McPherson's Limited
for everyday living

Annual Report 2010

McPherson's

Contents

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 2010	February 2011
Preliminary results to 30 June 2011	August 2011
Publication of Annual Report and accounts for year to 30 June 2011	October 2011

* Subject to change.

Annual General Meeting

The 2010 Annual General Meeting of McPherson's Limited will be held at the KPMG Theatrette, 147 Collins Street, Melbourne, at 1.00pm on Thursday, 11 November 2010.

About McPherson's

McPherson's Limited was established in 1860, making this our 150th year of operation. The Company has two distinct sectors – Consumer Products and Printing.

McPherson's Consumer Products

McPherson's Consumer Products is a leading marketer of housewares products in Australasia with operations in Australia, New Zealand and Asia. The product range includes cutlery, kitchen knives, kitchen utensils, bakeware, glassware, personal care, beauty care, hair care and impulse merchandising products.

The business also markets and distributes a wide range of household consumables, including food storage, baking paper, food wrap and aluminium foil products.

The majority of products are marketed under the Company's owned brands.

McPherson's Printing

McPherson's Printing is a major diversified printer operating two fully equipped, state-of-the-art book and commercial printing facilities at Maryborough and Mulgrave in Victoria. It is Australia's leading producer of paperback and case-bound books, also offering a wide range of other integrated products and services to publishers and commercial print customers.

The business specialises in book production, incorporating digital, sheet and web fed technologies complemented by a wide range of finishing options, making it a recognised leader within the industry throughout Australia.

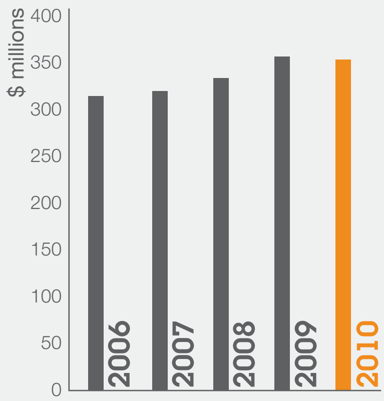
The Year's Performance

Highlights from the 2009-10 Year

- Net profit after tax of $25.6 million, up 33% from the prior year's $19.3 million.*
- Earnings per share of 36.4 cents, up 22% on the prior year's 29.9 cents.*
- Strong cash flows generated from operations, and additional share capital of $15 million (before issue costs) raised during the year, reduced bank debt and further strengthened the balance sheet.
- Year end net debt of $71.9 million, significantly below the $104.2 million of a year earlier.
- Gearing (net debt to shareholders' funds) reducing to 37% at year end from 67% in the prior year.
- Dividend payout of 20.0 cents per share, fully franked.
- Renegotiation of term debt facilities since year end with the term now extended until 31 August 2013.
- Business enhancement reviews covering supply chain and brand strategy undertaken at McPherson's Consumer Products.
- Successful integration of the Australian operations of McPherson's Consumer Products, culminating in the consolidation of the two Melbourne operations onto one new site.
- Successful relocation of printing equipment and the consolidation of sheet-fed printing operations onto one site.

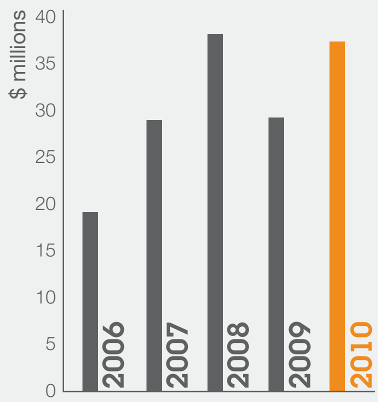
* Earnings for the year ended 30 June 2009 have been restated in line with amended Accounting Standard AASB 139 relating to the expensing of currency option premiums. Without the restatement, 2009 profit after tax would have been reported as $19.5 million and 2009 earnings per share reported as 30.2 cents.

Group Net Sales*



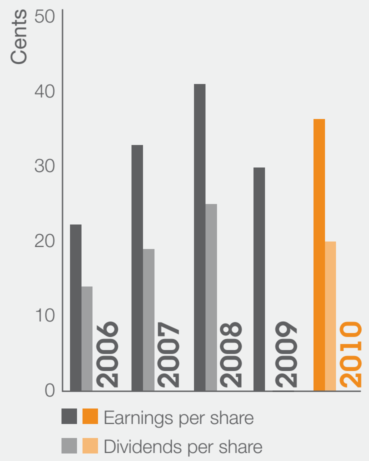
* Sales are net of customer allowances.

Profit*



* Operating profit before tax and excluding non-recurring items.

Earnings and Dividends Per Share



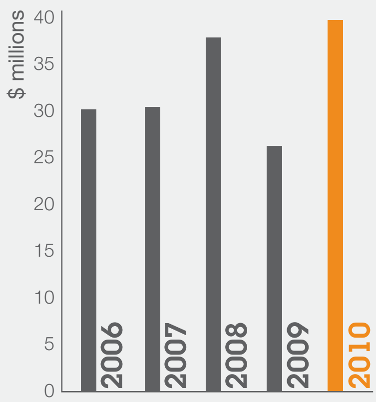
Group Financial Summary

	Note		2010	2009*
Sales	1	$000's	**353,953**	356,847
Operating profit before tax	2	$000's	**37,362**	29,329
Income tax expense	2	$000's	**(11,219)**	(8,343)
Operating profit after tax	2	$000's	**26,143**	20,986
Profit after tax and after non-recurring items		$000's	**25,649**	19,270
Operating cash flow	3	$000's	**39,791**	26,279
Shareholders' funds	4	$000's	**196,898**	154,834
Return on average shareholders' funds	5	%	**14.5**	13.6
Earnings per share (EPS)	6	Cents	**36.4**	29.9
Dividends per share (fully franked)		Cents	**20.0**	-
Net debt		$000's	**71,877**	104,156
Gearing (net debt to shareholders' funds)		%	**36.5**	67.3

* Certain 2009 amounts have been restated in accordance with amended Accounting Standard AASB 139.

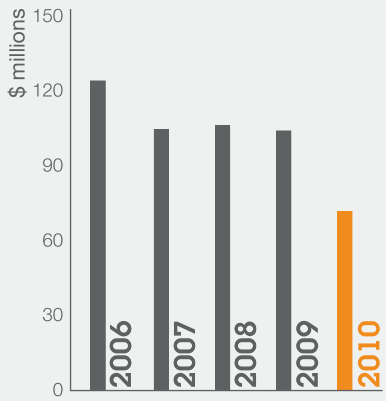
Note 1: Sales are net of customer allowances.
Note 2: Excludes non-recurring items.
Note 3: Pre-tax cash flow before capital expenditure and dividend payments.
Note 4: Shareholders' funds at the end of the financial year.
Note 5: Calculated using operating profit after tax.
Note 6: Calculated using profit after tax and after non-recurring items.

Cash Flow*

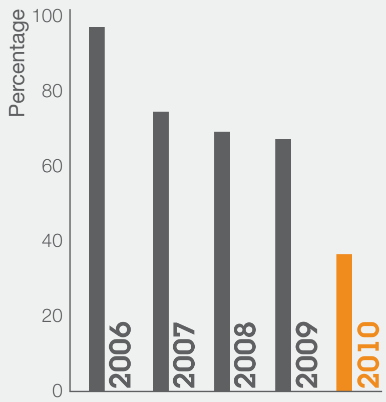


* Pre-tax cash flow before capital expenditure and dividend payments.

Net Debt



Gearing*



* Net debt to shareholders' funds.

Chairman's and Managing Director's Report

Simon Rowell, Chairman

Paul Maguire, Managing Director

The 2009-10 year began with the successful merger of the Australian consumer products businesses into one entity called 'McPherson's Consumer Products', leading to both reduced costs and improved efficiency. More recently McPherson's Consumer Products' two sales offices located in Melbourne were merged and a warehouse in Melbourne was closed, which will result in further efficiency gains.

McPherson's full year results show a solid rebound in earnings following the global financial crisis in 2008-09, with a pre-tax profit of $36.6 million for the 2009-10 financial year compared with $26.9 million the previous year, a 36% increase.

Strong earnings per share of 36.4 cents were achieved this year compared with restated earnings per share of 29.9 cents the previous year, representing a 22% increase. Fully franked dividends totalling $0.20 per share were declared for 2009-10, with all future dividends expected to remain fully franked.

Debt levels and gearing improved significantly, with gearing (net debt to shareholders' funds) of 37% at 30 June 2010 compared with 67% at 30 June 2009. The gearing level benefited from strong operating cash flows, selective capital expenditure and the raising of $15 million (before issue costs) of share capital in August 2009 through the issue of 7.14 million new ordinary shares at $2.10 per share.

Group sales were in line with the prior year, with the second half being affected by a softening retail environment, influenced by the cycling of the Government stimuli and consecutive interest rate rises.

The Company's primary business, McPherson's Consumer Products, produced earnings before interest and tax (EBIT) of $45.2 million for the 2009-10 year compared with a reported EBIT of $38.2 million the previous year, an 18% increase. Margins were assisted by more favourable foreign exchange rates.

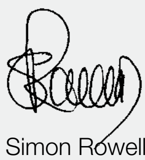
McPherson's Consumer Products has been in a period of transformation over the past year. Structural reform has been implemented, the supply chain has been assessed by an external consultant and a strategic review of the brand portfolio has been carried out. As a result of the supply chain assessment the business has improved its internal processes in order to enhance the service it provides to its customers. The strategic brand review has given the business the confidence that it has the right brands in the right categories and the right channels.

Of course challenges still exist for McPherson's Consumer Products, such as rising product costs and global economic uncertainty, however the business is well positioned to manage these challenges.

McPherson's Printing Group, Australia's leading producer of books, reported an EBIT of $3.8 million for the 2009-10 year compared with $4.3 million the previous year, with the reduction due mainly to subdued market conditions and competitive pressures, particularly with respect to professional reference publications. McPherson's Printing remains focused on cost containment and efficiency improvements.

The total Company result for 2009-10 was a very solid outcome given the mixed market conditions which particularly affected the retail sector in the second half. Although a continuing stronger currency would benefit consumer products going forward, competitive pressures and an uncertain economic environment may also impact 2010-11 earnings. Despite those uncertainties the Company is anticipating modest growth in 2010-11, with trading to date for the 2010-11 year consistent with that outlook.

McPherson's is committed to improving shareholder returns, with the current favourable level of gearing putting the Company in a strong position to take advantage of any strategic acquisition opportunities that may arise.



Simon Rowell
Chairman

Paul Maguire
Managing Director

McPherson's Consumer Products
Kingsgrove, New South Wales.

McPherson's Consumer Products
Glen Waverley, Victoria.

Board of Directors

Simon A. Rowell,
B.A. (Hons), CA, ACA, 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 consumer products, engineering, textiles, property 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
217,523 ordinary shares are held in McPherson's Limited.

Paul J. Maguire,
B.Sc (Hons), M.Bus (Marketing)

Managing Director

Expertise and experience
Mr Maguire was appointed Managing Director of McPherson's Limited on 1 November 2009.

Mr Maguire was Chief Executive of Multix Proprietary Limited from 2002, and following the combining of McPherson's two consumer products businesses, McPherson's Consumer Products and Multix into a single entity in July 2009, Mr Maguire took the position of Chief Executive of the enlarged business.

Before joining Multix (which was acquired by McPherson's in 2004), Mr Maguire worked in a number of management roles for SCA Hygiene Products Australasia. He has a Master of Business (Marketing) from Monash University and a Bachelor of Science (Honours) from La Trobe University.

Other current directorships
None.

Former directorships in last three years
None.

Special responsibilities
Managing Director.

Interests in shares and options
500,143 ordinary shares in McPherson's Limited (held in spouse's name) and 1,500,000 options over ordinary shares.

David J. Allman,
B.Sc

Non-Executive Director

Expertise and experience
Mr Allman retired as Managing Director of McPherson's Limited on 1 November 2009 and was appointed a non-executive Director of the Company on the same date.
Mr Allman was appointed Chief Executive of McPherson's Limited 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 and Chairman of Gale Pacific Limited and non-executive Director of Lomb Scientific Pty Ltd.

Former directorships in last three years
None.

Interests in shares and options
500,193 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 United Kingdom, 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
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

Expertise and experience
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 and corporate experience with various investee companies in which Thorney has an interest. Previously, Mr Landos worked for Macquarie Bank Limited's investment banking group.

Other current directorships
Non-executive Director for Adacel Technologies Limited, and a 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 2010, 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	14	14	3	3	2	2
Paul J. Maguire(1)	9	9				
David J. Allman(2)	14	14				
John P. Clifford	14	14				
Peter D.J. Landos	14	13	3	3	2	2

(1) Appointed as Managing Director on 1 November 2009.

(2) Retired as Managing Director on 1 November 2009 and appointed a non-executive Director on that date.

Philip R. Bennett,
B.Com, CA

Chief Financial Officer
and Company Secretary

Mr Bennett was appointed Chief Financial Officer of McPherson's Limited in 2000, having been previously appointed to the position of Company Secretary in 1995.

Mr Bennett is a Chartered Accountant and has a Commerce degree from the University of Melbourne.

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

Alan Fahy,
Chief Executive Officer,
McPherson's Printing

Consumer Products

Australasia

McPherson's Consumer Products produces an extensive range of products under a number of distinctive brands in four major categories comprising:

- Housewares – including bakeware, cookware, knives, kitchen utensils, cutlery and glassware under the Wiltshire, Stanley Rogers, Ai-de-Chef and other market-leading brands.
- Personal Care – leading ranges of beauty care and hair care products under the Manicare, Lady Jayne and Swisspers brands.
- Household Consumables – including food preparation, food storage and kitchen refuse disposal products under the market-leading Multix brand.
- Impulse Merchandising – a business which provides tailor made Clip Strip programmes displaying 'impulse' products in major retailers in the grocery and discount department store channels under the Home Living and other brands.

McPherson's key brands are complemented by some of the world's other leading brands, particularly in housewares, which are distributed by McPherson's under licence in Australasia.

Singapore

McPherson's operation in Asia is focused primarily on personal care and, more recently, housewares and household consumables products, operating with a combination of McPherson's brands and agency arrangements.

North America

McPherson's distributes kitchen knives and other housewares products 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 and development.

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 customers.

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 and tax (EBIT) of $44.5 million in 2009-10, an increase of 21% from the previous year's $36.8 million. Sales revenue of $354.0 million, net of customer allowances, was marginally below the prior year's $356.8 million, with a slight increase in revenue at Consumer Products being offset by a decrease from Printing.

Profit after tax increased by 33% from $19.3 million last year to $25.6 million in 2009-10. Earnings per share increased by 22% to 36.4 cents compared with a restated EPS outcome of 29.9 cents for the previous year. Earnings for 2008-09 have been restated in line with amended Accounting Standard AASB 139 relating to the expensing of currency option premiums. Prior year earnings would have been reported as 30.2 cents per share without the restatement.

Directors declared a final dividend for 2009-10 of 10.0 cents, bringing the full year payout to 20.0 cents per share, fully franked. It is 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 $289.7 million in the year ended 30 June 2010, marginally above the prior year's $288.5 million.

McPherson's Consumer Products' major brands including Wiltshire (housewares), Manicare (beauty care) and Lady Jayne (hair care) 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. However, the growth from these brands was mainly offset by the continuation of a range rationalisation programme, and a reduction in impulse merchandising revenue as a result of a decline in product display opportunities within some retail outlets.

Margins however continued to improve across all major categories due to business improvement initiatives and the stronger Australian dollar. Although the favourable currency impact during the first half was limited by the Company's hedging policy, which is to cover forecast US dollar purchases six months forward, second half earnings benefited from the stronger exchange rates and the margin improvement initiatives commenced in the previous year.

The margin improvement and benefit of cost savings resulted in a pleasing 18% lift in Consumer Products' divisional EBIT to $45.2 million compared with $38.2 million in the prior year.

Printing EBIT decreased marginally to $3.8 million, down from $4.3 million for the prior year, on 6% lower revenue of $64.3 million. The revenue decline was due mainly to reduced demand in the commercial and professional reference segments, but 'read for pleasure' book print volumes were steady. Productivity improvements generated during the year from selective capital investment partly offset the reduced contribution from lower volumes.

Consumer Products Brands

Brands
for everyday shopping

* Third-party owned brands.

Consumer Products
for everyday needs

Consumer Products

Australia

McPherson's Consumer Products' Australian operation designs, sources and markets products under four broad categories: Housewares, with brands including Wiltshire, Stanley Rogers, Strachan and Crown; Personal Care, with brands including Manicare, Lady Jayne, and Swisspers; Household Consumables under the Multix brand and Impulse Merchandising mainly under the Home Living brand.

Manufacturing is outsourced to various suppliers, predominantly in Asia, and McPherson's maintains a strong presence in Hong Kong and China focused on sourcing and quality assurance. One of McPherson's Consumer Products' key strengths is its breadth of distribution; with a large number of brands appearing in various categories in supermarkets, pharmacies, discount departments stores, department stores and also the commercial market.

A number of business enhancement reviews were undertaken during the year. These included an end-to-end review of the product supply chain covering demand planning, supply planning, shipping, warehousing and distribution. The review, which was undertaken by an independent supply chain consultancy, has resulted in a number of recommendations being implemented, which will enhance service levels to customers. A strategic brand review was also undertaken, which will ensure that the right brands are marketed in the right channels, the right categories and the right markets; and that brand extension opportunities are being pursued.

A number of further initiatives were commenced in the previous year 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.

The initial stage of the amalgamation of all Australian consumer product operations was completed successfully during the year, resulting in efficiencies and cost savings. The final stage was commenced later in the year and the division's two Melbourne premises, located at Clayton and Moorabbin, were consolidated onto one new site in Glen Waverley in July 2010 generating further efficiency gains.

New Zealand

Each of the major product categories marketed in New Zealand achieved sales growth compared with the prior year. The growth was achieved mainly through leveraging strengths from the Australian operation and focused marketing initiatives.

Key brands in the housewares portfolio of Wiltshire, Grosvenor and Stanley Rogers all achieved sales growth in fairly demanding retail conditions. The Company's glassware portfolio, which equates to around one-third of the total retail drinkware market in New Zealand, grew to record levels through effective sales and marketing activities.

The personal care category, lead by the major brand Manicare, achieved sales growth in the pharmacy and department store channels and delivered innovation and value for money for consumers across the country. Despite aggressive competition, the business continues to lead the hair accessories category in the New Zealand market.

In conjunction with the business strategy to concentrate on achieving organic sales growth from existing brands, the sales and merchandising structures were changed to a channel specific focus. This change provided concentrated expertise and support to the expanding nationwide customer base.

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 and household consumables categories, which provide growth opportunities for the future.

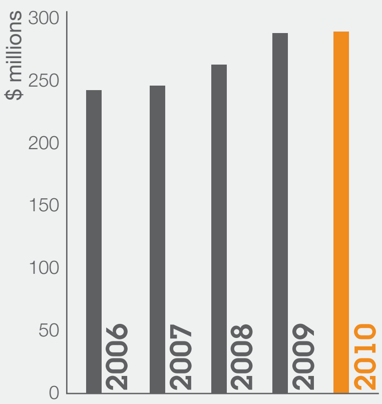
North America

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 brand.

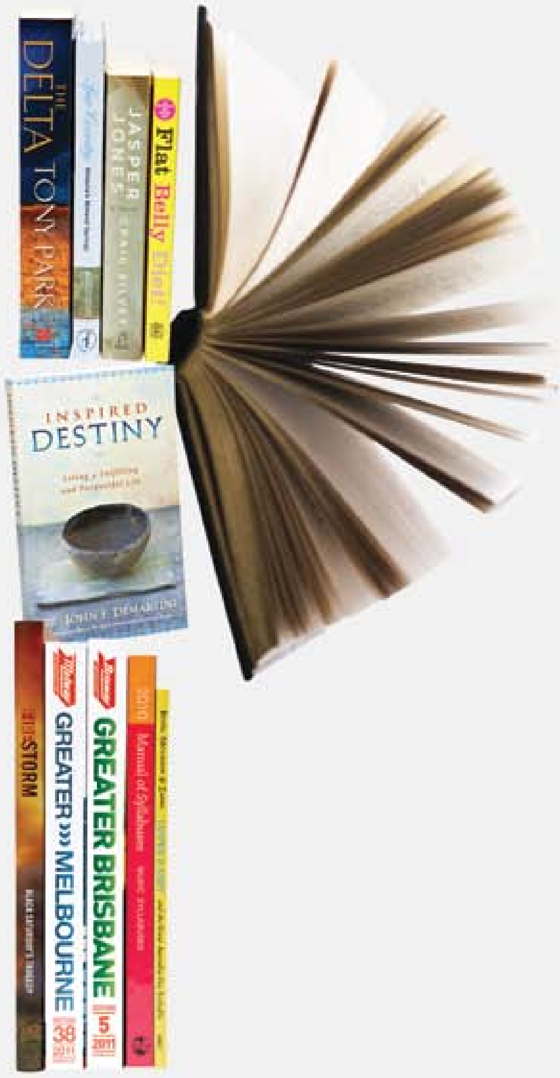
South Africa

An exclusive agency agreement has recently commenced for the supply of McPherson's housewares products to South Africa and other southern African countries using McPherson's owned brands.

Consumer Products Sales*



* Sales are net of customer allowances.



Printing
for everyday reads

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 customers.

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

Capital Infrastructure

MPG refined and further developed the major IT, data workflow and short run printing upgrades implemented last financial year with significant efficiencies and customer benefits being realised. Continued focus in these areas is necessary as the market for printed books evolves in response to new technologies.

The sheet-fed colour operations of MPG were consolidated onto one site following the relocation of printing equipment from Maryborough to Mulgrave in May 2010. Production benefits and efficiencies are expected to flow from this consolidation in 2010-11.

Future investments in printing and finishing equipment are also under evaluation where production efficiencies and market opportunities allow benefits to be derived.

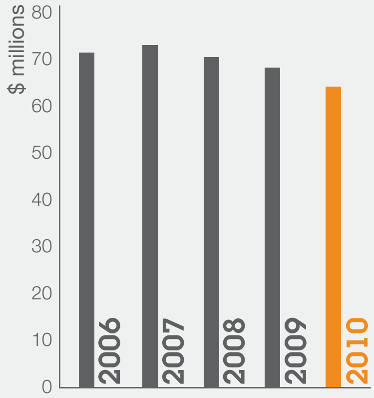
Environment

MPG has continued its proactive approach to environmental issues with highlights including ISO 14001 Environmental Accreditation and winning the major environmental prize at the Victorian Printing Industry Awards.

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.

Printing Sales



Corporate Governance Statement

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 2010. Unless indicated otherwise, the Corporate Governance practices summarised in this statement are consistent with the practices adopted in the previous financial year and follow the ASX Corporate Governance Council's ("ASX CGC") Corporate Governance Principles and Recommendations. 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 appropriate senior executives is set out in the Board's Retained and Delegated Authorities document referred to above.

Board Evaluation

McPherson's Limited has undertaken a review of its Board and individual Directors with respect to the year ended 30 June 2010. 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 6 and 7 of the Annual Report. During the year the following changes occurred in the composition of the Board:

- David Allman resigned as Managing Director and was appointed a non-executive Director on 1 November 2009; and
- Paul Maguire was appointed as Managing Director on 1 November 2009.

In compliance with the Company's Constitution, 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 the 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 Peter Landos, David Allman or Paul Maguire to be independent for the following reasons:

1. Peter Landos is directly associated with the Thorney Investment Group which holds approximately 16.7% of the Company's shares.
2. David Allman was the Managing Director of the Company from 1 March 1995 until 1 November 2009.
3. Paul Maguire was appointed Managing Director of the Company on 1 November 2009.

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 8 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

- The establishment and maintenance of 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.
- The establishment and maintenance of a process for the evaluation of the Managing Director.

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 2010.

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. The Company pays the minimum statutorily imposed superannuation contribution in addition to the base fees paid to each Director.

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. Following shareholder approval which was given at the 2009 Annual General Meeting, 1,500,000 options were issued to Mr Paul Maguire on 13 November 2009. Further details relating to the options issued to Mr Maguire are contained in the Remuneration Report in the Directors' Report on pages 33 and 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 2010.

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 Corporate Governance Principles and Recommendations. In relation to the two instances of technical non-compliance, the Company is endeavouring to achieve an appropriate outcome, consistent with the objectives of those principles.

- The Board currently comprises five 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 provides that the majority of a board should comprise of independent Directors.

Recommendation 4.3 provides 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 Company was relatively recently admitted to the S&P/ASX 300 Index with effect from 19 March 2010, and the Board recognises that in these circumstances compliance with the recommendations of the ASX CGC on the composition, operation and responsibility of the audit committee are mandatory from 1 July 2010 under ASX Listing Rule 12.7. As such, the Company has maintained communication with the ASX and as arranged with the ASX, on 1 July 2010 announced to the market that the Company was seeking to recruit at least one additional independent non-executive Director, following which the Company will ensure that the composition of the Audit Risk Management and Compliance Committee complies with Listing Rule 12.7. As at 30 June 2010, the process to recruit an additional Director or Directors was in progress with a view to making an appropriate appointment in order to achieve compliance as soon as possible and in any event by no later than 1 October 2010.

Until such an appointment is made, and the composition of the Audit Risk Management and Compliance Committee amended, the Board has determined 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 will be adequate for 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 carefully considered the impact of its approach. The Board considers that the following aspects of the current arrangement continue in the short-term 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 and seek to achieve compliance with the ASX CGC's recommendations.

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 6 to 8 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 2010.

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.
- 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 58 to 63 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 2010 the Company's employees decreased by 11 due mainly to a slight decrease occurring in Australia. At 30 June 2010, the Company had 931 employees (full time equivalents) based in four countries as shown in the table below.

McPherson's is committed to maintaining positive and effective relationships with its employees through safe working conditions, training programmes, and by endeavoring to help all employees to 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 staff 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 2010

Australia	772
New Zealand	98
Hong Kong/China	26
Singapore	35
	931

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 minimise 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		2010	2009*	2008	2007	2006
Sales	1	$000's	353,953	356,847	333,941	319,548	314,567
Operating profit before tax	2	$000's	37,362	29,329	38,207	28,998	19,173
Income tax expense	2	$000's	(11,219)	(8,343)	(10,614)	(8,053)	(5,546)
Operating profit after tax	2	$000's	26,143	20,986	27,593	20,945	13,627
Profit after tax and after non-recurring items		$000's	25,649	19,270	26,496	20,945	13,553
Operating cash flow	3	$000's	39,791	26,279	37,913	30,486	30,182
Shareholders' funds	4	$000's	196,898	154,834	153,535	140,300	127,732
Return on average shareholders' funds	5	%	14.5	13.6	18.8	15.6	11.1
Earnings per share (EPS)	6	Cents	36.4	29.9	41.1	32.9	22.3
Dividends per share (fully franked)		Cents	20.0	-	25.0	19.0	14.0
Net debt		$000's	71,877	104,156	106,383	104,759	124,155
Gearing (net debt to shareholders' funds)		%	36.5	67.3	69.3	74.7	97.2

* Certain 2009 amounts have been restated in accordance with amended Accounting Standard AASB 139.

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.
Note 6: Calculated using profit after tax and after non-recurring items.

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 2010.

(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, J.P. Clifford and P.D.J. Landos.

P.J. Maguire was a Director of McPherson's Limited from his appointment as Managing Director on 1 November 2009 to the date of this report. D.J. Allman retired as Managing Director on 1 November 2009 and was appointed a non-executive Director on the same date.

(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

Details of dividends in respect of the current year are as follows:

	$000's
• Interim ordinary dividend of 10.0 cents per fully paid ordinary share paid on 1 April 2010 (fully franked).	7,165
• Final ordinary dividend of 10.0 cents per fully paid ordinary share declared by Directors (fully franked) but not recognised as a liability at year end.	7,165
Total dividends in respect of the year	14,330

(d) Consolidated Results

The consolidated profit after tax from operations of McPherson's Limited and its controlled entities for the year ended 30 June 2010 was $25,649,000 (2009: $19,270,000).

(e) Review of Operations

The review of operations of the Group is contained in the Chairman's and Managing Director's Report on page 4 and the Review of Operations on pages 10 to 15 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 renegotiation of the Group's term debt facilities has been finalised and documented, which has resulted in the term of those facilities being extended and now having a maturity date of 31 August 2013.

(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 2010.

(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 6 and 7 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 8 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 6 and 7 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 8 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
P.J. Maguire, Managing Director – from his appointment on 1 November 2009.
D.J. Allman, Managing Director – until his retirement on 1 November 2009, at which time he was appointed as a non-executive Director.

Non-Executive Directors
D.J. Allman – from his appointment as a non-executive Director on 1 November 2009.
J.P. Clifford
P.D.J. Landos

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
P.J. Maguire*	Chief Executive Officer, McPherson's Consumer Products	McPherson's Limited
S.K.S. Chan	Managing Director, McPherson's Consumer Products HK	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

* Mr P.J. Maguire was the Chief Executive Officer of Multix Pty Ltd until his appointment as Chief Executive Officer of McPherson's Consumer Products on 6 July 2009, at which time his employer became McPherson's Limited. He was subsequently appointed Managing Director of McPherson's Limited on 1 November 2009.

All of the above persons were also key management personnel during the year ended 30 June 2009. In addition, Mr M.A. O'Kelly was a key management person during the year ended 30 June 2009.

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 12%, and shareholder wealth reflecting share price movements and dividends has increased at an average rate of around 3% per annum. Including the options issued during the year ended 30 June 2010, executive remuneration has grown at an average rate of approximately 21% per annum over the past five years. Excluding the options, executive remuneration has grown at an average rate of approximately 11% per annum over the same period.

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.

(k) Remuneration Report (continued)

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

Excluding termination benefits and including superannuation guarantee contributions made on their behalf by the Company, non-executive Directors' remuneration for the year ended 30 June 2010 totalled $310,792 (2009: $250,048).

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 2009, at which time Directors' fees were increased by 6.0%. Prior to that, fees were reviewed effective 1 October 2007, 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 "Director's 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 2009	From 1 October 2007 to 30 September 2009
Base fees		
Chairman	$114,614	$108,127
Other non-executive Directors	$60,780	$57,340
Additional fees		
Audit Risk Management and Compliance Committee – Chairman	$6,945	$6,552
Audit Risk Management and Compliance Committee – Member	$5,001	$4,718

The above amounts exclude company superannuation guarantee contributions payable on behalf of Directors at a rate of 9% on the base fees and additional fees.

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.

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 50% 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 50% of the executive's base salary package amount. The minimum payable would be zero in cases where the specified performance targets are 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 33 to 36.

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.

(k) Remuneration Report (continued)

Details of remuneration (continued)

Key Management Personnel of the Group

2010	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)	101,250	-	-	29,375	-	-	-	130,625
P.J. Maguire (Managing Director)(3)	445,621	225,000	21,454	25,000	31,215	-	986,711	1,735,001
D.J. Allman(4)	230,950	-	5,488	43,647	13,218	-	-	293,303
J.P. Clifford	54,813	-	-	10,500	-	-	-	65,313
P.D.J. Landos	64,851	-	-	5,836	-	-	-	70,687
Total Directors' Remuneration 2010	897,485	225,000	26,942	114,358	44,433	-	986,711	2,294,929
Other Group Key Management Personnel								
S.K.S. Chan(6)	369,689	22,642	-	28,394	4,703	-	-	425,428
P.R. Bennett(5)	268,533	164,300	5,910	49,992	11,551	-	-	500,286
A.E. Fahy(5)	316,044	102,600	26,700	14,461	8,525	-	-	468,330
G.P. Mitchell(6)	199,293	17,116	23,989	19,794	2,557	-	-	262,749
Total Other Key Management Personnel Remuneration 2010	1,153,559	306,658	56,599	112,641	27,336	-	-	1,656,793

Total Remuneration 2010 – McPherson's Limited	1,482,062	491,900	59,552	178,811	64,509	-	986,711	3,263,545
Total Remuneration 2010 – Group	2,051,044	531,658	83,541	226,999	71,769	-	986,711	3,951,722

(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 Maguire was appointed Managing Director on 1 November 2009. Before this appointment he was Chief Executive of McPherson's Consumer Products and prior to that was Chief Executive of Multix. Amounts shown above include all Mr Maguire's remuneration during the reporting period, whether as Managing Director or in his previous executive positions. Amounts received in his position as Managing Director amounted to $1,522,610, made up of a cash salary of $273,985, cash bonus of $225,000, non-monetary benefits of $14,303, superannuation of $16,667, long-term benefits of $5,944 and options of $986,711.

(4) Mr Allman retired as Managing Director on 1 November 2009 and was appointed as a non-executive Director on the same date. Termination benefits of $880,796 including accrued annual leave and long service leave were paid on his retirement and were provided for in the accounts in the previous financial year. Short-term benefits include salary and non-monetary benefits paid from 1 July 2009 until 1 November 2009 while he was Managing Director, and fees paid in his capacity as a non-executive Director from 1 November 2009 until 30 June 2010. Long-term benefits comprise the increase in his long service leave entitlement from 1 July 2009 until his retirement as Managing Director on 1 November 2009.

(5) Employed by McPherson's Limited.

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

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's retirement as Managing Director is to occur in the 2009/10 financial year. Termination benefits in the order of $880,000 including accrued annual leave and long service leave are to be paid on his retirement and were 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 31 July 2009. Termination benefits of $648,000 including accrued annual leave and long service leave were paid on his termination and were provided for in the accounts at 30 June 2009.

(k) Remuneration Report (continued)

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	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Executive Director of McPherson's						
P.J. Maguire	30%	99%	13%	-	57%	1%
Other key management personnel of the Group						
S.K.S. Chan	95%	100%	5%	-	-	-
P.R. Bennett	67%	100%	33%	-	-	-
A.E. Fahy	78%	100%	22%	-	-	-
G.P. Mitchell	93%	100%	7%	-	-	-

* Since the long-term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year.

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 sets out details of the base package amount, usually inclusive of superannuation and motor vehicle benefits, and provides 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.

P.J. Maguire, Managing Director

- 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.
- Options over ordinary shares in the Company may be subscribed for on the terms and conditions set out in the contract and issued subject to shareholder approval.

S.K.S. Chan, Managing Director, McPherson's Consumer Products (HK) Limited

- Base salary package, inclusive of superannuation, with effect from 1 October 2009 of HKD$2,461,237 (AUD$360,853), 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 2009 of $328,600, 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 2009 of $355,100, 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$243,437 (AUD$194,703) with effect from 1 October 2009, 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.

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 previously 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. However for options issued in the current financial year, the Committee has amended the criteria to reflect a combination of share price and dividend performance (collectively referred to as total shareholder return).

On 9 July 2009 the Company announced that it was proposed to grant 1.5 million options over ordinary shares in the Company to the Managing Director designate, Mr Paul Maguire, under the McPherson's Limited Share/Option Purchase Plan. The grant was subject to the approval of shareholders which was given at the McPherson's Limited Annual General Meeting on 13 November 2009 following Mr Maguire's appointment as Managing Director on 1 November 2009. The options form part of Mr Maguire's remuneration arrangements and affect remuneration in this and future reporting periods. The options were granted and are exercisable in four equal tranches of 375,000 and were issued on the following terms:

						Terms and Conditions of Grant				
				Value Per Option at Grant Date(2)	Amount Paid at Grant Date		Date Exercisable		Share Price Criteria	Shareholder Return Criteria
Tranche No.	Number Granted	Grant Date(1)	Expiry Date			Exercise Price	From	To		
1	375,000	06-Jul-09	06-Jul-13	$1.26	$3,750	$1.64	06-Jul-10	06-Jul-13	Note 3	Note 4
2	375,000	06-Jul-09	06-Jan-14	$1.21	$3,750	$1.64	06-Jan-11	06-Jan-14	Note 3	Note 4
3	375,000	06-Jul-09	06-Jul-14	$1.16	$3,750	$1.64	06-Jul-11	06-Jul-14	Note 3	Note 4
4	375,000	06-Jul-09	06-Jan-15	$1.10	$3,750	$1.75	06-Jan-12	06-Jan-15	Note 3	Note 4
	1,500,000									

Notes:

1. The issue of the options was subject to shareholder approval. The grant of options was approved at a General Meeting of shareholders on 13 November 2009.
2. The grant date for option valuation purposes is the shareholder approval date of 13 November 2009.
3. The share price must exceed the relevant exercise price for a continuous period of 40 trading days.
4. Total shareholder return must exceed 15% per annum for the period from the grant date to the relevant exercise date.

(k) Remuneration Report (continued)

Share-based compensation (continued)

Further information concerning the principal terms of issue of the options is set out below:

(a) 25% of the options granted may be exercised between one and four years from 6 July 2009 (the date the decision to appoint Mr Maguire was announced and the date the offer of the options was accepted) provided that the Company's shares have traded on the ASX at or above $1.64 (measured on a weighted average basis) for forty consecutive trading days, and total shareholder return (being a function of share price growth and dividend payments) exceeds 15% per annum for the period from 6 July 2009 to the exercise date;

(b) 25% of the options granted may be exercised between one and a half years and four and a half years from 6 July 2009 provided that the Company's shares have traded on the ASX at or above $1.64 (measured on a weighted average basis) for forty consecutive trading days, and total shareholder return (being a function of share price growth and dividend payments) exceeds 15% per annum for the period from 6 July 2009 to the exercise date;

(c) 25% of the options granted may be exercised between two and five years from 6 July 2009 provided that the Company's shares have traded on the ASX at or above $1.64 (measured on a weighted average basis) for 40 consecutive trading days, and total shareholder return (being a function of share price growth and dividend payments) exceeds 15% per annum for the period from 6 July 2009 to the exercise date;

(d) 25% of the options granted may be exercised between two and a half years and five and a half years from 6 July 2009 provided that the Company's shares have traded on the ASX at or above $1.75 (measured on a weighted average basis) for forty consecutive trading days, and total shareholder return (being a function of share price growth and dividend payments) exceeds 15% per annum for the period from 6 July 2009 to the exercise date;

(e) allotment of any shares pursuant to the exercise of the options will occur progressively as options are exercised; and

(f) if the options have not become exercisable at the end of the exercise periods set out above, they will lapse at that time.

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.

There were no options issued in the financial year ended 30 June 2009.

The terms and conditions of each grant of options in earlier financial years were 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

The options issued in earlier financial periods did not affect remuneration in the current financial year nor will they affect remuneration in future reporting periods.

The amounts disclosed for emoluments relating to options is the assessed fair value at grant date of each component of the options granted to senior executives net of any consideration paid by the executive, allocated 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.

For options issued in the current financial year, fair values at grant date were determined using a modified Black-Scholes 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 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 ended 30 June 2010, or during the year ended 30 June 2009, 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 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.

Name	Number of Options Granted During the Year	Value of Options at Grant Date*	Number of Options Vested During the Year	Number of Options Lapsed During the Year	Value at Lapse Date
Directors of McPherson's Limited					
P.J. Maguire	1,500,000	$1,758,750	-	-	-
Other key management personnel of the Group					
S.K.S. Chan	-	-	-	-	-
P.R. Bennett	-	-	-	-	-
A.E. Fahy	-	-	-	-	-
G.P. Mitchell	-	-	-	-	-

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

Shares provided on exercise of remuneration options
There were no ordinary shares in the Company issued as a result of the exercise of remuneration options to Directors of McPherson's Limited and other key management personnel of the Group during the current or the previous financial year.

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 was discontinued in February 2010 because of the reduced tax benefits now available to participating employees. As a consequence the plans have been closed to new participants and are being wound down.

(k) Remuneration Report (continued)

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. 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.

	Bonus		Share-Based Compensation Benefits (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 $
P.J. Maguire	100	-	2010	-	-	2011 to 2015	-	772,039
S.K.S. Chan	20	80	-	-	-	-	-	-
P.R. Bennett	100	-	-	-	-	-	-	-
A.E. Fahy	58	42	-	-	-	-	-	-
G.P. Mitchell	21	79	-	-	-	-	-	-

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 $
P.J. Maguire	57	1,758,750	-	-
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
6 July 2009	6 July 2013	$1.64	375,000
6 July 2009	6 January 2014	$1.64	375,000
6 July 2009	6 July 2014	$1.64	375,000
6 July 2009	6 January 2015	$1.75	375,000
			1,500,000

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 2010 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 40.

	2010 $	2009 $
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:		
Assurance services		
1. *Audit services*		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	237,500	300,855
Overseas affiliates of PricewaterhouseCoopers Australian firm	29,500	51,958
Non PricewaterhouseCoopers audit firms	21,633	15,190
Total remuneration for audit services	288,633	368,003
2. *Other assurance services*		
Overseas affiliates of PricewaterhouseCoopers Australian firm:		
Audit of pension plans	-	2,684
Financial statements preparation	3,000	4,000
Non PricewaterhouseCoopers audit firms:		
Audit of pension plans	583	-
Total remuneration for other assurance services	3,583	6,684
Total remuneration for assurance services	292,216	374,687

(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 24th day of August 2010.

S.A. Rowell Director	P.J. Maguire Director

Auditor's Independence Declaration

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
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As lead auditor for the audit of McPherson's Limited for the year ended 30 June 2010, 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
24 August 2010

Liability limited by a scheme approved under Professional Standards Legislation

Directors' Declaration

We, Simon A. Rowell and Paul J. Maguire, 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 44 to 98 and the remuneration report on pages 26 to 36 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 consolidated entity's financial position as at 30 June 2010 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date;

(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 33 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 33.

Note 1(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 24th day of August 2010.

S.A. Rowell	P.J. Maguire
Director	Director

Independent Auditor's Report to the Members of McPherson's Limited

PRICEWATERHOUSECOOPERS

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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 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the 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 the financial statements comply 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 consolidated entity's financial position as at 30 June 2010 and of its 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 financial report 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 26 to 36 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Graeme Billings
Partner

Melbourne
24 August 2010

Statement of Comprehensive Income

For the Year Ended 30 June 2010

	Note	Consolidated 2010 $000's	Consolidated 2009 $000's
Revenue	4	354,265	357,415
Other income	5	1,634	1,492
Expenses	3	(311,465)	(322,365)
Finance costs		(7,973)	(9,899)
Share of net profit of associate	14	195	234
Profit before income tax		36,656	26,877
Income tax expense	6	(11,007)	(7,607)
Profit after income tax		25,649	19,270
Other comprehensive income			
Changes in fair value of cash flow hedges		11,604	(14,734)
Exchange differences on translation of foreign operations		5	1,018
Income tax relating to components of other comprehensive income	6(d)	(3,481)	4,424
Other comprehensive income		8,128	(9,292)
Total comprehensive income		33,777	9,978
		Cents	Cents
Basic earnings per share	29	36.4	29.9
Diluted earnings per share	29	36.2	29.9

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

Balance Sheet

As at 30 June 2010

	Note	Consolidated 2010 $000's	2009 $000's	2008[1] $000's
Current assets				
Cash	10	467	2,281	940
Receivables	11	57,368	55,782	56,820
Inventories	12	64,297	61,251	56,226
Derivative financial instruments	13	258	18	1,973
Total current assets		122,390	119,332	115,959
Non-current assets				
Other financial assets	14	1,281	1,486	1,752
Property, plant and equipment	15	22,262	23,707	23,534
Intangibles	16	188,135	188,505	188,696
Deferred tax assets	17	6,274	9,918	6,119
Total non-current assets		217,952	223,616	220,101
Total assets		340,342	342,948	336,060
Current liabilities				
Payables	18	41,227	39,242	42,532
Derivative financial instruments	13	1,529	11,481	502
Borrowings	19	312	1,394	250
Provisions	20	10,947	11,334	10,739
Current tax liabilities		2,365	2,663	5,366
Total current liabilities		56,380	66,114	59,389
Non-current liabilities				
Derivative financial instruments	13	290	2,090	-
Borrowings	21	72,018	105,026	107,057
Provisions	22	1,084	1,211	1,652
Deferred tax liabilities	23	13,672	13,673	14,427
Total non-current liabilities		87,064	122,000	123,136
Total liabilities		143,444	188,114	182,525
Net assets		196,898	154,834	153,535
Shareholders' equity				
Share capital	24	127,193	112,727	113,024
Reserves	25(a)	(2,290)	(11,352)	(1,146)
Retained profits	25(b)	71,995	53,459	41,657
Total shareholders' equity		196,898	154,834	153,535

(1) As AASB 2008-8 has been applied retrospectively, AASB 101 *Presentation of Financial Statements* requires presentation of a third balance sheet.

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

Statement of Changes in Equity

For the Year Ended 30 June 2010

Consolidated	Note	Share Capital $000's	Reserves $000's	Retained Profits $000's	Total $000's
Balance at 1 July 2008		113,024	(1,497)	42,008	153,535
Adjustment on application of AASB 2008-8, net of tax		-	351	(351)	-
		113,024	(1,146)	41,657	153,535
Profit after income tax, as reported in the 2009 financial statements		-	-	19,473	19,473
Cash flow hedges, net of tax, as reported in the 2009 financial statements		-	(10,513)	-	(10,513)
Adjustment on application of AASB 2008-8 net of tax		-	203	(203)	-
Exchange differences on translation of foreign operations	25(a)	-	1,018	-	1,018
Restated total comprehensive income		-	(9,292)	19,270	9,978
Transactions with shareholders					
Share-based payments expense	25(a)	-	4	-	4
Share buyback – shares purchased	24	(296)	-	-	(296)
Transaction costs on share buyback, net of tax	24	(1)	-	-	(1)
Transfers	25(a)&(b)	-	(918)	918	-
Dividends paid	7	-	-	(8,386)	(8,386)
		(297)	(914)	(7,468)	(8,679)
Balance at 30 June 2009		112,727	(11,352)	53,459	154,834

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

Consolidated	Note	Share Capital $000's	Reserves $000's	Retained Profits $000's	Total $000's
Balance at 1 July 2009		112,727	(11,352)	53,459	154,834
Profit after income tax		-	-	25,649	25,649
Cash flow hedges, net of tax	25(a)	-	8,123	-	8,123
Exchange differences on translation of foreign operations	25(a)	-	5	-	5
Total comprehensive income		-	8,128	25,649	33,777
Transactions with shareholders					
Share-based payments expense	25(a)	-	986	-	986
Share issues – equity raising	24	15,000	-	-	15,000
Transaction costs on share issues, net of tax	24	(534)	-	-	(534)
Transfers	25(a)&(b)	-	(52)	52	-
Dividends paid	7	-	-	(7,165)	(7,165)
		14,466	934	(7,113)	8,287
Balance at 30 June 2010		**127,193**	**(2,290)**	**71,995**	**196,898**

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

Statement of Cash Flows

For the Year Ended 30 June 2010

	Note	Consolidated 2010 $000's	2009 $000's
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		388,702	391,245
Payments to suppliers and employees (inclusive of GST)		(341,280)	(355,634)
Interest received		42	38
Interest and borrowing costs paid		(8,073)	(9,870)
Income tax paid		(10,896)	(10,412)
Dividends received		400	500
Net cash inflows from operating activities	34	28,895	15,867
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(3,618)	(4,984)
Proceeds from disposal of property, plant and equipment		21	74
Payments for purchase of intangibles		(77)	(88)
Net cash outflows from investing activities		(3,674)	(4,998)
Cash flows from financing activities			
Proceeds from issue of shares		15,000	-
Costs from issue of shares		(763)	-
Payments for buyback of shares		-	(296)
Costs from buyback of shares		-	(1)
Proceeds from borrowings		115,500	112,500
Repayment of borrowings		(148,500)	(114,500)
Dividends paid		(7,165)	(8,386)
Repayment of hire purchase liabilities		(11)	(50)
Net cash outflows from financing activities		(25,939)	(10,733)
Net (decrease)/increase in cash held		(718)	136
Cash at beginning of the financial year		897	719
Net effect of exchange rate changes on cash		(15)	42
Cash held at end of financial year	10	164	897

The above statement of cash flows 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 these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of McPherson's Limited and its subsidiaries.

(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
The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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.

Financial statement presentation
The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Application of amended accounting standard
The Group has applied AASB 2008-8 which amends AASB 139 *Financial Instruments: Recognition and Measurement*. Additionally, in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 2008-8 has been applied retrospectively and therefore comparative information has been restated where applicable.

(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 2010 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 has 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 14.

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

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

Change in accounting policy

The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

(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 applicable 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 is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(ii) 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.

1. Summary of significant accounting policies (continued)

(h) Business combinations

The acquisition 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. Acquisition related costs are expensed as incurred. Previously they were recognised as part of the cost of acquisition and therefore included in goodwill. 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 $5,144,000 at 30 June 2010 (2009: $7,195,000), and receipts from customers in the year ended 30 June 2010 increase by $2,051,000 (2009: $1,018,000).

(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.

(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 other comprehensive income and accumulated 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.

1. Summary of significant accounting policies (continued)

(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	3 – 13 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.

(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. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(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 licences 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) Short-term obligations

Liabilities for wages and salaries, including annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(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 arise 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.

(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 2010 reporting period. The Group's assessment of the impact of these new standards and interpretations which are applicable to the Group is set out below.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact and has not yet determined when AASB 9 is to be adopted.

(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 recoverable amount of cash-generating units

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 16 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 co-operation with the Group's operating units.

The Group holds the following financial instruments:

	Consolidated	
	2010 $000's	2009 $000's
Financial assets		
Cash (Note 10)	467	2,281
Receivables (Note 11)	57,368	55,782
Derivative financial instruments (Note 13)	258	18
	58,093	58,081
Financial liabilities		
Payables (Note 18)	41,227	39,242
Borrowings (Notes 19 and 21)	72,303	106,384
Derivative financial instruments (Note 13)	1,819	13,571
Hire purchase (Notes 19 and 21)	27	36
	115,376	159,233

As of 1 July 2009, the Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Derivative financial instruments in the above table, which are used purely for hedging purposes, are measured and recognised at fair value and are included in level 2 of the fair value measurement hierarchy.

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

(a) Foreign exchange risk

The Group operates internationally and is 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 at least 75% 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% (2010: 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	Euro	£Stg	CAD	CHF	MYR	HKD	AUD
30 June 2010 – Group									
Receivables	864	-	-	-	-	-	9	20	1,519
Payables	111	1	522	74	-	-	-	378	1,786
Forward foreign exchange contracts									
(Note 13) – buy foreign currency	4,593	468	792	210	-	-	-	-	592
Foreign currency options	53,594	-	-	-	-	-	-	-	-
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 13) – buy foreign currency	54,895	-	1,983	122	-	-	-	-	527
– sell foreign currency	190	-	-	-	-	-	-	-	-
Foreign currency options	34,946	-	-	-	-	-	-	-	-

Group sensitivity

Based on the financial instruments held at 30 June 2010, 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 $2,386,000 higher/$1,432,000 lower (2009: $2,996,000 higher/$2,607,000 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.

2. Financial risk management (continued)

(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.

2010	Floating Interest Rate $000's	Fixed Interest Rate $000's	Total $000's	Weighted Average Interest Rate %
Financial liabilities				
Currency – Australian dollars				
Bank loans	72,000	-	72,000	
Bank overdraft	151	-	151	
Hire purchase	-	27	27	
	72,151	27	72,178	4.6
Currency – Hong Kong dollars				
Bank overdraft	98	-	98	6.5
Currency – New Zealand dollars				
Bank overdraft	54	-	54	10.7
Notes 19 and 21	72,303	27	72,330	

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	
	106,262	36	106,298	3.2
Currency – Hong Kong dollars				
Bank overdraft	122	-	122	6.5
Notes 19 and 21	106,384	36	106,420	

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

The Board's risk management policy is to generally hedge no less than 75% of the term debt facilities which also satisfies the hedging requirements of the Group's current term debt facility agreement. Hedge contracts which were in place in the previous year and are still in place at 30 June 2010 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. These contracts are subject to different conditions but generally restrict interest rate exposure to rates between 6.75% and 7.63%.

An additional contract was entered into during the year with a commencement date of 1 July 2011, termination date of 31 August 2013, and covering an initial aggregate amount of $57.6 million reducing annually to $45.6 million at 3 October 2012. The contract restricts interest rate exposure to 5.36%.

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

Group sensitivity

At 30 June 2010, 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 $840,000 higher/$834,000 lower (2009: $744,000 higher/$1,011,000 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 $80,000 lower/$80,000 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 13 for additional information regarding receivables and credit risk exposure.

2. Financial risk management (continued)

(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	
	2010 $000's	2009 $000's
Financing arrangements The Group has available to it a committed financing facility of $124,680,000 at 30 June 2010. As at the end of the financial year $72,303,000 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:		
Total facilities		
Bank overdrafts	9,680	9,684
Bank loan facilities	115,000	127,000
	124,680	136,684
Used at balance date		
Bank overdrafts	303	1,384
Bank loan facilities	72,000	105,000
	72,303	106,384
Unused at balance date		
Bank overdrafts	9,377	8,300
Bank loan facilities	43,000	22,000
	52,377	30,300

The bank loan facilities are available under a 43 month amortising committed financing facility with the Group's bankers, of which 30 months had elapsed at 30 June 2010.

Subsequent to the end of the financial year the renegotiation of the Group's term debt facilities has been finalised and documented, which has resulted in the term of those facilities being extended and now having a maturity date of 31 August 2013.

Maturity of financial liabilities

The tables following analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

30 June 2010 – Group	Less than 1 Year $000's	Between 1 & 2 Years $000's	Total Contractual Cash Flows $000's	Carrying Amount $000's
Non-derivatives				
Non-interest bearing liabilities (Note 18)	41,227	-	41,227	41,227
Interest bearing liabilities (Notes 19 and 21)	303	77,883	78,186	72,303
Hire purchase (Notes 19 and 21)	9	18	27	27
	41,539	77,901	119,440	113,557
Derivatives (Note 13)				
Forward foreign exchange contracts – inflow	6,655	-	6,655	
Forward foreign exchange contracts – outflow	(6,655)	-	(6,655)	
	-	-	-	3
Interest rate contracts	1,526	290	1,816	1,816
Total derivative financial instrument liabilities	1,526	290	1,816	1,819

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				
Non-interest bearing liabilities (Note 18)	39,242	-	39,242	39,242
Interest bearing liabilities (Notes 19 and 21)	1,384	114,565	115,949	106,384
Hire purchase (Notes 19 and 21)	10	26	36	36
	40,636	114,591	155,227	145,662
Derivatives (Note 13)				
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
Foreign currency options – liabilities	1,186	-	1,186	776
Total derivative financial instrument liabilities	3,371	2,090	5,461	13,571

3. Operating profit

(a) Expenses

	Consolidated 2010 $000's	Consolidated 2009 $000's
Materials and consumables used	183,556	191,410
Employee costs	65,485	66,240
Rental expenses relating to operating leases	9,588	9,888
Amortisation of other intangibles	495	787
Depreciation/other amortisation	4,972	4,978
Advertising and promotional	10,577	10,790
Repairs and maintenance	1,938	2,125
Cartage and freight	14,958	14,698
Restructure costs	706	2,452
Other expenses	19,190	18,997
Total expenses	311,465	322,365

(b) Profit before income tax expense includes the following net expenses and gains:

	Consolidated 2010 $000's	Consolidated 2009 $000's
Expenses		
Depreciation/amortisation:		
Property	239	166
Plant and equipment	4,700	4,730
Leasehold improvements	33	82
	4,972	4,978
Amortisation:		
Other intangibles	495	787
Total depreciation and amortisation	5,467	5,765
Rental expenses relating to operating leases:		
Minimum lease payments	9,388	9,767
Contingent rentals	200	121
Total rental expenses relating to operating leases	9,588	9,888
Other charges (credits) against assets:		
Bad and doubtful debts – trade debtors	(36)	125
Provision for stock obsolescence	982	407
Total other charges (credits) against assets	946	532

	Consolidated 2010 $000's	2009 $000's
Other provisions:		
Employee entitlements	3,940	4,443
Employee incentives	1,877	624
Restructure	706	1,800
Claims and returns	(40)	-
Other	(16)	117
Total other provisions	6,467	6,984
Other expenses:		
Cost of goods sold	207,961	216,901
Loss on disposal of plant and equipment	16	21
Net exchange (gains)/losses	(583)	3,065
Gains		
Profit on disposal of plant and equipment	21	35

4. Revenue

	2010 $000's	2009 $000's
Revenue from operating activities:		
Sales revenue	353,953	356,847
Other revenue:		
Interest received/receivable	47	34
Royalties	265	534
Total revenue	354,265	357,415

5. Other income

	2010 $000's	2009 $000's
Net gain on disposal of property, plant and equipment	5	14
Waste recoveries	779	1,013
Commissions	155	86
Sundry	695	379
Total other income	1,634	1,492

	Consolidated	
	2010 $000's	2009 $000's
6. Income tax		
(a) Income tax expense		
Current tax	10,670	7,891
Deferred tax	310	(267)
Under/(over) provision in prior years	27	(17)
	11,007	7,607
Deferred income tax expense (credit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (Note 17)	293	(114)
Increase/(decrease) in deferred tax liabilities (Note 23)	17	(153)
	310	(267)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Operating profit before tax	36,656	26,877
Tax at the Australian tax rate of 30% (2009 – 30%)	10,997	8,063
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net profit of associate	(59)	(70)
Share-based payments	296	1
Tax rate differences in overseas entities	(267)	(250)
Under/(over) provision in prior years	27	(17)
Net benefit of tax losses not previously recognised	(59)	(229)
Other	72	109
Income tax expense	11,007	7,607
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited to equity:		
Deferred tax assets (Note 17)	229	-
(d) Tax expense/(income) relating to items of other comprehensive income		
Cash flow hedges (Note 17)	3,486	(3,833)
Cash flow hedges (Note 23)	(5)	(591)
Total	3,481	(4,424)

	Consolidated 2010 $000's	2009 $000's
(e) Tax losses		
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
- Tax effected	-	52

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.

(f) 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.

The Tax Sharing Agreement limits the joint and several liability of the wholly-owned entities in the case of default by McPherson's Limited.

	Consolidated 2010 $000's	2009 $000's
7. Dividends		
Ordinary		
Final 30 June 2009 dividend of nil cents per fully paid share (2008: 13.0 cents per fully paid share) fully franked @ 30%	-	8,386
Interim 2010 dividend of 10.0 cents per fully paid share (2009: Nil cents per fully paid share) fully franked @ 30%	7,165	-
Total dividends paid	7,165	8,386

	Consolidated	
	2010 $000's	2009 $000's
7. Dividends (continued)		
Dividends not recognised at year end		
In addition to the above dividends, since the year end Directors have declared a fully franked final dividend of 10.0 cents per fully paid ordinary share. The aggregate amount of the dividend to be paid on 1 October 2010 but not recognised as a liability at year end is:	7,165	-
Franked dividends		
Franked dividends paid after 30 June 2010 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 2011.		
Franking credits available for subsequent financial years based on a tax rate of 30%	23,764	17,625

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.

	Consolidated	
	2010 $	2009 $
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:		
Assurance services		
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	237,500	300,855
Overseas affiliates of PricewaterhouseCoopers Australian firm	29,500	51,958
Non PricewaterhouseCoopers audit firms	21,633	15,190
Total remuneration for audit services	288,633	368,003
2. Other assurance services		
Overseas affiliates of PricewaterhouseCoopers Australian firm:		
Audit of pension plans	-	2,684
Financial statements preparation	3,000	4,000
Non PricewaterhouseCoopers audit firms:		
Audit of pension plans	583	-
Total remuneration for other assurance services	3,583	6,684
Total remuneration for assurance services	292,216	374,687

	Consolidated	
	2010 $	2009 $

9. Key management personnel

Key management personnel compensation

	2010 $	2009 $
Short-term employee benefits	2,666,243	2,551,745
Post-employment benefits	226,999	387,049
Long-term benefits	71,769	76,124
Termination benefits	-	115,200
Share-based payments	986,711	4,064
	3,951,722	3,134,182

Detailed remuneration disclosures are provided in the Remuneration Report contained within the Directors' Report, which is on pages 26 to 36 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 26 to 36 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:

2010

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							
P.J. Maguire	60,000	1,500,000	-	(60,000)	1,500,000	-	1,500,000
Other key management personnel of the Group							
S.K.S. Chan	-	-	-	-	-	-	-
P.R. Bennett	-	-	-	-	-	-	-
A.E. Fahy	-	-	-	-	-	-	-
G.P. Mitchell	-	-	-	-	-	-	-

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							
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)	-	-	-
M.G. Dagg	60,000	-	-	(60,000)	-	-	-

There are no vested options outstanding at the end of the year, and none are exercisable.

9. Key management personnel (continued)

Equity instrument disclosures relating to key management personnel (continued)

Shareholdings

The number of 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. There were no shares granted during the reporting period as compensation.

2010

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	203,237	-	14,286	217,523
P.J. Maguire	400,000	-	100,143	500,143
D.J. Allman	438,764	-	61,429	500,193
J.P. Clifford	-	-	-	-
P.D.J. Landos	-	-	-	-
Other key management personnel of the Group				
S.K.S. Chan	-	-	-	-
P.R. Bennett	5,835	-	-	5,835
A.E. Fahy	12,064	-	(11,318)	746
G.P. Mitchell	-	-	-	-

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
J.P. Clifford	-	-	-	-
P.D.J. Landos	-	-	-	-
A. Waislitz	-	-	-	-
Other key management personnel of the Group				
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	-	-	-	-
M.A. O'Kelly	-	-	7,396	7,396

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 previous 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 2010 $000's	Consolidated 2009 $000's
Cash on hand	14	16
Cash at bank and on deposit (at call)	453	2,265
	467	2,281
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	467	2,281
Less: Bank overdrafts (Note 19)	(303)	(1,384)
Balances per cash flow statements	164	897

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.

2010	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	4	0.1	-	4
Currency – United States dollars	49	0.1	84	133
Currency – Pounds sterling	-	-	7	7
Currency – Singapore dollars	-	-	259	259
Currency – Hong Kong dollars	-	-	50	50
	53	-	400	453

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 – Singapore dollars	187	0.5	42	229
Currency – New Zealand dollars	-	-	6	6
Currency – Hong Kong dollars	-	-	3	3
	1,861	-	404	2,265

Non-interest bearing cash and deposits represent clearing accounts.

11. Current assets – receivables

	Consolidated 2010 $000's	Consolidated 2009 $000's
Trade receivables	53,157	53,842
Provision for impairment	(74)	(202)
	53,083	53,640
Other receivables/prepayments	4,285	2,142
	57,368	55,782
Movements in the provision for impairment of trade receivables are as follows:		
Balance at 1 July	(202)	(179)
Provisions for impairment recognised during the year	(21)	(125)
Written-off during the year as uncollectible	93	106
Unused amount reversed	57	-
Foreign exchange	(1)	(4)
	(74)	(202)

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 2010 $000's	Consolidated 2009 $000's
Neither past due nor impaired	39,379	39,271
Past due, but not impaired:		
– less than 30 days	11,487	12,327
– 30 to 59 days	1,826	1,485
– 60 to 89 days	295	280
– 90 to 119 days	84	119
– 120 days or more	9	157
	53,080	53,639
Impaired	77	203
Gross carrying amount	53,157	53,842
Provision for impairment	(74)	(202)
Net carrying amount	53,083	53,640

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	
	2010 $000's	2009 $000's
Printing (predominantly Australia)	5,885	7,201
Consumer Products (predominantly Australasia)	47,272	46,641
	53,157	53,842
Less: Provision for impairment	(74)	(202)
	53,083	53,640

12. Current assets – inventories

	2010 $000's	2009 $000's
Raw materials	5,003	6,416
Work in progress	2,133	2,196
Finished goods	50,543	47,266
Stock in transit	8,189	6,745
	65,868	62,623
Provision for inventory obsolescence	(1,571)	(1,372)
	64,297	61,251

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

Inventory recognised as expenses during the year ended 30 June 2010 amounted to $207,961,000 (2009: $216,901,000).

13. Derivative financial instruments

	2010 $000's	2009 $000's
Current assets		
Forward foreign exchange contracts – cash flow hedges	18	18
Foreign currency options – cash flow hedges	240	-
Total current derivative financial instrument assets	258	18
Current liabilities		
Interest rate contracts – cash flow hedges	1,526	2,185
Forward foreign exchange contracts – cash flow hedges	3	8,520
Foreign currency options – cash flow hedges	-	776
Total current derivative financial instrument liabilities	1,529	11,481
Non-current liabilities		
Interest rate contracts – cash flow hedges	290	2,090

13. Derivative financial instruments (continued)

(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

The Group enters 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.

	2010 $000's	Weighted Average Contracted Exchange Rate	2009 $000's	Weighted Average Contracted Exchange Rate
Maturity 0 – 6 months				
Sell Australian dollars/Buy:				
United States dollars	475	0.8746	46,605	0.6749
New Zealand dollars	468	1.2288	-	-
Sell New Zealand dollars/Buy:				
United States dollars	4,118	0.6966	4,584	0.5555
Euro	718	0.5314	1,983	0.4341
Australian dollars	592	0.7851	527	0.8127
Pounds sterling	210	0.4618	122	0.3926
Buy Australian dollars/Sell:				
United States dollars	-	-	190	0.7307
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
Euro	74	0.5528	-	-

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 $3,000 (2009: assets of $18,000 and liabilities of $8,520,000).

(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 July 2010 to December 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 assets of $240,000 (2009: liabilities of $776,000).

(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	
	2010 $000's	2009 $000's
14. Non-current assets – other financial assets		
Shares in associate		
(i) Movements in carrying amount		
Carrying amount at the beginning of the financial year	1,486	1,752
Share of profit after income tax	195	234
Dividends received	(400)	(500)
Carrying amount at the end of the financial year	1,281	1,486
(ii) Share of associate's profit or loss		
Profit before income tax	279	334
Income tax expense	(84)	(100)
Profit after income tax	195	234
(iii) Share of associate's expenditure commitments other than for the supply of inventories		
Lease commitments	275	429

14. Non-current assets – other financial assets (continued)

(iv) Summarised financial information of associate

	Group's Share of: Assets $000's	Liabilities $000's	Revenues $000's	Profits $000's
2010	2,090	662	2,436	195
2009	2,407	776	2,597	234

	Consolidated 2010 $000's	2009 $000's
15. Non-current assets – property, plant and equipment		
Freehold land and buildings:		
At cost	6,823	6,444
Accumulated depreciation	(2,415)	(1,904)
	4,408	4,540
Leasehold improvements:		
At cost	1,440	1,803
Accumulated amortisation	(1,343)	(1,581)
	97	222
Total property	4,505	4,762
Plant and equipment:		
At cost	68,902	66,504
Accumulated depreciation	(51,145)	(47,559)
Total plant and equipment	17,757	18,945
Total property, plant and equipment	22,262	23,707

(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 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
Carrying amount at 1 July 2009	4,540	222	18,945	23,707
Additions	8	6	3,528	3,542
Transfers	99	(99)	-	-
Disposals	-	-	(19)	(19)
Depreciation/amortisation expense (Note 3(b))	(239)	(33)	(4,700)	(4,972)
Foreign currency exchange differences	-	1	3	4
Carrying amount at 30 June 2010	4,408	97	17,757	22,262

(b) Non-current assets pledged as security

Refer to Note 21(a) for information on non-current assets pledged as security by the parent entity and its controlled entities.

16. Non-current assets – intangibles

	Consolidated 2010 $000's	Consolidated 2009 $000's
Goodwill	142,341	142,293
Other intangibles	5,454	5,377
Accumulated amortisation	(4,719)	(4,224)
	735	1,153
Brandnames	45,059	45,059
Total intangibles	188,135	188,505

16. 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 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
Carrying amount at 1 July 2009	142,293	1,153	45,059	188,505
Additions	-	77	-	77
Amortisation charge (Note 3(b))	-	(495)	-	(495)
Foreign currency exchange differences	48	-	-	48
Carrying amount at 30 June 2010	142,341	735	45,059	188,135

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 (CGUs) according to business segment as follows:

	$000's
Printing	8,530
Consumer Products Australia	129,345
Consumer Products New Zealand	4,466
	142,341

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 one year period. Cash flows beyond the projected period are extrapolated using estimated growth rates between -2.3% and 3% (2009: 1% and 3%). In performing the value-in-use calculations for each CGU, the Company has applied a post-tax discount rate of 11.5% (2009: 11.5%) to discount the forecast future attributable post tax cash flows. The equivalent pre-tax discount rate is 15.1% (2009: 15.1%).

Brandnames

Brandnames are allocated to the Group's cash-generating units (CGUs) 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 one year period. The calculations assume sales growth rates beyond the projected period range from 1% to 3% (2009: 1% to 3%) and a post-tax discount rate of 11.5% (2009: 11.5%), the equivalent pre-tax discount rate equating to 15.1% (2009: 15.1%).

17. Non-current assets – deferred tax assets

	Consolidated	
	2010 $000's	2009 $000's
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Trade receivables impairment	17	59
Employee benefits	2,874	2,823
Depreciation/amortisation	1,808	1,622
Inventory obsolescence	425	364
Claims and returns	76	123
Other provisions and accruals	238	281
Unrealised exchange losses	-	76
Licence fees	183	233
Restructure costs	-	202
	5,621	5,783
Amounts recognised directly in equity		
Transaction costs arising on share issues	185	8
Cash flow hedges	468	4,071
Total temporary differences	6,274	9,862
Tax losses	-	56
	6,274	9,918
Deferred tax assets to be recovered within 12 months	3,780	7,088
Deferred tax assets to be recovered after more than 12 months	2,494	2,830
	6,274	9,918

17. 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	Transaction Costs Arising on Share Issues $000's	Other $000's	Total $000's
Consolidated								
Opening balance at 1 July 2008	166	151	2,865	1,619	353	18	947	6,119
Credited/(charged) to the income statements (Note 6)	(11)	87	(26)	3	4	-	57	114
Credited to equity	-	3,833	-	-	-	-	-	3,833
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	8	974	9,918
Credited/(charged) to the income statement (Note 6)	-	(117)	64	186	61	-	(487)	(293)
Credited/(charged) to equity	-	(3,486)	-	-	-	229	-	(3,257)
Amortisation of transaction costs on share issues	-	-	-	-	-	(52)	-	(52)
Under/(over) provision in prior years	-	-	(15)	-	-	-	27	12
Tax losses utilised	(48)	-	-	-	-	-	-	(48)
Foreign currency exchange differences	(8)	-	2	-	-	-	-	(6)
Closing balance at 30 June 2010	-	468	2,874	1,808	425	185	514	6,274

	Consolidated 2010 $000's	Consolidated 2009 $000's
18. Current liabilities – payables		
Trade creditors	23,062	23,679
Other creditors	18,165	15,563
	41,227	39,242
19. Current liabilities – borrowings		
Bank overdraft (Note 10)	303	1,384
Hire purchase (Note 26)	9	10
	312	1,394
Secured liabilities		
Bank overdraft (Note 10)	303	1,384
Hire purchase (Note 26)	9	10
	312	1,394

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 21.

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

20. Current liabilities – provisions

	2010 $000's	2009 $000's
Employee entitlements	8,152	8,473
Directors' retiring benefits	-	137
Employee incentives	1,783	469
Restructure costs	758	1,800
Claims and returns	254	400
Other	-	55
	10,947	11,334

20. Current liabilities – provisions (continued)

(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 2010 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 2010					
Carrying amount at 1 July 2009	1,800	137	469	400	55
Additional provisions recognised	706	-	1,877	-	-
Written-off to profit and loss	-	(16)	-	(40)	-
Transfer	35	-	-	-	(35)
Payments	(1,783)	(121)	(561)	(106)	(20)
Foreign currency exchange differences	-	-	(2)	-	-
Carrying amount at 30 June 2010	**758**	**-**	**1,783**	**254**	**-**

	Consolidated 2010 $000's	2009 $000's
21. Non-current liabilities – borrowings		
Secured liabilities		
Bank loans	72,000	105,000
Hire purchase liabilities (Note 26)	18	26
Total secured non-current liabilities	72,018	105,026

Bank loans

Bank loans are available under a 43 month committed amortising financing facility with the Group's bankers of which 30 months have elapsed. Interest at variable rates is payable on the bank loans.

Subsequent to the end of the financial year the renegotiation of the Group's term debt facilities has been finalised and documented, which has resulted in the term of those facilities being extended and now having a maturity date of 31st August 2013.

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.

	Consolidated 2010 $000's	2009 $000's
(a) Assets pledged as security		
First mortgage		
Freehold land and buildings	1,675	1,700
Fixed charge		
Property, plant and equipment	20,557	21,986
Intangibles	187,267	187,628
Other financial assets	1,281	1,486
Hire purchase		
Plant and equipment under hire purchase	7	8
Floating charge		
Deferred tax assets	6,213	9,798
Total non-current assets pledged as security	217,000	222,606

	Consolidated 2010 $000's	Consolidated 2009 $000's
21. Non-current liabilities – borrowings (continued)		
(a) Assets pledged as security (continued)		
The following current assets are also pledged as security:		
Fixed charge		
Receivables	51,661	52,516
Floating charge		
Cash	200	2,051
Inventories	63,321	60,133
Receivables	3,873	1,737
Derivative financial instruments	258	18
Total current assets pledged as security	119,313	116,455
Total assets pledged as security	336,313	339,061

22. Non-current liabilities – provisions

	2010 $000's	2009 $000's
Employee entitlements	1,084	1,211

23. Non-current liabilities – deferred tax liabilities

The balance comprises temporary differences attributable to:

	2010 $000's	2009 $000's
Amounts recognised in profit or loss		
Prepayments	14	5
Inventories	132	144
Brandnames	13,518	13,518
Depreciation	4	-
Unrealised foreign exchange gains	1	-
Interest	3	1
	13,672	13,668
Amounts recognised directly in equity		
Cash flow hedges	-	5
	13,672	13,673
Deferred tax liabilities to be settled within 12 months	148	167
Deferred tax liabilities to be settled after more than 12 months	13,524	13,506
	13,672	13,673

Movements

	Inventories $000's	Brandnames $000's	Hedges $000's	Other $000's	Total $000's
Consolidated					
Opening balance at 1 July 2008	119	13,518	596	194	14,427
Charged/(credited) to the income statement (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
Charged/(credited) to the income statement (Note 6)	(12)	-	-	29	17
Credited to equity	-	-	(5)	-	(5)
Over-provision in prior years	-	-	-	(13)	(13)
Closing balance at 30 June 2010	132	13,518	-	22	13,672

	Consolidated 2010 $000's	Consolidated 2009 $000's
24. Share capital		
Issued and paid up capital:		
71,651,758 (2009: 64,508,726) ordinary shares – fully paid	127,193	112,727

Movements in ordinary share capital

Date	Details	Number of Shares	Price $	$000's
1 July 2008	Opening 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
19 August 2009	Shares issued – Share Placement	5,714,285	2.10	12,000
17 September 2009	Shares issued – Share Purchase Plan	1,428,747	2.10	3,000
	Less: Transaction costs arising on equity raisings			(763)
	Plus: Tax credit recognised directly in equity			229
30 June 2010	**Closing Balance**	71,651,758		127,193

Ordinary Shares

At 30 June 2010 there were 71,651,758 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 is set out in the Directors' Report.

	Consolidated	
	2010 $000's	2009 $000's

25. Reserves and retained profits

(a) Reserves

	2010 $000's	2009 $000's
Hedging reserve – cash flow hedges	(810)	(8,933)
Share-based payments reserve	987	53
Foreign currency translation reserve	(2,467)	(2,472)
	(2,290)	(11,352)
Hedging reserve – cash flow hedges:		
Balance 1 July	(8,933)	1,377
Revaluation – gross	(1,157)	(10,391)
Deferred tax (Notes 17 and 23)	347	3,117
Transfer to cost of sales – gross	8,485	(2,505)
Deferred tax (Notes 17 and 23)	(2,545)	756
Transfer to finance costs – gross	4,276	(1,838)
Deferred tax (Notes 17 and 23)	(1,283)	551
Balance 30 June	(810)	(8,933)
Share-based payments reserve:		
Balance 1 July	53	967
Option expense	986	4
Transfer to retained profits	(52)	(918)
Balance 30 June	987	53
Foreign currency translation reserve:		
Balance 1 July	(2,472)	(3,490)
Currency translation differences arising during the year	5	1,018
Balance 30 June	(2,467)	(2,472)

(b) Retained profits

	2010 $000's	2009 $000's
Balance 1 July	53,459	41,657
Profit after tax	25,649	19,270
Dividends paid	(7,165)	(8,386)
Transfer from reserves	52	918
Balance 30 June	71,995	53,459

25. Reserves and retained profits (continued)

(c) Nature and purpose of reserves

(i) 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 in other comprehensive income as described in Note 1(o). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(ii) 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.

(iii) 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	
	2010 $000's	2009 $000's
26. 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	17	117
(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	8,162	8,711
Later than one year but not later than five years	18,523	19,402
Later than five years	187	3,531
	26,872	31,644
(c) Hire purchase commitments		
Commitments in relation to hire purchase payments are payable as follows:		
Not later than one year	10	12
Later than one year but not later than five years	18	27
	28	39
Future finance charges	(1)	(3)
Recognised as a liability	27	36
Representing hire purchase liabilities:		
Current (Note 19)	9	10
Non-current (Note 21)	18	26
	27	36

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

27. Contingent liabilities

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

The obligations of a controlled entity under an operating lease agreement are partly secured by a bank guarantee.

28. Segment Report

2010 Segment information

	Consumer Products $000's	Printing $000's	Inter-segment Eliminations/ Unallocated $000's	Consolidated $000's
Sales to external customers	289,737	64,216	-	353,953
Inter-segment sales	-	84	(84)	-
Total sales revenue	289,737	64,300	(84)	353,953
Other revenue/income	978	963	5	1,946
Share of net profit of associate	-	195	-	195
Total segment revenue, other income and share of net profit of associate	290,715	65,458	(79)	356,094
Profit before interest, tax, depreciation and amortisation	47,726	6,714	(4,391)	50,049
Depreciation and amortisation expense	(2,526)	(2,938)	(3)	(5,467)
Segment result	45,200	3,776	(4,394)	44,582
Net borrowing costs				(7,926)
Profit before income tax				36,656
Income tax expense				(11,007)
Profit after income tax				25,649
Segment assets	313,734	42,527	(15,919)	340,342

28. Segment Report (continued)

2009 Segment information

	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	40,865	7,365	(5,723)	42,507
Depreciation and amortisation expense	(2,701)	(3,044)	(20)	(5,765)
Segment result	38,164	4,321	(5,743)	36,742
Net borrowing costs				(9,865)
Profit before income tax				26,877
Income tax expense				(7,607)
Profit after income tax				19,270
Segment assets	307,142	51,622	(15,816)	342,948

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

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

The above reporting 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.

	Segment Revenues from Sales to External Customers		Segment Non-Current Assets	
	2010 $000's	2009 $000's	2010 $000's	2009 $000's
Geographical information				
Australia	317,804	319,879	204,606	206,784
North America	471	1,936	-	-
Asia, New Zealand	35,678	35,032	7,072	6,914
	353,953	356,847	211,678	213,698

Segment revenues

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

Revenues of approximately $76,627,000 (2009: $76,538,000) and $65,196,000 (2009: $61,979,000) were derived from two external customers. These revenues were attributable to the Consumer Products segment.

Segment assets

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

Inter-segment transfers

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

29. Earnings per share

	2010	2009
Basic earnings per share	36.4¢	29.9¢
Diluted earnings per share	36.2¢	29.9¢
Earnings used in calculating basic and diluted earnings per share	$25,649,000	$19,270,000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	70,544,088	64,514,300
Potential ordinary shares	374,570	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	70,918,658	64,514,300
Options that are not dilutive and are therefore not included in the calculation of diluted earnings per share	-	60,000

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.

29. Earnings per share (continued)

Information concerning the classification of securities (continued)

Options (continued)
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
The previous Employee Share Plans, which were suspended in May 2009 pending the Government's proposed changes to Share Plans announced in the 2009 Federal Budget, were subsequently closed during the year.

30. 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
McPherson's Consumer Products Pte Ltd (formerly 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 33.

All investments represent 100% ownership interest.

31. 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 an 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 licence fees

Related party transactions not reported elsewhere

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

	Consolidated	
	2010 $	2009 $
Legal fees		
J.B. Duncan P.C.	18,657	29,245

Related party transactions and balances

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

	Note Number
Key management personnel	9
Shares in associate	14
Superannuation funds	32

32. 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 $4,146,303 (2009: $4,395,041).

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

33. 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'.

Following is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2010 of the Closed Group.

	2010 $000's	2009 $000's
Income statement		
Revenue	321,595	325,042
Other income	1,795	1,674
Share of net profit in associate	195	234
Expenses	(280,710)	(296,319)
Finance costs	(8,514)	(10,529)
Profit before income tax	34,361	20,102
Income tax expense	(9,946)	(6,291)
Profit after income tax	24,415	13,811

	2010 $000's	2009 $000's
Summary of movements in consolidated retained profits		
Retained profits at beginning of the financial year	38,489	32,146
Profit after income tax for the year	24,415	13,811
Dividends provided for or paid	(7,165)	(8,386)
Transfer from reserves	52	918
Retained profits at the end of the financial year	55,791	38,489

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2010 of the Closed Group.

	2010 $000's	2009 $000's
Current assets		
Cash	11	1,893
Receivables	52,387	51,597
Inventories	56,227	53,178
Derivative financial instruments	258	18
Total current assets	108,883	106,686
Non-current assets		
Other financial assets	28,639	28,844
Property, plant and equipment	20,658	22,414
Deferred tax assets	5,904	9,386
Intangible assets	177,571	177,822
Total non-current assets	232,772	238,466
Total assets	341,655	345,152

33. Deed of Cross Guarantee (continued)

(b) Balance sheet (continued)

	2010 $000's	2009 $000's
Current liabilities		
Payables	55,093	52,801
Borrowings	160	1,265
Derivative financial instruments	1,526	10,702
Provisions	9,936	10,407
Current tax liabilities	1,651	2,295
Total current liabilities	68,366	77,470
Non-current liabilities		
Payables	3,219	3,219
Borrowings	72,018	105,033
Derivative financial instruments	290	2,090
Provisions	1,071	1,204
Deferred tax liabilities	13,528	13,256
Total non-current liabilities	90,126	124,802
Total liabilities	158,492	202,272
Net assets	183,163	142,880
Equity		
Share capital	127,193	112,727
Reserves	179	(8,336)
Retained profits	55,791	38,489
Total equity	183,163	142,880

	Consolidated	
	2010 $000's	2009 $000's

34. Notes to the statement of cash flows

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

	2010 $000's	2009 $000's
Operating profit after income tax	25,649	19,270
Amortisation of other intangibles	495	787
Depreciation/other amortisation	4,972	4,978
Share-based payments	986	4
Profit on disposal of property, plant and equipment	(5)	(14)
Time value in option hedging contracts	(388)	290
Finance charges included in lease payments	2	3
Share of profit in associate not received as dividends or distributions	(195)	(234)
Dividends received from associate	400	500
Operating assets and liabilities, excluding the effects from purchase of businesses		
Increase/(decrease) in payables	1,884	(3,150)
Increase/(decrease) in other provisions	(65)	(226)
Increase/(decrease) in employee entitlements	(448)	309
Increase/(decrease) in tax payable	111	(2,838)
(Increase)/decrease in receivables	(1,560)	1,295
(Increase)/decrease in inventories	(2,943)	(5,107)
Net cash inflow provided by operating activities	28,895	15,867

35. Events occurring after balance date

Subsequent to the end of the financial year the renegotiation of the Group's term debt facilities has been finalised and documented, which has resulted in the term of those facilities being extended and now having a maturity date of 31 August 2013.

36. Parent entity financial information

(a) Financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2010 $000's	2009 $000's
Balance sheet		
Current assets	3,561	4,629
Total assets	276,059	280,260
Current liabilities	30,288	43,945
Total liabilities	114,493	152,694
Shareholders' equity		
Issued capital	127,193	112,727
Reserves - Cash flow hedges	(808)	(8,400)
- Share-based payments	987	53
Retained earnings	34,193	23,186
	161,565	127,566
Profit after tax	18,120	10,411
Total comprehensive income	25,712	725

(b) Contingent liabilities and guarantees

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

The cross guarantee given by those entities listed in Note 33 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.

Shareholding Information

The shareholding information set out below was applicable at 31 August 2010.

1. Share Capital

As at 31 August 2010 the ordinary share capital in the Company was held by the following number of shareholders:

Shares	Shareholders
1 – 1,000	2,581
1,001 – 5,000	1,764
5,001 – 10,000	549
10,001 – 100,000	477
100,001 and over	51
Total	**5,422**
Holding less than a marketable parcel	1,039

2. Voting Rights

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

3. Twenty Largest Shareholders as at 31 August 2010

	No. of Shares	%
HSBC Custody Nominees (Australia) Limited	13,278,123	18.53
JP Morgan Nominees Australia Limited	7,347,208	10.25
RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED A/C)	7,216,429	10.07
National Nominees Limited	4,599,945	6.42
RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/C)	4,129,602	5.76
Citicorp Nominees Pty Limited	2,043,084	2.85
Cogent Nominees Pty Limited	1,671,166	2.33
AMP Life Limited	1,613,374	2.25
Bond Street Custodians Limited (Macquarie Smaller Co's A/C)	725,276	1.01
Mrs Melinda Sue Maguire	500,143	0.70
ANZ Nominees Limited (Cash Income A/C)	473,564	0.66
Perpetual Custodians Limited	436,550	0.61
Mr Trevor Bruce Winston Ward	400,000	0.56
Aust Executor Trustees NSW Ltd (Tea Custodians Limited)	354,506	0.50
Cogent Nominees Pty Limited (SMP Accounts)	305,787	0.43
RBC Dexia Investor Services Australia Nominees Pty Ltd (PISELECT A/C)	290,237	0.41
Queensland Investment Corporation	273,712	0.38
Aircole Pty Limited (Macri Retirement Fund A/C)	242,693	0.34
Goncang Pty Ltd (DGA Superannuation Fund A/C)	223,599	0.31
Mr Raymond Charles King + Mrs Dawn King (King Super Fund A/C)	212,103	0.30
	46,337,101	**64.67**
	71,651,758	100.00

4. Substantial Shareholders

The following is extracted from the Company's Register of Substantial Shareholders as at 31 August 2010:

	No. of Shares	Last Notified
Thorney Pty Ltd	11,398,648	12 September 2008
Perpetual Limited and subsidiaries	10,282,507	30 August 2010
Investors Mutual Limited	3,557,602	17 September 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

ASX Code MCP

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:

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Mulgrave Victoria 3170

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Facsimile: (03) 9574 9075

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Philip Bennett

Auditors
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Southbank Victoria 3006

Solicitors
Thomsons Lawyers
Level 25, Australia Square Tower
264 George Street
Sydney NSW 2000

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

Paul Maguire
Managing Director
McPherson's Limited

Philip Bennett
Chief Financial Officer
McPherson's Limited

McPherson's Consumer Products Australian Management
Julian Pidcock
Marketing Director

Andrew Luttrell
International Sales Director

Chris Ramsay
Divisional Sales Manager (Housewares)

David Smith
Divisional Sales Manager (Personal Care and Household Consumables)

Byron Stone
Divisional Sales Manager (Impulse Merchandising)

Phil Crowe
Logistics Director

Paul Witheridge
Chief Financial Officer

Allyson Goodman
Financial Controller

Geoff Rickwood
IT Director

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

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

Raymond Wong
General Manager
McPherson's Consumer Products Pte Ltd
Singapore

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

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

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