MERCHANT HOUSE INTERNATIONAL LIMITED
ARBN 065 681 138

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17 July 2009

ASX LIMITED

Dear Sir / Madam

The directors of Merchant House International Limited wish to confirm that the 2009 Annual Report, together with the notice of meeting, explanatory memorandum and proxy form have been dispatched to all shareholders.

Yours faithfully
MERCHANT HOUSE
INTERNATIONAL LIMITED

DAVID MCARTHUR
Company Secretary

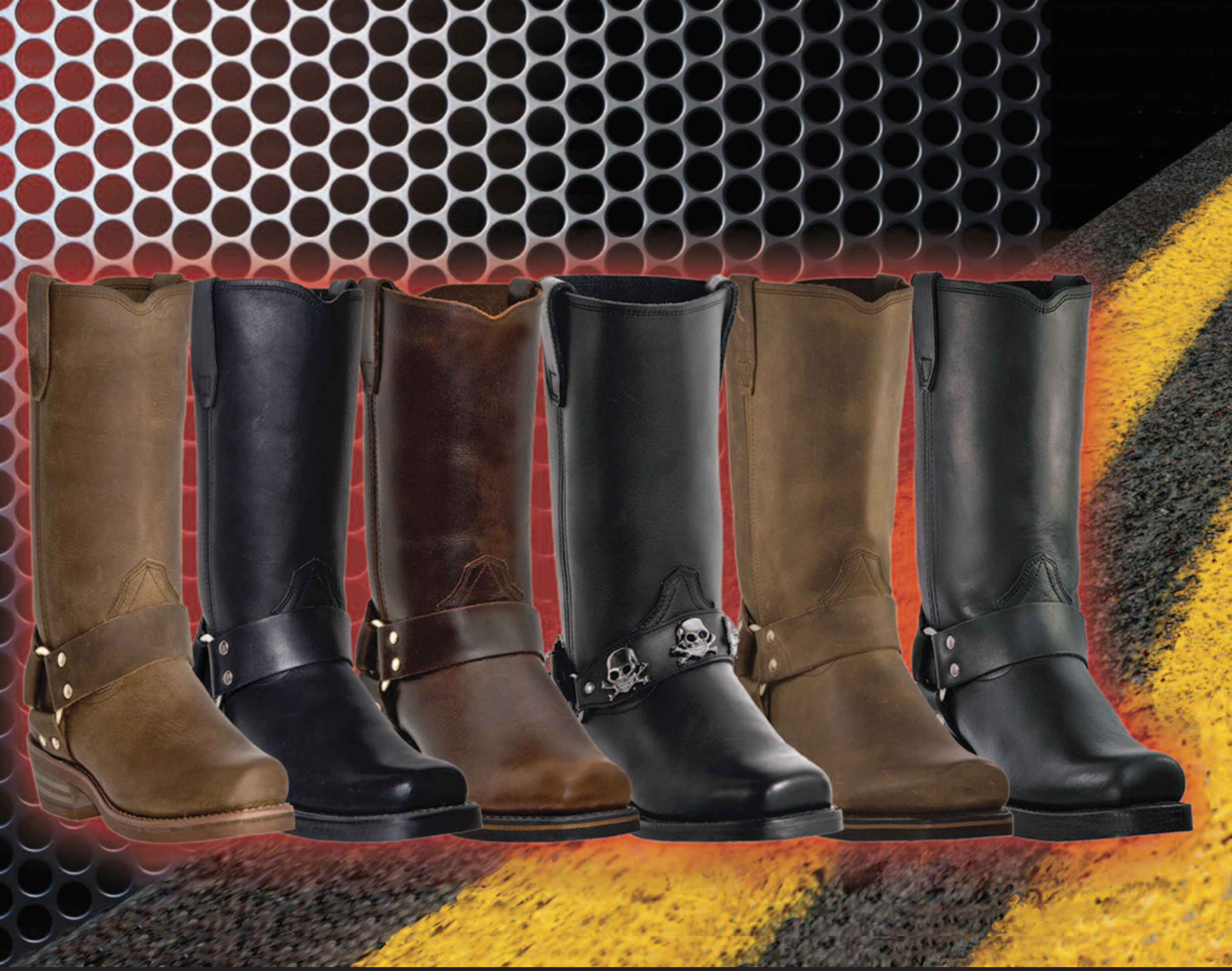
MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

2009

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009



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MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

2009

ANNUAL FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

COMPANY DETAILS

DIRECTORS:	Loretta Lee - Chairperson Christina Lee Peggy Liao Clifford Einstein Ian Burton Wu Xiao Lan David Bell
SECRETARY:	David McArthur
REGISTERED OFFICE:	Level 2, 45 Stirling Highway Nedlands, Western Australia Telephone: (61 8) 9389 8799 Facsimile: (61 8) 9389 8327
PRINCIPAL PLACE OF BUSINESS:	1807-1812 Ming Pao Industrial Centre Block B, 18 Ka Yip Street Chai Wan, Hong Kong
AUDITOR:	Deloitte Touche Tohmatsu Level 14, Woodside Plaza 240 St Georges Terrace Perth, Western Australia
ASX HOME BRANCH:	Australian Securities Exchange Limited 2 The Esplanade Perth, Western Australia
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace Perth, Western Australia Telephone: (61 8) 9323 2000 Facsimile: (61 8) 9323 2033
SOLICITOR:	Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth, Western Australia
COUNTRY OF INCORPORATION:	Bermuda

CHAIRPERSON'S REPORT

Dear Shareholder

The Chinese Government has attempted to offset the effects of the world-wide financial turmoil through an economic stimulus programme that is larger than any other country's except USA. However domestic investment and consumption have not been able to compensate for the drop in exports which have fallen by 17% - 20% in the first quarter of 2009.

Despite all the difficulties with which we have been faced we are pleased to report that our performance for the year has been satisfactory. Our total sales (in US Dollar) increased 13% compared with last year and slightly exceeded our forecast. However our profit (in US Dollar) was down by 18% and missed our target by 16%. This was due to losses from fluctuations in the exchange rate between the US $ and Chinese RMB; decisions by our customers to cut orders without prior notice; and customers' claims for contributions to compensate them for losses through price mark downs.

In the next financial year, we anticipate that our sales will decrease slightly, mainly because of the continuing depressed state of the US market. However we have found some encouraging signs in the present situation. The Chinese Government has increased the VAT rebate to exporters to 16%, up from its lowest level of 11%. Also the current political relationship between Washington and Beijing suggests that the exchange rate for the US$ and RMB will remain stable.

The main focus of our management during 2009 will be on expanding our product line and up-grading the quality of our production. In order to achieve these goals we have recruited new executives for both marketing and manufacturing. We have also made a major investment in the purchase of new machinery which will increase our efficiency as well as enhance our cost saving programme.

The Board of Directors has decided to distribute A$0.005 as a final dividend for 2008/2009.

I am grateful to our staff and all the workers in our factories who have demonstrated a spirit of determination and dedication to overcome the difficulties of the present market situation.

LORETTA LEE

Chairperson

CORPORATE HISTORY

The Merchant House International Group has more than twenty-seven years experience in sourcing, producing and selling consumer products with an emphasis on footwear, home textiles, seasonal decorations and gifts. The Group's main export market is the United States of America, although merchandise is also sold to buyers in Australia, Canada and the United Kingdom. Customers in the United States of America (USA) include major importers as well as many of the leading retailers.

Ms Loretta Lee, the founder of the Group, began her business activities in 1978. She is continuing to successfully apply her philosophies and strategies for expansion to Merchant House International Limited.

PHILOSOPHY

The Group's business strategies are based on the following principles:

- Development of specific, concisely defined product niches. The Group concentrates on merchandise which is not subject to time or fashion obsolescence.
- Diversification and expansion of the product range of each division to complement the core business. The Group is divided into two major operating divisions; footwear and home textiles.

CORPORATE STRUCTURE

Merchant House International Limited is incorporated in Bermuda. This allows Merchant House International Limited to be an attractive investment no matter where the investors reside and ensures that investors will only pay tax in accordance with the requirements of their own country of residence. Merchant House International Limited is listed on the Australian Securities Exchange but its Head Office is situated in its own premises in Hong Kong.

FOOTWEAR

The Footwear Division was established in 1980. Our main products are casual and industrial men's leather boots and shoes. In 2003 we diversified into American-style western boots. The Division has entered into joint ventures with two shoe factories and, in recent years, has added production lines to increase capacity to over five million pairs of shoes per year.

The Group manufactures footwear in the Tianjin area, close to Beijing. This focus allows us to reduce travelling costs and to centralise control of the operations. A liaison office was opened in Tianjin in 1991 to improve communication with the factories, as well as providing quality control services and technical support

We have supplied work shoes to the USA for almost 30 years. We are established suppliers to major discount retail chains like Wal-Mart, Kmart and Sears on a direct basis. In 2007, we were awarded Wal-Mart's "Supplier of the Year" Award for the work shoes category. In addition, we also make safety, non-safety outdoor shoes for a variety of nationally recognised brands.

The Tianxing Kesheng factory is licensed to supply Australian Standards approved safety footwear. Since 1996 we have been the main supplier of footwear to Yakka Pty Ltd. The Yakka range includes safety and non-safety styles and is widely available in Australia and New Zealand under the Hard Yakka brand. We also manufacture industrial footwear on behalf of a number of other distributors in Australia under Original Equipment Manufacturer (OEM) agreements.

HOME TEXTILES

Trading in textiles was the first of the Group's ventures and began in 1978. As a result of switching the focus from trading to manufacturing, the Group now manufactures products ranging from kitchen towel sets to tabletop items to decorative pillows. The Group built the Carsan textile factory in Shunde, China and it has been in full operation since April 2002, providing the Group with a stable base for its production. So far the marketing efforts have been concentrated on the USA; however a broader international customer base is being developed.

In 2003 the decorations and gifts business was merged with kitchen textiles into the Home Textiles Division. The Group now makes most of the orders for decorations and gifts at the Carsan factory in Shunde, China. The home décor collections include seasonal ornaments, tabletop, wall and outdoor decorations for Christmas, Harvest, Halloween, Spring and Easter.

The Group's philosophy is to participate actively in all stages of product development and to co-ordinate and control international marketing.

The Board of directors of Merchant House International Limited has adopted the following set of principles for the corporate governance of the Company. These principles establish the framework of how the Board carries out its duties and obligations on behalf of the shareholders.

ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have complied with the ASX Corporate Governance Principles and Recommendations in the reporting period. These recommendations are guidelines designed to produce an efficiency, quality or integrity outcome. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to follow it. Where a company has not followed all the recommendations, the annual report must identify which recommendations have not been followed and give reasons for not following them.

Details have been included at the end of this statement setting out the ASX Corporate Governance Principles and Recommendations with which the Company has not complied in the reporting period.

Details of the Company's corporate governance practices in the relevant reporting period are set out below.

BOARD OF DIRECTORS

Role of the Board

The primary responsibilities of the Board are set out in a written policy and include:

- the establishment of the long term goals of the Company and strategic plans to achieve those goals;
- monitoring the achievement of these goals;
- the review of management accounts and reports to monitor the progress of the Company;
- the review and adoption of budgets for the financial performance of the Company and monitoring the results on a regular basis to assess performance;
- the review and approval of the annual and half-year financial reports;
- nominating and monitoring the external auditor;
- approving all significant business transactions;
- appointing and monitoring senior management;
- all remuneration development and succession issues; and
- ensuring that the Company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.

The Board evaluates this policy on an ongoing basis.

Board composition

The Directors' Report contains details of the directors' skill, experience and education. The Board seeks to establish a Board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence. To maintain this, the Company's policy is that executive directors should serve at least 3 years. At the completion of the first 3 years, the position of the director is reviewed to ascertain if circumstances warrant a further term.

The Board comprises an executive Chairperson, one non-executive director and five non-executive independent directors. The one executive director is responsible for the corporate requirements of the Company and also assist with the promotion and expansion of Merchant House International Limited. Details of the directors are set out in the Directors' Report.

The Board's composition of seven directors is considered an appropriate size for the Company at its present stage of development and given the breadth of its membership, most issues can be decided at Board level without the need for separate committees. The Board is primarily responsible for identifying potential new directors, should the need arise, but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. The selection of directors must be approved by the majority of shareholders.

Retirement and re-election of directors

The Constitution of the Company requires one third of directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Retiring directors are eligible for re-election by shareholders.

Independence of directors

The Board has reviewed the position and association of each of the seven directors in office at the date of this report and considers that five of the directors are independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Corporate Governance Principles and Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate.

The Board considers an independent director to be a non-executive director who meets the criteria for independence included in the ASX Corporate Governance Principles and Recommendations. The Board considers that Ms Christina Lee, Ms Peggy Liao, Mr David Bell, Mr Clifford Einstein and Ms Wu Xiao Lan meet these criteria. They have no material business or contractual relationship with the Company, other than as a director, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, they are considered to be independent.

Independent professional advice

With the prior approval of the Chairperson, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Board performance review

The performance of all directors is assessed through review by the Board as a whole of a director's attendance at and involvement in Board meetings, their performance and other matters identified by the Board or other directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a director's performance.

The Company has not conducted a performance evaluation of the members of the Board during the reporting period, however the Board conducts a review of the performance of the Company as a whole twice a year at Board meetings.

Director remuneration

Details of the director's remuneration are disclosed in note 30 of the financial accounts.

Executive directors may be remunerated by both fixed remuneration and equity performance based remuneration and no termination payments will be agreed other than a reasonable period of notice of termination as detailed in the executive's employment contract.

MANAGING BUSINESS RISK

The Company maintains policies and practices designed to identify and manage significant business risks, including:

- regular budgeting and financial reporting;
- procedures and controls to manage financial exposures and operational risks;
- the Company's business plan;
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans; and
- insurance and risk management programmes which are reviewed by the Board.

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Company's risk profile is reviewed annually. The Board may consult with the Company's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board receives regular reports about the financial condition and operating results of the consolidated group. The Chairperson and Chief Financial Officer annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- the Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Company's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

Internal controls

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the executive directors perform the following procedures:

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with Board requirements; and
- conduct a detailed review of published accounts.

AUDIT COMMITTEE

Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held throughout the year between the Company Secretary, Mr David McArthur, the board and/or board members as appropriate and the Company's auditors to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

The Board has not formalised any procedures for the selection, appointment or rotation of its external auditor but reviews this matter on an ongoing basis and implements changes as required.

REMUNERATION AND NOMINATION COMMITTEE

Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held throughout the year between the Company Secretary, Mr David McArthur, the board and/or board members as appropriate to discuss any proposed changes prior to their implementation and to seek advice in relation there to.

ETHICAL STANDARDS

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct which establishes the standards of behaviour required of directors and employees in the conduct of the Company's affairs. This Code is provided to all directors and employees. The Board monitors implementation of this Code. Unethical behaviour is to be reported to the Company's Managing Director as soon as practicable.

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the Group's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

TRADING IN THE COMPANY'S SECURITIES BY DIRECTORS AND EMPLOYEES

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Under the policy, directors are prohibited from short term or "active" trading in the Company's securities and directors and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information. The Company Secretary must also be notified of any proposed transaction.

This policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

CONTINUOUS DISCLOSURE

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Company's securities.

The continuous disclosure policy aims to ensure timely compliance with the Company's continuous disclosure obligations under the ASX Listing Rules and ensure officers and employees of the Company understand these obligations.

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairperson, who in consultation with the Board (where practicable) and any other appropriate personnel, will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12-month period, the Board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

SHAREHOLDERS

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders as follows:

- as the Company is a disclosing entity, regular announcements are made to the Australian Stock Exchange in accordance with the Company's continuous disclosure policy, including half-year reviewed financial report and year end audited annual report;
- the Board ensures the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments;
- shareholders are advised in writing of key issues affecting the Company by effective use of the Company's share registry;
- any proposed major changes in the Company's affairs are submitted to a vote of shareholders;
- the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Company's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Company; and
- the external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the Auditor's Report.

The Board reviews this policy and compliance with it on an ongoing basis.

ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

Pursuant to the ASX Listing Rules, the Company advises that based upon the information set out above, it does comply with the following Corporate Governance Principles and Recommendations, issued by the ASX Corporate Governance Council.

Recommendation 1.1:

Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Board has adopted a statement of its primary responsibilities as set out above, which reflects the policies that were in place during the reporting year.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives

The Company has provided details for evaluating the performance of senior executives.

Recommendation 1.3:

Companies should provide the information indicated in the Guide to reporting on Principle 1

The Company has provided details of the Board roles and responsibilities.

Recommendation 2.1:

A majority of the board should be independent directors.

Five of the seven directors are independent.

The Board has adopted procedures intended to ensure that independent decision making occurs. As set out above, all directors are entitled to seek independent professional advice in carrying out their duties. Further, in accordance with the Company's policies, each member of the Board is required to keep the Board advised of any potential conflict of interest with the Company and must absent themselves from any Board discussion and not vote if a conflict does exist. Board effectiveness is also achieved through appointing directors with knowledge and experience specific to the Company's business and operations.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Company has disclosed the process for evaluating the performance of the board in the Directors report.

Recommendation 2.6:

Companies should provide the information indicated in the "Guide to reporting on Principle 2".

The Company has complied with the disclosure requirements contained in the Guide to reporting on Principle 2.

Recommendation 3.1:

Companies should establish a code of conduct and disclose the code or a summary of the code as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity

3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders

3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has adopted a Code of Conduct setting standards of behaviour and compliance with obligations to stakeholders, which reflects policies in place during the reporting year.

Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy

The Company has adopted a trading policy.

Recommendation 3.3:

Companies should provide the information indicated in the "Guide to Reporting on Principle 3".

The Company has made available a summary of its Code of Conduct and trading policy in this statement, but has not otherwise made this information publicly available

Recommendation 5.1:

Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has adopted a continuous disclosure policy, which reflects policies that were in place during the reporting year.

Recommendation 5.2:

Companies should provide the information indicated in "Guide to Reporting on Principle 5".

The Company has provided a summary of its continuous disclosure policy in this statement.

Recommendation 6.1:

Companies should design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company has adopted a communications policy, which reflects policies that were in place during the reporting year.

Recommendation 6.2:

Companies should provide the information indicated in the "Guide to reporting on Principle 6:.

The Company has provided a summary of its communication with shareholders in this statement.

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board has established policies on risk oversight and management.

Recommendation 7.2:

The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Company complies with this requirement.

Recommendation 7.4:

Companies should provide the information indicated in the "Guide to Reporting on Principle 7".

The Company has provided relevant information in this statement upon recognising and managing risk.

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The distinction between non-executive and executive remuneration is detailed above.

Recommendation 8.3:

Provide the information indicated in "Guide to reporting on Principle 8".

One of the matters to be included in the corporate governance section of the annual report pursuant to the Guide to reporting on Principle 8 is *"there is a clear relationship between performance and remuneration, and that the policy underlying executive remuneration be understood by investors".*

These are included in the director's report.

Pursuant to the ASX Listing Rules, the Company advises that it does not comply with the following Corporate Governance Principles and Recommendations, issued by the ASX Corporate Governance Council. Reasons for the Company's non-compliance are detailed below.

Recommendation 2.2

The Chair should be an independent director.

Recommendation 2.3

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

The Chairperson of Merchant House International Limited is Ms Loretta Lee. Ms Lee founded the Merchant House International Group, and has held the role of Chairperson since the Company's inception. Ms Lee is an integral part of the Company and also a major shareholder and due to her detailed knowledge of the business and the specialised skills that she brings to the Company, it is not practical for her role as Chairperson to be carried out by an independent director, nor for the roles of Chairperson and Chief Executive Officer to be carried out by different people.

Recommendation 2.4:

The board should establish a nomination committee.

The functions to be performed by a nomination committee under the ASX Corporate Governance Principles and Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 4.1:

The board should establish an audit committee.

Recommendation 4.2:

The audit committee should be structured so that it:

4.2.1 consists only of non-executive directors

4.2.2 consists of a majority of independent directors

4.2.3 is chaired by an independent chair, who is not chair of the board

4.2.4 has at least 3 members.

Recommendation 4.3:

The audit committee should have a formal charter.

Recommendation 4.4:

Companies should provide the information indicated in the "Guide to reporting on principle 4"

The functions to be performed by an audit committee under the ASX Corporate Governance Principles and Recommendations are currently being performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held between senior management and the auditors throughout the year to discuss the Company's ongoing activities and to discuss and proposed changes prior to their implementation and to seek advice in relation thereto. In doing so, the Board also adheres to the Company's Code of Conduct and procedures to ensure independent judgement in decision making, as set out in relation to ASX Corporate Governance Principles and Recommendation 2.1. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 7.3:

The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company is not required to comply with the Corporations Act 2001 as it is a foreign company registered in Bermuda.

Recommendation 8.1:

The board should establish a remuneration committee.

The functions to be performed by a remuneration committee under the ASX Corporate Governance Principles and Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

The directors of Merchant House International Limited submit herewith the annual financial report of the Company and its subsidiaries for the financial year ended 31 March 2009. The directors report as follows:

INFORMATION ABOUT THE DIRECTORS

The names and particulars of the directors of the company during or since the end of the financial year are:

Ms Loretta B H Lee, *Chairperson*

Loretta Lee is a UK citizen, born in Hong Kong, to a family with long standing links with China. She is a graduate of Lingnan University in Guangzhou.

Ms Lee began her career in market research, working for an international advertising agency as research director. In 1972 she founded TransMarket Research Limited, in partnership with ASI of Los Angeles.

TransMarket grew into one of South East Asia's largest market research organisations. It conducted consumer and industrial research throughout the area for a wide range of major international corporations, including Philip Morris, General Motors, Toyota and IBM. TransMarket was one of the first research companies to conduct market studies in China after the country began to normalise its relations with the outside world. As China continued to open its economy Ms Lee recognised both the unlimited opportunities and the considerable risks involved in exploiting those opportunities. In 1978 she decided to capitalise on her international experience and explore those business opportunities. Since that time she has not looked back.

Appointed 1994

Ms Christina N K Lee, *Non-executive Independent Director*

Christina Lee is a well known figure in Hong Kong's business and social communities, with extensive investments both in the territory and internationally.

Ms Lee is a supporter of many Hong Kong charitable institutions and is a Council Member of Caritas, one of the territory's major charities.

Appointed 1994

Ms Peggy Zi-Yin Liao, *Non-executive Independent Director*

Peggy Liao obtained her law degrees at Oxford University after her BA degree at Smith College in the USA. She also holds an MBA from the Kellogg School of Management at the Northwestern University in the USA and the Hong Kong University of Science and Technology.

Ms Liao founded her own law firm, Messrs. Fung & Liu, and remained the managing partner for 12 years (1992-2004).

On 1 November 2004, Ms Liao merged the business of Fung & Liu with K. C. Ho & Fong whose headquarters are in Hong Kong but with offices in mainland China. Ms Liao remains active as a senior consultant and expands her practice in the mainland China markets to include cross-bordered litigation, substantial landed-transactions, commercial banking and project finance.

Ms Liao is also active in community services for the Hong Kong Government and sits on a number of educational, professional, and charitable organisations as follows:

- Hong Kong Government's Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants since 2005.
- She is a member of the Court of the City University of Hong Kong since 2006; and served as a Council Member of the City University from 1998-2003.
- Hong Kong Arts Festival's Development Committee; the China Oxford Scholarship of the Oxford University.
- Ms Liao is legal adviser to a number of community service organisations including the Hong Kong Federation of Women; Jean Wong School of Ballet and the Tsinform C. Wong Memorial Scholarship.
- Ms Liao was elected one of the Ten Outstanding Young Persons in Hong Kong by the Hong Kong Junior Chamber of Commerce in 1995.

Appointed 1994

Mr Ian J Burton*, Non-executive Director*

Ian Burton is a resident of Australia and has 39 years experience in many facets of commercial, industrial and mining activities. He was first appointed to the board of a public listed company in 1972 and he has held many directorships of listed companies since that date.

Mr Burton is a non-executive director of Merchant House International Ltd and his experience in the successful running, operation and budgeting of large and small public listed companies is of great assistance to the Board.

Appointed 1994

Ms Wu Xiao Lan*, Non-executive Independent Director*

Wu Xiao Lan graduated from an engineering school in China majoring in Mechanical Engineering. Ms Wu was the General Manager of Beijing Machinery Factory and subsequently promoted to the Deputy General Manager of Beijing Machinery Import and Export Company. Ms Wu was a Director of CITIC Shenzhen, PRC. She has taken various civil services in Shenzhen, PRC and has made an outstanding contribution for Shenzhen Municipal Government. She has extensive experience in mechanical engineering, corporate management and public administration.

Ms Wu is a non-executive director of Merchant House International Limited and her China experience is of great assistance to the Board and the operations of the Group.

Appointed 2004

Mr David JT Bell*, Non-executive Independent Director*

David Bell is a resident of Australia and has almost 50 years experience in management, administration and corporate communications in Australia and Hong Kong.

He resided in Hong Kong between 1967 and the end of 1992 where, for most of that period, he was head of corporate communications for the Swire Group with corporate and media relations responsibility for all key group companies, in particular John Swire & Sons (HK) Ltd, Swire Pacific Ltd and Cathay Pacific Airways Ltd.

Mr Bell now runs a small corporate media relations company in Sydney, with the regional Australian office of Cathay Pacific Airways as its major client.

Appointed 14 August 2007

Mr Clifford J Einstein, *Non-executive Independent Director*

Clifford Einstein has spent 48 years in the advertising business where he was most recently Chairman of Dailey and Associates, an international advertising agency headquartered in West Hollywood California.

Over the years his agency produced memorable campaigns for Honda Motorcycles, The Southern California Ford Dealers, Nestle Foods, Gallo Winery, Unilever, Countrywide Financial, Great Western Savings, Western Airlines, Hunt Wesson, Australian Tourism, Safeway Stores, Weyerhaeuser Forest Products, White Stag Skiwear and Callaway Golf. In 1994 Clifford was named Chairman and CEO of the company. The decade that followed produced great growth and success with billings exceeding US$400,000,000.Clifford has been celebrated as one of his industry's more awarded advertising figures, winning several International Broadcasting Awards, Clios, and the AAF award for Best Advertising Campaign in America.

He has been named the Western States Advertising Association's Leader of the Year and more recently, the American Advertising Federation's Leader of the West.

In 1983 Clifford initiated a furniture import business bringing leading edge design from Italy to Los Angeles. This experience carried him deeply into the international world of art and design and prompted a lifelong desire to collect significant contemporary art.

Art and Antiques Magazine has listed The Einstein Collection as one of America's top 100, and the collection has been profiled in HG, Australian Vogue, The New York Times, The Los Angeles Times, HG magazine, Art News magazine, and Art Review.

Clifford joined the Board of Trustees of the Los Angeles Museum of Contemporary Art in 1985 and is currently Chairman Emeritus of that board. He has been awarded an honorary PhD from Otis College of Art and Design where he also served as a trustee, and most recently was featured in Time magazine as a celebrated art collector.

Clifford has a long history of philanthropic work for several organisations. These include The Jewish Community Foundation, The Discovery Eye Foundation (where he is a board member) and The Rape Foundation, where he was given the Governor's Victim's Service Award. He is currently a board member of Cost Plus World Market.

Appointed 2 August 2007

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
Christina Lee	Sa Sa International Holdings Limited	1997 – current
	Television Broadcasts Limited	1981 – current
Ian Burton	Plantation Energy Limited	2006 – current
	Tox Free Solutions Limited	2003 – April 2008
	Ellendale Resources NL	1999 – June 2008
	MRI Holdings Limited	1990 – November 2007
	Union Resources Ltd	1990 – October 2006
Clifford Einstein	Cost Plus World Market	2007 – current

DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares of the Company at the date of this report:

	Ordinary Shares Number
Ms L Lee	50,401,588
Ms C Lee	1,102,805
Ms P Liao	635,455
Mr I Burton	305,500
Ms X L Wu	Nil
Mr C J Einstein	539,667
Mr D J Bell	Nil

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

As Merchant House International Limited is a foreign company registered in Bermuda, the Company is not required to comply with Corporations Act 2001. As such, a remuneration report is not required.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

No share options were on issue at any time during or since the end of the financial year.

COMPANY SECRETARY

David McArthur is a chartered accountant and was appointed the company secretary in 1987. Mr McArthur has 26 years experience in the corporate management of public companies.

PRINCIPAL ACTIVITIES

The Group's principal activities in the course of the financial year were the design, manufacture and marketing of leather boots and shoes, seasonal decorations and gifts, home decoration items and kitchen textiles.

During the financial year there was no significant change in the nature of those activities.

REVIEW OF OPERATIONS

The amount of consolidated net profit of the Group for the financial year after income tax expense was $3,085 thousand (2008 profit: $3,601 thousand).

The review of operations is set out in the Chairperson's Report.

CHANGES IN THE STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Group other than that referred to in the financial report or notes thereto.

SUBSEQUENT EVENTS

There has not been any matter or circumstance, occurring subsequent to the end of the financial years, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

FUTURE DEVELOPMENTS

Other than as disclosed in the Chairperson's Report, disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATIONS

The Group has complied with all environmental regulations applying to its operations.

DIVIDENDS

In respect of the financial year ended 31 March 2009, the directors recommend payment of a final dividend of 0.5 cent per share unfranked. An interim dividend of 0.5 cent per share, unfranked, was paid on 29 January 2009.

In respect of the financial year ended 31 March 2008, as detailed in the Directors' Report for that financial year, an interim dividend of 1 cent per share unfranked was paid on 30 January 2008. The final dividend of 1 cent per share unfranked was paid on 3 September 2008.

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

No shares were under option at any time during or since the end of the financial year.

INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has not, during or since the financial year end, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer or auditor for the costs or expenses to defend legal proceedings.

DIRECTORS' MEETINGS

During the financial year there were 2 meetings of directors, pursuant to the Company's Constitution.

The number of meetings attended by each director while they were a director was:

	Meetings	
	Attended	**Held**
Ms L Lee	2	2
Ms C Lee	2	2
Ms P Liao	2	2
Mr I Burton	2	2
Ms X L Wu	0	2
Mr C J Einstein	2	2
Mr D J Bell	2	2

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 32 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the generally accepted standards of independence for auditors.

The directors are of the opinion that the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

INDEPENDENT AUDITOR'S REPORT

The independent auditor's report is included on page 20 of the annual report.

The directors' report is signed in accordance with a resolution of directors.

On behalf of the Directors.

I J BURTON

Director

Perth, Western Australia

25 June 2009

Deloitte.

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Independent Auditor's Report
to the members of Merchant House International Ltd

We have audited the accompanying financial report of Merchant House International Limited (the company) which comprises the balance sheet as at 31 March 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 25 to 78.

Directors' Responsibility for the Financial Report

The directors of the entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting

Member of
Deloitte Touche Tohmatsu

Deloitte.

policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Auditor's Opinion

In our opinion:

(a) the financial report of Merchant House International Limited presents fairly, in all material respects, the company's and consolidated entity's financial position as at 31 March 2009, and of their financial performance, their cash flows and their changes in equity for the year ended on that date in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations); and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants
Perth, 25 June 2009

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto comply with accounting standards and give a true and fair view of the financial position and performance of the company and the Group.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

I J BURTON

Director

Perth, Western Australia

25 June 2009

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

		Consolidated		Company	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Continuing operations					
Revenues	5	73,295	59,244	416	392
Cost of sales	7(b)	(61,237)	(48,860)	-	-
Gross profit		12,058	10,384	416	392
Other revenues	5	33	16	1,404	1,872
Other income	5	335	682	-	50
Share of profit of associated entities accounted for using the equity method	5	286	443	-	-
Reversal of prior year impairment write-down	13	-	555	-	-
Administration expenses		(7,472)	(6,346)	(768)	(637)
Finance costs	6	(327)	(278)	-	-
Other expenses	7(b)	(1,411)	(1,100)	-	(1)
Profit before tax		3,502	4,356	1,052	1,676
Income tax expense	8(a)	(417)	(755)	-	-
Profit attributable to equity holders of the parent		**3,085**	**3,601**	**1,052**	**1,676**
Earnings per share					
From continuing operations:					
Basic (cents per share)	23	3.30	3.85		
Diluted (cents per share)	23	3.30	3.85		

The financial statements are to be read in conjunction with the notes to the financial statements on pages 27 to 62.

BALANCE SHEET

AS AT 31 MARCH 2009

		Consolidated		Company	
		2009	2008	2009	2008
	Notes	$'000	$'000	$'000	$'000
CURRENT ASSETS					
Cash or cash equivalents	28(a)	3,324	1,661	41	42
Trade and other receivables	9	6,584	3,468	-	-
Inventories	11	2,939	2,467	-	-
Current Tax Assets	8(b)	230	73	-	-
Other	14	321	498	-	-
TOTAL CURRENT ASSETS		13,398	8,167	41	42
NON CURRENT ASSETS					
Trade and other receivables	9	-	-	5,409	5,726
Investments accounted for using the equity method	12	7,592	4,549	-	-
Other financial assets	10	-	-	731	731
Property, plant and equipment	13	19,189	14,492	-	-
Deferred tax assets	8(c)	241	21	-	-
Goodwill	16	451	451	-	-
TOTAL NON CURRENT ASSETS		27,473	19,513	6,140	6,457
TOTAL ASSETS		40,871	27,680	6,181	6,499
CURRENT LIABILITIES					
Trade and other payables	17	6,285	3,282	131	105
Borrowings	18	4,274	4,142	-	-
Current tax liabilities	8(b)	852	373	-	-
Provisions	19	276	227	-	-
TOTAL CURRENT LIABILITIES		11,687	8,024	131	105
TOTAL LIABILITIES		11,687	8,024	131	105
NET ASSETS		29,184	19,656	6,050	6,394
EQUITY					
Issued capital	20	2,838	2,830	2,838	2,830
Reserves	21	4,895	(2,944)	-	-
Retained earnings	22	21,451	19,770	3,212	3,564
TOTAL EQUITY		29,184	19,656	6,050	6,394

The financial statements are to be read in conjunction with the notes to the financial statements on pages 27 to 62.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

	Notes	Issued capital $'000	Retained earnings $'000	Foreign Currency Translation Reserve $'000	TOTAL $'000
		Attributable to equity holders of the parent			
CONSOLIDATED					
Balance at 1 April 2007		2,830	18,041	(1,356)	19,515
Exchange differences arising on translating of foreign operations		-	-	(1,588)	(1,588)
Net income recognised directly in equity		-	-	(1,588)	(1,588)
Profit for the year		-	3,601	-	3,601
Total recognised income and expense		-	3,601	(1,588)	2,013
Dividends provided for or paid	24	-	(1,872)	-	(1,872)
Balance at 31 March 2008		**2,830**	**19,770**	**(2,944)**	**19,656**
Balance at 1 April 2008		2,830	19,770	(2,944)	19,656
Exchange differences arising on translating of foreign operations		-	-	7,839	7,839
Net income recognised directly in equity		-	-	7,839	7,839
Profit for the year		-	3,085	-	3,085
Total recognised income and expense		-	3,085	7,839	10,924
Recognition of share-based payments	20	8	-	-	8
Dividends provided for or paid	24	-	(1,404)		(1,404)
Balance at 31 March 2009		**2,838**	**21,451**	**4,895**	**29,184**

	Notes	Issued capital $'000	Retained earnings $'000	TOTAL $'000
		Attributable to equity holders of the parent		
COMPANY				
Balance at 1 April 2007		2,830	3,760	6,590
Profit for the year		-	1,676	1,676
Total recognised income and expense		-	1,676	1,676
Dividends provided for or paid	24	-	(1,872)	(1,872)
Balance at 31 March 2008		**2,830**	**3,564**	**6,394**
Balance at 1 April 2008		2,830	3,564	6,394
Profit for the year		-	1,052	1,052
Total recognised income and expense		-	1,052	1,052
Recognition of share-based payments	20	8	-	8
Dividends provided for or paid	24	-	(1,404)	(1,404)
Balance at 31 March 2009		**2,838**	**3,212**	**6,050**

The financial statements are to be read in conjunction with the notes to the financial statements on pages 27 to 62.

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Cash flows from operating activities					
Receipts from customers		71,552	59,297	417	392
Payments to suppliers and employees		(66,630)	(55,124)	(743)	(592)
Interest received		33	16	-	-
Interest and other costs of finance paid		(330)	(277)	-	-
Income tax paid		(471)	(772)	-	-
Dividends received		-	-	1,404	1,871
Net cash provided by operating activities	28(c)	4,154	3,140	1,078	1,671
Cash flows from investing activities					
Payment for investments in associates		(314)	(915)	-	-
Payment for property, plant and equipment		(558)	(538)	-	-
Proceeds from disposal of property, plant and equipment		3	9	-	-
Loans repaid by / (paid to) associated entities		247	(127)	-	-
Amounts received from subsidiaries		-	-	325	199
Net cash (used in) / provided by investing activities		(622)	(1,571)	325	199
Cash flows from financing activities					
Dividends paid		(1,404)	(1,872)	(1,404)	(1,871)
Repayment of borrowings		(24,552)	(22,997)	-	-
Proceeds from borrowings		23,368	23,983	-	-
Net cash used in financing activities		(2,588)	(886)	(1,404)	(1,871)
Net increase / (decrease) in cash and cash equivalents		944	683	(1)	(1)
Cash and cash equivalents at the beginning of the financial year		1,661	970	42	43
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		719	8	-	-
Cash and cash equivalents at the end of the financial year	28(a)	3,324	1,661	41	42

The financial statements are to be read in conjunction with the notes to the financial statements on pages 27 to 62.

1. GENERAL INFORMATION

Merchant House International Limited (the Company) is a public company listed on the Australian Stock Exchange (trading under the symbol "MHI"), incorporated in Bermuda and operating in Hong Kong, China, Australia, Canada and the United States of America (USA).

Merchant House International Limited's registered office and its principal place of business are as follows:

Registered Office	***Principal place of business***
Level 2	1807 – 1812 Ming Pao Industrial Centre
45 Stirling Highway	Block B 18 Ka Yip Street
Nedlands	Chai Wan
Western Australia 6009	Hong Kong

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations. The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group. Accounting standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 25 June 2009.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments, where applicable. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise indicated.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 3 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to its operations and effective for the current reporting period. Details of the impact of the adoption of these new accounting Standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- AASB 2008-4: Amendments to Australian Accounting Standard – Key Management Personnel Enclosures by Disclosing Entities
- AASB 2008-10: Amendments to Australian Accounting Standard – Reclassification of Financial Assets
- AASB 2008-12: Amendments to Australian Accounting Standard – Reclassification of Financial Assets – Effective date and transition

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the following Standards and Interpretations, which were relevant to the entity, were in issue but not yet effective:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for the Group
Revised standard	AASB 123: *Borrowing costs (revised)*	No change to accounting policy required. Therefore no material financial impact	1 January 2009	1 April 2009
Revised standard	AASB 101: *Presentation of Financial Statements (revised September 2007)*	No change to accounting policy required. Therefore no material financial impact	1 January 2009	1 April 2009
AASB 2008-7	Amendments to Australian Accounting Standards – cost of an investment in a subsidiary, jointly controlled entity or associate	No change to accounting policy required. Therefore no material financial impact	1 January 2009	1 April 2009
AASB8	Operating Segments	Impact has not yet been determined	1 January 2009	1 April 2009
AASB3	Business Combinations	Impact has not yet been determined	1 July 2009	1 April 2010
AASB127	Consolidated and Separate Financial Statements	Impact has not yet been determined	1 July 2009	1 April 2010
AASB 2008-6	Amendments to Australian Accounting Standards – assets and liabilities of a discontinued operation to be classified as held for sale	Impact has not yet been determined	1 July 2009	1 April 2010
Pronouncements approved by the IASB/IFRIC where an equivalent announcement has not been issued by the AASB.				
Improvements to IFRSs	Various Standards	Impact has not yet been determined	1 July 2009	1 April 2010

* Application date is for the annual reporting period beginning on or after the date shown in the above table.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as "the Group" in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

(b) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

(c) Foreign currency

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Merchant House International Limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Foreign currency (continued)*

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian-dollar denominated asset.

(d) *Goods and services tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the relevant taxation authority, the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivable or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(e) *Revenue*

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

Rendering of services

Revenue from the rendering of services is recognised as a fixed amount charged on a monthly basis for administrative, management, secretarial and accounting services.

Dividend and interest revenue

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at an effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(f) *Income tax*

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates and interest in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(g) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Further information regarding equity accounted investments is detailed on note 2(b).

Other financial assets are classified into the following specified categories: 'financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment, except for available for sale assets, at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognised its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to each particular class of inventory, with all categories being valued on a first in first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(j) Property, plant and equipment

Plant and equipment, land and buildings, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net costs or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following estimated useful lives are used in the calculation of depreciation:

• Buildings	20 – 50 years
• Leasehold improvements	5 years
• Plant and equipment	5 – 10 years
• Equipment under finance lease	5 years

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowings costs are recognised in profit or loss in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) *Leased assets*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) *Goodwill*

Goodwill acquired in a business combination, representing the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less that its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of impairment loss is recognised immediately in profit or loss.

(n) *Share-based payments*

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The fair value is recognised as an employee expense, with a corresponding increase in equity.

(o) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contributions plans are recognised as a employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised and measured as a provision.

Returns

Provision for returns represents the present value of the directors' best estimate of the future sacrifice of economic benefits that will be incurred on the return of defective goods. The provision is based on historical return percentages.

(q) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) *Financial instruments issued by the company (continued)*

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of:

- the amount of the obligation under the contract, as determined under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
- the amount initially recognised less, where appropriate, cumulative amortisation in accordance with the revenue recognition policies described in note 2(e).

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(r) *Seasonality of operations*

Due to the fact the Group produces footwear and textiles, sales are dependent on consumer demand and are seasonal in nature, with the majority of sales generated in the first half of each year.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and carrying amounts of assets and liabilities including those related to the valuation of buildings and leasehold land, impairment of goodwill and the provision of goods returned. The estimates and assumptions concerning the future are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following are the critical judgements and estimates that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Employee Entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries;
- future on cost rates; and
- experience of employee departures and period of service.

Refer to note 19 for further details on the key management judgements used in the calculation of long service leave.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Refer to note 16 for further details.

4. SEGMENT INFORMATION

Segment revenues

	External sales		Inter-segment sales		Other		Total	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Continuing operations								
Home textiles	34,474	25,735	97	89	-	-	34,571	25,824
Footwear	38,821	33,509	-	-	-	-	38,821	33,509
Total of all segments							73,392	59,333
Eliminations							(97)	(89)
Unallocated							-	-
Consolidated (excluding interest and other revenue)							73,295	59,244

Segment results

	2009 $'000	2008 $'000
Continuing operations		
Home textiles	2,047	2,985
Footwear	2,091	1,832
Total of all segments	4,138	4,817
Eliminations	427	389
Unallocated	(1,063)	(850)
Profit before income tax expense	3,502	4,356
Income tax expense	(417)	(755)
Profit after income tax expense	3,085	3,601

Segment assets and liabilities

	Assets		Liabilities	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Home textiles	34,460	24,076	4,926	1,966
Footwear	22,248	12,585	10,086	5,466
Total of all segments	56,708	36,661	15,012	7,432
Eliminations	(16,801)	(9,675)	(8,582)	(4,029)
Unallocated	964	694	5,257	4,621
Consolidated	40,871	27,680	11,687	8,024

4. SEGMENT INFORMATION (continued)

	Home textiles		Footwear	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Other segment information				
Carrying value of investments accounted for using the equity method	1,924	907	5,668	3,642
Share of net profit of associated entities	3	1	283	442
Acquisition of segment assets	577	1,154	1	12
Depreciation and amortisation of segment assets	1,112	931	7	6
Reversal of prior year impairment write down	-	555	-	-

Products and services within each business segment

For management purposes, the Group is organised into two major operating divisions – home textiles and footwear. These divisions are the basis on which the Group reports its primary segment information. The principal products and services of each of these divisions are as follows:

Home textiles: the manufacture and sale of fabric kitchen accessories and seasonal decorations and gifts.

Footwear: the manufacture and sale of casual, western style and industrial men's leather boots and shoes.

	Revenue from external customers		Segment assets		Acquisition of segment assets	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Information on geographical segments						
United States	66,132	52,640	-	22	-	-
Australia	4,339	4,439	42	42	-	-
China / Hong Kong	403	318	40,137	27,165	578	1,166
Canada	2,023	1,108	-	-	-	-
United Kingdom	298	376	-	-	-	-
Other	100	363	-	-	-	-
Unallocated	-	-	451	451	-	-
	73,295	59,244	40,630	27,680	578	1,166

The Group's two divisions operate in five principal geographical areas – the USA, Australia, China/Hong Kong, Canada and the United Kingdom.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
5. REVENUE				
An analysis of the Group's revenue for the year from continuing operations is as follows:				
Continuing operations				
Revenue from the sale of goods	73,295	59,244	-	-
Revenue from the rendering of services	-	-	416	392
	73,295	59,244	416	392
Other revenue				
Dividends - subsidiaries	-	-	1,404	1,872
Interest - other entities	33	16	-	-
	33	16	1,404	1,872
Other income				
Recovery of receivable previously provided for	-	1	-	-
Net exchange gains on foreign currency translations	201	563	-	-
Rental income	23	15	-	-
Other items	111	103	-	50
	335	682	-	50
Other				
Share of profits of associated entities accounted for using the equity method	286	443	-	-
	286	443	-	-
Total	73,949	60,385	1,820	2,314
6. FINANCE COSTS				
Interest on bank overdrafts and loans	327	278	-	-
7. PROFIT FOR THE YEAR BEFORE TAX				
(a) Gains and losses				
Profit for the year has been arrived at after crediting / (charging) the following gains and losses:				
Net foreign exchange gains	201	563	-	-
	201	563	-	-
Loss on disposal of property, plant and equipment	(6)	(32)	-	-
	(6)	(32)	-	-
	195	531	-	-

7. PROFIT FOR THE YEAR BEFORE TAX (continued)

(b) *Other expenses*

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Profit for the year includes the following expenses:				
Cost of Sales	(61,237)	(48,860)	-	-
Write-down of inventory	(159)	-	-	-
Reversal of impairment on property, plant and equipment	-	555	-	
Depreciation of non-current assets	(1,022)	(852)	-	-
Amortisation of non-current assets	(97)	(85)	-	-
	(1,119)	(937)	-	-
Operating lease rental expenses:				
Minimum lease payments	(14)	(48)	-	-
Defined contribution plan	(39)	(33)	-	-
Equity-settled share-based payments	(8)	-	-	-
Other employee benefits	(6,061)	(5,197)	(458)	(387)
Employee benefit expense	(6,108)	(5,230)	(458)	(387)
	No.	No.	No.	No.
Number of employees at end of financial year	1,004	870	7	7

8. INCOME TAXES

(a) *Income tax recognised in profit or loss*

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Tax expense comprises:					
Current tax expense in respect of the current year		704	755	-	-
Adjustments recognised in the current year in relation to the current tax of prior years		(4)	-	-	-
Benefit arising from previously unrecognised tax losses of a prior period that is used to reduce current tax expense		(66)	-	-	-
Deferred tax income relating to the origination of temporary differences		(11)	-	-	-
Benefit arising from previously unrecognised tax losses of a prior period that is used to reduce deferred tax expense		(230)	-	-	-
Write-down of deferred tax assets		24	-	-	-
		417	755	-	-
Attributable to:					
- Continuing operations		417	755	-	-

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:					
Profit from continuing operations		3,502	4,356	1,052	1,676
Income tax expense calculated at 30%	(i)	1,050	1,307	316	503
Effect of non-deductible expenses		48	-	-	-
Effect of different accounting period loss		56	-	-	-
Effect of non-assessable revenue		(1)	(348)	-	-
Effect of depreciation allowances		17	-	-	-
Effect of tax rebates		(4)	-	-	-
Unused tax losses and tax offsets not recognised as deferred tax assets		(283)	1	-	-
Share of profits / (losses) of associated entities		(86)	(133)	-	-
Effect of different tax rates of the parent company and its subsidiaries operating in other jurisdictions	(ii)	(380)	(72)	(316)	(503)
		417	755	-	-

(i) The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared to the previous reporting period.

(ii) The Company is taxed in the country of its incorporation, Bermuda. The tax rate in Bermuda is 0%. The subsidiaries incorporated in Hong Kong are taxed at 16.5% (2008: 17.5%). The subsidiary incorporated in China is taxed at 25% (2008: 33%).

(b) Current tax assets and liabilities

	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Current tax assets				
- Tax refund receivable	230	73	-	-
Current tax liabilities				
- Income tax payable attributable to subsidiaries	852	373	-	-

(c) Deferred tax assets and liabilities

	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Deferred tax assets / (liabilities) arise from the following:				
Trade and other receivables	35	-	-	-
Property, plant and equipment	(44)	-	-	-
Trade and other payables	20	-	16	10
Unrecognised tax losses	230	-	-	-
Other	-	21	-	-
	241	21	16	10

8. INCOME TAXES (continued)

(c) Deferred tax assets and liabilities (continued)

Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is not applicable to the Group as it has only one wholly-owned Australian resident subsidiary.

Franking account

The franking account balance as at 31 March 2009 was $Nil (2008: $Nil).

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
9. TRADE AND OTHER RECEIVABLES					
Current					
Trade receivables		6,088	3,011	-	-
Allowance for doubtful debts		(1,500)	(1,154)	-	-
		4,588	1,857	-	-
Other receivables		95	182	-	-
Bills receivable	(i)	1,434	929	-	-
Deposits	(ii)	110	27	-	-
VAT refund receivable	(iii)	184	131	-	-
Rent receivables	(iv)	5	4	-	-
Amount receivable from associated entities	(v)	168	338	-	-
		6,584	3,468	-	-
Non-current					
Amount receivable from:					
- Subsidiaries	(vi)	-	-	5,409	5,726

Terms and conditions of other receivables

(i) The bills receivable are non-interest bearing and payable within 30 days
(ii) The deposits are non-interest bearing and payable on demand
(iii) The VAT refund receivable is non-interest bearing for the export of goods
(iv) The rent receivable is non-interest bearing and payable within 30 days
(v) The amounts receivable from associated entities are non-interest bearing and payable on demand
(vi) The amounts receivable from subsidiaries are non-interest bearing and payable with 12 months notice

The average credit period on sales of goods and rendering of services is 60 days (2008: 60 days). No interest is charged on the trade receivables.

An allowance has been made for estimated irrecoverable trade receivable amounts.

Included in the Group's trade receivable balance are debtors with a carrying amount of $2 thousand (2008: $45 thousand) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 90 days (2008: 60 days).

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Ageing of past due but not impaired				
30 - 90 days	-	45	-	-
90 - 120 days	2	-	-	-
Total	2	45	-	-
Movements in the allowance for doubtful debts				
Balance at the beginning of the year	1,154	888	-	-
Impairment losses recognised on receivables	-	-	-	-
Amounts recovered during the year	-	(1)	-	-
Exchange differences	346	267	-	-
Balance at the end of the financial year	1,500	1,154	-	-

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance of doubtful debts are individually impaired trade receivables with a balance of $1,358 thousand (2008: $1,007 thousand) which have been placed under Chapter 11 review, for which the cases are not yet closed.

The ageing of the impaired trade receivables are over 120 days.

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
10. OTHER FINANCIAL ASSETS				
Non-current				
Investments in subsidiaries at cost	-	-	731	731
11. INVENTORIES				
Materials	1,618	1,502	-	-
Work in progress	1,125	729	-	-
Finished goods	196	236	-	-
	2,939	2,467	-	-

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Investments in associates	7,592	4,549	-	-

	Consolidated 2009 $'000	Consolidated 2008 $'000
Reconciliation of movement in investments accounted for using the equity method		
Balance at 1 April	4,549	3,448
Additional investment	366	869
Share of profit for the year	286	443
Exchange difference	2,391	(211)
Balance at 31 March	7,592	4,549

Name of entity	Principal activity	Country of incorporation	Ownership interest 2009 %	Ownership interest 2008 %
Associates				
Tianjin Jiahua Footwear Company Limited	Footwear Manufacturer	China	30.00	30.00
Tianjin Tianxing Kesheng Leather Products Company Limited	Footwear Manufacturer	China	33.79	33.79
Nantong Young Jia Textiles Company Limited	Textiles Manufacturer	China	33.33	33.33
Zhao An Xin Jia Decorations Company Limited	Textiles Manufacturer	China	40.00	30.42

Summarised financial position of the Group’s associates is set out below:

	Consolidated 2009 $'000	Consolidated 2008 $'000
Financial position		
Total assets	49,744	27,157
Total liabilities	(27,810)	(14,954)
Net assets	21,934	12,203
Group's share of associate's net assets	7,239	3,826
Financial performance		
Total revenue	83,686	66,496
Total profit for the year	889	1,351
Group's share of associate's profit	286	443

For the purposes of applying the equity method of accounting, the financial statements of these associates for the year ended 31 December 2008 (2008: 31 December 2007) have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 March 2009 (2008: 31 March 2008).

13. PROPERTY, PLANT AND EQUIPMENT

The Company does not own any property, plant and equipment. The figures below represent consolidated figures for the Group subsidiaries.

Consolidated	Leasehold land at cost $'000	Buildings at cost $'000	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Construction in progress at cost $'000	Total $'000
Gross carrying amount						
Balance at 1 April 2007	4,757	9,281	194	5,478	416	20,126
Additions	-	-	95	186	261	542
Disposals	-	-	-	(131)	-	(131)
Transfer between categories	-	200	-	424	(624)	-
Net foreign currency exchange differences	(436)	(428)	(28)	(209)	(14)	(1,115)
Balance at 1 April 2008	4,321	9,053	261	5,748	39	19,422
Additions	-	-	-	89	489	578
Disposals	-	-	-	(94)	-	(94)
Transfer between categories	-	14	-	172	(186)	-
Net foreign currency exchange differences	1,543	3,372	92	2,181	66	7,254
Balance at 31 March 2009	5,864	12,439	353	8,096	408	27,160
Accumulated depreciation / amortisation and impairment						
Balance at 1 April 2007	1,490	1,646	194	1,635	-	4,965
Disposals	-	-	-	(85)	-	(85)
Impairment losses charged to profit	-	-	-	-	-	-
Reversal of impairment losses	(520)	(35)	-	-	-	(555)
Amortisation / depreciation expense	84	362	19	471	-	936
Net foreign currency exchange differences	(136)	(87)	(24)	(84)	-	(331)
Balance at 1 April 2008	918	1,886	189	1,937	-	4,930
Disposals	-	-	-	(65)	-	(65)
Impairment losses charged to profit	-	-	-	-	-	-
Reversals of impairment losses	-	-	-	-	-	-
Amortisation / depreciation expense	97	440	21	561	-	1,119
Net foreign currency exchange differences	341	773	70	803	-	1,987
Balance at 31 March 2009	1,356	3,099	280	3,236	-	7,971
Net book value						
As at 31 March 2008	3,403	7,167	72	3,811	39	14,492
As at 31 March 2009	4,508	9,340	73	4,860	408	19,189

13. PROPERTY, PLANT AND EQUIPMENT (continued)

In prior years, an impairment loss was recognised in relation to the buildings, and has subsequently been fully reversed in the financial year ended 31 March 2008.

An external valuation of the Buildings was undertaken to estimate the recoverable amount of the asset, as there were indications of an increase in the recognised amount.

The recoverable amount is fair value less costs to sell. This was determined based on the current active market in Hong Kong.

The reversal has been recognised due to the revised estimate of the recoverable amount of the buildings. The carrying value of the buildings has only risen to the extent of the impairment loss in prior years, less applicable depreciation.

The buildings fall under the Home Textiles segment within the Group.

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
14. OTHER ASSETS				
Current				
Prepayments	321	498	-	-
15. ASSETS PLEDGED AS SECURITY				

Refer to note 18 for details of assets pledged as security in accordance with the security arrangements of liabilities.

16. GOODWILL

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Gross Carrying Amount				
Balance at beginning of financial year	959	959	-	-
Balance at end of financial year	959	959	-	-
Accumulated impairment losses				
Balance at beginning of financial year	(508)	(508)	-	-
Balance at end of financial year	(508)	(508)	-	-
Net book value				
At the beginning of the financial year	451	451	-	-
At the end of the financial year	451	451	-	-

Allocation of goodwill to cash generating units

Goodwill has been allocated for impairment testing purposes to three groups of cash generating units as follows:

- Home textiles operations
- Footwear operations
- Other operations

The recoverable amount of the cash-generating units was assessed by reference to the cash-generating units value in use (projected and cash flows).

The forecast for the Group anticipates that the profit will be maintained in future years. This conservative forecast is based on the following factors:

- Present US market trends (price sensitive market)
- Increased competition from China and the Pacific Rim
- Appreciation of Yuan currency
- Other uncertain factors, such as surging oil prices and currency fluctuation

Before recognition of impairment losses, the carrying amount of goodwill was allocated to the following cash generating units:

	Consolidated 2009	2008 Restated
	$'000	$'000
Home textiles operations	358	358
Footwear operations	420	420
Other operations	181	181
	959	959

Key assumptions

The carrying value of goodwill assumes the continued profitability of all cash generating units within the Group.

	Consolidated 2009	2008	Company 2009	2008
	$'000	$'000	$'000	$'000

17. TRADE AND OTHER PAYABLES

	Consolidated 2009	2008	Company 2009	2008
Current				
Trade payables	2,430	1,663	-	-
Accruals	694	252	131	105
Rent deposit received	6	4	-	-
Bills payable	-	111	-	-
Amount payable to:				
- Associated entities	3,155	1,252	-	-
	6,285	3,282	131	105

The average credit period on purchases of goods from China and Hong Kong is 60 days (2008: 60 days). No interest is charged on the trade payables for the first 60 days from the date of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

18. BORROWINGS

An amount up to $29,444 thousand (2008: $18,054 thousand) secured is available for letters of credit, trust receipt financing, working capital loan, term loans and shipping guarantees. At balance sheet date, the following was being used. These facilities are reviewed annually.

		Consolidated		Company	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Secured - at amortised cost					
Current					
Bank loans	(i) (ii)	-	1,085	-	-
Packing loans	(iii)	-	331	-	-
Bills discount	(iv)	-	327	-	-
Term loan	(v)	-	72	-	-
Short term loan	(vi) (vii)	4,274	2,327	-	-
		4,274	4,142	-	-

Summary of the borrowing arrangements

(i) The bank loan is secured by a legal charge on leasehold land, cash deposits, deeds of cross guarantee, mortgage of leasehold land and corporate guarantees.

(ii) The interest rate for the bank loan is 0% (2008: 4.91%)

(iii) The interest rate for the packing loan is 0% (2008: 4.7148%)

(iv) The interest rate for the bills discount is 0% (2008: 3.1456%)

(v) The interest rate for the term loan is 0% (2008: 3.9538%)

(vi) The interest rate for the short term loans range between 4.42% and 6% with a weighted average of 5.2125% (2008: 7.29%)

(vii) The short-term loans are secured against land and buildings, repayable within 12 months, and are reviewed annually

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000

19. PROVISIONS

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Current					
Employee benefits	(i)	133	99	-	-
Returns	(ii)	143	128	-	-
		276	227	-	-

	Consolidated 2009 $'000	Consolidated 2008 $'000
Returns		
Balance at 1 April 2008	128	280
Additional provisions recognised	208	232
Reductions resulting from reversal of provision	(233)	(198)
Reductions arising from payments / other sacrifices of future economic benefits	-	(160)
Net foreign currency exchange differences	40	(26)
Balance at 31 March 2009	143	128

(i) The current provision for employee benefits includes $133 thousand (company: $Nil) of vested long service leave entitlements accrued but not expected to be taken within 12 months (2008: $99 thousand and $Nil for the Group and the company respectively)

(ii) The provision for returns represents the return of defective goods. The provision represents the present value of the directors' best estimate of the future sacrifice of economic benefits that will be incurred. The estimate amount is based on historical return percentages.

20. ISSUED CAPITAL

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
93,661,377 fully paid ordinary shares (2008: 93,579,140)	2,838	2,830	2,838	2,830

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	Consolidated 2009 Number	Consolidated 2008 Number	Company 2009 $'000	Company 2008 $'000
Reconciliation of movement in issued capital				
Balance at beginning of financial year	93,579,140	93,579,140	2,830	2,830
Issue of shares to a senior manager in lieu of bonus	82,237	-	8	-
Balance at end of financial year	93,661,377	93,579,140	2,838	2,830

Fully paid ordinary shares carry one vote per share and the right to dividends.

Options

As at balance date there were no options outstanding.

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
21. RESERVES					
Foreign currency translation reserve		4,895	(2,944)	-	-
Foreign currency translation reserve					
Balance at beginning of financial year		(2,944)	(1,356)	-	-
Translation of financial statements of foreign operations		7,839	(1,588)	-	-
Balance at end of financial year		4,895	(2,944)	-	-
22. RETAINED EARNINGS					
Balance at beginning of financial year		19,770	18,041	3,564	3,760
Net profit attributable to members of the parent entity		3,085	3,601	1,052	1,676
Dividend provided for or paid	24	(1,404)	(1,872)	(1,404)	(1,872)
Balance at end of financial year		21,451	19,770	3,212	3,564

23. EARNINGS PER SHARE

	Consolidated 2009 Cents per share	Consolidated 2008 Cents per share
Basic earnings per share	3.30	3.85
Diluted earnings per share	3.30	3.85
	$'000	**$'000**
The earnings used in the calculation of basic and diluted earnings per share	3,085	3,601
	Number	**Number**
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	93,596,038	93,579,140
The weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	93,596,038	93,579,140

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
24. DIVIDENDS				
Dividends paid in respect of the financial year:				
Recognised amounts				
Fully paid ordinary shares				
- Interim 1/2¢ paid (2008: 1¢)	468	936	468	936
- Final of 1¢ paid (2008: 1¢)	936	936	936	936
	1,404	1,872	1,404	1,872
Unrecognised amounts				
Fully paid ordinary shares				
- Final of 1/2¢ paid (2008: 1¢)	468	936	468	936

In respect of the financial year ended 31 March 2009, the directors recommend payment of a final dividend of 1/2 cent per share unfranked. An interim dividend of 1/2 cent per share, unfranked, was paid on 29 January 2009.

The dividends were not franked.

25. COMMITMENTS FOR EXPENDITURE

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Capital expenditure commitments				
Property, plant and equipment not longer than 1 year	43	308	-	-

26. LEASES

Operating leases

Operating leases relate to photocopiers under non-cancellable leases. The future payments are as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Not longer than 1 year	16	13	-	-
Longer than 1 year and not longer than 5 years	17	26	-	-
	33	39	-	-

27. SUBSIDIARIES

	Country of incorporation	Percentage of ordinary shares held 2009 %	2008 %
Ultimate parent entity			
Merchant House International Limited	Bermuda		
Subsidiaries			
Loretta Lee Limited *	Hong Kong	100	100
China Christmas Collections Limited *	Hong Kong	100	100
Forsan Limited *	Hong Kong	100	100
Grandview Textiles Limited *	Hong Kong	100	100
Merchant House Australia Pty Ltd	Australia	100	100
Home Affairs Inc	United States	100	100
Carsan (Shunde) Manufacturing Company Ltd *	China	100	100

* These companies are audited by WM Sum & Co, Hong Kong.

All subsidiaries carry on business only in the country of incorporation with the exception of Merchant House International Limited, which carries on business in Australia and Hong Kong.

28. NOTES TO THE CASH FLOW STATEMENTS

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Reconciliation of cash and cash equivalents				
Cash at bank	3,324	637	41	42
Deposits at call	-	1,024	-	-
	3,324	1,661	41	42
(b) Financing facilities				
Secured bank facilities reviewed annually				
Amounts used	4,274	4,253	-	-
Amounts unused	25,170	13,801	-	-
	29,444	18,054	-	-

The Group has access to financing facilities at reporting date as indicated above. The facility is secured over land and buildings and is available for letters of credit, trust receipt financing, working capital loans, term loans and shipping guarantees.

(c) Reconciliation of profit for the year to net cash flows from operating activities

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Profit for the year	3,085	3,601	1,052	1,676
Depreciation and amortisation of non-current assets	1,119	937	-	-
Reversal of prior impairment write-down	-	(555)	-	-
Loss on disposal of property, plant and equipment	6	32	-	-
Share of associates' profit	(286)	(443)	-	-
Recovery of receivable previously provided for	-	(1)	-	-
Foreign exchange (gain) / loss on translation	(201)	(564)	-	-
Share-based payments	8	-	-	-
	3,731	3,007	1,052	1,676
Change in net assets and liabilities, net of effects from acquisitions and disposal of businesses:				
(Increase) / decrease in assets:				
- Trade and other receivables	(1,876)	(20)	-	-
- Inventories	395	(30)	-	-
- Current tax assets	(331)	(77)	-	-
- Current other	494	(110)	-	-
Increase / (decrease) in liabilities:				
- Trade and other payables	1,467	484	26	45
- Current tax payables	300	61	-	-
- Provisions	(26)	(175)	-	(50)
	4,154	3,140	1,078	1,671

29. FINANCIAL INSTRUMENTS

(a) *Capital risk management*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 20, 21 and 22 respectively.

The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the group's manufacturing and distribution assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group's policy is to use a variety of borrowing facilities, to meet anticipated funding requirements.

Gearing ratio

The Group reviews the capital structure half-yearly and considers the cost of capital and the risks associated with each class of capital as part of this review. The Group will balance its overall capital structure through the payment of dividends, new share issue and buy-backs, where necessary, as well as the issue of new debt or the redemption of existing debt. The gearing ratio at year end was as follows:

		Consolidated		Company	
		2009	2008	2009	2008
	Notes	$'000	$'000	$'000	$'000
Financial Assets					
Debt	(i)	4,274	4,142	-	-
Cash and cash equivalent		(3,324)	(1,661)	(41)	(42)
Net debt		950	2,481	(41)	(42)
Equity	(ii)	29,184	19,656	6,050	6,394
Net debt to equity ratio		3%	13%	N/A	N/A

(i) Debt is defined as short-term borrowings, as detailed in note 18.

(ii) Equity includes all capital and reserves

(b) *Categories of financial instruments*

Financial assets				
Cash and cash equivalents	3,324	1,661	41	42
Loans and receivables	6,584	3,468	5,409	5,726
Other financial assets	-	-	731	731
Financial liabilities				
Amortised cost				
- Borrowings	4,274	4,142	-	-
- Trade and other payables	6,285	3,282	131	105

29. FINANCIAL INSTRUMENTS (continued)

(c) Financial risk management objectives

The Group's treasury team is focused on monitoring the unpredictability of domestic and international financial markets and monitors and manages the risks relating to the operations of the Group. These financial risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's treasury team meets regularly and seeks to minimise the potential adverse effects of these risks, by using suitable financial instruments to manage the exposure to those risks. All Group policies are approved by the directors, and provide written principles on managing foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity to ensure net cash flows are sufficient to support the delivery of the Group's products, whilst protecting the future financial security of the Group.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 29(e)) and interest rates (refer note 29(f)). The Group enters into foreign exchange forward contracts to manage its exposure to foreign currency risk.

There has been no change to the manner in which the Group manages market risk from the previous period.

(e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The Company is not exposed to foreign currency risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Consolidated			
	Assets		Liabilities	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Carrying amount				
US dollar	9,336	3,600	3,380	3,389
Chinese yuan renminbi	425	1,358	5,975	3,894

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollars (USD) and Chinese Yuan Renminbi (CNY). The following table details the Group's sensitivity to a 20% increase and decrease in the Australian dollar against the relevant foreign currencies and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency.

The purchasing power of the subsidiary based in China is also linked to the US Dollar exchange rate. The following table also shows the Group's sensitivity to a 5% increase and decrease in the Chinese Yuan Renminbi against the US dollar.

	Impact on profit and loss			
	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
If AUD strengthens by 20%				
USD	(993)	(38)	-	-
CNY	925	66	-	-
If AUD weakens by 20%				
USD	1,489	57	-	-
CNY	(1,388)	(98)	-	-
If USD strengthens by 5%				
CNY	181	17	-	-
If USD weakens by 5%				
CNY	(200)	(19)	-	-

There would be no impact on other equity of the Company and the Group.

During the period 1 April 2008 to 31 March 2009 the movement between the Australian dollar and its main foreign currencies were:

	Consolidated	
	2009	2008
(Weakened) / Strengthened against the USD by	(25.53)%	13.59 %
(Weakened) / Strengthened against the CNY by	(27.39)%	3.04 %

Foreign forward exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency transactions.

The Group has entered into contracts to hedge the exchange rate risk arising from the payment of Australian suppliers using US Dollar liquid funds.

There were no forward foreign currency contracts outstanding as at the reporting date.

(f) Interest rate risk management

The Company and the Group are exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The Group manages this risk by maintaining an appropriate mix of floating rate borrowings. All borrowings are reviewed on an annual basis.

The Company and the Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taken place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk and represents management's assessment of the possible change in interest rates.

At reporting date if interest rates had been 50 basis points higher or lower and all other variables were held constant, there would be no material effect to the Group's net profit ($13 thousand).

29. FINANCIAL INSTRUMENTS (continued)

(f) *Interest rate risk management (continued)*

	Consolidated Profit or loss		Company Profit or loss	
	50 bp Increase $'000	50 bp Decrease $'000	50 bp Increase $'000	50 bp Decrease $'000
31 March 2009				
Variable rate instruments	(5)	20	-	-
31 March 2008				
Variable rate instruments	(13)	13	-	-

(g) *Credit risk management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated equivalent of investment grade and above. The Group uses publically available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained or other security obtained.

The Company has a policy of lending funds to its wholly owned subsidiaries ensuring their continued operations. The subsidiaries are continually monitored and should there be any risk that they are unable to repay the debt appropriate steps will be taken to remedy this situation.

(h) *Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 28(b) is the total amount of facilities available to the Group at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following tables detail the company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	> 1 year $'000
Consolidated					
2009					
Non-interest bearing	-	6,285	-	-	-
Variable interest rate instruments	5.21	-	-	4,497	-
		6,285	-	4,497	-
2008					
Non-interest bearing	-	3,282	-	-	-
Variable interest rate instruments	6.08	1,272	542	2,328	-
		4,554	542	2,328	-
Company					
2009					
Non-interest bearing	-	131	-	-	-
		131	-	-	-
2008					
Non-interest bearing	-	105	-	-	-
		105	-	-	-

The following table details the company's and the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the company/Group anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	> 1 year $'000
Consolidated					
2009					
Non-interest bearing	-	6,435	-	2	278
Variable interest rate instruments	0.05	3,193	-	-	-
		9,628	-	2	278
2008					
Non-interest bearing	-	3,282	-	-	365
Variable interest rate instruments	2.25	613	869	-	-
		3,895	869	-	365
Company					
2009					
Non-interest bearing	-	41	-	-	5,409
		41	-	-	5,409
2008					
Non-interest bearing	-	42	-	-	5,726
		42	-	-	5,726

29. FINANCIAL INSTRUMENTS (continued)

(i) *Fair value of financial instruments*

The directors have determined that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

30. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation paid to directors is paid by the Company and one of its subsidiaries.

The aggregate compensation made to directors and other members of key management personnel of the Group and the company is set out below:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Short-term employee benefits	1,007,193	861,310	457,966	386,931
Post-employment benefits	1,944	1,772	-	-
Share-based payments	8,224	-	-	-
	1,017,361	863,082	457,966	386,931

Details of key management personnel

The directors and other members of key management personnel of the Group during or since the end of the financial year:

- Ms L Lee (Chairperson)
- Ms C Lee (Non-executive independent director)
- Ms P Liao (Non-executive independent director)
- Mr I Burton (Non-executive director)
- Ms X L Wu (Non-executive independent director)
- Mr C J Einstein (Non-executive independent director)
- Mr D J Bell (Non-executive independent director)
- Mr T R Bird (General Manager)
- Mr C K Lo (Financial Controller)

The compensation of each member of the key management personnel of the Group for the current year is set out below:

	Year	Short-term Fees & salary $	Bonus $	Non-monetary benefits $	Post-employment Super-annuation $	Share-based payment Shares $	Total $
Directors							
Ms L Lee	2009	564,864	-	(3,367)	-	-	561,497
Chairperson	2008	462,985	-	11,316	-	-	474,301
Ms C Lee	2009	25,000	-	-	-	-	25,000
Non-executive							
independent director	2008	25,000	-	-	-	-	25,000
Ms P Liao	2009	25,000	-	-	-	-	25,000
Non-executive							
independent director	2008	25,000	-	827	-	-	25,827
Mr I Burton	2009	25,000	-	-	-	-	25,000
Non-executive director	2008	25,000	-	-	-	-	25,000
Ms X L Wu	2009	25,000	-	-	-	-	25,000
Non-executive							
independent director	2008	25,000	-	-	-	-	25,000
Mr C J Einstein	2009	25,000	-	-	-	-	25,000
Non-executive							
independent director	2008	16,599	-	-	-	-	16,599
Mr D J Bell	2009	25,000	-	-	-	-	25,000
Non-executive							
independent director	2008	15,591	-	-	-	-	15,591
Senior Management							
Mr T R Bird	2009	188,242	-	-	-	8,224	196,466
General Manager	2008	161,430	-	-	-	-	161,430
Mr C K Lo	2009	107,454	-	-	1,944	-	109,398
Financial Controller	2008	92,562	-	-	1,772	-	94,334
Totals	2009	1,010,560	-	(3,367)	1,944	8,224	1,017,361
	2008	849,167	-	12,143	1,772	-	863,082

(i) On January 16 2009, 82,237 shares with a fair value of $0.10 were issued to Mr Bird in lieu of bonus payment

31. RELATED PARY TRANSACTIONS

(a) *Equity interests in related parties*

Equity interest in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 27 to the financial statements.

Equity interests in associates and joint ventures

Details of interests in associates and joint ventures are disclosed in note 12 to the financial statements.

(b) *Transactions with key management personnel*

Key management personnel compensation

Details of key management personnel compensation are disclosed in note 30 to the financial statements.

Key management personnel equity holdings

The movement during the reporting period in the number of fully paid ordinary shares in the Company held directly, indirectly or beneficially, by each key management personnel, including their personally-related entities, is as follows:

	Balance at 1 April 2008 No.	Granted as compensation No.	Net other changes No.	Balance at 31 March 2009 No.
Ms L Lee	50,401,588	-	-	50,401,588
Mr I Burton	120,450	-	185,050	305,500
Ms C Lee	1,102,805	-	-	1,102,805
Ms P Liao	635,455	-	-	635,455
Ms X L Wu	-	-	-	-
Mr C J Einstein	368,867	-	170,800	539,667
Mr D J Bell	-	-	-	-
Mr T R Bird	965,278	82,237	-	1,047,515
Mr C K Lo	-	-	-	-
	53,594,443	82,237	355,850	54,032,530

	Balance at 1 April 2007 No.	Granted as compensation No.	Net other changes No.	Balance at 31 March 2008 No.
Ms L Lee	50,401,588	-	-	50,401,588
Ms C Lee	1,028,805	-	7 4,000	1,102,805
Ms P Liao	635,455	-	-	635,455
Mr I Burton	120,450	-	-	120,450
Ms X L Wu	-	-	-	-
Mr C J Einstein	368,867	-	-	368,867
Mr D J Bell	-	-	-	-
Mr T R Bird	965,278	-	-	965,278
Mr C K Lo	-	-	-	-
	53,520,443	-	74,000	53,594,443

Other transactions with key management personnel of the Group

(i) During the year ended 31 March 2009, the Group paid fees for consulting services amounting to $25,000 (2008: $25,000) to Bridgevale Management Pty Ltd, an entity related to Mr I Burton.

(ii) During the year ended 31 March 2009, the Group paid fees for accounting and administration services amounting to $66,000 (2008: $66,000) to Broadway Management (WA) Pty Ltd, an entity related to Mr I Burton.

(iii) During the financial year, directors and their director related entities purchased goods, which were domestic or trivial in nature, from the Group on the same terms and conditions available to other employees and customers.

(iv) The following items resulted from transactions with key management personnel or their related parties:

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Other transactions				
Dividend	806	1,071	806	1,071

(c) *Transactions with other related parties*

Transactions between the Group and its related parties

Type of transaction	Class of related party	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Purchase of goods	Associated entities - Tianjin Jiahua Footwear Company Limited	13,418	11,506	-	-
	Tianjin Tianxing Kesheng Leather Products Company Limited	22,631	19,487	-	-
Management fee income	Subsidiary	-	-	416	392
Dividend income	Subsidiary	-	-	1,404	1,872

All transactions were under normal terms and conditions.

Balances between the Group and Company and its related parties

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current receivables - associated entities	168	338	-	-
Non-current receivables - subsidiaries	-	-	5,409	5,726
Current payables - associated entities	3,155	1,252	-	-

(d) *Subsidiaries*

Details of subsidiaries are disclosed in Note 27 to the financial statements.

(e) *Parent entity*

The parent entity in the Group is Merchant House International Limited

	Notes	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
32. REMUNERATION OF AUDITORS					
Auditor of the parent entity					
Audit or review of the financial report		109,697	79,785	109,697	79,785
Audit or review of the financial report		109,697	79,785	109,697	79,785
Other auditors					
Audit or review of the financial report		20,027	18,249	-	-
Other non-audit services	(i)	1,037	945	-	-
Audit or review of the financial report		21,064	19,194	-	-

(i) Report to the auditor of the parent entity

The auditor of Merchant House International Limited is Deloitte Touche Tohmatsu.

33. ADDITIONAL COMPANY INFORMATION

Merchant House International Limited is a listed public company, incorporated in Bermuda and operating in China, Hong Kong, Australia and the United States of America.

34. SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

The following information is provided in accordance with the Listing Rules of Australian Securities Exchange Limited.

1. SHAREHOLDER INFORMATION

(a) *Distribution of holders at 19 June 2009*

	Fully paid ordinary shares
Number of Holders	306
Distribution is:	
1 - 1,000	11
1,001 - 5,000	32
5,001 - 10,000	30
10,001 - 100,000	168
100,001 and Over	65
Holding less than a marketable parcel	33

(b) *Voting rights*

There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote every share held.

(c) *Substantial shareholders*

The Company's register of substantial shareholders shows the following:

Name	Number of Shares
Supreme Luck Enterprises Inc	43,060,652
Fubon Nominees (Hong Kong) Limited	10,813,647
Ms Loretta Lee	6,392,103

(d) *Shareholders*

The twenty largest shareholders hold 83.58% of the total issued ordinary shares in the Company as at 19 June 2009.

2. QUOTATION

Listed securities in Merchant House International Limited are quoted on Australian Securities Exchange.

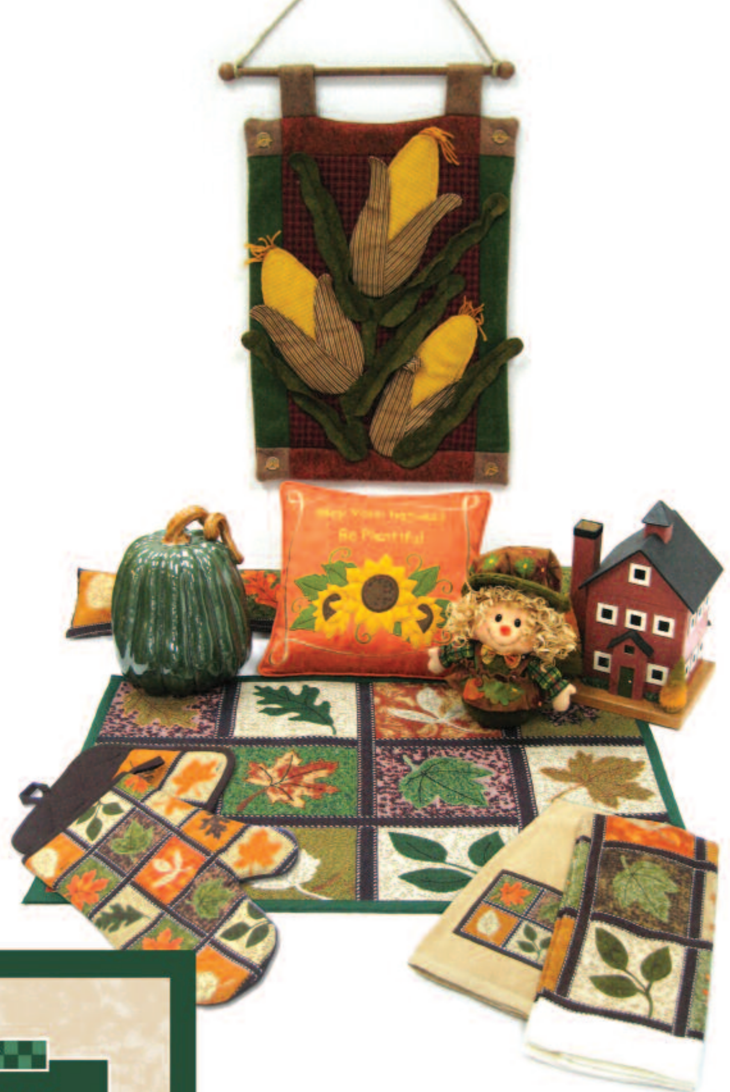
3. AUDIT COMMITTEE

As at the date of the directors' report the Company did not have a separate audit committee, however meetings are held between senior management and auditors throughout the year to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

TWENTY LARGEST FULLY PAID ORDINARY SHAREHOLDERS

The names of the twenty largest shareholders, who hold 83.58% of the fully paid ordinary shares in the Company at 19 June 2009, are:

	Name	Number of Shares	% of Issued Shares
1	Supreme Luck Enterprises Inc	43,060,652	45.97
2	Fubon Nominees (Hong Kong) Limited	10,813,647	11.55
3	Ms Loretta Lee	6,392,103	6.82
4	Mr Gerald Francis Pauley & Mr Michael James Pauley	1,990,205	2.12
5	Mr John Maxwell Bleakie	1,965,740	2.10
6	Ms Fung Miu Ling	1,674,092	1.79
7	Mr Brian Garfield Benger	1,600,000	1.71
8	Mr Victor Tien Ren Hou	1,451,987	1.55
9	Mrs Lana Kinoshita	1,339,274	1.43
10	Mrs Christina Lee	1,102,805	1.18
11	Mr John Laidlaw	991,660	1.06
12	Ason Trading Limited	973,228	1.04
13	Mr Raymond Lunney	789,674	0.84
14	Triumph World Limited	715,000	0.76
15	Mr Thomas Healy	669,171	0.71
16	Ms Alice Liu	638,783	0.68
17	Miss Peggy Liao	635,455	0.68
18	Jenmart Industries Limited	550,000	0.59
19	Mr Marvin Edelman	477,575	0.51
20	Mrs Susan Jane Hansen	461,000	0.49
		78,292,051	83.58



SEASONS WONDERS®

MERCHANT HOUSE INTERNATIONAL LIMITED
ARBN 065 681 138

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Australia

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MERCHANT HOUSE INTERNATIONAL LIMITED
ARBN 065 681 138

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Merchant House International Limited will be held at Level 2, 45 Stirling Highway, Nedlands, on Friday, 28 August 2009 at 10.00am (WST).

In order to determine voting entitlements, the register of Shareholders will be closed at 10.00am on 26 August 2009.

An Explanatory Memorandum containing information in relation to Resolutions 1 to 3 to be put to the meeting accompanies this Notice.

AGENDA

To consider and, if thought fit, to pass the following resolutions.

ORDINARY BUSINESS

2009 Accounts
To receive and consider the Directors' report and income statement for the year ended 31 March 2009, the balance sheet at that date, the Auditors' report and the Directors' declaration on the accounts.

Non-binding Ordinary Resolution 1: Directors' Remuneration Report
To receive and consider the Directors' Remuneration Report for the year ended 31 March 2009.

That, pursuant to and in accordance with section 250R (2) of the Corporations Act, the Directors' Remuneration Report contained within the Directors' Report be adopted.

Ordinary Resolution 2: Re-election of a Director
That, Ms Christina NK Lee, who retires by rotation in accordance with By-Law 90 of the Company's By-Laws, and being eligible, be re-elected as a Director.

Information about Ms Lee is set out in the Company's 2009 Annual Report.

Ordinary Resolution 3: Re-election of a Director
That, Ms Wu Xiao Lan, who retires by rotation in accordance with By-Law 90 of the Company's By-Laws, and being eligible, be re-elected as a Director.

Information about Ms Wu is set out in the Company's 2009 Annual Report.

By order of the board
D M McARTHUR
Company Secretary

Dated: 10 July 2009

MERCHANT HOUSE INTERNATIONAL LIMITED
ARBN 065 681 138

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting ("**Notice**") of the Company.

The Directors of the Company ("**Directors**") recommend shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice:

NON-BINDING ORDINARY RESOLUTION 1 – Directors' Remuneration Report

Pursuant to Section 250R (2) of the Corporations Act, a resolution adopting the Directors' Remuneration Report contained within the Directors' Report must be put to the vote.

Shareholders are advised that pursuant to Section 250R (3) of the Corporations Act, this resolution is advisory only and does not bind the Directors or the Company.

The Director's Remuneration Report is set out within the Director's Report. The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive and non-executive Directors and senior executives of the Company;
- sets out remuneration details for each Director and the most highly remunerated senior executives of the Company;
- details and explains any performance conditions applicable to the remuneration of executive Directors and senior executives of the Company; and
- provides an explanation of share based compensation payments for each Director and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Directors' Remuneration Report at the Meeting.

The Board unanimously recommends that shareholders vote in favour of adopting the Directors' Remuneration Report.

ORDINARY RESOLUTIONS 2 and 3 – Re-election of Directors

By-Law 90 of the Company's By-Laws requires that one third of the directors (rounded up to the nearest whole number) shall retire by rotation each year, and shall seek re-election as a director if they choose to nominate. Ms Christina NK Lee and Ms Wu Xiao Lan retire by rotation and both seek re-election.

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PROXY FORM

APPOINTMENT OF PROXY
MERCHANT HOUSE INTERNATIONAL LIMITED
ARBN 065 681 138

ANNUAL GENERAL MEETING

I/We

Address

being a Member of Merchant House International Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Annual General Meeting to be held at Level 2, 45 Stirling Highway, Nedlands, Western Australia, on Friday, 28 August 2009 at 10.00am (WST) and at any adjournment thereof.

Voting on Business of the Annual General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Director – Ms Christina NK Lee	☐	☐	☐
Resolution 3	Re-election of Director – Ms Wu Xiao Lan	☐	☐	☐

OR

In relation to the Resolutions, if the Chairman is to be your proxy and you do **not** wish to direct your proxy how to vote on these Resolutions, please place a mark in this box ☐

By marking this box, you acknowledge that if you have appointed the Chairman as your proxy the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman intends to vote in favour of all of the resolutions.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is ________%

Signed this day of 2009

By:

Individuals and joint holders	**Companies (affix common seal if appropriate)**
Signature	Director
Signature	Director/Company Secretary
Signature	Sole Director and Sole Company Secretary

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies.
2. If a member appoints two proxies, each proxy must be appointed to represent a specified portion or number of the member's voting rights and neither proxy may vote on a show of hands.
3. If a member appoints two proxies, and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.
4. A proxy need not be a member of the Company.
5. If a corporate representative is to attend the meeting on behalf of a corporation, a formal notice of appointment must be brought to the meeting.
6. The Proxy Form must be signed by the shareholder or the shareholder's attorney. If the shareholder is a corporation, the Proxy Form should be signed under its common seal, or by two directors (or a director and a company secretary), or if a corporation with a sole director and sole secretary by that director, with the office held printed under each signature. Alternatively, a corporation can sign by its attorney or duty authorised officer.
7. The Proxy Form and any power of attorney or authority under which it is signed must be received at the registered office of the Company not less than 48 hours prior to the appointed time of Meeting. Proxy Forms can be lodged:

   in person at: Merchant House International Limited
Level 2, 45 Stirling Highway
NEDLANDS WA 6009

   by post to: Merchant House International Limited
PO Box 985
NEDLANDS WA 6909

   by facsimile on: (61 8) 9389 8327

8. In accordance with Regulation 7.11.37 of the Corporations Regulations 2001, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date is 10.00am (WST) on Wednesday, 26th August 2009.