



McPherson's Limited

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(ASX: MCP)

24 September 2012

Company Announcements
ASX Limited
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir / Madam,

Please find the following audited financial statements for McPherson's Limited for the year ended 30 June 2012.

Yours faithfully,

Paul Witheridge
Company Secretary

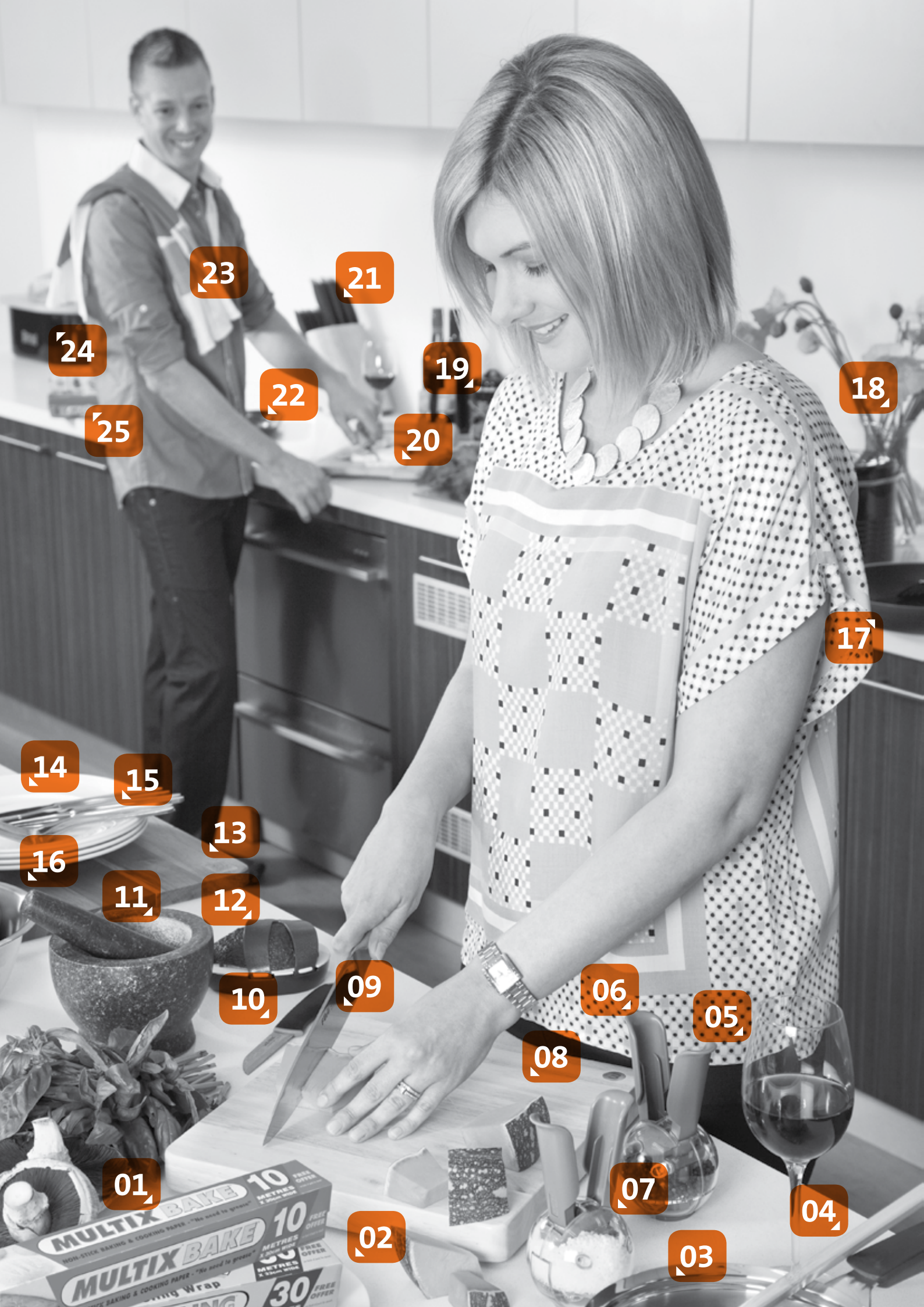


Making Life Easier



ANNUAL REPORT 2012





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1. Multix Bake 10m – Baking Paper
2. Multix Cling Wrap 30m
3. Wiltshire “SmartStack” – Self Stacking Pan Set
4. Ai De Chef Oval Bowl Spoon
5. Luigi Bormioli “Vinoteque Fragrante” 380ml
6. Vibe One Handed Pepper Grinder – “Pepper Ball”
7. Vibe One Handed Salt Grinder – “Salt Ball”
8. Wiltshire Chopping Board
9. Furi “Cooks Knife” Professional
10. Wiltshire “StaySharp” Knife
11. Jamie Oliver Mortar and Pestle
12. Home Living Avocado Saver – “Avo Saver”
13. Stanley Rogers “Acacia” Chopping Board
14. Luigi Bormioli “Michelangelo” Dinner Plates
15. Stanley Rogers “Mason” 24 Piece Cutlery Set
16. Eterna Mixing Bowl
17. Wiltshire 32cm “Thermotech” Frypan
18. Luigi Bormioli “Michelangelo Masterpiece” 1.5L Jug
19. Typhoon “Vintage” Kitchen Tea Coffee Sugar Caddy Set
20. Woodland Five Piece Cheese Set With Magnetic Knife Holder
21. Wiltshire 13 Piece Knife Block Set
22. Wiltshire 6 Cup “Easy Bake” Muffin Pan
23. Typhoon “Apple Heart” Set of Three Tea Towels
24. Typhoon “Vintage” Kitchen Bread Canister and Chopping Board
25. Multix Alfoil Dispenser Pack 15m

McPherson’s is a leading marketer of personal care, non-electrical housewares and household consumable products in Australasia, with operations in Australia, New Zealand and Asia.

Existing product ranges include beauty care, hair care, skin care, ‘kitchen utensils’ such as cutlery, kitchen knives, bakeware and cookware and ‘kitchen essentials’ such as plastic bags, baking paper, cling wrap and aluminium foil.

McPherson’s owns and markets a stable of well known brands including Manicare, Lady Jayne, Swisspers, Moosehead, Wiltshire, Stanley Rogers and Multix, many of which are market leaders in their respective categories.

DIVIDEND POLICY

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

FINANCIAL CALENDAR *

February 2013

Release of results to 31 December 2012

August 2013

Preliminary results to 30 June 2013

October 2013

Publication of Annual Report and accounts for year to 30 June 2013

*Subject to change

Making Life Easier

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Through its successful history of acquisition and product innovation McPherson's Consumer Products has established a portfolio of trusted brands in various categories with distribution to a diverse, multi-channel customer base.

\$276.2million

Sales revenue from continuing operations

\$18.4million

Profit after tax from continuing operations

\$17.0million

Statutory profit after tax for the year



1. Lady Jayne Hair Extensions 45cm pk3 Platinum Blonde
2. Manicare Glamnails Nail Art Pen
3. Manicare Nail Shapers
4. Manicare Mini Tweezers
5. Manicare Retractable Kabuki Brush
6. Glam Eyes Taylor Lashes
7. Swisspers Naturals Aloe Everything Balm

Corporate Strategy

During the 2012 financial year the McPherson's Printing business was demerged from the Group. We are now a focused consumer products business. With the growth and operational excellence strategies we have in place, McPherson's is well positioned to continue on the path to becoming a world-class consumer products company.

Growth strategies

The Company is committed to growth and has a number of identified strategies in place in order to achieve this. The key growth strategies are outlined below:

Innovation

The Company is focused on innovating our major brands in both existing and new categories. In addition to our Product Marketing teams, we also have an Innovation & Business Development team dedicated to innovation.

The three main types of innovation are broadly defined as:

Core

Optimising existing products for existing customers.

Adjacent

Expanding from existing business into new business.

Transformational

Developing breakthroughs and inventing things for markets that do not yet exist.

Whilst the Company does invest resources in both 'Adjacent' and 'Transformational' innovation, our main focus is 'Core' innovation, as this is our strength and is also the area where significant value can be attained. Some recent examples of the Company's innovation activities include:

- Swisspers Aloe Naturals Skincare range;
- Wiltshire SmartStack Cookware range;
- Wiltshire "Bar B" Barbeque range;
- Lady Jayne Hair Extensions;
- Manicare Glam Nail Art; and
- Multix Alfoil dispenser unit.

Agencies/Licenses

Part of the Company's strength is our ability to attract and retain quality agency and licence partners. New agency and licence arrangements are partnered with provided:

- Their product offering and brands complement our existing portfolio;
- They extend our presence and make us more significant to our customers; and
- The relationship drives positive financial outcomes for both companies.

McPherson's is committed to further developing this area and expanding our range of agency and licence arrangements. Not only does this increase our range of products it also further leverages the Company's infrastructure.

International expansion

McPherson's currently has international operations in New Zealand, Singapore and Hong Kong. The Company also utilises a third party distribution model in other countries (eg. Canada and South Africa). International expansion is seen as a platform for growing profit and brand equity for McPherson's.

Acquisitions

The Company is interested in acquiring appropriate businesses in order to:

- Increase scale;
- Leverage existing resources and infrastructure;
- Extract synergy benefits;
- Diversify and reduce risk (eg. access to new channels); and
- Enhance shareholder value.

In order to assess the appropriateness of potential acquisitions, the Company has established key criteria as follows:

- The acquisition should be EPS accretive and generate an acceptable return on funds employed;
- Good strategic fit;
- Synergy potential and scale benefits;
- Market power – strong, high involvement brands;
- Growth potential – in existing and new categories, channels and markets;
- Resistance to competition and changes in customer/consumer preference; and
- Cultural fit.

During, and since the end of the current financial year, McPherson's has undertaken a number of acquisitions within the Personal Care market. These included the acquisitions of both the Cosmex and Footcare International businesses within Australia, and the acquisition of the Gainsborough business within New Zealand. The Company continues to proactively identify and assess potential acquisition opportunities.



STAFF PROFILE:

ALI PAYNE

B Com
Group Product Manager:
Food Preparation & Outdoor Products.

In her current role Ali enjoys creating product solutions that are in line with her passion for cooking and entertaining, and she has the privilege of working with a team of driven and creative people.

This year Ali's team has paved the way for an array of innovative product launches including the **Wiltshire SmartStack Cookware Range** which has helped eliminate the age old issue of limited space in the kitchen by neatly stacking cookware items one inside the other.

Other great new products include the **Wiltshire Bar B Pizza Kit** which enhances the entertainment experience at home by increasing the range of food that can be cooked on the BBQ. The new **Wiltshire Art of Baking** range also lets the everyday baker perfect their skills and have fun in the kitchen with their family making yummy treats.

Ali's team is also responsible for the renowned **Wiltshire StaySharp** collection which has solved the need to sharpen your knives, as they self-sharpen every time you use them!

The Company's operational excellence initiative provides for the more efficient and effective integration of acquired businesses.

Operational excellence strategies

The Company's operational excellence initiative gathered further momentum during the current year. The program is aimed at improving productivity and efficiency through:

- Substantial process improvement; and
- Significant enhancement of IT systems to enable automation of processes.

A cornerstone of this initiative is to establish a culture of continuous improvement. We have made significant developments in this area this year through the management and leadership training program undertaken by the senior and middle management teams and the employment of a continuous improvement manager. As part of the management training program, five Short Term Action Groups (STAG) were formed to address five key strategic topics within the business. Recommendations were presented by each group and actioned by the business leading to significant process improvement and efficiency gains. The success of the initial STAG process has led to the formation of a further six Short Term Action Groups to address six new business initiatives.

The goals of the Company's operational excellence initiative are:

- To improve customer service, productivity, efficiency and profitability;
- Provide for the more efficient and effective integration of acquired businesses;
- Attract and retain high achievers through training and development; and
- Ensure high levels of employee engagement throughout the business.

During the 2011-2012 financial year the Company completed a number of initiatives including: the installation of radio frequency technology in the Kingsgrove warehouse which has led to improved productivity and warehouse capacity; a restructure to better align the Company's structure with the corporate strategy; and the Kingsgrove office underwent a landlord funded refit project which has modernised the office and led to an improvement in communication and enhanced cooperation.

Other initiatives currently underway or planned to be undertaken include:

ERP system upgrade to IBS version 7

- Will improve access to data, productivity, user interface and information consolidation.
- Subject to a final feasibility review, the IBS ERP system will also be rolled out to New Zealand, Hong Kong and Singapore within the next 12 months.

New Financial, Sales & Operations Planning (FS&OP) system

- Will enhance efficiency and reduce working capital through better planning and the aggregation of demand.

A mobile Customer Relationship Management (CRM) system

- Will boost field force efficiency and effectiveness.

Customers enabled to order directly from MCP via the internet

- Improve efficiency associated with the order capture process.

MCP Australia warehousing changes (inventory redeployment)

- Saving approximately \$0.5 million per annum.
- Eliminating outside storage.
- Increasing available capacity at Kingsgrove (2000+ new SKUs).

Sourcing review

- Continuing the establishment of low cost, high quality, sourcing options.

Inventory review

- A program of product rationalisation.

Human resource initiatives

- To strengthen employee engagement.



STAFF PROFILE:

DONNA CHAN

B Com

Group Product Manager:
Personal Care & Household Consumables

Donna was drawn to McPherson's in 2010 because of our passion for innovation and brand development as well as our commitment to continuous improvement.

As Group Product Manager for Personal Care & Household Consumables, Donna has an opportunity to create and sample many new beauty and household products that ultimately make life easier and more appealing for the consumer.

The Personal Care category has had a number of success stories in the last financial year, including

the launch of the purifying and refreshing **Swisspers Naturals Aloe** skincare range, which is the ultimate refreshment for your skin. Another great new launch has been the **Lady Jayne Hair Extensions** range which has been a popular item within the target market.

In Household Consumables our well known **Multix** brand has launched an array of consumer ease driven products including the **Multix Alfoil Dispenser Unit**, **Multix Ware Containers** and **Multix Alfoil BBQ Roasting Trays**.

Chairman's & Managing Director's Report



David Allman
Chairman



Paul Maguire
Managing Director

McPherson's faced a number of significant challenges during 2011-2012 and while it is disappointing to report an earnings decline we believe that the Company is well positioned to enhance performance over the coming year. A number of initiatives are actively being pursued with respect to both operational excellence and sales and profit growth, and these are outlined in the Corporate Strategy section earlier in this report.

Four major factors adversely affected the sales and profit performance of the business in 2011-2012; a subdued retail sales environment, the consequent requirement for increased promotional spend in order to maintain traditional sales volumes, retailer ranging strategies, and increased product cost prices ex Asia.

The well publicised subdued retail sales environment was an outcome of the continued decline in consumer confidence due to a number of factors such as global economic uncertainty. McPherson's was not immune to this softening retail environment, thus increased promotional spend was required to support customer efforts to drive consumer demand. Some parts of the business experienced sales growth over the past year, however retailer ranging strategies resulted in the loss of some shelf presence due to private label expansion and, in the case of McPherson's Impulse Merchandising business, due to a clean-aisle policy implemented in a major chain. This lost revenue is expected to be regained over the coming year as a result of some exciting new product initiatives. Product costs ex Asia increased primarily due to the effect of labour cost increases and labour shortages in China, and a great deal of work is currently being carried out by the McPherson's sourcing division in Hong Kong to mitigate this trend going forward.

Group sales from continuing operations¹ in the 2011-2012 financial year at \$276.2 million were 4.7% below the prior year's \$289.9 million while pre-tax profit from continuing operations² at \$26.1 million was 29.1% below the prior year's \$36.8 million.

Margins were assisted by the favourable foreign exchange rates that prevailed during the year. However, this benefit was more than offset by product mix, increased promotional spend and increased product related input costs, particularly labour cost increases in China.

Earnings per share from continuing operations³ of 25.4 cents were achieved in 2011-2012 compared with earnings per share from continuing operations³ of 35.9 cents the previous year, representing a 29.2% decrease. Consistent with the company's policy of distributing at least 60% of net profit to shareholders, dividends representing 67% of net profit from continuing operations³ were declared for 2011-2012, comprising an interim dividend of 10 cents and a final dividend of 7 cents, both fully franked. All future dividends are expected to remain fully franked.

The pursuit of growth through new product development and innovation remains a major focus for the business

Net debt levels increased from \$56.5 million at 1 July 2011 to \$76.7 million at 30 June 2012, impacted by the \$7.2 million outflow associated with the demerger of McPherson's Printing Group and the \$6.3 million outflow associated with the Cosmex (\$5.8 million) and Gainsborough (\$0.5 million) acquisitions. While gearing (net debt/(net debt plus shareholders' equity)) increased from 22.0% at 30 June 2011 to 30.8% at 30 June 2012, the balance sheet remains sound. Net borrowing cost reduced to \$5.9 million from \$6.8 million a year earlier.

The Company announced a number of changes to the Board and senior management during 2011-2012. These included 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 succeeded Simon Rowell as Chairman. Philip Bennett, who was Chief Financial Officer of McPherson's Limited from April 2000, stepped down at the end of November 2011 and Paul Witheridge was internally promoted to that position. Philip Bennett remains Company Secretary and supports acquisition analysis and evaluation.

A major initiative successfully implemented by the Group in 2011-2012 was the demerger of the McPherson's Printing business, facilitating McPherson's Limited's transition to a focused consumer products business with a portfolio of well recognised brands, product and brand development expertise, supply chain proficiency and outsourced manufacturing capability.

The printing demerger coincided with the acquisition of Cosmex International, a leading marketer and distributor of hair care and beauty products, with flagship brands such as Moosehead and Davinci under ownership and the Australian distribution rights for international brands such as Eylure and Montagne Jeunesse. These brands are a great complement to McPherson's existing portfolio of market leading brands.

During the year the Australian consumer products business gained further efficiencies from the merger of the corporate office in Melbourne into the head office in Sydney. Additional restructuring was also implemented to better align the business structure with strategy, leading to improved efficiency and productivity at a lower cost. Comprehensive training and development programs were also put in place to strengthen employee skills, ensure the retention of high achievers and maximise employee engagement.

A number of other operational initiatives are currently being pursued that will yield further benefits. These include an upgrade of the Company's Enterprise Resource Planning (ERP) system, the introduction of a new Financial Sales & Operations Planning (FS&OP) system to boost supply chain effectiveness, and a technology enabled Customer Relationship Management (CRM) system to enhance field force productivity. During the coming year a major logistics initiative will also be undertaken involving the redeployment of inventory so as to facilitate the exit from one of the Company's existing warehouse facilities, which will yield cost savings and significantly streamline the warehousing infrastructure.

The pursuit of growth through new product development and innovation remains a major focus for the business and this is being complemented by the establishment of new agency agreements and growth through acquisition. The Company is well positioned 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.



- 1 Inclusive of the discontinued business McPherson's Printing Group, which was demerged on 31 January 2012, 2011-2012 revenues of \$302.8 million were 13.2% below the prior year.
- 2 Inclusive of the discontinued business McPherson's Printing Group, which was demerged on 31 January 2012, 2011-2012 full year pre-tax profit of \$24.0 million was 22.8% below the prior year. The 2011-2012 pre-tax result is after one-off costs of \$2.6 million associated with the demerger of the McPherson's Printing Group and its subsequent acquisition of the Opus Group. The 2010-2011 pre-tax result is after an impairment charge of \$8.5 million relating to McPherson's Printing Group. Directors determined that goodwill arising from printing business acquisitions that took place more than ten years ago should be fully written off in the 2010-2011 year.
- 3 Inclusive of the discontinued business McPherson's Printing Group, which was demerged on 31 January 2012, earnings per share (EPS) at 23.5 cents was 13.3% below the prior year. The 2011-2012 EPS is inclusive of the one-off cost of demerging the McPherson's Printing Group in 2011-2012 and the 2010-2011 EPS is inclusive of the impairment of McPherson's Printing Group goodwill.



Review of Operations

McPherson's generated earnings before interest and tax (EBIT) from continuing operations of \$32.0 million in 2011-2012 a decrease of 26.5% on the 2010-2011 figure of \$43.5 million.

This result excludes the following; the EBIT generated by McPherson's demerged printing operation in both 2011-2012 and 2010-2011, the 2011-2012 costs of demerger and subsequent merger of McPherson's Printing Group (MPG) with the Opus Group, and MPG's Goodwill impairment charge of \$8.5 million in 2010-2011.

Following the demerger of MPG, McPherson's is now a focused Consumer Products business with operations in Australia, New Zealand and Asia, also trading in North America and South Africa.

McPherson's Consumer Products designs, sources and markets products under four broad categories: Personal Care, with brands including Manicare, Lady Jayne, Swisspers and Moosehead; Housewares, with brands including Wiltshire, Stanley Rogers, Strachan and Crown; Household Consumables under the Multix brand and Impulse Merchandising under the Home Living brand. Through its successful history of acquisition and product

innovation McPherson's Consumer Products has established a portfolio of trusted brands in various categories with distribution to a diverse, multi-channel customer base.

Manufacturing is outsourced to various suppliers, predominantly in Asia. McPherson's maintains a strong presence in Hong Kong and mainland China focused on sourcing and quality assurance.

Sales revenue from continuing operations of \$276.2 million, net of customer allowances, was 4.7% below the previous year's \$289.9 million primarily due to the removal of

Through its successful history of acquisition and product innovation McPherson's Consumer Products has established a portfolio of trusted brands in various categories with distribution to a diverse, multi-channel customer base.



Reflecting the Company's sound gearing position, the Directors have declared a final dividend of 7 cents per share.

Impulse Merchandise products in one of our key customers and reduced ranging of Housewares products in two key customers, which was largely off-set by growth in other parts of the business, such as personal care products in the pharmacy channel.

Profit after tax from continuing operations of \$18.4 million was 28.7% below the previous year's \$25.8 million. Earnings per share (EPS) from continuing operations declined by 29.2% from 35.9 cents per share to 25.4 cents per share.

Statutory profit after tax for the year of \$17.0 million was 12.7% below the previous year's \$19.5 million.

Operating cash flow before interest and tax from continuing operations was \$31.9 million representing cash conversion of 93% of earnings before interest, tax, depreciation and amortisation (EBITDA) of \$34.4 million. Net working capital from continuing operations increased by \$2.3 million in the year ended 30 June 2012 largely due to an increase in trade receivables at 30 June 2012 in comparison with 30 June 2011.

Net debt increased from \$56.5 million at 1 July 2011 to \$76.7 million at 30 June 2012. The increase of \$20.2 million was impacted by the \$7.2 million cash outflow associated with the demerger of MPG and the \$6.3 million outflow associated with the acquisitions of Cosmex (\$5.8 million) and Gainsborough (\$0.5 million). Cash flow in 2011-2012 was also adversely impacted by the delayed affect of a dividend and income tax payments related to the 2010-2011 result. Gearing (net debt / (net debt plus shareholders' equity)) at 30 June 2012 was 30.8%.

Reflecting the Company's sound gearing position, the Directors have declared a final dividend of 7 cents per share. This brings the total dividends in respect of the current year to 17 cents per share which represents a payout ratio of 67% of earnings per share from continuing operations and a payout ratio of 72% of statutory earnings per share. In anticipation of future growth opportunities through acquisition of complementary businesses and brands, the Directors have resolved to reinstate the Dividend Reinvestment Plan.

The stronger Australian dollar during 2011-2012 continued to assist margins, and the Company's foreign currency hedging programme will provide protection for the 2013 financial year, with hedging extended progressively on a rolling monthly basis. However, margin gains from the stronger currency in 2011-2012 were largely offset by increased product related input costs caused by higher commodity prices and factory labour costs in China, as well as by the softening in consumer confidence.

Total expenses from continuing operations declined by \$2.9 million in 2011-2012, with a number of initiatives undertaken to reduce operational costs such as the relocation of the Corporate Office from Melbourne to Sydney and the implementation of Radio Frequency transmission of replenishment orders in the Kingsgrove distribution centre enabling a reduction in labour costs.

As a consequence of the 4.7% decline in sales revenue, increased promotional support required by many of our customers, and reduced contribution margins in a highly competitive trading environment, EBIT from continuing operations of \$32.0 million in 2011-2012 was 26.5% below the 2010-2011 EBIT of \$43.5 million.

Review of Operations continued

Group Financial Summary

	Note		2012	2011	2010	2009	2008
Sales — continuing operations	1,2	\$000's	276,246	289,934	289,737	288,456	263,304
Operating profit before tax — continuing operations	1,3	\$000's	26,423	37,260	33,478	24,896	33,479
Income tax expense — continuing operations	1,3	\$000's	(7,758)	(11,100)	(10,250)	(7,187)	(9,400)
Operating profit after tax — continuing operations	1,3	\$000's	18,665	26,160	23,228	17,709	24,079
Profit after tax and after non-recurring items		\$000's	17,028	19,499	25,649	19,270	26,496
Operating cash flow	4,8	\$000's	27,780	50,768	41,842	27,297	38,959
Shareholders' funds	5	\$000's	172,642	200,798	196,898	154,834	153,535
Return on average shareholders' funds	1,6	%	10.0	13.2	13.2	11.5	16.4
Earnings per share — continuing operations (EPS)	1	Cents	25.4	35.9	32.2	24.9	35.6
Earnings per share (EPS)	7	Cents	23.5	27.1	36.4	29.9	41.1
Dividends per share (fully franked)		Cents	17.0	26.0	20.0	-	25.0
Net debt	8	\$000's	76,679	56,544	77,021	111,351	114,596
Gearing (net debt / (net debt + shareholders' funds))	8	%	30.8	22.0	28.1	41.8	42.7

Note 1: From continuing operations (excludes results from the Group's former Printing business).

Note 2: Sales are net of customer allowances.

Note 3: Excludes non-recurring items.

Note 4: Pre-tax operating cash flow.

Note 5: Shareholders' funds at the end of the financial year.

Note 6: Calculated using operating profit after tax from continuing operations and excluding non-recurring items.

Note 7: Calculated using profit after tax for both continuing and discontinued businesses and after non-recurring items.

Note 8: The 2008 to 2010 year amounts have been restated to reflect the Company's 2011 change in accounting policy for cash and cash equivalents.

Despite the challenging trading environment the business achieved double digit growth in its key Manicare and Lady Jayne brands due to the success of product innovation.

Australia

Sales revenue from continuing operations of \$236.9 million was recorded by the Australian operation in the year ended 30 June 2012, a decline of 6.5% on the prior year sales of \$253.5 million. As noted above the reduction is primarily due to the removal of Impulse Merchandise ranging in one of our key customers and the removal of Housewares Products in two key customers. In addition, the well documented deterioration in general retail trading conditions impacted the underlying demand for consumer products.

Despite the challenging trading environment the business achieved double digit growth in its key Manicare and Lady Jayne brands due to the success of product innovation in areas such as Glam Eyelashes, Manicare Nail Art and Lady Jayne Hair Extensions. The January 2012 acquisition of the Cosmex business, with its well known owned brands of Moosehead and Davinci and its agency brands Eylure, Disney, Montagne Jeunesse and Umberto Giannini, also had a favourable impact on the profitability of our personal care division.

Revenue from the Multix, Swisspers, Wiltshire and Stanley Rogers brands declined in comparison with the previous year, with Multix and Swisspers adversely impacted by our grocery customers' desire to reduce overall inventory holdings, retailer ranging strategies, and the need to increase promotional support. Wiltshire and Stanley Rogers were adversely impacted by retailer ranging decisions but this impact is expected to be

reversed over the coming year as a result of the introduction of innovative new products.

As an extension of the Company's management and leadership training program for senior and middle management, five Short Term Action Groups (STAG) were formed in 2011-2012 to address five strategic topics in the business. Recommendations were presented by each group and actioned by the business leading to significant process improvement and efficiency gains. The success of the initial STAG process has led to the formation of a further six Short Term Action Groups to address six new business initiatives.

A significant restructure was successfully implemented during June 2012 as part of a program of initiatives to boost productivity and profitability. This restructuring initiative has better aligned structure with strategy and will deliver an annual saving of \$0.3 million. It will contribute to efficiency gains through the streamlining of operations, the introduction of a Continuous Improvement/Quality function, a strengthening of MCP's Pharmacy field presence, and a further strengthening of MCP's supply chain capability.

New Zealand

Despite experiencing a similarly weak consumer spending environment as Australia, the New Zealand operation was able to generate sales growth of 4.7% from \$NZ36.4 million in 2010-2011 to \$NZ38.1 million

in 2011-2012. The primary areas of sales growth were the Hair and Beauty categories through the Mita and Manicare brands and in the Household Consumables category through the Multix brand.

McPherson's Consumer Products continues to occupy a substantial share of the New Zealand housewares and glassware market through key brands including Wiltshire, Stanley Rogers, Crown and a range of popular agency lines.

Asia

Through its Asian headquarters in Singapore, McPherson's Consumer Products markets an extensive range of personal care and housewares products throughout the Asian region. Brands include the key Company owned brands of Manicare, Lady Jayne, Swisspers and Wiltshire, complemented by licensed brands.

North America

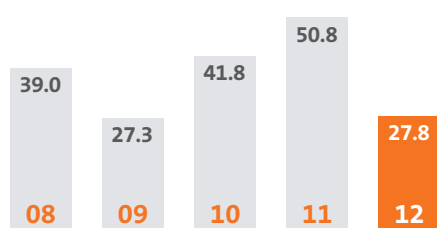
McPherson's operates in Canada and the United States through an exclusive agency agreement with a leading distributor of housewares products. The business mainly markets products under the Wiltshire brand.

South Africa

An exclusive agency agreement operates for the supply of McPherson's products to South Africa and other southern African nations using McPherson's owned brands.

Cash Flow*

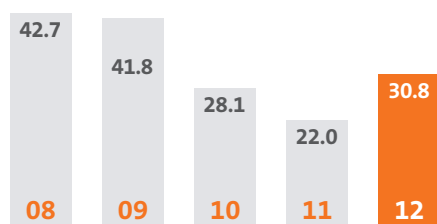
(\$m)



*Pre-tax operating cash flow.

Gearing*

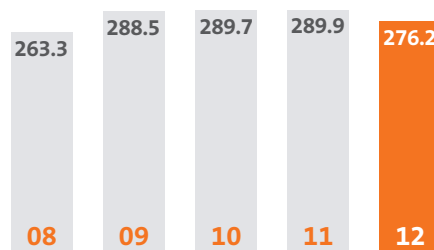
(%)



*Net debt / (Net debt + shareholders' funds)

Net Sales from Continuing Operations*

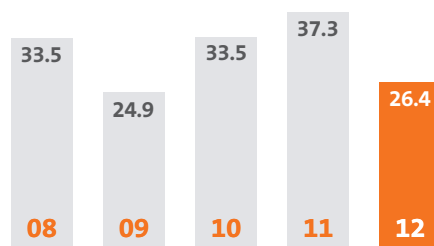
(\$m)



*Sales are net of customer allowances.

Profit from Continuing Operations*

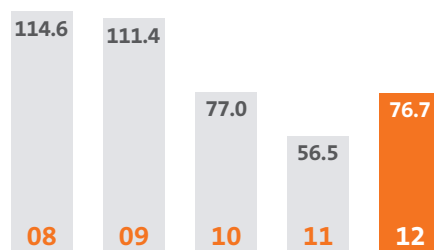
(\$m)



*Operating profit before tax from continuing operations excluding non-recurring items.

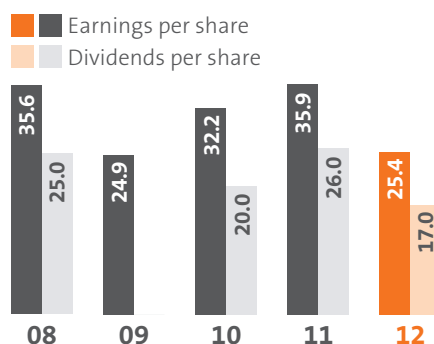
Net Debt

(\$m)



Earnings* and Dividends Per Share

(c)



*EPS is from continuing operations only.

Board of Directors

DAVID J. ALLMAN B.Sc **Non-executive Director and Chairman of the Board** **Experience and expertise**

Mr Allman was appointed Chairman of McPherson's Limited on 18 November 2011.

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.

Special responsibilities: Member of the Audit Risk Management and Compliance Committee from 17 November 2011.

Member of the Nomination and Remuneration Committee from 17 November 2011.

Other current directorships: Non-executive Director and Chairman of Gale Pacific Limited.

Non-executive Director and Chairman of Muir Engineering Group Pty Ltd.

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.

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.

Special responsibilities: Managing Director.

Other current directorships: None.

Former directorships in last three years: None.

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

GRAHAM A. CUBBIN B.Econ. (Hons) **Non-executive Director** **Experience and expertise**

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, Mr Cubbin held senior finance positions with a number of major companies, including Capita Financial Group and Ford Motor Company. Mr Cubbin has 20 years experience as a Director and audit committee member of public companies in Australia and the United States.

Special responsibilities: Member and Chairman of the Audit Risk Management and Compliance Committee from 28 September 2010.

Member of the Nomination and Remuneration Committee from 17 November 2011.

Other current directorships: Mr Cubbin is a Director of the ASX listed companies Challenger Limited, STW Communications Group Limited, Bell Financial Group Limited and White Energy Company Limited.

Former directorships in last three years: None.

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

JOHN P. CLIFFORD M.Eng & Man **Non-executive Director** **Experience and expertise**

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. Mr Clifford is now Chairman of private equity controlled companies Silk Logistics Group Pty Ltd (logistics) and Gentrack Group Ltd (utility software and services).

Special responsibilities: Member of the Nomination and Remuneration Committee from 26 July 2011 and the Committee's Chairman from 18 November 2011.

Other current directorships: Silk Logistics Group Pty Ltd, Gentrack Group Ltd.

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

Interests in shares and options: None.

AMANDA M. LACAZE B.A

Non-executive Director

Experience and expertise

Ms Lacaze was appointed a Non-executive Director of McPherson's Limited on 22 September 2011.

Ms Lacaze has an extensive executive career as a chief executive and as a marketing executive. Ms Lacaze has led both publicly listed and private companies as Chief Executive Officer of Commander Communications, Executive Chairman of Orion Telecommunications, and Chief Executive Officer of AOL⁷. Prior to these roles Ms Lacaze was Managing Director of Marketing at Telstra, and held various business management roles at ICI (now Orica). Ms Lacaze's early experience was in consumer goods with Nestlé.

Special responsibilities: Member of the Audit Risk Management and Compliance Committee from 22 September 2011.

Other current directorships: Non-executive Director of ING Bank Australia Limited. Director and member of Morgan Lacaze Consulting.

Former directorships in last three years: None.

Interests in shares and options: 11,500 ordinary shares in McPherson's Limited.

COMPANY SECRETARIES

PHILIP R. BENNETT B.Com, CA

Joint Company Secretary

Experience and expertise

Mr Bennett was appointed Company Secretary of McPherson's Limited on 2 February 2012. Mr Bennett had previously held the position of Chief Financial Officer of McPherson's Limited since 2000, and Company Secretary from 1995; however Mr Bennett stepped down from both these positions in November 2011.

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.

PAUL WITHERIDGE B.Com, CA

Chief Financial Officer and Joint Company Secretary

Experience and expertise

Mr Witheridge was appointed Chief Financial Officer and Joint Company Secretary of McPherson's Limited on 1 December 2011. In May 2010 Mr Witheridge was appointed Chief Financial Officer of McPherson's Consumer Products Pty Ltd.

Mr Witheridge is a Chartered Accountant and has a Commerce degree.

Before joining McPherson's, Mr Witheridge held senior financial and company secretarial positions with a number of listed companies in the retail sector including Angus and Coote Limited and OPSM Limited. Prior to that Mr Witheridge spent six years within KPMG's Audit and Assurance Practice.



LEFT TO RIGHT: Graham A. Cubbin, John P. Clifford, Amanda M. Lacaze, David J. Allman, Paul J. Maguire.

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 2012, and the number of meetings attended during that period by each Director, are set out below:

DIRECTOR	BOARD MEETINGS		AUDIT RISK MANAGEMENT AND COMPLIANCE COMMITTEE MEETINGS		NOMINATION AND REMUNERATION COMMITTEE MEETINGS	
	Held	Attended	Held	Attended	Held	Attended
David J. Allman ¹	13	12	3	3	Nil	Nil
Paul J. Maguire	13	13	n/a	n/a	n/a	n/a
Graham A. Cubbin ²	13	11	4	4	Nil	Nil
John P. Clifford ³	13	13	n/a	n/a	1	1
Amanda M. Lacaze ⁴	11	11	3	3	n/a	n/a
Simon A. Rowell ⁵	5	5	1	1	1	1
Peter D. J Landos ⁶	5	4	1	1	1	1

¹ David Allman was appointed Chairman of the Board on 18 November 2011. Mr Allman was appointed a member of the Audit Risk Management and Compliance Committee and a member of the Nomination and Remuneration Committee on 17 November 2011.

² Graham Cubbin was appointed a member of the Nomination and Remuneration Committee on 17 November 2011.

³ John Clifford was appointed a member of the Nomination and Remuneration Committee on 26 July 2011 and Chairman of the Committee on 18 November 2011.

⁴ Amanda Lacaze was appointed a Director of the Board and member of the Audit Risk Management and Compliance Committee on 22 September 2011.

⁵ Simon Rowell retired as Director and Chairman of the Board and from his committee memberships on 18 November 2011.

⁶ Peter Landos retired as a Director of the Board and from his committee memberships on 18 November 2011.

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 ended 30 June 2012. 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 2012. 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 14 and 15 of the Annual Report.

During the year, the following changes occurred in the composition of the Board:

- On 22 September 2011 Amanda Lacaze was appointed a non-executive Director of the Company.
- On 18 November 2011 Simon Rowell retired as Chairman and as a non-executive Director of the Company and David Allman was appointed as the new Chairman.
- On 18 November 2011 Peter Landos retired as a non-executive Director of the Company.

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; and
- 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 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 Independent Directors of the Company are John Clifford, Graham Cubbin and Amanda Lacaze.

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.

The following Directors are not considered to be independent:

1. Peter Landos (until his retirement as a Director), who is directly associated with the Thorney Investment Group which holds approximately 16.6% of the Company's shares. As set out above, Peter Landos retired as a Director of the Company on 18 November 2011; and
2. Paul Maguire, who 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 previous 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.

During the current year, the Charter and composition of the Nomination and Remuneration Committee was reviewed and amended in order to ensure ongoing compliance with recent changes to the ASX CGC Corporate Governance Principles and Recommendations relating to remuneration committees. This resulted in John Clifford being appointed as a member of the Committee in July 2011. Additionally, David Allman and Graham Cubbin were appointed as Committee members, and John Clifford was appointed as the Committee's Chairman in November 2011, at which time Simon Rowell and Peter Landos retired from the Committee and as Directors.

The names of Nomination and Remuneration Committee members and their attendance at meetings are detailed on page 15 of the Annual Report.

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

Key responsibilities 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; and
- 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; and
- 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 2012.

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 previous year, 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 28 of the Annual Report.

During the year ended 30 June 2010, 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 2012.

Diversity Policy

The Company values diversity and recognises the benefits it can bring to the Company's ability to achieve its goals. Accordingly 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:

- The Board is required to establish measurable objectives for achieving gender diversity;
- The Nomination and Remuneration Committee is 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; and
- The Company is required to include appropriate disclosures on diversity in its Annual Report.

The following table sets out the Group's actual position in relation to gender diversity as at 30 June 2012:

	Number	%
Number of women employees in the Group	684	78
Number of women in senior manager/manager positions	53	50
Number of women in senior executive positions	—	—
Number of women on the Board	1	20

Audit Risk Management and Compliance Committee

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

- Operation of the risk management, internal control and compliance systems;
- Reliability of financial information prepared for use by the Board; and
- Evaluation of the audit process.

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

The Company's governance practices 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, David Allman and Amanda Lacaze.
- Of the three members, two (Graham Cubbin and Amanda Lacaze) are independent as that term is defined by the ASX CGC's Corporate Governance Principles and Recommendations. Please see the comments in the section above headed 'Independence of Directors' regarding the independence of David Allman.
- David Allman 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 page 15 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 2012.

Risk Management

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

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

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

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

Further information regarding major financial risks is contained in Note 2 to the Financial Statements, which can be found on pages 46 to 49 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 that 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.
 - 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.

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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 2012.

(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:

D. J. Allman, P.J. Maguire, J.P. Clifford and G.A. Cubbin.

A.M. Lacaze was appointed a non-executive Director on 22 September 2011.

S.A. Rowell and P.D.J. Landos retired from the Board on 18 November 2011.

D.J. Allman was appointed as Chairman of the Company on 18 November 2011.

(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

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

(ii) Printing (discontinued)

Printers of a wide range of products including quality books, paperbacks and loose leaf printing. The Printing business was demerged from the McPherson's Limited Group on 31 January 2012. Refer to Note 30 of the financial statements for further information.

(c) Dividends

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

	\$000's
• Interim ordinary dividend of 10.0 cents per fully paid ordinary share paid on 12 April 2012 (fully franked)	7,240
• Final ordinary dividend of 7.0 cents per fully paid ordinary share declared by Directors (fully franked) but not recognised as a liability at year end	5,068
Total dividends in respect of the year	12,308

The 2011 final ordinary dividend of \$10,136,000 (14.0 cents per fully paid ordinary share) referred to in the Directors' Report dated 19 August 2011 was paid on 3 October 2011.

(d) Consolidated Results

The consolidated profit after tax from continuing operations of McPherson's Limited and its controlled entities for the year ended 30 June 2012 was \$18,410,000 (2011: \$25,804,000).

Net profit for the year attributable to members was \$17,028,000 (2011: \$19,499,000).

(e) Review of Operations

The review of operations of the Group is contained in the Chairman's and Managing Director's Report on pages 8 and 9 and the Review of Operations on pages 10 to 13 of the Annual Report and forms part of this report.

(f) Significant Changes in the State of Affairs

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

(g) Events Subsequent to Balance Date

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

On 17 August 2012, the Directors of the Company declared a final dividend of 7.0 cents per share fully franked which is payable on 31 October 2012.

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

(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 2012.

(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 14 to 15 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 15 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 14 to 15 of the Annual Report and form part of this Directors' Report.

(j) Company Secretaries

Particulars of the qualifications and experience of the Company Secretaries are set out on page 15 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 – retired as Chairman and as a Director of the Company on 18 November 2011.

D.J. Allman – was a non-executive Director for the entire year. Mr Allman was appointed Chairman on 18 November 2011.

Executive Director

P.J. Maguire – Managing Director.

Non-executive Directors

J.P. Clifford

G.A. Cubbin

A.M. Lacaze – was appointed a non-executive Director on 22 September 2011.

P.D.J. Landos – retired as a Director of the Company on 18 November 2011.

(k) Remuneration Report continued

Key management personnel disclosures continued

Other key management personnel

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

Name	Position
S.K.S. Chan	Managing Director, McPherson's Hong Kong
P.R. Bennett ⁽¹⁾	Chief Financial Officer and Company Secretary
P. Witheridge ⁽²⁾	Chief Financial Officer and Company Secretary
A.E. Fahy ⁽³⁾	Chief Executive Officer, McPherson's Printing
G.P. Mitchell	General Manager, McPherson's Consumer Products NZ

(1) P.R. Bennett retired as Chief Financial Officer and as an employee of the McPherson's Limited Group on 30 November 2011. Mr Bennett was subsequently engaged to provide Company Secretarial and other consulting services to the Group.

(2) P. Witheridge was appointed Chief Financial Officer and Company Secretary of the Group on 1 December 2011.

(3) A.E. Fahy ceased being an employee of the Group on 31 January 2012 as a result of the demerger of the Group's printing business.

All other persons were key management personnel for the entire year ended 30 June 2012.

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 (excluding significant items) has grown at an average of approximately 2.2% per annum, and shareholder wealth reflecting share price movements and dividends (adjusted for the demerger of the Group's former printing business) has increased at an average rate of around 11.4% per annum. Including options issued in prior years, some of which have not yet vested and may not vest in future periods, executive remuneration has grown at an average rate of approximately 16.5% per annum over the past five years. Excluding the options, executive remuneration has grown at an average rate of approximately 0.3% 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 2012 totalled \$445,741 (2011: \$403,000).

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 2011, at which time Directors' fees were increased by an average of 3%. Prior to that, fees were reviewed effective 1 October 2010, 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 2011	From 1 October 2010 to 30 September 2011
Base fees		
Chairman	\$123,600	\$120,000
Other non-executive Directors	\$ 64,890	\$63,000
Additional fees		
Audit Risk Management & Compliance Committee – Chairman	\$8,240	\$8,000
Audit Risk Management & Compliance Committee – Member	\$5,150	\$5,000

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

Executive remuneration

The executive remuneration and reward framework has four components:

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

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

Base pay and benefits

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

Short-term performance incentives (STI)

Short-term incentives in the form of cash bonuses are available to senior executives providing the Company, operating division or business most closely aligned with the executive's area or areas of responsibility achieve or exceed pre-determined profit and/or other financial targets and achieve key personal performance objectives. Profit and other Company performance targets have been selected because this ensures that variable reward is only available when value has been created for shareholders and when profit and other targets are consistent with or exceed the business plan. For senior executives the maximum target bonus opportunity is usually 50% of the base package amount.

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

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

Subject to the discretion of the Nomination and Remuneration Committee, the maximum likely short-term incentive payable to a senior executive in future years is 50% of the executive's base salary package amount. The minimum payable would be zero in cases where the specified performance targets are not achieved.

Long-term incentives (LTI)

The McPherson's Limited Employee Option Plan is designed to provide long-term incentives for executives to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance conditions are met and the employees are still employed by the Group at the end of the vesting period. Participation in the plan is at the discretion of the Nomination and Remuneration Committee and no individual has a contractual right to receive any guaranteed benefits.

Further information regarding share-based compensation in the form of options is contained later in the Remuneration Report on page 28.

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.

(k) Remuneration Report continued

Voting and comments made at the Company's 2011 Annual General Meeting

McPherson's Limited received 84.8% of "yes" votes on its remuneration report for the 2011 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors of McPherson's Limited and the other key management personnel of McPherson's Limited and the McPherson's Limited Group are set out in the following tables.

Key Management Personnel of the Group

2012	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 \$
<i>Directors of McPherson's Limited</i>								
D.J. Allman (Chairman) ³	77,579	—	—	36,141	—	—	—	113,720
P.J. Maguire (Managing Director) ⁴	425,312	—	32,798	25,000	4,656	—	103,372	591,138
J.P. Clifford	64,418	—	—	5,798	—	—	—	70,216
G.A. Cubbin	72,598	—	—	6,534	—	—	—	79,132
A.M. Lacaze ⁵	54,361	—	—	4,892	—	—	—	59,253
S.A. Rowell ⁶	84,104	—	—	8,433	—	—	—	92,537
P.D.J. Landos ⁷	28,333	—	—	2,550	—	—	—	30,883
Total Directors' Remuneration 2012	806,705	—	32,798	89,348	4,656	—	103,372	1,036,879
<i>Other Group Key Management Personnel</i>								
S.K.S. Chan ⁸	308,779	9,670	—	26,634	—	—	42,734	387,817
P.R. Bennett ⁹	95,192	—	2,491	45,832	—	338,458	—	481,973
A.E. Fahy ¹⁰	190,335	200,000	—	14,398	—	375,950	—	780,683
G.P. Mitchell ⁸	211,398	—	25,823	20,954	1,071	—	21,366	280,612
P. Witheridge ^{8 11}	166,913	—	14,735	13,533	1,801	—	33,236	230,218
Total Other Key Management Personnel Remuneration 2012	972,617	209,670	43,049	121,351	2,872	714,408	97,336	2,161,303
Total Remuneration 2012 – Group	1,779,322	209,670	75,847	210,699	7,528	714,408	200,708	3,198,182

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

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

3 Mr Allman was appointed as Chairman on 18 November 2011. Mr Allman was a non-executive Director for the entire year.

4 Employed by McPherson's Limited.

5 Ms Lacaze was appointed as a Director with effect from 22 September 2011. Amounts shown include Ms Lacaze's remuneration as a Director from that date until 30 June 2012.

6 Mr Rowell retired as Chairman and as a Director on 18 November 2011.

7 Mr Landos retired as a Director on 18 November 2011.

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

9 Mr Bennett retired as Chief Financial Officer and as an employee of the McPherson's Limited Group on 30 November 2011. Mr Bennett was subsequently engaged to provide Company Secretarial and other consulting services to the Group.

10 Mr Fahy ceased being an employee of the Group on 31 January 2012 as a result of the demerger of the Group's printing business.

11 Mr Witheridge was appointed as Chief Financial Officer and Company Secretary with effect from 1 December 2011. Amounts shown include Mr Witheridge's remuneration from that date until 30 June 2012.

Key Management Personnel of the Group

2011	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENT		
	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 ⁵	326,185	28,442	—	25,955	2,221	—	10,620	393,423
P.R. Bennett ³	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 ⁵	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 – 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 Employed by a controlled entity of McPherson's Limited.

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:

Name	FIXED REMUNERATION		AT RISK – STI		AT RISK – LTI*	
	2012	2011	2012	2011	2012	2011
Executive Director of McPherson's						
P.J. Maguire	83%	38%	—	10%	17%	52%
Other key management personnel of the Group						
S.K.S. Chan	86%	90%	3%	7%	11%	3%
P.R. Bennett	100%	79%	—	21%	—	—
A.E. Fahy	74%	100%	26%	—	—	—
G.P. Mitchell	92%	88%	—	10%	8%	2%
P. Witheridge	86%	—	—	—	14%	—

* 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.

(k) Remuneration Report continued

Service agreements

Remuneration and other terms of employment for the Managing Director and other key management personnel are formalised in employment agreements. Each of these agreements set out details of the base package amount, usually inclusive of superannuation and motor vehicle benefits, and provide for performance related cash bonuses and other benefits. Other benefits 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 2011 of \$477,405, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on twelve 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 2011 of HKD\$2,611,115 (AUD\$337,005), 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 Witheridge, Chief Financial Officer and Company Secretary

- Base salary package, inclusive of superannuation, with effect from 1 December 2011 of \$317,299, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on six months notice by the Company and on three months notice by the executive.

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

- Base salary package, inclusive of superannuation of NZD\$284,895 (AUD\$225,620) with effect from 1 October 2011, plus a fully maintained vehicle 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 selected performance hurdles to reflect a combination of share price and dividend performance (collectively referred to as total shareholder return) as these criteria relate to a shareholders' overall return on investment.

Options Granted – Previous 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, including key management personnel, under the McPherson's Limited Share / Option Purchase Plan. The options form part of the executives' and key management persons' remuneration arrangements and effect 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.
- 5 425,000 of the options granted were to senior executives who are included within the key management personnel disclosures in the current year remuneration report.

Options Granted – 2010 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 forty consecutive trading days, and total shareholder return (being a function of share price growth and dividend payments) exceeds 15% per annum for the period from 6 July 2009 to the exercise date;
- (b) 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 forty consecutive trading days, and total shareholder return (being a function of share price growth and dividend payments) exceeds 15% per annum for the period from 6 July 2009 to the exercise date;
- (c) 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 forty consecutive trading days, and total shareholder return (being a function of share price growth and dividend payments) exceeds 15% per annum for the period from 6 July 2009 to the exercise date;
- (e) Allotment of any shares pursuant to the exercise of the options will occur progressively as options are exercised; and
- (f) If the options have not become exercisable at the end of the exercise periods set out above, they will lapse at that time.

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.

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.

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.

(k) Remuneration Report continued

Share-based compensation continued

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 2012, or during the year ended 30 June 2011, 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
<i>Directors of McPherson's Limited</i>					
P.J. Maguire	—	—	750,000	—	—
<i>Other key management personnel of the Group</i>					
S.K.S. Chan	—	—	—	—	—
P.R. Bennett	—	—	—	—	—
A.E. Fahy	—	—	—	—	—
G.P. Mitchell	—	—	—	—	—
P. Witheridge	—	—	—	—	—

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

Shares provided on exercise of remuneration options

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	
		2012	2011
<i>Directors of McPherson's Limited</i>			
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.

Name	BONUS		SHARE BASED COMPENSATION BENEFITS (OPTIONS)					
	Paid %	Forfeited %	Year Granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
P.J. Maguire	—	100	2010	50	—	—	—	—
S.K.S. Chan ¹	—	100	2011	—	—	2013 to 2016	—	31,992
P.R. Bennett	—	100	—	—	—	—	—	—
A.E. Fahy ²	100	—	—	—	—	—	—	—
G.P. Mitchell	—	100	2011	—	—	2013 to 2016	—	15,995
P. Witheridge	—	100	2011	—	—	2013 to 2016	—	42,655

1 Mr Chan did not achieve any bonus associated with the current financial year. The bonus amount shown for Mr Chan in the remuneration table relates to an adjustment that was made to his bonus payment relating to the financial year ended 30 June 2011.

2 Mr Fahy was paid a bonus in relation to the demerger of the Group's printing business and that entity's subsequent acquisition of Opus.

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	17	—	—	—
S.K.S. Chan	11	—	—	—
P.R. Bennett	—	—	—	—
A.E. Fahy	—	—	—	—
G.P. Mitchell	8	—	—	—
P. Witheridge	14	—	—	—

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.

Additional information

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.

(I) 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	775,000
			1,525,000

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

Shares issued on the exercise of options

No ordinary shares of McPherson's Limited were issued during the year ended 30 June 2012, or since that date, under the McPherson's Limited Employee Share/Option Purchase Plan as no options were exercised.

During the prior year the following ordinary shares of McPherson's Limited were issued on the exercise of options granted under the McPherson's Limited Employee Share/Option Purchase Plan. 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 Secretaries 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

As a result of the demerger of the Group's printing business, the Group is no longer subject to significant environmental regulation in respect of its continuing operations. The Group is committed to achieving a high standard of environmental performance and the Group monitors its compliance with environmental regulations.

The Board is not aware of any significant breaches during the period covered by this report.

(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 on page 33.

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 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 34.

	2012 \$	2011 \$
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:		
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the Corporations Act 2001	208,000	225,000
Overseas affiliates of PricewaterhouseCoopers Australian firm	30,700	27,000
Non PricewaterhouseCoopers audit firms	23,582	20,629
Total remuneration for audit services	262,282	272,629
2. Other assurance services		
PricewaterhouseCoopers Australian firm:		
Other assurance services associated with Printing demerger	50,000	—
Review of rent certificates	5,500	5,000
Overseas affiliates of PricewaterhouseCoopers Australian firm:		
Financial statements preparation	3,000	3,000
Non PricewaterhouseCoopers audit firms:		
Audit of pension plans	499	519
Total remuneration for other assurance services	58,999	8,519
3. Other services		
Consulting services associated with Printing demerger	375,000	75,000
Total remuneration for assurance and other services	696,281	356,148

(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 and financial 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)
- D.J. Allman
- A.M. Lacaze

Signed in accordance with a resolution of the Directors.

Dated at Sydney this 30th day of August 2012.



D.J. Allman
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 2012, 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.

A handwritten signature in black ink, appearing to read 'P. J. Carney'.

Paddy Carney
Partner
PricewaterhouseCoopers

Sydney
30 August 2012

Directors' Declaration

We, David J. Allman 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 37 to 78 and the remuneration report on pages 23 to 31 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 2012 and of its performance, as represented by the results of its operations and its 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 35 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 35.

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 Managing Director 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 Sydney this 30th day of August 2012.



D.J. Allman
Director



P.J. Maguire
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 2012, 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 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.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of McPherson's Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 23 to 31 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Paddy Carney
Partner
Sydney 30 August 2012

PricewaterhouseCoopers, ABN 52 780 433 757

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Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012

CONSOLIDATED			
	Note	2012 \$'000	2011 \$'000
Revenue	4	276,319	290,289
Other income	5	664	274
Expenses	3	(244,955)	(246,713)
Finance costs		(5,970)	(7,098)
Profit before income tax		26,058	36,752
Income tax expense	6(b)	(7,648)	(10,948)
Profit from continuing operations after income tax		18,410	25,804
Discontinued Operation			
Loss from discontinued operation (net of income tax)	30	(1,382)	(6,305)
Profit for the year		17,028	19,499
Other comprehensive income			
Changes in fair value of cash flow hedges		(1,605)	399
Exchange differences on translation of foreign operations		549	(1,987)
Income tax relating to components of other comprehensive income	6(d)	488	(127)
Other comprehensive income		(568)	(1,715)
Total comprehensive income		16,460	17,784
Total comprehensive income for the year arises from:			
Continuing operations		17,820	24,111
Discontinued operations		(1,360)	(6,327)
		16,460	17,784
		Cents	Cents
Basic earnings per share	29	23.5	27.1
Diluted earnings per share	29	23.5	27.0
Basic earnings per share – continuing operations	29	25.4	35.9
Diluted earnings per share – continuing operations	29	25.4	35.7

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

Balance Sheet

AS AT 30 JUNE 2012

		CONSOLIDATED	
	Note	2012 \$'000	2011 \$'000
Current assets			
Cash	10	1,253	1,705
Receivables	11	55,550	57,930
Inventories	12	52,932	59,672
Derivative financial instruments	13	95	–
Total current assets		109,830	119,307
Non-current assets			
Other financial assets	14	–	1,249
Property, plant and equipment	15	7,076	23,713
Intangibles	16	183,986	179,163
Deferred tax assets	17	5,462	6,856
Total non-current assets		196,524	210,981
Total assets		306,354	330,288
Current liabilities			
Payables	18	30,130	36,742
Derivative financial instruments	13	2,760	3,251
Borrowings	19	1,419	1,235
Provisions	20	6,085	10,989
Current tax liabilities		989	5,376
Total current liabilities		41,383	57,593
Non-current liabilities			
Derivative financial instruments	13	1,455	191
Borrowings	21	76,500	57,000
Provisions	22	828	1,010
Deferred tax liabilities	23	13,546	13,696
Total non-current liabilities		92,329	71,897
Total liabilities		133,712	129,490
Net assets		172,642	200,798
Shareholders' equity			
Share capital	24	103,253	129,338
Reserves	25(a)	(4,444)	(4,181)
Retained profits	25(b)	73,833	75,641
Total shareholders' equity		172,642	200,798

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

Consolidated	Note	Share Capital \$000's	Reserves \$000's	Retained Profits \$000's	Total \$000's
Balance at 1 July 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
<i>Transactions with shareholders</i>					
Share-based payment transactions	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)
Total transactions with shareholders		2,145	(176)	(15,853)	(13,884)
Balance at 30 June 2011		129,338	(4,181)	75,641	200,798
Profit after income tax		—	—	17,028	17,028
Cash flow hedges, net of tax	25(a)	—	(1,117)	—	(1,117)
Exchange differences on translation of foreign operations	25(a)	—	549	—	549
Total comprehensive income		—	(568)	17,028	16,460
<i>Transactions with shareholders</i>					
Share-based payment transactions	25(a)	—	305	—	305
Dividends paid	7	—	—	(17,376)	(17,376)
Distribution to owners – Printing demerger	30	(26,085)	—	(1,460)	(27,545)
Total transactions with shareholders		(26,085)	305	(18,836)	(44,616)
Balance at 30 June 2012		103,253	(4,444)	73,833	172,642

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2012

CONSOLIDATED			
	Note	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		330,888	385,577
Payments to suppliers and employees (inclusive of GST)		(297,313)	(327,762)
Interest received		39	322
Interest and borrowing costs paid		(5,934)	(7,669)
Income tax paid		(11,457)	(9,183)
Dividends received		100	300
Net cash inflows from operating activities	36	16,323	41,585
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(5,023)	(6,846)
Proceeds from disposal of property, plant and equipment		40	583
Payments for purchase of intangibles		(505)	(167)
Payments for acquisition of business assets		(6,317)	—
Cash distributed with Printing business	30	(4,701)	—
Costs associated with Printing demerger		(2,530)	—
Net cash outflows from investing activities		(19,036)	(6,430)
Cash flows from financing activities			
Proceeds from exercise of options		—	1,223
Costs from exercise of options		—	(5)
Proceeds from borrowings		124,000	120,000
Repayment of borrowings		(104,500)	(140,000)
Dividends paid		(17,376)	(15,853)
Repayment of finance lease liabilities		(82)	(12)
Net cash inflows/(outflows) from financing activities		2,042	(34,647)
Net (decrease)/increase in cash held		(671)	508
Cash at beginning of the financial year		486	20
Net effect of exchange rate changes on cash		19	(42)
Cash held at end of financial year	10	(166)	486

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations, issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. McPherson's Limited is a for profit entity for purpose of preparing the financial statements.

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.

New and amended standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(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 2012 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 statement of comprehensive income 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 previously held a 33⅓% shareholding in an associate company Denward Court Pty Ltd which is incorporated in Australia and whose principal activity is book binding. The Group no longer holds this investment as it was distributed to owners during the year as part of the demerger of the Group's printing business. The investment in the associate was accounted for in the consolidated financial statements using the equity method of accounting after initially being recognised at cost.

Details relating to the Group's 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 profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. 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 profit or loss, except when deferred in equity as qualifying cash flow hedges or 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.

1. Summary of significant accounting policies continued

(f) Income tax

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

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

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

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

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

(i) Investment Allowances

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

(ii) Tax consolidation legislation

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

(g) Leases

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

Operating lease payments (net of any incentives received from the lessor) are charged to profit or loss 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 transferred, 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 profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets 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 the purpose of presentation in the statement of cash flows, 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. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(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 includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of inventory. 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. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(m) Non-current assets (or disposal groups) held for sale and discontinued operations

Non current assets (or disposal groups) 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 and a sale is considered highly probable.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) 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 (or disposal group), 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 (or disposal group) is recognised at the date of derecognition.

Non current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately in the statement of comprehensive income.

(n) Investments and other financial assets

The Group classifies its investments in the following categories:

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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 profit or loss.

Amounts accumulated in equity are reclassified to profit or loss 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 profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

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 profit or loss and are included in other income, other expenses or finance costs.

(p) Fair value estimation

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

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

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

(q) Property, plant and equipment

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

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

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 profit or loss. When revalued assets are sold, it is Group policy to transfer the amounts included in reserves in respect of those assets to retained earnings.

1. Summary of significant accounting policies continued

(r) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group'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 is not amortised but 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 Group recognises brandnames that are acquired as part of a business combination or that are specifically acquired from a vendor. The Group does not recognise internally generated brandnames. Brandnames are initially recognised at fair value, if acquired as part of a business combination, or at cost, if specifically acquired from a vendor. Subsequent to initial recognition, brandnames are recognised at cost less accumulated impairment losses.

The major brandnames of the Group, have been, in some cases, in existence for more than 50 years and continue to be in active use. The brandnames are utilised predominately on consumer products which do not suffer from technical obsolescence.

The carrying amount of brandnames are not amortised as the Directors are of the view that the brandnames held have an indefinite useful life.

Brandnames are tested individually for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. The recoverable amount of a brandname is determined based on the higher of value-in-use or fair value less costs to sell.

(iv) IT development and software

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

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

(s) Trade and other payables

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

(t) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(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.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(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 recognised as an expense 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 (refer Note 29).

(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 (refer Note 29).

(x) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or financial costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Borrowing costs are expensed as incurred.

(y) 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 statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 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 financial liabilities. The standard is not applicable until 1 January 2013 however, it is expected that the AASB will delay the application date to 1 January 2015 in order to bring it into line with the IASB timeframe. The standard will have no significant impact on the Group's financial assets or financial liabilities.

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Control exists when the investor can use its power to affect the amount of its returns. The new standard will not have an impact on the Group's composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. This standard does not impact the Group.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Group's investments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

1. Summary of significant accounting policies continued

(z) New accounting standards and interpretations continued

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard is likely to impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(aa) Critical accounting estimates and assumptions

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are discussed below.

Estimated recoverable amount of goodwill and indefinite lived brandnames

The Group tests goodwill and indefinite lived brandnames annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. In calculating the recoverable amount of these assets the use of assumptions is required. Refer to Note 16 for details of these assumptions.

2. Financial risk management

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

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

The Group holds the following financial instruments:

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Financial assets		
Cash (Note 10)	1,253	1,705
Receivables (Note 11)	55,550	57,930
Derivative financial instruments (Note 13)	95	—
	56,898	59,635
Financial liabilities		
Payables (Note 18)	30,130	36,742
Borrowings (Notes 19 and 21)	77,919	58,219
Derivative financial instruments (Note 13)	4,215	3,442
Hire purchase (Note 19)	—	16
	112,264	98,419

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.

(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% (2011: 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 2012 – Group										
Receivables	373	–	31	36	–	–	–	–	781	–
Payables	97	–	112	45	9	106	–	301	718	–
Forward foreign exchange contracts										
(Note 13) – buy foreign currency	4,825	509	324	14	–	–	–	–	476	404
Foreign currency options	74,001	–	–	–	–	–	–	–	–	–
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	–	–	–	–	–	–	–	–	–

Group Sensitivity

Based on the financial instruments held at 30 June 2012, 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 \$1,993,000 higher/\$1,082,000 lower (2011: \$1,972,000 higher/\$735,000 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.

	Floating Interest Rate \$000's	Fixed Interest Rate \$000's	Total \$000's	Weighted Average Interest Rate %
2012				
Financial Liabilities				
Currency – Australian dollars				
Bank loans	77,800	–	77,800	3.6
Currency – Hong Kong dollars				
Bank overdraft	119	–	119	5.5
Notes 19 and 21	77,919	–	77,919	
2011				
Financial Liabilities				
Currency – Australian dollars				
Bank loans	58,200	–	58,200	
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	

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% of the term debt facilities which also satisfies the hedging requirements of the Group's current term debt facility agreement. The hedge contract which was in place at the end of the previous year, and is still in place at 30 June 2012, has a commencement date of 1 July 2011, termination date of 30 August 2013 and covers an initial aggregate amount of \$57.6 million, reducing annually to an aggregate of \$45.6 million at 3 October 2012. The contract restricts interest rate exposure to 5.36% (excluding the Group's credit margin) for this portion of the debt.

An additional contract was entered into during the current year and has a commencement date of 30 August 2013, termination date of 31 August 2016, and covers an aggregate amount of \$60.0 million. The contract restricts interest rate exposure to 4.20% (excluding the Group's credit margin) for this portion of the debt.

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 2012, 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 \$1,087,000 higher/\$1,118,000 lower (2011: \$510,000 higher/\$510,000 lower) as a result of an increase/decrease in the fair value of the interest rate cash flow hedges.

The Group's profit is estimated to have been \$110,000 lower/\$110,000 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.

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	
	2012 \$'000	2011 \$'000
Financing Arrangements		
The Group has available to it a committed financing facility of \$102,630,000 at 30 June 2012. As at the end of the financial year \$77,919,000 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	1,630	1,841
Bank loan facilities	101,000	101,000
	102,630	102,841
Used at balance date		
Bank overdrafts	119	19
Bank loan facilities	77,800	58,200
	77,919	58,219
Unused at balance date		
Bank overdrafts	1,511	1,822
Bank loan facilities	23,200	42,800
	24,711	44,622

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. In accordance with the terms and conditions of this facility, and subsequent to the end of the financial year, on 31 August 2012 the Group's financing facility limit will amortise by \$10,000,000.

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.

	Less than 1 Year \$000's	Between 1 & 2 Years \$000's	Between 2 & 4 Years \$000's	Total Contractual Cash Flows \$000's	Carrying Amount \$000's
30 June 2012 – Group					
Non-derivatives					
Non-interest bearing liabilities (Note 18)	30,130	–	–	30,130	30,130
Interest bearing liabilities (Notes 19 and 21)	5,856	77,240	–	83,096	77,919
	35,986	77,240	–	113,226	108,049
Derivatives (Note 13)					
Forward foreign exchange contracts – inflow	(6,552)	–	–	(6,552)	
Forward foreign exchange contracts – outflow	6,561	–	–	6,561	
	9	–	–	9	9
Interest rate contracts	993	524	931	2,448	2,448
Foreign currency options	3,172	–	–	3,172	1,663
Total derivative financial instrument liabilities	4,174	524	931	5,629	4,120

	Less than 1 Year \$000's	Between 1 & 3 Years \$000's	Total Contractual Cash Flows \$000's	Carrying Amount \$000's
30 June 2011 – Group				
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	12,984	–	12,984	
	391	–	391	391
Interest rate contracts	176	191	367	367
Foreign currency options	4,058	–	4,058	2,684
Total derivative financial instrument liabilities	4,625	191	4,816	3,442

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
3. Operating profit from continuing operations		
(a) Expenses		
Materials and consumables used	146,485	146,530
Employee costs	44,586	45,002
Rental expenses relating to operating leases	6,743	6,990
Amortisation of other intangibles	242	221
Depreciation/other amortisation	2,446	2,329
Advertising and promotional	13,080	11,773
Repairs and maintenance	269	298
Cartage and freight	14,423	13,631
Restructure costs	365	508
Time value in option hedging contracts	(927)	2,280
Other expenses	17,243	17,151
Total expenses from continuing operations	244,955	246,713
(b) Profit before income tax expense from continuing operations includes the following net expenses and gains:		
Expenses		
<i>Depreciation/amortisation:</i>		
Plant and equipment	2,434	2,316
Leasehold improvements	12	13
	2,446	2,329
<i>Amortisation:</i>		
Other intangibles	242	221
Total depreciation and amortisation	2,688	2,550
<i>Rental expenses relating to operating leases:</i>		
Minimum lease payments	6,508	6,823
Contingent rentals	235	167
Total rental expenses relating to operating leases	6,743	6,990
<i>Other charges (credits) against assets:</i>		
Bad and doubtful debts – trade debtors	(9)	29
Provision for stock obsolescence	665	1,076
Total other charges (credits) against assets	656	1,105
<i>Other provisions:</i>		
Employee entitlements	2,713	2,719
Employee incentives	493	955
Claims and returns	20	–
Restructure	(27)	800
Other	81	24
Total other provisions	3,280	4,498
<i>Other expenses:</i>		
Cost of goods sold	146,485	146,530
Loss on disposal of plant and equipment	3	26
Net exchange gains	(879)	(1,472)
Gains		
Profit on disposal of plant and equipment	–	20

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
4. Revenue from continuing operations		
<i>Revenue from operating activities:</i>		
Sales revenue	276,246	289,934
<i>Other revenue:</i>		
Interest	39	313
Royalties	34	42
Total revenue from continuing operations	276,319	290,289
5. Other Income from continuing operations		
Commissions	35	14
Contingent consideration adjustment	400	–
Sundry	229	260
Total other income from continuing operations	664	274
6. Income tax		
(a) Income tax expense		
Current tax	7,051	12,593
Deferred tax	(83)	(657)
Under/(over) provision in prior years	4	(327)
	6,972	11,609
Deferred income tax expense/(credit) included in income tax expense comprises:		
Increase in deferred tax assets (Note 17)	(104)	(669)
Increase in deferred tax liabilities (Note 23)	21	12
	(83)	(657)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Operating profit before tax – continuing operations	26,058	36,752
Operating profit before tax – discontinued operations	(2,058)	(5,644)
Total operating profit before tax	24,000	31,108
Tax at the Australian tax rate of 30% (2011: 30%)	7,200	9,332
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share of net profit of associate	(31)	(80)
Share-based payments expense	92	223
Impairment of goodwill	–	2,559
Non-assessable contingent consideration adjustment	(120)	–
Tax rate differences in overseas entities	(327)	(227)
Under/(over) provision in prior years	4	(327)
Other	154	129
Income tax expense	6,972	11,609
Income tax expense/(benefit) is attributable to:		
Continuing operations	7,648	10,948
Discontinued operation	(676)	661
	6,972	11,609
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited to equity:		
Deferred tax assets (Note 17)	–	1
(d) Tax (benefit)/expense relating to items of other comprehensive income		
Cash flow hedges (Note 17)	(488)	127

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	
	2012 \$'000	2011 \$'000
7. Dividends		
Ordinary		
Final 30 June 2011 dividend of 14.0 cents per fully paid share (2010: 10.0 cents per fully paid share) fully franked @ 30%	10,136	7,165
Interim 2012 dividend of 10.0 cents per fully paid share (2011: 12.0 cents per fully paid share) fully franked @ 30%	7,240	8,688
Total dividends paid	17,376	15,853
Dividends not recognised at year end		
In addition to the above dividends, since the year end Directors have declared a fully franked final dividend of 7.0 cents per fully paid share (2011: 14.0 cents per fully paid share). The aggregate amount of the dividend to be paid on 31 October 2012 but not recognised as a liability at year end is:	5,068	10,136
Franked Dividends		
Franked dividends paid after 30 June 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2013.		
Franking credits available for subsequent financial years based on a tax rate of 30%	26,090	27,795

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

	CONSOLIDATED	
	2012 \$	2011 \$
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:		
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	208,000	225,000
Overseas affiliates of PricewaterhouseCoopers Australian firm	30,700	27,000
Non PricewaterhouseCoopers audit firms	23,582	20,629
Total remuneration for audit services	262,282	272,629
2. Other assurance services		
PricewaterhouseCoopers Australian firm:		
Other assurance services associated with Printing demerger	50,000	—
Review of rent certificates	5,500	5,000
Overseas affiliates of PricewaterhouseCoopers Australian firm:		
Financial statements preparation	3,000	3,000
Non PricewaterhouseCoopers audit firms:		
Audit of pension plans	499	519
Total remuneration for other assurance services	58,999	8,519
3. Other services		
Consulting services associated with Printing demerger	375,000	75,000
Total remuneration for assurance and other services	696,281	356,148

CONSOLIDATED

	2012 \$	2011 \$
9. Key management personnel		
Key management personnel compensation		
Short-term employee benefits	2,064,839	2,276,899
Post-employment benefits	210,699	204,969
Long-term benefits	7,528	32,361
Share-based payments	200,708	684,597
Termination benefits	714,408	–
	3,198,182	3,198,826

Detailed remuneration disclosures are provided in the Remuneration Report on pages 23 to 31 of the Annual Report.

Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of options

Details of options provided as remuneration and shares issued on the exercise of options, together with terms and conditions of the options, can be found in the Remuneration Report on pages 23 to 31 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 entities, are set out below:

2012

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
<i>Director of McPherson's Limited</i>							
P.J. Maguire	750,000	–	–	–	750,000	750,000	–
<i>Other key management personnel of the Group</i>							
S.K.S. Chan	150,000	–	–	–	150,000	–	150,000
P.R. Bennett ¹	–	–	–	–	–	–	–
A.E. Fahy ²	–	–	–	–	–	–	–
G.P. Mitchell	75,000	–	–	–	75,000	–	75,000
P. Witheridge ³	200,000	–	–	–	200,000	–	200,000

1 Mr Bennett retired as Chief Financial Officer and as an employee of the Group on 30 November 2011.

2 Mr Fahy ceased being an employee of the Group on 31 January 2012 as a result of the demerger of the Group's printing business.

3 Mr Witheridge was appointed as Chief Financial Officer and Company Secretary with effect from 1 December 2011.

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
<i>Director of McPherson's Limited</i>							
P.J. Maguire	1,500,000	–	(750,000)	–	750,000	–	750,000
<i>Other key management personnel of the Group</i>							
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

9. Key management personnel continued

Equity instrument disclosures relating to key management personnel continued

Share holdings

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

2012

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
<i>Directors of McPherson's Limited</i>				
S.A. Rowell ¹	217,523	—	(217,523)	—
P.J. Maguire	1,250,143	—	—	1,250,143
D.J. Allman	500,193	—	—	500,193
J.P. Clifford	—	—	—	—
P.D.J. Landos ²	—	—	—	—
G.A. Cubbin	10,000	—	—	10,000
A.M. Lacaze ³	—	—	11,500	11,500
<i>Other key management personnel of the Group</i>				
S.K.S. Chan	—	—	—	—
P.R. Bennett ⁴	5,835	—	(5,835)	—
A.E. Fahy ⁵	746	—	(746)	—
G.P. Mitchell	—	—	—	—
P. Witheridge ⁶	8,000	—	—	8,000

1 Mr Rowell retired as Chairman and as a Director on 18 November 2011.

2 Mr Landos retired as a Director on 18 November 2011.

3 Ms Lacaze was appointed as a Director with effect from 22 September 2011.

4 Mr Bennett retired as Chief Financial Officer and as an employee of the Group on 30 November 2011.

5 Mr Fahy ceased being an employee of the Group on 31 January 2012 as a result of the demerger of the Group's printing business.

6 Mr Witheridge was appointed as Chief Financial Officer and Company Secretary with effect from 1 December 2011.

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
<i>Directors of McPherson's Limited</i>				
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
<i>Other key management personnel of the Group</i>				
S.K.S. Chan	—	—	—	—
P.R. Bennett	5,835	—	—	5,835
A.E. Fahy	746	—	—	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.

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
10. Current assets – cash		
Cash on hand	13	14
Cash at bank and on deposit (at call)	1,240	1,691
	1,253	1,705
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	1,253	1,705
Less: Bank overdrafts (Note 19)	(119)	(19)
Bank loans (Note 19)	(1,300)	(1,200)
Cash balance per statement of cash flows	(166)	486

Interest rate risk exposure

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

	Interest Bearing (Floating Rate) \$000's	Weighted Average Interest Rate %	Non-Interest Bearing \$000's	Total \$000's
2012				
Financial Assets				
Cash and Deposits				
Currency – Australian dollars	584	0.3	–	584
Currency – United States dollars	132	–	358	490
Currency – Pounds sterling	–	–	6	6
Currency – Singapore dollars	–	–	154	154
Currency – New Zealand dollars	–	–	6	6
	716		524	1,240
2011				
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

Non-interest bearing cash and deposits represent clearing accounts.

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
11. Current assets – receivables		
Trade receivables	53,222	55,088
Provision for impairment	(25)	(65)
	53,197	55,023
Other receivables/prepayments	2,353	2,907
	55,550	57,930
Movements in the provision for impairment of trade receivables are as follows:		
Balance at 1 July	(65)	(74)
Provisions for impairment recognised during the year	(1)	(27)
Written-off during the year as uncollectible	–	34
Unused amount reversed	10	–
Provision demerged with Printing business	31	–
Foreign exchange	–	2
	(25)	(65)

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	
	2012 \$'000	2011 \$'000
Neither past due nor impaired	32,948	36,034
Past due, but not impaired:		
– less than 30 days	16,420	15,520
– 30 to 59 days	3,402	3,005
– 60 to 89 days	410	290
– 90 to 119 days	17	173
– 120 days or more	–	1
	53,197	55,023
Impaired	25	65
Gross carrying amount	53,222	55,088
Provision for impairment	(25)	(65)
Net carrying amount	53,197	55,023

Credit risk concentration

Two external customers represent \$18,957,000 (2011: \$15,438,000) and \$11,576,000 (2011: \$12,884,000) of the closing receivables balance. These debtor balances are in relation to the Australian consumer products business.

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	2012 \$'000	2011 \$'000
12. Current assets – inventories		
Raw materials	1,477	5,060
Work in progress	–	1,516
Finished goods	45,673	47,199
Stock in transit	7,802	7,499
	54,952	61,274
Provision for inventory obsolescence	(2,020)	(1,602)
	52,932	59,672

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

Inventory recognised as expenses during the year ended 30 June 2012 amounted to \$167,482,457 (2011: \$195,982,000).

13. Derivative financial instruments

Current assets

Forward foreign exchange contracts – cash flow hedges	1	–
Foreign currency options – cash flow hedges	94	–
Total current derivative financial instrument assets	95	–

Current liabilities

Interest rate contracts – cash flow hedges	993	176
Forward foreign exchange contracts – cash flow hedges	10	391
Foreign currency options – cash flow hedges	1,757	2,684
Total current derivative financial instrument liabilities	2,760	3,251

Non-current liabilities

Interest rate contracts – cash flow hedges	1,455	191
--	-------	-----

(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).

13. Derivative financial instruments

(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.

	2012 \$000's	Weighted Average Contracted Exchange Rate	2011 \$000's	Weighted Average Contracted Exchange Rate
Maturity 0 – 6 months				
Sell Australian dollars/Buy:				
United States dollars	2,368	1.0073	2,996	1.0495
New Zealand dollars	509	1.2775	1,789	1.2889
Singapore dollars	404	1.2865	361	1.3047
Sell New Zealand dollars/Buy:				
United States dollars	2,457	0.7959	4,440	0.7678
Euro	311	0.6134	761	0.5512
Australian dollars	476	0.7769	579	0.6560
Pounds sterling	14	0.4779	260	0.4813
Sell Singapore dollars/Buy:				
Euro	13	0.6266	–	–
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
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 in a net liability position of \$9,000 (2011: liabilities of \$391,000).

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

The Group has also entered into foreign currency option contracts to partially hedge a portion of anticipated United States dollar purchases. At balance date, the outstanding foreign currency option contracts cover the period from July 2012 to February 2013.

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 a net liability of \$1,663,000 (2011: liability of \$2,684,000).

(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	
	2012 \$'000	2011 \$'000
14. Non-current assets – other financial assets		
Shares in associate	–	1,249
Shares in associate		
(i) Movements in carrying amount		
Carrying amount at the beginning of the financial year	1,249	1,281
Share of profit after income tax	104	268
Dividends received	(100)	(300)
Share of other changes	(1)	–
Distribution to owners – Printing demerger	(1,252)	–
Carrying amount at the end of the financial year	–	1,249
(ii) Share of associate's profit or loss		
Profit before income tax	148	383
Income tax expense	(44)	(115)
Profit after income tax	104	268
(iii) Share of associate's expenditure commitments other than for the supply of inventories		
Lease commitments	–	102
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
2012	–	–	1,228	104
2011	2,910	1,514	2,538	268

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
15. Non-current assets – property, plant and equipment		
Freehold land and buildings:		
At cost	–	6,843
Accumulated depreciation	–	(2,638)
	–	4,205
Leasehold improvements:		
At cost	263	1,430
Accumulated amortisation	(194)	(1,348)
	69	82
Total property	69	4,287
Plant and equipment:		
At cost	27,953	70,654
Accumulated depreciation	(20,946)	(51,228)
Total plant and equipment	7,007	19,426
Total property, plant and equipment	7,076	23,713

(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 Building \$000's	Lease-hold Improvements \$000's	Plant and Equipment \$000's	Total \$000's
Consolidated				
Carrying amount at 1 July 2010	4,408	97	17,757	22,262
Additions	25	10	7,390	7,425
Disposals	–	(4)	(586)	(590)
Depreciation/amortisation expense	(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
Additions	232	2	7,357	7,591
Acquisitions through business combinations	–	–	124	124
Disposals	–	–	(30)	(30)
Depreciation/amortisation expense	(130)	(13)	(4,121)	(4,264)
Distribution to owners – Printing demerger	(4,307)	(3)	(15,758)	(20,068)
Foreign currency exchange differences	–	1	9	10
Carrying amount at 30 June 2012	–	69	7,007	7,076

(b) Leased assets

During the current year the Group's printing business acquired \$3,069,000 of plant and equipment assets via finance lease. These assets were subsequently distributed to owners on 31 January 2012 as part of the demerger of the printing business.

(c) 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	
	2012 \$'000	2011 \$'000
16. Non-current assets – intangibles		
Goodwill	137,992	133,432
Other intangibles	4,437	4,437
Accumulated amortisation	(4,007)	(3,765)
	430	672
Brandnames	45,564	45,059
Total intangibles	183,986	179,163

Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the financial year are set out below:

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

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

Impairment Testing

Goodwill

Goodwill is allocated according to business segment as follows:

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

The recoverable amount of a business segment is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets covering a one year period. Cash flows beyond the projected period are extrapolated using estimated growth rates. In performing the value-in-use calculations for each business segment, the Company has applied a post-tax discount rate to discount the forecast future attributable post-tax cash flows.

16. Non-current assets – intangibles continued

Impairment Testing continued

The assumptions used in the value-in-use calculations, for both the Australian and New Zealand business segments, are set out below.

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

In addition to the above, it is noted that the year one cash flow projection is a key assumption within the value-in-use calculations. The cash flow projections used for the year one cash flows are based on the Board approved financial budgets. At 30 June 2012, the value-in-use calculations for both the Australian and New Zealand consumer product business segments exceed the carrying value of their net assets. The surplus amount within the Australian calculation is \$26,958,000 (2011: \$85,373,000). The surplus amount within the New Zealand calculation is NZD\$21,302,000 (2011: NZD\$27,537,000).

Impact of possible changes in key assumptions

If the year one earnings before interest and tax (EBIT) used in the value-in-use calculation for the Australian consumer products business segment were to be 2.9% below the current year actual earnings, the recoverable amount of the Australian consumer products business segment would equal its carrying amount.

If the post-tax discount rate used in the value-in-use calculation for the Australian consumer products business segment were to be 1.0 percentage point higher than management's estimate (12.5% instead of 11.5%; pre-tax discount rate of 16.8% instead of 15.1%) the recoverable amount of the Australian consumer products business segment would equal its carrying amount.

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

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

Brandnames

Brandnames are tested for impairment on an individual basis annually and more frequently if events or changes in circumstances indicate that they might be impaired. The recoverable amount of a brandname is determined based on the higher of value-in-use or fair value less costs to sell calculations.

The value-in-use calculations are prepared using a discounted cash flow analysis of the future net contribution expected to be generated by the brand, which is based on financial budgets covering a one year period. Cash flows beyond the projected period are extrapolated using estimated growth rates. In performing the value-in-use calculations the Company has applied a post-tax discount rate to discount the forecast future attributable post-tax cash flows.

The assumptions used in the value-in-use calculations, for all brandnames tested using this method, are set out below.

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

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

The fair value less costs to sell calculation is determined using a 'relief from royalty' approach. The 'relief from royalty' method assumes that if a business did not own the identifiable brandname under consideration it would have to pay a royalty to the owners of the brandname for its use. The calculation is prepared on a discounted cash flow analysis of the future royalty stream which is based on financial budgets covering a one year period. The calculation assumes sales growth rates beyond the projected period range of 3.0% (2011: 1.0% to 3.0%) and a post-tax discount rate of 11.5% (2011: 11.5%), the equivalent pre-tax discount rate equating to 15.1% (2011: 15.1%).

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

Impact of possible changes in key assumptions

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

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

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

CONSOLIDATED

	2012 \$'000	2011 \$'000
17. Non-current assets – deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Trade receivables impairment	7	18
Employee benefits	1,800	2,898
Depreciation/amortisation	991	1,746
Inventory obsolescence	575	451
Claims and returns	67	65
Other provisions and accruals	526	265
Deferred gain	85	115
License fees	83	133
	4,134	5,691
Amounts recognised directly in equity		
Transaction costs arising on share issues	92	139
Cash flow hedges	1,236	1,026
Total temporary differences	5,462	6,856

Movements

	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 2010	468	2,874	1,808	425	185	514	6,274
Credited/(charged) to profit or loss (Note 6)	685	44	(84)	34	–	(10)	669
(Charged)/credited 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
(Charged)/credited to profit or loss (Note 6)	(280)	(237)	420	34	–	167	104
Credited to equity	482	–	–	–	–	–	482
Amortisation of transaction costs on share issues	–	–	–	–	(47)	–	(47)
Acquired in business combinations (Note 31)	–	–	–	144	–	–	144
(Over)/under provision in prior years	–	(49)	54	–	–	47	52
Distribution to owners – Printing demerger	6	(814)	(1,231)	(55)	–	(42)	(2,136)
Foreign currency exchange differences	2	2	2	1	–	–	7
Closing balance at 30 June 2012	1,236	1,800	991	575	92	768	5,462

CONSOLIDATED

	2012 \$'000	2011 \$'000
Deferred tax assets to be recovered within 12 months	3,292	4,483
Deferred tax assets to be recovered after more than 12 months	2,170	2,373
	5,462	6,856

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
18. Current liabilities – payables		
Trade creditors	16,016	21,958
Other creditors	14,114	14,784
	30,130	36,742
19. Current liabilities – borrowings		
Bank overdraft (Note 10)	119	19
Bank loans (Note 10)	1,300	1,200
Hire purchase (Note 26)	–	16
	1,419	1,235
Secured Liabilities		
Bank overdraft (Note 10)	1,419	1,219
Hire purchase (Note 26)	–	16
	1,419	1,235

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	
	2012 \$'000	2011 \$'000
20. Current liabilities – provisions		
Employee entitlements	5,176	8,510
Employee incentives	566	1,195
Restructure costs	–	806
Claims and returns	238	218
Other	105	260
	6,085	10,989

(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 were fulfilled during the financial year.

(c) Restructure costs

Estimate of unpaid costs at balance date 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.

(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 2012				
Carrying amount at 1 July 2011	1,195	806	218	260
Additional provisions recognised	493	–	20	269
Written off to profit or loss	–	(27)	–	–
Payments	(1,128)	(779)	–	(424)
Foreign currency exchange differences	6	–	–	–
Carrying amount at 30 June 2012	566	–	238	105

CONSOLIDATED

	2012 \$'000	2011 \$'000
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21. Non-current liabilities – borrowings

Secured liabilities

Bank loans – secured	76,500	57,000
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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
- Mortgages over shares held in certain controlled entities
- Cross guarantees and indemnities provided by the parent entity and certain controlled entities

CONSOLIDATED

	2012 \$'000	2011 \$'000
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(a) Assets pledged as security

First mortgage

Freehold land and buildings	–	1,657
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Fixed charge

Property, plant and equipment	6,999	21,941
Intangibles	183,184	178,383
Other financial assets	–	1,249

Hire purchase

Plant and equipment under hire purchase	–	19
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Total non-current assets pledged as security	190,183	203,249
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The following current assets are also pledged as security:

Fixed charge

Receivables	52,010	53,925
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Floating charge

Cash	1,092	1,614
Inventories	51,911	58,844
Receivables	1,771	2,477
Derivative financial instruments	95	–

Total current assets pledged as security	106,879	116,860
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Total assets pledged as security	297,062	320,109
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CONSOLIDATED

	2012 \$'000	2011 \$'000
22. Non-current liabilities – provisions		
Employee entitlements	828	1,010

23. Non-current liabilities – deferred tax liabilities

The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss

Prepayments	19	33
Inventories	–	134
Brandnames	13,518	13,518
Depreciation	9	7
Unrealised foreign exchange gains	–	4
	13,546	13,696
Deferred tax liabilities to be settled within 12 months	19	167
Deferred tax liabilities to be settled after more than 12 months	13,527	13,529
	13,546	13,696

Movements

	Inventories \$000's	Brandnames \$000's	Other \$000's	Total \$000's
Consolidated				
Opening balance at 1 July 2010	132	13,518	22	13,672
(Credited)/charged to profit or loss (Note 6)	(10)	–	22	12
Under provision in prior years	12	–	–	12
Closing balance at 30 June 2011	134	13,518	44	13,696
(Credited)/charged to profit or loss (Note 6)	(19)	–	40	21
Distribution to owners – Printing demerger	(117)	–	(40)	(157)
Under/(over) provision in prior years	2	–	(16)	(14)
Closing balance at 30 June 2012	–	13,518	28	13,546

CONSOLIDATED

	2012 \$'000	2011 \$'000
24. Share capital		
Issued and paid up capital:		
72,401,758 (2011: 72,401,758) ordinary shares – fully paid	103,253	129,338

Movements in ordinary share capital

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

Ordinary Shares

At 30 June 2012 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 Directors have resolved to reactivate the Company's Dividend Reinvestment Plan, with a discount of 2.5%, with effect from the upcoming final dividend for the financial year ended 30 June 2012.

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	
	2012 \$'000	2011 \$'000
25. Reserves and retained profits		
(a) Reserves		
Hedging reserve – cash flow hedges	(1,655)	(538)
Share-based payments reserve	1,116	811
Foreign currency translation reserve	(3,905)	(4,454)
	(4,444)	(4,181)
Hedging reserve – cash flow hedges:		
Balance 1 July	(538)	(810)
Revaluation – gross	(2,313)	(1,402)
Deferred tax (Note 17)	694	413
Transfer to cost of sales – gross	360	(15)
Deferred tax (Note 17)	(102)	5
Transfer to finance costs – gross	367	1,816
Deferred tax (Note 17)	(110)	(545)
Distribution to owners – Printing demerger – gross	(19)	–
Distribution to owners – Printing demerger – deferred tax (Note 17)	6	–
Balance 30 June	(1,655)	(538)
Share-based payments reserve:		
Balance 1 July	811	987
Option expense	305	743
Transfer to share capital	–	(919)
Balance 30 June	1,116	811
Foreign currency translation reserve:		
Balance 1 July	(4,454)	(2,467)
Currency translation differences arising during the year	549	(1,987)
Balance 30 June	(3,905)	(4,454)
(b) Retained Profits		
Balance 1 July	75,641	71,995
Profit after tax	17,028	19,499
Dividends paid	(17,376)	(15,853)
Distribution to owners – Printing demerger	(1,460)	–
Balance 30 June	73,833	75,641

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 or loss when the associated hedged transaction affects profit or 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 or loss when the net investment is disposed of.

	CONSOLIDATED	
	2012 \$'000	2011 \$'000

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	264	2,409
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(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	6,379	6,957
Later than one year but not later than five years	17,974	14,612
Later than five years	17,557	–
	41,910	21,569

(c) Hire purchase commitments

Commitments in relation to hire purchase payments are payable as follows:

Not later than one year	–	16
Future finance charges	–	–
Recognised as a liability	–	16
Representing hire purchase liabilities:		
Current (Note 19)	–	16

The Group leases offices, warehouses, plant and machinery and motor vehicles under non-cancellable operating leases and hire purchase arrangements expiring within one to ten 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

From time to time, and in the ordinary course of business, claims arise against the Group including claims relating to product and general liability. The Directors consider these claims to be minor which will not materially affect the results of the Group.

	Consumer Products \$000's	Printing (Discontinued) \$000's	Inter-segment Eliminations/ Unallocated \$000's	Consolidated \$000's
28. Segment Report				
2012 Segment information				
Sales to external customers	276,246	26,527	–	302,773
Inter-segment sales	–	86	(86)	–
Total sales revenue	276,246	26,613	(86)	302,773
Other revenue/income	737	560	–	1,297
Share of net profit of associate	–	104	–	104
Total segment revenue, other income and share of net profit of associate	276,983	27,277	(86)	304,174
Profit/(loss) before interest, tax, depreciation, amortisation and significant items	37,400	2,417	(2,723)	37,094
Depreciation and amortisation expense	(2,686)	(1,818)	(3)	(4,507)
Segment result before significant items	34,714	599	(2,726)	32,587
Significant items – Printing demerger ¹	–	–	(2,619)	(2,619)
Segment result including significant items	34,714	599	(5,345)	29,968
Net borrowing costs				(5,968)
Profit before income tax				24,000
Income tax expense				(6,972)
Profit after income tax				17,028
Segment assets	312,514	–	(6,160)	306,354
2011 Segment information				
Sales to external customers	289,934	58,889	–	348,823
Inter-segment sales	–	45	(45)	–
Total sales revenue	289,934	58,934	(45)	348,823
Other revenue/income	271	1,167	334	1,772
Share of net profit of associate	–	268	–	268
Total segment revenue, other income and share of net profit of associate	290,205	60,369	289	350,863
Profit/(loss) before interest, tax, depreciation, amortisation and significant items	50,994	5,859	(4,908)	51,945
Depreciation and amortisation expense	(2,548)	(2,973)	(1)	(5,522)
Segment result before significant items	48,446	2,886	(4,909)	46,423
Significant items – impairment of goodwill	–	(8,530)	–	(8,530)
Segment result including significant items	48,446	(5,644)	(4,909)	37,893
Net borrowing costs				(6,785)
Profit before income tax				31,108
Income tax expense				(11,609)
Profit after income tax				19,499
Segment assets	303,081	31,776	(4,569)	330,288

1 This significant item expense relates to the costs associated with the demerger of the Printing business and its subsequent acquisition of the Opus Group. Refer to the discontinued operation note disclosed at Note 30 to this financial report.

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

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

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

Consumer Products

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

Printing (discontinued)

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

28. Segment Report continued

	SEGMENT REVENUES FROM SALES TO EXTERNAL CUSTOMERS		SEGMENT NON-CURRENT ASSETS	
	2012 \$000's	2011 \$000's	2012 \$000's	2011 \$000's
Geographical information				
Australia	263,387	312,435	184,078	197,562
New Zealand	30,010	28,082	5,758	5,355
Asia	9,376	8,306	1,226	1,208
	302,773	348,823	191,062	204,125

Segment revenues

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

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

Segment assets

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

Inter-segment transfers

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

29. Earnings per share

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

Reconciliation of earnings used in calculating earnings per share

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

Weighted average number of shares used as the denominator

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

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 for the current year.

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

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

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

30. Discontinued Operation

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

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

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

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

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

The assets and liabilities distributed to owners are set out below.

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

30. Discontinued Operation continued

	7 months to 31 January 2012 \$000's	12 months to 30 June 2011 \$000's
Revenue	26,527	58,889
Other income	664	1,411
Expenses	(26,592)	(57,414)
Borrowing costs	(37)	–
Profit before income tax and significant items	562	2,886
Income tax expense	(114)	(661)
Profit after income tax before significant items	448	2,225
Significant items		
Costs associated with demerger and subsequent acquisition of Opus	(2,550)	–
Loss on distribution to owners	(70)	–
Impairment of goodwill	–	(8,530)
Income tax benefit relating to significant items	790	–
Loss of discontinued operation for the period	(1,382)	(6,305)
Basic earnings per share (before significant items) – cents	0.6	3.1
Diluted earnings per share (before significant items) – cents	0.6	3.1
Cash flow information		
Net cash inflows from operating activities	1,690	5,833
Net cash outflows from investing activities	(2,644)	(4,089)
Net cash inflows/(outflows) from financing activities	5,139	(3,000)
Net cash inflows/(outflows) for the period	4,185	(1,256)

31. Business Combinations

Summary of Acquisitions

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

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

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

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

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

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

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

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

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

(i) Contingent consideration

In accordance with AASB3 *Business Combinations*, where an acquisition agreement includes a contingent consideration agreement, the Group is required to estimate, at acquisition date, the amount of contingent consideration expected to be paid. This amount then forms part of the consideration amount used for acquisition accounting purposes.

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

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

(ii) Revenue and profit contribution

The acquired businesses contributed revenues of \$4,917,000 to the Group for the period from their acquisition dates to 30 June 2012. Net profit generated from these businesses for this period, as well as full year revenue and profit or loss, have not been separately disclosed as it is impracticable to calculate accurate amounts for these given differences in accounting policies and that these businesses have been completely integrated into the Group's existing operations.

32. Particulars in relation to controlled entities

	Country of Incorporation
McPherson's Limited	Australia
<i>Controlled entities of McPherson's Limited</i>	
Domenica Pty Ltd *	Australia
McPherson's Consumer Products (NZ) Limited	New Zealand
McPherson's Consumer Products Pty Ltd *	Australia
McPherson's Consumer Products 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	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 35.

All investments represent 100% ownership interest.

Disposal of controlled entity

During the current year the Group demerged its Printing business on 31 January 2012. As a result MPG Printing Limited (formerly Owen King Holdings Australia Pty Limited) and McPherson's Printing Pty Limited are no longer controlled entities of McPherson's Limited.

33. Related parties

Directors

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

Transactions with McPherson's Limited or its controlled entities

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

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

Directors' shares/options

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

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

Controlled entities

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

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

Related party transactions not reported elsewhere

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

	CONSOLIDATED	
	2012 \$	2011 \$
Legal fees		
J.B. Duncan P.C.	4,995	7,616

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	34

34. 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 \$3,507,148 (2011: \$4,058,947).

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

35. 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
- Multix 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, MPG Printing Limited (formerly Owen King Holdings Australia Pty Ltd) and McPherson's Printing Pty Ltd were removed as parties to the Deed of Cross Guarantee on 31 January 2012 as a result of the demerger of the Group's printing business.

(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 2012 of the Closed Group.

	2012 \$000's	2011 \$000's
Income statement		
Revenue	268,091	316,856
Other income	1,224	1,616
Share of net profit in associate	104	268
Expenses	(242,078)	(281,721)
Finance costs	(6,334)	(7,483)
Profit before income tax	21,007	29,536
Income tax expense	(5,611)	(10,520)
Profit after income tax	15,396	19,016
Summary of movements in consolidated retained profits		
Retained profits at beginning of the financial year	58,954	55,791
Profit after income tax for the year	15,396	19,016
Dividends provided for or paid	(17,376)	(15,853)
Distribution to owners – Printing demerger	(1,460)	–
Retained profits at the end of the financial year	55,514	58,954

35. Deed of Cross Guarantee continued

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2012 of the Closed Group.

	2012 \$000's	2011 \$000's
Current assets		
Cash	591	1,369
Receivables	49,712	52,584
Inventories	43,587	52,045
Derivative financial instruments	94	—
Total current assets	93,984	105,998
Non-current assets		
Other financial assets	27,357	28,606
Property, plant and equipment	5,809	22,440
Deferred tax assets	5,144	6,480
Intangible assets	173,708	169,145
Total non-current assets	212,018	226,671
Total assets	306,002	332,669
Current liabilities		
Payables	42,089	49,592
Borrowings	1,300	1,216
Derivative financial instruments	2,760	2,897
Provisions	5,369	10,019
Current tax liabilities	454	4,691
Total current liabilities	51,972	68,415
Non-current liabilities		
Payables	3,219	3,219
Borrowings	76,500	57,000
Derivative financial instruments	1,455	191
Provisions	824	1,005
Deferred tax liabilities	13,804	14,020
Total non-current liabilities	95,802	75,435
Total liabilities	147,774	143,850
Net assets	158,228	188,819
Equity		
Share capital	103,253	129,338
Reserves	(539)	527
Retained profits	55,514	58,954
Total equity	158,228	188,819

CONSOLIDATED

	2012 \$'000	2011 \$'000
36. 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	17,028	19,499
Amortisation of other intangibles	242	221
Depreciation/other amortisation	4,265	5,301
Share-based payments expense	305	743
Impairment of goodwill	—	8,530
Profit on disposal of property, plant and equipment	(9)	(208)
Time value in option hedging contracts	(927)	2,280
Finance charges included in lease payments	—	1
Share of profit in associate not received as dividends or distributions	(104)	(268)
Dividends received from associate	100	300
Gain on acquisition	(400)	—
Loss on demerger on the Printing business	45	—
Costs associated with Printing demerger	2,550	—
Operating assets and liabilities		
Increase/(decrease) in payables	279	(5,930)
(Decrease)/increase in other provisions	(1,608)	41
(Decrease)/increase in employee entitlements	(803)	284
(Decrease)/increase in tax payable	(4,500)	2,426
(Increase)/decrease in receivables	(3,906)	4,206
Decrease in inventories	3,766	4,159
Net cash inflow from operating activities	16,323	41,585

37. Events occurring after balance date

On 1 August 2012, the Group's Australian consumer products business acquired the business assets of Footcare International, a leading marketer and distributor of a wide range of quality foot comfort products, and a range of shoe care products and shoe accessories, for \$4,582,000. Further disclosures have not been included as the initial accounting for this business combination is still to be completed.

On 17 August 2012, the Directors of the Company declared a final dividend of 7.0 cents per share fully franked which is payable on 31 October 2012 (refer to Note 7).

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

38. Parent entity financial information

(a) Financial information

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

	2012 \$000's	2011 \$000's
Balance Sheet		
Current assets	2,090	8,435
Total assets	220,251	259,730
Current liabilities	20,025	27,069
Total liabilities	100,324	99,850
Shareholders' equity		
Issued capital	103,253	129,338
Reserves – cash flow hedges	(1,655)	(261)
– share-based payments	1,116	811
Retained earnings	17,213	29,992
	119,927	159,880
Profit after tax	6,058	11,652
Total comprehensive income	4,664	12,199

(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 35 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 2012.

1. Share Capital

As at 31 August 2012 the ordinary share capital in the Company was held by the following number of shareholders:

	Shares	Shareholders
1 – 1,000		1,664
1001 – 5,000		1,681
5001 – 10,000		532
10,001 – 100,000		504
100,001 – and over		41
Total		4,422
Holding less than a marketable parcel		492

2. Voting Rights

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

3. Twenty Largest Shareholders as at 31 August 2012:

	No. of Shares	%
HSBC Custody Nominees (Australia) Limited	15,440,189	21.33
RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED A/C)	9,197,508	12.70
National Nominees Limited	4,922,749	6.80
Aust Executor Trustees NSW Ltd (Tea Custodians Limited)	3,416,489	4.72
J P Morgan Nominees Australia Limited	3,405,074	4.70
RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/C)	2,516,474	3.48
Citicorp Nominees Pty Limited	2,479,889	3.43
BNP Paribas Noms Pty Ltd (Master Cust DRP)	1,023,749	1.41
J P Morgan Nominees Australia Limited (Cash Income A/C)	837,161	1.16
AMP Life Limited	803,218	1.11
Mr Paul John Maguire	750,000	1.04
Mrs Melinda Sue Maguire	500,143	0.69
Perpetual Custodians Limited	436,550	0.60
RBC Investor Services Australia Nominees Pty Limited (PISELECT A/C)	423,173	0.58
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	407,867	0.56
Mr Trevor Bruce Winston Ward	400,000	0.55
BNP Paribas Noms Pty Ltd (SMP Accounts DRP)	333,074	0.46
RBC Investor Services Australia Nominees Pty Limited (PIIC A/C)	289,982	0.40
Gatfield Pty Ltd (Rowell S/F A/C)	251,380	0.35
Aircole Pty Limited (Macri Retirement Fund A/C)	242,693	0.34
	48,077,362	66.40
	72,401,758	100.00

4. Substantial Shareholders

The following is extracted from the Company's Register of Substantial Shareholders as at 31 August 2012:

	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.

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:

105 Vanessa Street
Kingsgrove NSW 2208

Telephone: (02) 9370 8000

Facsimile: (02) 9370 8093

Email: mccorp@mcphersons.com.au

Website: www.mcphersons.com.au

Company Secretaries

Philip R Bennett
Paul Witheridge

Auditors

PricewaterhouseCoopers

Darling Park Tower 2
201 Sussex St
Sydney NSW 2000

Solicitors

Thomsons Lawyers

Level 25,
1 O'Connell Street
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

Telephone within Australia: 1300 85 05 05

Telephone outside of Australia: +61 3 9415 5000

Facsimile: (03) 9473 2500

web.queries@computershare.com.au

www.computershare.com

Shareholder Enquiries

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

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

