

REVIEW OF OPERATIONS

Overview

McPherson's Limited produced earnings before interest, tax and non-recurring items of \$39.5 million in 2008-09, a decrease of 18% from the previous year's \$48.0 million. Sales revenue of \$357 million, net of customer allowances, was up 7% from the prior year's \$334 million, with revenue growth achieved by Consumer Products being partly offset by a small decrease from Printing.

Profit after tax (and after non-recurring expenses) decreased by 27% from \$26.5 million last year to \$19.5 million in 2008-09. Earnings per share also reduced by 27% to 30.2 cents compared with 41.1 cents in the previous year.

Directors determined not to declare dividends for 2008-09 but expect to reinstate dividend payments in 2009-10, starting with an interim dividend. It is also expected that future dividends will continue to be fully franked.

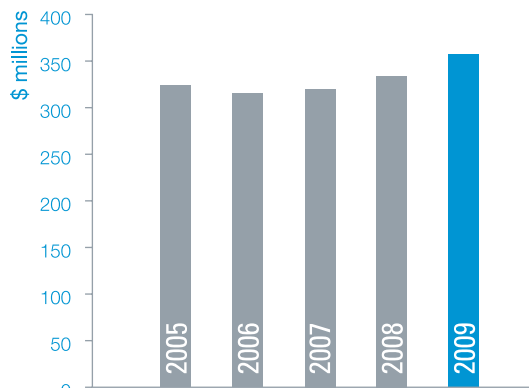
The Company's major business, McPherson's Consumer Products, which has operations in Australia, New Zealand and Asia and trades in North America, generated sales revenue (net of customer allowances) of \$288.5 million in the year ended 30 June 2009. This represents a pleasing 9% increase over the prior year.

McPherson's Consumer Products' major brands including Wiltshire (housewares), Manicare (beauty care), Lady Jayne (hair care) and Home Living (impulse merchandise products) each achieved revenue growth due to the success of new product introductions and organic growth. Multix branded products including bags, wraps and foil, and personal care products under the Swisspers brand also produced revenue increases over the previous year.

Sales growth in 2008-09 also reflected the full year impact of the acquisition of Oneida Australia which occurred in February 2008. Excluding the impact of the Oneida acquisition, McPherson's Consumer Products recorded an increase in sales revenue of 5% despite the difficult trading environment during much of the year. However the EBIT of \$38.5 million generated for 2008-09 represented a decrease from \$47.0 million in the previous year. The sudden decline in the value of the Australian dollar during the year significantly increased product costs which adversely impacted margins. Initiatives were implemented to restore margins to acceptable levels, including selling price increases, product cost reductions, overhead reductions and new product launches at sustainable margins. These initiatives will have a positive impact in 2009-10.

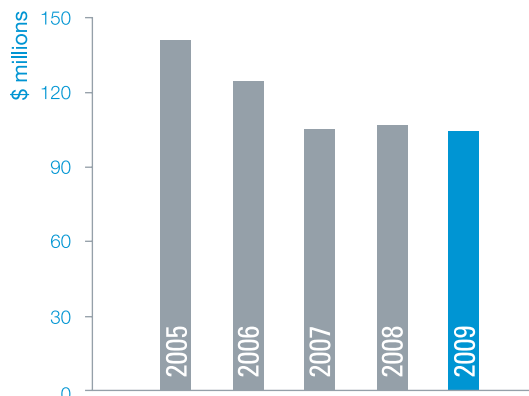
Printing EBIT decreased marginally to \$4.3 million, down from \$4.7 million for the prior year, on 3% lower revenue of \$68.4 million. The revenue decline was due mainly to reduced demand in the commercial segment, but 'read for pleasure' print volumes were steady. Productivity improvements generated during the year from selective capital investment partly offset the reduced contribution from lower volumes.

Group Net Sales*

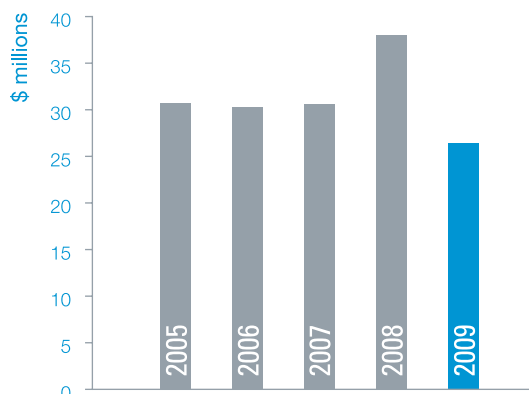


* Sales net of customer allowances.

Net Debt



Cash Flow*



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