

DIRECTORS' REPORT

The Board of Directors issues the following report on the consolidated financial statements of the economic entity (referred to hereafter as the Group) at the end of, and for the year ended 30 June 2009.

(a) Directors

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

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

A. Waislitz was a Director of McPherson's Limited from the beginning of the financial year until his retirement from the Board on 24 February 2009.

P.D.J. Landos, who was previously alternate Director for A. Waislitz, was appointed a non-executive Director on 24 February 2009.

(b) Principal Activities

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

(i) Consumer Products

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

(ii) Printing

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

(c) Dividends

Directors did not declare an interim or final dividend in respect to the current year.

The 2008 final ordinary dividend of \$8,386,000 (13.0 cents per fully paid ordinary share) referred to in the Directors' Report dated 27 August 2008 was paid on 1 October 2008.

(d) Consolidated Results

The consolidated profit after tax from operations of McPherson's Limited and its controlled entities for the year ended 30 June 2009 was \$19,473,000 (2008: \$26,496,000).

(e) Review of Operations

The review of operations of the Group is contained in the Chairman's and Managing Director's Report on pages 2 and 3 and the Review of Operations on pages 8 to 13 of the Annual Report and forms part of this report.

(f) Significant Changes in the State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group which have not been disclosed elsewhere in the Annual Report.

(g) Events Subsequent to Balance Date

Subsequent to the end of the financial year, the Company announced on 6 July 2009 that the operations of the Company's two consumer products businesses, McPherson's Consumer Products and Multix, have been combined into a single entity, and that Mr Paul Maguire, Chief Executive Officer of Multix, was appointed Chief Executive of the enlarged business. The Company also announced that after a transition period, Mr Maguire will also be appointed Managing Director of McPherson's Limited and the current Managing Director, Mr David Allman, will retire from the position at the conclusion of the transition period.

On 9 July 2009 the Company announced that it was proposed to grant 1.5 million options over ordinary shares in the Company to Mr Paul Maguire under the McPherson's Limited Share/Option Purchase Plan. The grant is subject to the approval of shareholders which will be sought at the McPherson's Limited Annual General Meeting on 13 November 2009. The options will form part of Mr Maguire's remuneration arrangements. The options are to be granted in four equal tranches of 375,000 and will be exercisable subject to the satisfaction of certain performance hurdles during the respective exercise periods.

On 14 August 2009 the Company announced it had completed a share placement to institutional, sophisticated and professional investors of 5,714,285 new ordinary shares at \$2.10 per share to raise \$12 million of additional capital. The Company also announced an offer to enable retail shareholders to participate in an underwritten Share Purchase Plan to raise an additional \$3 million in capital at \$2.10 per share. All new shares issued will rank equally with existing shares.

(h) Likely Developments and Expected Results of Operations

In the opinion of the Directors, it would prejudice the interests of the Group to include additional information, except as reported in this Directors' Report and the Annual Report, which relates to likely developments in the operations of the Group and the expected results of those operations in financial periods subsequent to 30 June 2009.

(i) Information on Directors

Particulars of the qualifications, experience and special responsibilities of each Director as at the date of this report are set out on pages 4 and 5 of the Annual Report and form part of this Directors' Report.

Particulars as to the number of Directors' meetings (including meetings of the Audit Risk Management and Compliance and the Nomination and Remuneration Committees of Directors) and the number of meetings attended by each of the Directors of the Company during the year are set out on page 6 of the Annual Report and form part of this Directors' Report.

The interests of Directors in the share capital of the parent entity or in a related entity are contained in the register of Directors' shareholdings of the Company as at the date of this report and are set out on pages 4 and 5 of the Annual Report and form part of this Directors' Report.

(j) Company Secretary

Particulars of the qualifications and experience of the Company Secretary are set out on page 6 of the Annual Report and form part of this Directors' Report.

(k) Remuneration Report

The remuneration report is set out under the following main headings:

- Key management personnel disclosures
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Key management personnel disclosures

Directors

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

Chairman (non-executive)

S.A. Rowell

Executive Director

D.J. Allman, Managing Director

Non-executive Directors

J.P. Clifford

P.D.J. Landos (from his appointment as a Director on 24 February 2009)

A. Waislitz (until his resignation as a Director on 24 February 2009)

Prior to his appointment as a Director, Mr Landos was alternate Director for Mr Waislitz.

(k) Remuneration Report (continued)

Key management personnel disclosures (continued)

Other key management personnel

The key management personnel (as defined in AASB 124 *Related Party Disclosures*) of McPherson's Limited and the McPherson's Limited Group includes the Directors and the following executives, as they had authority and responsibility for planning, directing and controlling the activities of the McPherson's Limited Group, directly or indirectly, during the financial year:

Name	Position	Employer
M.A. O'Kelly	Managing Director, Consumer Products Division	McPherson's Limited
P.J. Maguire	Chief Executive Officer, Multix	Multix Pty Ltd
S.K.S. Chan	Managing Director, McPherson's Hong Kong	McPherson's Consumer Products (HK) Ltd
P.R. Bennett	Chief Financial Officer and Company Secretary	McPherson's Limited
A.E. Fahy	Chief Executive Officer, McPherson's Printing	McPherson's Limited
G.P. Mitchell	General Manager, McPherson's Consumer Products NZ	McPherson's Consumer Products (NZ) Ltd

All of the above persons were also key management personnel during the year ended 30 June 2008. In addition, Mr Dagg, previously Commercial Director of McPherson's Consumer Products Pty Ltd, was a key management person from 1 July 2007 until the termination of his employment on 30 November 2007.

Subsequent to the end of the financial year, the Company announced on 6 July 2009 that the operations of the Company's two consumer products businesses, McPherson's Consumer Products and Multix, have been combined into a single entity, and that Mr Paul Maguire, Chief Executive Officer of Multix, was appointed Chief Executive of the enlarged business. The Company also announced that after a transition period, Mr Maguire will also be appointed Managing Director of McPherson's Limited and the current Managing Director, Mr David Allman, will retire from the position at the conclusion of the transition period.

Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage/alignment of executive compensation;
- Transparency; and
- Capital management.

McPherson's Limited has a remuneration policy and structure that is equitable, competitive and consistent so as to ensure the recruitment and retention of personnel of the capability, competence and experience necessary for the achievement of the Company's strategies and goals.

The remuneration framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current year.

Over the past five years, the consolidated entity's profit from ordinary activities after income tax has grown at an average rate of about 8%, and shareholder wealth reflecting share price movements and dividends has reduced at an average rate of 12% per annum as a consequence of the lower share price prevailing during the year. Over the past five years executive remuneration has grown at an average rate of approximately 2% per annum.

Nomination and Remuneration Committee

McPherson's has a Nomination and Remuneration Committee which has been established by the Board of Directors to annually review, evaluate and make recommendations to the Board in relation to remuneration, including:

- Non-executive Director remuneration;
- Staff incentive plans proposed by the Managing Director, including bonus, share and option plans, and the basis of their application;
- Salary, benefits and total remuneration packages of the Managing Director and other senior executives; and
- Substantial changes to the principles of the Company's superannuation arrangements.

Non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Remuneration of non-executive Directors is determined by the Board within an aggregate Directors' fee pool limit which is periodically recommended for approval by the shareholders. The aggregate was last considered by shareholders at the Annual General Meeting in 2007 when a total remuneration of \$400,000 was approved. Excluding termination benefits, non-executive Directors' remuneration for the year ended 30 June 2009 totalled \$250,048 (2008: \$250,448).

Non-executive Directors are not entitled to participate in any incentive scheme, nor are they eligible to receive share options.

The current base remuneration of individual non-executive Directors was last reviewed by the Nomination and Remuneration Committee as at 1 October 2007, at which time Directors' fees were increased on average by 12.5%. Prior to that, fees were reviewed effective 1 October 2006, 1 October 2004 and 1 July 2000. The Chairman and other non-executive Directors receive additional fees for their membership of the Board's Audit Risk Management and Compliance Committee. Members of the Nomination and Remuneration Committee do not receive additional fees for their membership of this committee. Directors may direct the Company to make superannuation guarantee contributions, or additional superannuation contributions allocated from their Directors' or committee membership fees, to any complying nominated superannuation fund.

At the Annual General Meeting of shareholders held on 7 November 1997, shareholders authorised the Company to enter into agreements with Directors (called "Directors' Deeds") which set out certain rights and obligations of the Director. The Directors' Deeds do not reflect a fixed term of appointment as Directors are subject to retirement and re-election by shareholders at least every three years.

The following fees have applied:

	From 1 October 2007	From 1 October 2006 to 30 September 2007
Base fees		
Chairman	\$109,961	\$103,833
Other non-executive Directors	\$57,340	\$48,672
Additional fees		
Audit Risk Management and Compliance Committee – Chairman	\$6,552	\$5,408
Audit Risk Management and Compliance Committee – Member	\$4,718	\$3,894

Executive remuneration

The executive remuneration and reward framework has four components:

- Base pay and benefits;
- Short-term performance incentives;
- Long-term incentives; and
- Retirement benefits.

The combination of these comprises an executive's total remuneration.

(k) **Remuneration Report** (continued)

Principles used to determine the nature and amount of remuneration (continued)

Base pay and benefits

Base pay is structured as a package amount which may be delivered as cash, prescribed non-cash financial benefits including motor vehicles and additional superannuation contributions at the executive's discretion. Base pay is reviewed annually to reflect increases in responsibility and to ensure that the executive's pay is competitive in the market for a comparable role. There are no guaranteed base pay increases included in any senior executives' contracts.

Short-term performance incentives (STI)

Short-term incentives in the form of cash bonuses are available to senior executives providing the Company, operating division or business most closely aligned with the executive's area or areas of responsibility achieve or exceed pre-determined profit and/or other financial targets and achieve key personal performance objectives. Profit and other Company performance targets have been selected because this ensures that variable reward is only available when value has been created for shareholders and when profit and other targets are consistent with or exceed the business plan. For senior executives the maximum target bonus opportunity is usually 55% of the base package amount.

Each year the Nomination and Remuneration Committee considers the appropriate targets and key performance indicators together with the level of payout if targets are met or exceeded.

An assessment regarding eligibility for a cash bonus is made by reference to actual performance outcomes when these are known following the conclusion of the financial year. Short-term incentives are normally payable in September following the end of the financial year to which the incentive relates.

Subject to the discretion of the Nomination and Remuneration Committee, the maximum likely short-term incentive payable to a senior executive in future years is 55% of the executive's base salary package amount. The minimum payable would be zero in cases where the specified performance targets were not achieved.

Long-term incentives (LTI)

Long-term incentives in the form of options over ordinary shares in the Company may be granted to executives at the discretion of the Nomination and Remuneration Committee. Further information regarding share-based compensation in the form of options is contained later in the Remuneration Report on pages 30 to 34.

Retirement benefits

Retirement benefits are delivered by a number of superannuation funds selected by the Company or the executive. Executives may direct the Company to make superannuation guarantee contributions, or additional superannuation contributions allocated from their base package amount, to any complying nominated superannuation fund. The funds selected provide retirement benefits to executives and other employees on an accumulation basis.

Performance assessment

The Company has a formal documented process for the performance evaluation of Directors and senior executives, which requires that a review takes place on an annual basis. A performance assessment took place during the year for Directors, including the Managing Director, and other senior executives.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors of McPherson's Limited, the other key management personnel and the other highest remunerated executives of McPherson's Limited and the McPherson's Limited Group are set out in the following tables. The tables indicate whether executives are employed by McPherson's Limited or a controlled entity of McPherson's Limited, and provide separate remuneration totals for each of McPherson's Limited and the McPherson's Limited Group.

Key Management Personnel of the Group

2009	Short-term Benefits			Post-employment Benefits	Long-term Benefits		Share-based Payment	Total \$
	Cash Salary & Fees ⁽¹⁾ \$	Cash Bonus \$	Non-monetary Benefits ⁽²⁾ \$	Super-annuation \$	Long Service Leave \$	Termination Benefits \$	Options \$	
Name								
<i>Directors of McPherson's Limited</i>								
S.A. Rowell (Chairman)	105,000	-	-	20,000	-	-	-	125,000
D.J. Allman (Managing Director) ⁽³⁾	534,367	-	6,709	92,896	10,583	-	-	644,555
J.P. Clifford	20,833	-	-	41,667	-	-	-	62,500
A. Waislitz ⁽⁴⁾	36,697	-	-	3,303	-	115,200	-	155,200
P.D.J. Landos ⁽⁵⁾	20,686	-	-	1,862	-	-	-	22,548
Total Directors' Remuneration 2009	717,583	-	6,709	159,728	10,583	115,200	-	1,009,803
<i>Other Group Key Management Personnel</i>								
P.J. Maguire ⁽⁶⁾	296,848	-	19,526	45,130	5,662	-	4,064	371,230
S.K.S. Chan ⁽⁶⁾	372,704	-	-	31,533	5,223	-	-	409,460
P.R. Bennett ⁽⁷⁾	210,083	-	6,696	97,396	5,362	-	-	319,537
A.E. Fahy ⁽⁷⁾	298,249	-	29,070	10,800	5,858	-	-	343,977
G.P. Mitchell ⁽⁸⁾	190,809	-	27,765	19,482	1,603	-	-	239,659
M.A. O'Kelly ⁽⁷⁾⁽⁹⁾	331,971	-	43,732	22,980	41,833	-	-	440,516
Total Other Key Management Personnel Remuneration 2009	1,700,664	-	126,789	227,321	65,541	-	4,064	2,124,379
Total Remuneration 2009 – McPherson's Limited	1,557,886	-	86,207	290,904	63,636	115,200	-	2,113,833
Total Remuneration 2009 – Group	2,418,247	-	133,498	387,049	76,124	115,200	4,064	3,134,182

- (1) Cash salary and fees includes movements in the annual leave provision relating to the Managing Director and other key management personnel.
- (2) Non-monetary benefits comprise salary sacrificed components of remuneration packages including motor vehicles and related fringe benefits tax, medical insurance premiums and private telephone expenses.
- (3) Mr Allman is to retire as Managing Director in the 2009-10 financial year. Termination benefits in the order of \$820,000 including accrued annual leave and long service leave will be paid on his retirement and have been provided for in the accounts at 30 June 2009.
- (4) Mr Waislitz resigned as a Director with effect from 24 February 2009. Amounts shown include remuneration as a Director from 1 July 2008 to 24 February 2009 and retirement benefits payable on his termination.
- (5) Mr Landos was appointed a Director with effect from 24 February 2009. Mr Landos previously acted as alternate Director for Mr Waislitz.
- (6) On 6 July 2009 the Company announced that Mr Maguire is to be appointed Managing Director of the Company on the retirement of Mr Allman during the 2009-10 financial year. From 6 July 2009 Mr Maguire has been employed by McPherson's Limited. Prior to that date he was employed by a controlled entity of McPherson's Limited.
- (7) Employed by McPherson's Limited.
- (8) Employed by a controlled entity of McPherson's Limited.
- (9) Mr O'Kelly's employment was terminated with effect from 31 July 2009. Termination benefits of \$648,000 including accrued annual leave and long service leave were paid on his termination and have been provided for in the accounts at 30 June 2009.

DIRECTORS' REPORT CONTINUED

(k) Remuneration Report (continued) Key Management Personnel of the Group

2008 Name	Short-term Benefits			Post-employment Benefits	Long-term Benefits		Share-based Payment	Total \$
	Cash Salary & Fees ⁽¹⁾ \$	Cash Bonus \$	Non-monetary Benefits ⁽²⁾ \$	Super-annuation \$	Long Service Leave \$	Termination Benefits \$	Options \$	
<i>Directors of McPherson's Limited</i>								
S.A. Rowell (Chairman)	93,360	–	–	20,000	–	–	–	113,360
D.J. Allman (Managing Director)	473,824	335,500	6,182	100,000	17,405	–	17,627	950,538
J.P. Clifford	15,625	–	–	44,514	–	–	–	60,139
A. Waislitz	52,641	–	–	4,738	–	–	–	57,379
P.D.J. Landos (Alternate) ⁽³⁾	–	–	–	–	–	–	–	–
R.C. King ⁽⁴⁾	17,955	–	–	1,615	–	298,800	–	318,370
Total Directors' Remuneration 2008	653,405	335,500	6,182	170,867	17,405	298,800	17,627	1,499,786
<i>Other Group Key Management Personnel</i>								
M.A. O'Kelly ⁽⁵⁾	350,043	223,000	47,555	22,980	–	–	8,559	652,137
P.J. Maguire ⁽⁶⁾	303,459	203,500	25,511	44,478	8,478	–	13,995	599,421
S.K.S. Chan ⁽⁶⁾	296,051	159,132	–	24,957	5,020	–	1,660	486,820
P.R. Bennett ⁽⁶⁾	209,538	170,500	6,464	100,000	8,224	–	3,321	498,047
A.E. Fahy ⁽⁵⁾	307,171	50,000	17,068	10,800	32,211	–	1,660	418,910
G.P. Mitchell ⁽⁶⁾	200,580	–	29,560	19,565	–	–	1,660	251,365
M.G. Dagg ⁽⁶⁾⁽⁷⁾	107,648	–	14,744	9,688	–	431,598	1,660	565,338
Total Other Key Management Personnel Remuneration 2008	1,774,490	806,132	140,902	232,468	53,933	431,598	32,515	3,472,038
Total Remuneration 2008 – McPherson's Limited	1,520,157	779,000	77,269	304,647	57,840	298,800	31,167	3,068,880
Total Remuneration 2008 – Group	2,427,895	1,141,632	147,084	403,335	71,338	730,398	50,142	4,971,824

- (1) Cash salary and fees includes movements in the annual leave provision relating to the Managing Director and other key management personnel.
- (2) Non-monetary benefits comprise salary sacrificed components of remuneration packages including motor vehicles and related fringe benefits tax, and medical insurance premiums and private telephone expenses.
- (3) Mr Landos is the alternate Director for Mr Waislitz.
- (4) Mr King retired as Chairman and as a Director with effect from 31 August 2007. Amounts shown include remuneration from 1 July 2007 to 31 August 2007 and retirement benefit paid on his termination.
- (5) Employed by McPherson's Limited.
- (6) Employed by a controlled entity of McPherson's Limited.
- (7) Mr Dagg's employment was terminated on 30 November 2007. Termination benefits include payments for accrued annual leave and long service leave.

Details of remuneration (continued)

Amounts disclosed as remuneration of Directors and executives exclude premiums paid by the consolidated entity in respect of Directors' and Officers' liability insurance contracts. Further information relating to these insurance contracts is set out in paragraph (m) of the Directors' Report.

Relative proportions of remuneration

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration		At Risk – STI		At Risk – LTI	
	2009	2008	2009	2008	2009	2008
<i>Executive Director of McPherson's</i>						
D.J. Allman	100%	63%	–	35%	–	2%
<i>Other key management personnel of the Group</i>						
M.A. O'Kelly	100%	65%	–	34%	–	1%
P.J. Maguire	99%	64%	–	34%	1%	2%
S.K.S. Chan	100%	67%	–	33%	–	–
P.R. Bennett	100%	65%	–	34%	–	1%
A.E. Fahy	100%	88%	–	12%	–	–
G.P. Mitchell	100%	99%	–	–	–	1%

Service agreements

Remuneration and other terms of employment for the Managing Director and other key management personnel are formalised in employment agreements. Each of these agreements set out details of the base package amount, usually inclusive of superannuation and motor vehicle benefits, and provide for performance related cash bonuses and other benefits. Other benefits include health insurance premiums and the payment of private telephone accounts. The agreements also provide for participation, when eligible, in the McPherson's Limited Employee Share/Option Purchase Plan.

The agreements do not normally reflect a fixed term of employment or nominate a specified amount to be paid on termination of employment. The agreements normally provide that the termination notice period may be paid out by the Company.

Other major provisions of the employment agreements relating to remuneration for the executives disclosed are set out below.

D.J. Allman, Managing Director

- Base salary package, inclusive of superannuation, with effect from 1 October 2007 of \$610,000, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on 12 months notice by the Company and on six months notice by the executive.

M.A. O'Kelly, Managing Director – Consumer Products Division

- Base salary package, inclusive of superannuation, with effect from 1 October 2007 of \$405,000, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract was for an initial term of four years from 1 September 2003, which has been extended through the exercising of an option to extend the term by the executive.
- The contract may be terminated on 12 months notice by the Company and on six months notice by the executive.

P.J. Maguire, Chief Executive Officer, Multix

- Base salary package, inclusive of superannuation, with effect from 1 October 2007 of \$370,000, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on 12 months notice by the Company and on three months notice by the executive.

(k) Remuneration Report (continued)

Service agreements (continued)

On 6 July 2009 a new service agreement was entered into between Mr Maguire and McPherson's Limited in conjunction with his appointment as Chief Executive of McPherson's Consumer Products. Major provisions in the new agreement include the following:

- Base salary package, inclusive of superannuation, with effect from 6 July 2009 of \$450,000, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on 12 months notice by the Company and on six months notice by the executive.

S.K.S. Chan, Managing Director, McPherson's Consumer Products (HK) Limited

- Base salary package, inclusive of superannuation, with effect from 1 October 2008 of USD\$297,678 (AUD\$397,063), to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on three months notice by either the Company or the executive.

P.R. Bennett, Chief Financial Officer and Company Secretary

- Base salary package, inclusive of superannuation, with effect from 1 October 2007 of \$310,000, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on 12 months notice by the Company and on six months notice by the executive.

A.E. Fahy, Chief Executive Officer, McPherson's Printing

- Base salary package, inclusive of superannuation, with effect from 1 October 2007 of \$335,000, to be reviewed annually in October by the Nomination and Remuneration Committee.
- The contract may be terminated on 12 months notice by the Company and on six months notice by the executive.

G.P. Mitchell, General Manager, McPherson's Consumer Products (NZ) Limited

- Base salary of NZD\$229,658 (AUD\$187,598) with effect from 1 October 2007, plus a fully maintained vehicle, superannuation and medical insurance, to be reviewed annually in October.
- The contract may be terminated on six months notice by either the Company or the executive.

Share-based compensation

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

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

Grant Date	Expiry Date	Exercise Price	Value per Option at Grant Date			Date Exercisable			
			First 50%	Second 50%	Total Value	First 50%		Second 50%	
						From	To	From	To
18-Sep-03	17-Sep-08	\$3.26	\$0.98	\$1.01	\$1.00	17-Sep-05	17-Sep-07	17-Sep-07	17-Sep-08
10-Nov-03	09-Nov-08	\$3.26	\$1.29	\$1.29	\$1.29	09-Nov-05	09-Nov-07	09-Nov-07	09-Nov-08
11-Dec-03	10-Dec-08	\$3.26	\$1.27	\$1.27	\$1.27	10-Dec-05	10-Dec-07	10-Dec-07	10-Dec-08
14-Oct-04	13-Oct-09	\$4.84	\$0.82	\$0.93	\$0.88	13-Oct-06	13-Oct-08	13-Oct-08	13-Oct-09

Options are issued under the Plan for a consideration of one cent per share option, with other terms and conditions, including performance criteria, being determined by the Board's Nomination and Remuneration Committee. The Committee has generally selected share price performance hurdles as the relevant criteria because an increase in the Company's share price is considered to be the major contributor to shareholders' overall return on investment. The Committee has however considered amending the criteria for any future options issued to reflect a combination of share price and dividend performance, and/or the Company's stated key financial objectives.

There were no options issued during the year ended 30 June 2009, or in the previous year ended 30 June 2008. However, on 9 July 2009 the Company announced that it was proposed to grant 1.5 million options over ordinary shares in the Company to Mr Paul Maguire under the McPherson's Limited Share/Option Purchase Plan. The grant is subject to the approval of shareholders which will be sought at the McPherson's Limited Annual General Meeting on 13 November 2009. The options will form part of Mr Maguire's remuneration arrangements. The options are to be granted and exercisable in four equal tranches of 375,000 and will be issued on the following terms:

Tranche	Number of Options	Exercise Price ⁽¹⁾	Exercise Conditions		Exercise Dates	
					From	To
1	375,000	\$1.64	Note 2	Note 3	06 July 2010	06 July 2013
2	375,000	\$1.64	Note 2	Note 3	06 January 2011	06 January 2014
3	375,000	\$1.64	Note 2	Note 3	06 July 2011	06 July 2014
4	375,000	\$1.75	Note 2	Note 3	06 January 2012	06 January 2015
	1,500,000					

Notes:

1. The exercise price for tranches 1, 2 and 3 is the volume weighted average share price over the 20 trading days prior to 6 July 2009.
2. The share price must exceed the relevant exercise price for a continuous period of 40 trading days.
3. Total Shareholder Return must exceed 15% per annum for the period to the relevant exercise date. Total Shareholder Return is a function of share price growth and dividend payments.

For options issued during the years ended 30 June 2005 and 2004, share price hurdles were set at 128% (for the first 50% of the options) and 148% (for the second 50%) of the share price current at the date the options were issued.

Options issued during the year ended 30 June 2005 were issued on the following terms:

- (a) 50% of the options granted to be exercisable between two and four years from the date of issue, provided the Company's shares traded on the Australian Securities Exchange at or above \$6.29 (measured on a weighted average basis) for five consecutive trading days within the two year period from the date of issue; and
- (b) 50% of the options granted to be exercisable between four and five years from the date of issue, provided the Company's shares traded on the Australian Securities Exchange at or above \$7.26 (measured on a weighted average basis) for five consecutive trading days within the four year period from the date of issue.

Options issued during the year ended 30 June 2004 were issued on the following terms:

- (a) 50% of the options granted to be exercisable between two and four years from the date of issue, provided the Company's shares traded on the Australian Securities Exchange at or above \$4.30 (measured on a weighted average basis) for five consecutive trading days within the two year period from the date of issue; and
- (b) 50% of the options granted to be exercisable between four and five years from the date of issue, provided the Company's shares traded on the Australian Securities Exchange at or above \$5.00 (measured on a weighted average basis) for five consecutive trading days within the four year period from the date of issue.

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

(k) Remuneration Report (continued)

Share-based compensation (continued)

The amounts disclosed for emoluments relating to options is the assessed fair value at grant date of each 50% component of the options granted to senior executives net of any consideration paid by the executive, allocated equally over the period from grant date to the expected vesting date. Subject to the discretion of the Nomination and Remuneration Committee regarding the granting of further options in the future, the value of emoluments relating to options in future years will be the allocation of existing options on this basis.

Fair values at grant date were determined using a binomial option pricing model that took into account the grant date, the exercise price, the term of the option, the vesting and performance criteria, the non-tradable nature of the option, the share price at grant date, the expected price volatility of the underlying share (30%) and the risk-free interest rate for the term of the option.

The Nomination and Remuneration Committee performs an assessment to determine whether the share price and other criteria have been satisfied before the commencement of the respective exercise periods.

The terms and conditions of the McPherson's Limited Employee Share/Option Purchase Plan provide that in the event of the death of an employee, the exercise period for options may be reduced at the discretion of the Directors, whereby the options can be exercised within 30 days of the Directors' discretion being applied, instead of during the prescribed exercise period(s).

The Company's Securities Trading Policy contains a restriction on removing the 'at risk' aspect of options or other instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of options or other instruments before they vest.

Options provided as remuneration

Other than those disclosed earlier in this report, there were no options granted over ordinary shares of McPherson's Limited during or since the end of the financial year ending 30 June 2009, or during the year ended 30 June 2008, to any of the Directors or the other key management personnel of the Company or the consolidated entity as part of their remuneration. A summary of options over ordinary shares in the Company provided as remuneration in the current and prior year to each Director of McPherson's Limited, and each of the other key management personnel of the Group, and options that vested, is set out below.

Name	Number of Options Granted During the Year		Number of Options Vested During the Year	
	2009	2008	2009	2008
<i>Directors of McPherson's Limited</i>				
D.J. Allman	–	–	–	150,000
<i>Other key management personnel of the Group</i>				
M.A. O'Kelly	–	–	–	60,000
P.J. Maguire	–	–	–	–
S.K.S. Chan	–	–	–	30,000
P.R. Bennett	–	–	–	60,000
A.E. Fahy	–	–	–	30,000
G.P. Mitchell	–	–	–	30,000
M.G. Dagg	–	–	–	30,000

Shares provided on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to Directors of McPherson's Limited and other key management personnel of the Group are set out below.

Name	Date of Exercise of Options	Number of Ordinary Shares Issued on Exercise of Options During the Year	
		2009	2008
<i>Directors of McPherson's Limited</i> D.J. Allman	8 November 2007	–	150,000
<i>Other key management personnel of the Group</i> M.A. O'Kelly	10 December 2007	–	60,000

The amount paid per ordinary share by each Director and other key management personnel on the exercise of options at each date of exercise was \$3.26. No amounts are or were unpaid on any shares issued on the exercise of options.

Employee share schemes

Directors of McPherson's Limited and other key management personnel of the Group including the Company Secretary are eligible to participate in the Company's employee share schemes on a salary or fee sacrifice basis, on the same terms and conditions as other employees. However, the operation of the Company's two share schemes has been temporarily suspended pending clarification and passing of relevant legislation of the proposed changes to the taxation of shares issued under such schemes which were announced in the 2009 Federal Budget.

Additional information

Cash bonuses and options

For each cash bonus and grant of options included in the remuneration tables shown earlier in this report, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses or grants of options are payable in future years. Half of the options granted have vested after four years and half after five years from the grant date providing the conditions relating to them have been satisfied. No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest is determined as the amount of the grant date fair value of the options that is yet to be expensed. As the value of all options has been expensed in 2009 or in previous years the maximum value of options yet to vest is also nil.

Name	Cash Bonus		Options					
	Paid	Forfeited	Year Granted	Vested	Forfeited	Financial Years in Which Options May Vest	Minimum Total Value of Grant Yet to Vest \$	Maximum Total Value of Grant Yet to Vest \$
D.J. Allman	–	100%	2004	–	–	–	–	–
M.A. O'Kelly	–	100%	2004	–	–	–	–	–
P.J. Maguire	–	100%	2005	–	50%	–	–	–
S.K.S. Chan	–	100%	2004	–	–	–	–	–
P.R. Bennett	–	100%	2004	–	–	–	–	–
A.E. Fahy	–	100%	2004	–	–	–	–	–
G.P. Mitchell	–	100%	2004	–	–	–	–	–

(k) **Remuneration Report** (continued)

Additional information (continued)

Share-based compensation – options

Further details relating to options are set out below.

Name	A Remuneration Consisting of Options %	B Value at Grant Date \$	C Value at Exercise Date \$	D Value at Lapse Date \$
D.J. Allman	–	–	–	–
M.A. O'Kelly	–	–	–	–
P.J. Maguire	1.1%	–	–	–
S.K.S. Chan	–	–	–	–
P.R. Bennett	–	–	–	–
A.E. Fahy	–	–	–	–
G.P. Mitchell	–	–	–	–

A The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

C The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

Loans to Directors and executives

There were no loans made to Directors of McPherson's Limited or to any key management personnel of the Company and the consolidated entity, including their personally-related entities during the year, nor were there any loans outstanding at the end of the current or prior financial year.

Other transactions with Directors and executives

During the year the Group sold minor quantities of household consumer products and glassware for domestic use to key management personnel on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with an employee at arm's length in the same circumstances.

There were no transactions between the consolidated entity and the Directors of McPherson's Limited or with any other key management personnel of the Group, including their personally-related entities, during the current or previous financial year other than those disclosed above, and relating to remuneration and to transactions concerning options and shares.

(l) **Shares Under Option**

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

Date Options Granted	Expiry Date	Exercise Price	Number Under Option
14 October 2004	13 October 2009	\$4.84	60,000

Subject to the approval of shareholders which will be sought at the McPherson's Limited Annual General Meeting on 13 November 2009, the Company has announced that a further 1,500,000 options are to be granted and exercisable in four equal tranches of 375,000. The tranches will have expiry dates ranging from 6 July 2013 to 6 January 2015.

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

Shares issued on the exercise of options

No ordinary shares of McPherson's Limited were issued during the year ended 30 June 2009 on the exercise of options granted under the McPherson's Limited Employee Share/Option Purchase Plan, and no shares have been issued since that date.

(m) Indemnification and Insurance of Officers

The Company has agreed to indemnify the current Directors and certain current executives of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors or officers of the Company, to the extent permitted by law. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

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

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

(n) Environmental Regulation

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

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

(o) Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Risk Management and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Risk Management and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 37.

		Consolidated	
		2009	2008
		\$	\$
(o) Non-audit Services (continued)			
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:			
Assurance services			
1. Audit services			
PricewaterhouseCoopers Australian firm:			
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>		300,855	362,505
Overseas affiliates of PricewaterhouseCoopers Australian firm		51,958	88,070
Non PricewaterhouseCoopers audit firm (FTW & Partners CPA Limited)		15,190	–
Total remuneration for audit services		368,003	450,575
2. Other assurance services			
PricewaterhouseCoopers Australian firm:			
Other accounting services		–	4,600
Overseas affiliates of PricewaterhouseCoopers Australian firm:			
Audit of pension plans		2,684	2,019
Financial statements preparation		4,000	14,984
IFRS accounting services		–	2,163
Total remuneration for other assurance services		6,684	23,766
Total remuneration for assurance services		374,687	474,341

(p) Rounding

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report and Directors’ Report. Amounts in the Directors’ Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(q) Audit Risk Management and Compliance Committee

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

- S.A. Rowell (Chairman)
- P.D.J. Landos

Signed in accordance with a resolution of the Directors.

Dated at Melbourne this 26th day of August 2009.



S.A. Rowell
Director



D.J. Allman
Director