



McPherson's Limited

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ASX / Media Release

24 February 2010

McPherson's First Half Profit \$14.1 million

10 cent interim dividend fully franked

- Sales and profit up on prior year
- Dividends resumed
- Gearing improved to 43% from 67% at 30 June 2009
- Forecast 25% EPS increase for full year

McPherson's Limited, the consumer products and printing group, today announced an after-tax profit of \$14.1 million for the six months to 31 December 2009. On a comparable basis this is an increase of 5% over the first half of FY 2009 (\$13.5 million).

Reflecting the company's stronger financial position, Directors have declared a fully franked interim dividend of 10 cents per share, payable on 1 April 2010 to shareholders on the register at 15 March 2010. The company has substantial franking credits which will enable future dividends to be fully franked.

Results summary (prior period not restated) for the six months to	31 Dec 08 (\$ million)	31 Dec 09 (\$ million)	% change
Sales revenue	186.8	190.1	1.8
EBIT (Earnings before interest and tax)	24.0	24.3	1.2
Profit before tax	18.8	20.1	6.6
Profit after tax	13.5	14.1	4.9
Earnings per share (cents)	20.9	20.3	(2.6)
Interim dividend (cents) fully franked	0	10.0	N/A

Results summary as reported*			
EBIT	24.5	24.3	(0.8)
Profit before tax	19.3	20.1	3.9
Profit after tax	13.8	14.1	2.2
Earnings per share (cents)	21.4	20.3	(5.0)

* 31 December 2008 earnings have been restated in the reported figures and in the segment summary below, in line with amended Accounting Standard AASB139 relating to the expensing of currency option premiums. The impact of this amendment on 31 December 2009 results was negligible.

Segment summary for the six months				
	Sales revenue (\$ million)		Trading EBIT (\$ million)	
	31 Dec 08	31 Dec 09	31 Dec 08	31 Dec 09
Consumer Products	151.6	157.7	24.5	24.8
Printing	35.3	32.4	1.7	1.5
Corporate/unallocated	(0.1)	0.0	(1.7)	(2.0)
Group	186.8	190.1	24.5	24.3

Consumer Products Division - EBIT \$24.8 million

McPherson's Consumer Products designs and markets a large range of consumer products. Its key brands are Wiltshire (housewares), Manicare (beauty care), Lady Jayne (hair care), Multix (kitchen essentials) and Swisspers (skin care), and distribution is through all major retailers throughout Australia and New Zealand, and in Asia. Manufacturing is outsourced to a range of countries, particularly China, and McPherson's has a major presence in Hong Kong and China focused on quality assurance and product sourcing. Most products are purchased in US dollars.

Despite significant range rationalisation, sales revenue increased by 4% compared with the previous corresponding period, as a result of organic growth and price increases.

Although the stronger Australian dollar has assisted margins, its impact during the half was limited by competitive pressures and the company's foreign currency hedging policy, which is to cover forecast US dollar purchases six months forward. Second half earnings will benefit from the stronger currency and the profit enhancement initiatives implemented during FY2009. Further business improvement initiatives are ongoing.

The amalgamation of all Australian consumer product operations in July 2009 was completed successfully and the combined business is functioning well, achieving the expected efficiencies and cost savings.

Printing Division - EBIT \$1.5 million

McPherson's Printing Group provides printing services for a range of customers including major domestic and international book publishers, directory and professional reference information publishers, magazine and periodical publishers, corporate/industrial catalogue and manual publishers, the automotive and horse racing industries and a variety of other specialised users.

Sales revenue was below the previous corresponding period due to the continuation of subdued market conditions, particularly with respect to professional reference publications. Profit margins were similar to the previous year.

The business remains focused on cost containment and efficiency improvement.

Net Debt and Gearing

During the half the company raised additional capital of approximately \$15 million through a share placement and a share purchase plan. This capital was used to repay debt and has substantially strengthened the company's balance sheet.

In conjunction with strong operating cashflow, net debt at 31 December 2009 was \$81.2 million, compared with \$122.8 million a year earlier and \$104.2 million at 30 June 2009. Net debt at 31 December 2009 represented 43% of shareholders' funds, substantially below the gearing level of 67% at 30 June 2009.

Interest expense for the half was \$4.2 million (H1 2009: \$5.2 million). Interest cover for the first half was 5.8 times compared with 4.7 times for the six months to 31 December 2008.

Outlook

"Second half trading to date has been consistent" said Paul Maguire, Managing Director. "The Consumer Products Division's earnings continue to benefit from the profit improvement initiatives taken last year and are also benefiting from the stronger Australian dollar. In addition, we are undertaking projects to improve the efficiency of our supply chain."

"As we advised in October, for the full year to 30 June 2010 we expect an increase of about 25% in earnings per share to approximately 38 cents from the 30.2 cents reported last year, subject to satisfactory market conditions continuing."

Chairman Simon Rowell said "the strengthened balance sheet leaves the Company well placed to take advantage of bolt-on consumer products acquisition opportunities when they arise".

For further information please contact:

Paul Maguire, Managing Director, telephone (03) 9566 3300.

McPherson's Limited
Half Year ended 31 December 2009

Results for Announcement to the Market

				\$A000's
Revenue	up	2%	to	190,304
Profit after tax attributable to members	up	2%	to	14,127
Net profit for the period attributable to members	up	2%	to	14,127

Dividends/distributions	Amount per security	Franked amount per security
Interim dividend	10.0¢	10.0¢
Previous corresponding period	Nil	Nil

Payment date for interim dividend

1 April 2010

Record date for determining entitlements to the dividend

15 March 2010

Note – Impact on Results from Application of Amended Accounting Standard

With effect from 1 July 2009, McPherson's Limited has applied AASB 2008-8 which amends AASB 139 *Financial Instruments: Recognition and Measurement*. Additionally, in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 2008-8 has been applied retrospectively and therefore comparative information has been restated where applicable.

The application of, and restatement of comparative information arising from the amended accounting standard has resulted in an increase in reported Profit after Tax for the previous corresponding period (the half year ended 31 December 2008) of \$351,000. The impact on results for the half year ended 31 December 2009 was negligible.

Without the restatement of the previous corresponding period result:

- Prior half year Profit after Tax would have been reported as \$13,472,000 rather than \$13,823,000;
- Prior half year Earnings per Share would have been reported as 20.9 cents rather than 21.4 cents; and
- Current half year Profit after Tax would have increased by 5% over last year rather than 2%.

McPherson's Limited
Statement of Comprehensive Income
For the period ended 31 December 2009

	Half Year 31 Dec 2009 A\$000's	Restated Half Year 31 Dec 2008 A\$000's
Revenue		
Sales revenue	190,096	186,781
Interest	14	21
Royalties	194	255
Total revenue	190,304	187,057
Other income		
Net gain from disposal of property, plant and equipment	12	9
Waste recoveries	437	513
Commissions	53	30
Sundry	142	194
Total other income	644	746
Share of net profit of associate	113	185
Total revenue, other income and share of net profit of associate	191,061	187,988
Expenses		
Materials and consumables used	102,310	97,274
Employee costs	32,452	33,926
Rental expenses relating to operating leases	4,828	4,915
Amortisation of other intangibles	340	293
Depreciation/other amortisation	2,437	2,481
Advertising and promotional	6,489	5,948
Repairs and maintenance	986	1,090
Cartage and freight	7,714	7,842
Other expenses	9,195	9,699
Borrowing costs expense	4,238	5,194
Total expenses	170,989	168,662
Profit before income tax expense	20,072	19,326
Income tax expense	(5,945)	(5,503)
Profit after income tax expense	14,127	13,823

The above statement of comprehensive income should be read in conjunction with the following notes and appendices.

McPherson's Limited
Statement of Comprehensive Income (continued)
For the period ended 31 December 2009

	Half Year 31 Dec 2009 A\$000's	Restated Half Year 31 Dec 2008 A\$000's
Profit after income tax expense	14,127	13,823
Other comprehensive income		
Changes in the fair value of cash flow hedges	9,182	(10,065)
Exchange differences on translation of foreign operations	(536)	2,848
Income tax relating to components of other comprehensive income	(2,755)	3,024
Other comprehensive income for the half year	5,891	(4,193)
Total comprehensive income for the half year	20,018	9,630
	Half Year 31 Dec 2009 Cents	Restated Half Year 31 Dec 2008 Cents
Basic earnings per share	20.3	21.4
Diluted earnings per share	20.3	21.4

The above statement of comprehensive income should be read in conjunction with the following notes and appendices.

McPherson's Limited
Statement of Financial Position
As at 31 December 2009

	31 Dec 2009	Restated 30 Jun 2009
	A\$000's	A\$000's
Current assets		
Cash	2,169	2,281
Receivables / prepayments	68,245	55,782
Inventories	61,615	61,251
Derivative financial instruments	1	18
Total current assets	132,030	119,332
Non-current assets		
Other financial assets	1,599	1,486
Property, plant and equipment	23,363	23,707
Intangibles	188,134	188,505
Deferred tax assets	6,914	9,918
Total non-current assets	220,010	223,616
Total assets	352,040	342,948
Current liabilities		
Payables	48,145	39,242
Borrowings	287	1,394
Provisions	8,810	11,334
Current tax liabilities	2,996	2,663
Derivative financial instruments	3,433	11,481
Total current liabilities	63,671	66,114
Non-current liabilities		
Derivative financial instruments	967	2,090
Borrowings	83,022	105,026
Provisions	1,185	1,211
Deferred tax liabilities	13,677	13,673
Total non-current liabilities	98,851	122,000
Total liabilities	162,522	188,114
Net assets	189,518	154,834

The above statement of financial position should be read in conjunction with the following notes and appendices.

McPherson's Limited
Statement of Financial Position (continued)
As at 31 December 2009

	31 Dec 2009	Restated 30 Jun 2009
	A\$000's	A\$000's
Shareholders' equity		
Share capital	127,186	112,727
Reserves	(5,306)	(11,352)
Retained profits	67,638	53,459
Total shareholders' equity	189,518	154,834

The above statement of financial position should be read in conjunction with the following notes and appendices.

McPherson's Limited
Statement of Changes in Equity
For the period ended 31 December 2009

	Share Capital A\$000's	Reserves A\$000's	Retained Profits A\$000's	Total A\$000's
Balance at 1 July 2009	112,727	(11,906)	54,013	154,834
Adjustment on application of AASB 2008-8, net of tax	-	554	(554)	-
	112,727	(11,352)	53,459	154,834
Profit after income tax for the half year	-	-	14,127	14,127
Cash flow hedges, net of tax	-	6,427	-	6,427
Exchange differences on translation of foreign operations	-	(536)	-	(536)
Total comprehensive income for the half year	-	5,891	14,127	20,018
<i>Transactions with shareholders</i>				
Share based payments expense	-	207	-	207
Share issues - equity raising	15,000	-	-	15,000
Net transaction costs arising on share issues	(541)	-	-	(541)
Transfers	-	(52)	52	-
	14,459	155	52	14,666
Balance at 31 December 2009	127,186	(5,306)	67,638	189,518

The above statement of changes in equity should be read in conjunction with the following notes and appendices.

McPherson's Limited
Statement of Changes in Equity
Prior period comparative
For the period ended 31 December 2009

	Share Capital	Reserves	Retained Profits	Total
	A\$000's	A\$000's	A\$000's	A\$000's
Balance at 1 July 2008	113,024	(1,497)	42,008	153,535
Adjustment on application of AASB 2008-8, net of tax	-	351	(351)	-
	113,024	(1,146)	41,657	153,535
Profit after income tax for the half year	-	-	13,823	13,823
Cash flow hedges, net of tax	-	(7,041)	-	(7,041)
Exchange differences on translation of foreign operations	-	2,848	-	2,848
Total comprehensive income for the half year	-	(4,193)	13,823	9,630
<i>Transactions with shareholders</i>				
Share based payments expense	-	4	-	4
Share buyback – shares purchased	(296)	-	-	(296)
Net transaction costs arising on share buy-back	(1)	-	-	(1)
Dividends paid	-	-	(8,386)	(8,386)
Transfers	-	(918)	918	-
	(297)	(914)	(7,468)	(8,679)
Balance at 31 December 2008	112,727	(6,253)	48,012	154,486

The above statement of changes in equity should be read in conjunction with the following notes and appendices.

McPherson's Limited
Statement of Cash Flow
For the period ended 31 December 2009

	Half Year 31 Dec 2009 A\$000's	Half Year 31 Dec 2008 A\$000's
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	196,167	188,279
Payments to suppliers and employees (inclusive of GST)	(175,773)	(184,262)
Interest received	18	28
Interest and borrowing costs paid	(4,295)	(5,198)
Income tax paid	(5,112)	(3,525)
Net cash inflows/(outflows) from operating activities	11,005	(4,678)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(2,169)	(3,145)
Proceeds from sale of property, plant and equipment	15	51
Payments for purchase of intangibles	(48)	(79)
Net cash outflows from investing activities	(2,202)	(3,173)
Cash flows from financing activities		
Proceeds from issue of shares	15,000	-
Costs from issue of shares	(773)	-
Payments for buyback of shares	-	(296)
Costs from buyback of shares	-	(1)
Proceeds from borrowings	64,000	61,750
Repayment of borrowings	(86,000)	(47,500)
Dividends paid	-	(8,386)
Repayment of finance lease liabilities	(6)	(44)
Net cash (outflows)/inflows from financing activities	(7,779)	5,523
Net increase/(decrease) in cash held	1,024	(2,328)
Cash at beginning of the financial year	897	719
Net effect of exchange rate changes on cash	(28)	103
Net cash/(overdraft) at end of half year	1,893	(1,506)

The above statement of cash flow should read in conjunction with the following notes and appendices.

McPherson's Limited
Notes to the Financial Statements
For the period ended 31 December 2009

Material factors affecting the revenues and expenses of the Group for the current period.

Material factors affecting the revenues and expenses of the Group for the period ended 31 December 2009 and significant trends or events since that date, are included in the attachment to this announcement.

Material factors affecting the assets, liabilities and equity of the Group for the current period.

Significant movements in equity for the period are set out on pages 3 and 6.

Material factors affecting the cash flows of the Group for the current period.

A reconciliation of net cash provided by operating activities to operating profit after income tax is attached as Appendix A to this report.

Changes in accounting policies

The Company detailed its assessment of the impact on Accounting Policies arising from new standards and interpretations applicable from 1 July 2009 in Note 1(z) to the 30 June 2009 Financial Statements, entitled "New accounting standards and interpretations".

On adoption of the standards and interpretations listed in Note 1(z) of the 30 June 2009 Financial Statements, only AASB 2008-8, which amends AASB 139 *Financial Instruments: Recognition and Measurement*, had any impact on the Company's results. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The impact on the results from the application of the amended standard is discussed and quantified on pages 1, 6 and 7 of this Appendix 4D.

Extraordinary items

N/A

McPherson's Limited
Notes to the Financial Statements
For the period ended 31 December 2009

Reconciliation of income tax expense

A reconciliation of prima facie income tax to the actual income tax expense is attached as Appendix B to this report.

Segment note

Information on the business segments of the group is attached as Appendix C to this report and is prepared in accordance with Accounting Standard AASB 8 *Operating Segments*.

Discontinuing operations

N/A

Events occurring after reporting date

N/A

Impairment Testing – Intangibles

The Company has not identified any impairment indicators since the previous assessment of impairment conducted at 30 June 2009 and reported in the financial statements at that date.

McPherson's Limited
Supplementary Appendix 4D information
For the period ended 31 December 2009

Statement of compliance

The financial report complies with Australian Accounting Standards, which includes Australian equivalents to International Financial Reporting Standards (AIFRS).

Compliance with AIFRS ensures the half year report complies with International Financial Reporting Standards (IFRS).

Additional dividend information

Details of dividends declared or paid during or subsequent to the period ended 31 December 2009 are as follows:

A\$000's

Interim 2009/10 ordinary dividend of 10.0 cents per fully paid ordinary share declared by directors (fully franked) but not recognised as a liability at half year.

7,165

Dividend reinvestment plans

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

NTA Backing

	Half Year 31 Dec 2009 cents	Half Year 31 Dec 2008 cents
	_____	_____
Net tangible asset backing per ordinary share	1.9	(54.1)

Control gained over entities during the period

Nil

McPherson's Limited
Supplementary Appendix 4D information
For the period ended 31 December 2009

Loss of control of entities during the period

Nil

Associates and Joint Venture entities

The Group has a 33⅓% shareholding in an associate company, Denward Court Pty Ltd, which is incorporated in Australia and whose principal activity is book binding.

Audit

This report is based on accounts which have been subject to review in accordance with ASRE 2410:
Review of an Interim Financial Report Performed by the Independent Auditor of the entity.

McPherson's Limited

P.R. Bennett
Company Secretary

Signed this 24th day of February 2010.

APPENDIX A

McPherson's Limited Reconciliation of net cash provided by operating activities to operating profit after income tax For the period ended 31 December 2009

	Half Year 31 Dec 2009 A\$000's	Restated Half Year 31 Dec 2008 A\$000's
Operating profit after income tax	14,127	13,823
Amortisation of other intangibles	340	293
Depreciation/other amortisation	2,437	2,481
Profit on disposal of property, plant and equipment	(12)	(9)
Share based payments expense	207	4
Share of profit in associate not received as dividends or distributions	(113)	(185)
Time value in option hedging contracts	28	(502)
Finance charges included in lease payments	1	-
Operating assets and liabilities, excluding the effects from purchase or sale of controlled entities:		
Increase/(decrease) in payables	8,627	5,747
Increase/(decrease) in other provisions	(1,842)	(2,252)
Increase/(decrease) in employee entitlements	(654)	33
Increase/(decrease) in tax payable	833	2,013
(Increase)/decrease in receivables	(12,557)	(16,174)
(Increase)/decrease in inventories	(417)	(9,950)
Net cash inflows/(outflows) from operating activities	11,005	(4,678)

APPENDIX B

McPherson's Limited Reconciliation of prima facie income tax to actual income tax expense For the period ended 31 December 2009

	Half Year 31 Dec 2009 A\$000's	Restated Half Year 31 Dec 2008 A\$000's
Operating profit before tax	20,072	19,326
Prima facie income tax at 30%	6,022	5,798
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net profit of associate	(34)	(55)
Share based payments expense	62	1
Tax rate differences in overseas entities	(128)	(120)
Under provision in prior years	33	5
Net benefit of tax losses not previously recognised	-	(135)
Other	(10)	9
Income tax expense	5,945	5,503
Current tax	5,452	5,259
Deferred tax	460	239
Under provision in prior years	33	5
Income tax expense	5,945	5,503
Deferred income tax expense included in tax expense comprises:		
Decrease in deferred tax assets	438	160
Increase in deferred tax liabilities	22	79
	460	239

APPENDIX C

McPherson's Limited Segment Report For the period ended 31 December 2009

	Consumer Products A\$000's	Printing A\$000's	Inter-segment Eliminations/ Unallocated A\$000's	Consolidated A\$000's
2009 Segment Information				
Sales to external customers	157,695	32,401	-	190,096
Inter-segment sales	-	45	(45)	-
Total sales revenue	157,695	32,446	(45)	190,096
Other revenue/income	326	524	2	852
Share of net profit of associate	-	113	-	113
Total segment revenue, other income and share of net profit of associate	158,021	33,083	(43)	191,061
Profit before interest, tax, depreciation and amortisation	26,100	2,955	(1,982)	27,073
Depreciation and amortisation expense	(1,317)	(1,458)	(2)	(2,777)
Profit before interest and tax	24,783	1,497	(1,984)	24,296
Net borrowing costs				(4,224)
Profit before income tax				20,072
Income tax expense				(5,945)
Profit after income tax				14,127

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

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

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

Consumer Products:

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

Printing:

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

APPENDIX C
McPherson's Limited
Segment Report – Prior Period Comparative
For the period ended 31 December 2009

	Consumer Products A\$000's	Printing A\$000's	Inter-segment Eliminations/ Unallocated A\$000's	Consolidated A\$000's
2008 Segment Information (Restated)				
Sales to external customers	151,561	35,220	-	186,781
Inter-segment sales	-	44	(44)	-
Total sales revenue	151,561	35,264	(44)	186,781
Other revenue/income	385	628	9	1,022
Share of net profit of associate	-	185	-	185
Total segment revenue, other income and share of net profit of associate	151,946	36,077	(35)	187,988
Profit before interest, tax, depreciation and amortisation	25,748	3,237	(1,712)	27,273
Depreciation and amortisation expense	(1,205)	(1,559)	(10)	(2,774)
Profit before interest and tax	24,543	1,678	(1,722)	24,499
Net borrowing costs				(5,173)
Profit before income tax				19,326
Income tax expense				(5,503)
Profit after income tax				13,823

McPherson's Limited and Controlled Entities Directors' Report

The Board of Directors issues the following report on the consolidated financial statements of the Group for the half-year ended 31 December 2009 and the state of affairs at that date.

(a) Directors

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

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

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

(b) Review of operations

Refer separate commentary which forms part of this report.

(c) Dividends

Directors have recommended that an interim dividend of 10.0 ¢ per share be paid.

(d) 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.

(e) Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

Signed in accordance with a resolution of the directors.

Dated at Melbourne this 24th day of February 2010.

S.A. Rowell
Director

Auditor's Independence Declaration

As lead auditor for the review of McPherson's Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Graeme Billings
Partner
PricewaterhouseCoopers

Melbourne
24 February 2010

**McPherson's Limited and Controlled Entities
Directors' Declaration**

I, Simon A. Rowell being a director of McPherson's Limited, declare that in the opinion of the directors:

- (a)** the financial statements set out in the Half-Yearly Report:
 - (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 consolidated entity's financial position at 31 December 2009 and of their performance for the half-year ended on that date;
- (b)** there are reasonable grounds to believe that McPherson's Limited will be able to pay its debts as and when they become due and payable.

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

Dated at Melbourne this 24th day of February 2010.

S.A. Rowell
Director

Independent auditor's review report to the members of McPherson's Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of McPherson's Limited, which comprise the statement of financial position as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the McPherson's Limited Group (the consolidated entity). The consolidated entity comprises both McPherson's Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of McPherson's Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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

**Independent auditor's review report to the members of
McPherson's Limited (continued)**

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of McPherson's Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PricewaterhouseCoopers

Graeme Billings
Partner

Melbourne
24 February 2010