisation benefits, reduce risk and improve the Company's competitive position.

Key Financial Objectives

Achieve an after tax, pre-amortisation rate of return on shareholders' funds of 20% per annum.

Achieve long-term earnings per share growth of 10% per annum.

Dividend Policy

To distribute at least 50% of the Company's net earnings before amortisation of intangibles to shareholders.

Financial Calendar*

Release of results to 31 December 2009	February 2010
Preliminary results to 30 June 2010	August 2010
Publication of Annual Report and accounts for year to 30 June 2010	October 2010

* Subject to change.

Annual General Meeting

The 2009 Annual General Meeting of McPherson's Limited will be held at the KPMG Theatrette, 147 Collins Street, Melbourne at 11.00am on Friday, 13 November 2009.

THE YEAR'S PERFORMANCE

- Net profit after tax (and after non-recurring items) of $19.5 million, representing earnings of 30.2 cents per share.
- Underlying pre-tax profit of $29.6 million compared with the previous year's $38.2 million.
- Gearing (net debt to shareholders' funds) reducing to 67% at year end from 69% last year.
- No dividends declared in 2008-09 with the focus on debt reduction.
- Revenue growth of 9% from McPherson's Consumer Products despite the volatile trading environment during the year.
- Earnings before interest and tax (EBIT) of $38.5 million from McPherson's Consumer Products compared with $47.0 million last year.
- Implementation of profit improvement initiatives at McPherson's Consumer Products.
- Successful integration of the Australian operations of McPherson's Consumer Products by year end, with resultant productivity improvements and overhead reductions benefiting 2009-10.
- Additional share capital of $15 million (before issue costs) raised since 30 June 2009, reducing bank debt and significantly strengthening the balance sheet.
- Dividends expected to be reinstated in 2009-10.

Group Financial Summary 2009

	Note		2009	2008
Sales	1	$000's	356,847	333,941
Operating profit before tax and amortisation of intangibles	2	$000's	30,406	38,800
Operating profit before tax	2	$000's	29,619	38,207
Income tax expense	2	$000's	(8,430)	(10,614)
Operating profit after tax	2	$000's	21,189	27,593
Profit after tax and before amortisation of intangibles	2	$000's	21,976	28,186
Profit after tax and after non-recurring items		$000's	19,473	26,496
Operating cash flow	3	$000's	26,279	37,913
Shareholders' funds	4	$000's	154,834	153,535
Return on average shareholders' funds (ROSF)	5	%	13.7	18.8
ROSF before amortisation of intangibles		%	14.3	19.2
Earnings per share (EPS)	5	Cents	32.8	42.7
EPS before amortisation of intangibles		Cents	34.1	43.7
Dividends per share (fully franked)		Cents	–	25.0
Net debt		$000's	104,156	106,383

Note 1: Sales are net of customer allowances.
Note 2: Excludes non-recurring items.
Note 3: Pre-tax cash flow before capital expenditure and dividend payments.
Note 4: Shareholders' funds at the end of the financial year.
Note 5: Calculated using operating profit after tax.

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT

Simon A. Rowell, Chairman

David J. Allman, Managing Director

The 2008-09 year was an exceptionally difficult one with the global financial crisis causing immense volatility in financial and commodity markets and severe economic dislocation.

In such a challenging environment it was a highly creditable achievement to increase sales by 7% to $357 million, particularly as every major brand also posted stronger sales.

McPherson's Limited achieved an underlying pre-tax profit of $29.6 million for the year compared with the record $38.2 million reported for the previous year. Strong underlying earnings per share of 32.8 cents were achieved, although lower than last year's 42.7 cents. Because of the requirement to focus on debt reduction in a very uncertain economic environment, Directors decided not to declare any dividends for the 2008-09 year. However, Directors expect to reinstate dividends commencing with an interim dividend for the 2009-10 year with all future dividends expected to remain fully franked.

The Company's major business, McPherson's Consumer Products, produced earnings before interest and tax and non-recurring items (EBIT) of $38.5 million compared with $47.0 million for the previous year. McPherson's Consumer Products produces a large range of products focused on its key brands Wiltshire (housewares), Manicare (beauty care), Lady Jayne (hair care), Multix (kitchen essentials) and Swisspers (skin care). The products are distributed through all major retailers in Australia and New Zealand and also in Asia. Manufacturing is outsourced to a range of suppliers in a number of countries, but particularly China, and McPherson's Consumer Products has a major presence in Hong Kong and China focused on quality assurance and product sourcing.

Most products are purchased in US dollars and the consumer products business was greatly impacted by the decline in value of the Australian dollar between July 2008 and February 2009 which increased these product costs by around 50%. Management reacted promptly and put in place a number of profit restoration initiatives which are now having positive impact. This included overhead reduction through the amalgamation of all Australian consumer products operations into one entity trading as McPherson's Consumer Products. The new integrated management structure is functioning well and all integration processes are substantially complete.

McPherson's Printing Group, Australia's leading producer of books, reported EBIT of $4.3 million for the 2008-09 year compared with $4.7 million for the previous year. Reduced demand in commercial printing saw revenue decline by 3% however book volumes remained steady. The business continues to vigorously pursue cost reductions through internal efficiencies and investment in new technology.

Since the end of the 2008-09 year the Company has raised additional share capital of $15 million before costs through the issue of 7.14 million new ordinary shares at $2.10 per share. The capital raised has been used to further reduce debt levels which will place the Company in a strong position to take advantage of any commercial opportunities which arise. Based on the 30 June 2009 balance sheet the additional capital would reduce the gearing level from the reported 67% to approximately 53%.

Trading to date for the 2009-10 year has continued the positive trend of the previous few months. Despite the challenging economic environment Directors remain confident that the Company is well placed to improve earnings per share during 2009-10. Improved gearing will remain a major focus and the gearing ratio is expected to continue to reduce, even following the expected resumption of dividend payments commencing with an interim 2009-10 dividend.

Simon Rowell
Chairman

David Allman
Managing Director

MANAGEMENT RESTRUCTURE

The amalgamation of the consumer businesses into a single entity, McPherson's Consumer Products, will achieve benefits in both cost and efficiency. The Board was very pleased to appoint an internal candidate, Paul Maguire, to the position of Chief Executive of the combined consumer products business.

Paul has been a senior executive of McPherson's since 2004, as Chief Executive of the Multix and Accantia parts of the consumer business. Paul joined McPherson's as part of the acquisition of Multix and has developed it into a major element of the McPherson's Consumer Products business. After a transition period he will be appointed Managing Director, replacing David Allman.

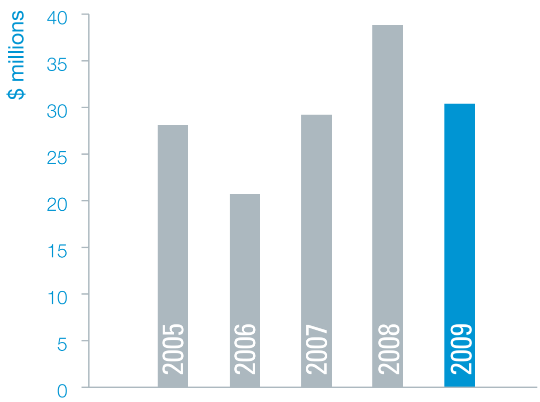
The Board takes pleasure in congratulating Paul on his appointment as Managing Director, and we look forward to a future of growth, innovation and prosperity.

David Allman's retirement as Managing Director comes after 15 years of outstanding service to McPherson's, during which period he has overseen a transformation of the Company from a small group of unprofitable businesses to a successful consumer products company. Targeted acquisitions, successful brand development and innovation in design have combined to create the McPherson's of today. McPherson's now has sales of more than $350 million per year, powerful brands, substantial profits and the ability to withstand major external adverse events while maintaining strong profits and positive cash flow, as witnessed by the events of the past financial year.

The Board would like to congratulate David on his outstanding record and thank him for his commitment and his achievements. We are extremely pleased that David will remain on the Board as a non-executive Director of McPherson's Limited following his retirement as Managing Director.

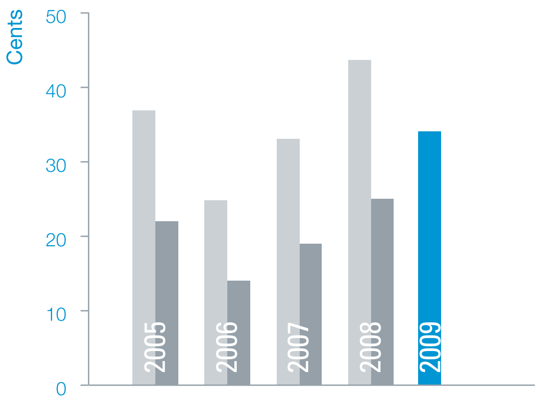
In February 2009 Alex Waislitz retired as a Director after having served in that capacity since 1998. The Board would like to thank Alex for his contribution. Peter Landos, who was previously Alex's alternate, was appointed a Director on Alex's retirement.

Profit*



** Operating profit before tax, amortisation of intangibles and excluding non-recurring items.*

Earnings and Dividends Per Share*



** Earnings per share before amortisation of intangibles and excluding non-recurring items.*

Earnings per share   Dividends per share

BOARD OF DIRECTORS

Simon A. Rowell, B.A. (Hons), CA, FAICD
Chairman

Expertise and experience
Mr Rowell was appointed a Director of McPherson's Limited in 2003 and has been Chairman since 1 September 2007.

He is the former Managing Director of Snack Foods Ltd, Australia's largest listed snackfood company which was acquired by Arnott's Biscuits Ltd in 2002. Prior to Snack Foods, he spent 12 years as CEO of the Jack Chia Group, a diversified business including property, food, engineering, textiles and finance.

Mr Rowell is a Chartered Accountant and has an honours degree in Arts.

Other current directorships
Mr Rowell is Chairman of Savcor Group Ltd.

Former directorships in last three years
Mr Rowell was Chairman of Green's Foods Ltd from November 2002 to March 2007 and Chairman of MMC Contrarian Ltd from August 2003 until August 2007.

Special responsibilities
Chairman of the Audit Risk Management and Compliance Committee since 2003 and is a member of the Nomination and Remuneration Committee.

Interests in shares and options
203,237 ordinary shares are held in McPherson's Limited.

David J. Allman, B.Sc
Managing Director

Experience and expertise
Mr Allman was appointed Chief Executive in December 1994 and became Managing Director in March 1995.

Prior to joining McPherson's Limited Mr Allman was Managing Director of Cascade Group Limited, a position he held for seven years. Before this he held senior positions with Elders IXL Limited and Castlemaine Tooheys Limited. Mr Allman holds a degree in engineering and prior to obtaining general management positions held managerial roles in production management, finance and marketing.

Other current directorships
Non-executive Director of Lomb Scientific Pty Ltd.

Former directorships in last three years
None.

Special responsibilities
Managing Director.

Interests in shares and options
438,764 ordinary shares held in McPherson's Limited.

John P. Clifford, M.Eng & Man
Non-executive Director

Expertise and experience
Mr Clifford was appointed a Director of McPherson's Limited in 2003.

Mr Clifford has an extensive background in private equity and venture capital in the UK, South East Asia and Australia, where he worked for 3i and Rothschild. He is now Chairman of private equity controlled companies Silk Logistics Group Pty Ltd (logistics) and Talgentra Pacific Group Pty Ltd (software). He is also an Executive Director of Landis+Gyr Group Ltd, previously known as Bayard Group (utility meters), and a Director of Energy Response Holdings Pty Ltd (demand side response in electricity markets).

Other current directorships
Silk Logistics Group Pty Ltd, Talgentra Pacific Pty Ltd, Energy Response Holdings Pty Ltd and Landis+Gyr Group Ltd (Executive Director).

Former directorships in last three years
Rise Apparel Pty Ltd (trading as Turning Point Imports), 4114 Pty Ltd (trading as MitchDowd), Michaelis Bayley Holdings Pty Ltd (trading as HomyPed) and Moonpig Australia Pty Ltd.

Interests in shares and options
None.

Peter D.J. Landos, B.Econ.
Non-executive Director

Experience and expertise
Mr Landos was appointed an alternate Director on McPherson's Board in July 2003 and was appointed a non-executive Director on 24 February 2009.

Mr Landos is a senior executive with the Thorney Investment Group and has extensive business experience with various investee companies in which Thorney has an interest. Previously, Mr Landos worked for Macquarie Bank Limited's corporate and finance group.

Other current directorships
Non-executive Director for Adacel Technologies Limited, Director of Rattoon Holdings Limited, a company listed on the National Stock Exchange of Australia.

Former directorships in last three years
Biological Wool Harvesting (Australia) Limited.

Special responsibilities
Mr Landos was appointed a member of the Audit Risk Management and Compliance Committee and the Nomination and Remuneration Committee in February 2009.

Interests in shares and options
None.

Attendance at Board and Committee Meetings

The number of Board meetings and Audit Risk Management and Compliance, and Nomination and Remuneration Committee meetings held during the year ended 30 June 2009, and the number of meetings attended during that period by each Director, are set out below:

	Board Meetings		Audit Risk Management and Compliance Committee Meetings		Nomination and Remuneration Committee Meetings	
Director	Held	Attended	Held	Attended	Held	Attended
Simon A. Rowell	17	17	3	3	1	1
David J. Allman	17	17				
John P. Clifford	17	17				
Peter D.J. Landos	6	6	1	1	0	0
Alex Waislitz(1)	11	6	2	0	1	1
Peter D.J. Landos(2)	11	5	2	2		

(1) Alex Waislitz retired as a Director with effect from 24 February 2009.

(2) Peter Landos acted as Alternate Director for Alex Waislitz until 24 February 2009. On that date he was appointed a Director and a member of the Audit Risk Management and Compliance Committee and the Nomination and Remuneration Committee.

Philip R. Bennett, B.Com, CA
Chief Financial Officer and Company Secretary

Mr Bennett was appointed to the position of Company Secretary in 1995 and was also appointed the Chief Financial Officer of McPherson's Limited in 2000.

Before joining McPherson's, Mr Bennett held senior financial and company secretarial positions with another listed company, and prior to that was a senior manager with a major Australian chartered accounting firm.

GROUP PROFILE

Paul Maguire, Chief Executive Officer,
McPherson's Consumer Products

Alan Fahy, Chief Executive Officer,
McPherson's Printing

Consumer Products

Australasia

McPherson's Consumer Products is the market leader in non-electrical housewares products in Australasia.

McPherson's Consumer Products produces an extensive range of housewares, kitchen utensils, glassware, cutlery and hardware under the Wiltshire brand and other market-leading brands. It also produces the leading ranges of beauty care and hair care products as Manicare and Lady Jayne. The Impulse Merchandising business produces integrated programmes of 'impulse' products for major retailers.

Multix produces a wide range of products in the household plastic bags, food wraps, baking accessories and aluminium foil categories for the Australian and New Zealand retail markets under the Multix brand. The Swisspers business produces personal care products including cotton wool balls, pads, squares and rounds, and facial and baby wipes.

McPherson's key brands are supplemented by some of the world's leading brands in housewares and skin care which are distributed by McPherson's under licence in Australasia.

Singapore

McPherson's Asian operation is focused primarily on personal care and more recently, housewares products, operating throughout Asia with a combination of McPherson's operations and agency arrangements.

North America

Regent-Sheffield, McPherson's North American business, distributes kitchen knives and other housewares through leading housewares companies in North America.

Hong Kong

McPherson's Hong Kong manages the contract manufacturing for the Group's products, which is generally outsourced to specialist manufacturers. It performs the quality assurance function and also works with marketing personnel on product design.

Printing

McPherson's Printing Group is Australia's leading producer of books, offering a wide range of integrated products and services to publishers and commercial print users.

Corporate

The Group's Corporate Office is based in Mulgrave, Victoria and provides corporate services for the Group including treasury, accounting and company secretarial functions.

REVIEW OF OPERATIONS

Overview

McPherson's Limited produced earnings before interest, tax and non-recurring items of $39.5 million in 2008-09, a decrease of 18% from the previous year's $48.0 million. Sales revenue of $357 million, net of customer allowances, was up 7% from the prior year's $334 million, with revenue growth achieved by Consumer Products being partly offset by a small decrease from Printing.

Profit after tax (and after non-recurring expenses) decreased by 27% from $26.5 million last year to $19.5 million in 2008-09. Earnings per share also reduced by 27% to 30.2 cents compared with 41.1 cents in the previous year.

Directors determined not to declare dividends for 2008-09 but expect to reinstate dividend payments in 2009-10, starting with an interim dividend. It is also expected that future dividends will continue to be fully franked.

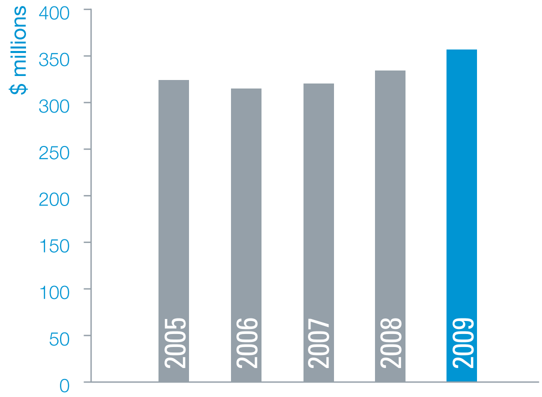
The Company's major business, McPherson's Consumer Products, which has operations in Australia, New Zealand and Asia and trades in North America, generated sales revenue (net of customer allowances) of $288.5 million in the year ended 30 June 2009. This represents a pleasing 9% increase over the prior year.

McPherson's Consumer Products' major brands including Wiltshire (housewares), Manicare (beauty care), Lady Jayne (hair care) and Home Living (impulse merchandise products) each achieved revenue growth due to the success of new product introductions and organic growth. Multix branded products including bags, wraps and foil, and personal care products under the Swisspers brand also produced revenue increases over the previous year.

Sales growth in 2008-09 also reflected the full year impact of the acquisition of Oneida Australia which occurred in February 2008. Excluding the impact of the Oneida acquisition, McPherson's Consumer Products recorded an increase in sales revenue of 5% despite the difficult trading environment during much of the year. However the EBIT of $38.5 million generated for 2008-09 represented a decrease from $47.0 million in the previous year. The sudden decline in the value of the Australian dollar during the year significantly increased product costs which adversely impacted margins. Initiatives were implemented to restore margins to acceptable levels, including selling price increases, product cost reductions, overhead reductions and new product launches at sustainable margins. These initiatives will have a positive impact in 2009-10.

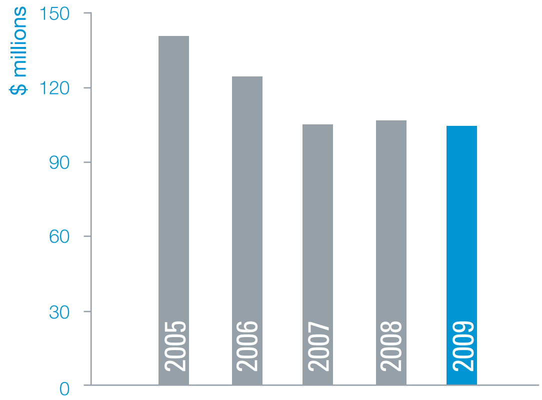
Printing EBIT decreased marginally to $4.3 million, down from $4.7 million for the prior year, on 3% lower revenue of $68.4 million. The revenue decline was due mainly to reduced demand in the commercial segment, but 'read for pleasure' print volumes were steady. Productivity improvements generated during the year from selective capital investment partly offset the reduced contribution from lower volumes.

Group Net Sales*

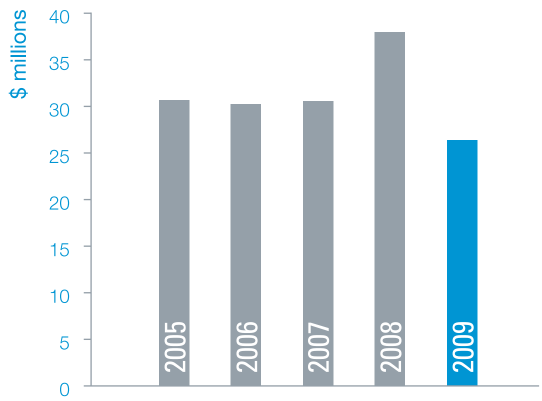


* Sales net of customer allowances.

Net Debt



Cash Flow*



* Pre-tax cash flow before capital expenditure and dividend payments.

CONSUMER PRODUCTS BRANDS

wiltshire® STAYSHARP

wiltshire®

wiltshire® Design Collection

wiltshire® BAR-B-

Mita

Stanley Rogers

DURACERAM™

DECO®

STRACHAN

ai-de-chef

Grosvenor

eterna

CROWN COMMERCIAL

CROWN glassware

immerse

home living

TwinkleTots

Kids 'R' Cool

whirly girl

bébelle babycare you can trust

cameo

manicare

Lady Jayne since 1928

glam manicare

artiste manicare

cosmetica

Swisspers

MULTIX

MULTIX ALFOIL

MULTIX BAKE

MULTIX WARE

simple*

WOLL*

BALLARINI 1889*

Jamie Oliver*

Apex*

Ocean Glassware Life's pleasure*

chef'n*

SWING-A-WAY*

Luigi Bormioli ITALY*

TYPHOON® designed to perform*

ONEIDA*

SANT'ANDREA*

* Third-party owned brands.

leading brands

CONSUMER PRODUCTS

Australia

All major brands including Wiltshire, Manicare, Lady Jayne and the key impulse merchandise brand Home Living achieved sales growth compared with the prior year. However, the decline in value of the Australian dollar during the year and consequent product cost increases placed significant pressure on margins. Management promptly responded by implementing a profit improvement programme which included increasing selling prices and renegotiating supplier arrangements on improved terms wherever possible, in conjunction with reductions in shipping costs and a range of overhead expenses.

A number of further initiatives were implemented to streamline the warehousing operations of the Australian businesses and improve the matching of product storage locations with the delivery requirements of major customers. This involved the relocation of certain product ranges between existing premises and has resulted in a much more efficient utilisation of warehouse facilities.

These initiatives culminated in the operations of the Company's consumer products businesses, McPherson's Consumer Products and Multix, being combined into a single entity which was finalised and announced on 6 July 2009. The merged business trades as McPherson's Consumer Products and is headquartered at Kingsgrove, New South Wales. The various changes will directly reduce warehouse and distribution expenses and have enabled the logistics, information technology, finance and customer service functions to be consolidated. The project was successfully completed on time and without interruption to the businesses or impacting customer requirements or service levels.

New Zealand

McPherson's Consumer Products business in New Zealand has a strategic focus on selling managed product programmes to customers in all major retail channels. The three business segments of Housewares, Glassware and Personal Care provide growth opportunities from the same key brands as Australia, complemented by licensed brands to achieve a complete marketing range.

The acquisition of Mita during the prior year has provided sales revenue growth and positions McPherson's Consumer Products as the leading supplier of hair accessories to the New Zealand market. This strategic acquisition is also supporting the opportunity to leverage hair care programmes from pharmacy into the grocery channel.

The acquisition of Oneida Australia in 2008 also provides opportunities for the New Zealand business to generate sales of Stanley Rogers and Oneida branded cutlery.

The Wiltshire brand is New Zealand's largest and most recognised brand in housewares with an aggressive programme of product development and innovation. McPherson's has maintained its dominant position in the supply of glassware in the New Zealand market, marketing both company-owned brands and licensed brands.

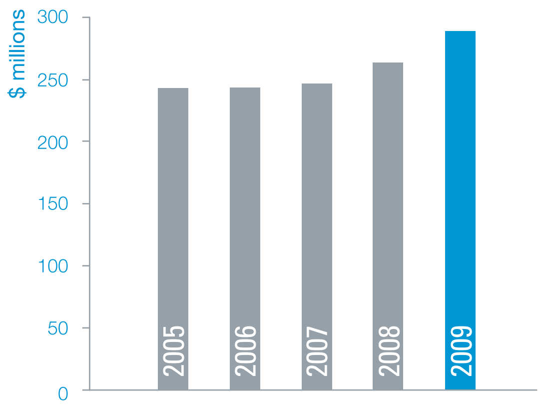
Asia

Through its Asian headquarters in Singapore, McPherson's Consumer Products markets an extensive range of hair, beauty and personal care products throughout the Asian region. Brands include the key company owned brands of Manicare, Lady Jayne and Swisspers, complemented by licensed brands. Additional products have also been introduced to the region in the housewares category, which provides growth opportunities for the future.

North America

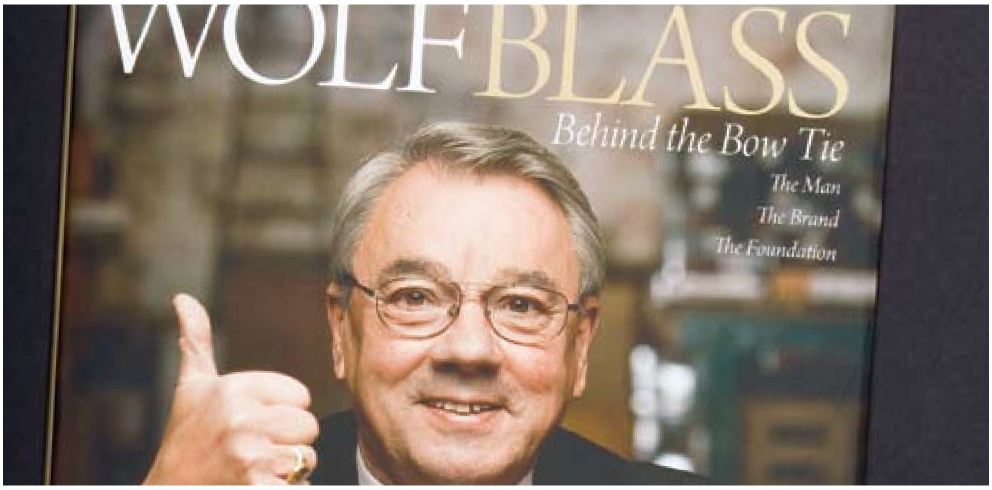
McPherson's operates in Canada and the United States through exclusive agency agreements with leading distributors of housewares products. The business mainly markets products under the company-owned Wiltshire and Regent-Sheffield brands.

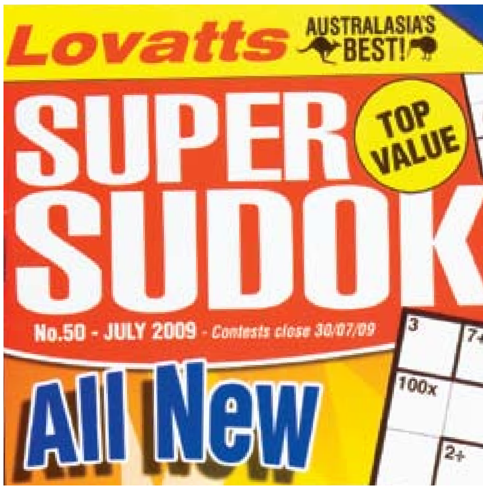
Consumer Products Net Sales*

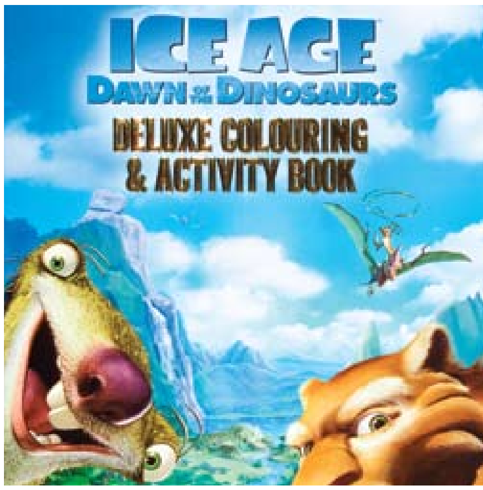


** Sales net of customer allowances.*

leading producer







PRINTING

Australia's Leading Book Printer

McPherson's Printing Group (MPG) is Australia's leading producer of books, with production plants in Maryborough and Mulgrave in Victoria. MPG also produces a variety of other printed products.

MPG services a range of customers including major domestic and international book publishers, directory and professional reference information publishers, magazine and periodical publishers, corporate/industrial catalogue and manual publishers, the automotive and horse racing industries and a variety of other specialised users.

MPG's production equipment provides a comprehensive suite of web offset (mono and two-colour), sheet fed (multi-colour) and digital printing capacity supported by an extensive range of binding and finishing options.

Capital Infrastructure

During the year MPG invested in enhanced digital printing and short run book finishing equipment to provide a broader product offering to customers as well as producing operational benefits from improved internal efficiencies.

MPG has continued investing in IT systems through the renewal and upgrading of the businesses hardware infrastructure. Recent operating software and automated prepress workflow upgrades will allow MPG to achieve further efficiencies from fully automated data transfer with both customers and suppliers.

A new fully automated fire suppression system was installed at the primary manufacturing facility in Maryborough during the year as a major risk management initiative.

Environment

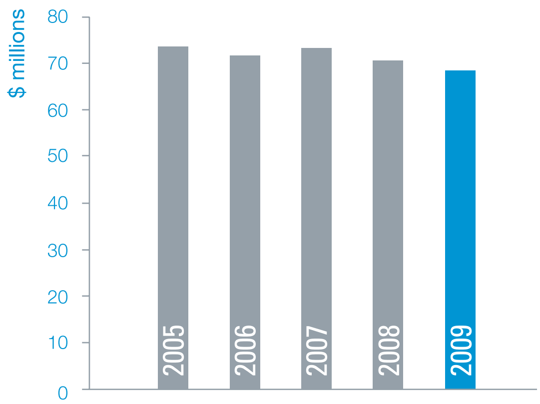
MPG has continued its proactive approach to environmental issues with significant achievements during the year in waste recycling programmes and water harvesting and recycling. MPG is committed to developing sustainable business practices and is proactively involved in a number of environmental initiatives, including:

- installation of water recycling systems and water tanks to store harvested rainwater;
- providing chain of custody certification to two major forest certification systems (FSC and PEFC) that promote the sustainable use of the world's forests;
- membership of Greenfleet, whose initiatives include the planting of trees to offset vehicle carbon emissions; and
- participation in a study in partnership with the Environmental Protection Authority to identify strategies to reduce carbon emissions.

Employee Training

Training and development of employees remains a high priority to fully leverage the new technologies available in the industry. As a major regional employer the importance of in-house training and skills retention is particularly relevant. Continued training and investment in all areas of occupational health and safety also remain a high priority.

Printing Sales



CORPORATE GOVERNANCE STATEMENT

In August 2007 the Australian Securities Exchange Corporate Governance Council ("ASX CGC") issued revised Corporate Governance Principles and Recommendations. Although the required effective date for disclosure under the Revised Principles and Recommendations is the year ending 30 June 2009, McPherson's Limited determined to make an early transition to the new Principles and Recommendations and commenced reporting by reference to them in the previous financial year.

This statement outlines the main Corporate Governance practices that were in place within the McPherson's Limited Group throughout the financial year ending 30 June 2009. Unless indicated otherwise, the Corporate Governance practices discussed in this statement are consistent with the practices adopted in the previous financial year. The practices are dealt with in this statement under the following headings:

- Board of Directors
- Nomination and Remuneration Committee
- Audit Risk Management and Compliance Committee
- Risk Management
- Internal Control and Compliance Framework
- Ethical Standards and Stakeholders
- Communication to Shareholders

Board of Directors

The Board of Directors is responsible to shareholders, and has a primary objective of achieving long-term growth in the value of McPherson's Limited shares.

The Board of Directors is also responsible for the overall Corporate Governance of McPherson's Limited and its subsidiary companies ("the Group") including establishing the Group's strategic direction, establishing goals for management, and monitoring the achievement of those goals.

The Board's role has been documented in a Board Charter and in a Retained and Delegated Authorities of the Board document. The Board Charter and Retained and Delegated Authorities document can be viewed on the Company's website.

The Board has an Audit Risk Management and Compliance Committee and a Nomination and Remuneration Committee to assist in the execution of its responsibilities.

The Board has established a framework for the management of the Group including an overall framework for risk management, internal control and compliance. The delegation of specific functions to senior executives is set out in the Board's Retained and Delegated Authorities document referred to above.

Board Evaluation

McPherson's has undertaken a review of its Board and individual Directors with respect to the year ended 30 June 2009. The process normally involves all Directors meeting with the Chairman to discuss the outcomes of the review.

Composition of the Board

The Directors of the Company in office at the date of this statement together with particulars of their qualifications, experience and special responsibilities are set out on pages 4 and 5 of the Annual Report.

The composition of the Board is determined using the following principles:

- The number of Directors must not be less than three and not more than 12. Directors may determine the size of the Board subject to this requirement.
- The Board is to be comprised of a majority of non-executive Directors.
- The Chairman of the Board is to be an independent non-executive Director.
- The roles of the Chairman and Chief Executive Officer are not to be exercised by the same person.
- The Board should comprise Directors with a broad range of expertise both nationally and internationally that is relevant to the strategic direction of the Group.

When a vacancy exists, through whatever cause, or where it is considered that the Company would benefit from the services of a new Director with particular skills, the Nomination and Remuneration Committee selects a panel of candidates with the appropriate expertise and experience. The Board then appoints the most suitable candidate who must stand for election at the next Annual General Meeting of shareholders.

The terms and conditions of the appointment and retirement of Directors are set out in an agreement between the Company and Directors (called a "Director's Deed"). The Director's Deed also includes provisions relating to Directors' other rights and obligations. The Director's Deeds have been approved at an Annual General Meeting of shareholders.

The Company's Constitution stipulates that a Director may not hold office for a continuous period in excess of three years or past the third Annual General Meeting following the Director's appointment, whichever is the longer, without submitting for election or re-election at the next Annual General Meeting of members. This requirement does not apply to the Managing Director.

Independence of Directors

The Board has determined to follow the ASX CGC definition of independence and considers that a non-executive Director will be independent if they:

1. have not been a substantial shareholder of the Company, or an officer of or otherwise associated directly with, a substantial shareholder of the Company;
2. have not within the last three years been employed in an executive capacity of the Company or another Group member, or been a director after ceasing to hold such employment;
3. have not in the last three years been a principal of a material professional adviser or a material consultant to the Company (or Group) or an employee materially associated with the service provided;
4. are not a supplier or customer of a Company or other Group member or an officer or otherwise associated directly or indirectly with a material supplier; and
5. do not have a material contractual relationship with the Company or another Group member other than as a Director of the Company.

Application of the above definition of independence indicates that the independent Directors are Simon Rowell (Chairman) and John Clifford. The Board does not consider Alex Waislitz (who resigned as a Director effective 24 February 2009), Peter Landos (who was appointed to the Board as a Director on 24 February 2009) or David Allman to be independent for the following reasons:

1. Alex Waislitz was the Executive Chairman of the Thorney Investment Group which holds approximately 17.3% of the Company's shares.
2. Peter Landos is directly associated with the Thorney Investment Group.
3. David Allman is the Managing Director of the Company.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the Group's expense. Prior approval of the Chairman is required, which approval is not to be unreasonably withheld.

Nomination and Remuneration Committee

To assist in the execution of its responsibilities the Board has an established Nomination and Remuneration Committee. The Nomination and Remuneration Committee is comprised of two Directors, commensurate with the size of the Board, and is chaired by the Chairman of the Board. The names of Nomination and Remuneration Committee members and their attendance at meetings are detailed on page 6 of the Annual Report.

The Nomination and Remuneration Committee Charter, which is published on the Company's website, sets out the responsibilities of the Nomination and Remuneration Committee.

Key responsibilities include:

Nominations

- A process for determining the necessary and desirable competencies of Board members and the assessment of those competencies.
- The appointment of suitably qualified candidates to the Board in accordance with Board policy.
- A process for the evaluation of the Chief Executive Officer.

Remuneration

- The Company's recruitment, retention and termination policies and procedures for executive/senior management.
- Any report on executive remuneration, which is required pursuant to any Listing Rule or legislative requirement or which is proposed for inclusion in the Annual Report.
- Non-executive Director remuneration.
- Staff incentive plans proposed by the Managing Director, including bonus, share and option plans, and the basis of their application amongst differing levels of staff.
- Salary, benefits and total remuneration packages of the Managing Director and senior staff reporting to the Managing Director.
- Employee succession planning to ensure the continuity and quality of management.

The Nomination and Remuneration Committee Charter requires that the Committee undertakes a regular self assessment process. Such a review was undertaken during the year ended 30 June 2009.

Remuneration Policy

The Group's remuneration policy and structure is equitable, competitive and consistent so as to ensure the recruitment and retention of personnel of the capability, competence and experience necessary for the successful achievement of the Group's strategies and goals.

Remuneration is accordingly set to the following principles:

- No individual may be involved directly in determining his/her remuneration. External advice in relation to remuneration will be sought, where appropriate.
- Remuneration disclosure to shareholders will at a minimum comply with the requirements of legislation and Accounting Standards and reflect all benefits including:
  - Base pay and benefits;
  - Short-term performance incentives;
  - Long-term incentives including options;
  - Post employment benefits including superannuation; and
  - Termination benefits.

- Incentive payments for executives are related to Company performance, individual performance against goals, market conditions and independent expert advice where appropriate and may include options over shares in the Company granted under the McPherson's Limited Employee Share/Option Purchase Plan at the discretion of the Board or the Nomination and Remuneration Committee.
- Remuneration for non-executive Directors is determined by the Board or the Nomination and Remuneration Committee within a maximum amount determined by shareholders from time to time at the Annual General Meeting. Non-executive Directors are not entitled to participate in any incentive scheme.
- Directors, and executives and other employees based in Australia, are eligible to participate in the acquisition of shares through share purchase plans operated by the Company from time to time on a salary sacrifice basis.

Prior to 2003 the Company paid retirement benefits to non-executive Directors however the policy was amended on 4 March 2003. Consequently the Company no longer pays retirement benefits to non-executive Directors appointed after the date of the change, other than statutory superannuation. The Directors' Deeds for non-executive Directors appointed before 4 March 2003 were amended so that they are now entitled to receive a retirement allowance equivalent to the aggregate remuneration received by them during the three years immediately prior to 4 March 2003. Retirement allowances for these Directors therefore cannot increase even though their remuneration may increase.

Where considered necessary, Directors may obtain independent advice on the appropriateness of remuneration packages.

The remuneration of certain senior executives may include the issue of options over ordinary shares under the McPherson's Limited Employee Share/Option Purchase Plan.

Details of options issued in previous years, including performance hurdles, are contained in the Remuneration Report in the Directors' Report. No options were issued during the year ended 30 June 2009. However, on 9 July 2009 the Company announced that subject to shareholder approval it was proposed to grant 1,500,000 options to Mr P.J. Maguire, who is to be appointed Managing Director of the Company when Mr D.J. Allman retires from that position. Further details of the proposed issue of options is contained in the Remuneration Report in the Directors' Report on pages 23 to 34 of the Annual Report.

The total remuneration to be paid by the Company to the Directors for each financial year is determined from time to time at the Annual General Meeting of shareholders. Any Director who serves on a committee or who devotes special attention to the business of the Group outside the scope of their ordinary duties may receive an additional payment commensurate with the extra duties performed.

Information regarding Directors' remuneration is set out in the Remuneration Report in the Directors' Report.

A summary of the process adopted for the performance evaluation of the Board, individual Directors and senior executives can be viewed on the Company's website. Evaluations consistent with this process took place during the year ended 30 June 2009.

Audit Risk Management and Compliance Committee

The purpose of the Audit Risk Management and Compliance Committee is to provide the Board with further assurance in relation to the:

- operation of the risk management, internal control and compliance systems;
- reliability of financial information prepared for use by the Board; and
- evaluation of the audit process.

The role of the Audit Risk Management and Compliance Committee is fully documented in a Charter, which is approved by, and considered for amendment by the Directors annually. The Charter is published on the Company's website. In accordance with this Charter, all members of the Committee must be non-executive Directors.

The Company's governance practices comply with all but two of the ASX CGC's revised Corporate Governance Principles and Recommendations. In relation to the two instances of technical non-compliance, the Company is satisfied that its substantive management of the relevant issues achieves an appropriate outcome, consistent with the objectives of those principles.

- The Board comprises four Directors, two of whom are independent Directors.
- The Audit Risk Management and Compliance Committee comprises two members: Simon Rowell and Peter Landos.
- Simon Rowell is the Chairman of both the Board and the Audit Risk Management and Compliance Committee.

Recommendation 2.1 suggests that the majority of a Board should comprise of independent Directors.

Recommendation 4.3 suggests that a company's audit committee should:

- have at least three members;
- consist of a majority of independent Directors; and
- not be chaired by the Chairperson of the Board.

The Board has determined, following due consideration of the ASX CGC Recommendations 2.1 and 4.3, that given the current circumstances and size of the Company and the depth of expertise and experience of its Directors, the composition of the Board and the Audit Risk Management and Compliance Committee is appropriate to the needs of the Company.

The Company understands the relevant issues associated with the current composition of the Board and its Audit Risk Management and Compliance Committee, and has considered the impact of its approach. The Board considers that the following aspects of the current arrangement continue to ensure the Board's effectiveness and the integrity of the Company's financial reporting:

- The Audit Risk Management and Compliance Committee is comprised only of non-executive Directors.
- These non-executive Directors have the experience and expertise to ensure the factually correct presentation of the Company's financial position and to ensure the independence and competence of the Company's external auditors.
- The Board and the Audit Risk Management and Compliance Committee may consult external advisors at the Company's expense if and as required.

The Board will continue to regularly review its composition, and the composition of its committees, to ensure that they remain appropriate to the needs of the Company and its shareholders.

The Chairman of the Board and any non-executive Director may attend the Audit Risk Management and Compliance Committee Meetings. The internal and external auditors, the Managing Director and the Chief Financial Officer are invited to Audit Risk Management and Compliance Committee meetings at the discretion of the Committee. The Committee is therefore able to meet without management being present. The Committee also ensures that it meets with the external auditors without management being present on at least an annual basis.

The Audit Risk Management and Compliance Committee makes recommendations to the Board in relation to the appointment of the external auditors, reviews the auditor's performance on an annual basis and ensures the audit engagement partner is rotated in accordance with the Corporations Act requirements.

The Company may use the services of an outsourced internal audit provider to assess the effectiveness of the Company's risk management, internal control and compliance system. The internal auditor is independent of the external auditor and is appointed by the Board on recommendation from the Committee. The Committee meets with the internal and external auditors during the year to consider all aspects of their respective audit functions.

The Audit Risk Management and Compliance Committee requests that the external auditor attend the Annual General Meeting to answer questions about the conduct of the audit, the independence of the auditor and the content of the audit report.

The names and qualifications of Audit Risk Management and Compliance Committee members and their attendance at meetings are detailed on pages 4 to 6 of the Annual Report. The Committee is required to undertake a process of self assessment annually, to assess the effectiveness of the Committee. Such a review was undertaken during the year ended 30 June 2009.

Risk Management

McPherson's aims to use risk management systems to support its business activities and safeguard shareholder value. The Board has adopted a risk policy which:

- uses a proven risk management approach to ensure appropriate focus is given to the identification, evaluation, treatment, monitoring, pricing and reporting of all significant risks to the Board;
- ensures that managing risk is an integral part of business planning and management processes;
- informs, skills and motivates management and staff to enable them to implement effective risk management practices; and
- maintains a cost/benefit focus when developing risk treatment strategies, such as insurance.

The Company's Risk Management Policy and Internal Control Framework can be viewed on the Company's website.

As indicated below, in accordance with the risk management policy, management has reported to the Board as to the effectiveness of the Company's management of material business risks.

Further information regarding major financial risks is contained in Note 2 to the Financial Statements, which can be found on pages 53 to 60 of the Annual Report.

Internal Control and Compliance Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has established an internal control framework that can be described under the following headings:

- Financial reporting – a comprehensive budgeting system is in place with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly for internal use by Directors and management.
- ASX disclosure and compliance – the Group reports to shareholders on an annual basis and to the ASX half-yearly. Procedures are also in place to ensure that price sensitive information is reported to the ASX in accordance with the continuous disclosure requirements of the ASX Listing Rules. The Company Secretary has primary responsibility for making recommendations to the Chairman and Managing Director on whether information is price sensitive. Further details are included in the Company's Communications Policy which can be viewed on the Company's website.

- CEO and CFO assurance – the Managing Director and Chief Financial Officer have made the following certification to the Board in connection with the full year financial statements:
  - that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards; and
  - that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.
- Quality and integrity of personnel – the Group's personnel policies are detailed in a Policies & Procedures Manual, compliance with appropriate sections of which is mandatory by all operating units.
- Environmental controls – the Group has a specific policy under the terms of which it is mandatory for all business units within the Group to operate in a manner which complies with all applicable environmental laws, regulations and permits.
- Operating unit controls – financial controls and procedures including information systems controls are detailed in the Policies & Procedures Manual.
- Functional specialty reporting – the Group has identified a number of key areas which are subject to regular reporting to the Board including environmental, employee safety, legal and insurance matters.
- Investment appraisal – the Group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed justification and review procedures and levels of authority and due diligence requirements.

Ethical Standards and Stakeholders

The Policies & Procedures Manual maintained by the Group has a section on Ethics and Business Conduct that prescribes the standards in accordance with which each employee of the Group is expected to act. The Ethics and Business Conduct policy covers issues such as professional conduct, dealing with customers, suppliers and competitors, dealing with the community and other employees and computer network usage.

All Directors, managers and employees are required to maintain the standards of ethical conduct established by the Group in accordance with the Ethics and Business Conduct policy. The policy is posted on the Company's website.

A separate policy also exists which provides clear guidelines for Directors and employees intending to deal in McPherson's Limited securities, and this policy is also published on the Company's website. In summary, the policy states that providing an individual is not in possession of unpublished price sensitive information, trading in the Company's securities is permitted, apart from the following periods during which trading in company securities is prohibited:

1. the period commencing one month before the end of the half year (i.e. from 30 November) until the day following the day on which the Company's half year results are announced; and
2. the period commencing one month before the end of the full financial year (i.e. from 31 May) until the day following the day on which the Company's full year results are announced.

Communication to Shareholders

The Board informs shareholders of all major developments affecting the Company's state of affairs. The Company has a policy entitled the Communications Policy to ensure compliance with the ASX Listing Rules disclosure requirements in relation to accountability for disclosure to the markets, for other shareholder communications and encouraging shareholder participation at Annual General Meetings.

McPherson's has established a website which provides information to investors including:

- announcements to the market for the past three years;
- half yearly and annual financial data for the past three years; and
- Corporate Governance policies including the policy entitled Communications Policy.

The Board seeks to encourage participation of shareholders at the Annual General Meeting to ensure a high level of accountability. Important issues are presented as single resolutions.

EMPLOYEES

McPherson's people represent the key to the Company's future success. Clear structures and reporting programmes have been established to ensure that a safe and comfortable working environment exists for all employees.

During the year ended 30 June 2009 the Company's employees decreased by 76, the major decrease occurring in Australia employee numbers. At 30 June 2009, the Company had 942 employees based in four countries as shown in the table below.

McPherson's is committed to maintaining positive and effective relations with their employees through safe working conditions, training programmes and in endeavoring to help all employees reach their full potential.

The Company maintains a policy that requires all business units to recruit new staff members on the basis of merit, in line with affirmative action principles and without discrimination. Ongoing performance management processes exist which allow the Company to develop staff to their full potential, and for them to effectively contribute to the success and growth of the Company.

Training, as an investment in the future, continues to be a high priority at all sites. Employees at all levels are encouraged to improve their range of skills and business knowledge through in-house, external and on the job training programmes.

McPherson's Limited – Employees

By geographical area at 30 June 2009

Australia	780
New Zealand	99
Hong Kong/China	27
Singapore	36
	942

Safety

Safety in the workplace is treated as a very serious issue, with all McPherson's business units being required to maintain comprehensive safety management systems and accident prevention programmes.

There is an ongoing commitment to reduce accidents and injuries, the results of which are monitored at various levels within the organisation, including reporting to the McPherson's Limited Board on a regular basis. The Company requires that the safety committees maintained at each site place great emphasis on all aspects of occupational health and safety, including increased training and additional accident prevention initiatives.

Superannuation

Superannuation arrangements provided by the Company in each country are at a minimum consistent with the local practices and legal requirements of those countries. For most Australian employees, the Company outsources the superannuation function to ensure that employees are able to access the full range of benefits and options that superannuation specialists provide, and to fully comply with fund choice legislation.

Environment

The Company has a specific policy under the terms of which it is mandatory for all business units within the Group to operate in a manner that complies with all applicable environmental laws and regulations. Where appropriate, site audits are required to be carried out to assist continuing compliance.

Procedures are in place whereby all businesses throughout the Group are required to report environmental matters to the Board on a regular basis, including confirmation of compliance with Company policy.

Community

The Board approves a number of specific donations annually, which include donations to major charitable institutions such as the Australian Red Cross, the Salvation Army and the Brotherhood of St. Laurence. Business units also provide some assistance to designated local charities, hospitals and community service clubs.

FINANCIAL STATEMENTS

GROUP FINANCIAL SUMMARY

	Note		2009	2008	2007	2006	2005
Sales	1	$000's	**356,847**	333,941	319,548	314,567	324,071
Operating profit before tax and amortisation of intangibles	2	$000's	**30,406**	38,800	29,155	20,668	28,135
Operating profit before tax	2	$000's	**29,619**	38,207	28,998	19,173	24,930
Income tax expense	2	$000's	**(8,430)**	(10,614)	(8,053)	(5,546)	(6,472)
Operating profit after tax	2	$000's	**21,189**	27,593	20,945	13,627	18,458
Profit after tax and before amortisation of intangibles	2	$000's	**21,976**	28,186	21,102	15,122	21,663
Profit after tax and after non-recurring items		$000's	**19,473**	26,496	20,945	13,553	22,596
Operating cash flow	3	$000's	**26,279**	37,913	30,486	30,182	30,606
Shareholders' funds	4	$000's	**154,834**	153,535	140,300	127,732	118,261
Return on average shareholders' funds (ROSF)	5	%	**13.7**	18.8	15.6	11.1	17.4
ROSF before amortisation of intangibles		%	**14.3**	19.2	15.7	12.3	20.4
Earnings per share (EPS)	5	Cents	**32.8**	42.7	32.9	22.4	31.5
EPS before amortisation of intangibles		Cents	**34.1**	43.7	33.1	24.8	36.9
Dividends per share (fully franked)		Cents	**–**	25.0	19.0	14.0	22.0
Net debt		$000's	**104,156**	106,383	104,759	124,155	140,468

Note 1: Sales are net of customer allowances.
Note 2: Excludes non-recurring items.
Note 3: Pre-tax cash flow before capital expenditure and dividend payments.
Note 4: Shareholders' funds at the end of the financial year.
Note 5: Calculated using operating profit after tax.

DIRECTORS' REPORT

The Board of Directors issues the following report on the consolidated financial statements of the economic entity (referred to hereafter as the Group) at the end of, and for the year ended 30 June 2009.

(a) Directors

The names of the Directors of McPherson's Limited who were in office from the beginning of the financial year to the date of this report are as follows:

S.A. Rowell, D.J. Allman and J.P. Clifford.

A. Waislitz was a Director of McPherson's Limited from the beginning of the financial year until his retirement from the Board on 24 February 2009.

P.D.J. Landos, who was previously alternate Director for A. Waislitz, was appointed a non-executive Director on 24 February 2009.

(b) Principal Activities

The principal activities of the Group constituted by McPherson's Limited and the entities it controlled during the year were:

(i) Consumer Products
Producers of kitchen knives, scissors, cutlery, kitchen utensils, glassware, hair, beauty and personal care products, plastic bags, wraps, foils and other consumer products.

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

(c) Dividends

Directors did not declare an interim or final dividend in respect to the current year.

The 2008 final ordinary dividend of $8,386,000 (13.0 cents per fully paid ordinary share) referred to in the Directors' Report dated 27 August 2008 was paid on 1 October 2008.

(d) Consolidated Results

The consolidated profit after tax from operations of McPherson's Limited and its controlled entities for the year ended 30 June 2009 was $19,473,000 (2008: $26,496,000).

(e) Review of Operations

The review of operations of the Group is contained in the Chairman's and Managing Director's Report on pages 2 and 3 and the Review of Operations on pages 8 to 13 of the Annual Report and forms part of this report.

(f) Significant Changes in the State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group which have not been disclosed elsewhere in the Annual Report.

(g) Events Subsequent to Balance Date

Subsequent to the end of the financial year, the Company announced on 6 July 2009 that the operations of the Company's two consumer products businesses, McPherson's Consumer Products and Multix, have been combined into a single entity, and that Mr Paul Maguire, Chief Executive Officer of Multix, was appointed Chief Executive of the enlarged business. The Company also announced that after a transition period, Mr Maguire will also be appointed Managing Director of McPherson's Limited and the current Managing Director, Mr David Allman, will retire from the position at the conclusion of the transition period.

On 9 July 2009 the Company announced that it was proposed to grant 1.5 million options over ordinary shares in the Company to Mr Paul Maguire under the McPherson's Limited Share/Option Purchase Plan. The grant is subject to the approval of shareholders which will be sought at the McPherson's Limited Annual General Meeting on 13 November 2009. The options will form part of Mr Maguire's remuneration arrangements. The options are to be granted in four equal tranches of 375,000 and will be exercisable subject to the satisfaction of certain performance hurdles during the respective exercise periods.

On 14 August 2009 the Company announced it had completed a share placement to institutional, sophisticated and professional investors of 5,714,285 new ordinary shares at $2.10 per share to raise $12 million of additional capital. The Company also announced an offer to enable retail shareholders to participate in an underwritten Share Purchase Plan to raise an additional $3 million in capital at $2.10 per share. All new shares issued will rank equally with existing shares.

(h) Likely Developments and Expected Results of Operations

In the opinion of the Directors, it would prejudice the interests of the Group to include additional information, except as reported in this Directors' Report and the Annual Report, which relates to likely developments in the operations of the Group and the expected results of those operations in financial periods subsequent to 30 June 2009.

(i) Information on Directors

Particulars of the qualifications, experience and special responsibilities of each Director as at the date of this report are set out on pages 4 and 5 of the Annual Report and form part of this Directors' Report.

Particulars as to the number of Directors' meetings (including meetings of the Audit Risk Management and Compliance and the Nomination and Remuneration Committees of Directors) and the number of meetings attended by each of the Directors of the Company during the year are set out on page 6 of the Annual Report and form part of this Directors' Report.

The interests of Directors in the share capital of the parent entity or in a related entity are contained in the register of Directors' shareholdings of the Company as at the date of this report and are set out on pages 4 and 5 of the Annual Report and form part of this Directors' Report.

(j) Company Secretary

Particulars of the qualifications and experience of the Company Secretary are set out on page 6 of the Annual Report and form part of this Directors' Report.

(k) Remuneration Report

The remuneration report is set out under the following main headings:

- Key management personnel disclosures
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Key management personnel disclosures

Directors
The following persons were Directors of McPherson's Limited during the financial year:

Chairman (non-executive)
S.A. Rowell

Executive Director
D.J. Allman, Managing Director

Non-executive Directors
J.P. Clifford
P.D.J. Landos (from his appointment as a Director on 24 February 2009)
A. Waislitz (until his resignation as a Director on 24 February 2009)

Prior to his appointment as a Director, Mr Landos was alternate Director for Mr Waislitz.

(k) Remuneration Report (continued)

Key management personnel disclosures (continued)

Other key management personnel

The key management personnel (as defined in AASB 124 *Related Party Disclosures*) of McPherson's Limited and the McPherson's Limited Group includes the Directors and the following executives, as they had authority and responsibility for planning, directing and controlling the activities of the McPherson's Limited Group, directly or indirectly, during the financial year:

Name	Position	Employer
M.A. O'Kelly	Managing Director, Consumer Products Division	McPherson's Limited
P.J. Maguire	Chief Executive Officer, Multix	Multix Pty Ltd
S.K.S. Chan	Managing Director, McPherson's Hong Kong	McPherson's Consumer Products (HK) Ltd
P.R. Bennett	Chief Financial Officer and Company Secretary	McPherson's Limited
A.E. Fahy	Chief Executive Officer, McPherson's Printing	McPherson's Limited
G.P. Mitchell	General Manager, McPherson's Consumer Products NZ	McPherson's Consumer Products (NZ) Ltd

All of the above persons were also key management personnel during the year ended 30 June 2008. In addition, Mr Dagg, previously Commercial Director of McPherson's Consumer Products Pty Ltd, was a key management person from 1 July 2007 until the termination of his employment on 30 November 2007.

Subsequent to the end of the financial year, the Company announced on 6 July 2009 that the operations of the Company's two consumer products businesses, McPherson's Consumer Products and Multix, have been combined into a single entity, and that Mr Paul Maguire, Chief Executive Officer of Multix, was appointed Chief Executive of the enlarged business. The Company also announced that after a transition period, Mr Maguire will also be appointed Managing Director of McPherson's Limited and the current Managing Director, Mr David Allman, will retire from the position at the conclusion of the transition period.

Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage/alignment of executive compensation;
- Transparency; and
- Capital management.

McPherson's Limited has a remuneration policy and structure that is equitable, competitive and consistent so as to ensure the recruitment and retention of personnel of the capability, competence and experience necessary for the achievement of the Company's strategies and goals.

The remuneration framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current year.

Over the past five years, the consolidated entity's profit from ordinary activities after income tax has grown at an average rate of about 8%, and shareholder wealth reflecting share price movements and dividends has reduced at an average rate of 12% per annum as a consequence of the lower share price prevailing during the year. Over the past five years executive remuneration has grown at an average rate of approximately 2% per annum.

Nomination and Remuneration Committee
McPherson's has a Nomination and Remuneration Committee which has been established by the Board of Directors to annually review, evaluate and make recommendations to the Board in relation to remuneration, including:

- Non-executive Director remuneration;
- Staff incentive plans proposed by the Managing Director, including bonus, share and option plans, and the basis of their application;
- Salary, benefits and total remuneration packages of the Managing Director and other senior executives; and
- Substantial changes to the principles of the Company's superannuation arrangements.

Non-executive Directors
Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Remuneration of non-executive Directors is determined by the Board within an aggregate Directors' fee pool limit which is periodically recommended for approval by the shareholders. The aggregate was last considered by shareholders at the Annual General Meeting in 2007 when a total remuneration of $400,000 was approved. Excluding termination benefits, non-executive Directors' remuneration for the year ended 30 June 2009 totalled $250,048 (2008: $250,448).

Non-executive Directors are not entitled to participate in any incentive scheme, nor are they eligible to receive share options.

The current base remuneration of individual non-executive Directors was last reviewed by the Nomination and Remuneration Committee as at 1 October 2007, at which time Directors' fees were increased on average by 12.5%. Prior to that, fees were reviewed effective 1 October 2006, 1 October 2004 and 1 July 2000. The Chairman and other non-executive Directors receive additional fees for their membership of the Board's Audit Risk Management and Compliance Committee. Members of the Nomination and Remuneration Committee do not receive additional fees for their membership of this committee. Directors may direct the Company to make superannuation guarantee contributions, or additional superannuation contributions allocated from their Directors' or committee membership fees, to any complying nominated superannuation fund.

At the Annual General Meeting of shareholders held on 7 November 1997, shareholders authorised the Company to enter into agreements with Directors (called "Directors' Deeds") which set out certain rights and obligations of the Director. The Directors' Deeds do not reflect a fixed term of appointment as Directors are subject to retirement and re-election by shareholders at least every three years.

The following fees have applied:

	From 1 October 2007	From 1 October 2006 to 30 September 2007
Base fees		
Chairman	$109,961	$103,833
Other non-executive Directors	$57,340	$48,672
Additional fees		
Audit Risk Management and Compliance Committee – Chairman	$6,552	$5,408
Audit Risk Management and Compliance Committee – Member	$4,718	$3,894

Executive remuneration
The executive remuneration and reward framework has four components:

- Base pay and benefits;
- Short-term performance incentives;
- Long-term incentives; and
- Retirement benefits.

The combination of these comprises an executive's total remuneration.

(k) Remuneration Report (continued)

Principles used to determine the nature and amount of remuneration (continued)

Base pay and benefits

Base pay is structured as a package amount which may be delivered as cash, prescribed non-cash financial benefits including motor vehicles and additional superannuation contributions at the executive's discretion. Base pay is reviewed annually to reflect increases in responsibility and to ensure that the executive's pay is competitive in the market for a comparable role. There are no guaranteed base pay increases included in any senior executives' contracts.

Short-term performance incentives (STI)

Short-term incentives in the form of cash bonuses are available to senior executives providing the Company, operating division or business most closely aligned with the executive's area or areas of responsibility achieve or exceed pre-determined profit and/or other financial targets and achieve key personal performance objectives. Profit and other Company performance targets have been selected because this ensures that variable reward is only available when value has been created for shareholders and when profit and other targets are consistent with or exceed the business plan. For senior executives the maximum target bonus opportunity is usually 55% of the base package amount.

Each year the Nomination and Remuneration Committee considers the appropriate targets and key performance indicators together with the level of payout if targets are met or exceeded.

An assessment regarding eligibility for a cash bonus is made by reference to actual performance outcomes when these are known following the conclusion of the financial year. Short-term incentives are normally payable in September following the end of the financial year to which the incentive relates.

Subject to the discretion of the Nomination and Remuneration Committee, the maximum likely short-term incentive payable to a senior executive in future years is 55% of the executive's base salary package amount. The minimum payable would be zero in cases where the specified performance targets were not achieved.

Long-term incentives (LTI)

Long-term incentives in the form of options over ordinary shares in the Company may be granted to executives at the discretion of the Nomination and Remuneration Committee. Further information regarding share-based compensation in the form of options is contained later in the Remuneration Report on pages 30 to 34.

Retirement benefits

Retirement benefits are delivered by a number of superannuation funds selected by the Company or the executive. Executives may direct the Company to make superannuation guarantee contributions, or additional superannuation contributions allocated from their base package amount, to any complying nominated superannuation fund. The funds selected provide retirement benefits to executives and other employees on an accumulation basis.

Performance assessment

The Company has a formal documented process for the performance evaluation of Directors and senior executives, which requires that a review takes place on an annual basis. A performance assessment took place during the year for Directors, including the Managing Director, and other senior executives.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors of McPherson's Limited, the other key management personnel and the other highest remunerated executives of McPherson's Limited and the McPherson's Limited Group are set out in the following tables. The tables indicate whether executives are employed by McPherson's Limited or a controlled entity of McPherson's Limited, and provide separate remuneration totals for each of McPherson's Limited and the McPherson's Limited Group.

Key Management Personnel of the Group

2009	Short-term Benefits			Post-employment Benefits	Long-term Benefits		Share-based Payment	
Name	Cash Salary & Fees[1] $	Cash Bonus $	Non-monetary Benefits[2] $	Super-annuation $	Long Service Leave $	Termination Benefits $	Options $	Total $
Directors of McPherson's Limited								
S.A. Rowell (Chairman)	105,000	–	–	20,000	–	–	–	125,000
D.J. Allman (Managing Director)[3]	534,367	–	6,709	92,896	10,583	–	–	644,555
J.P. Clifford	20,833	–	–	41,667	–	–	–	62,500
A. Waislitz[4]	36,697	–	–	3,303	–	115,200	–	155,200
P.D.J. Landos[5]	20,686	–	–	1,862	–	–	–	22,548
Total Directors' Remuneration 2009	717,583	–	6,709	159,728	10,583	115,200	–	1,009,803
Other Group Key Management Personnel								
P.J. Maguire[6]	296,848	–	19,526	45,130	5,662	–	4,064	371,230
S.K.S. Chan[8]	372,704	–	–	31,533	5,223	–	–	409,460
P.R. Bennett[7]	210,083	–	6,696	97,396	5,362	–	–	319,537
A.E. Fahy[7]	298,249	–	29,070	10,800	5,858	–	–	343,977
G.P. Mitchell[8]	190,809	–	27,765	19,482	1,603	–	–	239,659
M.A. O'Kelly[7][9]	331,971	–	43,732	22,980	41,833	–	–	440,516
Total Other Key Management Personnel Remuneration 2009	1,700,664	–	126,789	227,321	65,541	–	4,064	2,124,379

Total Remuneration 2009 – McPherson's Limited	1,557,886	–	86,207	290,904	63,636	115,200	–	2,113,833
Total Remuneration 2009 – Group	2,418,247	–	133,498	387,049	76,124	115,200	4,064	3,134,182

(1) Cash salary and fees includes movements in the annual leave provision relating to the Managing Director and other key management personnel.

(2) Non-monetary benefits comprise salary sacrificed components of remuneration packages including motor vehicles and related fringe benefits tax, medical insurance premiums and private telephone expenses.

(3) Mr Allman is to retire as Managing Director in the 2009-10 financial year. Termination benefits in the order of $820,000 including accrued annual leave and long service leave will be paid on his retirement and have been provided for in the accounts at 30 June 2009.

(4) Mr Waislitz resigned as a Director with effect from 24 February 2009. Amounts shown include remuneration as a Director from 1 July 2008 to 24 February 2009 and retirement benefits payable on his termination.

(5) Mr Landos was appointed a Director with effect from 24 February 2009. Mr Landos previously acted as alternate Director for Mr Waislitz.

(6) On 6 July 2009 the Company announced that Mr Maguire is to be appointed Managing Director of the Company on the retirement of Mr Allman during the 2009-10 financial year. From 6 July 2009 Mr Maguire has been employed by McPherson's Limited. Prior to that date he was employed by a controlled entity of McPherson's Limited.

(7) Employed by McPherson's Limited.

(8) Employed by a controlled entity of McPherson's Limited.

(9) Mr O'Kelly's employment was terminated with effect from 31July 2009. Termination benefits of $648,000 including accrued annual leave and long service leave were paid on his termination and have been provided for in the accounts at 30 June 2009.

(k) Remuneration Report (continued)

Key Management Personnel of the Group

2008	Short-term Benefits			Post-employment Benefits	Long-term Benefits		Share-based Payment	
Name	Cash Salary & Fees[1] $	Cash Bonus $	Non-monetary Benefits[2] $	Super-annuation $	Long Service Leave $	Termination Benefits $	Options $	Total $
Directors of McPherson's Limited								
S.A. Rowell (Chairman)	93,360	–	–	20,000	–	–	–	113,360
D.J. Allman (Managing Director)	473,824	335,500	6,182	100,000	17,405	–	17,627	950,538
J.P. Clifford	15,625	–	–	44,514	–	–	–	60,139
A. Waislitz	52,641	–	–	4,738	–	–	–	57,379
P.D.J. Landos (Alternate)[3]	–	–	–	–	–	–	–	–
R.C. King[4]	17,955	–	–	1,615	–	298,800	–	318,370
Total Directors' Remuneration 2008	653,405	335,500	6,182	170,867	17,405	298,800	17,627	1,499,786
Other Group Key Management Personnel								
M.A. O'Kelly[5]	350,043	223,000	47,555	22,980	–	–	8,559	652,137
P.J. Maguire[6]	303,459	203,500	25,511	44,478	8,478	–	13,995	599,421
S.K.S. Chan[6]	296,051	159,132	–	24,957	5,020	–	1,660	486,820
P.R. Bennett[5]	209,538	170,500	6,464	100,000	8,224	–	3,321	498,047
A.E. Fahy[5]	307,171	50,000	17,068	10,800	32,211	–	1,660	418,910
G.P. Mitchell[6]	200,580	–	29,560	19,565	–	–	1,660	251,365
M.G. Dagg[6][7]	107,648	–	14,744	9,688	–	431,598	1,660	565,338
Total Other Key Management Personnel Remuneration 2008	1,774,490	806,132	140,902	232,468	53,933	431,598	32,515	3,472,038

Total Remuneration 2008 – McPherson's Limited	1,520,157	779,000	77,269	304,647	57,840	298,800	31,167	3,068,880
Total Remuneration 2008 – Group	2,427,895	1,141,632	147,084	403,335	71,338	730,398	50,142	4,971,824

(1) Cash salary and fees includes movements in the annual leave provision relating to the Managing Director and other key management personnel.
(2) Non-monetary benefits comprise salary sacrificed components of remuneration packages including motor vehicles and related fringe benefits tax, and medical insurance premiums and private telephone expenses.
(3) Mr Landos is the alternate Director for Mr Waislitz.
(4) Mr King retired as Chairman and as a Director with effect from 31 August 2007. Amounts shown include remuneration from 1 July 2007 to 31 August 2007 and retirement benefit paid on his termination.
(5) Employed by McPherson's Limited.
(6) Employed by a controlled entity of McPherson's Limited.
(7) Mr Dagg's employment was terminated on 30 November 2007. Termination benefits include payments for accrued annual leave and long service leave.

Details of remuneration (continued)

Amounts disclosed as remuneration of Directors and executives exclude premiums paid by the consolidated entity in respect of Directors' and Officers' liability insurance contracts. Further information relating to these insurance contracts is set out in paragraph (m) of the Directors' Report.

Relative proportions of remuneration

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At Risk – STI		At Risk – LTI	
Name	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Executive Director of McPherson's						
D.J. Allman	**100%**	63%	**–**	35%	**–**	2%
Other key management personnel of the Group						
M.A. O'Kelly	**100%**	65%	**–**	34%	**–**	1%
P.J. Maguire	**99%**	64%	**–**	34%	**1%**	2%
S.K.S. Chan	**100%**	67%	**–**	33%	**–**	–
P.R. Bennett	**100%**	65%	**–**	34%	**–**	1%
A.E. Fahy	**100%**	88%	**–**	12%	**–**	–
G.P. Mitchell	**100%**	99%	**–**	–	**–**	1%

Service agreements

Remuneration and other terms of employment for the Managing Director and other key management personnel are formalised in employment agreements. Each of these agreements set out details of the base package amount, usually inclusive of superannuation and motor vehicle benefits, and provide for performance related cash bonuses and other benefits. Other benefits include health insurance premiums and the payment of private telephone accounts. The agreements also provide for participation, when eligible, in the McPherson's Limited Employee Share/Option Purchase Plan.

The agreements do not normally reflect a fixed term of employment or nominate a specified amount to be paid on termination of employment. The agreements normally provide that the termination notice period may be paid out by the Company.

Other major provisions of the employment agreements relating to remuneration for the executives disclosed are set out below.

D.J. Allman, Managing Director

- Base salary package, inclusive of superannuation, with effect from 1 October 2007 of $610,000, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on 12 months notice by the Company and on six months notice by the executive.

M.A. O'Kelly, Managing Director – Consumer Products Division

- Base salary package, inclusive of superannuation, with effect from 1 October 2007 of $405,000, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract was for an initial term of four years from 1 September 2003, which has been extended through the exercising of an option to extend the term by the executive.
- The contract may be terminated on 12 months notice by the Company and on six months notice by the executive.

P.J. Maguire, Chief Executive Officer, Multix

- Base salary package, inclusive of superannuation, with effect from 1 October 2007 of $370,000, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on 12 months notice by the Company and on three months notice by the executive.

(k) Remuneration Report (continued)

Service agreements (continued)

On 6 July 2009 a new service agreement was entered into between Mr Maguire and McPherson's Limited in conjunction with his appointment as Chief Executive of McPherson's Consumer Products. Major provisions in the new agreement include the following:

- Base salary package, inclusive of superannuation, with effect from 6 July 2009 of $450,000, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on 12 months notice by the Company and on six months notice by the executive.

S.K.S. Chan, Managing Director, McPherson's Consumer Products (HK) Limited
- Base salary package, inclusive of superannuation, with effect from 1 October 2008 of USD$297,678 (AUD$397,063), to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on three months notice by either the Company or the executive.

P.R. Bennett, Chief Financial Officer and Company Secretary
- Base salary package, inclusive of superannuation, with effect from 1 October 2007 of $310,000, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on 12 months notice by the Company and on six months notice by the executive.

A.E. Fahy, Chief Executive Officer, McPherson's Printing
- Base salary package, inclusive of superannuation, with effect from 1 October 2007 of $335,000, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on 12 months notice by the Company and on six months notice by the executive.

G.P. Mitchell, General Manager, McPherson's Consumer Products (NZ) Limited
- Base salary of NZD$229,658 (AUD$187,598) with effect from 1 October 2007, plus a fully maintained vehicle, superannuation and medical insurance, to be reviewed annually in October.
- The contract may be terminated on six months notice by either the Company or the executive.

Share-based compensation

Options over ordinary shares can be granted as remuneration to the Managing Director and other executives under the McPherson's Limited Employee Share/Option Purchase Plan. The Plan was originally approved by shareholders at an Extraordinary General Meeting in 1987 and subsequently considered at the 1992 Annual General Meeting when certain amendments to the Plan were approved.

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

			Value per Option at Grant Date			Date Exercisable			
						First 50%		Second 50%	
Grant Date	Expiry Date	Exercise Price	First 50%	Second 50%	Total Value	From	To	From	To
18-Sep-03	17-Sep-08	$3.26	$0.98	$1.01	$1.00	17-Sep-05	17-Sep-07	17-Sep-07	17-Sep-08
10-Nov-03	09-Nov-08	$3.26	$1.29	$1.29	$1.29	09-Nov-05	09-Nov-07	09-Nov-07	09-Nov-08
11-Dec-03	10-Dec-08	$3.26	$1.27	$1.27	$1.27	10-Dec-05	10-Dec-07	10-Dec-07	10-Dec-08
14-Oct-04	13-Oct-09	$4.84	$0.82	$0.93	$0.88	13-Oct-06	13-Oct-08	13-Oct-08	13-Oct-09

Options are issued under the Plan for a consideration of one cent per share option, with other terms and conditions, including performance criteria, being determined by the Board's Nomination and Remuneration Committee. The Committee has generally selected share price performance hurdles as the relevant criteria because an increase in the Company's share price is considered to be the major contributor to shareholders' overall return on investment. The Committee has however considered amending the criteria for any future options issued to reflect a combination of share price and dividend performance, and/or the Company's stated key financial objectives.

There were no options issued during the year ended 30 June 2009, or in the previous year ended 30 June 2008. However, on 9 July 2009 the Company announced that it was proposed to grant 1.5 million options over ordinary shares in the Company to Mr Paul Maguire under the McPherson's Limited Share/Option Purchase Plan. The grant is subject to the approval of shareholders which will be sought at the McPherson's Limited Annual General Meeting on 13 November 2009. The options will form part of Mr Maguire's remuneration arrangements. The options are to be granted and exercisable in four equal tranches of 375,000 and will be issued on the following terms:

Tranche	Number of Options	Exercise Price[1]	Exercise Conditions		Exercise Dates	
					From	To
1	375,000	$1.64	Note 2	Note 3	06 July 2010	06 July 2013
2	375,000	$1.64	Note 2	Note 3	06 January 2011	06 January 2014
3	375,000	$1.64	Note 2	Note 3	06 July 2011	06 July 2014
4	375,000	$1.75	Note 2	Note 3	06 January 2012	06 January 2015
	1,500,000					

Notes:

1. The exercise price for tranches 1, 2 and 3 is the volume weighted average share price over the 20 trading days prior to 6 July 2009.
2. The share price must exceed the relevant exercise price for a continuous period of 40 trading days.
3. Total Shareholder Return must exceed 15% per annum for the period to the relevant exercise date. Total Shareholder Return is a function of share price growth and dividend payments.

For options issued during the years ended 30 June 2005 and 2004, share price hurdles were set at 128% (for the first 50% of the options) and 148% (for the second 50%) of the share price current at the date the options were issued.

Options issued during the year ended 30 June 2005 were issued on the following terms:

(a) 50% of the options granted to be exercisable between two and four years from the date of issue, provided the Company's shares traded on the Australian Securities Exchange at or above $6.29 (measured on a weighted average basis) for five consecutive trading days within the two year period from the date of issue; and

(b) 50% of the options granted to be exercisable between four and five years from the date of issue, provided the Company's shares traded on the Australian Securities Exchange at or above $7.26 (measured on a weighted average basis) for five consecutive trading days within the four year period from the date of issue.

Options issued during the year ended 30 June 2004 were issued on the following terms:

(a) 50% of the options granted to be exercisable between two and four years from the date of issue, provided the Company's shares traded on the Australian Securities Exchange at or above $4.30 (measured on a weighted average basis) for five consecutive trading days within the two year period from the date of issue; and

(b) 50% of the options granted to be exercisable between four and five years from the date of issue, provided the Company's shares traded on the Australian Securities Exchange at or above $5.00 (measured on a weighted average basis) for five consecutive trading days within the four year period from the date of issue.

The exercise price is to be equivalent to the average market price of the Company's shares traded on the Australian Securities Exchange over the five trading days (measured on a volume weighted average basis) prior to the date the decision to grant the options was made. Entitlements to the options are vested as soon as they become exercisable. Options granted under the plan carry no dividend or voting rights. When exercised, each option is converted into one ordinary share in the Company.

(k) Remuneration Report (continued)

Share-based compensation (continued)

The amounts disclosed for emoluments relating to options is the assessed fair value at grant date of each 50% component of the options granted to senior executives net of any consideration paid by the executive, allocated equally over the period from grant date to the expected vesting date. Subject to the discretion of the Nomination and Remuneration Committee regarding the granting of further options in the future, the value of emoluments relating to options in future years will be the allocation of existing options on this basis.

Fair values at grant date were determined using a binomial option pricing model that took into account the grant date, the exercise price, the term of the option, the vesting and performance criteria, the non-tradable nature of the option, the share price at grant date, the expected price volatility of the underlying share (30%) and the risk-free interest rate for the term of the option.

The Nomination and Remuneration Committee performs an assessment to determine whether the share price and other criteria have been satisfied before the commencement of the respective exercise periods.

The terms and conditions of the McPherson's Limited Employee Share/Option Purchase Plan provide that in the event of the death of an employee, the exercise period for options may be reduced at the discretion of the Directors, whereby the options can be exercised within 30 days of the Directors' discretion being applied, instead of during the prescribed exercise period(s).

The Company's Securities Trading Policy contains a restriction on removing the 'at risk' aspect of options or other instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of options or other instruments before they vest.

Options provided as remuneration

Other than those disclosed earlier in this report, there were no options granted over ordinary shares of McPherson's Limited during or since the end of the financial year ending 30 June 2009, or during the year ended 30 June 2008, to any of the Directors or the other key management personnel of the Company or the consolidated entity as part of their remuneration. A summary of options over ordinary shares in the Company provided as remuneration in the current and prior year to each Director of McPherson's Limited, and each of the other key management personnel of the Group, and options that vested, is set out below.

	Number of Options Granted During the Year		Number of Options Vested During the Year	
Name	**2009**	**2008**	**2009**	**2008**
Directors of McPherson's Limited				
D.J. Allman	–	–	–	150,000
Other key management personnel of the Group				
M.A. O'Kelly	–	–	–	60,000
P.J. Maguire	–	–	–	–
S.K.S. Chan	–	–	–	30,000
P.R. Bennett	–	–	–	60,000
A.E. Fahy	–	–	–	30,000
G.P. Mitchell	–	–	–	30,000
M.G. Dagg	–	–	–	30,000

Shares provided on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to Directors of McPherson's Limited and other key management personnel of the Group are set our below.

	Date of Exercise of Options	Number of Ordinary Shares Issued on Exercise of Options During the Year	
Name		**2009**	**2008**
Directors of McPherson's Limited			
D.J. Allman	8 November 2007	–	150,000
Other key management personnel of the Group			
M.A. O'Kelly	10 December 2007	–	60,000

The amount paid per ordinary share by each Director and other key management personnel on the exercise of options at each date of exercise was $3.26. No amounts are or were unpaid on any shares issued on the exercise of options.

Employee share schemes

Directors of McPherson's Limited and other key management personnel of the Group including the Company Secretary are eligible to participate in the Company's employee share schemes on a salary or fee sacrifice basis, on the same terms and conditions as other employees. However, the operation of the Company's two share schemes has been temporarily suspended pending clarification and passing of relevant legislation of the proposed changes to the taxation of shares issued under such schemes which were announced in the 2009 Federal Budget.

Additional information

Cash bonuses and options

For each cash bonus and grant of options included in the remuneration tables shown earlier in this report, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses or grants of options are payable in future years. Half of the options granted have vested after four years and half after five years from the grant date providing the conditions relating to them have been satisfied. No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest is determined as the amount of the grant date fair value of the options that is yet to be expensed. As the value of all options has been expensed in 2009 or in previous years the maximum value of options yet to vest is also nil.

	Cash Bonus		Options					
Name	**Paid**	**Forfeited**	**Year Granted**	**Vested**	**Forfeited**	**Financial Years in Which Options May Vest**	**Minimum Total Value of Grant Yet to Vest $**	**Maximum Total Value of Grant Yet to Vest $**
D.J. Allman	–	100%	2004	–	–	–	–	–
M.A. O'Kelly	–	100%	2004	–	–	–	–	–
P.J. Maguire	–	100%	2005	–	50%	–	–	–
S.K.S. Chan	–	100%	2004	–	–	–	–	–
P.R. Bennett	–	100%	2004	–	–	–	–	–
A.E. Fahy	–	100%	2004	–	–	–	–	–
G.P. Mitchell	–	100%	2004	–	–	–	–	–

(k) Remuneration Report (continued)

Additional information (continued)

Share-based compensation – options

Further details relating to options are set out below.

Name	A Remuneration Consisting of Options %	B Value at Grant Date $	C Value at Exercise Date $	D Value at Lapse Date $
D.J. Allman	–	–	–	–
M.A. O'Kelly	–	–	–	–
P.J. Maguire	1.1%	–	–	–
S.K.S. Chan	–	–	–	–
P.R. Bennett	–	–	–	–
A.E. Fahy	–	–	–	–
G.P. Mitchell	–	–	–	–

A The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

C The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

Loans to Directors and executives

There were no loans made to Directors of McPherson's Limited or to any key management personnel of the Company and the consolidated entity, including their personally-related entities during the year, nor were there any loans outstanding at the end of the current or prior financial year.

Other transactions with Directors and executives

During the year the Group sold minor quantities of household consumer products and glassware for domestic use to key management personnel on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with an employee at arm's length in the same circumstances.

There were no transactions between the consolidated entity and the Directors of McPherson's Limited or with any other key management personnel of the Group, including their personally-related entities, during the current or previous financial year other than those disclosed above, and relating to remuneration and to transactions concerning options and shares.

(l) Shares Under Option

Unissued ordinary shares of McPherson's Limited under option at the date of this report are as follows:

Date Options Granted	Expiry Date	Exercise Price	Number Under Option
14 October 2004	13 October 2009	$4.84	60,000

Subject to the approval of shareholders which will be sought at the McPherson's Limited Annual General Meeting on 13 November 2009, the Company has announced that a further 1,500,000 options are to be granted and exercisable in four equal tranches of 375,000. The tranches will have expiry dates ranging from 6 July 2013 to 6 January 2015.

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Shares issued on the exercise of options
No ordinary shares of McPherson's Limited were issued during the year ended 30 June 2009 on the exercise of options granted under the McPherson's Limited Employee Share/Option Purchase Plan, and no shares have been issued since that date.

(m) Indemnification and Insurance of Officers

The Company has agreed to indemnify the current Directors and certain current executives of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors or officers of the Company, to the extent permitted by law. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the financial year, McPherson's Limited paid a premium to insure Directors and certain officers of the Company and controlled entities. The officers of the Company covered by the insurance policy include the current Directors and Secretary of McPherson's Limited, Directors or Secretaries of controlled entities who are not or were not also Directors or Secretaries of McPherson's Limited, senior management of the Company and senior management of divisions and controlled entities of McPherson's Limited. As the insurance policy operates on a claims made basis, former Directors and officers of the Company are also covered.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company or controlled entities. The insurance policy outlined above does not contain details of premiums paid in respect of individual Directors and officers of the Company. The insurance policy prohibits disclosure of the premium paid.

(n) Environmental Regulation

The Group is subject to significant environmental regulation in respect of its printing operations and manufacturing activities as set out below.

The Group has printing operations in Victoria which are required to comply with a number of Australian pollution control and environmental regulations. The business concerned takes all reasonable precautions to minimise the risk of an environmental incident, including the removal of solid and liquid wastes by licensed contractors, arranging environmental compliance audits by qualified external organisations and ensuring that personnel receive appropriate training. There have been no instances of non-compliance with environmental regulations during the year.

(o) Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Risk Management and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Risk Management and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 37.

(o) Non-audit Services (continued)

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2009 $	Consolidated 2008 $
Assurance services		
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	300,855	362,505
Overseas affiliates of PricewaterhouseCoopers Australian firm	51,958	88,070
Non PricewaterhouseCoopers audit firm (FTW & Partners CPA Limited)	15,190	–
Total remuneration for audit services	368,003	450,575
2. Other assurance services		
PricewaterhouseCoopers Australian firm:		
Other accounting services	–	4,600
Overseas affiliates of PricewaterhouseCoopers Australian firm:		
Audit of pension plans	2,684	2,019
Financial statements preparation	4,000	14,984
IFRS accounting services	–	2,163
Total remuneration for other assurance services	6,684	23,766
Total remuneration for assurance services	374,687	474,341

(p) Rounding

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report and Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(q) Audit Risk Management and Compliance Committee

As at the date of this report, McPherson's Limited has an Audit Risk Management and Compliance Committee consisting of the following non-executive Directors:

- S.A. Rowell (Chairman)
- P.D.J. Landos

Signed in accordance with a resolution of the Directors.

Dated at Melbourne this 26th day of August 2009.

S.A. Rowell
Director

D.J. Allman
Director

AUDITOR'S INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

As lead auditor for the audit of McPherson's Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of McPherson's Limited and the entities it controlled during the period.

Graeme Billings
Partner
PricewaterhouseCoopers

Melbourne
26 August 2009

DIRECTORS' DECLARATION

We, Simon A. Rowell and David J. Allman, being two of the Directors of McPherson's Limited, declare that in the Directors' opinion:

(a) the financial statements and notes set out on pages 41 to 99 and the remuneration report on pages 23 to 34 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 36.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

Dated at Melbourne this 26th day of August 2009.

S.A. Rowell
Director

D.J. Allman
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MCPHERSON'S LIMITED

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

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Report on the financial report

We have audited the accompanying financial report of McPherson's Limited (the Company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both McPherson's Limited (the Company) and McPherson's Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion
In our opinion:

(a) the financial report of McPherson's Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 34 of the directors' report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion
In our opinion, the Remuneration Report of McPherson's Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Graeme Billings
Partner

Melbourne
26 August 2009

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent Entity	
	Note	2009 $000's	2008 $000's	2009 $000's	2008 $000's
Revenue	4	357,415	334,489	25,066	28,478
Other income	5	1,492	1,044	2,308	3,508
Expenses	3	(322,075)	(289,163)	(9,292)	(3,534)
Finance costs		(9,899)	(9,915)	(10,523)	(11,010)
Share of net profit of associate	16	234	227	–	–
Profit before income tax		27,167	36,682	7,559	17,442
Income tax (expense)/credit	6	(7,694)	(10,186)	3,055	2,781
Profit after income tax		19,473	26,496	10,614	20,223

		Cents	Cents
Basic earnings per share	32	30.2	41.1
Diluted earnings per share	32	30.2	41.1

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS
AS AT 30 JUNE 2009

	Note	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Current assets					
Cash	10	2,281	940	1,885	4
Receivables	11	55,782	56,820	2,744	8,039
Inventories	12	61,251	56,226	–	–
Derivative financial instruments	14	18	856	–	721
Total current assets		119,332	114,842	4,629	8,764
Non-current assets					
Receivables	15	–	–	92,111	96,945
Other financial assets	16	1,486	1,752	174,780	179,374
Property, plant and equipment	17	23,707	23,534	13	32
Intangibles	18	188,505	188,696	4,156	4,156
Derivative financial instruments	14	–	1,117	–	1,117
Deferred tax assets	19	9,918	6,119	4,571	836
Total non-current assets		223,616	221,218	275,631	282,460
Total assets		342,948	336,060	280,260	291,224
Current liabilities					
Payables	20	39,242	42,532	9,930	8,151
Derivative financial instruments	14	11,481	502	10,701	502
Borrowings	21	1,394	250	18,491	17,334
Provisions	22	11,334	10,739	2,528	1,829
Current tax liabilities		2,663	5,366	2,295	5,159
Total current liabilities		66,114	59,389	43,945	32,975
Non-current liabilities					
Payables	23	–	–	–	13,449
Derivative financial instruments	14	2,090	–	2,090	–
Borrowings	24	105,026	107,057	105,000	107,000
Provisions	25	1,211	1,652	–	–
Deferred tax liabilities	26	13,673	14,427	1,659	2,280
Total non-current liabilities		122,000	123,136	108,749	122,729
Total liabilities		188,114	182,525	152,694	155,704
Net assets		154,834	153,535	127,566	135,520
Shareholders' equity					
Share capital	27	112,727	113,024	112,727	113,024
Reserves	28(a)	(11,906)	(1,497)	(8,901)	1,902
Retained profits	28(b)	54,013	42,008	23,740	20,594
Total shareholders' equity		154,834	153,535	127,566	135,520

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Total equity at the beginning of the financial year		153,535	140,300	135,520	126,680
Exchange differences on translation of foreign operations		1,018	(2,254)	–	–
Cash flow hedges, net of tax		(10,513)	2,113	(9,889)	1,737
Net (expense)/income recognised directly in equity		(9,495)	(141)	(9,889)	1,737
Profit after tax for the financial year		19,473	26,496	10,614	20,223
Total recognised income and expense for the year		9,978	26,355	725	21,960
Transactions with shareholders					
Exercise of options granted on 18 September 2003	27	–	375	–	375
Exercise of options granted on 10 November 2003	27	–	489	–	489
Exercise of options granted on 11 December 2003	27	–	196	–	196
Share-based payments		4	24	4	24
Share buyback – shares purchased	27	(296)	–	(296)	–
Net transaction costs	27	(1)	(7)	(1)	(7)
Dividends paid		(8,386)	(14,197)	(8,386)	(14,197)
		(8,679)	(13,120)	(8,679)	(13,120)
Total equity at the end of the financial year		154,834	153,535	127,566	135,520

The above statements of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		391,245	364,228	–	–
Payments to suppliers and employees (inclusive of GST)		(355,634)	(316,524)	(5,593)	(5,885)
Interest received		38	93	32	30
Interest and borrowing costs paid		(9,870)	(10,184)	(9,871)	(10,199)
Income tax paid		(10,412)	(8,864)	(9,357)	(7,545)
Dividends received		500	300	2,034	1,775
Other revenue		–	–	4,505	5,831
Net cash inflows/(outflows) from operating activities	37(i)	15,867	29,049	(18,250)	(15,993)
Cash flows from investing activities					
Payments for purchase of property, plant and equipment		(4,984)	(3,048)	(2)	(7)
Proceeds from disposal of property, plant and equipment		74	184	–	–
Payments for purchase of businesses	37(iii)	–	(13,900)	–	(13,963)
Payments for investments		–	(116)	–	(116)
Payments for purchase of intangibles		(88)	(490)	–	–
Net cash outflows from investing activities		(4,998)	(17,370)	(2)	(14,086)
Cash flows from financing activities					
Cash transfers from controlled entities		–	–	28,854	44,674
Proceeds from issue of shares		–	1,057	–	1,057
Costs from issue of shares		–	(9)	–	(9)
Payments for buyback of shares		(296)	–	(296)	–
Costs from buyback of shares		(1)	–	(1)	–
Proceeds from borrowings		112,500	134,700	112,500	134,700
Repayment of borrowings		(114,500)	(135,400)	(114,500)	(135,400)
Dividends paid		(8,386)	(14,197)	(8,386)	(14,197)
Repayment of hire purchase liabilities		(50)	(58)	–	–
Net cash (outflows)/inflows from financing activities		(10,733)	(13,907)	18,171	30,825
Net increase/(decrease) in cash held		136	(2,228)	(81)	746
Cash at beginning of the financial year		719	2,954	(6,399)	(7,145)
Net effect of exchange rate changes on cash		42	(7)	–	–
Cash held at end of financial year	10	897	719	(6,480)	(6,399)

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of McPherson's Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS.

Historical cost convention
These financial statements have been prepared under the historical cost convention, except for certain assets which are carried at deemed cost or fair value.

(b) Principles of consolidation

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all entities controlled by McPherson's Limited (parent entity) as at 30 June 2009 and the results of all controlled entities for the year then ended. Controlled entities are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. McPherson's Limited and its controlled entities together are referred to as the Group. All inter-company balances, transactions and unrealised profits resulting from inter-company transactions have been eliminated. Where control of an entity is obtained during a financial year its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included up to the point in the year when control ceases.

Investments in controlled entities are accounted for at cost in the individual financial statements of the parent entity.

Associates
Associates are all entities over which the Group have significant influence but not control.

The Group has a 33⅓% shareholding in an associate company Denward Court Pty Ltd which is incorporated in Australia and whose principal activity is book binding. The investment in the associate is accounted for in the consolidated financial statements using the equity method of accounting after initially being recognised at cost.

Details relating to shareholding in this associate are set out in Note 16.

The Group's share of its associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

1. Summary of significant accounting policies (continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is McPherson's Limited's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Translation of foreign controlled entities

The results and financial position for all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

(e) Revenue recognition

Sales revenue

Sales revenue comprises revenue earned (net of returns, allowances, duties and taxes) from the provision of products or services to entities outside the Group. Sales revenue is recognised when the goods are dispatched, or when title passes to the customer, at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Other income

Other income is recognised when the income is received or becomes receivable.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

McPherson's Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation effective 1 July 2002. As a consequence, McPherson's Limited, as the head entity in the tax consolidated group, recognises current tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting Tax Funding Agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the Tax Funding Agreement are presented as income tax expense (credit).

(g) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor substantially retains all such risks and benefits. Where a non-current asset is acquired by means of a finance lease, the lower of the fair value of leased property and the present value of the minimum lease payments is established as a non-current asset at the beginning of the lease term and amortised on a straight-line basis over its expected economic life. A corresponding liability is also established and each lease payment is allocated between the principal component and interest expense.

Operating lease payments are charged to the income statement on a straight-line basis over the period of the lease.

(h) Business combinations

The purchase method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to paragraph (r)). If the cost of acquisition is less than the fair value of the net assets of the business acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(i) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

For purposes of the cash flow statements, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts. The balance sheet and cash flows reflect remittances from trade debtors received on the first day of the next financial period. If this policy were not applied, trade receivables and interest bearing liabilities would each increase by $7,195,000 at 30 June 2009 (2008: $8,213,000), and receipts from customers in the year ended 30 June 2009 increase by $1,018,000 (2008: $1,046,000).

(k) Trade receivables

Trade receivables are recognised initially at fair value, less provision for impairment. Trade receivables are generally due for settlement no more than 60 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

1. Summary of significant accounting policies (continued)

(l) Inventories

Inventories (including work in progress) are valued at the lower of cost or net realisable value. Costs are assigned to individual items of inventory on a weighted average basis. Cost of work in progress and finished manufactured products includes materials, labour and an appropriate proportion of factory overhead expenditure, the latter being allocated on the basis of normal operating capacity. Unrealised profits on inter-company inventory transfers are eliminated on consolidation.

(m) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

(n) Investments and other financial assets

The Group classifies its investments in the following categories:

- financial assets at fair value through profit or loss; and
- loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short-term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges which qualify for hedge accounting.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(o) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast purchase that is hedged is sold). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Cash flow hedges that do not qualify for hedge accounting
Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income, other expenses or finance costs.

(p) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of interest rate hedge contracts is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts and other foreign currency contracts are determined using forward exchange market rates at the balance sheet date.

The net nominal value of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(q) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to the asset revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their net cost, over their estimated useful lives, as follows:

Buildings	25 – 50 years
Plant and equipment	2½ – 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in reserves in respect of those assets to retained earnings.

1. Summary of significant accounting policies (continued)

(r) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

(ii) Supply contracts and distribution agreements

Certain supply contracts and distribution agreements acquired as part of a business combination have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives.

(iii) Brandnames

The major brandnames of the Company, have been, in some cases, in existence for more than 50 years and continue to be in active use. The brandnames are utilised predominantly on consumer products which do not suffer from technical obsolescence. The brandnames are also readily transferable between a number of different current and future product categories within the general kitchenware and household products sector. Brandnames such as Wiltshire, Grosvenor, Strachan, Stanley Rogers, Ai-de-Chef, Crown, Lady Jayne, Manicare and Multix will continue to provide support to the economic entity. The carrying amount of the brandnames is not amortised as the Directors believe that, in total, they will have a remaining useful life of at least the length of their life to date. The Directors do not expect this life to be curtailed in the foreseeable future.

Brandnames are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Brandnames are tested individually and any net increments or decrements in their carrying values, are recognised directly in the income statement where appropriate.

(iv) IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis generally over three years.

IT development costs include only those costs directly attributable to the development phase and are only recognised where the Group has an intention and ability to use the asset.

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to balance date whether or not billed at that date. Trade accounts are normally settled within 60 days.

(t) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligations; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(u) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave are recognised and measured as the amount unpaid at balance date at remuneration rates expected to be paid when those obligations are settled in respect of employees' service up to that date.

(ii) Long service leave

A liability for long service leave is recognised as the present value of expected future payments to be made in respect of services provided by employees up to balance date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match as closely as possible the estimated future cash outflows.

(iii) Bonus plans

A liability for employee benefits in the form of bonuses is recognised in provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; and
- past practice gives clear evidence of the amount of the obligation.

(iv) Superannuation

Contributions to employee superannuation funds are made by McPherson's Limited and controlled entities. Contributions are charged against income as they become payable.

(v) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operations, are recognised when a detailed plan has been developed and a valid expectation has been raised in those employees affected, that the termination will be carried out. The liabilities for termination benefits are recognised in other creditors unless timing of the payment is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits related to an acquired entity or operation that arises as a consequence of acquisitions are recognised as at the date of acquisition if, at or before acquisition date, the main features of the terminations were planned and a valid expectation had been raised in those employees affected, that the terminations would be carried out and this is supported by a detailed plan.

(vi) Employee benefit on-costs

Employee benefit on-costs are recognised and included in employee benefit liabilities when the employee benefits to which they relate are recognised as liabilities.

(vii) Share-based payments

Share-based compensation benefits are provided to employees via the McPherson's Limited Employee Share/Option Purchase Plan.

The fair value of options granted under the McPherson's Limited Employee Share/Option Purchase Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

1. Summary of significant accounting policies (continued)

(v) Dividends

Provision is made for any dividend declared by the Directors on or before the end of the financial year but not distributed at balance date.

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of McPherson's Limited by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account potential ordinary shares arising from the exercise of options outstanding.

(x) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, 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 in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(y) Borrowing costs

Borrowing costs are expensed as incurred.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. The Group's assessment of the impact of these new standards and interpretations which are applicable to the Group are set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group intends to apply the revised standard from 1 July 2009 and at this stage it is not expected to affect any of the amounts recognised in the financial statements or the information being reported in the segment note of the financial report.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(iii) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(iv) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in Note (h) above.

(v) AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

(vi) AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

(aa) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(r). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 18 for details of these assumptions.

2. Financial risk management

The Group's activities expose it to financial risks such as currency risk, interest rate risk, credit risk and liquidity risk. In order to minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange and interest rate hedge contracts are used to hedge certain risk exposures. Derivatives are used exclusively for hedging purposes and not as trading or other speculative instruments.

Risk management is predominantly controlled by a central treasury department under policies approved by the Board of Directors. The central treasury department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's
Financial assets				
Cash (Note 10)	2,281	940	1,885	4
Receivables (Note 11)	55,782	56,820	2,744	8,039
Derivative financial instruments (Note 14)	18	1,973	–	1,838
	58,081	59,733	4,629	9,881
Financial liabilities				
Payables (Note 20)	39,242	42,532	9,930	8,151
Borrowings (Notes 21 and 24)	106,384	107,221	123,491	124,334
Derivative financial instruments (Note 14)	13,571	502	12,791	502
Hire purchase (Notes 21 and 24)	36	86	–	–
	159,233	150,341	146,212	132,987

2. Financial risk management (continued)

(a) Foreign exchange risk

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investment in foreign operations. The risk is measured using cash flow forecasting.

The Board's risk management policy is to generally hedge about 80-100% of anticipated cash flows (mainly inventory purchases) in United States dollars for approximately 6 months subsequent, subject to a review of the cost of implementing each hedge. At balance date 100% (2008: 100%) of projected purchases qualified as "highly probable" forecast transactions for hedge accounting purposes.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	$000's										
	USD	NZD	SGD	Euro	£Stg	CAD	CHF	MYR	HKD	AUD	JPY
30 June 2009 – Group											
Receivables	191	–	–	–	–	–	–	7	68	1,130	–
Payables	36	10	–	303	275	31	86	–	861	1,284	–
Forward foreign exchange contracts											
(Note 14) – buy foreign currency	54,895	–	–	1,983	122	–	–	–	–	527	–
– sell foreign currency	190	–	–	–	–	–	–	–	–	–	–
Foreign currency options	34,946	–	–	–	–	–	–	–	–	–	–
30 June 2008 – Group											
Receivables	157	–	–	–	–	–	–	12	104	524	–
Payables	2,098	2	–	371	195	43	298	–	568	641	599
Forward foreign exchange contracts											
(Note 14) – buy foreign currency	4,027	137	779	1,516	4	–	–	–	–	915	–
– sell foreign currency	90	–	–	–	–	–	–	–	–	–	–
Foreign currency options	26,786	–	–	–	–	–	–	–	–	–	–
30 June 2009 – Parent Entity											
Forward foreign exchange contracts											
(Note 14) – buy foreign currency	49,792	–	–	–	–	–	–	–	–	–	–
Foreign currency options	34,946	–	–	–	–	–	–	–	–	–	–
30 June 2008 – Parent Entity											
Forward foreign exchange contracts											
(Note 14) – buy foreign currency	769	119	779	–	–	–	–	–	–	–	–
Foreign currency options	26,786	–	–	–	–	–	–	–	–	–	–

Group Sensitivity
Based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/strengthened by 5% against other foreign currencies at that date, with all other variables held constant, it is estimated that equity would have been $2,996,000 higher/$2,607,000 lower (2008: $498,000 higher/$279,000 lower), arising from forward foreign exchange contracts and foreign currency options designated as cash flow hedges. The Group's exposure to unhedged amounts is not material.

Parent Entity Sensitivity
It is estimated that the parent entity's equity would have been $2,639,000 higher/$2,284,000 lower (2008: $217,000 higher/ $16,000 lower), had the Australian dollar weakened/strengthened by 5% against other foreign currencies at that date, with all other variables held constant, arising from forward foreign exchange contracts and foreign currency options designated as cash flow hedges.

(b) Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Interest on borrowings is paid at variable rates which expose the Group to cash flow interest rate risk. The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial liabilities at balance date is set out below. Financial liabilities which are not listed below are not subject to interest rate risk.

2009	Floating Interest Rate $000's	Fixed Interest Rate $000's	Total $000's	Weighted Average Interest Rate %
Financial liabilities				
Currency – Australian dollars				
Bank loans	105,000	–	105,000	
Bank overdraft	1,262	–	1,262	
Hire purchase	36	–	36	
	106,298	–	106,298	3.2
Currency – Hong Kong dollars				
Bank overdraft	122	–	122	6.5
Notes 21 and 24	106,420	–	106,420	
2008				
Financial liabilities				
Currency – Australian dollars				
Bank loans	107,000	–	107,000	
Bank overdraft	64	–	64	
Hire purchase	86	–	86	
	107,150	–	107,150	7.9
Currency – Hong Kong dollars				
Bank overdraft	98	–	98	6.0
Currency – New Zealand dollars				
Bank overdraft	59	–	59	13.1
Notes 21 and 24	107,307	–	107,307	

Weighted average interest rates exclude the Group's credit margin. The floating rate terms are predominantly of 90 days maturity.

2. Financial risk management (continued)

(b) Interest rate risk (continued)

The Board's risk management policy is to hedge 75% of the term debt facilities which also satisfies the hedging requirements of the Group's term debt facility agreement. Hedge contracts in place at 30 June 2009 generally have commencement dates of 1 July 2008, termination dates of 1 July 2011 and cover an initial aggregate amount of $90.0 million, reducing annually to an aggregate of $72.0 million at 30 June 2010. The contracts are subject to different conditions but generally restrict interest rate exposure to rates between 6.75% and 7.63%.

All contracts are settled on a quarterly basis and compared with the 90 day Bank Bill Swap Reference Rate (BBSW).

Group and parent sensitivity

At 30 June 2009, if interest rates had changed by +/- 50 basis points from the year end rates with all other variables held constant, equity is estimated to have been $744,000 higher/$1,011,000 lower (2008: $1,087,000 higher/$1,253,000 lower) as a result of an increase/decrease in the fair value of the interest rate cash flow hedges.

Profit and loss is estimated to have been $174,000 lower/$174,000 higher as a result of a change in interest rates of +/- 50 basis points applied to the average unhedged portion of debt throughout the year.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at balance date is the carrying amount of the financial assets as summarised in Note 2.

Credit limits are set and monitored by management with respect to individual customers and in some instances debtor insurance is taken out against specific customers in order to minimise the credit risk. Credit limits are based on the customers' financial position and prior payment history.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

For derivative financial instruments, the Board determines the coverage required by the Group and this is reviewed on a regular basis.

Refer to Notes 11 and 14 for additional information regarding receivables and credit risk exposure.

(d) Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they fall due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

	Consolidated	
	2009 $000's	2008 $000's

Financing arrangements
The Group has available to it a committed financing facility of $136,684,000 at 30 June 2009. As at the end of the financial year $106,384,000 of these facilities were utilised. Facilities in the main are able to be transferred between the parent entity and other members of the Group. Interest rates on all facilities are variable.

Unrestricted access was available at balance date to the following lines of credit:

	2009 $000's	2008 $000's
Total facilities		
Bank overdrafts	9,684	9,639
Bank loan facilities	127,000	133,000
	136,684	142,639
Used at balance date		
Bank overdrafts	1,384	221
Bank loan facilities	105,000	107,000
	106,384	107,221
Unused at balance date		
Bank overdrafts	8,300	9,418
Bank loan facilities	22,000	26,000
	30,300	35,418

The bank loan facilities are available under a 43 month amortising committed financing facility with the Group's bankers, of which 18 months had elapsed at 30 June 2009.

2. Financial risk management (continued)

(d) Liquidity risk (continued)

Maturity of financial assets and liabilities

The tables below analyse the Group's and the parent entity's financial assets and 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.

30 June 2009 – Group	Less than 1 year $000's	Between 1 & 3 years $000's	Total Contractual Cash Flows $000's	Carrying Amount $000's
Non-derivatives				
Interest bearing assets (Note 10)	1,861	–	1,861	1,861
Non-interest bearing assets (Note 10)	404	–	404	404
Non-interest bearing assets (Note 11)	55,782	–	55,782	55,782
	58,047	–	58,047	58,047
Non-interest bearing liabilities (Note 20)	39,242	–	39,242	39,242
Interest bearing liabilities (Notes 21 and 24)	1,384	114,565	115,949	106,384
Hire purchase (Notes 21 and 24)	10	26	36	36
	40,636	114,591	155,227	145,662
Derivatives (Note 14)				
Forward foreign exchange contracts – inflow	57,717	–	57,717	
Forward foreign exchange contracts – outflow	(57,717)	–	(57,717)	
	–	–	–	8,520
Interest rate contracts	2,185	2,090	4,275	4,275
Total derivative financial instrument liabilities	2,185	2,090	4,275	12,795
Forward foreign exchange contracts – assets	–	–	–	18
Foreign currency options – liabilities	1,186	–	1,186	776

30 June 2008 – Group	Less than 1 year $000's	Between 1 & 5 years $000's	Total Contractual Cash Flows $000's	Carrying Amount $000's
Non-derivatives				
Interest bearing assets (Note 10)	748	–	748	748
Non-interest bearing assets (Note 10)	176	–	176	176
Non-interest bearing assets (Note 11)	56,820	–	56,820	56,820
	57,744	–	57,744	57,744
Non-interest bearing liabilities (Note 20)	42,532	–	42,532	42,532
Interest bearing liabilities (Notes 21 and 24)	221	134,320	134,541	107,221
Hire purchase (Notes 21 and 24)	29	57	86	86
	42,782	134,377	177,159	149,839
Derivatives (Note 14)				
Forward foreign exchange contracts – inflow	7,468	–	7,468	
Forward foreign exchange contracts – outflow	(7,468)	–	(7,468)	
	–	–	–	135
Interest rate contracts	721	1,117	1,838	1,838
Total derivative financial instrument assets	721	1,117	1,838	1,973
Foreign currency options – liabilities	545	–	545	502

2. Financial risk management (continued)

(d) Liquidity risk (continued)

Maturity of financial assets and liabilities (continued)

30 June 2009 – Parent	Less than 1 year $000's	Between 1 & 3 years $000's	Total Contractual Cash Flows $000's	Carrying Amount $000's
Non-derivatives				
Non-interest bearing assets (Note 11)	2,744	–	2,744	2,744
Interest bearing assets (Note 10)	1,882	–	1,882	1,882
	4,626	–	4,626	4,626
Non-interest bearing liabilities (Note 20)	9,930	–	9,930	9,930
Interest bearing liabilities (Notes 21 and 24)	18,491	114,565	133,056	123,491
	28,421	114,565	142,986	133,421
Derivatives (Note 14)				
Forward foreign exchange contracts – inflow	49,792	–	49,792	
Forward foreign exchange contracts – outflow	(49,792)	–	(49,792)	
	–	–	–	7,740
Interest rate contracts	2,185	2,090	4,275	4,275
Total derivative financial instrument liabilities	2,185	2,090	4,275	12,015
Foreign currency options – liabilities	1,186	–	1,186	776

30 June 2008 – Parent	Less than 1 year $000's	Between 1 & 5 years $000's	Total Contractual Cash Flows $000's	Carrying Amount $000's
Non-derivatives				
Interest bearing assets (Note 10)	1	–	1	1
Non-interest bearing assets (Note 11)	8,039	–	8,039	8,039
	8,040	–	8,040	8,040
Non-interest bearing liabilities (Note 20)	8,151	–	8,151	8,151
Interest bearing liabilities (Notes 21 and 24)	17,334	134,320	151,654	124,334
	25,485	134,320	159,805	132,485
Derivatives (Note 14)				
Forward foreign exchange contracts – inflow	1,667	–	1,667	
Forward foreign exchange contracts – outflow	(1,667)	–	(1,667)	
	–	–	–	–
Interest rate contracts	721	1,117	1,838	1,838
Total derivative financial instrument assets	721	1,117	1,838	1,838
Foreign currency options – liabilities	545	–	545	502

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's
3. Operating profit				
(a) Expenses				
Materials and consumables used	191,410	159,201	–	–
Employee costs	66,240	67,031	1,754	2,833
Rental expenses relating to operating leases	9,888	9,176	44	44
Amortisation of other intangibles	787	593	–	–
Depreciation/other amortisation	4,978	5,497	21	34
Advertising and promotional	10,790	11,462	–	–
Repairs and maintenance	2,125	2,217	1	2
Cartage and freight	14,698	13,357	–	–
Restructure costs	2,452	–	1,800	–
Costs associated with proposed joint venture	–	500	–	500
Impairment of investment in controlled entity	–	–	4,594	–
Other expenses	18,707	20,129	1,078	121
Total expenses	322,075	289,163	9,292	3,534
(b) Profit before income tax expense includes the following net expenses and gains:				
Expenses				
Depreciation/amortisation:				
Property	166	154	–	13
Plant and equipment	4,730	5,256	7	8
Leasehold improvements	82	87	14	13
	4,978	5,497	21	34
Amortisation:				
Other intangibles	787	593	–	–
Total depreciation and amortisation	5,765	6,090	21	34
Rental expenses relating to operating leases:				
Minimum lease payments	9,767	9,119	44	44
Contingent rentals	121	57	–	–
Total rental expenses relating to operating leases	9,888	9,176	44	44
Other charges (credits) against assets:				
Bad and doubtful debts – trade debtors	125	43	–	–
Provision for stock obsolescence	407	(107)	–	–
Total other charges (credits) against assets	532	(64)	–	–

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
3. Operating profit (continued)				
(b) Profit before income tax expense includes the following net expenses and gains: (continued)				
Expenses (continued)				
Other provisions:				
Employee entitlements	4,443	4,579	215	180
Employee incentives	624	2,448	31	1,253
Restructure	1,800	–	1,800	–
Claims and returns	2,510	1,217	–	–
Other	117	418	–	–
Total other provisions	9,494	8,662	2,046	1,433
Other expenses:				
Cost of goods sold	216,901	186,201	–	–
Loss on disposal of plant and equipment	21	119	–	–
Net exchange losses/(gains)	3,065	(184)	(132)	(1,116)
Gains				
Profit on disposal of plant and equipment	35	106	–	–
4. Revenue				
Revenue from operating activities:				
Sales revenue	356,847	333,941	–	–
Other revenue:				
Dividends received/receivable (controlled entities)	–	–	22,429	26,075
Interest received/receivable	34	101	28	38
Royalties	534	447	2,609	2,365
Total revenue	357,415	334,489	25,066	28,478
5. Other income				
Net gain on disposal of property, plant and equipment	14	–	–	–
Waste recoveries	1,013	757	–	–
Administration fees	–	–	2,295	3,466
Commissions	86	151	–	–
Rental	–	–	–	27
Sundry	379	136	13	15
Total other income	1,492	1,044	2,308	3,508

6. Income tax

(a) Income tax expense

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Current tax	7,891	10,634	(2,958)	(2,851)
Deferred tax	(180)	(416)	(121)	145
Over-provision in prior years	(17)	(32)	24	(75)
	7,694	10,186	(3,055)	(2,781)
Deferred income tax expense (credit) included in income tax expense comprises:				
Increase in deferred tax assets (Note 19)	(27)	(162)	(51)	(58)
(Decrease)/increase in deferred tax liabilities (Note 26)	(153)	(254)	(70)	203
	(180)	(416)	(121)	145

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Operating profit before tax	27,167	36,682	7,559	17,442
Tax at the Australian tax rate of 30% (2008 – 30%)	8,150	11,005	2,268	5,233
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share of net profit of associate	(70)	(68)	–	–
Share-based payments	1	7	1	7
Exempt income	–	–	(6,729)	(7,822)
Tax rate differences in overseas entities	(250)	(37)	–	–
(Over)/under provision in prior years	(17)	(32)	24	(75)
Net benefit of tax losses not previously recognised	(229)	(622)	–	–
Impairment of investment in controlled entity	–	–	1,378	–
Other	109	(67)	3	(124)
Income tax expense/(credit)	7,694	10,186	(3,055)	(2,781)

(c) Amounts recognised directly in equity

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited (or credited) to equity:				
Deferred tax assets (Note 19)	(3,920)	312	(3,686)	190
Deferred tax liabilities (Note 26)	(591)	596	(551)	551
Total	(4,511)	908	(4,237)	741

6. Income tax (continued)

(d) Tax losses

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
The Directors estimate that the maximum potential deferred tax asset in respect of tax losses not brought to account at balance date is:				
United States – Gross	148	720	–	–
– Tax effected	52	252	–	–

This benefit for tax losses will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation including time limitations for tax loss utilisation where applicable; and

(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

(e) Tax consolidations legislation

McPherson's Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation effective 1 July 2002. The accounting policy is set out in Note 1(f).

The entities have entered into a Tax Sharing Agreement and a Tax Funding Agreement. Under the terms of the Tax Funding Agreement the wholly-owned entities reimburse McPherson's Limited for any current income tax payable by McPherson's Limited in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a tax related receivable in the parent entity accounts.

The Tax Sharing Agreement limits the joint and several liability of the wholly-owned entities in the case of default by the parent entity.

7. Dividends

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Ordinary				
Final 30 June 2008 dividend of 13.0 cents per fully paid share (2007 – 10.0 cents per fully paid share) fully franked @ 30%	8,386	6,442	8,386	6,442
Interim 2009 dividend of nil cents per fully paid share (2008 – 12.0 cents per fully paid share) fully franked @ 30%	–	7,755	–	7,755
Total dividends paid	8,386	14,197	8,386	14,197
Dividends not recognised at year end				
Directors did not declare or recommend a final 30 June 2009 dividend.	–	8,386	–	8,386

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's
Franked dividends				
Franked dividends paid after 30 June 2009 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 2010.				
Franking credits available for subsequent financial years based on a tax rate of 30%	17,625	16,776	17,625	16,776

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.

8. Auditors' remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Assurance services				
1. *Audit services*				
PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	300,855	362,505	109,610	128,515
Overseas affiliates of PricewaterhouseCoopers Australian firm	51,958	88,070	–	–
Non PricewaterhouseCoopers audit firm (FTW & Partners CPA Limited)	15,190	–	–	–
Total remuneration for audit services	368,003	450,575	109,610	128,515
2. *Other assurance services*				
PricewaterhouseCoopers Australian firm:				
Other accounting services	–	4,600	–	4,600
Overseas affiliates of PricewaterhouseCoopers Australian firm:				
Audit of pension plans	2,684	2,019	–	–
Financial statements preparation	4,000	14,984	–	–
IFRS accounting services	–	2,163	–	–
Total remuneration for other assurance services	6,684	23,766	–	4,600
Total remuneration for assurance services	374,687	474,341	109,610	133,115

9. Key management personnel

Key management personnel compensation

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Short-term employee benefits	2,551,745	3,716,611	1,644,093	2,376,426
Post-employment benefits	387,049	403,335	290,904	304,647
Long-term benefits	76,124	71,338	63,636	57,840
Termination benefits	115,200	730,398	115,200	298,800
Share-based payments	4,064	50,142	–	31,167
	3,134,182	4,971,824	2,113,833	3,068,880

Detailed remuneration disclosures are provided in the Remuneration Report contained within the Directors' Report, which is on pages 23 to 34 of the Annual Report.

Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of options

Details of options provided as remuneration and shares issued on the exercise of options, together with terms and conditions of the options, can be found in the Remuneration Report on pages 23 to 34 of the Annual Report. There were no options issued as remuneration during the year ended 30 June 2009, however on 9 July 2009 the Company announced that it was proposed to grant 1.5 million options over ordinary shares in the Company to Mr Paul Maguire under the McPherson's Limited Share/Option Purchase Plan. The grant is subject to the approval of shareholders which will be sought at the McPherson's Limited Annual General Meeting on 13 November 2009. The options will form part of Mr Maguire's remuneration arrangements. Further details relating to these options are provided in the Remuneration Report contained within the Directors' Report on pages 23 to 34 of the Annual Report.

Option holdings

The number of options over ordinary shares in the Company held during the financial year by each Director of McPherson's Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2009

Name	Balance at the Start of the Year	Granted as Remuneration	Exercised	Other Changes	Balance at the End of the Year	Vested and Exercisable	Unvested
Director of McPherson's Limited							
D.J. Allman	150,000	–	–	(150,000)	–	–	–
Other key management personnel of the Group							
M.A. O'Kelly	60,000	–	–	(60,000)	–	–	–
P.J. Maguire	120,000	–	–	(60,000)	60,000	–	60,000
S.K.S. Chan	30,000	–	–	(30,000)	–	–	–
P.R. Bennett	60,000	–	–	(60,000)	–	–	–
A.E. Fahy	30,000	–	–	(30,000)	–	–	–
G.P. Mitchell	30,000	–	–	(30,000)	–	–	–

2008

Name	Balance at the Start of the Year	Granted as Remuneration	Exercised	Other Changes	Balance at the End of the Year	Vested and Exercisable	Unvested
Director of McPherson's Limited							
D.J. Allman	300,000	–	(150,000)	–	150,000	150,000	–
Other key management personnel of the Group							
M.A. O'Kelly	120,000	–	(60,000)	–	60,000	60,000	–
P.J. Maguire	120,000	–	–	–	120,000	–	120,000
S.K.S. Chan	60,000	–	–	(30,000)	30,000	30,000	–
P.R. Bennett	120,000	–	–	(60,000)	60,000	60,000	–
A.E. Fahy	60,000	–	–	(30,000)	30,000	30,000	–
G.P. Mitchell	60,000	–	–	(30,000)	30,000	30,000	–
M.G. Dagg	60,000	–	–	(60,000)*	–	–	–

* Includes 30,000 lapsed options and 30,000 as a consequence of Mr Dagg ceasing to be a key management person due to the termination of his employment.

All vested options are exercisable at the end of the year.

Shareholdings

The numbers of shares in the Company held during the financial year by each Director of McPherson's Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2009

Name	Balance at the Start of the Year	Received During the Year on the Exercise of Options	Other Changes During the Year	Balance at the End of the Year
Directors of McPherson's Limited				
S.A. Rowell	65,863	–	137,374	203,237
D.J. Allman	453,050	–	(14,286)	438,764
A. Waislitz	–	–	–	–
J.P. Clifford	–	–	–	–
P.D.J. Landos	–	–	–	–
Other key management personnel of the Group				
M.A. O'Kelly	–	–	7,396	7,396
P.J. Maguire	–	–	400,000	400,000
S.K.S. Chan	–	–	–	–
P.R. Bennett	2,512	–	3,323	5,835
A.E. Fahy	354	–	11,710	12,064
G.P. Mitchell	–	–	–	–

9. Key management personnel (continued)

Equity instrument disclosures relating to key management personnel (continued)

2008

Name	Balance at the Start of the Year	Received During the Year on the Exercise of Options	Other Changes During the Year	Balance at the End of the Year
Directors of McPherson's Limited				
S.A. Rowell	36,553	–	29,310	65,863
D.J. Allman	306,500	150,000	(3,450)	453,050
A. Waislitz	–	–	–	–
J.P. Clifford	–	–	–	–
P.D.J. Landos (Alternate)	–	–	–	–
R.C. King	1,358,000	–	(1,358,000)*	–
Other key management personnel of the Group				
M.A. O'Kelly	–	60,000	(60,000)	–
P.J. Maguire	–	–	–	–
S.K.S. Chan	–	–	–	–
P.R. Bennett	1,050	–	1,462	2,512
A.E. Fahy	–	–	354	354
G.P. Mitchell	–	–	–	–

* As a consequence of Mr King ceasing to be a Director due to his retirement from the Board.

Loans to key management personnel

There were no loans made to Directors of McPherson's Limited, or to any other key management personnel of the Group, including their personally-related entities during the current or previous year, nor were there any loans outstanding at the end of the current or prior financial year.

Other transactions with key management personnel

During the year the Group sold minor quantities of household consumer products and glassware for domestic use to key management personnel on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with an employee at arm's length in the same circumstances.

There were no transactions between the consolidated entity and the Directors of McPherson's Limited or with any other key management personnel of the Group, including their personally-related entities, during the current or previous financial year other than those disclosed above, and relating to remuneration and to transactions concerning options and shares.

10. Current assets – cash

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Cash on hand	16	16	3	3
Cash at bank and on deposit (at call)	2,265	924	1,882	1
	2,281	940	1,885	4
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Balances as above	2,281	940	1,885	4
Less: Bank overdrafts (Note 21)	(1,384)	(221)	(8,365)	(6,403)
Balances per cash flow statements	897	719	(6,480)	(6,399)

Interest rate risk exposure

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets at balance date is set out below. Financial assets which are not listed below are not subject to interest rate risk.

2009	Interest Bearing (Floating Rate) $000's	Weighted Average Interest Rate %	Non-Interest Bearing $000's	Total $000's
Financial assets				
Cash and deposits				
Currency – Australian dollars	1,674	2.9	83	1,757
Currency – United States dollars	–	–	270	270
Currency – Pounds sterling	–	–	–	–
Currency – Singapore dollars	187	0.5	42	229
Currency – New Zealand dollars	–	–	6	6
Currency – Hong Kong dollars	–	–	3	3
	1,861	–	404	2,265

2008	Interest Bearing (Floating Rate) $000's	Weighted Average Interest Rate %	Non-Interest Bearing $000's	Total $000's
Financial assets				
Cash and deposits				
Currency – Australian dollars	372	7.7	–	372
Currency – United States dollars	252	1.6	59	311
Currency – Pounds sterling	–	–	79	79
Currency – Singapore dollars	124	0.5	36	160
Currency – New Zealand dollars	–	–	–	–
Currency – Hong Kong dollars	–	–	2	2
	748	–	176	924

Non-interest bearing cash and deposits represent clearing accounts.

11. Current assets – receivables

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Trade receivables	53,842	54,334	–	–
Provision for impairment	(202)	(179)	–	–
	53,640	54,155	–	–
Other receivables/prepayments	2,142	2,665	388	861
Tax related amounts receivable from controlled entities	–	–	747	5,589
Other amounts receivable from controlled entities	–	–	1,609	1,589
	55,782	56,820	2,744	8,039

Movements in the provision for impairment of trade receivables are as follows:

	Consolidated 2009 $000's	Consolidated 2008 $000's
Balance at 1 July	(179)	(277)
Provisions for impairment recognised during the year	(125)	(158)
Written-off during the year as uncollectible	106	189
Business acquired	–	(51)
Unused amount reversed	–	115
Foreign exchange	(4)	3
	(202)	(179)

Other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received in full when due.

Credit risk

The credit risk relating to trade and other receivables of the Group which have been recognised on the balance sheet, is the carrying amount, net of any provision for impairment. The following provides an overview of the credit risk associated with trade receivables.

	Consolidated	
	2009 $000's	2008 $000's
Neither past due nor impaired	39,271	38,676
Past due, but not impaired:		
– less than 30 days	12,327	12,901
– 30 to 59 days	1,485	2,124
– 60 to 89 days	280	418
– 90 to 119 days	119	12
– 120 days or more	157	20
	53,639	54,151
Impaired	203	183
Gross carrying amount	53,842	54,334
Provision for impairment	(202)	(179)
Net carrying amount	53,640	54,155

Credit risk concentration

It is not considered that the Group is exposed to significant credit risk concentration with any single debtor. The Group's concentration of risk at balance date, by industry, in Australian dollars, is detailed below.

	Consolidated	
	2009 $000's	2008 $000's
Printing (predominantly Australia)	7,201	8,384
Consumer Products (predominantly Australasia)	46,641	45,950
	53,842	54,334
Less: Provision for impairment	(202)	(179)
	53,640	54,155

12. Current assets – inventories

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's
Raw materials	6,416	6,811	–	–
Work in progress	2,196	3,331	–	–
Finished goods	47,266	36,802	–	–
Stock in transit	6,745	10,576	–	–
	62,623	57,520	–	–
Provision for inventory obsolescence	(1,372)	(1,294)	–	–
	61,251	56,226	–	–

The basis of inventory valuation adopted is set out in Note 1(l).

Inventory recognised as expenses during the year ended 2009 amounted to $216,901,000 (2008: $186,201,000).

13. Current assets – other financial assets at fair value through profit or loss

Interest rate hedges

A number of hedge contracts had been entered into to limit the Group's exposure to possible increases in interest rates. These contracts had commencement dates of 1 July 2003, 1 August 2003 and 11 November 2004 and covered initial aggregate principal amounts of $133.5 million, reducing annually to an aggregate $87.0 million at 30 June 2008. Each contract was subject to different terms and conditions, but generally restricted the interest rate exposure to 6% or less. These contracts expired on 30 June 2008 and were replaced with new contracts (refer Notes 2(b) and 14).

The gain or loss from remeasuring the expired hedge instruments at fair value was re-classified into profit and loss, as set out below, as the contracts did not qualify for hedge accounting.

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's
At beginning of year	–	311	–	311
Revaluation	–	(311)	–	(311)
At end of year	–	–	–	–
Changes in fair value of other financial assets at fair value through profit or loss are recorded in the income statement as follows:				
Finance costs expense	–	(311)	–	(311)

14. Derivative financial instruments

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's
Current assets				
Interest rate contracts – cash flow hedges	–	721	–	721
Forward foreign exchange contracts – cash flow hedges	18	135	–	–
Total current derivative financial instrument assets	18	856	–	721
Non-current assets				
Interest rate contracts – cash flow hedges	–	1,117	–	1,117
Current liabilities				
Interest rate contracts – cash flow hedges	2,185	–	2,185	–
Forward foreign exchange contracts – cash flow hedges	8,520	–	7,740	–
Foreign currency options – cash flow hedges	776	502	776	502
Total current derivative financial instrument liabilities	11,481	502	10,701	502
Non-current liabilities				
Interest rate contracts – cash flow hedges	2,090	–	2,090	–

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer Note 2).

(a)(i) Forward foreign exchange contracts – cash flow hedges

Certain controlled entities and the parent entity enter into forward foreign exchange contracts to hedge highly probable forecast purchases, sales, short-term loan repayments and capital commitments denominated in foreign currencies. The terms of these commitments are rarely more than six months.

The following table sets out the gross Australian dollar equivalent value to be received/paid under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of contracts outstanding at balance date for the Group.

	2009 $000's	Weighted Average Contracted Exchange Rate	2008 $000's	Weighted Average Contracted Exchange Rate
Maturity 0 – 6 months				
Sell Australian dollars/Buy:				
United States dollars	46,605	0.6749	1,084	0.9299
New Zealand dollars	–	–	119	1.2620
Singapore dollars	–	–	779	1.2949
Sell New Zealand dollars/Buy:				
United States dollars	4,584	0.5555	2,943	0.7547
Euro	1,983	0.4341	1,516	0.5049
Australian dollars	527	0.8127	915	0.8332
Pounds sterling	122	0.3926	4	0.3939
Sell Singapore dollars/Buy:				
New Zealand dollars	–	–	8	0.9637
Buy Australian dollars/Sell:				
United States dollars	190	0.7307	90	0.9398
Maturity 6 – 12 months				
Sell Australian dollars/Buy:				
United States dollars	3,187	0.7610	–	–
Sell New Zealand dollars/Buy:				
United States dollars	519	0.6211	–	–

14. Derivative financial instruments (continued)

(a)(i) Forward foreign exchange contracts – cash flow hedges (continued)

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

Group
At balance date these contracts were assets of $18,000 and liabilities of $8,520,000 (2008: assets of $135,000).

Parent entity
At balance date these contracts were liabilities of $7,740,000 (2008: nil value).

(a)(ii) Foreign currency options – cash flow hedges

The Group has also entered into foreign currency option contracts to partially hedge a portion of anticipated United States dollar purchases. At balance date, the outstanding foreign currency option contracts cover the period from October 2009 to January 2010.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

Group
At balance date these contracts were liabilities of $776,000 (2008: liabilities of $502,000).

Parent entity
At balance date these contracts were liabilities of $776,000 (2008: liabilities of $502,000).

(a)(iii) Interest rate swap contracts – cash flow hedges

The Group has entered into a number of hedge contracts to limit the exposure of possible increases in interest rates. Refer to Note 2.

(b) Credit risk exposure

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity.

Foreign exchange and option contracts are subject to credit risk in relation to the relevant counterparties, which are major banks. The maximum credit risk exposure on hedging contracts is the full amount the Group pays when settlement occurs should the counterparty fail to pay the amount which it is committed to pay to the Group.

(c) Interest rate and foreign exchange risk

For an analysis of the sensitivity of derivatives to interest rate and foreign exchange risk refer to Note 2.

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's
15. Non-current assets – receivables				
Amounts receivable from controlled entities	–	–	92,111	96,945

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
16. Non-current assets – other financial assets				
Shares in associate	**1,486**	1,752	**–**	–
Shares in controlled entities – at cost	**–**	–	**232,530**	232,530
Provision for impairment	**–**	–	**(57,750)**	(53,156)
	1,486	1,752	**174,780**	179,374

Shares in associate

	2009 $000's	2008 $000's
(i) Movements in carrying amount		
Carrying amount at the beginning of the financial year	**1,752**	1,825
Share of profit after income tax	**234**	227
Dividends received	**(500)**	(300)
Carrying amount at the end of the financial year	**1,486**	1,752
(ii) Share of associate's profit or loss		
Profit before income tax	**334**	324
Income tax expense	**(100)**	(97)
Profit after income tax	**234**	227
(iii) Share of associate's expenditure commitments other than for the supply of inventories		
Lease commitments	**429**	569

(iv) Summarised financial information of associate

	Group's Share of: Assets $000's	Liabilities $000's	Revenues $000's	Profits $000's
2009	**2,407**	**776**	**2,597**	**234**
2008	2,783	939	2,733	227

Provision for impairment

An additional provision for impairment of $4,594,000 was raised in the parent entity during the year as the net carrying value of the shares in a controlled entity exceeded the recoverable amount of that entity's net assets and estimated future cash flows.

17. Non-current assets – property, plant and equipment

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Freehold land and buildings:				
At cost	6,444	5,332	–	–
Accumulated depreciation	(1,904)	(1,738)	–	–
	4,540	3,594	–	–
Leasehold improvements:				
At cost	1,803	1,792	103	103
Accumulated amortisation	(1,581)	(1,499)	(103)	(89)
	222	293	–	14
Total property	4,762	3,887	–	14
Plant and equipment:				
At cost	66,504	63,673	132	130
Accumulated depreciation	(47,559)	(44,026)	(119)	(112)
Total plant and equipment	18,945	19,647	13	18
Total property, plant and equipment	23,707	23,534	13	32

(a) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year are set out below:

	Freehold Land and Buildings $000's	Leasehold Improvements $000's	Plant and Equipment $000's	Total $000's
Consolidated				
Carrying amount at 1 July 2007	3,753	374	21,740	25,867
Additions	–	27	2,929	2,956
Business acquisitions (Note 37(ii))	–	–	593	593
Disposals	(5)	(6)	(186)	(197)
Depreciation/amortisation expense (Note 3(b))	(154)	(87)	(5,256)	(5,497)
Foreign currency exchange differences	–	(15)	(173)	(188)
Carrying amount at 30 June 2008	3,594	293	19,647	23,534
Parent Entity				
Carrying amount at 1 July 2007	1,750	27	19	1,796
Additions	–	–	7	7
Disposals	(1,737)	–	–	(1,737)
Depreciation/amortisation expense (Note 3(b))	(13)	(13)	(8)	(34)
Carrying amount at 30 June 2008	–	14	18	32

	Freehold Land and Buildings $000's	Leasehold Improvements $000's	Plant and Equipment $000's	Total $000's
Consolidated				
Carrying amount at 1 July 2008	3,594	293	19,647	23,534
Additions	1,112	9	4,051	5,172
Transfers to intangibles	–	–	(21)	(21)
Disposals	–	–	(60)	(60)
Depreciation/amortisation expense (Note 3(b))	(166)	(82)	(4,730)	(4,978)
Foreign currency exchange differences	–	2	58	60
Carrying amount at 30 June 2009	**4,540**	**222**	**18,945**	**23,707**
Parent Entity				
Carrying amount at 1 July 2008	–	14	18	32
Additions	–	–	2	2
Depreciation/amortisation expense (Note 3(b))	–	(14)	(7)	(21)
Carrying amount at 30 June 2009	**–**	**–**	**13**	**13**

(b) Non-current assets pledged as security

Refer to Note 24(a) for information on non-current assets pledged as security by the parent entity and its controlled entities.

18. Non-current assets – intangibles

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	**2009 $000's**	2008 $000's
Goodwill	**142,293**	141,806	**–**	–
Other intangibles	**5,377**	5,066	**–**	–
Accumulated amortisation	**(4,224)**	(3,235)	**–**	–
	1,153	1,831	**–**	–
Brandnames	**45,059**	45,059	**4,156**	4,156
Total intangibles	**188,505**	188,696	**4,156**	4,156

18. Non-current assets – intangibles (continued)

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 2007	138,713	934	42,259	181,906
Additions	–	490	–	490
Business acquisitions (Note 37(ii))	3,708	1,000	2,800	7,508
Amortisation charge (Note 3(b))	–	(593)	–	(593)
Foreign currency exchange differences	(615)	–	–	(615)
Carrying amount at 30 June 2008	141,806	1,831	45,059	188,696
Parent Entity				
Carrying amount at 1 July 2007	–	–	4,156	4,156
Carrying amount at 30 June 2008	–	–	4,156	4,156
Consolidated				
Carrying amount at 1 July 2008	141,806	1,831	45,059	188,696
Additions	284	88	–	372
Transfer from plant and equipment	–	21	–	21
Amortisation charge (Note 3(b))	–	(787)	–	(787)
Foreign currency exchange differences	203	–	–	203
Carrying amount at 30 June 2009	**142,293**	**1,153**	**45,059**	**188,505**
Parent Entity				
Carrying amount at 1 July 2008	–	–	4,156	4,156
Carrying amount at 30 June 2009	**–**	**–**	**4,156**	**4,156**

Acquired brandnames that will continue to be recognised will not be amortised under AASB 138, as Directors consider these to have an indefinite life. These brandnames will be subject to an annual impairment test.

Impairment testing

Goodwill

Goodwill is allocated to the Group's cash-generating units (CGU's) according to business segment as follows:

	$000's
Printing	8,530
Consumer Products Australia	129,368
Consumer Products New Zealand	4,395
	142,293

The recoverable amount of a CGU is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets covering a 1 year period. Cash flows beyond the projected period are extrapolated using an estimated growth rate for two years of 1% and 2% respectively, increasing to 3% thereafter (2008: 3% for all years). In performing the value-in-use calculations for each CGU, the Company has applied a post-tax discount rate of 11.5% (2008: 11.5%) to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rate is 15.1% (2008: 15.1%).

Brandnames
Brandnames are allocated to the Group's cash-generating units (CGU's) according to business segment. All brandnames are currently allocated to the Consumer Products Australia segment.

The recoverable amount of a brandname is determined using the 'relief from royalty method'. 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 1 year period. The calculations assume sales growth rates beyond the projected period of two years growth of 1% and 2% respectively, increasing to 3% thereafter (2008: 3% for all years) and a post-tax discount rate of 11.5% (2008: 11.5%), the equivalent pre-tax discount rate equating to 15.1% (2008: 15.1%).

19. Non-current assets – deferred tax assets

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Trade receivables impairment	59	49	–	–
Employee benefits	2,823	2,865	218	241
Depreciation/amortisation	1,622	1,619	–	11
Inventory obsolescence	364	353	–	–
Borrowing costs	–	15	–	15
Claims and returns	123	141	–	–
Other provisions and accruals	281	389	73	47
Unrealised exchange losses	76	–	–	–
Costs associated with proposed joint venture	–	70	–	70
License fees	233	283	233	283
Restructure costs	202	–	202	–
	5,783	5,784	726	667
Amounts recognised directly in equity				
Transaction costs arising on share issues	8	18	8	18
Cash flow hedges	4,071	151	3,837	151
Total temporary differences	9,862	5,953	4,571	836
Tax losses	56	166	–	–
	9,918	6,119	4,571	836

19. Non-current assets – deferred tax assets (continued)

Movements

	Tax Losses $000's	Cash Flow Hedges $000's	Employee Benefits $000's	Depreciation $000's	Obsoles-cence $000's	Borrowing Costs $000's	Other $000's	Total $000's
Consolidated								
Opening balance at 1 July 2007	–	466	2,662	1,332	531	124	900	6,015
Credited/(charged) to the income statements (Note 6)	–	–	85	287	(171)	(109)	70	162
Businesses acquired	–	–	127	–	–	–	47	174
Charged to equity	–	(315)	–	–	–	–	3	(312)
Amortisation of transaction costs on share issues	–	–	–	–	–	–	(71)	(71)
Under-provision in prior years	–	–	–	–	–	–	4	4
Tax losses not previously recognised	289	–	–	–	–	–	–	289
Tax losses utilised	(123)	–	–	–	–	–	–	(123)
Foreign currency exchange differences	–	–	(9)	–	(7)	–	(3)	(19)
Closing balance at 30 June 2008	166	151	2,865	1,619	353	15	950	6,119
(Charged)/credited to the income statements (Note 6)	(11)	–	(26)	3	4	(15)	72	27
Credited to equity	–	3,920	–	–	–	–	–	3,920
Amortisation of transaction costs on share issues	–	–	–	–	–	–	(10)	(10)
Under/(over) provision in prior years	10	–	(18)	–	–	–	(30)	(38)
Tax losses utilised	(106)	–	–	–	–	–	–	(106)
Foreign currency exchange differences	(3)	–	2	–	7	–	–	6
Closing balance at 30 June 2009	**56**	**4,071**	**2,823**	**1,622**	**364**	**–**	**982**	**9,918**

	Cash Flow Hedges $000's	Employee Benefits $000's	Depreciation $000's	Borrowing Costs $000's	Other $000's	Total $000's
Parent						
Opening balance at 1 July 2007	344	278	15	124	192	953
(Charged)/credited to the income statements (Note 6)	–	(37)	(4)	(109)	208	58
(Charged)/credited to equity	(193)	–	–	–	3	(190)
Amortisation of transaction costs on share issues	–	–	–	–	(71)	(71)
Under-provision in prior years	–	–	–	–	86	86
Closing balance at 30 June 2008	151	241	11	15	418	836
(Charged)/credited to the income statements (Note 6)	–	(24)	(11)	(15)	101	51
Credited to equity	3,686	–	–	–	–	3,686
Amortisation of transaction costs on share issues	–	–	–	–	(10)	(10)
Under-provision in prior years	–	1	–	–	7	8
Closing balance at 30 June 2009	**3,837**	**218**	**–**	**–**	**516**	**4,571**

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	**2009 $000's**	2008 $000's
Deferred tax assets to be recovered within 12 months	**7,088**	3,634	**3,727**	537
Deferred tax assets to be recovered after more than 12 months	**2,830**	2,485	**844**	299
	9,918	6,119	**4,571**	836

20. Current liabilities – payables

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Trade creditors	**23,679**	25,629	**–**	–
Other creditors	**15,563**	16,903	**6,440**	7,114
Amounts payable to controlled entities	**–**	–	**3,192**	704
Tax related amounts payable to controlled entities	**–**	–	**298**	333
	39,242	42,532	**9,930**	8,151

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's
21. Current liabilities – borrowings				
Bank overdraft (Note 10)	1,384	221	8,365	6,403
Hire purchase (Note 29)	10	29	–	–
Amounts payable to controlled entities	–	–	10,126	10,931
	1,394	250	18,491	17,334
Secured liabilities				
Bank overdraft (Note 10)	1,384	221	8,365	6,403
Hire purchase (Note 29)	10	29	–	–
	1,394	250	8,365	6,403

The parent entity has established a legal right of set-off with a financial institution and certain deposits from controlled entities with that institution have been set-off against borrowings.

Details of the security relating to each of these liabilities is set out in Note 24.

Information regarding interest rate exposure is set out in Note 2.

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's
22. Current liabilities – provisions				
Employee entitlements	8,473	7,724	591	517
Directors' retiring benefits	137	137	137	137
Employee incentives	469	2,278	–	1,175
Restructure costs	1,800	–	1,800	–
Claims and returns	400	470	–	–
Other	55	130	–	–
	11,334	10,739	2,528	1,829

(a) Employee entitlements

Amounts reflect employees' entitlement to take accrued annual leave and long service leave during the next 12 months. However, based on past experience, the Group expects that approximately 50% of the current balance will be taken or paid within the next 12 months.

(b) Directors' retiring benefits

Entitlement of McPherson's Limited's non-executive Directors to payments on the conclusion of their directorship with the Group.

(c) Employee incentives

Amounts reflect incentive payments to employees on the basis that certain criteria are fulfilled during the current financial year.

(d) Restructure costs

Estimate of unpaid costs at 30 June 2009 in relation to the restructuring of the Australian Consumer Products businesses.

(e) Claims and returns

Provision is made for the estimated product related claims and returns by customers of the Consumer Products Division.

(f) Other

Miscellaneous obligations for which there is a probability of an outflow of resources.

Movement in provisions

Movements in each class of provision during the financial year, other than employee entitlements are set out below:

	Restructure Costs $000's	Directors' Retiring Benefits $000's	Employee Incentives $000's	Claims and Returns $000's	Other $000's
Consolidated 2009					
Carrying amount at 1 July 2008	–	137	2,278	470	130
Additional provisions recognised	1,800	–	624	2,510	117
Payments	–	–	(2,453)	(2,580)	(192)
Foreign currency exchange differences	–	–	20	–	–
Carrying amount at 30 June 2009	**1,800**	**137**	**469**	**400**	**55**
Parent Entity 2009					
Carrying amount at 1 July 2008	–	137	1,175	–	–
Additional provisions recognised	1,800	–	31	–	–
Payments	–	–	(1,206)	–	–
Carrying amount at 30 June 2009	**1,800**	**137**	**–**	**–**	**–**

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	**2009 $000's**	2008 $000's
23. Non-current liabilities – payables				
Amount payable to controlled entities	**–**	–	**–**	13,449
24. Non-current liabilities – borrowings				
Secured liabilities				
Bank loans	**105,000**	107,000	**105,000**	107,000
Hire purchase liabilities (Note 29)	**26**	57	**–**	–
Total secured non-current liabilities	**105,026**	107,057	**105,000**	107,000

Bank loans
Bank loans are available under a 43 month committed amortising financing facility with the Group's bankers of which 18 months have elapsed. Interest at variable rates is payable on the bank loans.

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;
- first mortgages over land and buildings owned by a controlled entity;
- mortgages over shares held in certain controlled entities; and
- cross guarantees and indemnities provided by the parent entity and certain controlled entities.

24. Non-current liabilities – borrowings (continued)

(a) Assets pledged as security

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
First mortgage				
Freehold land and buildings	1,700	1,725	–	–
Mortgage over shares				
Investments in controlled entities	–	–	174,780	179,374
Fixed charge				
Property, plant and equipment	21,986	21,704	13	32
Intangibles	187,628	187,906	4,156	4,156
Other financial assets	1,486	1,752	–	–
Receivables	–	–	92,111	96,945
Hire purchase				
Plant and equipment under hire purchase	8	92	–	–
Floating charge				
Deferred tax assets	9,798	5,893	4,571	836
Total non-current assets pledged as security	222,606	219,072	275,631	281,343
The following current assets are also pledged as security:				
Fixed charge				
Receivables	52,516	53,541	2,380	7,653
Floating charge				
Cash	2,051	699	1,885	4
Inventories	60,133	55,234	–	–
Receivables	1,737	1,895	363	386
Derivative financial instruments	18	1,973	–	1,838
Total current assets pledged as security	116,455	113,342	4,628	9,881
Total assets pledged as security	339,061	332,414	280,259	291,224

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's

25. Non-current liabilities – provisions

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Employee entitlements	1,211	1,652	–	–

26. Non-current liabilities – deferred tax liabilities

The balance comprises temporary differences attributable to:

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Amounts recognised in profit or loss				
Prepayments	5	7	–	–
Inventories	144	119	–	–
Brandnames	13,518	13,518	1,247	1,247
Depreciation	–	9	–	–
Unrealised foreign exchange gains	–	58	411	362
Interest	1	120	1	120
	13,668	13,831	1,659	1,729
Amounts recognised directly in equity				
Cash flow hedges	5	596	–	551
	13,673	14,427	1,659	2,280

Movements

	Inventories $000's	Brandnames $000's	Financial Assets through P&L $000's	Cash Flow Hedges $000's	Other $000's	Total $000's
Consolidated						
Opening balance at 1 July 2007	118	12,678	93	–	32	12,921
Charged/(credited) to the income statements (Note 6)	1	–	(93)	–	(162)	(254)
Businesses acquired (Note 37(ii))	–	840	–	–	3	843
Charged to equity	–	–	–	596	–	596
Under-provision in prior years	–	–	–	–	326	326
Foreign currency exchange differences	–	–	–	–	(5)	(5)
Closing balance at 30 June 2008	119	13,518	–	596	194	14,427
Charged/(credited) to the income statements (Note 6)	25	–	–	–	(178)	(153)
Credited to equity	–	–	–	(591)	–	(591)
Over-provision in prior years	–	–	–	–	(13)	(13)
Foreign currency exchange differences	–	–	–	–	3	3
Closing balance at 30 June 2009	144	13,518	–	5	6	13,673

26. Non-current liabilities – deferred tax liabilities (continued)

Movements (continued)

	Brandnames $000's	Financial Assets through P&L $000's	Cash Flow Hedges $000's	Other $000's	Total $000's
Parent					
Opening balance at 1 July 2007	1,247	93	–	–	1,340
(Credited)/charged to the income statements	–	(93)	–	296	203
Charged to equity	–	–	551	–	551
Under-provision in prior years	–	–	–	186	186
Closing balance at 30 June 2008	1,247	–	551	482	2,280
Credited to the income statements	–	–	–	(70)	(70)
Credited to equity	–	–	(551)	–	(551)
Closing balance at 30 June 2009	**1,247**	**–**	**–**	**412**	**1,659**

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	**2009 $000's**	2008 $000's
Deferred tax liabilities to be settled within 12 months	**167**	558	**1**	336
Deferred tax liabilities to be settled after more than 12 months	**13,506**	13,869	**1,658**	1,944
	13,673	14,427	**1,659**	2,280

27. Share capital

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Issued and paid up capital: 64,508,726 (2008: 64,628,411) ordinary shares – fully paid	**112,727**	113,024	**112,727**	113,024

Movements in ordinary share capital

Date	Details	Number of Shares	Issue Price $	$000's
1 July 2007	Opening Balance	64,303,411		111,589
5 July 2007	Exercise of options granted on 18 September 2003	10,000	3.26	33
25 July 2007	Exercise of options granted on 18 September 2003	20,000	3.26	65
26 July 2007	Exercise of options granted on 18 September 2003	30,000	3.26	98
14 August 2007	Exercise of options granted on 18 September 2003	55,000	3.26	179
8 November 2007	Exercise of options granted on 10 November 2003	150,000	3.26	489
13 December 2007	Exercise of options granted on 11 December 2003	60,000	3.26	196
	Transfer from share-based payments reserve			382
				113,031
	Less: Transaction costs arising on shares issues			(10)
	Plus: Tax credit recognised directly in equity			3
30 June 2008	**Closing Balance**	64,628,411		113,024
W/e 4 July 2008	Shares bought back on-market and cancelled	(8,000)	2.52	(20)
W/e 11 July 2008	Shares bought back on-market and cancelled	(35,662)	2.46	(88)
W/e 18 July 2008	Shares bought back on-market and cancelled	(28,500)	2.39	(68)
W/e 25 July 2008	Shares bought back on-market and cancelled	(30,300)	2.51	(76)
W/e 1 August 2008	Shares bought back on-market and cancelled	(9,500)	2.48	(23)
W/e 8 August 2008	Shares bought back on-market and cancelled	(6,279)	2.67	(17)
W/e 15 August 2008	Shares bought back on-market and cancelled	(847)	2.70	(2)
W/e 22 August 2008	Shares bought back on-market and cancelled	(597)	2.70	(2)
	Less: Transaction costs arising on share buyback			(1)
30 June 2009	**Closing Balance**	**64,508,726**		**112,727**

Ordinary Shares

At 30 June 2009 there were 64,508,726 ordinary fully paid issued shares.

Ordinary shares entitle the holder to participate in dividends of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Dividend Reinvestment Plan

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

Options

Information relating to the McPherson's Limited Employee Share/Option Purchase Plan, including details of options issued and exercised during the financial year and options outstanding at the end of the financial year are set out in the Directors' Report.

28. Reserves and retained profits

(a) Reserves

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Hedging reserve – cash flow hedges	(9,487)	1,026	(8,954)	935
Share-based payments reserve	53	967	53	967
Foreign currency translation reserve	(2,472)	(3,490)	–	–
	(11,906)	(1,497)	(8,901)	1,902
Movements				
Asset revaluation reserve:				
Balance 1 July	–	–	–	831
Transfer to retained profits	–	–	–	(831)
Balance 30 June	–	–	–	–
Hedging reserve – cash flow hedges:				
Balance 1 July	1,026	(1,087)	935	(802)
Revaluation – gross	(10,681)	1,268	(9,918)	1,132
Deferred tax (Notes 19 and 26)	3,204	(380)	2,975	(340)
Transfer to cost of sales – gross	(2,505)	1,756	(2,370)	1,349
Deferred tax (Notes 19 and 26)	756	(531)	711	(404)
Transfer to finance costs – gross	(1,838)	–	(1,838)	–
Deferred tax (Notes 19 and 26)	551	–	551	–
Balance 30 June	(9,487)	1,026	(8,954)	935
Share-based payments reserve:				
Balance 1 July	967	1,790	967	1,790
Option expense	4	24	4	24
Transfer to share capital	–	(382)	–	(382)
Transfer to retained profits	(918)	(465)	(918)	(465)
Balance 30 June	53	967	53	967
Foreign currency translation reserve:				
Balance 1 July	(3,490)	(1,236)	–	–
Currency translation differences arising during the year	1,018	(2,254)	–	–
Balance 30 June	(2,472)	(3,490)	–	–

(b) Retained profits

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Balance 1 July	42,008	29,244	20,594	13,272
Profit after tax	19,473	26,496	10,614	20,223
Dividends paid	(8,386)	(14,197)	(8,386)	(14,197)
Transfer from reserves	918	465	918	1,296
Balance 30 June	54,013	42,008	23,740	20,594

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

(ii) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(o). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(iii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued at grant date but not exercised.

(iv) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(d)(iii). The reserve is recognised in profit and loss when the net investment is disposed of.

	Consolidated		Parent Entity	
	2009 $000's	2008 $000's	**2009 $000's**	2008 $000's
29. Contractual commitments for expenditure				
(a) Capital commitments				
Aggregate capital expenditure contracted for at balance date, but not provided for in the accounts, due:				
Not later than one year	**117**	961	**–**	–
(b) Lease commitments				
Operating leases				
Aggregate amount of non-cancellable operating leases contracted for at balance date, but not provided for in the accounts, due:				
Not later than one year	**8,711**	8,467	**13**	17
Later than one year but not later than five years	**19,402**	20,234	**9**	21
Later than five years	**3,531**	7,042	**–**	–
	31,644	35,743	**22**	38
(c) Hire purchase commitments				
Commitments in relation to hire purchase payments are payable as follows:				
Not later than one year	**12**	34	**–**	–
Later than one year but not later than five years	**27**	61	**–**	–
	39	95	**–**	–
Future finance charges	**(3)**	(9)	**–**	–
Recognised as a liability	**36**	86	**–**	–
Representing hire purchase liabilities:				
Current (Note 21)	**10**	29	**–**	–
Non-current (Note 24)	**26**	57	**–**	–
	36	86	**–**	–

29. Contractual commitments for expenditure (continued)

The Group leases offices, warehouses, plant and machinery and motor vehicles under non-cancellable operating leases and hire purchase arrangements expiring within one to seven years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are generally re-negotiated.

30. Contingent liabilities

The parent entity has guaranteed the repayment of borrowings of certain controlled entities.

There are a number of claims pending against the Group including claims relating to product liability and associated damages. The Directors consider these claims to be minor which will not materially affect the results of the Group.

The cross guarantee given by those entities listed in Note 36 may give rise to liabilities in the parent entity if the subsidiaries do not meet their obligations under the terms of the overdrafts, loans, leases, or other liabilities subject to the guarantee.

The obligations of a controlled entity under an operating lease agreement are partly secured by a bank guarantee arranged by another controlled entity within the Group.

31. Segment Report

2009 Primary Reporting – business segments

	Consumer Products $000's	Printing $000's	Inter-segment Eliminations/ Unallocated $000's	Consolidated $000's
Sales to external customers	288,456	68,391	–	356,847
Inter-segment sales	–	60	(60)	–
Total sales revenue	288,456	68,451	(60)	356,847
Other revenue/income	825	1,229	6	2,060
Share of net profit of associate	–	234	–	234
Total segment revenue, other income and share of net profit of associate	289,281	69,914	(54)	359,141
Profit before interest, tax, depreciation and amortisation	41,155	7,365	(5,723)	42,797
Depreciation and amortisation expense	(2,701)	(3,044)	(20)	(5,765)
Segment result	38,454	4,321	(5,743)	37,032
Net borrowing costs				(9,865)
Profit before income tax				27,167
Income tax expense				(7,694)
Profit after income tax				19,473
Segment assets	307,142	51,622	(15,816)	342,948
Segment liabilities	112,304	40,542	35,268	188,114
Acquisition of property, plant and equipment, intangible and other non-current segment assets	1,976	3,567	1	5,544
Investment in associate	–	1,486	–	1,486

	Consumer Products $000's	Printing $000's	Inter-segment Eliminations/ Unallocated $000's	Consolidated $000's
2008 Primary Reporting – business segments				
Sales to external customers	263,304	70,637	–	333,941
Inter-segment sales	–	110	(110)	–
Total sales revenue	263,304	70,747	(110)	333,941
Other revenue/income	570	941	81	1,592
Share of net profit of associate	–	227	–	227
Total segment revenue, other income and share of net profit of associate	263,874	71,915	(29)	335,760
Profit before interest, tax, depreciation and amortisation	49,987	7,742	(5,143)	52,586
Depreciation and amortisation expense	(3,042)	(3,014)	(34)	(6,090)
Segment result	46,945	4,728	(5,177)	46,496
Net borrowing costs				(9,814)
Profit before income tax				36,682
Income tax expense				(10,186)
Profit after income tax				26,496
Segment assets	302,207	49,898	(16,045)	336,060
Segment liabilities	109,169	41,625	31,731	182,525
Acquisition of property, plant and equipment, intangible and other non-current segment assets	10,588	758	7	11,353
Investment in associate	–	1,752	–	1,752

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

Consumer Products
Producers of kitchen knives, scissors, cutlery, kitchen utensils, hair, beauty and personal care products, plastic bags, wraps, foils and other consumer products.

Printing
Printers of a wide range of products including quality books, paperbacks and loose leaf printing.

31. Segment Report (continued)

Secondary Reporting – geographical segments

	Segment Revenues from Sales to External Customers		Segment Assets		Acquisitions of Property, Plant and Equipment, Intangibles and Other Non-Current Segment Assets	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's	2009 $000's	2008 $000's
Australia	319,879	295,373	322,610	315,743	5,234	9,254
Europe	–	–	55	245	–	–
North America	1,936	4,065	111	397	–	–
Asia, New Zealand	35,032	34,503	20,172	19,675	310	2,099
	356,847	333,941	342,948	336,060	5,544	11,353

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an 'arms-length' basis and are eliminated on consolidation.

32. Earnings per share

	2009	2008
Basic earnings per share	30.2¢	41.1¢
Diluted earnings per share	30.2¢	41.1¢
Earnings used in calculating basic earnings per share	$19,473,000	$26,496,000
Earnings used in calculating diluted earnings per share	$19,473,000	$26,496,000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	64,514,300	64,537,754
Potential ordinary shares	–	–
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share.	64,514,300	64,537,754
Options that are not dilutive and are therefore not included in the calculation of diluted earnings per share	60,000	920,000

Information concerning the classification of securities

Options

Options granted to employees under the McPherson's Limited Employee Share/Option Purchase Plan (the Plan) are considered to be dilutive and therefore potential ordinary shares for the purpose of calculating diluted earnings per share, where their exercise price is below the average market price.

In relation to dilutive options to acquire ordinary shares, the calculation of diluted earnings per share is performed by adding to the denominator only those potential shares that are deemed in accordance with Australian Accounting Standard AASB 133 to have been issued for no consideration. Assumed earnings from proceeds are not added to the numerator.

The number of shares deemed to have been issued for no consideration is the difference between the number of shares that were issued at exercise price and the number of shares that would have been issued at average market price for actual proceeds.

No options have been included in the determination of basic earnings per share. Details relating to options are set out in the Directors' Report.

Employee Share Plans

Participation in employee share plans during the year ended 30 June 2009 were offered to employees under one or other of the two plans listed below.

Exempt Employee Share Plan ("EESP")

Under this plan, all permanent full or part-time Australian resident employees were invited to acquire $1,000 worth of shares in McPherson's Limited.

Shares issued under the plan may not be sold until the earlier of three years after issue or cessation of employment with the Company ("holding lock period").

Deferred Employee Share Plan ("DESP")

Under this plan, Australian resident Directors, executives and employees approved by the Board were invited to acquire shares up to the equivalent value of 50% of their pre-tax salary and any incentive payable.

Shares issued under the plan may not be sold until the earlier of 10 years after issue or cessation of employment with the Company ("holding lock period").

Restrictions and conditions applying to both the EESP and DESP:

- Shares are acquired on-market by a stockbroker on behalf of the Company and held in the name of the employee subject to the holding lock.
- Shares cannot be offered to employees to the extent that the employee would hold a legal or beneficial interest in more than 5% of the total shares on issue or the employee would be in a position to cast, or control the casting of more than 5% of the maximum number of votes that might be cast at a general meeting of the Company.
- No invitation can be made to an employee if the total number of shares issued under the plan(s), and shares issued during the past five years under any employee share scheme of the Company, or any related body corporate, exceeds five percent (5%) of the total number of issued shares of the Company, at the time the invitation is made.
- Shares have the same rights and entitlements as all other ordinary shares.
- Offers in both plans are at the discretion of the Company.
- Employees are not permitted to participate in both plans.
- Employees may elect not to participate in either plan.
- Payment for the shares is by way of salary sacrifice.
- Operation of the plans in future years is at the discretion of the Board of Directors.

All Employee Share Plans were suspended effective 13 May 2009, pending the Government's proposed changes to Share Plans announced in the 2009 Federal Budget.

33. Particulars in relation to controlled entities

	Country of Incorporation
McPherson's Limited	Australia
Controlled entities of McPherson's Limited	
Domenica Pty Ltd*	Australia
Owen King Holdings Australia Pty Ltd*	Australia
McPherson's Printing Pty Ltd*	Australia
McPherson's Consumer Products (NZ) Limited	New Zealand
McPherson's Housewares Pty Limited*	Australia
McPherson's Consumer Products Pty Ltd*	Australia
Cork International Pte Ltd	Singapore
Multix Pty Ltd*	Australia
McPherson's America Inc.	USA
McPherson's Publishing Inc.	USA
Regent-Sheffield Ltd	USA
McPherson's Hong Kong Limited	Hong Kong
McPherson's Consumer Products (HK) Limited	Hong Kong
Cork International Far East Limited	Hong Kong
McPherson's (UK) Limited	United Kingdom
A.C.N. 082 110 101 Pty Ltd (formerly Oneida Australia Pty Ltd)	Australia

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to Note 36.

Disposal of controlled entities

- Yevad Products Pty Ltd was deregistered on 19 March 2009.
- 718932 Pty Ltd was deregistered on 29 October 2008.
- Revlect Pty Ltd was deregistered on 29 October 2008.

All investments represent 100% ownership interest.

34. Related parties

Directors

Details relating to the insurance of Directors are included in the Directors' Report.

Transactions with McPherson's Limited or its controlled entities

Some current Directors of controlled entities of McPherson's Limited are associated with firms which derive income for services provided to the Group. These transactions are conducted on a commercial basis with conditions no more favourable than those available to outside parties.

Mr J.B. Duncan and Ms A. Hutcheson, who were Directors of a United States controlled entity during the year, are a principal and employee respectively in the law firm J.B. Duncan P.C. This firm renders legal advice to certain controlled entities.

Directors' shares/options

Transactions of Directors and Director related entities concerning shares or share options are set out in the Directors' Report.

All transactions relating to shares and dividends were on the same basis as similar transactions with other shareholders.

Controlled entities

Transactions between McPherson's Limited and its controlled entities in the Group during the year consisted of:

- Amounts advanced to and by McPherson's Limited
- Amounts repaid to McPherson's Limited
- Amounts borrowed by McPherson's Limited
- Payment and receipt of interest on certain advances at prevailing rates
- Payment of dividends to McPherson's Limited
- Purchase and sale of goods
- Receipt and payment of tax, rent, management and license fees

Related party transactions not reported elsewhere

The aggregate amounts of transactions with related parties not reported elsewhere were as follows:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Legal fees				
J.B. Duncan P.C.	29,245	5,136	–	–

Related party transactions and balances

Related party transactions and balances are shown throughout the financial statements as follows:

	Note Number
Interest received/receivable	4
Shares in controlled entities and associate	16
Key management personnel	9
Amounts receivable from controlled entities	11,15
Amounts payable to controlled entities	20,21,23
Superannuation funds	35

35. Superannuation commitments

McPherson's Limited and its controlled entities contribute to a number of superannuation funds. The funds provide benefits on a cash accumulation basis for employees or their dependants on resignation, retirement, total and permanent disablement or death. Benefits are based on the contributions and net income thereon held by the funds on behalf of their members. The level of these benefits varies according to the fund to which the employee belongs. Company contributions to all superannuation funds are legally enforceable. Contributions may be made by the member in addition to Company contributions, as specified by the rules of the fund. Group Company contributions to employee superannuation funds during the year totalled $4,395,041 (2008: $4,283,851) whilst parent entity contributions totalled $317,412 (2008: $322,567).

McPherson's Limited outsources the superannuation function throughout the Group, and therefore does not sponsor any superannuation funds or pension schemes.

36. Deed of Cross Guarantee

McPherson's Limited, and the following controlled entities, are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others.

- McPherson's Consumer Products Pty Ltd
- McPherson's Printing Pty Ltd
- Multix Pty Ltd
- McPherson's Housewares Pty Limited
- Owen King Holdings Australia Pty Ltd
- Domenica Pty Ltd

By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a Financial Report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investment Commission.

(a) Condensed consolidated income statement and a summary of movements in consolidated retained profits

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by McPherson's Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2009 of the Closed Group.

	2009 $000's	2008 $000's
Income statement		
Revenue	325,042	294,145
Other income	1,674	1,643
Share of net profit in associate	234	227
Expenses	(296,029)	(248,272)
Finance costs	(10,529)	(11,010)
Profit before income tax	20,392	36,733
Income tax expense	(6,378)	(9,728)
Profit after income tax	14,014	27,005
Summary of movements in consolidated retained profits		
Retained profits at beginning of the financial year	32,497	18,393
Profit after income tax for the year	14,014	27,005
Dividends provided for or paid	(8,386)	(14,197)
Transfer from reserves	918	1,296
Retained profits at the end of the financial year	39,043	32,497

	2009 $000's	2008 $000's
(b) Balance sheet		
Set out below is a consolidated balance sheet as at 30 June 2009 of the Closed Group.		
Current assets		
Cash	1,893	9
Receivables	51,597	48,784
Inventories	53,178	45,317
Derivative financial instruments	18	721
Total current assets	106,686	94,831
Non-current assets		
Other financial assets	28,844	48,916
Property, plant and equipment	22,414	21,600
Deferred tax assets	9,386	5,657
Intangible assets	177,822	177,994
Derivative financial instruments	–	1,117
Total non-current assets	238,466	255,284
Total assets	345,152	350,115
Current liabilities		
Payables	52,801	50,949
Borrowings	1,265	64
Derivative financial instruments	10,702	502
Provisions	10,407	9,701
Current tax liabilities	2,295	5,474
Total current liabilities	77,470	66,690
Non-current liabilities		
Payables	3,219	13,449
Borrowings	105,033	107,000
Derivative financial instruments	2,090	–
Provisions	1,204	1,642
Deferred tax liabilities	13,256	13,911
Total non-current liabilities	124,802	136,002
Total liabilities	202,272	202,692
Net assets	142,880	147,423
Equity		
Share capital	112,727	113,024
Reserves	(8,890)	1,902
Retained profits	39,043	32,497
Total equity	142,880	147,423

37. Notes to the statements of cash flows

(i) Reconciliation of net cash provided by operating activities to operating profit after income tax

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
Operating profit after income tax	19,473	26,496	10,614	20,223
Amortisation of other intangibles	787	593	–	–
Depreciation/other amortisation	4,978	5,497	21	34
Share-based payments	4	24	4	24
(Profit)/loss on disposal of property, plant and equipment	(14)	13	–	–
Finance charges included in lease payments	–	4	–	–
Non-cash dividends	–	–	(20,396)	(24,300)
Impairment of investment in controlled entity	–	–	4,594	–
Share of profit in associate not received as dividends or distributions	(234)	(227)	–	–
Dividends received from associate	500	300	–	–
Operating assets and liabilities, excluding the effects from purchase of businesses				
Increase/(decrease) in payables	(3,147)	(291)	(1,787)	(1,599)
Increase/(decrease) in other provisions	(226)	168	626	(165)
Increase/(decrease) in employee entitlements	309	648	74	26
Increase/(decrease) in tax payable	(2,751)	903	(12,412)	(10,326)
(Increase)/decrease in receivables	1,295	(1,575)	412	90
(Increase)/decrease in inventories	(5,107)	(3,504)	–	–
Net cash inflow/(outflow) provided by operating activities	**15,867**	29,049	**(18,250)**	(15,993)

	Consolidated 2009 $000's	Consolidated 2008 $000's	Parent Entity 2009 $000's	Parent Entity 2008 $000's
(ii) Acquisition of controlled entity/business				
Fair value of identifiable net assets acquired				
Cash	–	441		
Receivables	–	4,047		
Inventories	–	4,682		
Plant and equipment	–	593		
Brandnames	–	2,800		
Other intangibles	–	1,000		
Future income tax benefit	–	174		
Payables	–	(1,196)		
Provisions	–	(236)		
Provision for income tax	–	(689)		
Provision for deferred income tax	–	(843)		
Hire purchase liabilities	–	(140)		
	–	10,633		
Goodwill on acquisition	–	3,708		
Total consideration	–	14,341	–	13,963
(iii) Outflow of cash to acquire controlled entity/businesses				
Total consideration	–	14,341	–	13,963
Less: Cash acquired	–	(441)	–	–
Net cash outflow	–	13,900	–	13,963

38. Events occurring after balance date

Subsequent to the end of the financial year, the Company announced on 6 July 2009 that the operations of the Company's two consumer products businesses, McPherson's Consumer Products and Multix, have been combined into a single entity, and that Mr Paul Maguire, Chief Executive Officer of Multix, was appointed chief executive of the enlarged business. The Company also announced that after a transition period, Mr Maguire will also be appointed Managing Director of McPherson's Limited and the current Managing Director, Mr David Allman, will retire from the position at the conclusion of the transition period.

On 9 July 2009 the Company announced that it was proposed to grant 1.5 million options over ordinary shares in the Company to Mr Paul Maguire under the McPherson's Limited Share/Option Purchase Plan. The grant is subject to the approval of shareholders which will be sought at the McPherson's Limited Annual General Meeting on 13 November 2009. The options will form part of Mr Maguire's remuneration arrangements. The options are to be granted in four equal tranches of 375,000 and will be exercisable subject to the satisfaction of certain performance hurdles during the respective exercise periods.

On 14 August 2009 the Company announced it had completed a share placement to institutional, sophisticated and professional investors of 5,714,285 new ordinary shares at $2.10 per share to raise $12 million of additional capital. The Company also announced an offer to enable retail shareholders to participate in an underwritten Share Purchase Plan to raise an additional $3 million in capital at $2.10 per share. Shares under this plan are to be allotted on 17 September 2009. All new shares issued will rank equally with existing shares.

SHAREHOLDING INFORMATION

The shareholding information set out below was applicable at 31 August 2009.

1. Share Capital

As at 31 August 2009 the ordinary share capital in the Company was held by the following number of shareholders:

Shares	Shareholders
1 – 1,000	2,817
1,001 – 5,000	2,082
5,001 – 10,000	593
10,001 – 100,000	540
100,001 and over	42
Total	**6,074**
Holding less than a marketable parcel	1,189

2. Voting Rights

Each ordinary share on issue entitles the holder to one vote.

3. Twenty Largest Shareholders as at 31 August 2009

	No. of Shares	%
ANZ Nominees Limited (Cash Income A/C)	13,551,999	19.30
JP Morgan Nominees Australia Limited	5,612,735	7.99
RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/C)	4,773,912	6.80
National Nominees Limited	4,426,274	6.30
RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED A/C)	3,402,633	4.85
Cogent Nominees Pty Limited	2,197,074	3.13
Citicorp Nominees Pty Limited	1,723,810	2.45
AMP Life Limited	1,631,040	2.32
Bond Street Custodians Limited (Macquarie Smaller Co's A/C)	1,365,000	1.94
HSBC Custody Nominees (Australia) Limited	1,087,116	1.55
Mrs Melinda Sue Maguire	400,000	0.57
Mr Trevor Bruce Winston Ward	400,000	0.57
Cogent Nominees Pty Limited (SMP Accounts)	378,200	0.54
RBC Dexia Investor Services Australia Nominees Pty Ltd (PISELECT A/C)	334,971	0.48
Perpetual Custodians Limited	310,000	0.44
Mr Raymond Charles King + Mrs Dawn King (King Super Fund A/C)	247,103	0.35
Aircole Pty Limited (Macri Retirement Fund A/C)	235,550	0.34
Bond Street Custodians Limited (MACQ Aust Microcap Fund A/C)	220,360	0.31
A J Forsyth Pty Limiited	204,290	0.29
Goncang Pty Ltd (DGA Superannuation Fund A/C)	184,448	0.26
	42,686,515	**60.78**
	70,223,011	100.00

4. Substantial Shareholders

The following is extracted from the Company's Register of Substantial Shareholders as at 31 August 2009:

	No. of Shares	Last Notified
Thorney Pty Ltd	11,398,648	12 September 2008
Perpetual Limited and subsidiaries	4,918,082	8 July 2009

5. Listing

McPherson's Limited shares are listed on the Australian Securities Exchange, with Melbourne as the home exchange.

CORPORATE DIRECTORY

McPherson's Limited

ACN 004 068 419

McPherson's Limited is a company limited by shares, incorporated and based in Australia. Its registered office and principal place of business are located at:

5 Dunlop Road
Mulgrave Victoria 3170

Telephone: (03) 9566 3300
Facsimile: (03) 9574 9075

mccorp@mcphersons.com.au
www.mcphersons.com.au

Company Secretary
Phil Bennett

Auditors
PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank Victoria 3006

Solicitors
Thomson Playford Cutlers Lawyers
Level 25, Australia Square Tower
264 George Street
Sydney NSW 2000

Share Registry
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

Telephone within Australia: 1300 85 05 05
Telephone outside of Australia: +61 3 9415 5000
Facsimile: (03) 9473 2500

web.queries@computershare.com.au
www.computershare.com

Shareholder Enquiries
Shareholders who wish to contact the Company on any matter related to their shareholding are invited to telephone or write to the Share Registry. It is important that shareholders notify the Share Registry in writing if there is a change to their registered address. For added protection, shareholders should always quote their Shareholder Reference Number (SRN).

Comprehensive information about your shareholding can be obtained on the internet at www.computershare.com, or via the Company's website at www.mcphersons.com.au.

Group Management

David Allman*
Managing Director
McPherson's Limited

Phil Bennett
Chief Financial Officer
McPherson's Limited

McPherson's Consumer Products Management
Paul Maguire*
Chief Executive Officer
McPherson's Consumer Products Pty Ltd

Paul Mitchell
General Manager
McPherson's Consumer Products (NZ) Limited
New Zealand

Sammy Chan
Managing Director
McPherson's Consumer Products (HK) Limited
Hong Kong

McPherson's Printing Management
Alan Fahy
Chief Executive Officer
McPherson's Printing Pty Ltd

* The Company has announced that Mr Allman will retire from the position of Managing Director around the end of October 2009 and that Mr Maguire will be appointed Managing Director at that time.

Designed and produced by MDM Design. Printed in Australia by McPherson's Printing Group.

McPherson's Limited

5 Dunlop Road
Mulgrave Victoria 3170
Australia

Telephone: (03) 9566 3300
Facsimile: (03) 9574 9075

mccorp@mcphersons.com.au
www.mcphersons.com.au