MERCURY BRANDS LIMITED
ABN 58 059 040 041
AND CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

PRELIMINARY FINAL REPORT

For the Financial Year Ended 30 June 2009
(Previous Corresponding Period 30 June 2008)

Results for announcement to the market
Year Ended 30th June 2009

				$ A'000
Revenues from ordinary activities *(item 2.1)*	down	34.1%	to	$28,290
Profit (loss) from ordinary activities after tax attributable to members (*item 2.2*)	down	44.9%	to	($11,369)
Net profit (loss) for the period attributable to members *(item 2.3)*	down	44.9%	to	($11,369)
Earnings Per Share (Basic & Diluted) (cents per share)				(16.9)

Dividends *(item 2.4)*

The directors have not paid or proposed any dividend in respect to the current financial year or prior financial year.

Net tangible assets per security

As at 30 June 2009	(6 cents)
As at 30 June 2008	1 cent

Brief explanation of any of the figures reported above necessary to enable the figures to be understood *(item2.6):*

See commentary attached. The attached financial statements and Directors' declaration are in the process of being audited by the independent statutory Auditors of Mercury Brands Limited.

Condensed Consolidated Income Statement

For the Financial Year Ended 30 June 2009

	Note	Consolidated 30 June 2009 $'000	Consolidated 30 June 2008 $'000
Revenue		28,290	42,958
Expenses			
Purchases		(21,475)	(26,516)
Changes in inventories of finished goods and stock in transit		(1,547)	(2,691)
Employee benefits expense		(7,194)	(9,979)
Depreciation and amortisation		(351)	(376)
Accommodation and travel		(432)	(917)
Advertising		(590)	(1,032)
Freight and cartage		(834)	(1,388)
Legal and consulting costs		(597)	(864)
Rent		(1,000)	(893)
Samples		(693)	(459)
Finance and borrowing costs		(245)	(1,516)
Impairment of non-current assets		(758)	(799)
Other expenses		(2,929)	(2,836)
Loss Before Income Tax Expense		(10,355)	(7,308)
Income tax (expense)/income		(1,014)	(540)
Loss for the Year		(11,369)	(7,848)
Loss Attributable to Members of the Parent Entity		(11,369)	(7,848)
Basic earnings per share (cents per share)	3	(16.9)	(12.7)
Diluted earnings per share (cents per share)	3	(16.9)	(12.7)

The accompanying notes form part of these financial statements.

Condensed Consolidated Balance Sheet

As At 30 June 2009

	Note	Consolidated 30 June 2009 $'000	Consolidated 30 June 2008 $'000
Current Assets			
Cash and cash equivalents		239	744
Receivables		3,398	6,660
Inventories		2,008	3,556
Other assets		513	1,025
Total Current Assets		6,158	11,985
Non-Current Assets			
Plant and equipment		638	1,302
Other intangible assets		75	360
Deferred tax assets		-	1,014
Total Non-Current Assets		713	2,676
Total Assets		6,871	14,661
Current Liabilities			
Payables		6,643	3,417
Borrowings		8,489	8,818
Other financial liabilities		-	672
Provisions		877	616
Total Current Liabilities		16,009	13,523
Non-Current Liabilities			
Provisions		103	161
Total Non-Current Liabilities		103	161
Total Liabilities		16,112	13,684
Net Assets		(9,241)	977
Equity			
Issued capital	2	10,497	9,372
Reserves		8	(18)
Accumulated losses		(19,746)	(8,377)
Total Equity		(9,241)	977

The accompanying notes form part of these financial statements.

Condensed Consolidated
Statement of Changes in Equity

For the Financial Year Ended 30 June 2009

	Consolidated	
	30 June 2009 $'000	30 June 2008 $'000
Accumulated Losses		
Accumulated losses at the beginning of the year	(8,377)	(529)
Net loss attributable to members of the parent entity	(11,369)	(7,848)
Dividends paid	-	-
Accumulated losses at the end of the year	(19,746)	(8,377)
Issued Capital		
Issued capital at the beginning of the year	9,372	9,372
Issue of share capital	1,125	-
Issued capital at the end of the year	10,497	9,372
Reserves		
Reserves at the beginning of the year	(18)	(5)
Movements in reserves:		
Foreign currency translation	10	(115)
Equity component of convertible note	-	102
Share Premium Reserve	10	-
Equity Settled Employee Benefits Reserve	6	-
Reserves at the end of the year	8	(18)
Total recognised income and expense for the year		
Loss for the year	(11,369)	(7,848)
Net income/(expense) recognised directly in equity:		
Foreign currency translation	10	(115)
Share Premium Reserve	10	-
Equity Settled Employee Benefits Reserve	6	-
Equity component of convertible note	-	102
Total income and expense for the period attributable to members of the parent	(11,343)	(7,861)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows

For the Financial Year Ended 30 June 2009

	Consolidated	
	30 June 2009 $'000	30 June 2008 $'000
Cash Flows from Operating Activities		
Receipts from customers	34,784	49,259
Payments to suppliers and employees	(34,730)	(51,136)
Borrowing costs	(245)	(455)
Income tax (paid)/refunded	-	-
Net cash provided by/(used in) operating activities	(191)	(2,332)
Cash Flows from Investing Activities		
Receipts from sale of plant and equipment	27	32
Interest received	24	52
Payment for plant and equipment	(166)	(519)
Net cash used in investing activities	(115)	(435)
Cash Flows from Financing Activities		
Repayment of borrowings	(329)	(2,858)
Proceeds from Convertible Note	-	6,000
Proceeds from capital raising	730	-
Repayment of Convertible Note	-	(400)
Payment of Convertible Note Transaction Fees	(600)	-
Net cash provided by/(used in) financing activities	(199)	2,742
Net increase/(decrease) in cash and cash equivalent	(505)	(25)
Cash and cash equivalents at the beginning of the financial year	744	769
Cash & cash equivalents at the end of the financial year	239	744

The accompanying notes form part of these financial statements.

1. Significant Accounting Policies

Statement of Compliance

This preliminary final report has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the Consolidated Financial Statements and Notes of the Consolidated Entity comply with International Financial Reporting Standards ('IFRS').

This preliminary final report contains the consolidated financial statements of Mercury Brands Limited and the entities it controlled at the end of, or during the year ended 30 June 2009.

Basis of Preparation

The condensed Consolidated Financial Statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations have not resulted in changes to the consolidated entity's policies

Significant Accounting Policies

The accounting policies and methods of computation in the preparation of this preliminary Final Report are consistent with those adopted and disclosed in the 2008 Annual Financial Report.

Going Concern

This preliminary final report has been prepared on the basis that Mercury Brands Limited is a going concern, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Mercury Brands Limited incurred a loss after tax of $11,369 thousand for the year ended 30 June 2009, has accumulated losses of $19,746 thousand, is net asset deficient by $9,241 thousand as at 30 June 2009 and has breached loan covenants attached to its finance facility.

Notwithstanding the above, the Directors believe the going concern basis of preparation to be appropriate given the following reasons:

- *Capital Injection* – Mercury Brands is in negotiations with Biron Capital Pty Ltd to arrange a placement of 175 million shares and 52 million options for total consideration of $2,100 thousand. On the 24 August Biron Capital provided Mercury Brands copies of the letter of credit and bank guarantee documentation they have provided to their bankers which underwrites their proposed investment in Mercury Brands. This documentation is currently under review and pending a decision. Mercury Brands are confident the placement will succeed on the basis of an experts report which concluded that the offer was fair and reasonable.

In addition to the above, Mercury Brands are seeking to place $255 thousand of equity. This placement does not exceed that 15% rule pursuant to Chapter 7 of the ASX listing rule for new issues. Discussions are currently in place with two investors who have expressed an interest in the placement or participating in a larger funding arrangement for equity and debt.

Mercury Brands will at the AGM or EGM ratify all share placements.

- *Banking arrangements* - the Mercury Brands banking arrangements have been reviewed. A letter of offer was received from Affiniti Capital Pty Ltd on 12 June 2009 for a receivables finance facility with a limit of $3.5 million. Mercury Brands has satisfied the conditions precedent within, except one which is to achieve an additional injection of $1,000 thousand of equity. This condition will be satisfied following the completion of the "Capital Injection" transaction with the Biron Capital Pty Ltd. Management expect to raise approximately $2,100 thousand from this facility as at 28 August 2009 and settle a facility with the current financiers for approximately $2,000 thousand. The Directors are currently working with Affiniti Capital Pty Ltd to finalise this facility.

- *Operations* - Mercury Brands has undergone a significant reform program over the past 12 months and restructured the operating business to improve efficiency and reduce costs in real terms. The Company continues to review its growth strategy and cost base in light of the changing economic conditions. The Directors expect the reform program to give rise to growth in revenue from existing and new clients, without a proportionate increase in the cost base, over the next twelve months.

- *Cash flow forecasts* - Management has prepared, and the Directors have adopted, cash flow forecasts which indicate that, on the basis of the reform program continuing to be implemented, the capital issue and new banking arrangements being finalised as detailed above, that the company will have sufficient funds to be able to pay its debts as and when they fall due for a period of not less than twelve months. Unaudited management accounts to date indicate that the companies operating in line with these forecasts.

- *Convertible notes* – Mercury Brands has on issue 6,000 thousand convertible notes with a face-value of $6,000 thousand. Following completion of the *Capital Injection* and changes in *Banking Arrangements* outline above, the note holders have agreed to allow for the full extinguishment of the convertible notes for a consideration of payment of $575 thousand and the issue of options to the equivalent of 15% of the ordinary voting equity at a strike price of 2 cents per option.

Having assessed the uncertainties relating to the matters noted above the Directors believe that the Group will continue as a going concern. However, in the event that any or all of the matters outlined above do not eventuate as expected, there is material uncertainty in relation to Mercury Brands continuing as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should Mercury Brands not continue as a going concern.

2. Issued Capital

	Consolidated	
	30 June 2009 $'000	30 June 2008 $'000
Issued Capital		
154,194,204 fully paid ordinary shares (2008: 62,182,019)	10,497	9,372
	10,497	9,372

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2009		2008	
	Number of shares	$'000	Number of shares	$'000
Movement in fully paid ordinary shares				
Balance at beginning of financial year	62,182,019	9,372	62,182,019	9,372
Issue of shares	92,012,185	1,125	-	-
Balance at end of financial year	154,194,204	10,497	62,182,019	9,372

3. Earnings Per Share

	Consolidated	
	30 June 2009	30 June 2008
Basic earnings per share	(16.9)	(12.7)
Diluted earnings per share	(16.9)	(12.7)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	30 June 2009 $000	30 June 2008 $000
Net loss	(11,369)	(7,848)
Adjustments	-	-
Earnings used in calculating basic earnings per share	(11,369)	(7,848)
Weighted average number of ordinary shares for the purpose of basic earnings per share	67,132,963	62,182,019

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	30 June 2009 $000	30 June 2008 $000
Net loss	(11,369)	(7,848)
Adjustments	-	-
Earnings used in calculating diluted earnings per share	(11,369)	(7,848)
Weighted average number of ordinary shares for the purpose of diluted earnings per share	67,132,963	62,182,019

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

	Consolidated	
	30 June 2009 No. '000	30 June 2008 No. '000
Convertible notes	12,444	12,444
Options	11,800	-
	24,244	12,444

4. Dividends

The directors have not paid or proposed any dividend in respect to the current financial year or prior financial year.

5. Segment Information

Business and geographical segments

The group operates in one business and one geographical segment. The group is a wholesaler and distributor operating predominantly in Australia.

6. Business Combinations

On 11 August 2008 the consolidated entity acquired the business assets of The Factoree Pty Ltd, a distributor and retailer of lifestyle fashion brands. The consolidated entity took control of this business on 11 August 2008.

The acquired business contributed revenues of $934 thousand and a net loss of $166 thousand to the Group for the period from 11 August 2008 to 30 June 2009. If the acquisition had occurred on 1 July 2008, consolidated revenue and the consolidated loss for the year ended 30 June 2009 would have been $28,350 thousand and $11,379 thousand respectively. The directors of the consolidated entity consider these pro-forma numbers to represent an approximate measure of the performance of the combined group for the period and to provide a reference point for comparison in future periods.

The purchase consideration and fair value of the identifiable net assets and liabilities on acquisition are as follows which:

	$'000
Purchase consideration	
Cash paid	215
Deferred consideration (i)	-
Total purchase consideration	215
Fair value of net identifiable assets acquired (refer below)	215
Goodwill	-

The assets arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Inventories	120	120
Plant & equipment	9	-
Distribution rights	-	95
Net identifiable assets acquired	129	215

(i) In the event that certain sales volumes are achieved by "The Factoree", additional consideration of up to $350,000 may be payable in cash. At the date of this financial report no additional payments are anticipated. If it becomes probable that additional consideration will be payable it will be brought to account as a component of goodwill arising on the acquisition when the amounts can be reliably measured.

7. Contingent Liabilities

Additional deferred consideration of up to $350,000 is respect of the acquisition of a business may be payable in cash in the circumstances detailed in note 6.

Apart from this deferred consideration there has been no change in contingent liabilities since the last annual reporting date.

8. Subsequent Events

There has been no matter or circumstance, which has arisen since 30th June 2009 that has significantly affected or may significantly affect:

a) the operations, in financial years subsequent to 30th June 2009, of the consolidated entity, or

b) the results of those operations, or

c) the state of affairs, in financial years subsequent to 30th June 2009, of the consolidated entity.

9. Information on Audit

This preliminary Final Report is based on amounts that are in the process of being audited.

10. Annual General Meeting

The Annual General Meeting will be held in November 2009 with further details to be advised in due course.

11. Compliance Statement

1. This Report has been prepared in accordance with AASB Accounting Standards and Interpretations.
2. This Report, and the accounts upon which the report is based, use the same accounting policies.
3. This Report does give a true and fair view of the matters disclosed.
4. This Report is in accordance with the Corporations Act 2001.
5. This Report is based on accounts which are in the process of being audited.
6. The Entity has a formally constituted Audit Committee.

Justyn Stedwell
Company Secretary
On behalf of the Board of Directors