



McPherson's

ACN 004 068 419



Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of McPherson's Limited (the Company) will be held at Thomsons Lawyers, Level 25, 1 O'Connell Street, Sydney, on Tuesday, 30 April 2013 at 10.00 a.m. (AEST).

Agenda Items

1. Giving of financial assistance by HAPL

To consider and, if thought fit, pass the following resolution as a special resolution:

"That, in accordance with section 260B(2) of the *Corporations Act 2001* (Cth), the Company in general meeting approves the giving of financial assistance by Home Appliances Pty Ltd (ACN 137 363 038) (**Home Appliances**) and its subsidiaries to McPherson's Consumer Products Pty Ltd (ACN 000 020 495) (**MCPL**) in connection with the acquisition by MCPL of approximately 82% of the issued shares in Home Appliances, in the manner and on the terms and conditions described in the explanatory notes accompanying the notice convening this meeting (**Explanatory Notes**)."

2. Ratification of issue of placement shares

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Company in general meeting ratifies the prior allotment, issue and placement of 10,909,091 fully paid ordinary shares in the Company to the non-related parties and on the terms and conditions specified in the Explanatory Notes."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 2 by:

- any person who participated in the placement referred to in that resolution; and
- any associate of any of such persons.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting and Proxies

The Company has determined in accordance with the *Corporations Act 2001* (Cth) (**Corporations Act**) that for the purpose of voting at the meeting or adjourned meeting, shares will be taken to be held by those persons recorded in the Company's Register of Members as at 7.00 p.m. (AEST) on Sunday 28 April 2013.

Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of the member. If the member is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where two proxies are appointed, each proxy may be appointed to represent a specified proportion or number of the member's voting rights. If the member does not specify the proportion or number of the member's voting rights that each proxy is to represent, each proxy will be entitled to exercise half the member's votes. A proxy need not be a member of the Company. A form of proxy is enclosed. In order to be valid the properly completed form of proxy must be lodged at the office of the Company's Share Registrar, Computershare Investor Services Pty Limited at GPO Box 242, Melbourne, Victoria 3001 (reply paid envelope enclosed), by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia), online by visiting www.investorvote.com.au or at the Company's offices at 105 Vanessa Street, Kingsgrove NSW 2208, not less than 48 hours before the time appointed for holding the meeting. Intermediary Online subscribers only (custodian voting) may visit www.intermediaryonline.com to submit their voting intentions.

By Order of the Board



P.R. Bennett
Secretary

Dated: 28 March 2013

Explanatory Notes

These explanatory notes have been prepared for the information of Shareholders in connection with the business to be conducted at the Extraordinary General Meeting of McPherson's Limited (the **Company**) to be held at Thomsons Lawyers, Level 25, 1 O'Connell Street, Sydney, on Tuesday, 30 April 2013 at 10.00 a.m. (AEST)

Resolution 1: Giving of financial assistance by HAPL

1 Background and details of proposed financial assistance

- 1.1 As foreshadowed in the Company's announcement on 7 March 2013, it is anticipated that on or about 28 March 2013, McPherson's Consumer Products Pty Ltd (ACN 000 020 495), a wholly owned subsidiary of the Company, (**MCPL**) will have completed its acquisition of the following issued shares in the capital of Home Appliances Pty Ltd (ACN 137 363 038) (**Home Appliances**):
- (a) 3,738,236 fully paid ordinary shares
 - (b) 1 fully paid Z Class preference share
- which (together) constitute approximately 82% of the issued shares in Home Appliances (**Acquisition**).
- 1.2 As shareholders would be aware, the Company and certain of its subsidiaries have a "club facility" and supporting facilities with 4 banks, Australia and New Zealand Banking Group Limited, ANZ Bank New Zealand Limited, Commonwealth Bank of Australia and National Australia Bank Limited (together, **Lenders**). MCPL is a party to the bank facility documentation between (i) the Company, as borrower, (ii) the entities listed in paragraph 1.7 below (together, **Other Guarantors**), as guarantors, and (iii) the Lenders, dated 13 December 2012 (as amended) (**Facility Documentation**).
- 1.3 The terms of the Facility Documentation, including in relation to interest charges, events of default, undertakings, representations and warranties (from the Company and certain members of its group), are customary for a facility of this nature.
- 1.4 In order to ensure that all of the substantial assets of the Company and its subsidiaries effectively secure the borrowings of the Company and its subsidiaries to the Lenders, it is, as is customary, a condition of the Facility Documentation that each of Home Appliances and certain of its subsidiaries as nominated by the Lenders (together, **HAPL**) (each having become a subsidiary of MCPL after the Acquisition) grant an interlocking guarantee and indemnity to the Lenders in relation to the indebtedness of each other, the Company and the Other Guarantors to the Lenders by becoming a 'guarantor' under the Facility Documentation by signing an accession deed (**Accession Deed**), and that its guarantee and indemnity be supported by a registered general security deed (**GSD**), all so as to further secure the obligations of each other, the Company and the Other Guarantors to the Lenders under the Facility Documentation. All of the subsidiaries of Home Appliances are listed in the Schedule.
- 1.5 The terms of the interlocking guarantee and indemnity, the Accession Deed and the GSD (together, **Security**) are customary for securities of this nature. The Securities will be first ranking securities in respect of the current and/or future property to which they relate.
- 1.6 Pursuant to the Facility Documentation, HAPL will, (with the Other Guarantors):
- (a) guarantee payment to the Lenders on demand of all present and future, actual and/or contingent liabilities and obligations of each other, the Company and the Other Guarantors to the Lenders; and
 - (b) indemnify the Lenders against all or any loss or damage suffered or incurred by the Lenders by reason or in consequence of any of the matters referred to in the Facility Documentation,

save that until HAPL becomes wholly owned subsidiaries of the Company, the amount secured by the Security is limited to the greater of:

- (c) \$18 million; and
- (d) that proportion of the total amount guaranteed and indemnified under the Facility Documentation which HAPL's proportionate contribution to the EBITDA of the Company and the Other Guarantors as a whole represents.

1.7 The following entities are currently guarantors of the Company's and MCPL's liabilities and obligations under the Facility Documentation, and of each other's liabilities and obligations under the Facility Documentation:

- (a) MCPL
- (b) McPherson's Limited (ABN 98 004 068 419)
- (c) Domenica Pty Ltd (ABN 73 007 016 275)
- (d) McPherson's Consumer Products (HK) Limited (formerly McPherson's CPG Limited)
- (e) McPherson's Hong Kong Limited
- (f) McPherson's Consumer Products (NZ) Limited (formerly Wiltshire (NZ) Limited)
- (g) A.C.N. 082 110 101 Pty Ltd (ABN 80 082 110 101)

1.8 The granting of the Security may constitute HAPL giving "financial assistance" in connection with the Acquisition within the meaning of section 260A of the Corporations Act insofar as doing so assists MCPL to purchase shares in Home Appliances.

1.9 Accordingly, the members of the Company are being asked to approve the giving of the financial assistance by HAPL.

2 The requirements for obtaining member approval under Section 260B of the Corporations Act

2.1 Under section 260A of the Corporations Act, a company may financially assist a person to acquire shares in the company or its holding company only in certain circumstances, one of which is if the assistance is approved by shareholder(s) under section 260B.

2.2 While the Corporations Act does not define what is meant by "financially assist", it is generally accepted that HAPL guaranteeing the obligations of the Company and the Other Guarantors to repay the financial accommodation utilised by the Company and MCPL to enable MCPL to acquire shares in Home Appliances will fall within the broad scope of the term.

2.3 The requirements for approval under section 260B of the Corporations Act are:

- (a) The assistance must be approved by shareholders of HAPL by:
 - (i) a special resolution passed at a general meeting of HAPL with no votes being cast in favour of the resolution by the person acquiring the shares or by their associates; or
 - (ii) a resolution agreed to, at a general meeting of HAPL, by all ordinary shareholders.
- (b) In addition, if, immediately after the Acquisition, HAPL will have a holding company that is a listed domestic corporation, the financial assistance must also be approved by a special resolution passed at a general meeting of the body corporate that will be the ultimate Australian holding company.

Immediately after the Acquisition, the Company became the ultimate Australian holding company of HAPL. The approval referred to in paragraph 2.3(b) above is to be proposed as Resolution 1.

2.4 The Corporation Act requires that the Company must include with the notice of meeting (or documents issued under section 249A) a statement setting out all the information known to the Company that is material to the decision on how to vote on the resolution, unless it would be unreasonable to require the Company to do so because the Company has previously disclosed the information to its shareholders. These Explanatory Notes are issued by the Company to satisfy this requirement.

3 Reasons for proposed financial assistance

The strategic rationale and reasons why the Company has, through MCPL, made the investment in HAPL have been fully explained to shareholders in the Company's announcement of 7 March 2013.

The reasons for the giving of the financial assistance described above are to enable MCPL to invest in HAPL and to enable the Company and MCPL to comply with their obligations under the Facility Documentation.

4 Effects of the financial assistance

The Directors believe that the giving of the financial assistance described in these Explanatory Notes by HAPL is unlikely to have any adverse effect on HAPL or the Company.

4.1 Advantages

- (a) The provision of the financial assistance by HAPL as detailed above will enable the Company and MCPL to comply with their obligations under the Facility Documentation to procure that HAPL grants the Security within 60 days after MCPL invests in HAPL, thereby preserving the benefit of all of the facilities from the Lenders available to the Company and certain of its subsidiaries under the Facility Documentation. In this regard, if an event of default were to occur the Lenders could require immediate repayment of the amounts due under the Facility Documentation which obviously would have a material adverse impact on the operations of the Company, MCPL and HAPL.
- (b) As a member of the group of companies of which the Company is the ultimate holding company, HAPL will have the benefit of access to the resources, skills and financial expertise the Company provides its various subsidiaries and the opportunity to take advantage of those which it would not otherwise have had.
- (c) The Directors accordingly believe, after careful consideration of all relevant factors and in the context of the positive benefits of the investment by MCPL in HAPL for the Company that the provision of financial assistance as referred to in these Explanatory Notes is in the best interests of and of commercial benefit to both the Company and HAPL.

4.2 Disadvantages

- (a) As the Company is already liable for the amounts due under the Facility Documentation, the Directors of the Company do not believe there are any disadvantages to the Company in approving the giving of financial assistance by HAPL.
- (b) For HAPL, the disadvantages of the granting the Security include:
 - (i) HAPL will become liable for the amounts due under the Facility Documentation and the Security (which, until HAPL becomes wholly owned subsidiaries of the Company, will be capped as described in paragraph 1.6 above);
 - (ii) HAPL's assets will be subject to the Security and its operations will be restricted by the representations and undertakings given by it under the Facility Documentation and the Security; and
 - (iii) although the Directors consider this unlikely, the Company may default under the Facility Documentation, and the Lenders may then make a demand under the guarantees provided by HAPL requiring immediate repayment of the amounts due under the Facility Documentation and seek to enforce the Security, which may result in the appointment of a controller over, or the winding up of HAPL.

5 Special resolution

Under the provisions of section 260B(2) of the Corporations Act, the proposed financial assistance requires shareholder approval by way of a special resolution (ie, at least 75% of the votes cast by shareholders entitled to vote on Resolution 2 must be in favour of that Resolution for it to be passed).

6 Notice to ASIC

Copies of the Notice of Meeting (including these Explanatory Notes) were lodged with the Australian Securities and Investments Commission before being sent to members, in accordance with section 260B(5) of the Corporations Act.

7 Disclosure of information

The directors consider that these Explanatory Notes contain all material information known to the Company that could reasonably be required by members in deciding whether to approve the proposed Resolution 1, other than information that it would be unreasonable to require the Company to disclose because the Company has previously disclosed the information to its shareholders.

8 Directors' Recommendation

The Directors recommend that shareholders vote in favour of this resolution.

The reason the Board makes this recommendation is that it considers that the giving of financial assistance described above is appropriate to enable MCPL to invest in HAPL.

In the interests of full disclosure to shareholders, it is noted that Mr Allman has an indirect pecuniary interest in a selling vendor of HAPL. Consequently Mr Allman has excused himself from all Board deliberations in relation to the proposed acquisition of HAPL where there may have been a perceived conflict of interest. However, as the financial assistance referred to in Resolution 1 will only be provided if and after the HAPL Acquisition has concluded, there is no reason why Mr Allman should not have participated as a Board member and vote on this Resolution. (It is also noted Mr Allman's interest in this regard was disclosed in the Management Presentation on 7 March 2013.)

Resolution 2: Ratification of issue of placement shares

On 8 March 2013, the Company announced that it had completed a A\$24 million underwritten placement to institutional and sophisticated investors, at an issue price of A\$2.20 per share (**Placement**).

CBA Equities Limited acted as Sole Lead Manager, Bookrunner and Underwriter to the Placement.

Resolution 2 proposes that shareholders ratify the allotment and issue of 10,909,091 fully paid ordinary shares pursuant to the Placement to the non-related parties specified in the table below.

ASX Listing Rule 7.1 provides that a listed entity must not issue equity securities that total more than 15% of its fully paid ordinary shares in a 12-month period without the approval of shareholders.

Under ASX Listing Rule 7.4, the issue of securities made without shareholder approval is regarded as having been made with shareholder approval if the issue did not breach ASX Listing Rule 7.1 and shareholder approval is obtained after the issue.

The passing of Resolution 2 will ensure that ASX Listing Rule 7.1 does not limit the Company's ability to issue any further equity securities within the 15% annual limit prescribed in the ASX Listing Rules in the next 12 months.

In accordance with ASX Listing Rule 7.5, the following information is provided in relation to the issue of the Placement Shares:

Number of securities allotted:	10,909,091.
Price at which the securities were issued:	\$2.20 per share.
Terms of the securities:	Fully paid ordinary shares of the Company ranking equally with all other ordinary shares of the Company.
Names of the allottees or the basis on which allottees were determined:	Institutional and sophisticated investors as identified by CBA Equities Limited. (No Director or his/her associate participated in the Placement.)
Use (or intended use) of the funds raised:	To fund the acquisition by McPherson's Consumer Products Pty Ltd (ACN 000 020 495) of approximately 82% of the issued shares in the capital of HAPL.

Directors' Recommendation

The Directors recommend that shareholders vote in favour of this resolution.

The reason the Board makes this recommendation is that it considers that the giving of financial assistance described above is appropriate to enable MCPL to invest in HAPL, and to provide the Company and HAPL the platform going forward to maximise their capacity to expand their operations and derive profits in the best interests of stakeholders.

SCHEDULE

The following companies are subsidiaries of Home Appliances:

- Integrated Appliance Group Pty Ltd (ACN 093 809 360)
- Arc Appliances Pty Ltd (ACN 127 192 223)
- Electrical Distributors Australia Pty. Limited (ACN 051 297 557)
- Electrical Distributors Repairs Servicing Pty Ltd (ACN 137 358 251)
- Euromaid Cooking Appliances New Zealand Limited (NZ company number 2233776)