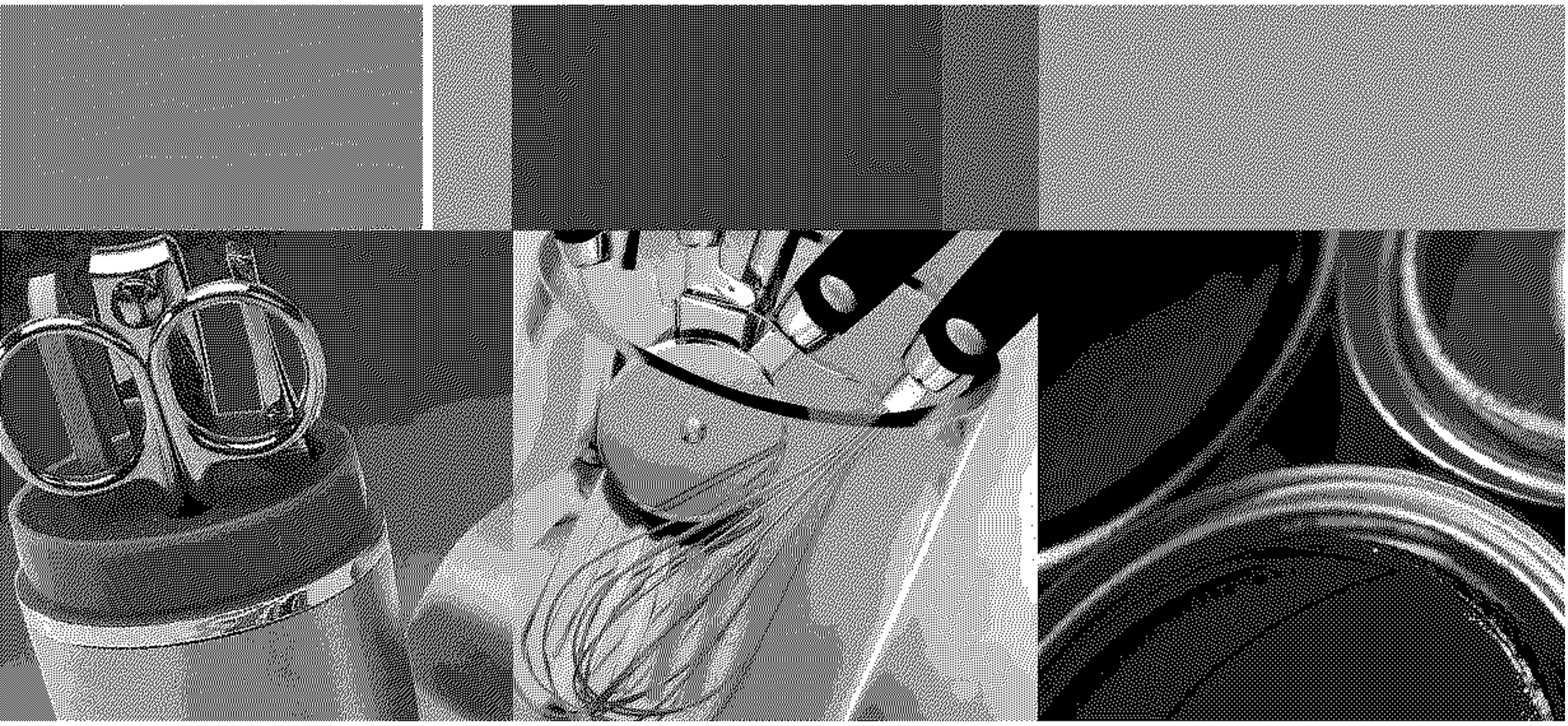


McPHERSON'S LIMITED : ANNUAL REPORT

2004

CONTENTS

VISION

To be a superior performing and competitive company.

KEY FINANCIAL OBJECTIVES

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

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

DIVIDEND POLICY

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

FINANCIAL CALENDAR*

Payment of final dividend for 2004	September 2004
Publication of results to 31 December 2004	February 2005
Preliminary results to 30 June 2005	August 2005
Report and accounts for year to 30 June 2005	October 2005

* Subject to change.

ANNUAL GENERAL MEETING

The 2004 Annual General Meeting of McPherson's Limited will be held at the ASX Theatrette, 530 Collins Street, Melbourne at 11.00am on Friday, 5 November 2004.

THE YEAR'S PERFORMANCE

- A 63% increase in after tax profit (before goodwill amortisation of $4.3 million) to $21.1 million which represents a 21% return on average shareholders' funds.
- A 19% increase in earnings per share to 38.0 cents (before goodwill amortisation). Before restructure costs, earnings per share were 43.4 cents.
- Strong positive operating cash flows, with net debt to shareholders' funds reducing to 74% at year end, despite the acquisition of Cork Asia Pacific.
- Dividend payout increasing to 19.0 cents per share, fully franked, from 15.0 cents last year.
- An increase in Consumer Products divisional profit (EBITA) of 129% to $26.3 million.
- A decrease in Printing divisional profit (EBITA) of 5% to $12.2 million.
- Cork Asia Pacific's profit contribution exceeding expectations.
- Consolidation and physical relocation of the Australian Housewares businesses into Cork's premises, and creation of McPherson's Consumer Products Division.
- Pak Imports, a New Zealand housewares business, was acquired on 31 March 2004.

GROUP FINANCIAL SUMMARY 2004

	Note		2004	2003
Sales		$000's	328,967	246,689
Operating profit before tax and amortisation of goodwill		$000's	27,749	17,702
Operating profit before tax		$000's	23,420	16,572
Income tax expense		$000's	(6,609)	(4,726)
Operating profit after tax		$000's	16,811	11,846
Profit after tax and before amortisation of goodwill		$000's	21,140	12,976
Shareholders' funds	1	$000's	107,495	92,453
Return on average shareholders' funds (ROSF)	2	%	16.7	21.0
ROSF before amortisation of goodwill		%	21.0	23.0
Earnings per share (EPS)	2	Cents	30.2	25.3
EPS before amortisation of goodwill		Cents	38.0	31.9
Dividends per share (fully franked)		Cents	19.0	15.0
Operating cash flow	3	$000's	43,794	19,155
Net debt		$000's	79,674	42,866

Note 1: Shareholders' funds at the end of the financial year.
Note 2: Calculated using operating profit after tax.
Note 3: Pre-tax cash flow before capital expenditure and dividend payments.

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT

McPherson's objective is to create shareholder value through a strategy of operating high return and high cash flow businesses which provide funding for expansion and a healthy dividend payout.

Over the past five years, this strategy has produced the desired results. An investment of $1,000 in McPherson's shares on 1st July 1999, together with re-invested dividends, had accumulated to approximately $9,100 on 30th June 2004. This represents a return of around 55% per annum over the five year period.

The 2003-04 year was another eventful and exciting one, commencing with the acquisition of Cork Asia Pacific on 1st July 2003. This highly branded, leading beauty care and hair care business was acquired for around $90 million and was funded by $60 million of bank debt and approximately $30 million of new capital.

The acquisition of Cork was a major contributor to the Company's 63% increase in after tax profit to $21.1 million (before goodwill amortisation of $4.3 million).

Whilst the after tax return on shareholders' funds was down slightly to 21%, the Company still maintained its rating of being well within the top 10% for all public companies for this performance measure.

Cash flow generation was a highlight. During the year, $44 million of pre tax operating cash flow was generated. This not only funded a dividend payout ratio of 50% but also enabled net debt to be reduced by $24 million. As at 30th June 2004, net debt had been reduced to a level equal to 74% of shareholders' funds, down from 112% immediately following the Cork acquisition. This is in line with the same ratio as at 30th June 2003 and will enable the Company to pursue further debt funded acquisitions in the near future.

During the year, the Cork and McPherson's Housewares businesses were integrated to form McPherson's Consumer Products. The combined business produced EBITA of $26.3 million (prior year $11.5 million from McPherson's Housewares) despite one-off costs of $3.7 million associated with the integration of the two businesses. The result was also affected by the closure, in the June quarter, of the non-core garment hanger supply business as well as the placing in receivership of Cork's European licensee and the consequent need to integrate those operations with McPherson's existing European network.

The response from domestic customers to the expanded McPherson's Consumer Products business has been particularly encouraging. That response has opened up a number of marketplace opportunities as well as encouraging an aggressive approach to the acquisition of further compatible consumer product businesses.

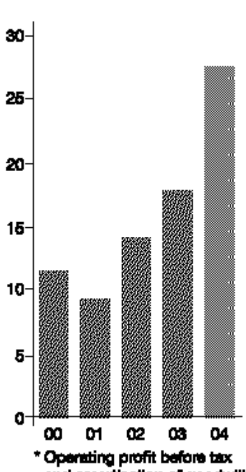
The Printing Division produced a creditable EBITA of $12.2 million, a decline of 5% on the previous year. Again, this was achieved despite non-recurring expenses associated with a major re-equipment and restructure of the Book and Commercial Printing business which will involve further capital expenditure of around $10 million.

At year end, a number of consumer product acquisition opportunities were under consideration, of which two had proceeded to the next stage of due diligence.

Raymond C. King
Chairman

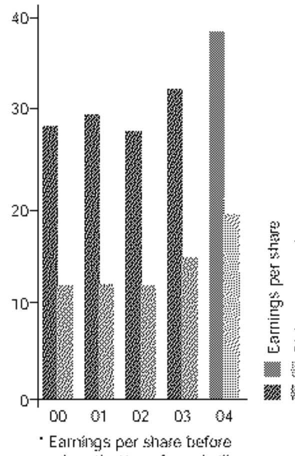
David J. Allman
Managing Director

Profit* (in millions of dollars)



*** Operating profit before tax and amortisation of goodwill.**

Earnings and Dividends per Share* (in cents)



* Earnings per share before admortisation of goodwill.

BOARD OF DIRECTORS

RAYMOND C. KING B.COM, DIP.ED., MBA
Chairman

Mr King has been a non-executive Director of McPherson's since 1998 and was appointed Chairman in July 1999. Mr King has been a member of the Board's Audit Risk Management and Compliance Committee since October 1999. Currently he is Chairman of Nylex Limited, Taverner Hotel Group Pty Ltd and Space Time Research Pty Ltd. Mr King is also a Director of Austereo Limited and a Director of AFL Club, St. Kilda. Mr King is 65 years of age.

Shareholding: 1,000,000 shares

DAVID J. ALLMAN B.SC
Managing Director

Mr Allman was appointed Chief Executive in December 1994 and became Managing Director in March 1995. Mr Allman is 57 years of age.

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.

Shareholding: 306,500 shares 300,000 options

JOHN P. CLIFFORD M.ENG & MAN

Mr Clifford was appointed a non-executive Director of McPherson's Limited on 8 October 2003 and is a member of the Board's Audit Risk Management and Compliance Committee. Mr Clifford is a Director of Canterbury Partners, Brand Equity Pty Ltd and Executive Director of Bayard Capital Management Pty Ltd. Mr Clifford is 37 years of age.

SIMON A. ROWELL B.A. (HONS), C.A., FAICD

Mr Rowell was appointed a non-executive Director of McPherson's Limited on 8 October 2003 and is Chairman of the Board's Audit Risk Management and Compliance Committee. Mr Rowell is Chairman of Greens Foods Ltd, a food manufacturing company, and also Chairman of MMC Contrarian Ltd. Mr Rowell is 49 years of age.

Shareholding: 13,422 shares

ALEX WAISLITZ B.ECON, LL.B.

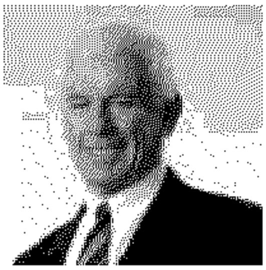
Mr Waislitz has been a non-executive Director of McPherson's since March 1998. Mr Waislitz is Executive Chairman of the Thorney Investment Group. He has extensive business experience, and is a Director of various Pratt Group and Visy Board companies. Mr Waislitz is also a Director of the Collingwood Football Club and Adacel Technologies Ltd. Mr Waislitz is 46 years of age.

Mr Peter Landos of the Thorney Investment Group was appointed as an alternate Director for Mr Waislitz in July 2003.

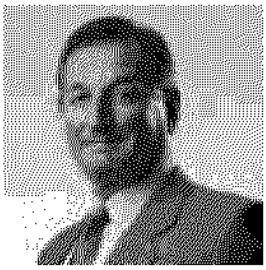
OLAF B. O'DUILL B.COM (HONS), FAICD, FAIBF

Mr O'Duill was a non-executive Director of McPherson's Limited from 1995 until his retirement from the Board on 7 November 2003.

Shareholding at 7 November 2003: 100,000 shares

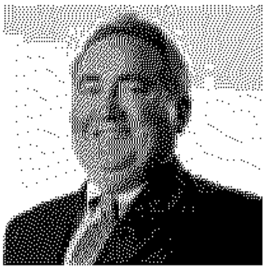


Raymond C. King
Chairman



David J. Allman
Managing Director

John P. Clifford
Director



Simon A. Rowell
Director

Alex Waislitz
Director

Attendance at Board and Committee Meetings

The number of Board, Audit Risk Management and Compliance, and Nomination and Remuneration Committee meetings held during the year ended 30 June 2004, and the number of meetings attended during that period by each Director, are set out to the right:

	Board Meetings		Audit Risk Management and Compliance Committee Meetings		Nomination and Remuneration Committee Meetings	
Director	Held	Attended	Held	Attended	Held	Attended
Raymond C. King	12	12	4	4	1	1
David J. Allman	12	12				
John P. Clifford (1)	12	8	4	3		
Simon A. Rowell (2)	12	9	4	3		
Alex Waislitz	12	9				
Peter J.D. Landos (Alternate for Alex Waislitz)	12	9				
Olaf B. O'Duill (3)	12	6	4	1	1	1

(1) Appointed 8 October 2003
(2) Appointed 8 October 2003
(3) Retired 7 November 2003

GROUP PROFILE

HOUSEWARES DIVISION

Australasia

Trading as McPherson's Housewares and Wiltshire New Zealand, the Australasian business markets an extensive range of kitchen utensils, glassware and other kitchenware products, including tabletop, food preparation and hardware. McPherson's Housewares Division is the leading marketer of non-electrical housewares products in Australasia.

Europe

The European business trades as Richardson Sheffield, and markets a wide range of kitchen knives and an extensive range of utensils and other kitchenware products in the United Kingdom and Europe.

North America

Trading as Regent-Sheffield, the North American business distributes kitchen knives and cutlery, through a leading distributor of housewares products.

Hong Kong

The Division's Hong Kong operation co-ordinates the sourcing of products for the Housewares Division's business units.

CORK ASIA PACIFIC

Cork Asia Pacific markets a range of beauty care and hair care products in Australia, New Zealand and Singapore. Cork also supplies impulse merchandising products to major Australian retailers.

PRINTING DIVISION

Book and Commercial Printing

The Division's book and commercial printing business is one of Australia's major diversified commercial printing companies. The business offers a wide range of high quality commercial printing services and is the largest book manufacturer in Australia.

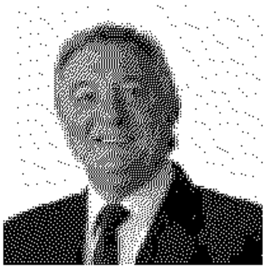
Directory Printing

This business prints telephone directories and similar products, and has a contract to produce 50% of Telstra's White and Yellow Page telephone directory requirements until June 2009.

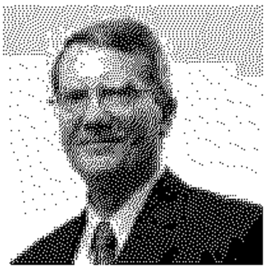
CORPORATE

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

Mark O'Kelly
Managing Director
Consumer Products Group



George Gatehouse
General Manager
Printing Division



Phil Bennett
Chief Financial Officer,
McPherson's Limited

REVIEW OF OPERATIONS

OVERVIEW

In the 2003-04 year, McPherson's Limited produced a 63% increase in after tax profit (before goodwill amortisation of $4.3 million) to $21.1 million which represents a 21% return on average shareholders' funds. Turnover increased by 32% to $328.9 million.

Earnings per share (before amortisation of goodwill) increased by 19% to 38.0 cents, compared with 31.9 cents in the previous year.

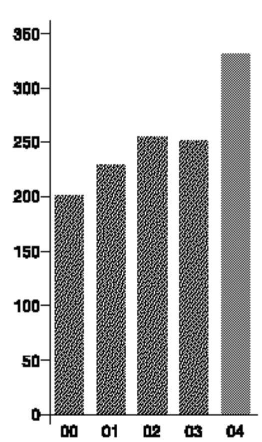
Dividends of 19.0 cents per share were declared for 2003-04, an increase of 4.0 cents per share or 27% over the previous year. The final dividend will again be fully franked, and it is expected that future dividends will continue to be fully franked.

During the year the Housewares Division was merged with Cork Asia Pacific to form McPherson's Consumer Products. This included the physical relocation of McPherson's Housewares' Australian operations into Cork's premises, and resulted in a one-off restructure expense of $3.7 million being incurred. Despite this, McPherson's Consumer Products generated earnings (before interest, tax and amortisation) of $26.3 million, significantly ahead of the $11.5 million earned by McPherson's Housewares Division last year.

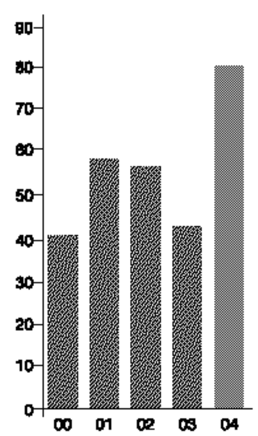
The strong result was achieved despite the closure of Cork's non-core garment hanger supply business during the year, which although resulting in a loss of income, has created additional warehouse capacity required for the further expansion of McPherson's Consumer Products.

The Printing Division's earnings (before interest, tax and amortisation) reduced by 5% from the previous year to $12.2 million, with a lower contribution from the directory printing business being partly offset by a small increase in EBITA from the book and commercial printing operation. The result was after a non-recurring charge of $0.7 million incurred in connection with a major re-equipment and restructuring programme for the book and commercial printing business which was commenced during the year.

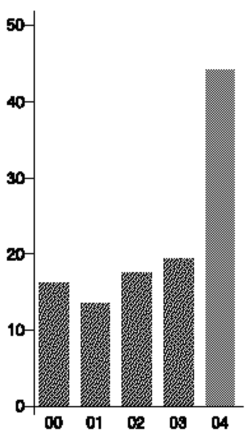
Group Sales (in millions of dollars)



Net Debt (in millions of dollars)

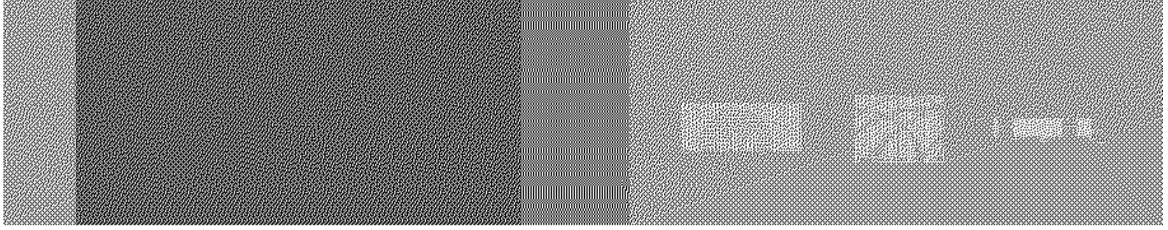


Cash Flow* (in millions of dollars)



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

HOUSEWARES DIVISION



DIVISIONAL ACTIVITIES

The Housewares Division markets a wide range of housewares products both within Australia and internationally. Products are mostly imported from the Division's sourcing operation in Hong Kong.

The product range includes cutlery, kitchen knives, kitchen utensils, scales, bakeware, glassware, hardware and garden products. The Division is the leading marketer of non-electrical housewares products in Australasia.

The Division markets reputable, established brands including Wiltshire, Grosvenor, Strachan, Crown, Eterna, Salter, Ai-de-Chef, Deco, Chef'n, Ballarini, Trudeau and Typhoon. With increased collaboration between the international sites of the business, brands such as Richardson have been successfully launched in Australasia. Agency distribution arrangements are also in place allowing the marketing of third party brands.

Apart from a limited manufacturing facility at Sheffield in the United Kingdom, the business mainly markets finished housewares products that are sourced from Asia, and, in particular, China. The fully dedicated Hong Kong sourcing operation supports the Division's marketing activities by supplying products from a large number of independent Asian manufacturers.

REGIONAL ACTIVITIES

Australia

In Australia, new products were released in every major category, including tools and gadgets, kitchen knives and bakeware.

The consolidation with the Australian Cork Asia Pacific business was completed during the year and the housewares business is now fully integrated, creating synergies and cost efficiencies. Warehouses in Melbourne and Sydney have been closed and all associated one-off costs have been accounted for in the 2003-04 financial year.

Crown has a fine reputation for producing quality, value-for-money glassware. The Australasian business is the market leader for supplying glassware to the hospitality industry. In particular, it holds a strong position within the Australian beer glass market and also distributes comprehensive ranges of stemware, tumblers and toughened, decorated and pressed glasses. Crown Australia has also forged a strong presence in the retail, premium and foodpack glassware markets. During the year the successful Australasian launch of the so.drink and Grosvenor retail glassware extended the retail range.

The year under review was a positive one for Crown with good sales in both hospitality and foodpack. The successful launch of the Casablanca, Tiara and Inca ranges were highlights. Crown has continued to focus on sales of general glassware, a growing market segment.

New Zealand

On 31 March 2004, the New Zealand business, Wiltshire, acquired a Wellington based operation named PAK Imports. This strategic acquisition provided strong new consumer brands in the grocery and mass merchant channels as well as a comprehensive portfolio of customers, suppliers and products. Synergy savings from the acquisition will be fully realised during 2004-05.

Wiltshire now has a major presence with primary retailers in channels from grocery, mass merchant, discount retail, department and speciality independents.

Moves to enhance core product ranges and improve packaging, helped maintain market leadership for the Wiltshire brands. Richardson Sheffield branded products were introduced coupled with new Grosvenor branded products and range extensions. The collective portfolio of owned brands and exclusive agencies is unique in the world and positions the business as quite distinct from competitors.

International

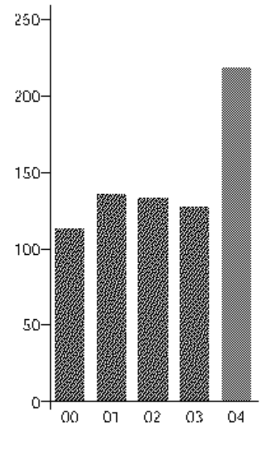
The international operation sells product into Europe and North America.

- The European business markets the Company's Richardson, Laser, Fusion Edge, Sabatier, Balance, so.eat and Gripi brands.
- The North American business trades through a leading North American distributor of housewares products, under an exclusive Licence and Supply Agreement. The business mainly sells the Company's Wiltshire and Regent Sheffield brands.

In Europe, sales revenue grew slightly whilst earnings before interest and tax grew significantly over the previous year. This pleasing earnings figure was largely due to an improvement in the product mix together with improved sourcing. In the United Kingdom, trading with discount operators grew as did business with the grocery sector. The branded kitchen knife business remains robust driven by the Sabatier and Balance brands.

The North American business increased contribution to divisional profitability for the third successive year with increased sales and margins, and continued control over costs.

Consumer Products Division
Sales (in millions of dollars)



Region	Trading Names	Product Range
Australasia	McPherson's Housewares Wiltshire New Zealand	Extensive range of tabletop, food preparation, glassware and hardware products
Europe	Richardson Sheffield	Wide range of tabletop, food preparation and hardware products
North America	Regent Sheffield	Kitchen knives and cutlery

CORK ASIA PACIFIC

DIVISIONAL ACTIVITIES

Cork Asia Pacific markets and distributes a wide range of consumer products throughout the Asia Pacific region. Key product ranges include hair and beauty care accessories, impulse merchandising products, baby care accessories and home health care products. Cork owns many well-known brands, including Lady Jayne, Manicare, Cameo, Bebelle, Home Living and Kids 'r' Cool.

Cork's expertise lies in managing the supply and merchandising of complex product ranges for retailers. Cork offers a combination of supply chain management expertise, sophisticated IT systems, in-house merchandising teams, in-store cosmetic style permanent display units and a state-of-the-art distribution centre.

During the year, Cork Asia Pacific ceased the business of supplying garment hangers to leading retailers in Australia.

Throughout the region, the business employs approximately 460 people. Operations are centred in Sydney, with operations also in New Zealand, Singapore and Hong Kong. Products are sourced through long standing supplier relationships mostly in Asia through the sourcing office in Hong Kong.

Cork Asia Pacific has a large customer base of approximately 10,000 retail outlets which include many of the regions leading retailers including department stores, supermarkets, pharmacies and discount department stores.

PRODUCT SEGMENTS

Beautycare

The Manicare brand enjoyed continued growth and maintained its dominance of the Australian market. The brand is particularly strong in the pharmacy channel where it holds a major market share. Fifteen new products were introduced in addition to the annual Christmas-set offering. In addition to a successful year with Manicare, Cork was awarded a new tender to supply the Persona range of nail and beauty care accessories, which began in September 2003.

Haircare

Both of the Cork mainstream hair accessory brands (Lady Jayne and Cameo) performed well during the year. New products were introduced to capitalise on basic seasonal trends which enhanced sales results. The brush range enjoyed an upgrade of product features such as soft grip handles and ceramic replaced aluminium for heat treatment usage brushes.

Impulse merchandise

This category is heavily weighted to the grocery channel, but discount department stores and supermarkets also play an important part in market composition.

Cameo Lady Jayne l.a. girl Manicare Bébelle.

DIVISIONAL ACTIVITIES

McPherson's Printing Division trades as McPherson's Printing Group, and is a highly efficient producer of telephone and other directories, as well as books and quality commercial printing. Each of the printing plants meet or exceed Australian and international Quality Accreditation standards.

Directories

The printing of directories is carried out in the Chullora plant in suburban Sydney. It is one of the largest four-colour coldset web printing facilities, producing 50% of all Australian Yellow and White Pages telephone directories for Telstra. The McPherson's Printing Group's Telstra contract extends to 30 June 2009.

As well as four-colour directory printing for Telstra, the Division also produces four-colour technical catalogues and several large volume independent directories, and offers fully integrated wrapping, addressing and mailing services.

The volumes achieved and the speeds maintained at the world-class Chullora plant could be matched by few facilities anywhere in the world. The pressroom has three Harris Web presses capable of printing over one billion four-colour pages a week. Using the latest computer-to-plate technology, combined with the plant's perfect binding line and fully integrated wrapping system, Chullora can output more than 10,000 telephone books an hour.

New equipment

The book and commercial printing business has maintained its position as Australia's largest book printer, and remains the market leader in the production of catalogues and commercial printing products. During the year, McPherson's Printing Group became the first printing company in Australia to install Agfa Xcalibur very large format plate-setting equipment, which uses the latest technology and can produce up to 84,000 plates a year – or about 85% of the book printing business' plate requirements – at a rate of up to 15 plates an hour.

The business also purchased a new network-attached storage system, to provide a fast, highly reliable and easily expandable file-serving infrastructure for its growing digital print business. The major benefits are processing speed and the security that the system provides for customer digital files. It ensures that no single component can stop the system functioning or cause loss of data.

Commitment to Maryborough

Demonstrating its long-term commitment to the operations in Maryborough, the McPherson's Printing Group has committed to further investment in new high speed bindery equipment and a new five-colour sheet-fed press to replace two existing sheet-fed presses currently in service. The new press will improve workflow at Maryborough and enhance customer service.

Special contracts

The Maryborough operations continued to focus on book production and book-type products, including a wide range of catalogues, colour books as well as the renowned Melway street directories. The McPherson's Printing Group has been the print partner for Ausway, publishers of Melway, since 2001.

A new long-term contract was signed with CCH Australia, a leading supplier of tax and business law information and software. Services supplied to CCH include content management, on-demand digital printing, book printing, warehousing and distribution of books and loose-leaf products.

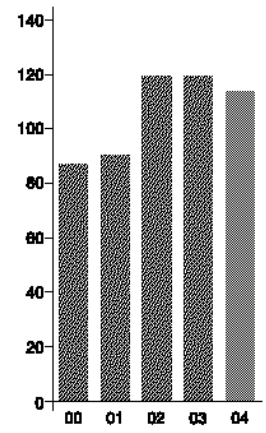
Additional services

Warehousing and fulfilment are now specialised and comprehensive client services, supplied to an increasing client base. The McPherson's Printing Group's 'PRISM' finished goods, sales order and inventory system offers professional warehousing and fulfilment services, including handling, storing, fulfilling, packing and distribution. These services can be tailored to meet the precise needs of customers, and normally saves them substantial time and money.

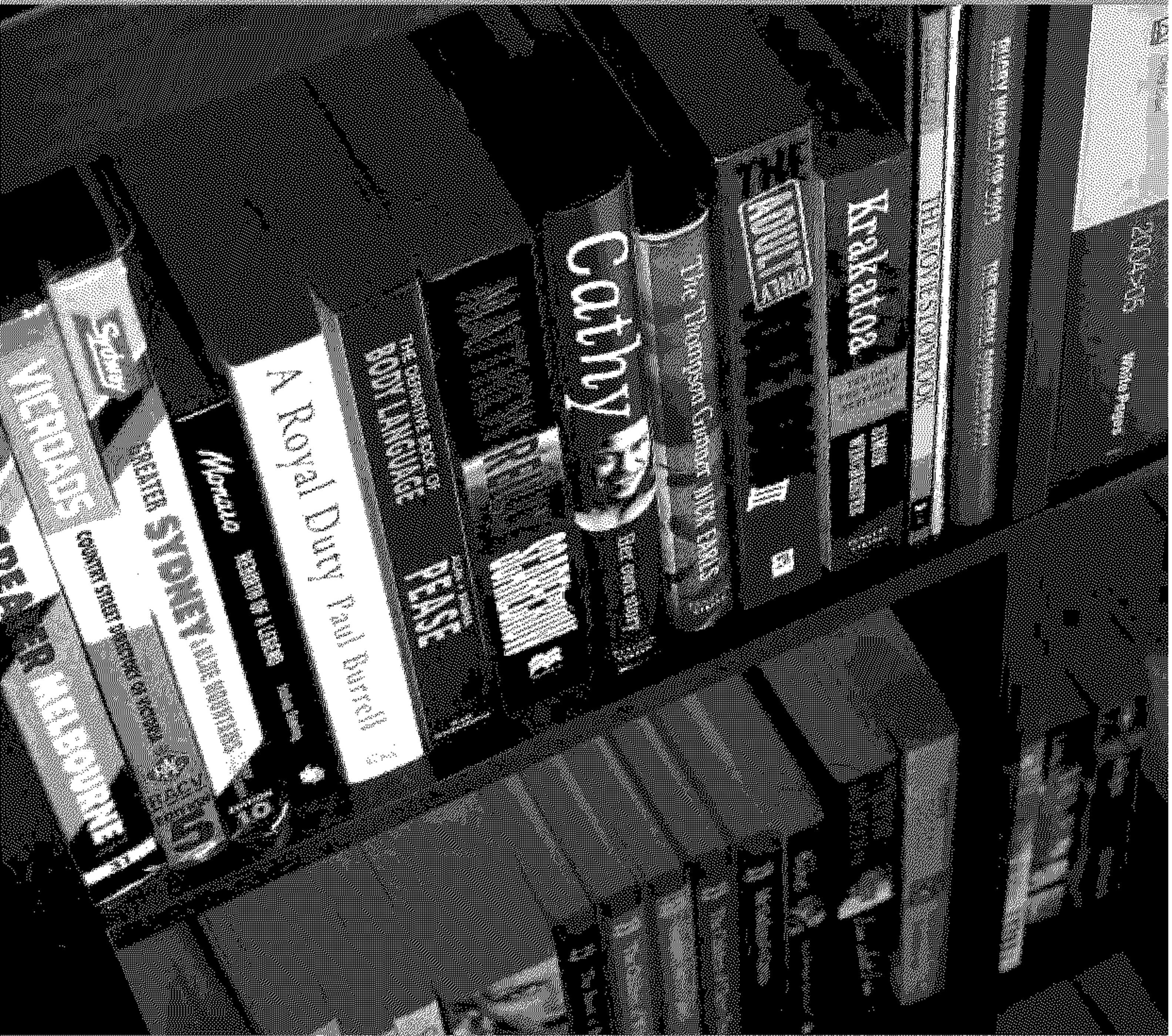
Employee training

The McPherson's Printing Group is strongly committed to training and development. There has been significant investment over the past 18-months to ensure that employee skill levels match the needs of new technology. Timely employee training enables the business to convert existing production efficiently and accurately.

Printing Division Sales*
(in millions of dollars)



* Excluding sales of paper by the directory printing business.



Company Plants	Products
Chullora (Suburban Sydney)	Directories, technical publications, catalogues
Maryborough (150km North West of Melbourne)	Books, paperback books, catalogues
Mulgrave (Suburban Melbourne)	Books, commercial printing including loose-leaf product, journals, newsletters, technical manuals, security printing and high quality colour work

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. McPherson's supports the Australian Stock Exchange Corporate Governance Council's Principles of Good Corporate Governance Best Practice ("ASX CGC"). Although McPherson's has had established corporate governance practices in place for some time it has now taken the opportunity to review its governance practices and Board Committee structure.

Unless indicated otherwise, the Corporate Governance practices discussed in this statement are consistent with the practices adopted in the previous financial year. The practices are dealt with in this statement under the following headings:

- Board of Directors
- Nomination and Remuneration Committee
- Audit Risk Management and Compliance Committee
- Risk Management
- Internal Control 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 had been documented in a Board Charter and in a Retained and Delegated Authorities of the Board document. The Board Charter is published 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.

Board Evaluation

McPherson's has undertaken a review of its Board and individual Directors with respect to the year ended 30 June 2004. The process involves all Directors completing a questionnaire. The results are collated and the Board then meet to discuss the outcomes of the review. Directors are also asked to complete individual questionnaires by way of self-assessment. The Chairman then meets with each of the Directors to discuss the results.

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 page 3 of the Annual Report.

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

- The number of Directors must not be less than three nor more than 12. Directors may determine the size of the Board within these parameters.
- The Board is to be comprised of a majority of independent non-executive Directors.
- The Chairman of the Board is to be an independent non-executive Director.
- The roles of the Chairman and Chief Executive Officer are not to be exercised by the same person.
- The Board should comprise Directors with a broad range of expertise both nationally and internationally that is relevant to the strategic direction of the Group.

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

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

The Company's Articles of Association require that one-third of the Directors retire from office each year and, if otherwise eligible, stand for re-election at the next Annual General Meeting of members. This requirement does not apply to the Managing Director or to Directors who have been elected in the previous three years. The Director or Directors retiring pursuant to the above requirement are the Directors longest in office since last being elected.

The Articles of Association also provide that persons who have attained the age of 70 years or more may not be appointed as a Director, unless they are appointed by a special resolution of shareholders.

Independence of Directors

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

1. have not been a substantial shareholder of a 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 an executive or a Director (of the Company or a Group company) after ceasing to hold such an appointment;
3. have not in the last three years been a principal of a material professional adviser or a material consultant to the Company (or Group) or an employee materially associated with the service provided;
4. are not a supplier or customer of a company or other Group member or an officer or otherwise associated directly or indirectly with a material supplier;
5. do not have a material contractual relationship with the Company or another Group member other than as a Director of the Company;
6. have not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
7. are free from any interest and any business or other relationship, which could or reasonably could be perceived to materially interfere with the Director's ability to act in the best interests of the Company.

Application of the above definition of independence indicates that the independent Directors are Raymond King, John Clifford and Simon Rowell.

The skills, experience and expertise of each Director and their term of office at the date of this report is detailed on page 3 of the Annual Report.

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

As part of its review the Board has established a Nomination and Remuneration Committee to replace the former Remuneration Committee.

The role of the Nomination and Remuneration Committee is fully documented in a Charter, which is approved by, and considered for amendment by the Directors annually. The Nomination and Remuneration Committee is comprised of a majority of independent Directors. The Chairman of the Nomination and Remuneration Committee is the Chairman of the Board.

The names of Nomination and Remuneration Committee members and their attendance at meetings are detailed on page 3 of the Annual Report.

The responsibilities of the Nomination and Remuneration Committee are set out in its Charter which is published on the Company's website. Key responsibilities include:

Nominations

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

Remuneration

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

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 includes all benefits paid including:
  - base salary and incentives;
  - superannuation payments; and
  - any other material 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 at the discretion of Directors under the McPherson's Limited Employee Share/Option Purchase Plan.
- Remuneration for non-executive Directors is determined by the Board 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.

The Company previously paid retirement benefits to non-executive Directors but the policy was amended on 1 April 2003. Consequently the Company no longer pays retirement benefits to non-executive Directors appointed after the date of the change, other than statutory superannuation.

Where deemed appropriate, Directors may obtain independent advice on the appropriateness of remuneration packages.

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

Details of options issued during the year ended 30 June 2004 and in previous years including performance hurdles are contained in the Directors' Report and in Note 7 to the financial statements.

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 Directors' Report and Note 7 to the financial statements.

AUDIT RISK MANAGEMENT AND COMPLIANCE COMMITTEE

The Board has reviewed the role of the Audit and Compliance Committee and expanded its role. The Committee has been renamed the 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.

Membership of the Audit Risk Management and Compliance Committee will consist of three members, all of whom must be non-executive Directors and two of whom must also be independent Directors.

The Chairman 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 Audit Risk Management and Compliance Committee make recommendations to the Board in relation to the appointment of the external auditors and review their performance on an annual basis. The Company uses 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 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 3 of the Annual Report.

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 McPherson's 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.

INTERNAL CONTROL FRAMEWORK

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

Financial reporting

A comprehensive budgeting system is in place with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly for internal use by Directors and management. 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.

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 manual covers issues such as professional conduct, dealing with customers, suppliers and competitors, and dealing with the community and other employees. The manual also provides clear guidelines for Directors and employees intending to deal in McPherson's Limited shares, which are published on the Company's website.

All Directors, managers and employees are expected to maintain the standards of ethical conduct established by the Group.

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 ASX Announcements Policy to ensure compliance with the ASX Listing Rule disclosure requirements in relation to accountability for disclosure to the markets.

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 ASX Announcements Policy.

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

EMPLOYEES

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

During the year ended 30 June 2004 the Company's employees increased by 511, mainly as a consequence of the acquisition of Cork Asia Pacific on 1 July 2003. At 30 June 2004, the Company had 1,446 employees based in five countries as shown in the table below. McPherson's is committed to maintaining positive and effective relations with their employees through safe working conditions, training programmes and in endeavoring to help all employees reach their full potential.

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

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

McPherson's Limited employees
By geographical area at 30 June 2004

Australia	1,172
New Zealand	110
China/Hong Kong	37
Singapore	37
United Kingdom	90
Total	1,446

SAFETY

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

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

SUPERANNUATION

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

ENVIRONMENT

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

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

COMMUNITY

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

FINANCIAL STATEMENTS

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GROUP FINANCIAL SUMMARY

	Note		2004	2003	2002	2001	2000
Sales	1	$000's	328,967	248,669	252,970	225,577	200,067
Operating profit before tax and amortisation of goodwill		$000's	27,749	17,702	14,227	9,287	11,469
Operating profit before tax		$000's	23,420	16,572	13,138	8,626	11,004
Income tax (expense) credit		$000's	(6,609)	(4,726)	(3,490)	2,401	(373)
Operating profit after tax		$000's	16,811	11,846	9,648	11,027	10,631
Profit after tax and before amortisation of goodwill		$000's	21,140	12,976	10,737	11,688	11,096
Shareholders' funds	2	$000's	107,495	62,453	50,310	45,871	38,635
Return on average shareholders' funds (ROSF)	3	%	16.7	21.0	20.1	26.1	30.0
ROSF before amortisation of goodwill		%	21.0	23.0	22.3	27.7	31.3
Earnings per share (EPS)	3	Cents	30.2	29.1	24.6	28.1	27.1
EPS before amortisation of goodwill		Cents	38.0	31.9	27.4	29.8	28.3
Dividends per share (fully franked)		Cents	19.0	15.0	12.0	12.0	12.0
Operating cash flow	4	$000's	43,794	19,155	17,298	13,147	16,281
Net debt		$000's	79,674	42,866	56,734	59,522	40,401

Note 1: In all years prior to 2002 the purchasing and sale of paper was undertaken in connection with the Group's directory printing operations. Under amended contractual arrangements effective 1 July 2001 the purchasing and sale of paper in this manner has not occurred. This had no impact on profit but did reduce sales revenue. The sales shown for each year prior to 2002 have been restated to exclude the impact of these transactions.

Note 2: Shareholders' funds at the end of the financial year.

Note 3: Calculated using operating profit after tax .

Note 4: Pre-tax cash flow before capital expenditure and dividend payments.

DIRECTORS' REPORT

The Board of Directors issues the following report on the consolidated financial statements of the economic entity at the end of, and for the year ended 30 June 2004.

(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:

R.C. King, D.J. Allman and A. Waislitz.

O.B. O'Duill was a Director of McPherson's Limited from the beginning of the financial year until his resignation on 7 November 2003.

S.A. Rowell and J.P. Clifford have been Directors of McPherson's Limited since their appointment on 8 October 2003 to the date of this report.

(b) Principal Activities

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

(i) Consumer Products
Manufacturers, importers, exporters and marketers of kitchen knives, scissors, cutlery, kitchen utensils, glassware, hair and beauty care and other consumer products.

(ii) Printing
Printers of a wide range of products including quality books, paperbacks, loose-leaf printing, greeting cards, telephone directories and other directories.

(c) Dividends

Details of dividends in respect of the current year are as follows:	**$000's**
• Interim ordinary dividend of 9.0 cents per fully paid ordinary share paid on 30 April 2004 (fully franked)	5,038
• Final ordinary dividend of 10.0 cents per fully paid ordinary share declared by Directors (fully franked) but not recognised as a liability at year end	5,652
Total dividends in respect of the year	**10,690**

The 2003 final ordinary dividend of $4,384,000 (8.0 cents per fully paid ordinary share) referred to in the Directors' Report dated 9 September 2003 was paid on 31 October 2003.

(d) Consolidated Results

The consolidated profit after tax from operations of McPherson's Limited and its controlled entities for the year ended 30 June 2004 was $16,811,000 (2003: $11,846,000).

(e) Review of Operations

The review of operations of the economic entity is contained in the Chairman's and Managing Director's Report on page 2 of the Annual Report and the Review of Operations on pages 5 to 11 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 economic entity which have not been disclosed elsewhere in the Annual Report.

(g) Events Subsequent to Balance Date

Subsequent to 30 June 2004, a controlled entity of McPherson's Limited has entered into a long-term conditional contract for the sale of land and buildings located in the United Kingdom. Should the sale become unconditional and subsequently complete, the net proceeds will exceed the carrying value for that property at 30 June 2004. Apart from this, no matters have arisen since 30 June 2004 that have significantly effected or may significantly effect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in financial periods subsequent to 30 June 2004.

(h) Likely Developments

In the opinion of the Directors, it would prejudice the interests of the economic entity 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 economic entity and the expected results of those operations in financial periods subsequent to 30 June 2004.

(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 page 3 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 3 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 page 3 of the Annual Report and form part of this Directors' Report.

(j) Remuneration Report

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 best practice for the delivery of reward.

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.

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 paid to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors who are members of a Board Committee receive additional yearly fees. Remuneration of non-executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time at the Annual General Meeting. Non-executive Directors are not entitled to participate in any incentive scheme, nor are they eligible to receive share options.

On 4 March 2003, the Board resolved to remove retirement allowances for non-executive Directors appointed after that date. Non-executive Directors appointed before that date are entitled to receive a retirement allowance equivalent to the aggregate remuneration received by them during the three years immediately prior to their retirement from the Board.

Executive remuneration

The executive remuneration and reward framework has four components:

- base pay and benefits;
- short-term performance incentives;
- long-term incentives through participation in the McPherson's Limited Employee Share/Option Purchase Plan; and
- other remuneration such as superannuation.

(j) Remuneration report (continued)

The combination of these comprises an executive's total remuneration. Base pay is structured as a package amount which may be delivered as cash and prescribed non-cash financial benefits 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.

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 areas of responsibility, achieve or exceed pre-determined profit and/or other key performance targets. Using profit and other performance targets 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 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.

Share based compensation – options

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

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

Grant Date	Expiry Date	Exercise Price	Value Per Option at Grant Date	Date Exercisable	
18-Sep-03	17-Sep-08	$3.26	$0.73	50% after 17 September 2005;	50% after 17 September 2007
10-Nov-03	09-Nov-08	$3.26	$1.13	50% after 9 November 2005;	50% after 9 November 2007
11-Dec-03	10-Dec-08	$3.26	$1.12	50% after 10 December 2005;	50% after 10 December 2007

Options are issued under the plan for a consideration of one cent per share option, with other terms and conditions, including performance criteria, being determined by the Board's Nomination and Remuneration Committee. Options issued during the year ended 30 June 2004 were issued on the following terms:

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

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

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

The amounts disclosed for emoluments relating to options is the assessed fair value at grant date of the options granted to the Managing Director and other executives, allocated equally over the period from grant date to the latest possible vesting date. Fair values at grant date are determined using a binomial option pricing model that takes into account the grant date, the exercise price, the term of the option, the vesting and performance criteria, the non-tradable nature of the option, the share price at grant date, the expected price volatility of the underlying share (30%) and the risk-free interest rate for the term of the option.

Details of remuneration

Details of the nature and amount of each element of the emoluments of each Director of McPherson's Limited and for each of the five officers (if applicable) of the Company and the consolidated entity receiving the highest emoluments for the year ended 30 June 2004 are set out in the following tables.

Directors of McPherson's Limited

	Primary			Post-employment		Equity	
Name and Title	Cash Salary and Fees $	Cash Bonus $	Non Monetary Benefits $	Super-annuation $	Retirement Benefits $	Options $	Total $
R.C. King Chairman	99,600	–	–	8,964	–	–	**108,564**
D.J. Allman Managing Director	461,776	262,500	29,497	20,619	–	43,442	**817,834**
A. Waislitz Non-executive Director	38,400	–	–	3,456	–	–	**41,856**
J.P. Clifford Non-executive Director (1)	37,500	–	–	3,375	–	–	**40,875**
S.A. Rowell Non-executive Director (1)	37,500	–	–	3,375	–	–	**40,875**
P.D. Landos Alternate Director (for A. Waislitz)	–	–	–	–	–	–	–
O.B. O'Duill Non-executive Director (2)	19,000	–	–	1,710	136,800	–	**157,510**

Specified Executives of McPherson's Limited

	Primary			Post-employment		Equity	
Name and Title	Cash Salary and Fees $	Cash Bonus $	Non Monetary Benefits $	Super-annuation $	Termination Benefits (5) $	Options $	Total $
L. Corley General Manager Finance, Housewares Division (3)	186,752	85,000	14,376	29,443	316,738	5,737	**638,046**
P.R. Hunt General Manager, Housewares Australasia (4)	39,968	–	6,498	3,197	395,784	–	**445,447**
M.A. O'Kelly Managing Director, Consumer Products Group	295,841	68,200	21,464	5,068	–	14,942	**405,515**
P.R. Bennett Chief Financial Officer and Company Secretary	236,635	65,000	21,524	17,160	–	13,768	**354,087**

Specified Executives of Controlled Entities

	Primary			Post-employment		Equity	
Name and Title	Cash Salary and Fees $	Cash Bonus $	Non Monetary Benefits $	Super-annuation $	Termination Benefits (6) $	Options $	Total $
I.B. Penfold Managing Director, Cork Asia Pacific (3)	277,590	170,000	31,570	33,183	332,300	13,768	**858,411**
G.V. Gatehouse General Manager Printing Division	187,497	136,000	108,745	49,730	–	13,768	**495,740**

(1) Appointed 8 October 2003.
(2) Retired 7 November 2003.
(3) Employment terminated 30 June 2004.
(4) Employment terminated 31 August 2003.
(5) Termination benefits include accrued annual and long service leave entitlements of $136,738 for L. Corley and $90,592 for P.R. Hunt.
(6) Termination benefits include accrued annual leave entitlements of $13,550.

(k) Share options granted to Directors and the most highly remunerated officers

Options over unissued ordinary shares of McPherson's Limited granted during or since the end of the financial year to any of the Directors or the five most highly remunerated officers of the Company and consolidated entity as part of their remuneration were as follows:

	Options Granted
Directors	
D.J. Allman	300,000
Specified Executives	
I.B. Penfold	120,000
G.V. Gatehouse	120,000
M.A. O'Kelly	120,000
P.R. Bennett	120,000
L. Corley	50,000

The options were granted under the McPherson's Limited Employee Share/Option Purchase Plan.

(l) Shares under option

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

Date Options Granted	Expiry Date	Exercise Price	Number Under Option
18 September 2003	17 September 2008	$3.26	1,480,000
10 November 2003	09 November 2008	$3.26	300,000
11 December 2003	10 December 2008	$3.26	120,000
			1,900,000

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

The following ordinary shares of McPherson's Limited were issued during the year ended 30 June 2004 on the exercise of options granted under the McPherson's Limited Employee Share/Option Purchase Plan. No further shares have been issued on the exercise of options since that date. No amounts are unpaid on any of the shares.

Date Options Granted	Issue Price of Shares	Number of Shares Issued
7 September 2000	$1.50	26,500

(m) Indemnification and insurance of officers

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

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

(n) Environmental regulation

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

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

The consolidated entity has a facility in Sheffield in the United Kingdom which undertakes certain manufacturing operations, and which is required to comply with a number of United Kingdom environmental regulations. The operation takes all reasonable precautions to reduce the risk of an environmental incident. Waste is removed from the site by licensed contractors and environmental audits of exhaust ventilation, noise levels and atmospheric conditions are undertaken regularly. There have been no instances of non compliance with environmental regulations during the year.

(o) 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.

(p) Audit Risk Management and Compliance Committee

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

- S.A. Rowell (Chairman)
- R.C. King
- J.P. Clifford

Dated at Melbourne this 24th day of August 2004.

Signed in accordance with a resolution of the Directors.

S.A. Rowell Director	D.J. Allman Director

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF McPHERSON'S LIMITED

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
333 Collins Street
MELBOURNE VIC 3000
GPO Box 1331L
MELBOURNE 3001
Australia
Telephone (03) 8603 1000
Facsimile (03) 8603 1999
DX 77 Melbourne

Audit opinion

In our opinion, the Financial Report of McPherson's Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of McPherson's Limited and the McPherson's Limited Group (defined below) as at 30 June 2004, and of their performance for the year ended on that date; and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The Financial Report and Directors' responsibility

The Financial Report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for both McPherson's Limited (the Company) and the McPherson's Limited Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the Company and the entities it controlled during that year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the Financial Report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the Financial Report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the Financial Report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the Financial Report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the Financial Report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the Financial Report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Signed at Melbourne this 24th day of August 2004.

PricewaterhouseCoopers
Chartered Accountants

G.A. Billings
Partner

DIRECTORS' DECLARATION

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

(a) the financial statements and notes set out on pages 26 to 61:

(i) comply with Accounting Standards and have been prepared in accordance with the *Corporations Act 2001* and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the Company's and consolidated entity's financial position at 30 June 2004 and of their performance for the financial year ended on that date.

(b) at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Dated at Melbourne this 24th day of August 2004.

Signed in accordance with a resolution of the Directors.

S.A. Rowell
Director

D.J. Allman
Director

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

		Consolidated		Parent Entity	
		2004	2003	2004	2003
	Note	$000's	$000's	$000's	$000's
Revenue from ordinary activities	3	333,231	252,961	22,675	12,301
Expenses from ordinary activities	2	(301,902)	(232,049)	(8,904)	(3,531)
Borrowing costs expense		(7,909)	(4,340)	(5,800)	(2,157)
Profit from ordinary activities before income tax		23,420	16,572	7,971	6,613
Income tax (expense)/credit attributable	4	(6,609)	(4,726)	2,208	(211)
Profit from ordinary activities after income tax		16,811	11,846	10,179	6,402
Net exchange differences on translation of foreign controlled entities	22	900	(2,774)	–	–
Total revenues, expenses and valuation adjustments recognised directly in equity		900	(2,774)	–	–
Total changes in equity other than those resulting from transactions with shareholders		17,711	9,072	10,179	6,402

		Cents	Cents
Basic earnings per share	27	30.2	29.1
Diluted earnings per share	27	30.0	29.1

The above statements of financial performance should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2004

		Consolidated		Parent Entity	
	Note	2004 $000's	2003 $000's	2004 $000's	2003 $000's
Current assets					
Cash	8	7,460	8,326	5	5
Receivables	9	45,595	36,633	6,157	3,774
Inventories	10	43,994	38,648	–	–
Deferred tax assets		5,086	3,532	4,814	981
Other	11	340	502	–	165
Total current assets		102,475	87,641	10,976	4,925
Non-current assets					
Receivables	12	7,677	8,423	81,293	92,422
Other financial assets	13	398	398	138,409	47,533
Property, plant and equipment	14	29,184	21,379	1,927	1,966
Intangibles	15	109,663	33,107	6,000	6,000
Deferred tax assets		2,012	1,317	2,012	283
Total non-current assets		148,934	64,624	229,641	148,204
Total assets		251,409	152,265	240,617	153,129
Current liabilities					
Payables	16	36,362	25,765	9,814	5,720
Interest bearing liabilities	17	334	2,276	3,668	3,406
Provisions	18	10,932	5,916	2,038	1,446
Current tax liabilities		3,622	1,639	3,604	–
Deferred tax liabilities		875	402	875	7
Total current liabilities		52,125	35,998	19,999	10,579
Non-current liabilities					
Interest bearing liabilities	19	86,781	48,900	121,619	83,112
Provisions	20	2,827	2,425	673	804
Deferred tax liabilities		2,181	2,489	2,182	–
Total non-current liabilities		91,789	53,814	124,474	83,916
Total liabilities		143,914	89,812	144,473	94,495
Net assets		107,495	62,453	96,144	58,634
Shareholders' equity					
Share capital	21	86,949	50,196	86,949	50,196
Reserves	22	4,547	3,647	6,831	6,831
Retained profits	22	15,999	8,610	2,364	1,607
Total shareholders' equity		107,495	62,453	96,144	58,634

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

		Consolidated		Parent Entity	
		2004	2003	2004	2003
	Note	$000's	$000's	$000's	$000's
Cash flows from operating activities					
Receipts from customers		365,901	268,585	–	–
Payments to suppliers and employees		(315,721)	(247,580)	(4,056)	(2,996)
Interest received		346	259	70	27
Interest and borrowing costs paid		(6,816)	(4,178)	(5,150)	(1,997)
Income tax paid		(5,925)	(2,588)	(5,059)	–
Dividends received		84	84	17,142	6,608
Other revenue		–	1,985	6,889	7,413
Net cash inflows from operating activities	31 (i)	37,869	16,567	9,836	9,055
Cash flows from investing activities					
Payments for purchase of property, plant and equipment		(8,871)	(2,447)	(18)	(8)
Proceeds from sale of property, plant and equipment		644	150	1	–
Payments for purchase of business	31 (iii)	(93,408)	(725)	(90,876)	–
Payments for purchase of intangibles		(30)	(27)	–	–
Movement in security deposit accounts		2,196	(93)	–	–
Net cash outflows from investing activities		(99,469)	(3,142)	(90,893)	(8)
Cash flows from financing activities					
Cash transfers from controlled entities		–	–	14,949	4,712
Proceeds from issue of shares		32,456	4,595	32,456	4,595
Proceeds from borrowings		104,000	12,100	104,000	12,100
Repayment of borrowings		(66,900)	(29,822)	(66,900)	(25,000)
Dividends paid		(5,125)	(3,875)	(5,125)	(3,875)
Repayment of finance lease liabilities		(591)	–	–	–
Net cash inflows/(outflows) from financing activities		63,840	(17,002)	79,380	(7,468)
Net increase/(decrease) in cash held		2,240	(3,577)	(1,677)	1,579
Cash at beginning of the financial year		5,269	8,919	(1,986)	(3,565)
Net effect of exchange rate changes on cash		(49)	(73)	–	–
Cash held at end of financial year	8	7,460	5,269	(3,663)	(1,986)

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

1. Statement of significant accounting policies

These financial statements are a general purpose Financial Report which have been prepared in accordance with Accounting Standards, other mandatory professional reporting requirements, Urgent Issues Group consensus views and the *Corporations Act 2001*.

The financial statements are prepared in accordance with the historical cost convention, except for certain assets, which, as noted in the financial statements, are at valuation.

The accounting policies adopted are materially consistent with those of the previous year.

(a) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. The carrying values of all individual non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the recoverable amount. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value where considered necessary.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by McPherson's Limited (parent entity) as at 30 June 2004 and the results of all controlled entities for the year then ended. McPherson's Limited and its controlled entities together are referred to as the economic entity. The controlled entities are listed in Note 28. 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 profit and loss account 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.

(c) Depreciation

Depreciation of buildings and plant and equipment is calculated predominantly on a straight line basis so as to write off the net cost of each asset during its expected useful life. Estimates of remaining useful lives are made on a regular basis for all depreciable assets with annual reassessments for major items. Buildings are depreciated at rates ranging between 2% and 4% per annum and plant and equipment is depreciated at rates ranging between 5% and 40% per annum.

(d) 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 mainly on a first-in first-out basis. Cost of work in progress and finished manufactured products includes materials, labour and an appropriate proportion of factory overhead expenditure, the latter being allocated on the basis of normal operating capacity. Provision is made for possible future losses on slow moving, surplus and obsolete inventory. Unrealised profits on inter-company inventory transfers are eliminated on consolidation.

(e) Employee benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

(iii) Bonus plans

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

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

(iv) Superannuation

Contributions to employee superannuation funds are made by McPherson's Limited and controlled entities. Contributions are charged against income as they are made. Further information regarding superannuation is set out in Note 30.

1. Statement of significant accounting policies (continued)

(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 developed within three months of the acquisition or prior to the completion of the Financial Report, if earlier. These liabilities are disclosed in aggregate with other restructuring costs as a consequence of the acquisition.

(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.

(f) Taxation

Tax effect accounting procedures are followed whereby the income tax expense is matched with the accounting profit after allowance for permanent differences. Income tax is set aside to the future income tax benefit and provision for deferred income tax accounts on cumulative timing differences and certain tax losses at the tax rates which are expected to apply when these timing differences reverse and tax losses are recouped. The effect on income tax for the current period of significant permanent differences is shown in Note 4.

No provision is made for additional taxes which could become payable if certain reserves of foreign controlled entities were distributed, as it is not expected that any substantial amount resulting in tax payable will be distributed from those reserves in the foreseeable future.

Future income tax benefits have not been brought to account in relation to North America and Europe as the asset cannot be regarded as 'virtually certain' of realisation in accordance with the criteria set out in Practice Note 36 issued by the Australian Securities and Investments Commission in relation to carried forward tax losses.

Tax Consolidation Legislation

McPherson's Limited and its wholly-owned Australian controlled entities have 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 and deferred 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 (revenue).

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated Group, are measured based on their carrying amounts before the implementation of the tax consolidated regime.

(g) Intangibles

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefits which is 20 years.

The major brandnames of the Company, carried at fair value, have been, in some cases, in existence for more than 50 years and continue to be in active use. The brandnames are utilised predominantly on consumer products which do not suffer from technical obsolescence. The brandnames are also readily transferable between a number of different current and future product categories within the general kitchenware and household products sector. Brandnames such as Wiltshire, Rodd, Grosvenor, Strachan, Ai-de-Chef, Crown, Lady Jayne and Manicare will continue to provide support to the economic entity. The carrying amount of the brandnames is not amortised as the Directors believe that, in total, they will have a remaining useful life of at least the length of their life to date. The Directors do not expect this life to be curtailed in the foreseeable future. Amortisation of the carrying amount over this period after allowing for residual values would result in an immaterial amortisation charge in the current and future financial years. The Directors will reassess this estimate of the useful life and the need to amortise the carrying amount of the brandnames each reporting period to ensure the recoverable amount of the brandnames is not less than its carrying amount.

Goodwill, representing the excess of purchase consideration over fair value of the identifiable net assets acquired arising upon the acquisition of a business entity, is amortised on a straight-line basis. The period of amortisation is 20 years.

(h) Foreign currencies

(i) Transactions

Transactions in foreign currencies are initially translated into Australian currency at the rate of exchange ruling at the date of the transaction. Amounts outstanding at balance date denominated in foreign currencies are converted at year end rates of exchange. Resulting exchange differences are brought to account in determining the profit or loss for the year.

(ii) Hedging of specific commitments

Where contracts are taken out to hedge specific transactions, the exchange gain or loss, together with the cost of the hedge, are deferred and included in the measurement of the transaction. The net amounts receivable or payable under the hedging transactions are also recorded in the Statement of Financial Position.

If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur, deferral of any gains and losses which arose prior to termination continues and those gains or losses are included in the measurement of the hedged transaction. Where a hedging transaction is terminated prior to its maturity because the hedged transaction is no longer expected to occur, any previously deferred gains and losses are recognised in the profit and loss account on the date of termination.

If a hedge transaction relating to a commitment for the purchase or sale of goods or services is redesignated as a hedge of another specific commitment and the original transaction is still expected to occur, the gains and losses that arise on the hedge prior to its redesignation are deferred and included in the measurement of the original purchase or sale when it takes place. If the hedge transaction is redesignated as a hedge of another commitment because the original purchase or sale transaction is no longer expected to occur, the gains and losses that arise on the hedge prior to its redesignation are recognised in the profit and loss statement at the date of the redesignation.

(iii) Non-specific contracts

Any costs on hedge contracts which do not effectively hedge specific transactions are deferred and charged to the profit and loss account over the life of the hedge contract. Exchange differences are charged to profit and loss in the period in which they arise.

(iv) Translation of foreign controlled entities

Exchange differences on translation of the financial statements of self-sustaining foreign controlled entities are transferred directly to the foreign currency translation reserve.

(i) 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 minimum lease payments are discounted at the interest rate implicit in the lease contract. The discounted amount is established as a non-current asset at the beginning of the lease term and amortised on a straight-line basis over its expected economic life. A corresponding liability is also established and each lease payment is allocated between the principal component and interest expense.

Operating lease payments are charged to the profit and loss account in the period in which they are incurred or on a basis which reflects the pattern in which economic benefits are expected to be derived from the leased asset.

(j) Revaluation of non-current assets

Until 30 June 2000, land and buildings held by the parent entity were revalued at intervals not exceeding three years.

On applying AASB1041 with effect from the financial year ended on 30 June 2001, the consolidated entity elected to revert to the cost basis for measuring land and buildings using the carrying value at that point in time as deemed cost.

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

(k) Leasehold improvements

The cost of improvements on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. The unexpired periods of the applicable leases at balance date range between one and five years.

(l) Cash

For purposes of 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.

1. Statement of significant accounting policies (continued)

(m) Earnings per share

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

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

(n) Product development

Product development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred and amortised over the period in which the related benefits are expected to be realised.

(o) Deferred expenditure

Material items of expenditure are deferred to the extent that management consider it probable that future economic benefits embodied in the expenditure will eventuate and can be reliably measured.

Deferred expenditure is amortised on a straight-line basis over the period in which the related benefits are expected to be realised.

(p) Trade debtors

Trade debtors are recognised at the amounts receivable. They are generally due to be settled within 60 days or less.
The collectability of debts is assessed at balance date and a provision is made for any doubtful amounts.

(q) Trade and other creditors (current)

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

(r) Derivative financial instruments

The economic entity may enter into formal foreign exchange and interest rate contracts for non-speculative purposes.

The accounting for forward exchange contracts is set out in Note 1(h).

The net amount receivable or payable under any interest rate swap agreement is progressively brought to account over the period from commencement to settlement. The amount recognised is accounted for as an adjustment to interest expense during the period and included in other debtors or other creditors at each reporting date.

(s) Revenue recognition

Revenue from operating activities
Sales revenue comprises revenue earned (net of returns, duties and taxes) from the provision of products or services to entities outside the economic entity. Sales revenue is recognised when the goods are despatched, or when title passes to the customer.

Telephone directory revenue is recognised at the completion of each stage of the work in process.

Revenue from outside operating activities
Revenue is recognised when the income is received or becomes receivable.

(t) Dividends

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

(u) Restructuring costs

Liabilities arising directly from undertaking a restructuring program, not in connection with the acquisition of an entity or operations, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced, by either entering into contracts to undertake the restructuring activities or making a detailed announcement such that affected parties are in no doubt the restructuring program will proceed.

Liabilities for the cost of restructuring entities or operations acquired are recognised as at the date of acquisition of an entity, or part thereof, if the main features of the restructuring were planned and there was a demonstrable commitment to the restructuring at acquisition date and this is supported by a detailed plan developed within three months of the acquisition or prior to the completion of the Financial Report, if earlier.

The cost of restructurings provided for, other than related employee termination benefits, is the estimated cash flows, having regard to the risks of the restructuring activities. Cash flows are discounted where appropriate.

Liabilities for employee termination benefits associated with restructurings are brought to account on the basis described in the accounting policy note for employee benefits (Note 1(e)(v)). Liabilities for costs of restructurings and related employee termination benefits are disclosed in aggregate where the restructuring occurs as a consequence of an acquisition.

Reversals of part or all of a provision for restructuring relating to an acquisition because the costs are no longer expected to be incurred as planned, are adjusted against the goodwill or discount on acquisition.

(v) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

As the consolidated entity is complying with Australian equivalents to IFRS for the first time it is required to restate its comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as at 1 July 2004.

The consolidated entity has established a project team to manage the transition to Australian equivalents to IFRS, including training of relevant staff, and system and internal control changes necessary to gather all the required financials information. The project team is chaired by the Chief Financial Officer and reports regularly to the Audit Risk Management and Compliance Committee or directly to the Board of Directors. The project team has prepared a timetable for managing the transition and is currently on schedule. To date the project team has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Pending Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

(i) Income tax

Under the Australian equivalent to IAS 12 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, whereby items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

In addition, income tax losses of certain overseas entities in the consolidated entity are not currently brought to account as a deferred tax asset, as the asset cannot be regarded as virtually certain of realisation. Under the Australian equivalent to IAS 12 *Income Taxes*, a deferred tax asset should be recognised for brought forward income tax losses to the extent it is probable that future taxable income will be available to utilise the tax losses. The Directors are currently assessing the impact arising from this change.

(ii) Intangible assets

Under the Australian equivalent to IFRS 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit. This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

Under IAS 38 *Intangible Assets*, internally generated brandnames must not be recognised as an asset. In transitioning to IFRS, internally generated brandnames currently carried at $6 million will be derecognised with effect from 1 July 2004, by reversing this value against an existing asset revaluation reserve of $6 million. In addition, brandnames have in general been valued by Directors as an asset class and any valuation decrements offset against valuation increments. The transition to the Australian equivalents to IFRS will require valuation decrements to be reflected as a reduction in the carrying value of brandnames which will be made retrospectively as an adjustment against retained earnings as at 1 July 2004.

Acquired brandnames that will continue to be recognised will not be amortised under IAS 38, as Directors consider these to have an indefinite life. These brandnames will also be subject to an annual impairment test.

1. Statement of significant accounting policies (continued)

(iii) Equity-based compensation benefits

Under the Australian equivalent to IFRS 2 *Share-based Payment*, equity-based compensation to employees including share options will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

(iv) Financial instruments

Under the Australian equivalent of IAS 32 *Financial Instruments: Disclosure and Presentation* the current classification of financial instruments issued by entities in the consolidated entity will not change.

Under the Australian equivalent of IAS 39 *Financial Instruments: Recognition and Measurement* there may be major impacts as a result of:

- financial assets held by the Company being subject to classification as either held for trading, held-to-maturity, available for sale or loans and receivables and, depending upon classifications, measured at fair value or amortised cost. The most likely accounting change is that investments in equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised; and
- foreign exchange and interest rate contracts held for hedging purposes being accounted for as cash flow hedges. Changes in the fair value of those contracts will be recognised directly in equity until the hedged transaction is recognised in the income statement, at which time the amounts recognised in equity will also be included in the relevant income statement caption. Currently, the costs or gains arising under contracts, together with any realised or unrealised gains from re-measurement, are included in assets or liabilities as deferred losses or deferred gains.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is generally not yet possible to quantify the impact of the transition to IFRS on the consolidated entity's financial position and reported results.

	Consolidated		Parent Entity	
	2004 $000's	2003 $000's	2004 $000's	2003 $000's

2. Operating profit

(a) Expenses – ordinary activities

Materials and consumables used	134,346	119,591	–	–
Employee costs	79,659	53,411	2,041	1,735
Rental expenses relating to operating leases	16,453	13,840	78	83
Goodwill amortisation	4,329	1,130	–	–
Depreciation/other amortisation	5,991	4,679	120	49
Customer allowances and co-operative advertising	12,006	8,178	–	–
Advertising and promotional	6,157	1,644	–	–
Repairs and maintenance	4,513	4,655	1	1
Cartage and freight	7,405	4,910	–	–
Restructure costs	4,351	–	1,465	–
Debt forgiveness	–	–	4,304	–
Other expenses	26,692	20,011	895	1,663
Total expenses from ordinary activities	301,902	232,049	8,904	3,531

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

Expenses				
Depreciation/amortisation:				
Property	197	205	25	25
Plant and equipment	4,828	3,824	15	10
Leasehold improvements	138	148	13	14
Leased assets	343	–	–	–
Amortisation:				
Goodwill	4,329	1,130	–	–
Patents and trademarks	86	94	–	–
Deferred expenditure	67	–	67	–
New product development	332	408	–	–
Total depreciation and amortisation	10,320	5,809	120	49
Other charges against assets:				
Bad and doubtful debts – trade debtors	268	141	–	–
Provision for stock obsolescence	719	414	–	–
Total other charges against assets	987	555	–	–

	Consolidated		Parent Entity	
	2004 $000's	2003 $000's	2004 $000's	2003 $000's
2. Operating profit (continued)				
(b) Profit from ordinary activities before income tax expense includes the following net expenses and gains (continued):				
Other provisions:				
Employee entitlements	4,418	2,846	245	214
Employee incentives	2,087	450	539	450
Directors' retiring benefits	–	32	–	32
Restructure	4,351	397	1,465	–
Other	62	128	–	360
Total other provisions	10,918	3,853	2,249	1,056
Other expenses:				
Cost of goods sold	196,005	178,705	–	–
Loss on sale of plant and equipment	63	81	3	–
Net exchange losses	166	55	24	12
New product development	663	607	–	–
Gains				
Interest received/receivable from:				
Other than controlled entities	337	260	74	32
Profit on sale of plant and equipment	55	132	–	–

3. Revenue

	Consolidated 2004 $000's	Consolidated 2003 $000's	Parent Entity 2004 $000's	Parent Entity 2003 $000's
Revenue from operating activities:				
Sales revenue	328,967	248,669	–	–
Revenue from outside operating activities:				
Dividends received/receivable (controlled and other entities)	50	58	17,142	6,608
Interest received/receivable	337	260	74	32
Proceeds from sale of property, plant and equipment	490	254	1	–
Rental	–	2	27	27
Royalties	1,465	843	1,161	908
Other	1,922	2,875	4,270	4,726
Total revenue from ordinary activities	333,231	252,961	22,675	12,301

	Consolidated		Parent Entity	
	2004 $000's	2003 $000's	2004 $000's	2003 $000's
4. Income tax				
The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating profit. The differences are reconciled as follows:				
Operating profit before tax	23,420	16,572	7,971	6,613
Prima facie income tax at 30%	7,026	4,972	2,391	1,984
Tax effect of reconciling differences:				
Amortisation of goodwill	1,298	338	–	–
Debt forgiveness	–	–	1,291	–
Borrowing costs	(470)	–	(470)	–
Equity raising costs	(334)	–	(334)	–
Other non-allowable/non-assessable items	118	190	(24)	(4)
Exempt income	(52)	(87)	(4,958)	(87)
Franked dividends	(15)	(18)	–	(1,860)
Tax rate differences in overseas entities	168	124	–	–
(Over)/under provision in prior years	(159)	53	(50)	159
Net benefit of tax losses not previously recognised	(1,081)	(940)	–	–
Capital gains on sale of property	–	(100)	–	–
Other	110	194	(54)	19
Income tax expense/(credit)	6,609	4,726	(2,208)	211
No part of the deferred tax assets relates to tax losses. The Directors estimate that the maximum potential deferred tax asset in respect of tax losses not brought to account at balance date is:				
North America	2,413	3,932	–	–
Europe	1,076	1,621	–	–
Total	3,489	5,553	–	–

This benefit for tax losses will only be obtained if:

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

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

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

Tax consolidations legislation

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

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

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

	Consolidated		Parent Entity	
	2004 $000's	2003 $000's	2004 $000's	2003 $000's
5. Dividends				
Ordinary				
Interim dividend of 9.0 cents per fully paid share – paid				
Fully franked @ 30%	5,038	2,913	5,038	2,913
Final 30 June 2003 dividend of 8.0 cents per fully paid share – paid				
Fully franked @ 30%	4,384	–	4,384	–
Total dividend paid	9,422	2,913	9,422	2,913
Dividends not recognised at year end				
In addition to the above dividends, since the year end Directors have declared a fully franked final dividend of 10.0 cents per fully paid ordinary share. The aggregate amount of the dividend to be paid on 30 September 2004 out of retained profits at 30 June 2004, but not recognised as a liability at year end is:	5,652	4,384	5,652	4,384
Franked Dividends				
The franked dividend recommended after 30 June 2004 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 2005.				
Franking credits available for subsequent financial years based on a tax rate of 30%	9,688	3,604	9,688	9

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.

Franking credits of $4,780,000 have been transferred from wholly-owned Australian entities to the parent entity as a result of these entities entering the tax consolidated Group. The transfers of franking credits took place during the year ended 30 June 2004 despite entry into the tax consolidation regime taking effect on 1 July 2002. The decision to enter tax consolidations was made subsequent to the signing of the 30 June 2003 Financial Report.

	Consolidated		Parent Entity	
	2004 $	2003 $	2004 $	2003 $
6. Auditors' remuneration				
Amounts received or due and receivable by the auditors for auditing or reviewing the accounts and consolidated accounts of McPherson's Limited and the accounts of each of its controlled entities:				
PricewaterhouseCoopers	578,852	422,390	130,109	118,500
Other Services:				
PricewaterhouseCoopers	12,964	78,758	3,960	66,666
	591,816	501,148	134,069	185,166

7. Director and executive disclosures

Directors

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

Chairman – Non-executive Director
R.C. King

Executive Director
D.J. Allman, Managing Director

Non-executive Directors
A. Waislitz
J.P. Clifford
S.A. Rowell
O.B. O'Duill
P.D. Landos (Alternate for A. Waislitz)

Executives (other than Directors) with the greatest authority for strategic direction and management

The following persons were the six executives with the greatest authority for the strategic direction and management of the consolidated entity ('specified executives') during the financial year:

Name	Position	Employer
M.A. O'Kelly	General Manager, Housewares Division	McPherson's Limited
G.V. Gatehouse	General Manager, Printing Division	McPherson's Printing Pty Ltd
I.B. Penfold	Managing Director, Cork Asia Pacific	Cork Australia Pty Ltd
P.R. Bennett	Chief Financial Officer	McPherson's Limited
S.K.S. Chan	Managing Director, McPherson's Hong Kong	McPherson's CPG Limited
R.G. Pettit	General Manager, Cork Hong Kong	Cork International Far East Limited

The above persons were also specified executives during the year ended 30 June 2003, except for M.A. O'Kelly who was appointed General Manager of the Housewares Division on 3 September 2003, and I.B. Penfold and R.G. Pettit who commenced employment with the Group effective 1 July 2003 as a consequence of the acquisition of Cork Asia Pacific by the consolidated entity on that date.

Remuneration of Directors and Executives

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 best practice for the delivery of reward.

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.

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.

7. Director and executive disclosures (continued)

Non-executive Directors
Fees paid to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors who are members of a Board committee receive additional yearly fees. Remuneration of non-executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time at the Annual General Meeting. Non-executive Directors are not entitled to participate in any incentive scheme, nor are they eligible to receive share options.

At the Annual General Meeting of shareholders held on 7 November 1997, shareholders authorised the Company to enter into agreements with Directors providing for benefits to be paid on the retirement or death of the non-executive Directors. The maximum benefit payable to a non-executive Director is the total remuneration of the Director in the three year period immediately preceding their retirement or death, plus any superannuation entitlements arising from contributions made by the Company. On 4 March 2003, the Board resolved to remove retirement allowances for non-executive Directors appointed after that date. Non-executive Directors appointed before that date remain entitled to receive a retirement allowance equivalent to the aggregate remuneration received by them during the three years immediately prior to their retirement from the Board.

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

- base pay and benefits;
- short-term performance incentives;
- long-term incentives through participation in the McPherson's Limited Employee Share/Option Purchase Plan; and
- other remuneration such as superannuation.

The combination of these comprises an executive's total remuneration. Base pay is structured as a package amount which may be delivered as cash and prescribed non-cash financial benefits 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.

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 areas of responsibility achieve or exceed pre-determined profit and/or other key performance targets. Using profit and other performance targets 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 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.

Details of remuneration
Details of the remuneration of each Director of McPherson's Limited and each of the six specified executives of the consolidated entity, including their personally-related entities, are set out in the following tables:

Directors of McPherson's Limited

	Primary			Post-employment		Equity	
Name	Cash Salary and Fees $	Cash Bonus $	Non Monetary Benefits $	Super-annuation $	Retirement Benefits $	Options $	Total $
R.C. King	99,600	–	–	8,964	–	–	**108,564**
D.J. Allman	461,776	262,500	29,497	20,619	–	43,442	**817,834**
A. Waislitz	38,400	–	–	3,456	–	–	**41,856**
J.P. Clifford (1)	37,500	–	–	3,375	–	–	**40,875**
S.A. Rowell (1)	37,500	–	–	3,375	–	–	**40,875**
P.D. Landos	–	–	–	–	–	–	**–**
O.B. O'Duill (2)	19,000	–	–	1,710	136,800	–	**157,510**
Total	693,776	262,500	29,497	41,499	136,800	43,442	**1,207,514**

(1) Appointed 8 October 2003.
(2) Retired 7 November 2003.

Specified Executives of McPherson's Limited and the Consolidated Entity

	Primary			Post-employment		Equity	
Name	Cash Salary and Fees $	Cash Bonus $	Non Monetary Benefits $	Super-annuation $	Termination Benefits(4) $	Options $	Total $
I.B. Penfold (3)	277,590	170,000	31,570	33,183	332,300	13,768	**858,411**
G.V. Gatehouse	187,497	136,000	108,745	49,730	–	13,768	**495,740**
M.A. O'Kelly	295,841	68,200	21,464	5,068	–	14,942	**405,515**
P.R. Bennett	236,635	65,000	21,524	17,160	–	13,768	**354,087**
R.G. Pettit	177,914	30,723	102,596	8,901	–	6,884	**327,018**
S.K.S. Chan	280,304	10,843	–	24,104	–	6,884	**322,135**
Total	1,455,781	480,766	285,899	138,146	332,300	70,014	**2,762,906**

(3) Employment terminated 30 June 2004.

(4) Termination benefits include accrued annual leave entitlements of $13,550.

Amounts disclosed as remuneration of Directors and specified 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 the Directors' Report.

Service agreements

Remuneration and other terms of employment for the Managing Director and the specified executives are formalised in employment agreements. Each of these agreements set out details of the base package amount, inclusive of superannuation and motor vehicle benefits, and provide for performance related cash bonuses and other benefits. 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.

Equity instrument disclosures relating to Directors and executives

Share based compensation – options

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

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

Grant Date	Expiry Date	Exercise Price	Value Per Option at Grant Date	Date Exercisable	
18-Sep-03	17-Sep-08	$3.26	$0.73	50% after 17 September 2005;	50% after 17 September 2007
10-Nov-03	09-Nov-08	$3.26	$1.13	50% after 9 November 2005;	50% after 9 November 2007
11-Dec-03	10-Dec-08	$3.26	$1.12	50% after 10 December 2005;	50% after 10 December 2007

Options are issued under the plan for a consideration of one cent per share option, with other terms and conditions, including performance criteria, being determined by the Board's Nomination and Remuneration Committee. Options issued during the year ended 30 June 2004 were issued on the following terms:

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

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

The exercise price is to be equivalent to the average market price of the Company's shares traded on the Australian Stock Exchange over the five trading days (measured on a weighted average basis) prior to the date the decision to grant the options was made. Entitlements to the options are vested as soon as they become exercisable. Options granted under the plan carry no dividend or voting rights.

7. Director and executive disclosures (continued)

Options provided as remuneration

Details of options over ordinary shares in the Company provided as remuneration to each Director of McPherson's Limited and each of the six specified executives of the consolidated entity are set out below. When exercisable, each option is convertible into one ordinary share of McPherson's Limited.

Name	Number of Options Granted During the Year	Number of Options Vested During the Year
Directors		
D.J. Allman	300,000	–
Specified Executives		
I.B. Penfold	120,000	–
G.V. Gatehouse	120,000	–
M.A. O'Kelly	120,000	–
P.R. Bennett	120,000	–
R.G. Pettit	60,000	–
S.K.S. Chan	60,000	–

Shares provided on exercise of remuneration options

No ordinary shares have been issued during the year to Directors or specified executives as a result of the exercise of remuneration options.

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 each of the six specified executives of the consolidated entity, including their personally-related entities, are set out below:

Name	Balance at the Start of the Year	Granted During the Year as Remuneration	Exercised During the Year	Other Changes During the Year	Balance at the End of the Year
Directors					
D.J. Allman	–	300,000	–	–	300,000
Specified Executives					
I.B. Penfold	–	120,000	–	–	120,000
G.V. Gatehouse	–	120,000	–	–	120,000
M.A. O'Kelly	–	120,000	–	–	120,000
P.R. Bennett	–	120,000	–	–	120,000
R.G. Pettit	–	60,000	–	–	60,000
S.K.S. Chan	–	60,000	–	–	60,000

There were no options vested and exercisable at the end of the year.

Share holdings

The number of shares in the Company held during the financial year by each Director of McPherson's Limited and each of the six specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the Start of the Year	Received during the Year on the Exercise of Options	Other Changes During the Year	Balance at the End of the Year
Directors				
R.C. King	1,294,870	–	(294,870)	1,000,000
D.J. Allman	356,500	–	(50,000)	306,500
A. Waislitz	–	–	–	–
J.P. Clifford [1]	–	–	–	–
S.A. Rowell [1]	4,000	–	9,422	13,422
P.D. Landos [2]	–	–	–	–
O.B. O'Duill [3]	100,000	–	–	100,000
Specified Executives				
I.B. Penfold	–	–	–	–
G.V. Gatehouse	75,000	–	(75,000)	–
M.A. O'Kelly	–	–	–	–
P.R. Bennett	52,127	–	(47,763)	4,364
R.G. Pettit	–	–	–	–
S.K.S. Chan	100,000	–	–	100,000

(1) Messrs Clifford and Rowell were appointed Directors on 8 October 2003. The amount shown as 'Balance at the Start of the Year' represents shares held at the date of their appointment.

(2) Mr Landos was appointed as an alternate Director for Mr Waislitz on 11 July 2003.

(3) Mr O'Duill retired as a Director on 7 November 2003. The amount shown as 'Balance at the End of the Year' represents shares held at the date of his retirement.

Loans to Directors and executives

There were no loans made to Directors of McPherson's Limited or to any of the six specified executives of 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 specified executives

There were no transactions between the consolidated entity and the Directors of McPherson's Limited or any of the six specified executives of the consolidated entity, including their personally-related entities, during the financial year, other than those disclosed above relating to remuneration and to transactions concerning options and shares.

	Consolidated 2004 $000's	Consolidated 2003 $000's	Parent Entity 2004 $000's	Parent Entity 2003 $000's
8. Current assets – cash				
Cash on hand	18	16	5	5
Cash at bank and on deposit (at call)	7,442	6,114	–	–
Cash on deposit not readily convertible to cash	–	2,196	–	–
	7,460	8,326	5	5
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	7,460	8,326	5	5
Less: Bank overdrafts (Note 17)	–	(861)	(3,668)	(1,991)
Cash on deposit not readily convertible to cash	–	(2,196)	–	–
Balances per statements of cash flows	7,460	5,269	(3,663)	(1,986)

	Consolidated		Parent Entity	
	2004 $000's	2003 $000's	2004 $000's	2003 $000's
9. Current assets – receivables				
Trade debtors	40,611	32,713	–	–
Provision for doubtful debts	(840)	(479)	–	–
	39,771	32,234	–	–
Other debtors/prepayments	5,824	4,399	121	835
Tax related amounts receivable from controlled entities	–	–	1,361	–
Other amounts receivable from controlled entities	–	–	4,675	2,939
	45,595	36,633	6,157	3,774
10. Current assets – inventories				
Raw materials	9,926	6,686	–	–
Work in progress	4,328	2,981	–	–
Finished goods	27,108	27,822	–	–
Stock in transit	6,226	3,816	–	–
	47,588	41,305	–	–
Provision for stock obsolescence	(3,594)	(2,657)	–	–
	43,994	38,648	–	–

The basis of inventory valuation adopted by the parent entity and the controlled entities is set out in Note 1(d).

	Consolidated		Parent Entity	
	2004 $000's	2003 $000's	2004 $000's	2003 $000's
11. Current assets – other				
Deferred expenditure	–	165	–	165
New product development	340	337	–	–
	340	502	–	165
12. Non-current assets – receivables				
Tax related amounts receivable from controlled entities	–	–	892	–
Other amounts receivable from controlled entities	–	–	80,401	92,422
Other debtors/prepayments	7,677	8,423	–	–
	7,677	8,423	81,293	92,422
13. Non-current assets – other financial assets				
Shares in associate – at cost	398	398	–	–
Shares in controlled entities – at cost	–	–	169,158	78,282
Provision for future loss on realisation	–	–	(30,749)	(30,749)
	398	398	138,409	47,533

	Consolidated		Parent Entity	
	2004 $000's	2003 $000's	2004 $000's	2003 $000's
14. Non-current assets – property, plant and equipment				
Freehold land and buildings:				
At cost	9,947	9,681	1,900	1,900
Accumulated depreciation	(1,377)	(1,169)	(75)	(50)
	8,570	8,512	1,825	1,850
Leasehold improvements:				
At cost	3,960	3,823	103	103
Accumulated amortisation	(2,644)	(2,477)	(34)	(21)
	1,316	1,346	69	82
Total property	9,886	9,858	1,894	1,932
Leased assets:				
At cost	1,820	–	–	–
Accumulated depreciation	(751)	–	–	–
	1,069	–	–	–
Plant and equipment:				
At cost	67,594	49,630	119	121
Accumulated depreciation	(49,365)	(38,109)	(86)	(87)
	18,229	11,521	33	34
Total plant and equipment	19,298	11,521	33	34
Total property, plant and equipment	29,184	21,379	1,927	1,966

Event occurring after reporting date

Subsequent to 30 June 2004, a controlled entity of McPherson's Limited has entered into a long-term conditional contract for the sale of land and buildings located in the United Kingdom. Should the sale become unconditional and subsequently complete, the net proceeds will exceed the carrying value for that property at 30 June 2004.

Valuation of land and buildings

On applying AASB 1041 with effect from the financial year ended on 30 June 2001, the consolidated entity elected to revert to the cost basis for measuring land and buildings using the carrying value at that point in time as deemed cost. An independent valuation undertaken on an existing use basis at 30 June 2001 for all land and buildings owned by the consolidated entity was used to support the deemed cost.

An independent valuation was undertaken on an existing use basis for land and buildings owned by the consolidated entity in Australia at 30 June 2004. The valuation amounts at that date exceeded the book carrying values. The valuation was carried out by Mr. G.R. Longden F.A.P.I. of Jones Lang LaSalle Advisory Services Pty. Limited.

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

Reconciliations

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

	Freehold Land and Buildings $000's	Leasehold Improvements $000's	Leased Assets $000's	Plant Equipment $000's	Total $000's
Consolidated					
Carrying amount at 1 July 2003	8,512	1,346	–	11,521	21,379
Additions	–	45	29	8,778	8,852
Transfers	–	–	(112)	112	–
Business acquisitions	–	12	1,582	3,215	4,809
Disposals	–	(5)	(87)	(635)	(727)
Depreciation/amortisation expense (Note 2(b))	(197)	(138)	(343)	(4,828)	(5,506)
Foreign currency exchange differences	255	56	–	66	377
Carrying amount at 30 June 2004	**8,570**	**1,316**	**1,069**	**18,229**	**29,184**
Parent Entity					
Carrying amount at 1 July 2003	1,850	82	–	34	1,966
Additions	–	–	–	18	18
Disposals	–	–	–	(4)	(4)
Depreciation/amortisation expense (Note 2(b))	(25)	(13)	–	(15)	(53)
Carrying amount at 30 June 2004	**1,825**	**69**	**–**	**33**	**1,927**

15. Non-current assets – intangibles

	Consolidated 2004 $000's	Consolidated 2003 $000's	Parent Entity 2004 $000's	Parent Entity 2003 $000's
Goodwill	91,592	23,466	–	–
Accumulated amortisation	(11,264)	(4,190)	–	–
	80,328	19,276	–	–
Patents and trademarks	1,866	1,722	–	–
Accumulated amortisation	(1,039)	(891)	–	–
	827	831	–	–
Brandnames at Directors' valuation dated 30 June 2004	28,508	13,000	6,000	6,000
Total intangibles	109,663	33,107	6,000	6,000

Valuation of brandnames

An independent valuation of brandnames acquired on 1 July 2003 was carried out by KMPG Corporate Finance. The Directors have adopted the independent valuation for these brandnames at 30 June 2004.

An independent valuation of previously owned brandnames was carried out at 30 June 2004 by KPMG Corporate Finance. The Directors, after considering the independent valuation, conservatively valued brandnames at a value below the independent valuation. This valuation did not result in brandnames being revalued in the consolidated accounts.

The Directors have considered the recoverable value of brandnames at balance date and are of the opinion that the carrying amount is not in excess of the recoverable amount (Note 1(g)).

	Consolidated		Parent Entity	
	2004 $000's	2003 $000's	2004 $000's	2003 $000's
16. Current liabilities – payables				
Trade creditors	21,739	15,726	–	–
Other creditors	14,623	10,039	1,540	946
Amounts payable to controlled entities	–	–	8,274	4,774
	36,362	25,765	9,814	5,720
17. Current liabilities – interest bearing liabilities				
Secured liabilities				
Bank overdraft (Note 8)	–	861	3,668	1,991
Finance leases	334	–	–	–
Insurance premiums	–	1,415	–	1,415
	334	2,276	3,668	3,406

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 19.

	Consolidated 2004 $000's	Consolidated 2003 $000's	Parent Entity 2004 $000's	Parent Entity 2003 $000's
18. Current liabilities – provisions				
Employee entitlements	6,088	4,387	428	436
Employee incentives	1,988	450	397	450
Restructure costs	1,920	397	842	–
Other	936	682	371	560
	10,932	5,916	2,038	1,446

Employee incentives

The employee incentive provision at 30 June 2004 includes the staff incentive scheme operated by Cork Asia Pacific, which covers approximately 135 employees and forms part of those employees' normal remuneration arrangements.

18. Current liabilities – provisions (continued)

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	Other $000's
Consolidated 2004			
Carrying amount at start of year	450	397	682
Business acquisition	824	–	540
Additional provisions recognised	2,087	4,351	62
Payments	(1,379)	(2,828)	(348)
Foreign Exchange	6	–	–
Carrying amount at end of year	**1,988**	**1,920**	**936**
Parent Entity 2004			
Carrying amount at start of year	450	–	560
Additional provisions recognised	539	1,465	–
Payments	(592)	(623)	(189)
Carrying amount at end of year	**397**	**842**	**371**

19. Non-current liabilities – interest bearing liabilities

	Consolidated 2004 $000's	Consolidated 2003 $000's	Parent Entity 2004 $000's	Parent Entity 2003 $000's
Bills payable	–	48,900	–	48,900
Bank loans	86,000	–	86,000	–
Finance leases	781	–	–	–
Amounts payable to controlled entities	–	–	35,619	34,212
	86,781	48,900	121,619	83,112
Secured liabilities				
Included above are the following secured liabilities:				
Bills payable	–	48,900	–	48,900
Bank loans	86,000	–	86,000	–
Finance lease	781	–	–	–
Total secured non-current liabilities	86,781	48,900	86,000	48,900

Bank loans

Bank loans are available under a four year amortising committed financing facility with the Group's bankers. Interest at variable rates is payable on the bank loans.

Security for interest bearing liabilities

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

	Consolidated		Parent Entity	
	2004 $000's	2003 $000's	2004 $000's	2003 $000's
Assets pledged as security				
First mortgage				
Freehold land and buildings	8,570	8,512	1,825	1,850
Mortgage over shares				
Investments in controlled entities	–	–	138,409	47,533
Floating charge				
Plant and equipment	19,016	10,210	132	116
Finance lease				
Plant and equipment under finance lease	1,045	–	–	–
Total non-current assets pledged as security	28,631	18,722	140,366	49,499
The following current assets are also pledged as security under the floating charge:				
Cash assets	10,535	3,366	5	5
Receivables – current	38,143	28,774	85	81
Inventories	42,861	38,304	–	–
Total assets pledged as security	120,170	89,166	140,456	49,585

20. Non-current liabilities – provisions

Employee entitlements	2,391	1,845	237	224
Directors' retiring benefits	436	580	436	580
	2,827	2,425	673	804

	Consolidated		Parent Entity	
	2004 $000's	2003 $000's	2004 $000's	2003 $000's
21. Share capital				
Issued and paid up capital:				
56,521,048 (2003: 42,374,529) ordinary shares – fully paid	86,949	50,196	86,949	50,196

Movements in ordinary share capital

Date	Details	Number of Shares	Issue Price $	$000's
01 July 2002	Opening Balance	39,182,494		44,212
17 September 2002	Exercise of options issued 8 December 1999	250,000	1.00	250
	Exercise of options issued 7 September 2000	100,000	1.50	150
	Exercise of options issued 22 March 2000	100,000	1.00	100
	Exercise of options issued 18 November 1999	75,000	1.00	75
04 October 2002	Exercise of options issued 7 September 2000	75,000	1.50	112
31 October 2002	Dividend reinvestment plan issues	188,113	1.93	363
31 October 2002	Share issues – underwriting of balance of dividend reinvestment plan	1,048,648	1.93	2,024
31 January 2003	Exercise of options issued 7 September 2000	75,000	1.50	112
30 April 2003	Dividend reinvestment plan issues	448,688	2.29	1,027
30 April 2003	Share issues – underwriting of balance of dividend reinvestment plan	808,086	2.29	1,850
19 June 2003	Exercise of options issued 7 September 2000	23,500	1.50	35
				50,310
	Less: Transaction costs arising on share issues			(114)
30 June 2003	Closing Balance	42,374,529		50,196
01 July 2003	Share issue	12,400,000	2.50	31,000
04 August 2003	Exercise of options issued 7 September 2000	26,500	1.50	40
31 October 2003	Dividend reinvestment plan issues	524,412	3.72	1,948
31 October 2003	Share issues – underwriting of balance of dividend reinvestment plan	654,803	3.72	2,436
30 April 2004	Dividend reinvestment plan issues	540,804	4.34	2,349
				87,969
	Less: Transaction costs arising on share issues			(1,020)
30 June 2004	**Closing Balance**	**56,521,048**		**86,949**

Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares issued under the plan are not issued at a discount to the market price.

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		Parent Entity	
	2004 $000's	2003 $000's	2004 $000's	2003 $000's
22. Reserves and retained profits				
(a) Reserves				
Capital reserve:				
Asset revaluation reserve	6,000	6,000	6,831	6,831
Revenue reserve:				
Foreign currency translation reserve	(1,453)	(2,353)	–	–
	4,547	3,647	6,831	6,831
Movements in reserves				
Revenue reserve:				
Balance 30 June 2003 (2002)	(2,353)	789	–	–
Net exchange differences on translation of foreign controlled entities	900	(2,774)	–	–
Transfer to retained profits	–	(368)	–	–
Balance 30 June 2004 (2003)	(1,453)	(2,353)	–	–
(b) Retained Profits				
Retained profits/(accumulated losses) at the beginning of the financial year	8,610	(691)	1,607	(1,882)
Profit from ordinary activities after tax	16,811	11,846	10,179	6,402
Dividends paid	(9,422)	(2,913)	(9,422)	(2,913)
Transfer from reserves	–	368	–	–
Retained profits at the end of the financial year	15,999	8,610	2,364	1,607

23. Financial instruments

(a)(i) Forward foreign exchange contracts

Certain controlled entities and the parent entity enter into forward foreign exchange contracts to hedge anticipated purchases, sales and capital commitments denominated in foreign currencies. The terms of these commitments are rarely more than twelve 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 economic entity.

	2004 $000's	Weighted Average Contracted Exchange Rate	**2003 $000's**	**Weighted Average Contracted Exchange Rate**
Maturity 0 – 6 months				
Sell Australian dollars/Buy:				
United States dollars	1,816	0.7139	4,897	0.6636
Euro	666	0.5961	1,393	0.5633
Pounds sterling	105	0.3808	–	–
New Zealand dollars	1,010	1.0960	–	–
Sell New Zealand dollars/Buy:				
United States dollars	877	0.6289	349	0.5769
Euro	727	0.5122	718	0.5027
Australian dollars	402	0.9019	82	0.8984
Sell Pounds Sterling/Buy:				
United States dollars	2,381	1.7843	1,975	1.6314
Buy Australian dollars/Sell:				
United States dollars	77	0.7077	30	0.5895
New Zealand dollars	121	1.1035	80	1.1540
Maturity 6 – 12 months				
Sell Pounds Sterling/Buy:				
United States dollars	–	–	993	1.6218

As these contracts are hedging anticipated future transactions, any unrealised gains and losses on the contracts, together with the costs of the contracts are deferred and will be recognised in the financial statements at the time the underlying transaction occurs. The unrecognised gain of $110,000 and the unrecognised loss of $61,000 on hedges of anticipated foreign currency transactions valued at balance date approximates net fair value of the hedge contracts outstanding based on current forward rates for contracts with similar maturity profiles.

(a)(ii) Foreign currency options

The economic entity 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 2004 to January 2005.

As these options are hedging future transactions, any unrealised gains and losses on the options will be recognised in the financial statements at the time the underlying transaction occurs. An unrecognised gain of $255,000 and an unrecognised loss of $11,000 valued at balance date represents net fair value of the options.

(b) Interest rate contracts

A number of hedge contracts have been entered into to limit the consolidated entity's exposure to possible increases in interest rates. These contracts have commencement dates of 1 July 2003 or 1 August 2003 and cover an initial aggregate principle amount of $84.75 million, reducing annually to $54.0 million by 30 June 2008. Each contract is subject to different terms and conditions, but generally restrict the interest rate exposure to 6% or less.

An unrecognised gain of $1,022,000 and an unrecognised loss of $315,000 represent the net fair value of interest rate contracts at balance date.

(c) Interest rate risk exposure

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

2004	Floating Interest Rate $000's	Weighted Average Interest Rate %	Non-Interest Bearing $000's	Total $000's
Financial assets				
Cash and Deposits				
Currency – Australian dollars	5,409	5.1	–	5,409
Currency – United States dollars	150	0.2	161	311
Currency – Pounds sterling	–	–	682	682
Currency – New Zealand dollars	–	–	217	217
Currency – Singapore dollars	–	–	220	220
Currency – Hong Kong dollars	–	–	603	603
Note 8	5,559		1,883	7,442

Non-interest bearing deposits represent clearing accounts.

2004	Floating Interest Rate $000's	Fixed Interest Rate $000's	Total $000's	Weighted Average Interest Rate %
Financial liabilities				
Currency – Australian dollars				
Bank loans	86,000	–	86,000	5.6
Finance leases	–	1,092	1,092	9.7
	86,000	1,092	87,092	5.6
Currency – Hong Kong dollars				
Finance leases	–	23	23	3.3
Notes 17 and 19	86,000	1,115	87,115	

Weighted average interest rates exclude the economic entity's credit margin. The floating rates are predominantly 90 days maturity.

23. Financial instruments (continued)

2003	Floating Interest Rate $000's	Weighted Average Interest Rate %	Non-Interest Bearing $000's	Total $000's
Financial assets				
Cash and Deposits				
Currency – Australian dollars	7,100	3.9	–	7,100
Currency – United States dollars	162	0.2	544	706
Currency – Pounds sterling	–	–	4	4
Currency – New Zealand dollars	351	4.0	149	500
Note 8	7,613		697	8,310

Non-interest bearing deposits represent clearing accounts.

2003	Floating Interest Rate $000's	Fixed Interest Rate $000's	Total $000's	Weighted Average Interest Rate %
Financial liabilities				
Currency – Australian dollars				
Bills payable	48,900	–	48,900	
Hire purchase	–	–	–	
Insurance premiums	–	1,415	1,415	
	48,900	1,415	50,315	5.0
Currency – Pounds sterling				
Bank overdraft	861	–	861	
	861	–	861	4.5
Currency – New Zealand dollars				
Bank overdraft	–	–	–	
Bank loans	–	–	–	
	–	–	–	
Notes 17 and 19	49,761	1,415	51,176	

Weighted average interest rates exclude the economic entity's credit margin. The floating rates are predominately between 90 and 180 days maturity.

(d) Credit risk exposure

Credit risk represents the loss that would be recognised if counterparties to financial instruments fail to perform as contracted.

(i) On balance sheet

The credit risk on financial assets of the economic entity which have been recognised on the balance sheet, is the carrying amount, net of any provisions for doubtful debts.

(ii) Off balance sheet

Interest rate, 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 economic entity pays when settlement occurs should the counterparty fail to pay the amount which it is committed to pay to the economic entity. The full amount is disclosed in Notes 23(a) and (b) above..

(iii) Credit risk concentration

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

	2004 $000's	**2003 $000's**
Printing (predominantly Australia)	11,268	15,814
Consumer Products (Australasia, United Kingdom and United States)	29,343	16,899
	40,611	32,713
Less: Provision for doubtful debts	(840)	(479)
	39,771	32,234

(e) Net fair value of financial assets and liabilities

(i) On balance sheet

The carrying amount of financial assets and financial liabilities disclosed in the balance sheet of the economic entity approximates net fair value in accordance with Accounting Standard AASB 1033.

(ii) Off balance sheet

The net fair value for forward exchange, option and interest rate contracts is taken to be the unrecognised gain or loss at balance date which reflects the estimated amounts which the economic entity would expect to pay or receive to terminate the contracts or replace the contracts at balance date. The net fair value for outstanding contracts is disclosed in Notes 23(a) and (b).

24. Contractual commitments for expenditure

	Consolidated		Parent Entity	
	2004 $000's	2003 $000's	2004 $000's	2003 $000's
Capital expenditure				
Aggregate capital expenditure contracted for at balance date, but not provided for in the accounts, due:				
Not later than one year	4,036	867	–	–
Future lease commitments payable relating to non-cancellable operating leases				
Aggregate amount contracted for at balance date, but not provided for in the accounts, due:				
Not later than one year	11,144	12,890	30	49
Later than one year but not later than five years	32,261	23,589	36	30
Later than five years	14,076	5,361	–	–
	57,481	41,840	66	79

25. Contingent liabilities

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

There are a number of legal claims pending against the economic entity including claims relating to product liability and associated damages. The economic entity has disclaimed liability and is defending the actions. The Directors consider these claims will not materially affect the results of the economic entity.

26. Segment Report

	Printing $000's	Consumer Products $000's	Inter-segment Eliminations/ Unallocated $000's	Consolidated $000's
2004 Primary Reporting – business segments				
Sales to external customers	112,373	216,594	–	328,967
Inter-segment sales	49	–	(49)	–
Total sales revenue	112,422	216,594	(49)	328,967
Other revenue	1,290	2,635	339	4,264
Total segment revenue	113,712	219,229	290	333,231
Segment result	11,659	22,440	(3,107)	30,992
Net borrowing costs				(7,572)
Profit from ordinary activities before income tax				23,420
Income tax expense				(6,609)
Profit from ordinary activities after income tax				16,811
Segment assets	86,663	187,465	(22,719)	251,409
Segment liabilities	57,221	65,059	21,634	143,914
Acquisition of property, plant and equipment, intangible and other non-current segment assets	6,340	67,847	18	74,205
Depreciation and amortisation expense	3,443	6,757	120	10,320
2003 Primary Reporting – business segments				
Sales to external customers	119,040	129,629	–	248,669
Inter-segment sales	38	–	(38)	–
Total sales revenue	119,078	129,629	(38)	248,669
Other revenue	2,375	918	999	4,292
Total segment revenue	121,453	130,547	961	252,961
Segment result	12,295	10,924	(2,567)	20,652
Net borrowing costs				(4,080)
Profit from ordinary activities before income tax				16,572
Income tax expense				(4,726)
Profit from ordinary activities after income tax				11,846
Segment assets	83,368	84,555	(15,658)	152,265
Segment liabilities	52,290	57,890	(20,368)	89,812
Acquisition of property, plant and equipment, intangible and other non-current segment assets	1,441	1,947	8	3,396
Depreciation and amortisation expense	3,241	2,519	49	5,809

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

Printing
Printers of a wide range of products including quality books, paperbacks, greeting cards, loose-leaf printing, telephone directories and other directories.

Consumer Products
Manufacturers, importers, exporters and marketers of kitchen knives, scissors, cutlery, kitchen utensils, glassware, hair and beauty care and other consumer products.

Secondary Reporting – geographical segments

	Segment Revenues from Sales to External Customers		Segment Assets		Acquisitions of Property, Plant and Equipment, Intangibles and Other Non-Current Segment Assets	
	2004 $000's	**2003 $000's**	2004 $000's	**2003 $000's**	2004 $000's	**2003 $000's**
Australia	273,181	204,465	219,140	128,931	71,548	2,736
Europe	20,063	22,096	15,423	14,641	258	554
North America	7,335	8,718	571	1,120	–	–
Asia, New Zealand	28,388	13,390	16,275	7,573	2,399	106
	328,967	248,669	251,409	152,265	74,205	3,396

27. Earnings per share

	2004	**2003**
Basic earnings per share	30.2¢	29.1¢
Diluted earnings per share	30.0¢	29.1¢
Earnings used in calculating basic earnings per share	$16,811,000	$11,846,000
Earnings used in calculating diluted earnings per share	$16,811,000	$11,846,000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	55,674,008	40,698,687
Potential ordinary shares	442,588	9,657
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share.	56,116,596	40,708,344
Options that are not dilutive and are therefore not included in the calculation of diluted EPS	–	–

Information concerning the classification of securities

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

In relation to dilutive options to acquire ordinary shares, the calculation of diluted earnings per share is performed by adding to the denominator only those potential shares that are deemed in accordance with Australian Accounting Standard AASB 1027 to have been issued for no consideration. Assumed earnings from proceeds are not added to the numerator.

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

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

28. Particulars in relation to controlled entities

	Country of Incorporation
McPherson's Limited	Australia
Controlled entities of McPherson's Limited	
Domenica Pty. Ltd.	Australia
Owen King Holdings Australia Pty. Ltd.	Australia
McPherson's Printing Pty. Ltd.	Australia
Yevad Products Pty. Ltd.	Australia
Wiltshire (NZ) Limited	New Zealand
947413 Limited	Australia
718932 Pty. Ltd.	Australia
McPherson's Housewares Pty. Limited	Australia
Cork International Holdings Limited (in liquidation)	United Kingdom
Cork International Pty Ltd	Australia
Cork International (NZ) Limited	New Zealand
Cork International Pte Ltd	Singapore
McPherson's America, Inc.	USA
McPherson's Publishing, Inc.	USA
Regent-Sheffield Ltd.	USA
McPherson's Hong Kong Limited	Hong Kong
McPherson's CPG Limited	Hong Kong
Cork International Far East Limited	Hong Kong
McPherson's (U.K.) Limited	United Kingdom
Richardson Sheffield Limited	United Kingdom
V. Sabatier Limited	United Kingdom
Revlect Pty. Ltd.	Australia
McPherson's Enterprises Pty. Ltd.	Australia

All investments represent 100% ownership interest in ordinary shares except Domenica Pty. Ltd. which includes 100% interest in ordinary and preference shares held by McPherson's Limited.

Acquisitions and disposals of controlled entities

Acquisitions
- Cork International Holdings Limited, acquired 1 July 2003.
- Cork International Far East Limited, acquired 1 July 2003.

Asset Purchases
- Wiltshire (NZ) Limited acquired the business and certain assets of PAK Imports (NZ) Limited effective 31 March 2004.

Disposals
- Regent-Sheffield (Canada) Ltd was liquidated on 17 February 2004.

29. Related parties

Directors and specified executives

Details in relation to insurance of Directors is 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 economic entity. 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.

Wholly-owned Group

Transactions between McPherson's Limited and its controlled entities in the wholly-owned 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 loans

Payment of dividends to McPherson's Limited

Purchase and sale of goods

Receipt and payment of rent, management and licence fees

Related party transactions not reported elsewhere:

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

	Consolidated		Parent Entity	
	2004 $	2003 $	2004 $	2003 $
Legal fees				
J.B. Duncan P.C.	14,307	15,850	–	–

Related party transactions and balances

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

	Note Number
Interest received/receivable	2
Investment in controlled entities	28
Director and executive disclosures	7
Amounts receivable from controlled entities	9, 12
Amounts payable to controlled entities	16, 19
Superannuation funds	30

30. 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.

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

31. Notes to the statements of cash flows

	Consolidated 2004 $000's	Consolidated 2003 $000's	Parent Entity 2004 $000's	Parent Entity 2003 $000's
(i) Reconciliation of net cash provided by operating activities to operating profit after income tax				
Operating profit after income tax	16,811	11,846	10,179	6,402
Goodwill amortisation	4,329	1,130	–	–
Depreciation/other amortisation	5,991	4,271	120	49
Loss/(profit) on disposal of property, plant and equipment	197	(51)	3	–
Provision for stock obsolescence	719	414	–	–
Non cash dividends	(50)	(59)	–	–
Debt forgiveness	–	–	4,304	–
Operating assets and liabilities, excluding the effects from purchase or sale of businesses:				
Increase/(decrease) in creditors and borrowings	(675)	(3,011)	(1,023)	4,289
Increase/(decrease) in other provisions	1,807	768	457	542
Increase/(decrease) in employee entitlements	(920)	283	4	138
Increase/(decrease) in tax payable	309	1,715	(7,267)	466
(Increase)/decrease in receivables	7,956	(6,799)	3,059	(2,831)
(Increase)/decrease in inventories	1,395	6,060	–	–
Net cash provided by operating activities	37,869	16,567	9,836	9,055
(ii) Acquisition of controlled entity/businesses				
Fair value of identifiable net assets acquired				
Cash	1,517	–		
Receivables	16,170	–		
Inventories	7,032	327		
Plant and equipment	4,809	–		
Brandnames	15,508	–		
Future income tax benefit	1,326	–		
Payables	(10,074)	–		
Provisions	(4,498)	–		
Provision for deferred income tax	(886)	–		
Finance leases	(1,581)	–		
	29,323	327		
Goodwill on acquisition	65,344	398		
Total consideration	94,667	725		
(iii) Outflow of cash to acquire controlled entity/businesses				
Total consideration	94,667	725	90,876	–
Less: Cash acquired	(1,517)	–	–	–
Plus: Payments for previous acquisition	258	–	–	–
Net cash outflow	93,408	725	90,876	–

32. Financing facilities

The economic entity has available to it a committed financing facility of $124,943,000 at 30 June 2004. As at the end of the financial year $86,000,000 of these facilities were utilised. Facilities in the main are able to be transferred between the parent entity and other members of the economic entity. Interest rates on all facilities are variable.

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

	Consolidated 2004 $000's	Consolidated 2003 $000's
Total facilities		
Bank overdrafts	3,943	3,321
Bank loan facilities	121,000	66,329
	124,943	69,650
Used at balance date		
Bank overdrafts	–	861
Bank loan facilities	86,000	48,900
	86,000	49,761
Unused at balance date		
Bank overdrafts	3,943	2,460
Bank loan facilities	35,000	17,429
	38,943	19,889

	Consolidated		Parent Entity	
	2004 $000's	2003 $000's	2004 $000's	2003 $000's
33. Employee benefits and related on-costs liabilities				
Included in other creditors – current (Note 16)	1,022	757	–	–
Included in restructure costs (Note 18)	1,568	339	700	–
Included in other provisions (Note 18)	42	42	–	–
Provision for employee entitlements – current (Note 18)	6,088	4,387	428	436
Provision for employee incentives (Note 18)	1,988	450	397	450
Provision for employee entitlements – non-current (Note 20)	2,391	1,845	237	224
Aggregate employee benefits and related on-costs liabilities	13,099	7,820	1,762	1,110

	Number		Number	
	2004	2003	2004	2003
Employee numbers at 30 June	1,446	935	6	6

SHAREHOLDING INFORMATION

The shareholding information set out below was applicable at 31 August 2004.

1. Share Capital

As at 31 August 2004 the ordinary share capital in the Company was held by the following number of shareholders:

Shares	Shareholders
1 - 1,000	2,887
1,001 - 5,000	2,101
5,001 - 10,000	473
10,001 - 100,000	321
100,001 and over	39
Total	**5,821**
Holding less than a marketable parcel	646

2. Voting Rights

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

3. Twenty Largest Shareholders as at 31 August 2004

	No. of Shares	%
Thorney Pty Ltd	12,174,212	21.54
JP Morgan Nominees Australia Limited	6,680,388	11.82
National Nominees Limited	6,471,565	11.45
Equity Trustees Limited (SGH PI Smaller Co's Fund)	2,542,906	4.50
AMP Life Limited	1,642,311	2.91
Westpac Custodian Nominees Limited	1,099,941	1.95
Ledsnad Pty Ltd (The King Family A/C)	1,000,000	1.77
Cogent Nominees Pty Limited (SMP Accounts)	818,981	1.45
Citicorp Nominees Pty Limited	776,625	1.37
M F Custodians Ltd	628,220	1.11
Queensland Investment Corporation	558,562	0.99
Cogent Nominees Pty Limited	548,584	0.97
Invia Custodian Pty Limited (MCM TCF A/C)	391,697	0.69
RBC Global Services Australia Nominees Pty Limited (PP A/C)	390,564	0.69
ANZ Nominees Limited	364,179	0.64
RBC Global Services Australia Nominees Pty Limited (BKCUST)	265,551	0.47
HSBC Custody Nominees (Australia) Limited	262,197	0.46
Mr Trevor Bruce Winston Ward	251,050	0.44
Mr David Joseph Allman	250,000	0.44
Naumov Pty Limited	236,050	0.42
	37,353,583	**66.08**

4. Substantial Shareholders

The following is extracted from the Company's Register of Substantial Shareholders as at 31 August 2004:

	No. of Shares	Last Notified
Thorney Pty Ltd	11,728,202	9 July 2003
AMP Limited	2,899,591	6 November 2003
ING Australia Limited	2,878,477	24 December 2003
Paradice Cooper Investors Pty Ltd	4,071,331	15 July 2004

5. Listing

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

CORPORATE DIRECTORY

McPherson's Limited
ACN 004 068 419

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

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Facsimile: (03) 9574 9075

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www.mcphersons.com.au

Company Secretary
Mr Philip R. Bennett

Auditors
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Melbourne Victoria 3000

Solicitors
Allens Arthur Robinson
530 Collins Street
Melbourne Victoria 3000

Cowley Hearne
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60 Miller Street
North Sydney NSW 2060

Share Registry
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Telephone outside of Australia: +61 3 9415 5000
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web.queries@computershare.com.au
www.computershare.com

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

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

Group Management

David Allman
Managing Director
McPherson's Limited

Phil Bennett
Chief Financial Officer
McPherson's Limited

McPherson's Consumer Products Divisional Management

Mark O'Kelly
Managing Director
McPherson's Consumer Products Group

Paul Mitchell
General Manager
McPherson's Consumer Products Group, New Zealand

Sammy Chan
Managing Director
McPherson's CPG Limited
Hong Kong

Roger Pettit
General Manager
Cork Hong Kong

Printing Divisional Management

George Gatehouse
General Manager
Printing Division

Malcolm Dagg
General Manager
Directory Printing

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