Where our products live

Annual Report 2011

McPherson's

Contents

Dividend Policy

To distribute at least 60% of the Company's net earnings to shareholders (subject to other funding requirements).

Financial Calendar*

Release of results to 31 December 2011	February 2012
Preliminary results to 30 June 2012	August 2012
Publication of Annual Report and accounts for year to 30 June 2012	October 2012

* Subject to change.

About McPherson's

McPherson's Limited 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 2010-11 year

- Net profit after tax of $28.0 million (before $8.5 million printing goodwill impairment[(1)]), up 9.3% from the prior year's $25.6 million.
- Earnings per share of 39.0 cents[(2)] was up 7.1% on the prior year's 36.4 cents.
- Consumer Products divisional EBIT increased by 7.0% to $48.4 million.
- Strong cash flows generated from operations during the year reduced bank debt and further strengthened the balance sheet.
- Year end net debt of $56.5 million compared with $77.0 million[(3)] a year earlier.
- Gearing (net debt to shareholders' funds) reducing to 28% at year end from 39%[(3)] in the prior year.
- Dividend payout up 30% to 26.0 cents per share, fully franked.
- Investment in modern printing technology in 2011 and 2012.
- Board rejuvenation announced.

(1) An impairment charge of $8.5 million has been included in the Company's accounts to 30 June 2011 reflecting the write-off of all the goodwill that arose as a result of acquisitions made by the Printing business more than 10 years ago.

(2) The EPS of 39.0 cents was before the $8.5 million impairment charge. Statutory EPS was 27.1 cents.

(3) Prior year has been restated to reflect a current year change in accounting policy relating to cash and cash equivalents.

Group Financial Summary

	Note		2011	2010
Sales	1	$000's	348,823	353,953
Operating profit before tax	2	$000's	40,146	37,362
Income tax expense	2	$000's	(11,761)	(11,219)
Operating profit after tax	2	$000's	28,385	26,143
Profit after tax and after non-recurring items		$000's	19,499	25,649
Operating cash flow	3,7	$000's	50,768	41,842
Shareholders' funds	4	$000's	200,798	196,898
Return on average shareholders' funds	5	%	14.3	14.5
Earnings per share (EPS)	6	Cents	27.1	36.4
Dividends per share (fully franked)		Cents	26.0	20.0
Net debt	7	$000's	56,544	77,021
Gearing (net debt to shareholders' funds)	7	%	28.2	39.1

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.

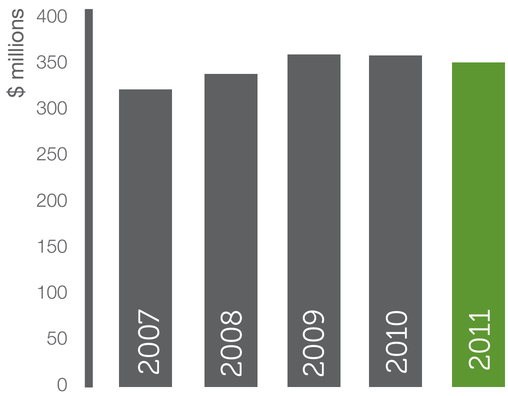
Note 4: Shareholders' funds at the end of the financial year.

Note 5: Calculated using operating profit after tax.

Note 6: Calculated using profit after tax and after non-recurring items. Before non-recurring items EPS for 2011 was 39.0 cents.

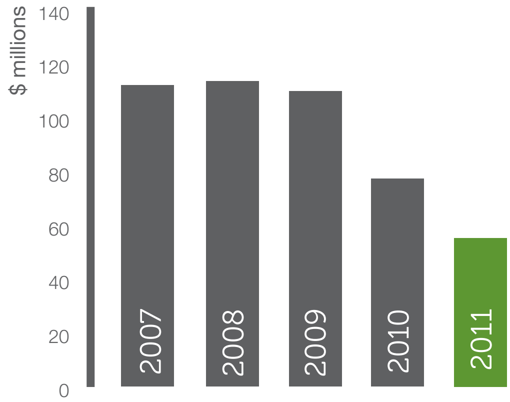
Note 7: Previous year has been restated to reflect the Company's 2011 change in accounting policy for cash and cash equivalents.

Group Net Sales*

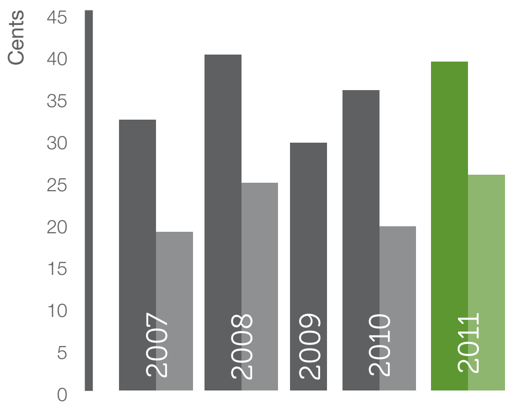


* Sales are net of customer allowances.

Net Debt



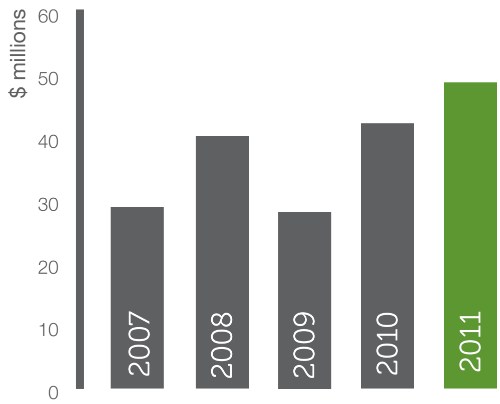
Earnings* and Dividends Per Share



* 2011 EPS is before non-recurring item.

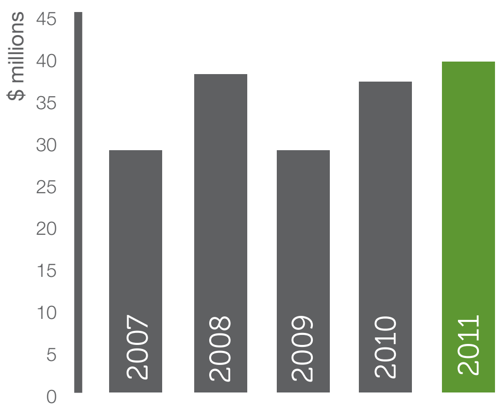
Earnings per share Dividends per share

Cash Flow*



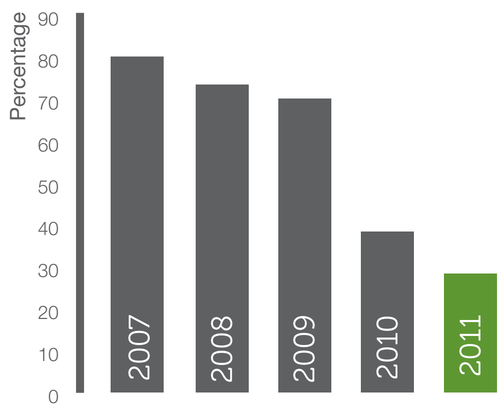
* Pre-tax cash flow before capital expenditure and dividend payments.

Profit*



* Operating profit before tax excluding non-recurring items.

Gearing*



* Net debt to shareholders' funds.

Chairman's and Managing Director's Report

Simon Rowell
Chairman

Paul Maguire
Managing Director

McPherson's full year pre-tax profit of $39.6 million[1] for the 2010-11 financial year compared with $36.6 million the previous year, an increase of 8%. The McPherson's Consumer Products business showed great resilience under the difficult trading conditions which were evident in the retail industry, particularly during the second half of the financial year. Consumer confidence was greatly impacted by economic uncertainty, but the brand strength and 'non-discretionary' nature of the majority of McPherson's product ranges enabled growth to be achieved.

Solid earnings per share of 39.0 cents were achieved this year compared with earnings per share of 36.4 cents the previous year, representing a 7% increase. Consistent with the Company's policy of distributing at least 60% of net profit to shareholders, dividends representing 67% of net profit were declared for 2010-11, comprising an interim dividend of 12.0 cents and a final dividend of 14.0 cents, both fully franked. All future dividends are expected to remain fully franked.

Group sales in 2010-11 at $349 million were slightly below the prior year, with 2010-11 revenues from the Consumer Products Division in line with the prior year and the Printing Division experiencing an 8% decline.

Debt levels and gearing again improved, with strong operating cash flows resulting in gearing (net debt to shareholders' funds) of 28% at 30 June 2011, compared with the restated gearing level of 39% at 30 June 2010. Net interest expense reduced to $6.8 million from $7.9 million a year earlier, with a commensurate improvement in interest cover to 6.8 times.

The Company's primary business, McPherson's Consumer Products, produced earnings before interest and tax (EBIT) of $48.4 million for the 2010-11 year compared with a reported EBIT of $45.2 million the previous year, a 7% increase. Margins were assisted by the favourable foreign exchange rates that prevailed during the year. However, this benefit was partially offset by increased product related input costs, particularly labour costs in China and commodity price increases.

The Australian Consumer Products business gained efficiencies from a prior year initiative, with the two Melbourne sales offices merged and relocated and two warehouses in Melbourne closed. A focus on structural reform continued in 2010-11 with a detailed review of the Company's information technology capabilities complementing the supply chain and strategic brand portfolio reviews undertaken earlier. Significant investment in personnel at all levels has continued, with comprehensive training and development programmes in place.

McPherson's Printing Group, Australia's leading producer of books, reported an EBIT of $2.9 million for the 2010-11 year compared with $3.8 million the previous year, with the reduction due mainly to continuing subdued market conditions and competitive pressures. The business produced a strong cash flow before capital expenditure of $6.3 million. McPherson's Printing remains focused on cost containment and efficiency improvements through selective investment in modern printing technology, including the commissioning during the year of new colour printing equipment and the planned investment in digital inkjet capability in 2011-12.

The Company has announced a number of changes to the Board and senior management that will occur in 2011-12. These include the retirement from the Board of Chairman Simon Rowell and Director Peter Landos, each with effect from the 2011 Annual General Meeting, and the appointment of Amanda Lacaze as a Director from September 2011. David Allman, who was the Managing Director of McPherson's from 1995 until 2009, will succeed Simon Rowell as Chairman. Philip Bennett, who has been Chief Financial Officer of McPherson's Limited since April 2000 will step down at the end of November 2011, and Paul Witheridge, currently Chief Financial Officer of Sydney based McPherson's Consumer Products, will be appointed Chief Financial Officer of McPherson's Limited.

The total Company result for 2010-11 was a very solid outcome given the mixed market conditions affecting the retail sector. Although a stronger currency has the potential to benefit the Consumer Products business going forward, competitive pressures, an uncertain economic environment, and product cost pressures will also impact 2011-12 earnings. Brand strength and the Company's substantial product development and sourcing capabilities mean the business is well positioned to contend with these challenges.

The current favourable level of gearing puts the Company in a strong position to take advantage of any strategic acquisition opportunities that may arise, and the Board remains committed to pursuing all avenues of growth that will improve shareholder returns.

Simon Rowell
Chairman

Paul Maguire
Managing Director

(1) The pre-tax result, along with other results mentioned in this report, is before an impairment charge of $8.5 million relating to the McPherson's Printing business. Directors determined that goodwill arising from Printing business acquisitions which took place more than 10 years ago should be fully written off in the 2010-11 year.

Our Vision Statement

Vision

Making life easier.

Proposition

Category management experts consistently delivering innovative quality products through trusted brands into the hands of consumers.

Proof Points

Tangible: revenue and EBIT growth; market share; market leading brands; diversity of product, category, channel; fill and delivery rates; warehouse picks per day; and industry surveys.

Intangible: trusted heritage brands; reputation; strong relationships; and longevity, quality, and commitment of the people.

Benefits

Consumers: broad range of quality branded products, value for money and extensive availability.

Customers: stock turns = profit, fill rates, category management and national brands.

Suppliers: multiplicity of distribution opportunities through a multiplicity of brands, categories and channels.

Employees: career opportunities at a quality workplace with quality people who respect and support each other.

Shareholders: return on investment, EPS growth and consistent dividends.

Culture

Accountable. Aspirational. Proactive. Innovative. Communicative. Happy. Helpful. Passionate.

Values

Respect. Integrity. Quality. Openness. Customer and Consumer Centric. Success.

Vision

Making life easier

for

Consumers: through easy to use functional branded products, available everywhere.
Customers: by providing retail solutions through McPherson's products and services.
Suppliers: through McPherson's growth.
Employees: careers, rewards and recognition.
Shareholders: through earnings growth.

Mission

To be a world class consumer products company

by being

1st choice products for consumers.
1st choice partner for customers and suppliers.
1st choice employer for employees.
1st choice investment for shareholders.

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.

Mr Rowell 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
None.

Former directorships in last three years
Mr Rowell was Chairman of Savcor Group Ltd until May 2011.

Special responsibilities
Mr Rowell was appointed a member of the Audit Risk Management and Compliance Committee in 2003 and was Chairman of the Committee from his appointment in 2003 until 28 September 2010. He is also 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

Experience and expertise
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.

Mr Maguire has a Master of Business (Marketing) from Monash University and an Honours Science Degree from La Trobe University.

Other current directorships
None.

Former directorships in last three years
None.

Special responsibilities
Managing Director.

Interests in shares and options
1,250,143 ordinary shares in McPherson's Limited and 750,000 options over ordinary shares.

David J. Allman, B.Sc

Non-executive Director

Experience and expertise
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.

Former directorships in last three years
Director of Lomb Scientific Pty Ltd.

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).

Other current directorships
Silk Logistics Group Pty Ltd, Talgentra Pacific Pty Ltd.

Former directorships in last three years
Landis + Gyr Group Ltd (executive Director), Energy Response Holdings Pty Ltd, Moonpig Australia Pty Ltd.

Special responsibilities
Member of the Nomination and Remuneration Committee with effect from 26 July 2011.

Interests in shares and options
None.

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

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

Mr Landos is a senior executive with the Thorney Investment Group and has extensive business 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 formerly 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.

Graham A. Cubbin, B.Econ. (Hons)
Non-executive Director

Expertise and experience
Mr Cubbin was appointed a non-executive Director of McPherson's Limited on 28 September 2010.

Mr Cubbin was a senior executive with Consolidated Press Holdings Limited (CPH) from 1990 until September 2005, including Chief Financial Officer for 13 years. Prior to joining CPH, he held senior finance positions with a number of major companies, including Capita Financial Group and Ford Motor Company. He has 15 years experience as a director and audit committee member of public companies in Australia and the United States.

Other current directorships
Mr Cubbin is a Director of the ASX listed Challenger Financial Services Group Limited, STW Communications Group Limited, Bell Financial Group Limited and White Energy Company Limited, and serves on the Audit Committee for each of these companies.

Former directorships in last three years
None.

Special responsibilities
Mr Cubbin was appointed a member and Chairman of the Audit Risk Management and Compliance Committee on 28 September 2010.

Interests in shares and options
10,000 ordinary shares are held in McPherson's Limited.

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 2011, 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	13	13	4	4	1	1
Paul J. Maguire	13	13	n/a	n/a	n/a	n/a
David J. Allman	13	12	n/a	n/a	n/a	n/a
John P. Clifford	13	12	n/a	n/a	n/a	n/a
Peter D.J. Landos	13	12	4	4	1	1
Graham A. Cubbin(1)	9	9	3	3	n/a	n/a

(1) Mr Cubbin was appointed as a non-executive Director and Chairman of the Board's Audit Risk Management and Compliance Committee on 28 September 2010.

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

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, Crown 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 brand.

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 and South Africa

McPherson's distributes housewares products through leading housewares companies based in North America and South Africa.

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.

Alan Fahy
Chief Executive Officer,
McPherson's Printing

Review of Operations

Overview

McPherson's Limited produced underlying earnings before interest and tax (EBIT) of $46.4 million in 2010-11, an increase of 4% from the previous year's $44.5 million. This result was before an $8.5 million impairment charge relating to goodwill in McPherson's Printing business.

Sales revenue of $348.8 million, net of customer allowances, was 1.5% below the prior year's $354.0 million, with the reduction due to a decrease in revenue from the Printing business.

Profit after tax (before goodwill impairment) increased by 9% from $25.6 million last year to $28.0 million in 2010-11. On the same basis earnings per share increased by 7% to 39.0 cents compared with an EPS outcome of 36.4 cents for the previous year. After goodwill impairment the EPS was 27.1 cents per share.

Strong operating cash flows resulted in net debt decreasing to $56.5 million at 30 June 2011, compared with $77.0 million a year earlier (restated following a change in accounting policy). Net debt at 30 June 2011 of $56.5 million represented 28% of shareholders' funds, an improvement from the restated gearing level of 39% at 30 June 2010.

Net interest expense for the year was $6.8 million (2010: $7.9 million) with the decrease mainly due to interest savings from lower borrowing levels. Interest cover for the year improved to 6.8 times compared with 5.6 times in the previous year.

Reflecting the Company's stronger financial position and improved earnings from trading, Directors declared a final dividend for 2010-11 of 14.0 cents, bringing the full year payout to 26.0 cents per share, fully franked, and representing an increase of 30% over the prior year's total dividends of 20.0 cents. The Company has substantial franking credits and 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 and South Africa, generated sales revenue (net of customer allowances) of $289.9 million in the year ended 30 June 2011, consistent with the prior year's $289.7 million.

Sales revenue was maintained at the prior year's level despite the difficult trading environment experienced by the Company's retail customers, particularly in the latter part of the financial year. Revenue increases from key branded products including Multix, Swisspers and Stanley Rogers were offset by lower revenue from some minor brands, and by a decline in impulse merchandising revenue due to a reduction in available selling space for the category by some retailers.

The stronger Australian dollar during the second half continued to assist margins, and the Company's foreign currency hedging programme will provide protection for the 2012 financial year, with hedging extended progressively on a rolling monthly basis. However, margin gains from the stronger currency were partially offset by increased input costs caused by higher commodity prices and factory labour costs in China, as well as by the softening in consumer confidence.

The net margin improvement resulted in a 7% increase in Consumer Products divisional EBIT to $48.4 million compared with $45.2 million in the prior year.

The division continues to focus on brand development, together with new and improved products, to ensure the Company remains a leader in its field, providing continuous innovation to its retail partners. The Company continues to pursue acquisition opportunities that leverage the division's sourcing, marketing and logistics capabilities, including the distribution infrastructure of the major operations at Kingsgrove in Sydney.

Excluding the impairment charge, Printing EBIT decreased to $2.9 million, down from $3.8 million for the prior year, on revenue of $58.9 million that was adversely affected by subdued market conditions. However the business generated EBITDA of $5.9 million and delivered free operating cash flow of $6.3 million before capital expenditure. The business remains focused on cost containment and efficiency improvement through selective investment in modern printing technology.

Consumer Products Brands

Stanley Rogers
home living
MULTIX
artiste
cameo
wiltshire
bébelle
wiltshire STAYSHARP
cosmetica
manicare
mita
DECO
glam manicare
wiltshire BAR-B
immerse
MULTIX BAKE
wiltshire Design Collection
MULTIX ALFOIL
DURACERAM
ECLIPSE
Swisspers
wiltshire
CROWN glassware
Grosvenor
STRACHAN
MULTIX WARE
Lady Jayne
TYPHOON*
ONEIDA*
Apex*
CROWN COMMERCIAL
Ai de Chef
Luigi Bormioli*
chef'n*
melior*
Jamie Oliver*
SWING-A-WAY*
SANT'ANDREA*
Ocean Glassware*

* Third-party owned brands.

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 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 department stores, department stores and also the commercial market.

During the year the business undertook significant initiatives relating to two of the Company's key assets, namely its people and information technology system.

Recognising that the management, leadership and problem solving skills of the Company's personnel are fundamental to the achievement of business objectives, a coordinated and comprehensive training programme involving members of the senior and middle management teams was undertaken in 2011 and will continue into 2012. The training programme includes the formation of cross-functional action groups to pursue various business improvement initiatives.

The increasing dependence of the business on information technology systems to assist in the objective of being a world class consumer products company led to an independent strategic review of all key elements of the information technology infrastructure being undertaken. The review included key software platforms, operating architecture and resource capabilities, and has provided a strategic roadmap to enhance the ongoing capability and efficiency of the information technology systems.

The business seeks to continually upgrade supply chain systems to ensure that its position as a highly efficient supplier to customers is maintained. Consistent with this, the electronic data interchange tools to connect the business with its customers was substantially upgraded during the year, and a number of warehousing initiatives to further improve product storage and distribution efficiency are being implemented.

New Zealand

Despite the economic impact of natural disasters and a challenging retail environment in New Zealand, the business achieved sales growth in the housewares portfolio with revenue increases in key brands including Wiltshire, Grosvenor and Stanley Rogers, along with higher sales from agency programmes.

The glassware portfolio contributes 20% of sales, with the Company marketing many of the best known global brands in the glassware industry. The business holds

around one-third of the retail drinkware market in New Zealand, with future growth planned from a range of new sales and marketing initiatives.

Significant growth was experienced in the range of Home Living branded impulse products sold on clip strips in supermarkets and discount stores. The Company holds category leadership in this sector and provides comprehensive sales, marketing and retail merchandising solutions for impulse products and customers.

The personal care category consists of hair-care, skin-care and beauty-care under the Manicare, Lady Jayne, Mita and Cameo brands. Comprehensive retail programme solutions are provided to customers in the pharmacy, grocery and discount channels. Various new product initiatives are currently being rolled out.

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.

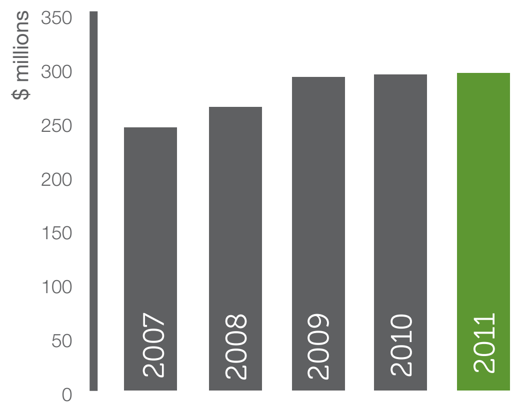
North America

McPherson's operates in Canada and the United States through an exclusive agency agreement with a leading distributor of housewares products. The business mainly markets products under the Company-owned Wiltshire brand.

South Africa

An exclusive agency agreement operates 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.*

In the lounge room

In the bedroom

In the study

In the car

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 remains focused on cost containment and efficiency improvement through selective investment in modern printing technology. During the year the Company commissioned new sheet-fed colour printing equipment at the Mulgrave plant which allowed two older presses to be decommissioned. The Company has also committed to invest in state-of-the-art digital inkjet printing equipment which will be commissioned at the Maryborough plant during 2012. These investments will increase efficiency and provide opportunities to expand competitively into additional market sectors, with the full benefits to be realised progressively in 2012.

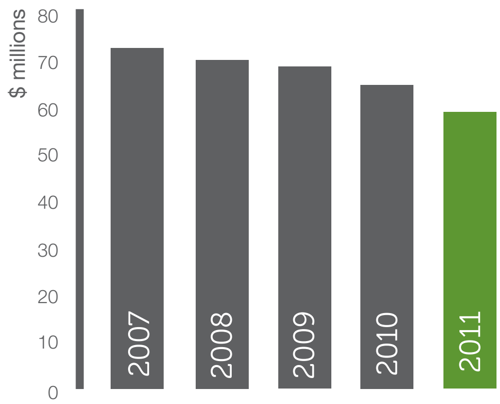
Environment

MPG continued to pursue its pro-environment goals and gained certification to ISO 14001 for its Environmental Management System at the Mulgrave site. MPG is now certified to international standards for Quality and Environment at both of the Company's production sites.

Employee Training

Training and development of employees continues to remain a high priority to fully leverage the new technologies available in the industry. An extensive retraining and development programme for tradespersons and machine operators is being implemented over the next two years.

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 2011. 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 2011. 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.

Graham Cubbin was appointed a non-executive Director of the Company on 28 September 2010.

Subsequent to the year ended 30 June 2011:

- On 22 August 2011 the Company confirmed the proposed retirement of Simon Rowell as Chairman of the Company and announced the proposed appointment to that role of David Allman, each effective from the close of business of the Company's Annual General Meeting in November 2011.
- On 22 August 2011 the Company also announced the retirement from the Board of Peter Landos, effective from the conclusion of the 2011 Annual General Meeting.
- Amanda Lacaze was appointed a non-executive Director of the Company on 22 September 2011.

In compliance with the Company's constitution and its Board Charter, the composition of the Board is determined using the following principles:

- The number of Directors must not be less than three. 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 a non-executive Director.
- 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 assesses the independence of Directors with reference to the definition of an independent Director contained in the ASX CGC's Corporate Governance Principles and Recommendations, namely:

"An independent Director is a non-executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement."

All facts and circumstances will be considered by the Board in determining the independence of a Director. It is not possible to provide prescriptively for all circumstances that will constitute a conflict of interest or a material relationship. Nor is it possible to pre-determine whether such circumstances will be concluded as likely to affect Directors' independent exercise of judgement.

Subject to the general proviso referred to above, the Board 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 by the Company or another Group member;
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 material supplier or customer of a Company or other Group member or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer; and
5. do not have a material contractual relationship with the Company or another Group member other than as a Director of the Company.

The Directors consider it important to acknowledge and apply the definition of 'independence' under the ASX CGC's Corporate Governance Principles and Recommendations in determining and assessing the composition of the Board from time to time. The Board accordingly anticipates that the independent Directors after the Annual General Meeting in November 2011 will be John Clifford, Graham Cubbin and Amanda Lacaze, recognising that Simon Rowell and Peter Landos propose to retire at that meeting.

David Allman is not an independent Director within the definition of that expression in the ASX CGC's Corporate Governance Principles and Recommendations. However, in this regard it is noted that Mr Allman, although the Managing Director of the Company until November 2009, is regarded by the other Board members as well qualified to act as Chairman of the Company and an appropriate appointment, given his experience as a public company Director over a lengthy and successful career, detailed knowledge of the broader issues affecting the Company, and his clear commercial, contractual and overall independence in every respect from current management, shareholders and any other stakeholder in the Company.

It is noted that:

1. Peter Landos is directly associated with the Thorney Investment Group which holds approximately 16.5% of the Company's shares; and
2. 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. During the year ended 30 June 2011 the Nomination and Remuneration Committee was comprised of two Directors, commensurate with the size of the Board, and was 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. Subsequent to 30 June 2011, the Charter and composition of the Nomination and Remuneration Committee has been reviewed and amended to ensure ongoing compliance with recent changes to the ASX CGC's Corporate Governance Principles and Recommendations relating to remuneration committees. This has resulted in the appointment of John Clifford as a member of the Committee with effect from 26 July 2011.

Key responsibilities of the Committee 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 2011.

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.

During the year ended 30 June 2011, a total of 1,050,000 options were issued to senior executives of the Group. Further details of the options are included in the Remuneration Report in the Directors' Report on page 33 the Annual Report.

In the previous year, following shareholder approval which was given at the 2009 Annual General Meeting, 1,500,000 options were issued to Mr. Paul Maguire. Further details relating to the options issued to Mr. Maguire are also contained in the Remuneration Report in the Directors' 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 2011.

Diversity Policy

In accordance with the recent amendments to the ASX CGC's Corporate Governance Principles and Recommendations, subsequent to 30 June 2011 the Company has established a Diversity Policy which reflects the Company's commitment to workplace diversity. The policy has been published on the Company's website.

Under the Diversity Policy and in compliance with the ASX CGC's Corporate Governance Principles and Recommendations on diversity:

- During the 2011-12 financial year, the Board will establish measurable objectives for achieving gender diversity.
- The Nomination and Remuneration Committee will be required to review and report to the Board annually on both the measurable objectives for achieving diversity and the Company's progress in achieving them.
- The Company's Annual Report for each relevant financial year from 2011-12 onwards will include the required disclosures on diversity, such as the Board's objectives for achieving gender diversity and the Company's progress towards achieving those objectives.

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 was admitted to the S&P/ASX 300 Index with effect from 19 March 2010. The ASX CGC's Corporate Governance Principles and Recommendations relating to audit committees became mandatory for the Company from 1 July 2010 under ASX Listing Rule 12.7. From 19 March 2010 until 28 September 2010, the Company maintained communication with the ASX and as arranged with the ASX, the Company announced to the market on 1 July 2010 that the Company was seeking to recruit at least one additional independent non-executive Director to ensure that the composition of the Audit Risk Management and Compliance Committee complied with Listing Rule 12.7 as expeditiously as possible.

On 28 September 2010, Graham Cubbin, who was appointed a non-executive Director of the Company on that date, was appointed to the Audit Risk Management and Compliance Committee. Graham Cubbin was also appointed Chairman of the Committee.

Accordingly, since 28 September 2010, the Company's governance practices have fully complied with the ASX CGC's Corporate Governance Principles and Recommendations relating to audit committees. 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 Recommendations are complied with as set out below:

- The Audit Risk Management and Compliance Committee comprises three members: Graham Cubbin, Simon Rowell and Peter Landos.
- Of the three members, two are independent (Graham Cubbin and Simon Rowell).
- Simon Rowell is the Chairman of the Board and Graham Cubbin is Chairman of the Audit Risk Management and Compliance Committee.

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 2011.

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 57 to 62 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, reporting and training programmes have been established to enhance employee performance in a safe and comfortable working environment.

During the year ended 30 June 2011 the Company's employees decreased by 55 due mainly to a decrease occurring in Australia. At 30 June 2011, the Company had 876 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 2011

Australia	716
New Zealand	101
Hong Kong/China	28
Singapore	31
	876

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 monthly 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		2011	2010	2009	2008	2007
Sales	1	$000's	**348,823**	353,953	356,847	333,941	319,548
Operating profit before tax	2	$000's	**40,146**	37,362	29,329	38,207	28,998
Income tax expense	2	$000's	**(11,761)**	(11,219)	(8,343)	(10,614)	(8,053)
Operating profit after tax	2	$000's	**28,385**	26,143	20,986	27,593	20,945
Profit after tax and after non-recurring items		$000's	**19,499**	25,649	19,270	26,496	20,945
Operating cash flow	3,7	$000's	**50,768**	41,842	27,297	38,959	28,878
Shareholders' funds	4	$000's	**200,798**	196,898	154,834	153,535	140,300
Return on average shareholders' funds	5	%	**14.3**	14.5	13.6	18.8	15.6
Earnings per share (EPS)	6	Cents	**27.1**	36.4	29.9	41.1	32.9
Dividends per share (fully franked)		Cents	**26.0**	20.0	-	25.0	19.0
Net debt	7	$000's	**56,544**	77,021	111,351	114,596	114,018
Gearing (net debt to shareholders' funds)	7	%	**28.2**	39.1	71.9	74.6	81.3

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. Before non-recurring items EPS for 2011 was 39.0 cents.

Note 7: Previous years have been restated to reflect the Company's 2011 change in accounting policy for cash and cash equivalents.

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 2011.

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

G.A. Cubbin was appointed a non-executive Director on 28 September 2010.

(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:

	A$000's
• Interim ordinary dividend of 12.0 cents per fully paid ordinary share paid on 1 April 2011 (fully franked).	8,688
• Final ordinary dividend of 14.0 cents per fully paid ordinary share declared by Directors (fully franked) but not recognised as a liability at year end.	10,136
Total dividends in respect of the year	18,824

The 2010 final ordinary dividend of $7,165,000 (10.0 cents per fully paid ordinary shares) referred to in the Directors' Report dated 24 August 2010 was paid on 1 October 2010.

(d) Consolidated Results

The consolidated profit after tax from operations of McPherson's Limited and its controlled entities for the year ended 30 June 2011 was $19,499,000 (2010: $25,649,000).

(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

No matters have arisen since 30 June 2011 that have significantly affected or may significantly affect the operations of the Group, the results or those operations or the state of the affairs of the Group in financial periods subsequent to 30 June 2011.

(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 2011.

(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

Non-executive Directors
D.J. Allman
J.P. Clifford
P.D.J. Landos
G.A. Cubbin – from his appointment on 28 September 2010

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
S.K.S. Chan	Managing Director, McPherson's Hong Kong	McPherson's Consumer Products (HK) Ltd
P.R. Bennett	Chief Financial Officer and Company Secretary	McPherson's Limited
A.E. Fahy	Chief Executive Officer, McPherson's Printing	McPherson's Limited
G.P. Mitchell	General Manager, McPherson's Consumer Products NZ	McPherson's Consumer Products (NZ) Ltd

All of the above persons were also key management personnel during the year ended 30 June 2010.

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 19.5%, and shareholder wealth reflecting share price movements and dividends has increased at an average rate of around 15.5% per annum. Including options issued during the year ended 30 June 2011 and the year ended 30 June 2010, executive remuneration has grown at an average rate of approximately 17.4% per annum over the past five years. Excluding the options, executive remuneration has grown at an average rate of approximately 6.9% 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 2010 when a total remuneration of $550,000 inclusive of superannuation was approved. 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 2011 totalled $403,000 (2010: $310,792).

(k) Remuneration Report (continued)

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

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 2010, at which time Directors' fees were increased by an average of 3.3%. Prior to that, fees were reviewed effective 1 October 2009, 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 2010	From 1 October 2009 to 30 September 2010
Base fees		
Chairman	$120,000	$114,614
Other non-executive Directors	$63,000	$60,780
Additional fees		
Audit Risk Management and Compliance Committee – Chairman	$8,000	$6,945
Audit Risk Management and Compliance Committee – Member	$5,000	$5,001

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 achieves or exceeds pre-determined profit and/or other financial targets and achieves 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 37.

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

2011	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)	115,312	-	-	20,000	-	-	-	135,312
P.J. Maguire (Managing Director)[(3)]	424,892	129,780	29,288	25,000	10,694	-	668,667	1,288,321
D.J. Allman	32,065	-	-	36,000	-	-	-	68,065
J.P. Clifford	62,342	-	-	5,723	-	-	-	68,065
P.D.J. Landos	67,445	-	-	6,070	-	-	-	73,515
G.A. Cubbin[(4)]	53,250	-	-	4,793	-	-	-	58,043
Total Directors' Remuneration 2011	755,306	129,780	29,288	97,586	10,694	-	668,667	1,691,321
Other Group Key Management Personnel								
S.K.S. Chan[(6)]	326,185	28,442	-	25,955	2,221	-	10,620	393,423
P.R. Bennett[(3)(5)]	302,083	94,768	5,467	45,992	9,143	-	-	457,453
A.E. Fahy[(3)]	331,903	-	19,893	15,681	7,706	-	-	375,183
G.P. Mitchell[(6)]	203,606	27,121	23,057	19,755	2,597	-	5,310	281,446
Total Other Key Management Personnel Remuneration 2011	1,163,777	150,331	48,417	107,383	21,667	-	15,930	1,507,505
Total Remuneration 2011 – McPherson's Limited	1,389,292	224,548	54,648	159,259	27,543	-	668,667	2,523,957
Total Remuneration 2011 – Group	1,919,083	280,111	77,705	204,969	32,361	-	684,597	3,198,826

(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, allowances and private telephone expenses.

(3) Employed by McPherson's Limited.

(4) Mr Cubbin was appointed as a Director with effect from 28 September 2010. Amounts shown include his remuneration as a Director from that date until 30 June 2011.

(5) Mr Bennett's employment is to be terminated in the 2011-12 financial year. Termination benefits in the order of $495,000 including accrued annual and long service leave are to be paid on his termination and were provided for in the accounts at 30 June 2011.

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

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.

(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	**2011**	2010	**2011**	2010	**2011**	2010
Executive Director of McPherson's	**38%**	30%	**10%**	13%	**52%**	57%
P.J. Maguire						
Other key management personnel of the Group						
S.K.S. Chan	**90%**	95%	**7%**	5%	**3%**	-
P.R. Bennett	**79%**	67%	**21%**	33%	**-**	-
A.E. Fahy	**100%**	78%	**-**	22%	**-**	-
G.P. Mitchell	**88%**	93%	**10%**	7%	**2%**	-

* 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 may 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 1 October 2010 of $463,500, 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 2010 of HKD$2,535,074 (AUD$331,179), 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 2010 of $338,458, 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 2010 of $365,000, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on 12 months notice by the Company and on six months notice by the executive.

G.P. Mitchell, General Manager, McPherson's Consumer Products (NZ) Limited

- Base salary of NZD$250,740 (AUD$193,189) with effect from 1 October 2010, 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 from time to time on 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 and previous financial years, the Committee has amended the criteria to reflect a combination of share price and dividend performance (collectively referred to as total shareholder return).

Options granted – current financial year

On 1 April 2011 the Company granted 1,050,000 options over ordinary shares in the Company to senior executives of the Group under the McPherson's Limited Share/Option Purchase Plan. The grant included the issue of 225,000 options to key management personnel of the Group. The options form part of the executives' and key management persons' remuneration arrangements and affect remuneration in this and future reporting periods. The options were issued on the following terms:

Number Granted	Grant Date(1)	Expiry Date	Value Per Option at Grant Date(2)	Amount Paid at Grant Date	Terms and Conditions of Grant				
					Exercise Price	Date Exercisable		Share Price Criteria	Shareholder Return Criteria
						From	To		
1,050,000	01-Apr-11	31-Mar-16	$0.57	-	$3.61	01-Apr-13	31-Mar-16	Note 2	Note 3

Notes:

1. The grant date for option valuation purposes is the option issue date of 1 April 2011.
2. The share price must equal or exceed the exercise price of $3.61 for a continuous period of 20 trading days (measured on a weighted average basis) before any assessment date.
3. Providing the above share price criterion is satisfied, total shareholder return (being a function of share price growth and dividend payments and measured on a compound basis) must exceed either:
   (a) the percentage change in the S&P/ASX Small Ordinaries Index from the issue date to the assessment date; or
   (b) 9% per annum, compounded from the issue date to the assessment date, in which case the number of options that vest will increase proportionately from a total shareholder return (compounded) of 9% (where no options will vest), to a total shareholder return of 11% (where all the options will vest).
4. Providing the performance criteria are satisfied, options may be exercised at any time between 1 April 2013 and 31 March 2016.

(k) Remuneration Report (continued)

Share-based compensation (continued)

Options granted – previous financial year

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 the 2010 and subsequent reporting periods. The options were granted and are exercisable in four equal tranches of 375,000 and were issued on the following terms:

Tranche No.	Number Granted	Grant Date(1)	Expiry Date	Value Per Option at Grant Date(2)	Amount Paid at Grant Date	Terms and Conditions of Grant				
						Exercise Price	Date Exercisable		Share Price Criteria	Shareholder Return Criteria
							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.

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

(a) Tranche 1 – 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 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;

(b) Tranche 2 – 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 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;

(c) Tranche 3 – 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 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;

(d) Tranche 4 – 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 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;

(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.

Mr Maguire exercised 750,000 options comprising all of tranches 1 and 2 on 15 March 2011.

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. 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 and previous 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 and during 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 2011, or during the year ended 30 June 2010, 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	-	-	750,000	-	-
Other key management personnel of the Group					
S.K.S. Chan	150,000	85,350	-	-	-
P.R. Bennett	-	-	-	-	-
A.E. Fahy	-	-	-	-	-
G.P. Mitchell	75,000	42,675	-	-	-

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

(k) Remuneration Report (continued)

Share-based compensation (continued)

Shares provided on exercise of remuneration options

Details of 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 are set out below.

Name	Date of Exercise of Options	Number of Ordinary Shares Issued on Exercise of Options During the Year 2011	2010
Directors of McPherson's Limited			
P.J. Maguire	15 March 2011	750,000	-

The amount paid per ordinary share by the Director on the exercise of options on the date of exercise was $1.64 per share, less an amount of $0.01 per share previously paid at the grant date. No amounts are or were unpaid on any shares issued on the exercise of options.

Employee share schemes

In the previous years Directors of McPherson's Limited and other key management personnel of the Group including the Company Secretary were 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 available to participating employees. As a consequence the plans have been closed to new participants since that date and are being wound down.

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	56	44	2010	50	-	2012 to 2015	-	103,372
S.K.S. Chan	40	60	2011	-	-	2013 to 2016	-	74,730
P.R. Bennett	56	44	-	-	-	-	-	-
A.E. Fahy	-	100	-	-	-	-	-	-
G.P. Mitchell	35	65	2011	-	-	2013 to 2016	-	37,365

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	52	-	1,020,000	-
S.K.S. Chan	3	85,350	-	-
P.R. Bennett	-	-	-	-
A.E. Fahy	-	-	-	-
G.P. Mitchell	2	42,675	-	-

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 2014	$1.64	375,000
6 July 2009	6 January 2015	$1.75	375,000
1 April 2011	31 March 2016	$3.61	1,050,000
			1,800,000

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
The following ordinary shares of McPherson's Limited were issued during the year ended 30 June 2011 on the exercise of options granted under the McPherson's Limited Employee Share/Option Purchase Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date Options Granted	Issue Price of Shares	Number of Shares Issued
6 July 2009	$1.64	750,000

(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.

	2011 $	2010 $
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*	225,000	237,500
Overseas affiliates of PricewaterhouseCoopers Australian firm	27,000	29,500
Non PricewaterhouseCoopers audit firms	20,629	21,633
Total remuneration for audit services	272,629	288,633
2. Other assurance services		
PricewaterhouseCoopers Australian firm:		
Consulting fees	75,000	-
Overseas affiliates of PricewaterhouseCoopers Australian firm:		
Financial statements preparation	3,000	3,000
Non PricewaterhouseCoopers audit firms:		
Audit of pension plans	519	583
Total remuneration for other assurance services	78,519	3,583
Total remuneration for assurance services	351,148	292,216

(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:

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

Signed in accordance with a resolution of the Directors.

Dated at Melbourne this 19th day of August 2011.

S.A. Rowell
Director

P.J. Maguire
Director

Auditor's Independence Declaration

As lead auditor for the audit of McPherson's Limited for the year ended 30 June 2011, 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
19 August 2011

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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 95 and the remuneration report on pages 26 to 37 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 2011 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 19th day of August 2011.

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

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

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 2011, and the income statement, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), 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.

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

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

Auditor's opinion
In our opinion the financial report of McPherson's Limited is in accordance with the *Corporations Act 2001*, including:

(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 2011 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 200*1; and

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 26 to 37 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporation Act 2001*.

PricewaterhouseCoopers

Graeme Billings
Partner

Melbourne
19 August 2011

Statement of Comprehensive Income

For the Year Ended 30 June 2011

	Note	Consolidated 2011 $000's	2010 $000's
Revenue	4	349,178	354,265
Other income	5	1,417	1,634
Expenses	3	(312,657)	(311,465)
Finance costs		(7,098)	(7,973)
Share of net profit of associate	14	268	195
Profit before income tax		31,108	36,656
Income tax expense	6	(11,609)	(11,007)
Profit after income tax		19,499	25,649
Other comprehensive income			
Changes in fair value of cash flow hedges		399	11,604
Exchange differences on translation of foreign operations		(1,987)	5
Income tax relating to components of other comprehensive income	6(d)	(127)	(3,481)
Other comprehensive income		(1,715)	8,128
Total comprehensive income		17,784	33,777
		Cents	Cents
Basic earnings per share	29	27.1	36.4
Diluted earnings per share	29	27.0	36.2

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

Balance Sheet
As at 30 June 2011

		Consolidated		
	Note	2011 $000's	2010[1] $000's	2009[1] $000's
Current assets				
Cash	10	1,705	467	2,281
Receivables	11	57,930	62,512	62,977
Inventories	12	59,672	64,297	61,251
Derivative financial instruments	13	-	258	18
Total current assets		119,307	127,534	126,527
Non-current assets				
Other financial assets	14	1,249	1,281	1,486
Property, plant and equipment	15	23,713	22,262	23,707
Intangibles	16	179,163	188,135	188,505
Deferred tax assets	17	6,856	6,274	9,918
Total non-current assets		210,981	217,952	223,616
Total assets		330,288	345,486	350,143
Current liabilities				
Payables	18	36,742	41,227	39,242
Derivative financial instruments	13	3,251	1,529	11,481
Borrowings	19	1,235	456	1,589
Provisions	20	10,989	10,947	11,334
Current tax liabilities		5,376	2,365	2,663
Total current liabilities		57,593	56,524	66,309
Non-current liabilities				
Derivative financial instruments	13	191	290	2,090
Borrowings	21	57,000	77,018	112,026
Provisions	22	1,010	1,084	1,211
Deferred tax liabilities	23	13,696	13,672	13,673
Total non-current liabilities		71,897	92,064	129,000
Total liabilities		129,490	148,588	195,309
Net assets		200,798	196,898	154,834
Shareholders' equity				
Share capital	24	129,338	127,193	112,727
Reserves	25(a)	(4,181)	(2,290)	(11,352)
Retained profits	25(b)	75,641	71,995	53,459
Total shareholders' equity		200,798	196,898	154,834

(1) The Company has changed the accounting policy for cash and cash equivalents and restated comparative amounts for 2010 (refer Note 1(j)). As AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* has been applied retrospectively, AASB 101 *Presentation of Financial Statements* requires presentation of a third balance sheet for 2009.

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

Statement of Changes in Equity

For the Year Ended 30 June 2011

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
Profit after income tax		-	-	19,499	19,499
Cash flow hedges, net of tax	25(a)	-	272	-	272
Exchange differences on translation of foreign operations	25(a)	-	(1,987)	-	(1,987)
Total comprehensive income		-	(1,715)	19,499	17,784
Transactions with shareholders					
Share-based payments expense	25(a)	-	743	-	743
Share issues – options exercised	24	1,230	-	-	1,230
Transaction costs on share issues, net of tax	24	(4)	-	-	(4)
Transfers	24&25(a)	919	(919)	-	-
Dividends paid	7	-	-	(15,853)	(15,853)
		2,145	(176)	(15,853)	(13,884)
Balance at 30 June 2011		**129,338**	**(4,181)**	**75,641**	**200,798**

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

Statement of Cash Flows
For the Year Ended 30 June 2011

	Note	Consolidated 2011 $000's	2010 $000's
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		385,577	390,753
Payments to suppliers and employees (inclusive of GST)		(327,762)	(341,280)
Interest received		322	42
Interest and borrowing costs paid		(7,669)	(8,073)
Income tax paid		(9,183)	(10,896)
Dividends received		300	400
Net cash inflows from operating activities	34	41,585	30,946
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(6,846)	(3,618)
Proceeds from disposal of property, plant and equipment		583	21
Payments for purchase of intangibles		(167)	(77)
Net cash outflows from investing activities		(6,430)	(3,674)
Cash flows from financing activities			
Proceeds from exercise of options		1,223	-
Costs from exercise of options		(5)	-
Proceeds from issue of shares		-	15,000
Costs from issue of shares		-	(763)
Proceeds from borrowings		120,000	115,500
Repayment of borrowings		(140,000)	(150,500)
Dividends paid		(15,853)	(7,165)
Repayment of hire purchase liabilities		(12)	(11)
Net cash outflows from financing activities		(34,647)	(27,939)
Net increase/(decrease) in cash held		508	(667)
Cash at beginning of the financial year		20	702
Net effect of exchange rate changes on cash		(42)	(15)
Cash held at end of financial year	10	486	20

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.

Application of change in accounting policy
The Group has changed an accounting policy voluntarily (refer Note 1(j)) and therefore in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, it has applied the change retrospectively and comparative information has been restated where applicable. As the accounting policy has been applied retrospectively, AASB 101 *Presentation of Financial Statements*, requires disclosure of a third balance sheet.

(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 2011 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.

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.

(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.

1. Summary of significant accounting policies (continued)

(f) Income tax (continued)

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.

(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. Consistent with the previously stated policy, the balance sheet and cash flows for prior years reflected remittances from trade debtors received on the first day of the next financial period. The Group has changed this policy during the current financial year to recognise only those remittances received in the current period. The 30 June 2010 comparative information in the accounts has been adjusted and restated to reflect the application of the new policy. The restatement has resulted in trade receivables and interest bearing liabilities each being increased by $5,144,000 and receipts from customers increasing by $2,051,000 for the year ended 30 June 2010.

(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.

Collectability 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.

1. Summary of significant accounting policies (continued)

(n) Investments and other financial assets (continued)

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.

(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 is determined using forward exchange market rates at the balance sheet date.

The net nominal value of trade receivables and payables is 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.

1. Summary of significant accounting policies (continued)

(r) Intangible assets (continued)

(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.

(iii) Bonus plans

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

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

(iv) Superannuation

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

(v) Termination benefits

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

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

(vi) Employee benefit on-costs

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

(vii) Share-based payments

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

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

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

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

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

(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.

1. Summary of significant accounting policies (continued)

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. The Group's assessment of the impact of these new standards and interpretations which are applicable to the Group are set out below.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (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.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)
In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(aa) Critical accounting estimates and assumptions

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

Estimated 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 cooperation with the Group's operating units.

The Group holds the following financial instruments:

	Consolidated	
	2011 $000's	2010 $000's
Financial assets		
Cash (Note 10)	1,705	467
Receivables (Note 11)	57,930	62,512
Derivative financial instruments (Note 13)	-	258
	59,635	63,237
Financial liabilities		
Payables (Note 18)	36,742	41,227
Borrowings (Notes 19 and 21)	58,219	77,447
Derivative financial instruments (Note 13)	3,442	1,819
Hire purchase (Notes 19 and 21)	16	27
	98,419	120,520

AASB 7 *Financial Instruments: Disclosures* 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.

2. Financial risk management (continued)

(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 hedge 100% of anticipated cash flows (mainly inventory purchases) in United States dollars for approximately eight 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	GBP	CAD	CHF	MYR	HKD	AUD	SNG
30 June 2011 – Group										
Receivables	26	-	-	-	-	-	2	-	777	-
Payables	123	3	274	11	5	54	-	231	799	-
Forward foreign exchange contracts (Note 13) – buy foreign currency	8,744	1,789	761	260	-	-	-	-	678	361
Foreign currency options	90,048	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-

Group sensitivity

Based on the financial instruments held at 30 June 2011, 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 $1,972,000 higher/$735,000 lower (2010: $2,386,000 higher/$1,432,000 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.

(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.

2011	Floating Interest Rate $000's	Fixed Interest Rate $000's	Total $000's	Weighted Average Interest Rate %
Financial liabilities				
Currency – Australian dollars				
Bank loans	58,200	-	58,200	
Bank overdraft	-	-	-	
Hire purchase	-	16	16	
	58,200	16	58,216	5.0
Currency – New Zealand dollars				
Bank overdraft	19	-	19	9.7
Notes 19 and 21	58,219	16	58,235	
2010				
Financial liabilities				
Currency – Australian dollars				
Bank loans	77,000	-	77,000	
Bank overdraft	295	-	295	
Hire purchase	-	27	27	
	77,295	27	77,322	4.6
Currency – Hong Kong dollars				
Bank overdraft	98	-	98	6.5
Currency – New Zealand dollars				
Bank overdraft	54	-	54	9.2
Notes 19 and 21	77,447	27	77,474	

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

2. Financial risk management (continued)

(b) Interest rate risk (continued)

The Board's current risk management policy is to generally hedge no less than 60% (previously 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 2011 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 2011. These contracts are subject to different conditions but generally restrict interest rate exposure to rates between 6.75% and 7.63%.

An additional contract which was entered into during the previous year has a commencement date of 1 July 2011, termination date of 31 August 2013, and covers 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 2011, 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 $510,000 higher/$510,000 lower (2010: $840,000 higher/$834,000 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 $24,000 lower/$24,000 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.

(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	
	2011 $000's	2010 $000's
Financing arrangements		
The Group has available to it a committed financing facility of $102,841,000 at 30 June 2011. As at the end of the financial year $58,219,000 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	1,841	9,680
Bank loan facilities	101,000	115,000
	102,841	124,680
Used at balance date		
Bank overdrafts	19	447
Bank loan facilities	58,200	77,000
	58,219	77,447
Unused at balance date		
Bank overdrafts	1,822	9,233
Bank loan facilities	42,800	38,000
	44,622	47,233

The bank loan facilities are available under a committed amortising financing facility with the Group's bankers, with a maturity date of 31 August 2013.

2. Financial risk management (continued)

(d) Liquidity risk (continued)

Maturity of financial liabilities

The tables below 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 2011 – 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)	36,742	-	36,742	36,742
Interest bearing liabilities (Notes 19 and 21)	1,219	66,336	67,555	58,219
Hire purchase (Note 19)	16	-	16	16
	37,977	66,336	104,313	94,977
Derivatives (Note 13)				
Forward foreign exchange contracts – inflow	12,593	-	12,593	
Forward foreign exchange contracts – outflow	(12,593)	-	(12,593)	
	-	-	-	391
Interest rate contracts	176	191	367	367
Foreign currency options	4,058	-	4,058	2,684
Total derivative financial instrument liabilities	4,234	191	4,425	3,442

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)	447	77,883	78,330	77,447
Hire purchase (Notes 19 and 21)	9	18	27	27
	41,683	77,901	119,584	118,701
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

	Consolidated	
	2011 $000's	2010 $000's
3. Operating profit		
(a) Expenses		
Materials and consumables used	172,007	183,556
Employee costs	63,919	65,485
Rental expenses relating to operating leases	9,212	9,588
Amortisation of other intangibles	221	495
Depreciation/other amortisation	5,301	4,972
Impairment of goodwill	8,530	-
Advertising and promotional	11,773	10,577
Repairs and maintenance	1,976	1,938
Cartage and freight	16,112	14,958
Restructure costs	508	706
Time value in option hedging contracts	2,280	(388)
Other expenses	20,818	19,578
Total expenses	312,657	311,465
(b) Profit before income tax expense includes the following net expenses and gains:		
Expenses		
Depreciation/amortisation:		
Property	228	239
Plant and equipment	5,057	4,700
Leasehold improvements	16	33
	5,301	4,972
Amortisation:		
Other intangibles	221	495
Total depreciation and amortisation	5,522	5,467
Rental expenses relating to operating leases:		
Minimum lease payments	9,045	9,388
Contingent rentals	167	200
Total rental expenses relating to operating leases	9,212	9,588
Other charges (credits) against assets:		
Bad and doubtful debts – trade debtors	27	(36)
Provision for stock obsolescence	1,080	982
Total other charges (credits) against assets	1,107	946

	Consolidated 2011 $000's	2010 $000's
3. Operating profit (continued)		
(b) Profit before income tax expense includes the following net expenses and gains: (continued)		
Other provisions:		
Employee entitlements	4,230	3,940
Employee incentives	955	1,877
Restructure	800	706
Claims and returns	-	(40)
Other	356	(16)
Total other provisions	6,341	6,467
Other expenses:		
Cost of goods sold	195,982	207,961
Loss on disposal of plant and equipment	45	16
Net exchange gains	(1,472)	(583)
Gains		
Profit on disposal of plant and equipment	253	21
4. Revenue		
Revenue from operating activities:		
Sales revenue	348,823	353,953
Other revenue:		
Interest received/receivable	313	47
Royalties	42	265
Total revenue	349,178	354,265
5. Other income		
Net gain on disposal of property, plant and equipment	208	5
Waste recoveries	742	779
Commissions	124	155
Sundry	343	695
Total other income	1,417	1,634

	Consolidated	
	2011 $000's	2010 $000's

6. Income tax

(a) Income tax expense

	2011 $000's	2010 $000's
Current tax	12,593	10,670
Deferred tax	(657)	310
(Over)/under provision in prior years	(327)	27
	11,609	11,007
Deferred income tax expense (credit) included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (Note 17)	(669)	293
Increase in deferred tax liabilities (Note 23)	12	17
	(657)	310

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

	2011 $000's	2010 $000's
Operating profit before tax	31,108	36,656
Tax at the Australian tax rate of 30% (2010: 30%)	9,332	10,997
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net profit of associate	(80)	(59)
Share-based payments	223	296
Impairment of goodwill	2,559	-
Tax rate differences in overseas entities	(227)	(267)
(Over)/under provision in prior years	(327)	27
Net benefit of tax losses not previously recognised	-	(59)
Other	129	72
Income tax expense	11,609	11,007

(c) Amounts recognised directly in equity

	2011 $000's	2010 $000's
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)	1	229

(d) Tax expense/(income) relating to items of other comprehensive income

	2011 $000's	2010 $000's
Cash flow hedges (Note 17)	127	3,486
Cash flow hedges (Note 23)	-	(5)
Total	127	3,481

6. Income tax (continued)

(e) Tax consolidation 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 2011 $000's	Consolidated 2010 $000's
7. Dividends		
Ordinary		
Final 30 June 2010 dividend of 10.0 cents per fully paid share (2009: Nil cents per fully paid share) fully franked @ 30%	7,165	-
Interim 2011 dividend of 12.0 cents per fully paid share (2010: 10.0 cents per fully paid share) fully franked @ 30%	8,688	7,165
Total dividends paid	15,853	7,165
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 14.0 cents per fully paid share (2010: 10.0 cents per fully paid share). The aggregate amount of the dividend to be paid on 3 October 2011 but not recognised as a liability at year end is:	10,136	7,165
Franked dividends		
Franked dividends paid after 30 June 2011 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 2012.		
Franking credits available for subsequent financial years based on a tax rate of 30%	27,795	23,764

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits which are expected to arise from the payment of current tax liabilities.

8. Auditors' remuneration

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

	Consolidated 2011 $	Consolidated 2010 $
Assurance services		
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	225,000	237,500
Overseas affiliates of PricewaterhouseCoopers Australian firm	27,000	29,500
Non PricewaterhouseCoopers audit firms	20,629	21,633
Total remuneration for audit services	272,629	288,633
2. Other assurance services		
PricewaterhouseCoopers Australian firm:		
Consulting fees	75,000	-
Overseas affiliates of PricewaterhouseCoopers Australian firm:		
Financial statements preparation	3,000	3,000
Non PricewaterhouseCoopers audit firms:		
Audit of pension plans	519	583
Total remuneration for other assurance services	78,519	3,583
Total remuneration for assurance services	351,148	292,216

	Consolidated 2011 $	Consolidated 2010 $
9. Key management personnel		
Key management personnel compensation		
Short-term employee benefits	2,276,899	2,666,243
Post-employment benefits	204,969	226,999
Long-term benefits	32,361	71,769
Share-based payments	684,597	986,711
	3,198,826	3,951,722

Detailed remuneration disclosures are provided in the Remuneration Report contained within the Directors' Report, which is on pages 25 to 39 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 37 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:

2011

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	1,500,000	-	(750,000)	-	750,000	-	750,000
Other key management personnel of the Group							
S.K.S. Chan	-	150,000	-	-	150,000	-	150,000
P.R. Bennett	-	-	-	-	-	-	-
A.E. Fahy	-	-	-	-	-	-	-
G.P. Mitchell	-	75,000	-	-	75,000	-	75,000

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	-	-	-	-	-	-	-

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

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 as follows. There were no shares granted during the reporting period as compensation.

2011

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	217,523	-	-	217,523
P.J. Maguire	500,143	750,000	-	1,250,143
D.J. Allman	500,193	-	-	500,193
J.P. Clifford	-	-	-	-
P.D.J. Landos	-	-	-	-
G.A. Cubbin	-	-	10,000	10,000
Other key management personnel of the Group				
S.K.S. Chan	-	-	-	-
P.R. Bennett	5,835	-	-	5,835
A.E. Fahy	746	-	-	746
G.P. Mitchell	-	-	-	-

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	-	-	-	-

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 2011 $000's	Consolidated 2010 $000's
Cash on hand	14	14
Cash at bank and on deposit (at call)	1,691	453
	1,705	467
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	1,705	467
Less: Bank overdrafts (Note 19)	(19)	(447)
Bank loans (Note 19)	(1,200)	-
Balances per cash flow statements	486	20

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 are set out below. Financial assets which are not listed below are not subject to interest rate risk.

2011	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	1,209	1.0	-	1,209
Currency – United States dollars	71	0.1	247	318
Currency – Pounds sterling	-	-	6	6
Currency – Singapore dollars	-	-	85	85
Currency – Hong Kong dollars	-	-	73	73
	1,280	-	411	1,691

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

Non-interest bearing cash and deposits represent clearing accounts.

	Consolidated	
	2011 $000's	2010 $000's

11. Current assets – receivables

	2011 $000's	2010 $000's
Trade receivables	55,088	58,301
Provision for impairment	(65)	(74)
	55,023	58,227
Other receivables/prepayments	2,907	4,285
	57,930	62,512

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

	2011 $000's	2010 $000's
Balance at 1 July	(74)	(202)
Provisions for impairment recognised during the year	(27)	(21)
Written-off during the year as uncollectible	34	93
Unused amount reversed	-	57
Foreign exchange	2	(1)
	(65)	(74)

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	
	2011 $000's	2010 $000's
Neither past due nor impaired	36,034	39,379
Past due, but not impaired:		
– less than 30 days	15,520	16,631
– 30 to 59 days	3,005	1,826
– 60 to 89 days	290	295
– 90 to 119 days	173	84
– 120 days or more	1	9
	55,023	58,224
Impaired	65	77
Gross carrying amount	55,088	58,301
Provision for impairment	(65)	(74)
Net carrying amount	55,023	58,227

11. Current assets – receivables (continued)

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 2011 $000's	Consolidated 2010 $000's
Printing (predominantly Australia)	5,075	6,482
Consumer Products (predominantly Australasia)	50,013	51,819
	55,088	58,301
Less: Provision for impairment	(65)	(74)
	55,023	58,227

12. Current assets – inventories

	2011 $000's	2010 $000's
Raw materials	5,060	5,003
Work in progress	1,516	2,133
Finished goods	47,199	50,543
Stock in transit	7,499	8,189
	61,274	65,868
Provision for inventory obsolescence	(1,602)	(1,571)
	59,672	64,297

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

Inventory recognised as expenses during the year ended 30 June 2011 amounted to $195,982,000 (2010: $207,961,000).

13. Derivative financial instruments

	2011 $000's	2010 $000's
Current assets		
Forward foreign exchange contracts – cash flow hedges	-	18
Foreign currency options – cash flow hedges	-	240
Total current derivative financial instrument assets	-	258
Current liabilities		
Interest rate contracts – cash flow hedges	176	1,526
Forward foreign exchange contracts – cash flow hedges	391	3
Foreign currency options – cash flow hedges	2,684	-
Total current derivative financial instrument liabilities	3,251	1,529
Non-current liabilities		
Interest rate contracts – cash flow hedges	191	290

(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.

	2011 $000's	Weighted Average Contracted Exchange Rate	2010 $000's	Weighted Average Contracted Exchange Rate
Maturity 0 – 6 months				
Sell Australian dollars/buy:				
United States dollars	2,996	1.0495	475	0.8746
New Zealand dollars	1,789	1.2889	468	1.2288
Singapore dollars	361	1.3047	-	-
Sell New Zealand dollars/buy:				
United States dollars	4,440	0.7678	4,118	0.6966
Euro	761	0.5512	718	0.5314
Australian dollars	579	0.6560	592	0.7851
Pounds sterling	260	0.4813	210	0.4618
Maturity 6 – 12 months				
Sell Australian dollars/buy:				
United States dollars	826	1.0308	-	-
Sell New Zealand dollars/buy:				
United States dollars	482	0.8082	-	-
Euro	-	-	74	0.5528
Australian dollars	99	0.7842	-	-

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

Group
At balance date these contracts were liabilities of $391,000 (2010: assets of $18,000 and liabilities of $3,000).

13. Derivative financial instruments (continued)

(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 2011 to April 2012.

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

Group
At balance date these contracts were liabilities of $2,684,000 (2010: assets of $240,000).

(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	
	2011 $000's	2010 $000's
14. Non-current assets – other financial assets		
Shares in associate	**1,249**	1,281
Shares in associate		
(i) Movements in carrying amount		
Carrying amount at the beginning of the financial year	**1,281**	1,486
Share of profit after income tax	**268**	195
Dividends received	**(300)**	(400)
Carrying amount at the end of the financial year	**1,249**	1,281
(ii) Share of associate's profit or loss		
Profit before income tax	**383**	279
Income tax expense	**(115)**	(84)
Profit after income tax	**268**	195
(iii) Share of associate's expenditure commitments other than for the supply of inventories		
Lease commitments	**102**	275
Capital commitments	**847**	-

(iv) Summarised financial information of associate

	Group's Share of:			
	Assets $000's	Liabilities $000's	Revenues $000's	Profits $000's
2011	**2,910**	**1,514**	**2,538**	**268**
2010	2,090	662	2,436	195

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

	Consolidated	
	2011 $000's	2010 $000's
Freehold land and buildings:		
At cost	**6,843**	6,823
Accumulated depreciation	**(2,638)**	(2,415)
	4,205	4,408
Leasehold improvements:		
At cost	**1,430**	1,440
Accumulated amortisation	**(1,348)**	(1,343)
	82	97
Total property	**4,287**	4,505
Plant and equipment:		
At cost	**70,654**	68,902
Accumulated depreciation	**(51,228)**	(51,145)
Total plant and equipment	**19,426**	17,757
Total property, plant and equipment	**23,713**	22,262

15. Non-current assets – property, plant and equipment (continued)

(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 Improve-ments $000's	Plant and Equipment $000's	Total $000's
Consolidated				
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
Additions	25	10	7,390	7,425
Disposals – previously provided (Note 20)	-	-	(214)	(214)
Disposals – current period	-	(4)	(372)	(376)
Depreciation/amortisation expense (Note 3(b))	(228)	(16)	(5,057)	(5,301)
Foreign currency exchange differences	-	(5)	(78)	(83)
Carrying amount at 30 June 2011	**4,205**	**82**	**19,426**	**23,713**

(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.

	Consolidated	
	2011 $000's	2010 $000's
16. Non-current assets – intangibles		
Goodwill	**133,432**	142,341
Other intangibles	**4,437**	5,454
Accumulated amortisation	**(3,765)**	(4,719)
	672	735
Brandnames	**45,059**	45,059
Total intangibles	**179,163**	188,135

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	Brand-names $000's	Total $000's
Consolidated				
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
Additions	-	166	-	166
Disposals previously provided (Note 20)	-	(8)	-	(8)
Impairment charge	(8,530)	-	-	(8,530)
Amortisation charge (Note 3(b))	-	(221)	-	(221)
Foreign currency exchange differences	(379)	-	-	(379)
Carrying amount at 30 June 2011	**133,432**	**672**	**45,059**	**179,163**

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:

	2011 $000's	2010 $000's
Printing	**-**	8,530
Consumer Products Australia	**129,188**	129,345
Consumer Products New Zealand	**4,244**	4,466
	133,432	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. In performing the value-in-use calculations for each CGU, the Company has applied a post-tax discount rate to discount the forecast future attributable post-tax cash flows.

16. Non-current assets – intangibles (continued)

The assumption used in the value-in-use calculations are as follows:

	Printing CGU	Consumer Products CGUs
Estimated growth rates	–3.9% to 2.7%	1% to 3%
Post-tax discount rate	12.6%	11.5%
Pre-tax discount rate equivalent	15.6%	15.1%

At 30 June 2011, the value-in-use of each of the Consumer Products CGUs exceeds the carrying value of their net assets. At 30 June 2011, the value-in-use of the Printing CGU was less than the carrying value of its net assets, resulting in impairment to goodwill of $8,530,000. Should the discounted cash flows of the Printing CGU change by +/- 5%, the impact on the Printing CGU impairment assessment would be $1,300,000.

Brandnames
Brandnames are allocated to the Group's 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% (2010: 1% to 3%) and a post-tax discount rate of 11.5% (2010: 11.5%), the equivalent pre-tax discount rate equating to 15.1% (2010: 15.1%).

17. Non-current assets – deferred tax assets

	Consolidated	
	2011 $000's	2010 $000's
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Trade receivables impairment	18	17
Employee benefits	2,898	2,874
Depreciation/amortisation	1,746	1,808
Inventory obsolescence	451	425
Claims and returns	65	76
Other provisions and accruals	265	238
Deferred gain	115	-
Licence fees	133	183
	5,691	5,621
Amounts recognised directly in equity		
Transaction costs arising on share issues	139	185
Cash flow hedges	1,026	468
Total temporary differences	6,856	6,274

	Consolidated	
	2011 $000's	2010 $000's
Deferred tax assets to be recovered within 12 months	4,483	3,780
Deferred tax assets to be recovered after more than 12 months	2,373	2,494
	6,856	6,274

Movements

	Tax Losses $000's	Cash Flow Hedges $000's	Employee Benefits $000's	Depreciation $000's	Obsolescence $000's	Transaction Costs Arising on Share Issues $000's	Other $000's	Total $000's
Consolidated								
Opening balance at 1 July 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)
(Over)/under 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
Credited/(charged) to the income statement (Note 6)	-	685	44	(84)	34	-	(10)	669
Credited/(charged) to equity	-	(127)	-	-	-	1	-	(126)
Amortisation of transaction costs on share issues	-	-	-	-	-	(47)	-	(47)
(Over)/under provision in prior years	-	-	(16)	25	-	-	94	103
Foreign currency exchange differences	-	-	(4)	(3)	(8)	-	(2)	(17)
Closing balance at 30 June 2011	-	1,026	2,898	1,746	451	139	596	6,856

	Consolidated 2011 $000's	Consolidated 2010 $000's
18. Current liabilities – payables		
Trade creditors	21,958	23,062
Other creditors	14,784	18,165
	36,742	41,227
19. Current liabilities – borrowings		
Bank overdraft (Note 10)	19	447
Bank loans (Note 10)	1,200	-
Hire purchase (Note 26)	16	9
	1,235	456
Secured liabilities		
Bank overdraft (Note 10)	1,219	447
Hire purchase (Note 26)	16	9
	1,235	456

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.

	Consolidated 2011 $000's	Consolidated 2010 $000's
20. Current liabilities – provisions		
Employee entitlements	8,510	8,152
Employee incentives	1,195	1,783
Restructure costs	806	758
Claims and returns	218	254
Other	260	-
	10,989	10,947

(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) Employee incentives

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

(c) Restructure costs

Estimate of unpaid costs at 30 June 2011 in relation to the restructuring of the Group's Corporate Office.

(d) Claims and returns

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

(e) 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:

	Employee Incentives $000's	Restructure Costs $000's	Claims and Returns $000's	Other $000's
Consolidated 2011				
Carrying amount at 1 July 2010	1,783	758	254	-
Additional provisions recognised	955	800	-	356
Written-off to profit and loss	-	(292)	-	-
Written-off to plant and equipment (Note 15(a))	-	(214)	-	-
Written-off to intangibles (Note 16)	-	(8)	-	-
Payments	(1,519)	(238)	(36)	(96)
Foreign currency exchange differences	(24)	-	-	-
Carrying amount at 30 June 2011	**1,195**	**806**	**218**	**260**

21. Non-current liabilities – borrowings

	Consolidated 2011 $000's	Consolidated 2010 $000's
Secured liabilities		
Bank loans	57,000	77,000
Hire purchase liabilities (Note 26)	-	18
Total secured non-current liabilities	57,000	77,018

21. Non-current liabilities – borrowings (continued)

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

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
- cross guarantees and indemnities provided by the parent entity and certain controlled entities

	Consolidated	
	2011 $000's	2010 $000's
(a) Assets pledged as security		
First mortgage		
Freehold land and buildings	**1,657**	1,675
Fixed charge		
Property, plant and equipment	**21,941**	20,539
Intangibles	**178,383**	187,267
Other financial assets	**1,249**	1,281
Hire purchase		
Plant and equipment under hire purchase	**19**	25
Floating charge		
Deferred tax assets	**6,822**	6,213
Total non-current assets pledged as security	**210,071**	217,000
The following current assets are also pledged as security:		
Fixed charge		
Receivables	**53,925**	56,805
Floating charge		
Cash	**1,614**	200
Inventories	**58,844**	63,321
Receivables	**2,477**	3,873
Derivative financial instruments	**-**	258
Total current assets pledged as security	**116,860**	124,457
Total assets pledged as security	**326,931**	341,457

	Consolidated	
	2011 $000's	2010 $000's

22. Non-current liabilities – provisions

	2011 $000's	2010 $000's
Employee entitlements	1,010	1,084

23. Non-current liabilities – deferred tax liabilities

The balance comprises temporary differences attributable to:

	2011 $000's	2010 $000's
Amounts recognised in profit or loss		
Prepayments	33	14
Inventories	134	132
Brandnames	13,518	13,518
Depreciation	7	4
Unrealised foreign exchange gains	4	1
Interest	-	3
	13,696	13,672
Deferred tax liabilities to be settled within 12 months	167	148
Deferred tax liabilities to be settled after more than 12 months	13,529	13,524
	13,696	13,672

Movements

	Inventories $000's	Brandnames $000's	Cash Flow Hedges $000's	Other $000's	Total $000's
Consolidated					
Opening balance at 1 July 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
Charged/(credited) to the income statement (Note 6)	(10)	-	-	22	12
Under provision in prior years	12	-	-	-	12
Closing balance at 30 June 2011	134	13,518	-	44	13,696

	Consolidated	
	2011 $000's	2010 $000's
24. Share capital		
Issued and paid up capital:		
72,401,758 (2010: 71,651,758) ordinary shares – fully paid	**129,338**	127,193

Movements in ordinary share capital

Date	Details	Number of Shares	Price $	$000's
1 July 2009	Opening 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
15 March 2011	Shares issued – exercise of options granted on 6 July 2009	750,000	1.64	1,230
	Less: Transaction costs arising on shares issued			(5)
	Plus: Tax credit recognised directly in equity			1
	Transfer from share-based payments reserve in relation to options exercised			919
30 June 2011	**Closing balance**	**72,401,758**		**129,338**

Ordinary shares

At 30 June 2011 there were 72,401,758 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 are set out in the Directors' Report.

	Consolidated	
	2011 $000's	2010 $000's

25. Reserves and retained profits

(a) Reserves

	2011 $000's	2010 $000's
Hedging reserve – cash flow hedges	**(538)**	(810)
Share-based payments reserve	**811**	987
Foreign currency translation reserve	**(4,454)**	(2,467)
	(4,181)	(2,290)
Hedging reserve – cash flow hedges:		
Balance 1 July	**(810)**	(8,933)
Revaluation – gross	**(1,402)**	(1,157)
Deferred tax (Notes 17 and 23)	**413**	347
Transfer to cost of sales – gross	**(15)**	8,485
Deferred tax (Notes 17 and 23)	**5**	(2,545)
Transfer to finance costs – gross	**1,816**	4,276
Deferred tax (Notes 17 and 23)	**(545)**	(1,283)
Balance 30 June	**(538)**	(810)
Share-based payments reserve:		
Balance 1 July	**987**	53
Option expense	**743**	986
Transfer to retained profits	**-**	(52)
Transfer to share capital	**(919)**	-
Balance 30 June	**811**	987
Foreign currency translation reserve:		
Balance 1 July	**(2,467)**	(2,472)
Currency translation differences arising during the year	**(1,987)**	5
Balance 30 June	**(4,454)**	(2,467)

(b) Retained profits

	2011 $000's	2010 $000's
Balance 1 July	**71,995**	53,459
Profit after tax	**19,499**	25,649
Dividends paid	**(15,853)**	(7,165)
Transfer from reserves	**-**	52
Balance 30 June	**75,641**	71,995

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	
	2011 $000's	2010 $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	**2,409**	17
(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	**6,957**	8,162
Later than one year but not later than five years	**14,612**	18,523
Later than five years	**-**	187
	21,569	26,872
(c) Hire purchase commitments		
Commitments in relation to hire purchase payments are payable as follows:		
Not later than one year	**16**	10
Later than one year but not later than five years	**-**	18
	16	28
Future finance charges	**-**	(1)
Recognised as a liability	**16**	27
Representing hire purchase liabilities:		
Current (Note 19)	**16**	9
Non-current (Note 21)	**-**	18
	16	27

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 re-negotiated.

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

2011 Segment information

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

28. Segment report (continued)

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	318,281	43,124	(15,919)	345,486

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	
	2011 $000's	2010 $000's	2011 $000's	2010 $000's
Geographical information				
Australia	312,435	317,804	197,562	204,606
North America	161	471	-	-
Asia, New Zealand	36,227	35,678	6,563	7,072
	348,823	353,953	204,125	211,678

Segment revenues

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

Revenues of approximately $84,746,000 (2010: $76,627,000) and $61,904,000 (2010: $65,196,000) 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

	2011	2010
Basic earnings per share	27.1¢	36.4¢
Diluted earnings per share	27.0¢	36.2¢
Earnings used in calculating basic and diluted earnings per share	$19,499,000	$25,649,000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	71,871,621	70,544,088
Potential ordinary shares	333,197	374,570
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	72,204,818	70,918,658
Options that are not dilutive and are therefore not included in the calculation of diluted earnings per share	1,050,000	-

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)

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 operation of the Company's two share plans was discontinued in February 2010 because of the reduced tax benefits available to participating employees. As a consequence, the plans have been closed to new participants since that date and are being wound down.

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 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.

Disposal of controlled entity
McPherson's Housewares Pty Ltd was deregistered on 14 February 2011.

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 employee respectively in the law firm J.B. Duncan P.C. This firm renders legal advice to certain controlled entities.

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

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

Controlled entities

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

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

	Consolidated	
	2011 $	2010 $
Related party transactions not reported elsewhere		
The aggregate amounts of transactions with related parties not reported elsewhere were as follows:		
Legal fees		
J.B. Duncan P.C.	7,616	18,657

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 $4,058,947 (2010: $4,146,303).

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
- 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.

During the current financial year, McPherson's Housewares Pty Ltd was removed as a party to the Deed of Cross Guarantee by Revocation Deed (dated 4 October 2010).

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

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

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2011 of the Closed Group.

	2011 $000's	2010 $000's
Income statement		
Revenue	316,856	321,595
Other income	1,616	1,795
Share of net profit in associate	268	195
Expenses	(281,721)	(280,710)
Finance costs	(7,483)	(8,514)
Profit before income tax	29,536	34,361
Income tax expense	(10,520)	(9,946)
Profit after income tax	19,016	24,415
Summary of movements in consolidated retained profits		
Retained profits at beginning of the financial year	55,791	38,489
Profit after income tax for the year	19,016	24,415
Dividends provided for or paid	(15,853)	(7,165)
Transfer from reserves	-	52
Retained profits at the end of the financial year	58,954	55,791

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2011 of the Closed Group.

	2011 $000's	2010 $000's
Current assets		
Cash	1,369	11
Receivables	52,584	52,387
Inventories	52,045	56,227
Derivative financial instruments	-	258
Total current assets	105,998	108,883
Non-current assets		
Other financial assets	28,606	28,639
Property, plant and equipment	22,440	20,658
Deferred tax assets	6,480	5,904
Intangible assets	169,145	177,571
Total non-current assets	226,671	232,772
Total assets	332,669	341,655
Current liabilities		
Payables	49,592	55,093
Borrowings	1,216	160
Derivative financial instruments	2,897	1,526
Provisions	10,019	9,936
Current tax liabilities	4,691	1,651
Total current liabilities	68,415	68,366
Non-current liabilities		
Payables	3,219	3,219
Borrowings	57,000	72,018
Derivative financial instruments	191	290
Provisions	1,005	1,071
Deferred tax liabilities	14,020	13,528
Total non-current liabilities	75,435	90,126
Total liabilities	143,850	158,492
Net assets	188,819	183,163
Equity		
Share capital	129,338	127,193
Reserves	527	179
Retained profits	58,954	55,791
Total equity	188,819	183,163

	Consolidated 2011 $000's	Consolidated 2010 $000's
34. Notes to the statement of cash flows		
Reconciliation of net cash provided by operating activities to operating profit after income tax		
Operating profit after income tax	19,499	25,649
Amortisation of other intangibles	221	495
Depreciation/other amortisation	5,301	4,972
Share-based payments	743	986
Impairment of goodwill	8,530	-
Profit on disposal of property, plant and equipment	(208)	(5)
Time value in option hedging contracts	2,280	(388)
Finance charges included in lease payments	1	2
Share of profit in associate not received as dividends or distributions	(268)	(195)
Dividends received from associate	300	400
Operating assets and liabilities		
Increase/(decrease) in payables	(5,930)	1,884
Increase/(decrease) in other provisions	41	(65)
Increase/(decrease) in employee entitlements	284	(448)
Increase/(decrease) in tax payable	2,426	111
(Increase)/decrease in receivables	4,206	491
(Increase)/decrease in inventories	4,159	(2,943)
Net cash inflow provided by operating activities	41,585	30,946

35. Events occurring after balance date

No matters have arisen since 30 June 2011 that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of the affairs of the Group in financial periods subsequent to 30 June 2011.

36. Parent entity financial information

(a) Financial information

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

	2011 $000's	2010 $000's
Balance sheet		
Current assets	8,435	3,561
Total assets	259,730	276,059
Current liabilities	27,069	30,288
Total liabilities	99,850	114,493
Shareholders' equity		
Issued capital	129,338	127,193
Reserves - cash flow hedges	(261)	(808)
- share-based payments	811	987
Retained earnings	29,992	34,193
	159,880	161,565
Profit after tax	11,652	18,120
Total comprehensive income	12,199	25,712

(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.

Shareholder Information

The shareholding information set out below was applicable at 31 August 2011.

1. Share Capital

As at 31 August 2011 the ordinary share capital in the Company was held by the following number of shareholders:

Shares	Shareholders
1 – 1,000	1,651
1,001 – 5,000	1,639
5,001 – 10,000	527
10,001 – 100,000	447
100,001 and over	45
Total	**4,309**
Holding less than a marketable parcel	183

2. Voting Rights

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

3. Twenty Largest Shareholders as at 31 August 2011

	No. of Shares	%
HSBC Custody Nominees (Australia) Limited	15,537,374	21.46
RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED A/C)	7,310,534	10.10
JP Morgan Nominees Australia Limited	6,420,625	8.87
National Nominees Limited	6,053,866	8.36
Aust Executor Trustees NSW Ltd (Tea Custodians Limited)	3,340,080	4.61
Cogent Nominees Pty Limited	1,819,176	2.51
RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/C)	1,772,956	2.45
Citicorp Nominees Pty Limited	1,741,557	2.41
AMP Life Limited	803,219	1.11
Mr Paul John Maguire	750,000	1.04
Bond Street Custodians Limited (Macquarie Smaller Co's A/C)	647,534	0.89
JP Morgan Nominees Australia Limited (Cash Income A/C)	561,364	0.78
Mrs Melinda Sue Maguire	500,143	0.69
RBC Dexia Investor Services Australia Nominees Pty Ltd (PISELECT A/C)	462,760	0.64
Perpetual Custodians Limited	436,550	0.60
Mr Trevor Bruce Winston Ward	400,000	0.55
Queensland Investment Corporation	284,877	0.39
Aircole Pty Limited (Macri Retirement Fund A/C)	242,693	0.33
Mr Raymond Charles King + Mrs Dawn King (King Super Fund A/C)	228,103	0.32
Goncang Pty Ltd (DGA Superannuation Fund A/C)	223,599	0.31
	49,537,010	**68.42**
	72,401,758	100.00

4. Substantial Shareholders

The following is extracted from the Company's Register of Substantial Shareholders as at 31 August 2011:

	No. of Shares	Last Notified
Thorney Pty Ltd	11,986,000	18 March 2011
Perpetual Limited and subsidiaries	10,282,507	30 August 2010
Delta Lloyd Group N.V. and subsidiaries	3,836,992	29 August 2011
DFA Group	3,624,821	24 June 2011

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

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

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Company Secretary
Philip Bennett

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2 Southbank Boulevard
Southbank Victoria 3006

Solicitors
Thomsons Lawyers
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Sydney NSW 2000

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

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

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

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

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

Group Management

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

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