McPherson's Limited
ACN 004 068 419

5 Dunlop Road
PO Box 4490
Mulgrave VIC 3170
Australia

Telephone: +61 3 9566 3300
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16th December 2011

Manager, Company Announcements
Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

DISPATCH OF CIRCULAR TO SHAREHOLDERS AND PROSPECTUS

McPherson's Limited hereby confirms that the enclosed Circular to Shareholders, Prospectus and Proxy Form for the proposed demerger of McPherson's subsidiary MPG Printing Pty Ltd announced on 18th November 2011, are being dispatched to shareholders today.

Yours faithfully,

P. WITHERIDGE
Company Secretary

McPherson's Limited

ABN 98 004 068 419

CIRCULAR TO SHAREHOLDERS

Notice of Meeting,

Explanatory Notes and Independent Expert's Report

Date: 16 January 2012

Time: 10.00 am (Sydney time)

Place: KPMG Auditorium, Ground Floor, 10 Shelley Street, Sydney NSW 2000

Your Directors unanimously recommend that you vote in favour of the Proposed Demerger noting that the Independent Expert has concluded that the Proposed Demerger is in the best interests of McPherson's Limited shareholders.

This Notice of General Meeting and its Explanatory Notes are dated 16 December 2011.

This document is important and requires your immediate attention. Carefully read this document in full and consult your stockbroker, solicitor, accountant, licensed financial adviser or other professional adviser if you are in any doubt as to what to do.

Important Information

This Notice of Meeting is dated 16 December 2011.

This Notice of Meeting does not constitute an offer of securities in any jurisdiction. No action has been taken to register or qualify the MPG Printing Shares or otherwise to permit a public offering or sale of the MPG Printing Shares in any jurisdiction.

Neither ASIC nor ASX takes any responsibility for the contents of this Notice of Meeting.

This Notice of Meeting does not take into account the individual investment objectives, financial situation or particular needs of any person. Shareholders should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether or not to approve the Resolutions.

Financial amounts in this Notice of Meeting are expressed in Australian dollars unless otherwise stated.

This Notice of Meeting is governed by the law in force in New South Wales.

Contents

NOTE: Capitalised terms used in this Prospectus are defined in the Glossary (Section 5).

Key dates

Due date for lodgement of proxy forms	**14 January 2012** (10.00am Sydney time)
General Meeting to approve the amendments to MCP's Constitution and the Proposed Demerger	**16 January 2012** (10.00am Sydney time)
ASX informed of Shareholder approvals	**16 January 2012**
Trading in MCP Shares starts on an ex return of capital and ex dividend basis – **1st day when MCP Shares trade without the entitlement to participate in the in-specie distribution of MPG Printing Shares. If you buy MCP Shares after this date you will not participate in the in-specie distribution of MPG Printing Shares**	**18 January 2012**
Record Date for the in-specie distribution	**24 January 2012**
Demerger Date - in-specie distribution of MPG Printing Shares effected	**31 January 2012**

NOTE: The above timetable is indicative only. The Company has the right to vary any of the above dates without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws.

Corporate Directory

Directors
Mr David Allman (Chairman)
Mr Paul Maguire (Managing Director)
Mr John Clifford (Non Exec. Director)
Mr Graham Cubbin (Non Exec. Director)
Ms Amanda Lacaze (Non Exec. Director)

Company Secretary
Mr Paul Witheridge

Registered Office
5 Dunlop Road
MULGRAVE VIC 3170
Tel: (03) 9566 3300
Fax: (03) 9574 9075

Share Registry
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
ABBOTSFORD VIC 3067
Tel: 1300 787 272

MCP Auditors
PricewaterhouseCoopers
201 Sussex Street
SYDNEY NSW 2000

Independent Expert
Lonergan Edwards & Associates Limited
Level 27, 363 George Street
SYDNEY NSW 2000

Solicitors
Thomsons Lawyers
Level 25
Australia Square Tower
264 George Street
SYDNEY NSW 2000

Chairman's Letter

16 December 2011

Dear Fellow Shareholder

On behalf of the board of directors of McPherson's Ltd (**MCP**, or the **Company**), I am pleased to invite you to a General Meeting of the Company to be held on 16 January 2012 (**General Meeting**). This Notice of Meeting should be read in conjunction with the prospectus with respect to MPG Printing Pty Ltd (to be named MPG Printing Limited after it has been converted to a public company) (**MPG Printing**) enclosed with it.

Proposed Demerger by McPherson's Limited

On 18 November 2011, MCP announced a proposed demerger which if implemented will result in the demerger from MCP of MPG Printing (**Proposed Demerger**). MPG Printing and its subsidiary, McPherson's Printing Pty Ltd currently operate MCP's printing business.

The Proposed Demerger will accordingly separate your current investment in MCP into two distinct investments in separate entities:

- **MPG Printing**: MPG Printing and its subsidiary, which own and operate one of Australia's leading book printing and commercial printing businesses. The separation of the MPG Printing Group from the MCP Group will place MPG Printing in a position to actively pursue growth opportunities in the printing industry.
- **MCP**: Following the Proposed Demerger, MCP and its subsidiaries will continue to be leading marketers of housewares products, personal care products and household consumables. It is expected that the Proposed Demerger of the printing business will allow MCP's executives and management team to focus more effectively on the MCP Group's core consumer products business. As previously advised, MCP continues to actively pursue the acquisition of compatible consumer products businesses. MCP will keep shareholders informed in that regard as opportunities are realised.

The Proposed Demerger is subject to approval by MCP Shareholders at the General Meeting and, if approved, will proceed by way of an in-specie distribution of all of the issued shares in MPG Printing held by MCP to MCP Shareholders on the basis of one (1) MPG Printing Share for every four (4) ordinary shares held in MCP, partly by way of dividend and partly by way of capital reduction.

In accordance with the applicable law, this Notice of Meeting includes an Independent Expert's Report opining as to whether from the perspective of MCP Shareholders, the Proposed Demerger is in the best interests of MCP Shareholders and the advantages of the Proposed Demerger outweigh its disadvantages.

Possible Opus Acquisition post demerger

Also on 18 November 2011, MCP announced that MPG Printing had entered into a conditional agreement with various parties to acquire the Opus Group (**Opus Acquisition**).

Shareholders should note that completion of the Proposed Demerger is not conditional on the Opus Acquisition.

The Opus Acquisition is conditional on, among other things, the implementation of the Proposed Demerger and approval of MPG Printing Shareholders.

Shareholders should note that this Notice of Meeting and the accompanying prospectus have not been issued for the purposes of MPG Printing applying to be listed on the ASX. MPG Printing will issue a separate notice of meeting and prospectus in relation to the possible ASX listing of MPG Printing and the Opus Acquisition if and after the Proposed Demerger is implemented.

Conversion of MPG Printing Pty Ltd into a public company

As at the date of this Notice of Meeting, MCP has initiated the process to convert MPG Printing Pty Ltd into an unlisted public company. The conversion will be completed on 22 December 2011.

On conversion, the name of MPG Printing Pty Ltd will change to MPG Printing Limited.

(The company was formerly named Owen King Holdings Australia Pty Ltd).

Further information about the Proposed Demerger is set out in this Notice of Meeting and the accompanying prospectus entitled "Demerger of MPG Printing Limited" (**MPG Printing Prospectus**).

Recommendation of your Directors

Your Directors are unanimously of the view that the benefits of the Proposed Demerger significantly outweigh the disadvantages. This view is supported by the findings in the Independent Expert's Report annexed to this Notice of Meeting as Appendix B.

On behalf of the Directors, I encourage you to read this Notice of Meeting and the accompanying documents carefully and to participate in the voting process.

If you have any questions about the Proposed Demerger, this Notice of Meeting or the MPG Printing Prospectus, please contact Computershare Investor Services on 1300 850 505 (for callers within Australia) and +61 3 9415 4000 (for callers outside Australia), or consult your licensed financial adviser, stockbroker or other professional adviser.

Yours sincerely,

David Allman
Chairman

1. Notice of Meeting

Notice is hereby given that a General Meeting of McPherson's Limited ("Company") will be held at KPMG Auditorium, Ground Floor, 10 Shelley Street, Sydney NSW 2000, on Monday, 16 January 2012 at 10.00 a.m. (AEDT).

1.1 Agenda Items

Resolution 1
Alteration of Constitution of McPherson's Limited

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

"That the following amendments be made to the Company's Constitution:

Clause 68 of the Company's Constitution is altered by:

(a) Inserting the following subclause (e):

"(e) sell or cause to be sold any specific assets distributed to such overseas Members or to a nominee as the Directors determine in any way the Directors see fit, including by transferring the assets to a nominee to sell, and distributing to such overseas Members their proportion of the proceeds of that sale, net of expenses."

(b) Inserting the following sentence at the end of the clause:

"Subject to the Act and the Listing Rules, if the Company pays a Dividend or reduces its capital by the distribution of securities of another corporation, each Member consents to being a member of, and be bound by the constitution of, that other corporation."

Resolution 2
Equal Capital Reduction – In-specie Distribution of Shares in MPG Printing*

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

"That subject to and conditional on Resolution 1 being passed, in accordance with sections 256B and 256C of the Corporations Act, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, approval is given to effect the Capital Reduction on the Demerger Date by the Capital Reduction Component Amount, and that such reduction be effected and satisfied by distributing the Company's shares in MPG Printing Limited (**MPG Printing Shares**) to the Company's shareholders registered as such on the Record Date in the ratio of one (1) MPG Printing Share for every four (4) ordinary shares in the Company, on the terms and conditions specified in the Explanatory Notes accompanying the notice convening this meeting."

*Shareholders should refer to Explanatory Notes 2.1 and 2.8 for an explanation as to how the in-specie distribution of the MPG Printing Shares to the Company's shareholders is comprised of the Capital Reduction and the Dividend.

1.2 Voting Exclusions

The Company will disregard any votes cast in relation to Resolution 2 by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of MCP Shares, if Resolution 2 is passed, or an associate of that person.

However, the Company need not disregard a vote if:

(i) 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

(ii) 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.

1.3 Voting and Proxies

The Company has determined in accordance with the Corporations Act that for the purpose of voting at the General 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. (AEDT) on 14 January 2012.

Any member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote instead of the member. 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 5 Dunlop Road, Mulgrave, Victoria, 3170, 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. Witheridge
Secretary
Dated: 16 December 2011

2. Explanatory Notes

These Explanatory Notes have been prepared for the information of MCP Shareholders in connection with the business to be conducted at the General Meeting to be held at KPMG Auditorium, Ground Floor, 10 Shelley Street, Sydney NSW 2000, on Monday, 16 January 2012 at 10.00 a.m. (AEDT).

2.1 Summary and Overview of Proposed Demerger

It is proposed that MCP will demerge its printing business presently conducted by MCP's wholly owned subsidiary MPG Printing (and its subsidiary McPherson's Printing Pty Ltd) by undertaking an in-specie distribution of all of the MPG Printing Shares held by MCP to MCP Shareholders in the ratio of one (1) MPG Printing Share for every four (4) ordinary shares in MCP held as at the Record Date.

This in-specie distribution of MPG Printing Shares to the Company's shareholders is proposed to be effected partly by way of capital reduction in-specie under section 256B of the Corporations Act to the extent of the Capital Reduction Component Amount, and partly by way of dividend in-specie as to the Dividend Component Amount (See below and Explanatory Note 2.8 for further detail).

MCP Shareholders are not required to pay any consideration for the MPG Printing Shares received by them.

Shareholders should refer to the letter from KPMG which is Appendix A to this Notice of Meeting regarding the taxation implications of the Proposed Demerger. By way of brief background however, MCP has sought a private binding ruling from the Australian Taxation Office (**ATO**) to confirm the tax outcomes of the Proposed Demerger for MCP and also a Class Ruling on behalf of MCP's Shareholders to confirm the taxation outcomes of the Proposed Demerger for them.

This has included seeking confirmation from the ATO as to what component of the distribution of the MPG Printing Shares in-specie is to be treated as a demerger dividend (**Dividend**), and therefore not assessable income of MCP Shareholders, and what component will be treated as a capital reduction (**Capital Reduction**), which will not constitute a taxable dividend to MCP Shareholders.

The method to be applied by the Board to determine the capital component of the distribution of the MPG Printing Shares will be in accordance with the applicable ATO guidelines, which is based on the market value of the MPG Shares and the MCP Share price shortly before the Record Date (**MPG Market Value**). As those values are not reliably determinable now (so far in advance of the Record Date), given the uncertainties as to MPG Printing's trading outcomes and its balance sheet composition between the date of this Notice of Meeting and that time, as well as the volatility of the MCP Share price (in the context of general market volatility), it is not possible to specify in this Notice of Meeting the exact proportion of the distribution of MPG Printing Shares that will occur by way of capital reduction.

In any event, the Capital Reduction Component Amount cannot be more than 100% of the MPG Market Value. Accordingly, under Resolution 2, approval of MCP Shareholders is sought to reduce the Company's share capital by up to 100% of the MPG Market Value, with that, or such lesser amount as is determined in accordance with the applicable ATO guidelines and specified accordingly by the Directors shortly before the Record Date, to be the Capital Reduction Component Amount.

Following determination of the precise Capital Reduction Component Amount pursuant to Resolution 2, the Board will determine the Dividend Component Amount, (as the balancing amount making up the entire amount to be distributed in-specie by way of the MPG Printing Shares) at the time of the determination of the MPG Market Value (noting that MCP Shareholder approval is not required for the purpose of determining the Dividend Component Amount).

Shareholders will accordingly be advised of the precise Capital Reduction Component Amount and the Dividend Component Amount shortly prior to the Record Date.

Further information in this regard is set out in Section 2.8.

Following implementation of the Proposed Demerger:

- the key assets of MCP will be its consumer products business; and
- the key assets of MPG Printing (as a stand-alone entity) will be its printing business.

In accordance with the Corporations Act and the ASX Listing Rules, the Proposed Demerger requires the approval of MCP Shareholders.

2.2 Effect of Proposed Demerger on MCP Shareholders

Implementation of the Proposed Demerger will not affect the number of MCP Shares held by MCP Shareholders.

Upon the Proposed Demerger being implemented, Eligible MCP Shareholders will hold:

(a) The same number of MCP Shares as they held immediately before the Proposed Demerger was implemented; and

(b) One (1) MPG Printing Share for every four (4) MCP Shares they held as at the Record Date. Holdings of MPG Printing Shares will be rounded up to the nearest whole number.

As referred to above, certain information with respect to the taxation implications of the Proposed Demerger for MCP Shareholders is set out in the letter from KPMG which is Appendix A of this Notice of Meeting. Shareholders should consider the KPMG letter carefully and seek their own tax advice with respect to their individual circumstances in any event.

2.3 Directors' Interests

The following table sets out the Directors' interests in MCP Shares as at the date of the Notice of Meeting and the number of MPG Printing Shares which they (or their associated parties) will receive pursuant to the Proposed Demerger, in their capacity as MCP Shareholders, if the Proposed Demerger is approved and implemented:

Director (including associates)	Interest in MCP (before and after Proposed Demerger)		Interest in MPG Printing (after Proposed Demerger)	
	Shares	**Options**	**Shares**	**Options**
David Allman	500,193	Nil	125,049	Nil
Paul Maguire	1,250,143	750,000	312,536	Nil
John Clifford	Nil	Nil	Nil	Nil
Graham Cubbin	10,000	Nil	2,500	Nil
Amanda Lacaze	Nil	Nil	Nil	Nil

2.4 Directors' evaluation of the Proposed Demerger

In evaluating the advantages and disadvantages of the Proposed Demerger, the Directors considered the following factors:

(a) Advantages

- MCP's focus and future direction lies with its larger Consumer Products business. The Company, as a dedicated Consumer Products business will be better placed to grow these core operations organically, as well as through actively pursuing the acquisition of compatible consumer products businesses.
- It is considered that MPG Printing will have substantially better prospects as a stand-alone entity, in particular through the ability to link with other compatible operators in the printing industry. The possible post-demerger Opus Acquisition is an example of such an opportunity for consolidation and growth in the printing industry.
- Enhanced operational focus will result as a consequence of MCP and MPG Printing having separate boards and dedicated management structures.
- The Proposed Demerger will allow each of MCP and MPG Printing as separate entities to be separately rated against their respective peers. It is considered that there is scope for MCP and MCP's Share price following the Proposed Demerger to be re-rated over time.
- The simpler and more transparent corporate structures will provide investors with improved flexibility and the ability to invest separately in MCP and depending upon future developments, in MPG Printing.

(b) Disadvantages

- The Proposed Demerger will result in transaction costs being incurred in the order of $0.5 million.
- MPG Printing will be an unlisted public company immediately upon the Proposed Demerger being implemented and its future status is subject to its shareholders' decision with respect to the Opus Acquisition as referred to in the Chairman's letter.

(c) Other Considerations

MCP Shareholders are referred to Section IV of the Independent Expert's Report for further detail with respect to the possible advantages and disadvantages of the Proposed Demerger.

2.5 Directors' Recommendations and Voting

The Directors unanimously approved the proposal to put the Resolutions to MCP Shareholders.

Each Director considers that the proposals, more fully described in these Explanatory Notes, are in the best interests of the Company and recommends to MCP Shareholders to vote in favour of each of the Resolutions required to give effect to the Proposed Demerger and related matters at the forthcoming General Meeting. Other than as stated in these Explanatory Notes, the Directors have no interest in the Resolutions.

In making their recommendations, the Directors advise MCP Shareholders to read these Explanatory Notes in their entirety (including the Independent Expert's Report assessing the relative merits of the Proposed Demerger) and the accompanying MPG Printing Prospectus, and to seek their own independent financial advice.

The Directors have each undertaken to vote in favour of the Resolutions in respect of their direct and indirect shareholdings in the Company, representing a total of 1,760,336 MCP Shares or approximately 2.4% of the MCP Shares on issue as at the date of this Notice of Meeting, subject to the application of voting exclusions under the ASX Listing Rules. Further details of the Directors' interests in the Company's securities are set out in Section 2.3 above.

2.6 Provision of information and Independent Expert's Report

In order to provide MCP Shareholders with proper and full disclosure to enable them to assess the merits of the Proposed Demerger and to decide whether to agree by Resolution to approve the Proposed Demerger, the Board appointed Lonergan Edwards & Associates, as an independent expert, to examine the Proposed Demerger and to provide an opinion as to whether, from the perspective of MCP Shareholders, the Proposed Demerger is in the best interests of MCP Shareholders and the advantages of the Proposed Demerger outweighs its disadvantages.

A copy of the Independent Expert's Report is attached as Appendix B to this Notice of Meeting. Lonergan Edwards & Associates has consented to the use of this report and opinion in the form and context they are used in these Explanatory Notes.

To the best of the Directors' knowledge, all matters that are material and reasonably required for MCP Shareholders to make an informed decision on the Resolutions have been provided to MCP Shareholders in this Notice of Meeting and in the accompanying MPG Printing Prospectus.

2.7 Resolution 1: Alteration of Constitution of McPherson's Limited

Resolution 1 seeks to amend the Company's constitution to enable the Proposed Demerger to proceed as contemplated in these Explanatory Notes.

Under the provisions of section 136 of the Corporations Act, any modification to an existing constitution of a company requires shareholder approval by way of a special resolution (ie, at least 75% of the votes cast by MCP Shareholders entitled to vote on Resolution 1 must be in favour of that Resolution for it to be passed).

The proposed amendments to the Company's constitution are:

(a) the inclusion of a new provision to enable the Company to deal with the Company's overseas shareholders in the context of this particular proposal in the manner described in these Explanatory Notes; and

(b) a clarifying amendment confirming that MCP Shareholders will be deemed to have consented to be a shareholder of MPG Printing and agreed to be bound by MPG Printing's constitution if the Proposed Demerger is approved and implemented.

The Proposed Demerger put to MCP Shareholders in Resolution 2 is conditional upon Resolution 1 being passed by MCP Shareholders.

Directors' Recommendation: The Board recommends that MCP Shareholders vote in favour of this Resolution. The reason the Board makes this recommendation is that it considers the changes to the Company's constitution are appropriate to facilitate the implementation of the Proposed Demerger, and the Board considers the Proposed Demerger to be in the best interests of the Company. Other than as MCP Shareholders (see Section 2.3 of this Notice of Meeting), none of the Directors have an interest in the outcome of this Resolution.

2.8 Resolution 2: In-specie Distribution of Shares in MPG Printing

(a) Introduction

As at the date of this Notice of Meeting, the Company is the registered holder of all MPG Printing Shares on issue (being 18,100,440 MPG Printing Shares).

Subject to the passing of Resolution 1, the Company intends to make an in-specie distribution of all MPG Printing Shares on issue to MCP Shareholders on the MCP share register as at the Record Date in the ratio of one (1) MPG Printing Share for every four (4) ordinary shares in the Company held as at the Record Date, so that once distribution is made:

- MCP will have effectively separated its printing business from its core consumer products business; and
- Eligible MCP Shareholders will have a direct ownership interest in MCP's printing business as owned and operated by the MPG Printing Group, independently of MCP.

Further relevant detail is provided as follows.

(b) Capital Reduction

Resolution 2 seeks the approval of MCP Shareholders to the proposed in-specie distribution referred to above, to the extent that it is to be effected by way of the Capital Reduction.

If Resolution 2 is passed, the issued share capital of MCP will be reduced on the Demerger Date by an amount determined by the Board in accordance with the applicable ATO guidelines and specified accordingly by the Directors as the capital component of the distribution to MCP Shareholders of the MPG Printing Shares that will occur by way of capital reduction (**Capital Reduction Component Amount**). As stated in Section 2.1, this will be based on the MPG Market Value (including the MCP Share price) shortly before the Record Date.

As at the date of this Notice of Meeting, the Board estimates a Capital Reduction Component Amount in the range of approximately $25,000,000, but notes that given the sensitivity of the final Capital Reduction Component Amount to the MPG Market Value (including the MCP Share price movements) as referred to above, it cannot be more definitive in this regard until shortly before the Record Date.

The Capital Reduction Component Amount will be applied equally against each MCP Share on issue on the Demerger Date.

Under section 256B of the Corporations Act, the Company may only reduce its capital if the reduction:

- is fair and reasonable to MCP Shareholders as a whole;
- does not materially prejudice the Company's ability to pay its creditors; and
- is approved by MCP Shareholders under section 256C of the Corporations Act.

After having carefully considered all of the circumstances, the Directors consider that:

(i) the Capital Reduction by the Capital Reduction Component Amount is fair and reasonable to all MCP Shareholders as it applies to all MCP Shareholders fairly as between them, having regard to the number of MCP Shares held by each of them.

(ii) as the Capital Reduction will not involve the payment by the Company of any cash amounts to its shareholders and the Company has cash reserves and banking facilities more than sufficient to pay amounts owed to its creditors, the capital reduction will not materially prejudice the Company's ability to pay its creditors.

(c) Dividend

If Resolution 2 is passed, once the Board has determined the value of the MPG Printing Shares as referred to in Section 2.1 above, and obtained the confirmation from the ATO as referred to above, the Board will specify and announce the Capital Reduction Component Amount and declare the Dividend in an amount equal to the difference between the MPG Market Value and the Capital Reduction Component Amount (**Dividend Component Amount**). This will be effected by the in-specie distribution of MPG Printing Shares, to MCP Shareholders out of the "demerger reserve" created in the Company's equity account in its balance sheet as at the Record Date.

In summary, under section 254T(1) of the Corporations Act, the Company must not declare a dividend in respect of the Dividend Component Amount (in cash or in-specie) unless:

- the Company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the satisfaction of the Dividend Component Amount;
- the declaration and satisfaction of the Dividend Component Amount is fair and reasonable to MCP Shareholders as a whole; and
- the declaration and satisfaction of the Dividend Component Amount does not materially prejudice the Company's ability to pay its creditors.

Under the Corporations Act and the Company's constitution, MCP Shareholder approval is not a pre-requisite to the declaration of the Dividend or satisfaction of the Dividend Component Amount. However, the Dividend will only be declared and satisfied if Resolution 1 is passed.

After having carefully considered all of the circumstances, the Directors consider that:

(i) the Company's assets are expected to exceed its liabilities immediately before the Dividend is declared and the excess is sufficient for the satisfaction of the Dividend, having regard to the Company's assets and liabilities as at the date of this Notice of Meeting (including the "demerger reserve" established by the Company), and the Director's expectations in relation to the Company's trading in the period up to the declaration of the Dividend;

(ii) in their opinion, the Dividend is fair and reasonable to all MCP Shareholders, as it applies to all MCP Shareholders fairly as between them having regard to the number of MCP Shares held by each of them;

(iii) the Company has sufficient reserves to satisfy the proposed Dividend Component Amount without materially prejudicing the Company's ability to pay its creditors.

(d) Overseas MCP Shareholders

As the Dividend and the Capital Reduction will be satisfied by the distribution and transfer of MPG Printing Shares to MCP Shareholders as at the Record Date, the distribution of MPG Printing Shares to MCP Shareholders will be subject to legal and regulatory requirements in their relevant jurisdictions.

Such requirements may restrict or prohibit the distribution of securities as proposed in Resolution 2 or may oblige MCP to prepare or register a prospectus or other similar disclosure document or impose other compliance obligations on MCP in jurisdictions outside of Australia and its external territories and New Zealand.

If the Board decides that the potential compliance obligations of any particular jurisdiction (other than Australia and its external territories and New Zealand) impose an unreasonable burden on MCP, having regard to:

- the number of MCP Shareholders in that jurisdiction;
- the number of MCP Shares they hold;
- the number of MPG Printing Shares which would be issued to them pursuant to the Proposed Demerger; and
- the time and cost of complying with the relevant legal and regulatory requirements in that jurisdiction,

then the MPG Printing Shares to which the relevant overseas MCP Shareholder is entitled will not in fact be transferred to that MCP Shareholder (**Ineligible Overseas MCP Shareholder**) and instead will be sold by MCP (or a nominee appointed by MCP) on that Ineligible Overseas MCP Shareholder's behalf as soon as practicable after the Record Date.

MCP (or MCP's nominee, as applicable) will then account to that Ineligible Overseas MCP Shareholder for the net proceeds of sale after deducting the costs and expenses of the sale. As the Dividend Component Amount and the Capital Reduction Component Amount are being satisfied by the in-specie distribution of MPG Printing Shares and security prices may vary from time to time (assuming a liquid market is available), the net proceeds of sale to such Ineligible Overseas MCP Shareholder may be more or less than the notional dollar value of the Dividend Component Amount and the Capital Reduction Component Amount.

It is the responsibility of each MCP Shareholder to comply with the laws to which they are subject in the jurisdictions in which they are resident.

(e) Change to nature or scale

ASX Listing Rule 11.1 provides that if a company proposes to make a significant change to the nature or scale of its activities it must, if required by the ASX, obtain the approval of shareholders for those changes.

The Company is required to obtain MCP Shareholder approval for the Proposed Demerger, and Resolution 2 seeks such approval.

MCP Shareholders should read this Notice of Meeting and the accompanying MPG Printing Prospectus in their entirety as to the rationale, effect and advantages and disadvantages of the Proposed Demerger.

The passing of Resolution 2 is conditional on the passing of Resolution 1. If the Proposed Demerger does not proceed as a result of MCP Shareholders not approving a Resolution or otherwise, the Directors intend to continue to operate the printing business alongside the consumer products business, and continue to evaluate opportunities and seek to maximise returns to MCP Shareholders.

(f) Additional information

In accordance with section 256C of the Corporations Act and the ASX Listing Rules, the Company provides the following additional information to MCP Shareholders:

(i) The record date for the Dividend and the Capital Reduction is 7.00pm (AEDT) on 24 January 2012 (**Record Date**).

(ii) As at the date of this Notice of Meeting:

(A) the capital structure of MCP comprises 72,401,758 fully paid ordinary shares; and

(B) the capital structure of MPG Printing comprises 18,100,440 fully paid ordinary shares.

(iii) The proposed Dividend and Capital Reduction will be satisfied by an in-specie distribution of MPG Printing Shares to MCP Shareholders as at the Record Date.

(iv) MCP Shareholders will receive one (1) MPG Printing Share for every four (4) MCP Shares held as at the Record Date.

(v) In determining the number of MPG Printing Shares MCP Shareholders will receive, fractional entitlements will be rounded up.

(vi) The number of shares on issue by MCP will not change as a result of the implementation of the Proposed Demerger.

(vii) The number of shares on issue by MPG Printing will not materially change as a result of the implementation of the Proposed Demerger. However additional shares may need to be issued on account of rounding up fractional entitlements of MCP Shareholders to MPG Printing Shares arising as a result of the 1:4 ratio described in paragraph (iv) above.

(viii) The share capital of MCP as at the Record Date will be reduced by the Capital Reduction Component Amount.

(ix) The Proposed Demerger is scheduled to occur within 11 Business Days of the date of the General Meeting, subject to the passing of both Resolutions.

(x) The proposed Capital Reduction is an equal capital reduction.

(xi) Holders of unlisted options in MCP will not be entitled to participate in any component of the Proposed Demerger. However, unlisted options in MCP may be exercised (subject to meeting their respective exercise criteria) prior to the Record Date to enable participation in the Proposed Demerger.

The Directors also note that based on the information provided to ASX by the Company relating to the Proposed Demerger, the Company has received confirmation from ASX that ASX Listing Rules 11.1.3 and 11.2 do not apply to the Proposed Demerger.

(g) Directors' Recommendation

The Board recommends that MCP Shareholders vote in favour of this Resolution. The reasons the Board makes this recommendation are that:

- the Company's ability to pay its creditors will not be prejudiced as the Company will retain sufficient cash reserves and debt facilities;
- after having carefully considered all of the circumstances, the Board considers the Proposed Demerger to be in the best interests of the Company and its shareholders; and
- the Directors are of the opinion that the advantages of the Proposed Demerger outweigh the disadvantages, all as set out in further detail in Section 2.4 of this Notice of Meeting.

Other than as MCP Shareholders (see Section 2.3 of this Notice of Meeting), none of the Directors has an interest in the outcome of this Resolution.

3. Effect of Proposed Demerger and other information on McPherson's Limited

This Section 3 sets out the details of MCP and its business before and immediately following implementation of the Proposed Demerger, but for the avoidance of any doubt before the possible completion of the Opus Acquisition.

This Section 3 forms part of the Explanatory Notes.

3.1 Overview, Commercial Information and profile of McPherson's Limited after implementation of Proposed Demerger

Following the Proposed Demerger, MCP will continue to operate its consumer products business which designs, sources and markets products under four broad categories: housewares, with brands including Wiltshire, Stanley Rogers, Strachan and Crown; personal care, with brands including Manicare, Lady Jayne, and Swisspers; household consumables under the Multix brand and impulse merchandising under the Home Living brand.

In addition to its owned brands, the product ranges are complemented by some of the world's other leading brands which are distributed under licence by the Company.

MCP's main Australian operations and head office are situated at Kingsgrove in Sydney. The Company also operates from premises located in Melbourne, Auckland, Singapore and Hong Kong.

Manufacturing is outsourced to various suppliers, predominantly in Asia, and MCP maintains a strong presence in Hong Kong and China focused on sourcing and quality assurance.

One of the Company's key strengths is its breadth of distribution, with a large number of brands appearing in various categories in supermarkets, pharmacies, discount department stores, department stores and also in the commercial market.

Following the Proposed Demerger of its printing business, the Company will be a dedicated consumer products business which will continue to operate on the basis as broadly set out above and will continue to actively pursue the acquisition of compatible consumer products businesses.

3.2 Effect of Proposed Demerger on McPherson's Limited

(a) Effect on MCP Shares

MCP currently has 72,401,758 fully paid ordinary shares on issue.

The number of MCP Shares on issue will remain unchanged as a result of implementation of the Proposed Demerger.

(b) Effect on MCP Options

MCP currently has 1,800,000 unlisted options over MCP Shares on issue (**MCP Options**). The details of MCP Options on issue are:

Date Options Granted	Expiry Date	Exercise Price	Number Under Option
6 July 2009	6 July 2014	$1.64	375,000
6 July 2009	6 January 2015	$1.75	375,000
1 April 2011	31 March 2016	$3.61	1,050,000

The number of MCP Options on issue will remain the same. However, the MCP Options are required to have their exercise price per MCP Option reduced by the Capital Reduction Component Amount returned pursuant to the Capital Reduction in respect of each MCP Share, in accordance with ASX Listing Rule 7.22.3.

(c) Tax Implications

The letter from KPMG, which sets out certain of the taxation implications arising from the Proposed Demerger, is attached as Appendix A. Shareholders are urged to read the contents of that letter carefully. Please note that the letter does not cover, and has not been prepared with regard to, taxation implications arising in any other circumstance, including taxation implications which:

(i) arise outside Australia;

or

(ii) relate to the issue of MPG Printing Shares to the Opus vendors as a result of the possible Opus Acquisition (noting that general information on the Opus Acquisition will be set out in the MPG Printing notice of meeting and a further prospectus which will be sent to MPG Printing Shareholders following implementation of the Proposed Demerger).

The letter is based on Australian income tax legislation, public taxation rulings, determinations and administrative practice as at the date of this Notice of Meeting. The implications outlined in this Notice of Meeting or in the attached letter are not intended to be exhaustive, or a substitute for, or to constitute, specific tax advice for any MCP Shareholder. The application of Australian income tax legislation may vary according to individual circumstances, and MCP Shareholders should obtain specific professional advice from their own taxation advisers in respect of their particular circumstances.

(d) Risk Factors

At any time MCP's activities expose it to normal business and financial risks such as currency risk, interest rate risk, credit risk and liquidity risk. Following the Proposed Demerger these risks will remain and will continue to be appropriately managed.

Following the Proposed Demerger, MCP will not receive the benefit of earnings and cash flows generated by MPG Printing.

3.3 Financial Information on McPherson's Limited

The remainder of this Section 3 provides pro forma historical financial information on McPherson's Limited and its subsidiaries (not including MPG Printing and its subsidiary) immediately after the Proposed Demerger is implemented (but for the avoidance of doubt before the possible completion of the Opus Acquisition by MPG Printing).

In relation to the pro forma financial information, the historical financial information for the Statement of Comprehensive Income and the Statement of Cash Flows has been adjusted to reflect MCP, as if the Proposed Demerger had been implemented as at 1 July 2010. The pro forma Balance Sheet has been adjusted to reflect MCP as if the Proposed Demerger had been implemented as at 1 July 2011. To enable this, the historical financial information has been adjusted to show adjusted or "pro forma" historical financial information.

All financial information is presented as consolidated financial information. The financial information included in this Section has been prepared in accordance with MCP's accounting policies, as disclosed in Section 3.8. The financial information is presented in summary form and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports prepared in accordance with the Corporations Act.

3.4 Basis of preparation and presentation

The basis of preparation applied in compiling MCP's pro forma historical financial information is set out below:

Unless otherwise noted, MCP's pro forma historical financial information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, which comply with the recognition and measurement principles of the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The accounting policies used in preparation of MCP's pro forma historical financial information are consistent with those set out in MCP's annual report for the years ended 30 June 2010 and 30 June 2011.

MCP's pro forma historical financial information has been derived from MCP's financial reports for the years ended 30 June 2010 and 30 June 2011.

MCP's financial reports for the years ended 30 June 2010 and 30 June 2011 were audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. The respective audit opinions issued to MCP in relation to those financial reports were unmodified.

Complete versions of MCP's financial reports for these periods are available from MCP's website, www.mcphersons.com.au or the ASX website, www.asx.com.au.

(a) General

In order to understand the bases, assumptions and limitations underlying the pro forma and actual historical financial information, this information should be read in conjunction with:

- the notes to the pro forma and actual historical financial information set out in this Section; and
- other information contained in this Section and the MPG Printing Prospectus accompanying this Notice of Meeting.

3. Effect of Proposed Demerger and other information on McPherson's Limited continued

3.5 Pro Forma Consolidated Statement of Comprehensive Income

(a) Financial performance

McPherson's Limited Group Statement of Comprehensive Income for the year ended 30 June*

	MCP Actual 2010 $000's	MCP Actual 2011 $000's	Less MPG* Printing 2011 $000's	MCP* Pro Forma 2011 $000's
Revenue	354,265	349,178	(58,934)	290,244
Other income	1,634	1,417	(1,167)	250
Expenses	(311,465)	(304,127)	57,483	(246,644)
Finance costs	(7,973)	(7,098)	-	(7,098)
Share of net profit of associate	195	268	(268)	-
Profit before income tax	**36,656**	**39,638**	**(2,886)**	**36,752**
Income tax expense	(11,007)	(11,609)	791	(10,818)
Profit after income tax	**25,649**	**28,029**	**(2,095)**	**25,934**
Other comprehensive income				
Changes in fair value of cash flow hedges (net of tax)	8,123	272	22	294
Exchange differences on translation of foreign operations	5	(1,987)	-	(1,987)
Total comprehensive income	**33,777**	**26,314**	**(2,073)**	**24,241**

* The Pro Forma Statement of Comprehensive Income (shown in the right-hand column above) excludes MPG Printing and has been prepared on the basis that the Proposed Demerger is assumed to have occurred on 1 July 2010.

Note 1: 2011 actual and pro forma amounts exclude a printing related goodwill impairment charge of $8.53 million.

Note 2: MPG Printing 2011 excludes a management fee of $0.44m which will not be on-charged by MCP post-demerger and will therefore become an additional cost to MCP.

(b) Management commentary

Results for year ended 30 June 2011

MCP's full year pre-tax profit of $39.6 million (before significant items) for the 2011 financial year compared with $36.6 million the previous year, an increase of 8%. The Consumer Products Division showed resilience under the difficult trading conditions which were evident in the retail industry, particularly during the second half of the financial year. Consumer confidence was greatly impacted by economic uncertainty, but the brand strength and "non-discretionary" nature of the majority of the Company's product ranges enabled growth to be achieved.

MCP's sales in 2011 at $349 million were slightly below the prior year, with 2011 revenues from the Consumer Products Division in line with the prior year and the Printing Division experiencing an 8% decline.

Debt levels improved, with strong operating cash flows contributing to a reduction in finance costs to $7.1 million from $7.9 million a year earlier.

The Company's primary business, McPherson's Consumer Products, reported a profit before tax for the 2011 year which was 7% above the previous year. Margins were assisted by the favourable foreign exchange rates that prevailed during the year. However, this benefit was partially offset by increased product related input costs, particularly labour costs in China and commodity price increases.

3. Effect of Proposed Demerger and other information on McPherson's Limited continued

The Australian consumer products business gained efficiencies from a prior year initiative, with the two Melbourne sales offices merged and relocated and two warehouses in Melbourne closed. A focus on structural reform continued in 2011 with a detailed review of the Company's information technology capabilities complementing the supply chain and strategic brand portfolio reviews undertaken earlier. Significant investment in personnel at all levels has continued, with comprehensive training and development programmes in place.

MPG Printing reported a profit before tax for the 2011 year which was 15% below the previous year, with the reduction due mainly to continuing subdued market conditions and competitive pressures. The business produced a strong cash flow before capital expenditure of $6.3 million.

The total Company result for 2011 was a very solid outcome given the mixed market conditions affecting the retail sector.

Results for year ended 30 June 2010

MCP's full year results showed a solid rebound in earnings following the global financial crisis in 2008-09, with a pre-tax profit of $36.6 million for the 2010 financial year compared with $26.9 million the previous year, a 36% increase.

Company sales were in line with the prior year, with the second half being affected by a softening retail environment, influenced by the cycling of government stimuli and consecutive interest rate rises.

The Company's primary business, McPherson's Consumer Products, reported a profit before tax which was 18% above the previous year. Margins were assisted by more favourable foreign exchange rates.

MPG Printing reported a profit before tax for the 2010 year which was 13% below the previous year, with the reduction due mainly to subdued market conditions and competitive pressures, particularly with respect to professional reference publications.

3. Effect of Proposed Demerger and other information on McPherson's Limited continued

3.6 Pro Forma Consolidated Statement of Cash Flows

(a) Cash flow

McPherson's Limited Group Statement of Cash Flows for the year ended 30 June

	MCP Actual 2010 $000's	MCP Actual 2011 $000's	Less MPG* Printing 2011 $000's	MCP* Pro Forma 2011 $000's
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	390,753	385,577	(65,052)	320,525
Payments to suppliers and employees (inclusive of GST)	(341,280)	(327,762)	59,161	(268,601)
Interest received	42	322	-	322
Interest paid	(8,073)	(7,669)	-	(7,669)
Income tax paid	(10,896)	(9,183)	955	(8,228)
Dividends received	400	300	(300)	-
Net cash inflows from operating activities	**30,946**	**41,585**	**(5,236)**	**36,349**
Cash flows from investing activities				
Payments for purchase of property, plant and equipment	(3,618)	(6,846)	4,612	(2,234)
Proceeds from disposal of property, plant and equipment	21	583	(523)	60
Payments for purchase of intangibles	(77)	(167)	-	(167)
Net cash outflows from investing activities	**(3,674)**	**(6,430)**	**4,089**	**(2,341)**
Cash flows from financing activities				
Proceeds from exercise of options	-	1,223	-	1,223
Costs from exercise of options	-	(5)	-	(5)
Proceeds from issue of shares	15,000	-	-	-
Costs from issue of shares	(763)	-	-	-
Proceeds from borrowings	115,500	120,000	-	120,000
Repayment of borrowings	(150,500)	(140,000)	3,000	(137,000)
Dividends paid	(7,165)	(15,853)	-	(15,853)
Repayment of hire purchase liabilities	(11)	(12)	-	(12)
Net cash outflows from financing activities	**(27,939)**	**(34,647)**	**3,000**	**(31,647)**
Net (decrease)/increase in cash held	**(667)**	**508**	**1,853**	**2,361**
Cash at beginning of the financial year	702	20	(2,369)	(2,349)
Net effect of exchange rate changes on cash	(15)	(42)	-	(42)
Cash held at end of financial year	**20**	**486**	**(516)**	**(30)**

* The pro forma cash flow (shown in the right-hand column above) excludes MPG Printing and has been prepared on the basis that the Proposed Demerger is assumed to have occurred on 1 July 2010.

(b) Management commentary

(i) Changes in cash flows from operating activities – 2011

A reduction in sales revenue negatively impacted receipts from customers, but this was more than offset by a reduction in payments to suppliers and employees, which was assisted by favourable foreign exchange rates that prevailed during the year and restructure initiatives undertaken in the prior year. Timing of income tax payments also impacted the increase in net cash flows from operating activities.

(ii) Changes in cash flows from investing activities – 2011

The increase in cash outflows in 2011 was predominantly due to the investment of new sheet-fed colour printing equipment offset partly by proceeds received from the sale of two decommissioned presses.

(iii) Changes in cash flows from financing activities – 2011

The increase in cash outflows was mainly due to the payment of two dividends during the 2011 year (final 30 June 2010 and interim 2011), compared with only one dividend payment in 2010 (interim 2010). The proceeds from the issue of shares in 2010 were used to repay borrowings in that year.

3. Effect of Proposed Demerger and other information on McPherson's Limited continued

3.7 Pro Forma Consolidated Balance Sheet

(a) Pro forma balance sheet

McPherson's Limited Group Balance Sheet – 30 June*

	MCP Actual 2010 $000's	MCP Actual 2011 $000's	Less MPG* Printing Demerger 2011 $000's	MCP* Pro Forma 2011 $000's
Current assets				
Cash in hand	14	14	(1)	13
Cash at bank	453	1,691	-	1,691
Trade receivables	58,301	55,088	(5,075)	50,013
Provision for receivables impairment	(74)	(65)	30	(35)
Other receivables and prepayments	4,285	2,907	(694)	2,213
Inventories	65,868	61,274	(5,549)	55,725
Provision for inventory obsolescence	(1,571)	(1,602)	177	(1,425)
Derivative financial instruments	258	-	-	-
Non-current assets				
Investments	1,281	1,249	(1,249)	-
Property, plant and equipment at cost	77,165	78,927	(52,173)	26,754
Provision for depreciation	(54,903)	(55,214)	35,500	(19,714)
Goodwill and other intangibles	188,135	179,163	-	179,163
Future income tax benefit	6,274	6,856	(2,227)	4,629
TOTAL ASSETS	**345,486**	**330,288**	**(31,261)**	**299,027**
Current liabilities				
Trade payables	23,062	21,958	(5,036)	16,922
Other payables and accruals	18,165	14,784	(1,219)	13,565
Derivative financial instruments	1,529	3,251	(31)	3,220
Borrowings	456	1,235	-	1,235
Provision for tax	2,365	5,376	-	5,376
Provision for employee entitlements	8,152	8,510	(2,942)	5,568
Provisions – other	2,795	2,479	(236)	2,243
Non-current liabilities				
Derivative financial instruments	290	191	-	191
Borrowings	77,018	57,000	-	57,000
Provision for employee entitlements	1,084	1,010	(192)	818
Provision for deferred tax	13,672	13,696	(121)	13,575
TOTAL LIABILITIES	**148,588**	**129,490**	**(9,777)**	**119,713**
NET ASSETS	**196,898**	**200,798**	**(21,484)**	**179,314**
Shareholders' equity				
Share capital	127,193	129,338	(12,314)	117,024
Reserves	(2,290)	(4,181)	22	(4,159)
Retained profits	71,995	75,641	(9,192)	66,449
TOTAL SHAREHOLDERS' EQUITY	**196,898**	**200,798**	**(21,484)**	**179,314**

* The demerger entries and pro forma balance sheet (shown in the right-hand column above) have been prepared on the basis that the Proposed Demerger is assumed to occur on 1 July 2011.

3. Effect of Proposed Demerger and other information on McPherson's Limited continued

(b) Pro forma balance sheet adjustments

The demerger entries in the McPherson's Limited Group Balance Sheet have been prepared on the basis that prior to the Proposed Demerger:

- There is a clean exit by MPG Printing from the McPherson's Tax Consolidation Group.
- Debt forgiveness is given on intercompany indebtedness with other members of the MCP Group as at 30 June 2011.
- There is a transfer of MPG Printing's cash balance to MCP on the assumption that MPG Printing is demerged on an ungeared basis.

3.8 Significant Accounting Policies

The principal accounting policies used in preparation of the McPherson's Limited Group Balance Sheet and Pro Forma Historical Financial Information are consistent with those set out in the MCP Annual Report for the years ended 30 June 2010 and 30 June 2011.

4. Effect of Proposed Demerger and other information on MPG Printing

This Section 4 sets out the details of MPG Printing and its business before and immediately following implementation of the Proposed Demerger, but for the avoidance of any doubt before the possible completion of the Opus Acquisition.

This Section 4 forms part of the Explanatory Notes.

4.1 Overview and Commercial Information on MPG Printing

MPG Printing's business is structured as a diversified book printer with a market leading position in the Australian domestic market.

In the traditional book publishing market, the MPG Printing's core business is mono "read for pleasure" publications. MPG Printing also has a significant presence in the book and loose-leaf professional reference sector and quality full colour publications. MPG Printing offers a broad range of binding styles and provides additional value adding services such as print on demand, warehousing and direct mail/distribution.

MPG Printing achieves diversification through a significant presence in non-traditional book markets including bound colour industrial catalogues, automotive manuals, race books and catalogues for the horse racing industry, guides, children's activity publications, puzzle periodicals and specialised digital mono/colour products.

The Mulgrave facility in Melbourne houses MPG Printing's head office and colour sheet fed printing equipment. Three sheet fed perfecting presses (10 colour, 8 colour and 5 colour) print flat sheets, colour covers and text for subsequent finishing at the Maryborough plant. The new 10 colour press was installed in early 2011 and provides the latest in quick make ready, high speed quality colour printing capability.

The larger Maryborough plant located in the Central Goldfields area of Victoria is around 2.5 hours from Melbourne with easy access to major distribution points. This plant prints mono text on seven web fed presses including two presses with two colour capability and a latest technology quick make-ready heat assisted book press. A large scale in-house finishing capability includes four perfect binding lines, multiple saddle stitchers, several folders for flat sheet work from Mulgrave, a sewer with in line collating and various ancillary equipment.

Shorter run requirements are serviced at Maryborough by three cut sheet digital machines with integrated near line short run finishing for print on demand books. A new high end digital ink jet book line is scheduled to be installed in early 2012 for short/medium run work. This will incorporate fully integrated in line finishing and is expected to be the most productive inkjet line in Australia and equal to any global equivalent. This investment responds to the increasing demand for shorter run lengths and faster speed to market in the book market generally.

MPG Printing owns one-third of the issued capital of Denward Court Pty Ltd, a trade book binding business located in Mount Waverley in Melbourne and which trades as The Bindery. The business offers a full range of binding styles and finishing services, including hard case binding. The investment in and results of Denward Court Pty Ltd are equity accounted on the basis that the company is an associated entity of MPG Printing.

4.2 Effect of Proposed Demerger on MPG Printing

(a) Preparation for Proposed Demerger

To prepare MPG Printing for implementation of the Proposed Demerger, the following steps have been taken to formally separate MPG Printing from the MCP Group:

(i) Employees

With the exception of the Chief Executive Officer of MPG Printing, all personnel involved with the operation of the business conducted by MPG Printing and its subsidiary will be employed by MPG Printing or its subsidiary at the date of implementation of the Proposed Demerger. All costs relating to the services provided by the Chief Executive Officer will be borne by MPG Printing.

(ii) Deed of Cross Guarantee

MPG Printing and its subsidiary are parties to the MCP Group's Deed of Cross Guarantee in accordance with ASIC class order 98/1418.

Steps have been taken to revoke the participation of MPG Printing and its subsidiary in the MCP Group's Deed of Cross Guarantee dated 31 January 2006. A revocation deed has been lodged with ASIC, which will take effect on or about the date of implementation of the Proposed Demerger provided that no party to the MCP Group's Deed of Cross Guarantee is wound up or otherwise becomes insolvent during the six month period following the date of revocation.

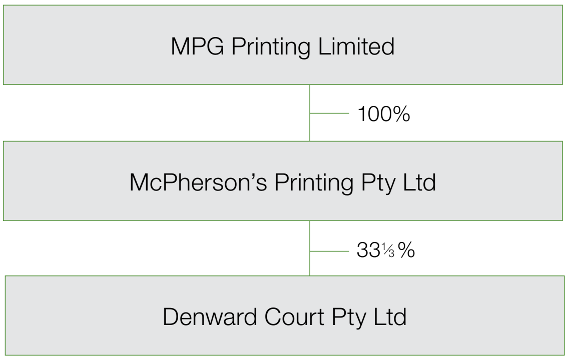
Following implementation of the Proposed Demerger, MPG Printing and its subsidiary will enter into a separate Deed of Cross

4. Effect of Proposed Demerger and other information on MPG Printing continued

Guarantee in accordance with ASIC class order 98/1418. Subject to and following completion of the Opus Acquisition, the Australian entities forming part of the Opus Group will become parties to the MPG Printing Deed of Cross Guarantee.

(b) Corporate Structure

Immediately following implementation of the Proposed Demerger, the corporate structure of MPG Printing, its subsidiary and its associate will be as follows:



(c) Risk Factors

There are general risks with any investment in the stock market. In addition, there are a number of specific risks concerning MPG Printing which investors should be aware.

The Board has identified the following general risks, which are more fully described in the MPG Printing Prospectus:

(i) Economic conditions;

(ii) Geo-political factors; and

(iii) Government policies & legislation.

The Board has identified the following specific risks, which are more fully described in the MPG Printing Prospectus:

(iv) Changes in Technology;

(v) Book Retailing; and

(vi) Globalisation.

4.3 Financial Information on MPG Printing

MCP Shareholders should refer to Section 7 of the MPG Printing Prospectus for actual and pro forma historical financial information on MPG Printing and its subsidiary as a stand alone group immediately after the Proposed Demerger is implemented, but for the avoidance of doubt, before the possible completion of the Opus Acquisition.

5. Glossary

In this Notice of Meeting, unless the context or subject matter otherwise requires, each word in the first column below has the meaning set out alongside that word in the second column:

ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691).
ASX Listing Rules	The official Listing Rules of ASX.
Board	The board of MPG Directors.
Capital Reduction	The reduction in the share capital of MCP on the Demerger Date by the Capital Reduction Component Amount by way of the in-specie distribution of MPG Printing Shares to MCP shareholders as set out in Section 2.8 of the MCP Notice of Meeting.
Capital Reduction Component Amount	Has the meaning given to that term in Section 2.8(b) of the MCP Notice of Meeting.
Company or **MCP**	McPherson's Limited (ABN 98 004 068 419).
Corporations Act	*Corporations Act 2001* (Cth) as amended from time to time.
Demerger Date	The date on which, if the resolutions set out in this Notice of Meeting are passed by MCP Shareholders, the in-specie distribution of MPG Printing Shares will occur.
Directors	The directors of the Company.
Dividend	Has the meaning given to that term in Section 2.1 of this Notice of Meeting.
Dividend Component Amount	Has the meaning given to that term in Section 2.8(c) of this Notice of Meeting.
Eligible MCP Shareholder	A MCP Shareholder recorded in the Company's register of members on the Record Date, other than Ineligible Overseas MCP Shareholders.
Explanatory Notes	The explanatory notes forming part of this Notice of Meeting
General Meeting	The general meeting of the Company to be held on 16 January 2012.
Ineligible Overseas MCP Shareholder	Has the meaning given to that term in Section 2.8(d) of this Notice of Meeting.
MCP Group	MCP and its subsidiaries.
MCP Shares	Ordinary shares in the capital of MCP.
MCP Shareholder	Holder of MCP Shares.
MPG Printing	MPG Printing Pty Ltd (ABN 48 006 162 876). Note the name of the company will be MPG Printing Limited after gazettal of its conversion to a public company, which is expected to occur on or about 22 December 2011. The company was formerly named Owen King Holdings Australia Pty Ltd.
MPG Printing Group	MPG Printing and its subsidiaries.
MPG Printing Prospectus	The Prospectus issued by MCP on the date of this Notice of Meeting and circulated with this Notice of Meeting.
MPG Printing Shares	Ordinary shares in the capital of MPG Printing.
MPG Printing Shareholder	Holder of MPG Printing Shares.
Opus Acquisition	The proposed acquisition by MPG Printing of all of the issued shares in the capital of each entity comprising the Opus Group.

Opus Group	The following entities: • Cactus Imaging Holdings Pty Ltd (ABN 84 129 630 539) • CanPrint Holdings Pty Ltd (ABN 31 134 477 357) • Opus Group (Australia) Pty Ltd (ABN 11 125 553 497) • Opus Group NZ Holdings Ltd (New Zealand company number 1973427), and their subsidiaries.
Opus Shareholders	The shareholders of the entities comprising the Opus Group who will be selling their interest in all of the issued share capital in those entities to the Company on completion of the Opus Acquisition, whose names are set out below: • Knox Investment Partners Fund AUD 1 Limited • Knox Investment Partners Fund AUD 3 Limited • Knox Investment Partners Fund AUD 4 Limited • Knox Investment Partners Fund AUD 5 Limited • Richard Francis Celarc as trustee for the Richard Celarc Family Trust • David John Daniel and Debra Margaret Daniel as trustees of the Daniel Superannuation Fund • Clifford Douglas John Brigstocke
Proposed Demerger	The proposed demerger of MPG Printing from MCP by way of an in-specie distribution as described in this Notice of Meeting.
Record Date	The record date set by the directors of the Company to determine entitlements to the distribution and transfer.
Resolutions	The resolutions to be considered by MCP Shareholders at the General Meeting, as set out in this Notice of Meeting.

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Private and confidential
The Board of Directors
McPherson's Limited
5 Dunlop Road
Mulgrave
VIC 3170

Our ref 13421560_1

6 December 2011

Dear Sirs

McPherson's Limited - Demerger of MPG Printing Limited
Taxation Summary

We have been instructed by McPherson's Limited ("McPherson's") to prepare a taxation summary to be included in the Notice of Meeting and the Prospectus in relation to the restructure of the printing business of McPherson's. This restructure will take the form of a demerger of MPG Printing Limited ("MPG Printing").

Capitalised terms not otherwise defined in this letter have the meaning given in the Prospectus.

All legislative references in this letter are to the *Income Tax Assessment Act 1936* or the *Income Tax Assessment Act 1997* (the Act) as applicable.

1 Scope

The taxation summary contained in this letter is based upon the information contained in the Notice of Meeting and Prospectus. McPherson's has sought a private binding ruling from the Australian Taxation Office ("ATO") to confirm the tax outcomes of the Proposed Demerger for McPherson's. McPherson's has also sought a Class Ruling on behalf of MCP Shareholders to confirm the taxation outcomes for them. While the ATO has not issued a Class Ruling as at the date of this letter, the information set out below is based on McPherson's submissions to the ATO and expected ruling. McPherson's will provide a copy of the Class Ruling on its website as soon as it is available.

This letter contains general comments on the major Australian income tax consequences for MCP Shareholders who hold their MCP Shares on capital account and who are residents of Australia for income tax purposes. As the income tax consequences of the demerger will depend on the precise personal circumstances of each MCP Shareholder, MCP Shareholders should seek independent advice that is relevant to their own particular circumstances.

This letter does not address the consequences that arise for MCP Shareholders that hold their MCP Shares on revenue account or as trading stock or MCP Shareholders who are not residents of Australia.

McPherson's Limited
McPherson's Limited - Demerger of MPG Printing Limited
Taxation Summary
6 December 2011

Our income tax advice is based on current taxation law as at the date of this letter. You will appreciate that the tax law is frequently being changed, both prospectively and retrospectively. A number of key reform measures have been implemented, a number of other key reforms remain unclear at this stage.

We will update our advice to take account of any changes to the tax legislation, case law, rulings and determinations issued by the ATO or other practices of taxation authorities that occur prior to the implementation of the Proposed Demerger. However, unless special arrangements are made, this advice will not be updated to take account of changes subsequent to the Proposed Demerger.

We are of course unable to give any guarantee that our interpretation will ultimately be sustained in the event of challenge by the ATO.

These comments are made specifically in response to your request for our opinion. Accordingly, neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person or company other than McPherson's for any errors or omissions in the advice given, however caused.

2 Overview of the Proposed Demerger

- McPherson's will undertake a Capital Reduction and declare a Dividend in order to implement the Proposed Demerger; and
- The Capital Reduction and Dividend will be satisfied by an in specie distribution of ordinary shares in MPG Printing.

MPG Printing Shares are intended to be listed on the ASX in due course, subject to and in compliance with relevant Corporations Law and ASX listing requirements.

3 Australian income tax implications of the Proposed Demerger

Application of Australian demerger legislation

MCP Shareholders who are residents of Australia for income tax purposes and hold their MCP Shares on capital account will be eligible for roll-over relief under the demerger rules in the tax law ("demerger roll-over relief").

Broadly, demerger roll-over relief will allow MCP Shareholders to elect to defer the Capital Gains Tax ("CGT") consequences of the CGT Event arising on the separation of MPG Printing.

Set out in Part 4 below are the taxation implications applicable to Australian resident MCP Shareholders who elect demerger roll-over relief for all of their MCP Shares.

Also set out below in Part 5 are the taxation implications for Australian resident MCP Shareholders who do not elect demerger roll-over relief.

4 Australian income tax implications where demerger roll-over relief is elected by an Australian resident MCP Shareholder

4.1 Treatment of the Dividend

The Proposed Demerger should be regarded as a demerger for the purposes of the income tax law.

The Dividend paid by McPherson's should be treated as a demerger dividend and should not be assessable income of MCP Shareholders. No franking credits will attach to the Dividend and it will not be subject to tax.

4.2 Treatment of the Capital Reduction

Under the demerger, MCP Shareholders will be entitled to receive a capital return equal to the amount of the Capital Reduction. This will not be paid to MCP Shareholders in cash but will be satisfied by the transfer of MPG Printing Shares to MCP Shareholders.

No part of the Capital Reduction amount will constitute a taxable dividend, and it should not be included in the taxable income of MCP Shareholders.

Where MCP Shareholders elect demerger roll-over relief, the CGT Event will be disregarded in respect of the MCP Shares and no capital gain or loss will arise for MCP Shareholders.

4.3 CGT consequences in relation to MCP Shares

Shareholders in McPherson's will be required to adjust the cost base of all their shares in both McPherson's and MPG Printing following the demerger. Broadly, this means MCP Shareholders must reallocate the total cost base of their MCP Shares (before the demerger) across their remaining original MCP Shares and the MPG Printing Shares they received as a result of the demerger. McPherson's will provide MCP Shareholders with information on the McPherson's website to assist MCP Shareholders with this process.

4.4 CGT consequences in relation to MPG Printing Shares

MCP Shareholders will be deemed to have acquired their MPG Printing Shares at the same time they acquired their MCP Shares.

As discussed above, the cost base of MPG Printing Shares is determined by reference to the relative market value of MPG Printing Shares and MCP Shares just after the Proposed Demerger. McPherson's will provide MPG Printing Shareholders with information on the McPherson's website to assist MPG Printing Shareholders with this process.

4.5 Mechanics of election

No formal election is required to be lodged with the ATO in order for MCP Shareholders to obtain demerger roll-over relief.

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MCP Shareholders who choose to obtain demerger roll-over relief should prepare their income tax returns in a manner consistent with their election. This would mean that any capital gain which may arise on the Capital Reduction portion of the in-specie distribution should not be included in the income tax returns of the MCP Shareholders. The Dividend amount should also be excluded from the income tax return of the MCP Shareholders.

5 Australian income tax implications if a MCP Shareholder does not elect demerger roll-over relief

5.1 Treatment of the Dividend

As stated in Part 4 above, the Dividend paid by McPherson's should be treated as a demerger dividend and should not be assessable income of MCP Shareholders. No franking credits will attach to the Dividend and it will not be subject to tax. This will be the case regardless of whether or not the MCP Shareholder elects demerger roll-over relief.

5.2 Treatment of the Capital Reduction and CGT consequences in relation to MCP Shares

The Capital Reduction will be a CGT Event under the Tax Law and any capital gain or capital loss that the MCP Shareholder makes will not be disregarded and should therefore be reflected in the MCP Shareholder's income tax return.

MCP Shareholders will realise a capital gain in respect of the amount of the Capital Reduction on each of their MCP Shares to the extent that the amount of the Capital Reduction on each MCP Share is greater than the cost base of that MCP Share.

This capital gain may be eligible for discount CGT treatment in the case of MCP Shareholders who are individuals, trusts or complying superannuation entities if they held their MCP Shares for at least 12 months prior to the date of the demerger. Otherwise, the Capital Reduction will reduce the CGT cost base of each MCP Share by the amount of the Capital Reduction.

MCP Shareholders cannot realise a capital loss as a result of the Capital Reduction.

5.3 CGT consequences in relation to MPG Printing Shares

The cost base of the MPG Printing Shares will be equal to the amount of the Capital Reduction plus the amount of the Dividend.

For CGT purposes, MCP Shareholders will be taken to have acquired their MPG Printing Shares on the date of the Proposed Demerger.

6 Goods and Services Tax ("GST")

MCP Shareholders will not be liable for (or be required to pay) GST on the receipt of their MPG Printing Shares.

7 Stamp Duty

MCP Shareholders will not pay Australian stamp duty on the transfer of their MPG Printing Shares.

Yours faithfully

Tony Morganti
Tax Partner

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The Directors
McPherson's Limited
5 Dunlop Road
Mulgrave Vic 3170

8 December 2011

Subject: Independent Expert's Report on Proposed Demerger

Dear Sirs

Introduction

1 On 18 November 2011 McPherson's Limited (MCP) announced:

(a) a proposed demerger which, if implemented, will result in the establishment of MCP's printing business (MPG Printing Pty Limited[1]) as a separate company, subject to shareholder approval (the Proposed Demerger); and

(b) the conditional acquisition by MPG Printing of the entire share capital of the Opus Print Group (the Opus Acquisition).

2 The Proposed Demerger is subject to approval by MCP shareholders and, if approved, will proceed by way of an in-specie distribution, pursuant to which all of the issued shares in MPG Printing held by MCP will be transferred to MCP shareholders on a pro-rata basis, partly by way of dividend and partly by way of a capital reduction.

3 Specifically, if the Proposed Demerger is approved, MCP shareholders on the implementation date will receive one MPG Printing fully paid ordinary share for every four MCP fully paid ordinary shares held.

4 MCP shareholders are not required to pay any consideration for the MPG Printing shares to be received by them, but will be deemed to have received a capital return and a dividend as explained in Section 2 of the Notice of Meeting.

5 The Proposed Demerger will not impact the number of shares held by shareholders in MCP.

6 MCP shareholders will need to pass two resolutions for the Proposed Demerger to be implemented:

(a) a resolution to approve the in-specie distribution of shares in MPG Printing to MCP shareholders (which requires 50% of the votes cast to be in favour of the resolution in order for it to be passed); and

1 To be renamed MPG Printing Limited (MPG Printing).

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(b) a resolution to amend MCP's existing constitution to enable the Proposed Demerger to proceed (which requires 75% of the votes cast to be in favour of the resolution in order for it to be passed).

7 MCP shareholders should note that completion of the Proposed Demerger is not conditional on the Opus Acquisition. However, the Opus Acquisition is conditional on, inter-alia, the implementation of the Proposed Demerger and approval of MPG Printing Shareholders. MPG Printing will issue a Notice of Meeting and a separate Prospectus in relation to the Opus Acquisition after the Proposed Demerger is implemented.

8 Following implementation of the Proposed Demerger and the shareholder meeting to vote on the Opus Acquisition, it is the intention of MPG Printing to seek a listing of its shares on the ASX.

9 While there is no regulatory requirement to obtain an Independent Expert's Report (IER) on the Proposed Demerger, the Directors of MCP have requested that we prepare an IER setting out our opinion on whether the Proposed Demerger is "in the best interests" of MCP shareholders.

Summary of opinion

10 In our opinion, the Proposed Demerger is in the best interests of MCP shareholders. We have formed this opinion for the reasons discussed below.

Value implications

11 Prior to the announcement of the Proposed Demerger MCP shares were trading on significantly lower EBITDA and EBIT multiples than other ASX listed consumer and industrial product businesses (despite 94% of MCP's FY11 EBIT[2] being generated from its Consumer Products business). While it is difficult to reliably ascertain the reasons for MCP's lower multiples, in our view, part of the reason is likely to be due to MCP's ownership of two distinct operations, which reduce the attractiveness of the group to potential investors (and provide no significant synergies).

12 While we recognise that the Printing business is relatively small in the context of MCP's total operations, in our view, its ownership within MCP is likely to lower the overall earnings multiples being applied to the group for the reasons discussed above and because:

(a) the Printing business, due to the nature of its operations, generates low returns on capital employed and is relatively capital intensive[3]

(b) the reduced profitability of the Printing business in recent years has constrained the reported profit growth at MCP group level, as shown below:

2 Prior to unallocated corporate costs.

3 Capital expenditure of the Printing business was $5.2 million in FY11. In contrast, the capital expenditure of the Consumer Products business in FY11 was $2.4 million.

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EBIT before significant items	FY09 $m	FY10 $m	FY11 $m	Growth rate[1] %
Consumer Products	38.2	45.9	48.1	25.9
Printing	4.3	3.7	2.9	(32.6)
	42.5	49.6	51.0	20.0
Unallocated corporate costs	(3.2)	(4.4)	(4.1)	28.1
Total EBIT	39.3	45.2	46.9	19.3

Note:
1 Growth rate from FY09 to FY11.

(c) the outlook for earnings growth in the printing industry is relatively subdued due to reduced demand for printing services driven by the emergence and take-up of new technologies.

13 In contrast, the Proposed Demerger will allow both distinct businesses to be rated against their direct peers. Prima facie, it appears that there is scope for the Consumer Products business of MCP to be re-rated over time following implementation of the Proposed Demerger.

14 While the FY12 pro-forma result for MCP (without MPG Printing) is likely to be lower than the pro-forma EBIT achieved in FY10 and FY11, it is evident that the potential uplift in value of MCP arising from the Proposed Demerger (due to the likelihood of higher multiples being applied) will significantly exceed the sum of:

(a) the capitalised value of the higher corporate costs incurred as a result of having two separately listed companies. As stated above, the value impact of these additional corporate costs is relatively immaterial in the context of the MCP business value (i.e. some 1.2% to 1.5% of the implied enterprise value prior to the announcement of the Proposed Demerger); and

(b) the value impact of any lower multiple being attributed by sharemarket investors to the MPG Printing business. This is because the MPG Printing business[4] is much smaller than the Consumer Products business (accounting for some 6% of total EBIT in FY11[5]). Consequently any value impact from a change in the multiple applied to MPG Printing is also small relative to the enterprise value of MCP.

15 In our opinion, it is reasonable to conclude therefore that the demerger is likely to result in higher values being able to be realised by MCP shareholders over time relative to the sharemarket value of MCP in the absence of the demerger (assuming similar sharemarket conditions).

4 Prior to acquiring Opus Print Group (which is subject to, inter-alia, separate shareholder approval).
5 Prior to taking into account the additional corporate costs which will be incurred by MPG Printing.

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Other potential benefits

16 In our opinion the Proposed Demerger has a number of other potential advantages including:

(a) Providing the Printing business with an appropriate structure to better enable it to grow by acquisition and pursue consolidation opportunities

(b) Provide the opportunity to pursue the Opus Acquisition

(c) An increased likelihood of future corporate activity, as both separate companies are more likely to be takeover targets

(d) Increased ability (due to having two separate listed companies) to align business performance with employee remuneration. This may improve accountability to shareholders and provide more incentive to employees to perform as rewards can be more closely tied to shareholder returns

(e) Simpler and more transparent corporate structures, which may assist in increasing the visibility of both companies within the financial community

(f) Greater investor flexibility, as MCP shareholders and new investors will have the choice to own shares in either the Consumer Products business or the Printing business, or both companies

(g) The Proposed Demerger will allow each company to separately adopt a capital structure and dividend policy based on their individual business and strategic objectives. They will also be able to manage their capital resources without the need to compete with each other for capital

(h) The Proposed Demerger will allow both companies to have direct access to the equity and debt capital markets by virtue of their separate listings.

Disadvantages

17 Disadvantages of the Proposed Demerger include:

(a) an increase in on-going corporate costs of approximately $0.5 million due to having two separate listed companies. As indicated above, these additional costs have been allowed for in our analysis which considered the valuation implications of the Proposed Demerger

(b) the printing business will be less able to absorb the impact of any adverse financial or other impact on its business once it is a separate listed company

(c) one-off costs of around $0.5 million will be incurred to implement the Proposed Demerger, although most of these costs will already have been incurred or committed to by the date of the shareholder meeting to vote on the Demerger Proposal

(d) MCP shareholders with registered addresses outside Australia and New Zealand (referred to as Ineligible Overseas MCP Shareholders[6]) will not be issued with MPG Printing shares

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6 As at 31 October 2011 around 0.26% of MCP shares were held by Ineligible Overseas MCP Shareholders.

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(e) the Proposed Demerger may crystallise tax liabilities for MCP shareholders who are non-residents for income tax purposes.

Conclusion

18 Having regard to the above, in our opinion, the advantages of the Proposed Demerger significantly outweigh the disadvantages. Accordingly, we have concluded that the Proposed Demerger is in the best interests of MCP shareholders.

Other matters

19 The impact of the Proposed Demerger on the tax position of MCP shareholders depends on the individual circumstances of each investor. Shareholders should read the taxation advice set out in the Prospectus and consult their own professional advisers if in doubt as to the taxation consequences of the Proposed Demerger.

20 The ultimate decision whether to approve the Proposed Demerger should be based on each shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If shareholders are in doubt about the action they should take in relation to the Proposed Demerger or matters dealt with in this report, shareholders should seek independent professional advice. For our full opinion on the Proposed Demerger, and the reasoning behind our opinion, we recommend that MCP shareholders read the remainder of our report.

Yours faithfully

Craig Edwards
Authorised Representative

Martin Holt
Authorised Representative

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I Details of Proposed Demerger

21 On 18 November 2011 McPherson's Limited (MCP) announced:

(a) a proposed demerger which, if implemented, will result in the establishment of MCP's printing business (MPG Printing Pty Limited[7]) as a separate company, subject to shareholder approval (the Proposed Demerger); and

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26 MCP shareholders will need to pass two resolutions for the Proposed Demerger to be implemented:

(a) a resolution to approve the in-specie distribution of shares in MPG Printing to MCP shareholders (which requires 50% of the votes cast to be in favour of the resolution in order for it to be passed); and

(b) a resolution to amend MCP's existing constitution to enable the Proposed Demerger to proceed (which requires 75% of the votes cast to be in favour of the resolution in order for it to be passed).

27 MCP shareholders should note that completion of the Proposed Demerger is not conditional on the Opus Acquisition. However, the Opus Acquisition is conditional on, inter-alia, the implementation of the Proposed Demerger and approval of MPG Printing Shareholders. MPG Printing will issue a Notice of Meeting and a separate Prospectus in relation to the Opus Acquisition after the Proposed Demerger is implemented.

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7 To be renamed MPG Printing Limited (MPG Printing).

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II Scope of our report

Purpose

29 While there is no regulatory requirement to obtain an Independent Expert's Report (IER) on the Proposed Demerger, the Directors of MCP have requested that we prepare an IER setting out our opinion on whether the Proposed Demerger is "in the best interests" of MCP shareholders.

Basis of assessment

30 ASIC RG 111 states that an expert should assess the merits of a proposed demerger by providing an opinion as to whether the advantages of the proposal outweigh the disadvantages. In particular, the expert should provide an opinion on whether the value of the sum of the parts (i.e. the demerged entities) is likely to be greater or less than the value of the existing entity.

31 Under ASIC RG 111 if the advantages outweigh the disadvantages, the Proposed Demerger will also be "in the best interests" of shareholders.

32 In LEA's opinion, the most appropriate basis upon which to evaluate the Proposed Demerger is to assess its overall impact on MCP shareholders and to form a judgement as to whether the expected benefits to MCP shareholders outweigh the disadvantages and risks that might result.

33 Consequently, we have considered:

(a) the likely impact on MCP's share market value, including in particular:

  (i) the earnings multiples implied by the current MCP share price relative to the earnings multiples for other consumer products businesses and printing business (in order to ascertain the extent to which the market may "re-rate" the demerged companies)

  (ii) whether the "sum of the parts" is likely to be greater than the whole

  (iii) the value implications of the proposed transaction with OPUS Print Group which is conditional on the demerger taking place (and shareholder approval)

(b) the impact the Proposed Demerger will have on earnings per share, net assets and net tangible assets per share

(c) the impact the demerger will have on dividend policy and the taxation of dividends (includes the ability to frank dividends)

(d) the impact the demerger will have on MCP's capital structure and gearing ratio

(e) the impact of the demerger on ownership interests and flexibility

(f) the impact of the demerger on management incentives and accountability and their alignment with share price performance

(g) the level of one-off transaction costs incurred

(h) the level of additional on-going costs incurred as a result of having to maintain two listed companies

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(i) the benefits and disadvantages of having two smaller companies rather than one larger company

(j) the impact of the demerger on debt ratings and borrowing costs

(k) the risks associated with the proposal, including the need to obtain regulatory approvals

(l) the taxation implications of the proposal

(m) the extent to which MCP's shareholders are likely to be better off as a result of the proposed demerger.

Limitations and reliance on information

34 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

35 Our report is also based upon financial and other information provided by MCP and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

36 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Proposed Demerger from the perspective of MCP securityholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

37 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters.

38 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

39 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

40 In forming our opinion we have also assumed that:

(a) the information set out in the Notice of Meeting and Prospectus is complete, accurate and fairly presented in all material respects

(b) if the Proposed Demerger is implemented it will be implemented in accordance with the terms set out in this report.

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III Profile of MCP

Overview

41 McPherson's Limited (MCP) was established in 1860 and operates in two distinct sectors:

(a) the marketing and distribution of household consumer products; and

(b) book and commercial printing.

Consumer Products business

42 The Consumer Products business produces an extensive range of products under a number of brands in four major product categories:

(a) **Housewares** – including bakeware, cookware, knives, kitchen utensils, cutlery and glassware under the Wiltshire, Stanley Rogers, Ai-de-chef, Crown and other market leading brands

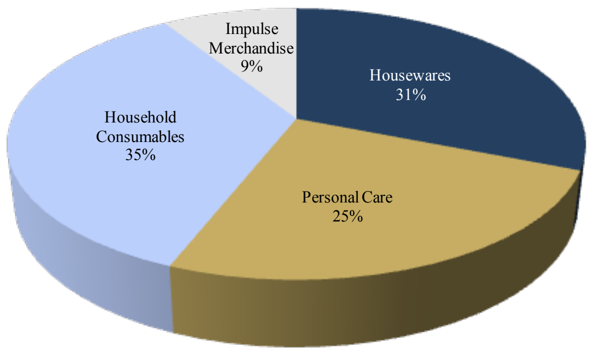
(b) **Personal care** – leading ranges of beauty and hair care products under the Manicare, Lady Jayne and Swisspers brands

(c) **Household consumables** – including food preparation, food storage and kitchen refuse disposal products under the market-leading Multix brand

(d) **Impulse merchandising** – a business which provides tailor made "Clip Strip" programmes displaying 'impulse' products in major retailers in the grocery and discount department store channels under the Home Living brand.

43 A breakdown of revenue for the year ended 30 June 2011 (FY11) by product category is shown below:

FY11 revenue by product category



Source: McPherson's

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44 The top five selling brands of the Consumer Product business in FY11 were Multix, Wiltshire, Manicare, Swisspers and Stanley Rogers. Together these five brands, which are all company owned, accounted for approximately 60% of the Consumer Products business' total sales. Further information on each of these brands is discussed below.

Multix

45 The Multix brand is used to market a wide range of 'kitchen essentials', particularly bags, baking paper, food wraps and aluminium foil. Sales are principally through Australian and New Zealand supermarkets, where Multix is the number one or two brand in its category.

46 Multix products are used in millions of households for food preparation, food storage and waste disposal. The range includes aluminium foil, aluminium trays, cling wrap, baking paper, patty pans, plastic containers and various types of plastic bags such as freezer bags, sandwich bags, kitchen tidy bags, garbage bags, garden bags and trolley liners.

Wiltshire

47 The Wiltshire brand appears on a wide range of MCP products including knives, bakeware, cookware, utensils and gadgets. Wiltshire has broad retail distribution in the grocery, department store, discount department store and hardware channels.

Manicare

48 Manicare is a dominant brand in the nail and hand treatment market in Australia and New Zealand. Products include nail treatment systems, artificial nails, nail colours and mascara. Manicare has particular retail distribution strength in the Pharmacy channel together with a presence in discount department stores.

Swisspers

49 Swisspers branded products are sold through major supermarkets, discount department stores and pharmacies throughout Australia. Swisspers personal care products include baby wipes, facial wipes and cotton products such as balls, tips, rounds, ovals and squares.

50 Swisspers continues to be the leading brand in cotton products, with Swisspers branded products occupying the number one position in all key segments within the cotton wool category.

Stanley Rogers

51 Stanley Rogers is a well established and trusted brand in cookware, cutlery and utensils, and is sold mainly through department stores. The Stanley Rogers brand has a heritage spanning over 81 years.

Agency brands

52 The Consumer Products business also distributes a number of brands under agency arrangements, including Luigi Bormioli, Ocean Glassware, Chef'n, Typhoon and Sant' Andrea. While the distribution arrangements can generally be terminated at short notice, MCP has been distributing most of these products in Australia for some time.

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Overseas operations

53 The business also has operations in New Zealand, Singapore and Hong Kong, as summarised below:

(a) **New Zealand** – markets housewares, personal care and household consumables similar to the Australian operation.

(b) **Singapore** – focussed primarily on personal care products and, more recently, housewares and household consumables products, operating with a combination of MCP's brands and agency arrangements.

(c) **Hong Kong** – manages the contract manufacturing for the Group's products (which is generally outsourced to specialist manufacturers), performs quality assurance functions and works with marketing personnel on product design and development.

54 The business also markets and distributes kitchen knives and other housewares products through leading housewares companies in North America and South Africa.

McPherson's Printing Group

55 McPherson's Printing Group (MPG) is a major diversified printing company operating two fully equipped, state-of-the-art book and commercial printing facilities at Mulgrave and Maryborough in Victoria.

56 MPG is one of Australia's leading producers of paperback and case-bound books, offering a wide range of integrated products and services to publishers and commercial print users. The business specialises in highly technical digital printing, short-run book production, quality bound titles and high-class print production, making it a recognised leader within the industry throughout Australia. MPG also offers a wide range of high quality commercial services in the production and distribution of loose-leaf product, journals, newsletters and technical manuals.

57 MPG's production equipment provides a comprehensive suite of web offset (mono and two-colour), sheet fed (multi-colour) and digital printing capacity supported by an extensive range of binding and finishing options.

58 MPG services a range of customers including major domestic and international book publishers, directory and professional reference information publishers, magazine and periodical publishers, corporate/industrial catalogue and manual publishers, the automotive and horse racing industries and a variety of other specialised users.

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Financial performance

59 MCP's audited results for the three years ended 30 June 2011 are summarised below:

	2009 $m	2010 $m	2011 $m
Sales	356.8	354.0	348.8
EBITDA before significant items	45.1	50.7	52.4
Depreciation and amortisation	(5.8)	(5.5)	(5.5)
EBIT before significant items	39.3	45.2	46.9
Significant items[1]	(2.5)	(0.7)	(9.0)
Interest	(9.9)	(7.9)	(6.8)
Net profit before tax	26.9	36.6	31.1
Tax	(7.6)	(11.0)	(11.6)
Net profit after tax	19.3	25.6	19.5

Note:

1 Significant items represent restructuring costs with the exception of a $8.5 million impairment of goodwill in FY11 (which related to the Printing business).

60 MCP's more recent results by segment and half year are shown below:

	1H10 $m	2H10 $m	2010 $m	1H11 $m	2H11 $m	2011 $m
Sales						
Consumer Products	157.7	132.0	289.7	158.4	131.5	289.9
Printing	32.4	31.9	64.3	31.3	27.6	58.9
Total sales	**190.1**	**163.9**	**354.0**	**189.7**	**159.1**	**348.8**
EBITDA before significant items:						
Consumer Products	26.1	22.3	48.4	30.3	20.3	50.6
Printing	3.0	3.7	6.7	3.0	2.9	5.9
Corporate / unallocated costs	(2.0)	(2.4)	(4.4)	(2.5)	(1.6)	(4.1)
Total EBITDA	**27.1**	**23.6**	**50.7**	**30.8**	**21.6**	**52.4**
EBIT before significant items:						
Consumer Products	24.8	21.1	45.9	29.0	19.1	48.1
Printing	1.5	2.2	3.7	1.5	1.4	2.9
Corporate / unallocated costs	(2.0)	(2.4)	(4.4)	(2.5)	(1.6)	(4.1)
Total EBIT	**24.3**	**20.9**	**45.2**	**28.0**	**18.9**	**46.9**
EBITDA margins before corporate / unallocated costs						
Consumer Products	16.6%	16.9%	16.7%	19.1%	15.4%	17.5%
Printing	9.3%	11.6%	10.4%	9.6%	10.5%	10.0%
EBIT margins before corporate / unallocated costs						
Consumer Products	15.7%	16.0%	15.8%	18.3%	14.5%	16.6%
Printing	4.6%	6.9%	5.8%	4.8%	5.1%	4.9%

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61 The key matters impacting the Consumer Products business in FY10 and FY11 are discussed below:

Consumer Products – key matters impacting profitability	
FY10	• Sales revenue increased marginally reflecting: – increased sales of major brands due to successful new product introductions and organic growth – offset by the continuation of a product range rationalisation program, and a reduction in impulse merchandising revenue as a result of a decline in product display within some retail outlets. • Margins improved driven by stronger Australian dollar (as most products sourced in US dollars) and benefits of cost saving initiatives commenced in previous year. • A number of other initiatives were implemented during the year aimed at improving product supply chain efficiencies and brand marketing. • The amalgamation of all Consumer Product operations was successfully completed during the year. This included the consolidation of the division's two Melbourne premises into one new site.
FY11	• Sales revenue remained consistent with the level of sales achieved in 2010. • EBITDA and EBIT margins continued to increase reflecting the benefits of the strong currency and the profit initiatives implemented in prior years. • However, the FY11 result reflected two contrasting six month results. In the first half profit margins increased significantly. However, in the second half profit margins fell below the level achieved in the second half of FY10. • The lower margin achieved in the second half of FY11 reflected: – a challenging retail environment due to weak consumer confidence and increased discounting – the loss of an agency brand (Simple) – cost increases due to higher commodity prices and higher factory costs in China. • During the second half of FY11 the impulse merchandising product category was completely removed from Coles supermarkets. • However, management expect the loss of this revenue may be partly offset in FY12 by market share growth in pet and new product lines.

62 The key matters impacting the printing business in FY10 and FY11 are discussed below:

Printing – key matters impacting profitability	
FY10	• Sales, EBITDA and EBIT margins declined reflecting subdued market conditions and competitive pressures. • The business remained focused on cost containment and efficiency improvements. In particular the sheet-fed colour operations were consolidated into one site in May 2010. which was expected to result in production efficiencies in FY11.
FY11	• Sales, EBITDA and EBIT margins continued to decline resulting in further falls in profitability. This was largely due to the subdued market conditions which placed additional pressure on profit margins. • The business continued to invest in modern printing technology to achieve cost and efficiency improvements. During the year the business commissioned new sheet-fed colour printing equipment which allowed two older printing presses to be decommissioned.

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Printing – key matters impacting profitability
• The business also committed to invest in state-of-the-art digital inkjet printing equipment which is expected to be commissioned during 2012. This is also expected to result in efficiencies and may provide opportunities to expand into other market sectors. • Due to the performance of the Printing business in FY11 the remaining goodwill of the Printing business ($8.5 million) was written off in FY11. This write-off has been treated as a significant item in our analysis.

Market guidance for FY12

63 On 18 November 2011 MCP provided the following guidance in relation to its FY12 results:

"The current financial year is proving to be challenging. Retail sales are generally subdued and consumer confidence is low, with discretionary retail purchases under pressure as a consequence. Product and operational costs are increasing and competitive pressure is more intense. In addition to the overall weakness of the retail environment, the Company has been affected by adverse ranging decisions by some of its retail customers, including continued pressure on the impulse merchandising sector. The printing business has also been adversely affected by poor market conditions.

As a result, the profit before tax for the full year to 30 June 2012 is expected to be approximately 20% lower than last year.

For the first half year to 31 December 2011, profit before tax is expected to be approximately 30% lower than the previous year as a consequence of both general market conditions and issues affecting the company such as retailer ranging strategies.

The Company is well progressed in strategic developments to offset the challenges of the first half year. The effect of the initiatives under way is expected to improve the trading position in the second half of the financial year such that the result for the half year to 30 June 2012 is anticipated to be in line with the previous corresponding period."

64 We have confirmed that MCP's statement that profit before tax in FY12 is expected to be some 20% lower than the level of profit achieved in FY11 refers to profit before significant items and tax. Net profit before significant items and tax in FY11 was $40.1 million. Accordingly, MCP's market guidance implies projected profit before significant items and tax of some $32 million in FY12.

65 Following the trading update referred to above, broking analysts lowered their EBITDA and EBIT forecasts for FY12, as shown below:

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FY12 broker forecasts as at 21 November 2011[1]	EBITDA $m	EBIT $m
High	44.8	39.5
Low	42.0	35.6
Mean	42.9	37.2

Note:
1 Based on broker forecasts sourced from Bloomberg on 5 December 2011 by RBS Morgans, Credit Suisse, LINWAR and Moelis Australia.

Financial position

66 A summary of MCP's audited financial position as at 30 June 2010 and 2011, including details of the level of net operating assets (before debt) employed in each business[8] as at those dates, is set out below:

	2010 $m	2011 $m
Fixed assets	22.3	23.7
Intangible assets	188.1	179.2
Net working capital and other net assets	63.5	54.4
Net operating assets	**273.9**	**257.3**
Shareholders' funds	196.9	200.8
Net debt	77.0	56.5
Total funds employed	**273.9**	**257.3**
Net operating assets by segment:		
Consumer Products	243.6	235.5
Printing	30.3	21.8
Total net operating assets	**273.9**	**257.3**
% related to Consumer Products	88.9%	91.5%

67 Following the write-off of goodwill relating to the Printing business in FY11, all intangible assets as at 30 June 2011 relate to the Consumer Products business. Total intangibles as at 30 June 2011 largely comprise brands ($45.1 million) and goodwill ($133.4 million).

Shares on issue

68 As at 31 October 2011 MCP had 72.4 million fully paid shares on issue. In addition, the company has 1.8 million options on issue which are exercisable at prices between $1.64 and $3.61 per share.

Recent share prices

69 The price of MCP shares as traded on the ASX from 1 July 2010 to 5 December 2011 is set out below:

8 Source: MCP's investor presentation dated 22 August 2011.

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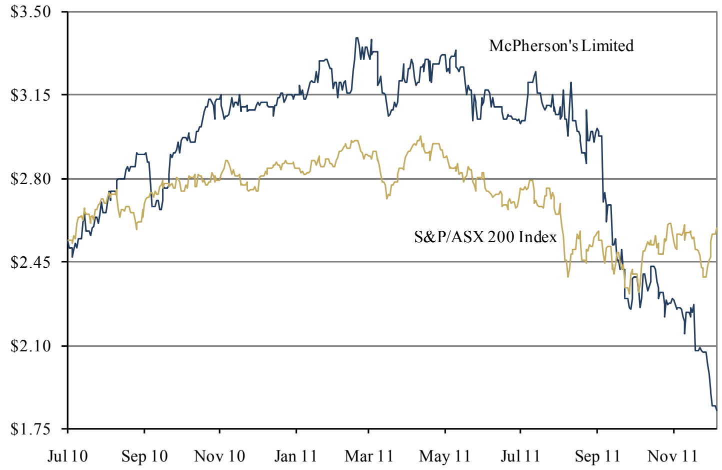
Share price history



Source: Bloomberg.

70 As indicated above, MCP shares have generally outperformed the S&P/ ASX 200 Index over the period from July 2010 to September 2011.

71 Global stock markets generally suffered steep declines in September 2011 and October 2011 due to, in particular, heightened concerns regarding the European sovereign debt crisis and its impact on funding costs and the outlook for global economic growth.

72 However, as indicated above, MCP shares have significantly underperformed the S&P / ASX 200 index since early September 2011. This appears to have been due to:

(a) the reduction in profit margins experienced by MCP in the 6 months ended 30 June 2011 (announced at the time of its annual results on 22 August 2011), and the subsequent related reduction in profit estimates by broking analysts as a result

(b) the announcement on 9 September 2011 that MCP shares would be removed from the S&P / ASX 300 index with effect from the close of trading on 16 September 2011

(c) the trading update provided by MCP on 18 November 2011, which resulted in stockbroking analysts lowering 2012 profit estimates.

IV Evaluation of the Proposed Demerger

Valuation implications

73 The key consideration for shareholders in any demerger is its likely impact on the share market value of their investment in the company. Accordingly, we have considered the likely impact of the proposed demerger on MCP's share market value, including in particular:

(a) the earnings multiples implied by the current MCP share price relative to the earnings multiples for other consumer products businesses and printing businesses (in order to ascertain the extent to which the market may "re-rate" the two separate companies)

(b) the level of additional on-going administration costs associated with having two separate listed companies

(c) whether the "sum of the parts" is likely to be greater than the whole

(d) the value implications of the proposed transaction with OPUS Print Group which is conditional on the demerger taking place (and shareholder approval).

Share market values prior to announcement of demerger

74 In the month prior to the announcement of the proposed demerger on 18 November 2011 MCP shares traded on the ASX between $2.07 and $2.40 per share. However, following the announcement on 18 November 2011 that MCP's FY12 profit before tax was expected to be some 20% below FY11 levels the share price fell significantly, and closed at $1.83 on 5 December 2011.

75 In the absence of the proposed demerger we would therefore expect MCP shares to trade at the low end of its recent trading range. On this basis the enterprise value of MCP is as follows:

	Low $m	High $m
Shares on issue (m)	72.4	72.4
Recent trading range	$1.80	$2.10
Market capitalisation	130.3	152.0
Net debt as at 30 June 2011	56.5	56.5
Enterprise value	186.8	208.5

Implied EBITDA and EBIT multiples

76 The above enterprise values imply the following EBITDA and EBIT multiples for MCP for FY12 based on the average of analysis' forecasts:

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Implied EBITDA and EBIT multiples for FY12	Low $m	High $m
Enterprise value	186.8	208.5
FY12 EBITDA multiple[(1)]	4.4	4.9
FY12 EBIT multiple[(2)]	5.0	5.6

Note:
1 Based on EBITDA of $42.9 million (being average broker forecast on 5 December 2011).
2 Based on EBIT of $37.2 million (being average broker forecast on 5 December 2011).

Additional on-going costs

77 As a result of having two separate listed companies following implementation of the demerger, total corporate costs (on a combined basis) are expected to increase by approximately $0.5 million. These additional costs will be incurred by MPG Printing once the businesses are separated[9].

78 Applying the FY12 EBIT multiple range of 5.0 to 5.6 above implies a capitalised value for additional corporate costs of between $2.5 million and $2.8 million[10]. This range of values represent around 1.2% to 1.5% of the enterprise value of MCP prior to the announcement of the Proposed Demerger, and are therefore relatively immaterial.

Listed company multiples

79 The trading multiples as at 5 December 2011 for other ASX listed companies with operations in the same broad industry sectors as MCP are shown below:

Listed company EBITDA and EBIT multiples based on FY12 analysts forecasts	Enterprise value[(1)] $m	EBITDA Multiple	EBIT Multiple
Consumer and industrial products companies:			
GWA Group Limited (GWA)	952	8.4	10.1
GUD Holdings Limited (GUD)	544	5.7	6.7
Breville Group Limited (BRG)	349	5.6	6.4
Alesco Corporation Limited (ALS)	193	4.4	6.8
Printing companies:			
PMP Limited (PMP)	308	3.0	5.0
Wellcom Group (WLL)	75	5.0	5.6

Note:
1 As at 5 December 2011.
2 A description of each company's activities is set out in Appendix C.

9 All existing corporate costs will continue to be borne by MCP.
10 Being $0.5 million in additional corporate costs multiplied by an EBIT multiple of 5.0 to 5.6.

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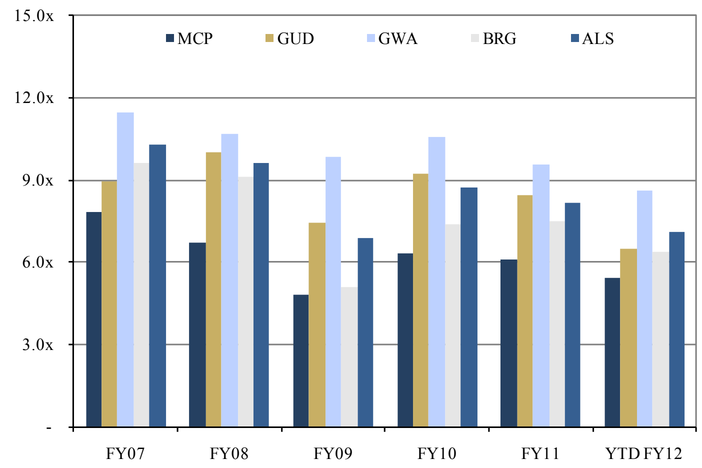
80 As 94% of MCP's EBIT[11] in 2011was generated from its Consumer Products business, MCP's trading multiple should primarily be benchmarked against the earnings multiples for other listed companies which produce and distribute consumer and industrial products.

81 As indicated above MCP was trading on significantly lower EBITDA and EBIT multiples than these companies[12]. Further, we note that MCP has consistently traded at lower forward earnings multiples than the other consumer and industrial product companies over recent years:

Average 12 month forward EBIT multiples[(1)]
Year ended 30 June



Note:
1 The forecast EBIT multiples are based on average broker forecasts which have been weighted to arrive at a one year forward earnings multiple at all times. These multiples have been calculated daily and averaged for each year.
Source: Bloomberg, LEA analysis.

82 The above graph indicates that MCP's current implied multiple discount is not a short term market aberration. While it is difficult to reliably ascertain the reasons for MCP's lower multiples, in our view, part of the reason is likely to be due to MCP's ownership of two distinct operations, which reduce the attractiveness of the group to potential investors (and provide no significant synergies).

83 While we recognise that the Printing business is relatively small in the context of MCP's total operations, in our view, its ownership within MCP is likely to lower the overall earnings multiples being applied to the group for the reasons discussed above and because:

11 Prior to unallocated corporate costs.
12 Other than the EBITDA multiple for Alesco.

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(a) the Printing business, due to the nature of its operations, generates low returns on capital employed and is relatively capital intensive[13]

(b) the reduced profitability of the Printing business in recent years has constrained the reported profit growth at MCP group level, as shown below:

EBIT before significant items	FY09 $m	FY10 $m	FY11 $m	Growth rate[(1)] %
Consumer Products	38.2	45.9	48.1	25.9
Printing	4.3	3.7	2.9	(32.6)
	42.5	49.6	51.0	20.0
Unallocated corporate costs	(3.2)	(4.4)	(4.1)	28.1
Total EBIT	39.3	45.2	46.9	19.3

Note:
1 Growth rate from FY09 to FY11.

(c) the outlook for earnings growth in the printing industry is relatively subdued due to reduced demand for printing services driven by the emergence and take-up of new technologies.

84 In contrast, the Proposed Demerger will allow both distinct businesses to be rated against their direct peers. Prima facie, it therefore appears that there is scope for the Consumer Products business of MCP to be re-rated over time following implementation of the Proposed Demerger.

Potential value uplift of Consumer Products business post demerger

85 Having regard to the EBIT multiples of other consumer and industrial product companies (shown in paragraph 79 above), in our opinion, it is reasonable to infer that, over time, the Consumer Products business (i.e. MCP without MPG Printing) is likely to trade (post demerger) on a portfolio basis at an EBIT multiple of around 6.0 to 6.5 times EBIT for FY12[14]. This range is consistent with the FY12 EBIT multiple for Breville (the most comparable ASX listed company), but represents a discount to the EBIT multiple of GWA and GUD Holdings which we believe is appropriate having regard to the much smaller size of MCP's Consumer Products business.

86 This EBIT multiple range represents a premium of 0.9 to 1.0 to the EBIT multiple range for MCP implied by share market trading in the absence of the Proposed Demerger.

[13] Capital expenditure of the Printing business was $5.2 million in FY11. In contrast, the capital expenditure of the Consumer Products business in FY11 was $2.4 million.

[14] We note that a stockbroking analyst applied an EBIT multiple range of 5.5 to 7.0 to the Consumer Products business in a recent analyst report.

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87 The pro-forma EBIT of MCP post-demerger (i.e. excluding any contribution from the printing business, but after deducting all unallocated corporate costs which will continue to be incurred by MCP[15]) for FY10 and FY11 are shown below:

MCP without MPG Printing – pro-forma results	1H10 $m	2H10 $m	2010 $m	1H11 $m	2H11 $m	2011 $m
EBIT						
Consumer Products	24.8	21.1	45.9	29.0	19.1	48.1
Less unallocated corporate costs	(2.0)	(2.4)	(4.4)	(2.5)	(1.6)	(4.1)
Total EBIT	22.8	18.7	41.5	26.5	17.5	44.0

88 As indicated above:

(a) the profitability of the Consumer Products business exhibits some seasonality, with first half profitability generally exceeding the profitability in the second half of the fiscal year

(b) profitability fell significantly in the second half of FY11 compared to both the first half of FY11 and the second half of FY10. As discussed in Section III, this reflected:

(i) a challenging retail environment due to weak consumer confidence and increased discounting

(ii) the loss of an agency brand (Simple), and the decision by Coles to remove MCP's impulse merchandising product from its supermarkets

(iii) cost increases due to higher commodity prices and higher factory costs in China.

89 While the FY12 pro-forma result for MCP (without MPG Printing) is therefore likely to be lower than the pro-forma EBIT achieved in FY10 and FY11[16], it is evident that the potential uplift in value of MCP arising from the Proposed Demerger (due to the likelihood of higher multiples being applied) will significantly exceed the sum of:

(a) the capitalised value of the higher corporate costs incurred as a result of having two separately listed companies. As stated above, the value impact of these additional corporate costs is relatively immaterial in the context of the MCP business value (i.e. some 1.2% to 1.5% of the implied enterprise value prior to the announcement of the Proposed Demerger); and

15 The additional corporate costs arising from the Proposed Demerger of some $0.5 million will be incurred by MPG Printing.

16 MCP announced on 18 November 2011 that its consolidated profit before tax (including printing) in FY12 was expected to be some 20% below the level achieved in FY11.

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(b) the value impact of any lower multiple being attributed by sharemarket investors to the MPG Printing business. This is because the MPG Printing business[17] is much smaller than the Consumer Products business (accounting for some 6% of total EBIT in FY11[18]). Consequently any value impact from a change in the multiple applied to MPG Printing is also small relative to the enterprise value of MCP.

90 In our opinion, it is reasonable to conclude therefore that the demerger is likely to result in higher values being able to be realised by MCP shareholders over time relative to the sharemarket value of MCP in the absence of the demerger (assuming similar sharemarket conditions).

Other potential benefits of the Proposal

Consolidation opportunities in the printing sector

91 As stated above, MCP's printing business is very small. As a result, in our view, it is unlikely to attract significant institutional investor interest should it be separately listed, and will trade on relatively low earnings multiples as a result.

92 In our view, in order to substantially improve its likely share market rating the Printing business needs to get significantly larger. Prima facie, the ability to do this under the current MCP structure is significantly constrained. This is primarily because:

(a) while MCP could grow the Printing business by acquiring other entities for cash, we understand that MCP management would be reluctant to acquire a large printing business for cash consideration given the poor returns generated by the Printing business in recent years and because it would indicate an allocation of capital away from the core focus for the group (which is its Consumer Products business)

(b) the ability to significantly grow the business by way of a scrip merger with a larger organisation is commercially an unrealistic proposition without implementing the Proposed Demerger.

93 In contrast, if the Proposed Demerger is implemented, the ability to grow the Printing business by acquisition and pursue consolidation opportunities will not be constrained by the current structure as the Printing business will be a separate listed company. In this regard we note that the Opus Acquisition is conditional on, inter-alia, the implementation of the Proposed Demerger. Further, the Opus Acquisition:

(a) will significantly increase the size of the enlarged printing group;

(b) is expected by MCP management to generate substantial synergies, some of which will be shared by MCP shareholders by virtue of their combined shareholding in the enlarged printing company if the Opus Acquisition proceeds.

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17 Prior to acquiring Opus Print Group (which is subject to, inter-alia, separate shareholder approval).

18 Prior to taking into account the additional corporate costs which will be incurred by MPG Printing.

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Improved takeover prospects

94 If the Proposed Demerger is implemented, in our opinion, both MCP and MPG Printing are likely to be more attractive takeover targets. This is principally because, under the current structure, potential bidders for MCP may be discouraged due to the likely need to divest one of the businesses acquired (as, in our view, it is unlikely that potential bidders would want to own both distinct businesses).

95 Consequently, in our opinion, the likelihood of future corporate activity is increased if the Proposed Demerger is implemented.

Other potential benefits

96 In our opinion the Proposed Demerger has a number of other potential advantages including:

(a) enhanced operational focus as a result of having a separate Board of Directors for each demerged entity

(b) increased ability (due to having two separate listed companies) to align business performance with employee remuneration. This may improve accountability to shareholders and provide more incentive to employees to perform as rewards can be more closely tied to shareholder returns

(c) simpler and more transparent corporate structures, which may assist in increasing the visibility of both companies within the financial community

(d) greater investor flexibility, as MCP shareholders and new investors will have the choice to own shares in either the Consumer Products business or the Printing business, or both companies

(e) the Proposed Demerger will allow each company to separately adopt a capital structure and dividend policy based on their individual business and strategic objectives. They will also be able to manage their capital resources without the need to compete with each other for capital

(f) the Proposed Demerger will allow both companies to have direct access to the equity and debt capital markets by virtue of their separate listings.

Disadvantages of the Proposal

Transaction and on-going costs

97 Transaction costs relating to the Proposed Demerger are estimated at approximately $0.5 million (excluding GST). The costs include expenses incurred in separating the businesses, shareholder communication costs, legal, accounting and other advisory and experts' fees and costs incurred in respect of the Proposed Demerger.

98 MCP expects that at the time of the shareholder meeting to vote on the Proposed Demerger, most of these costs will have been either incurred, or committed to be incurred, even if the Proposed Demerger does not proceed.

99 The one-off transaction costs which will be avoided if the Proposal is not approved are therefore nominal.

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100 Due to having two separate entities, there will also be some duplication of corporate level costs such as listing costs, board costs and senior management costs. The total additional on-going costs expected to be incurred by the demerged business relative to the current structure are expected to be around $0.5 million (before tax) per annum (in 2011 dollar terms). These additional costs have been allowed for in our earlier analysis which considered the valuation implications of the Proposed Demerger.

Size of MPG Printing

101 As noted above MPG Printing is a relatively small business. As a result it will be less able to absorb the impact of any adverse financial or other impact on its business once it is a separate listed company.

Ineligible overseas shareholders

102 Due to the cost of complying with various overseas securities laws, the MCP Board has determined that MCP shareholders with registered addresses outside Australia and New Zealand (referred to as Ineligible Overseas MCP Shareholders) will not be issued with MPG Printing shares.

103 Instead, MPG Printing shares to which Ineligible Overseas MCP Shareholders are entitled will be sold by MCP as soon as reasonable practicable. MCP will then pay Ineligible Overseas MCP Shareholders the net proceeds of sale after deducting the costs and expenses of the sale.

Taxation consequences

104 Separate advice on the taxation implications of the Proposed Demerger for Australian resident shareholders who hold their MCP shares on capital account has been provided by KPMG, and is set out in Appendix A of the Notice of Meeting. In summary, KPMG's advice was that, for MCP shareholders who are residents of Australia for income tax purposes and who hold their MCP shares on capital account:

(a) the dividend paid by MCP to implement the Proposed Demerger should be treated as a demerger dividend and should not be treated as assessable income; and

(b) no part of the capital reduction will constitute a taxable dividend.

105 Australian residents who hold their MCP shares on revenue account or MCP shareholders who are non-residents for tax purposes should obtain their own advice in relation to the taxation implications of the Proposed Demerger.

Conclusion

106 Having regard to the above, in our opinion, the advantages of the Proposed Demerger significantly outweigh the disadvantages. Accordingly, we have concluded that the Proposed Demerger is in the best interests of MCP shareholders.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and Independent Expert's Reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to MCP shareholders in connection with the Proposed Demerger.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at $40,000 plus GST.

9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

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Appendix A

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

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Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared many hundred independent expert's reports.

2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 17 years and 30 years experience respectively in the provision of valuation advice.

Declarations

3 This report has been prepared at the request of the Directors of MCP to accompany the Explanatory Memorandum to be sent to MCP shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Demerger is in the best interests of MCP shareholders.

Interests

4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Proposed Demerger. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

5 LEA has had no prior business or professional relationship with MCP prior to the preparation of this report.

Indemnification

6 As a condition of LEA's agreement to prepare this report, MCP has agreed to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of MCP which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

7 LEA consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

LONERGAN EDWARDS & ASSOCIATES LIMITED

Appendix C

ASX Listed Company descriptions

Consumer and industrial product companies

GWA Group Limited

1 GWA Group is a leading supplier of building fixtures and fittings to households and commercial premises. It has approximately 1,900 employees with manufacturing and distribution facilities located across Australia. GWA Group currently operates through four distinct business divisions including Bathrooms & Kitchens, Heating & Cooling, Door & Access Systems and Commercial Furniture. The company is the owner of an extensive range of well-known brands including Caroma, Dorf, Fowler, Stylus, Clark, Radiant, Gainsborough and Austral Lock.

GUD Holdings Limited

2 GUD Holdings is engaged in the manufacture, importation and distribution of a range of well known Australian brands. The company's principal skills are brand management, product design and development, offshore sourcing and supply chain management. GUD Holdings operates in four business segments including consumer products, automotive products, water products and security products. Company owned brands include Sunbeam, Oates, Ryco Filters, Wesfil, Goss, Davey, Lock Focus, Locktech and Kiroo.

Breville Group Limited

3 Breville Group is a leading provider of electrical consumer products. The company designs, imports and distributes electrical products to a number of markets, primarily Australia, but also the United States, Canada, South Africa and New Zealand. Breville Group supplies well known consumer electrical bands, including Breville, Kambrook, Ronson, and Goldair and also distributes personal care products of the Philips brand. The company's recent investment in its design and development function has enabled the company to launch higher value products.

Alesco Corporation Limited

4 Alesco Corporation is a wholesale distribution company with leading positions in niche markets operating in Australian and New Zealand. The company operates in three segments being Functional and Decorative Products, including home building and renovation products to the kitchen, laundry and bathroom markets; Construction Products and Equipment, including construction chemicals, decorative concrete and associated equipment, specialised construction chemicals and Garage Doors and Openers which is engaged in the domestic housing and light industrial markets.

Appendix C

Printing companies

PMP Limited

5 PMP's is the largest commercial printing company in Australia. In addition to printing it provides marketing and letter box distribution services, magazine distribution and digital pre-media services. The printing division operates eight plants across Australia and New Zealand and generally produces catalogues, magazines and periodicals, directories and books. PMP primarily uses heat-set web printing, but also has cold-set and sheet-fed printing capacity. Distribution services include letterbox delivery of newspapers and product samples, and magazine distribution to retailers.

Wellcom Group Limited

6 Wellcom Group operates in Australia offering pre-media services, digital photography, digital asset management, digital printing and computer-to-plate production. The company also offers high quality, short to medium run printing of material including invitations, brochures, flyers, booklets, business cards and personal marketing documents. Through iPrint (a joint venture with Australia Post) Wellcom manages the pre-press, digital photography and print management requirements for Australia Post, including stamps, retail catalogues and internal publications.

LONERGAN EDWARDS & ASSOCIATES LIMITED

Appendix D

Glossary

Abbreviation	Definition
AIFRS	Australian equivalents to International Financial Reporting Standards
ALS	Alesco Corporation Limited
BRG	Breville Group Limited
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
GUD	GUD Holdings Limited
GWA	GWA Group Limited
IER	Independent expert's report
LEA	Lonergan Edwards & Associates Limited
MCP	McPherson's Limited
MPG	McPherson's Printing Group
MPG Printing	MPG Printing Limited
Opus Acquisition	The conditional acquisition by MPG Printing of the entire share capital of the Opus Print Group
PMP	PMP Limited
Proposed Demerger	The proposed demerger which, if implemented, will result in the establishment of MCP's printing business as a separate company, subject to shareholder approval
WLL	Wellcom Group

McPherson's

McPherson's

McPHERSON'S
PRINTING GROUP

McPherson's Limited
ABN 98 004 068 419

Prospectus

Demerger of MPG Printing Limited*

For the purposes of Section 707 of the Corporations Act and in relation to a proposed in-specie distribution of shares in MPG Printing Limited (ABN 48 006 162 876) by McPherson's Limited (ABN 98 004 068 419) to McPherson's Limited shareholders, partly by way of dividend and partly by way of capital reduction

This document is important. Carefully read this Prospectus in full and consult your stockbroker, solicitor, accountant, licensed financial adviser or other professional adviser if you have any questions.

You are not however required to do anything in relation to this document.

* As at the date of this Prospectus the company described above as MPG Printing Limited is in the process of being converted into a public company. Its current name is MPG Printing Pty Ltd but it will be named MPG Printing Limited as at the date of the implementation of the Proposed Demerger from McPherson's Limited as described more fully in this document.

Important Information

This document is important and requires your immediate attention. You should read this entire Prospectus carefully. It is important that you consider the risk factors (see section 7) that could affect MPG Printing Pty Ltd's (to be named MPG Printing Limited after it has been converted to a public company) (**MPG Printing** or **the Company**) or McPherson's Limited's (**MCP**) financial performance, before deciding on your course of action.

This Prospectus is dated 16 December 2011. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) on 16 December 2011. This Prospectus expires on 15 January 2013 (**Expiry Date**) and no securities will be issued on the basis of this Prospectus, after the Expiry Date.

Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus.

Forward looking statements
Certain statements in this Prospectus are about the future. MCP Shareholders should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of MCP and MPG Printing to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Such risks, uncertainties, assumptions and other important factors include, among other things, the risks described in Section 7. Deviations as to future conduct, results, performance and achievements are both normal and to be expected.

Disclaimer
This Prospectus contains general information only, and does not take into account the individual investment objectives, financial situation or particular needs of any person. Nothing in this Prospectus should be construed as a recommendation by MCP or the Company or any other person concerning an investment in the Company. You should read the entire Prospectus and, in particular, in considering the prospects for the Company, you should consider the risk factors that could affect the financial performance of the Company. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues), and you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser in relation to the transactions contemplated in this Prospectus.

Electronic Prospectus
This Prospectus may be viewed online at www.mcphersons.com.au. The website and its contents do not form part of this Prospectus and are not to be interpreted as part of, nor incorporated into, this Prospectus. Persons who receive the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Glossary
Certain words and expressions used in this Prospectus are defined in the Glossary at page 40 of this Prospectus.

Financial amounts
Financial amounts in this Prospectus are expressed in Australian dollars unless otherwise stated.

Consents
No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with this Prospectus.

Contents

NOTE: Capitalised terms used in this Prospectus are defined in the Glossary (Section 14).

Key dates

Despatch of MCP Notice of Meeting (regarding the Proposed Demerger) to MCP Shareholders	**16 December 2011**
Despatch of this Prospectus (regarding the Proposed Demerger) to MCP Shareholders	**16 December 2011**
MCP Extraordinary General Meeting (regarding the Proposed Demerger)	**16 January 2012**
ASX informed of MCP Shareholder approvals	**16 January 2012**
Record Date for the Demerger	**24 January 2012**
Demerger Date – in-specie distribution of MPG Printing Shares	**31 January 2012**

NOTE: The above timetable is indicative only. The Company has the right to vary any of the above dates without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws.

Joint Chairmen's Letter

16 December 2011

Dear Investor

On behalf of the board of directors of MPG Printing Pty Ltd (to be named MPG Printing Limited after it has been converted to a public company) (**MPG Printing** or **the Company**) and McPherson's Limited (**MCP**), we are pleased to present this Prospectus to you. It should be read in conjunction with the MCP Notice of Meeting sent to you at the same time as this Prospectus.

Proposed Demerger by McPherson's Limited

MPG Printing and its subsidiary own and operate one of Australia's leading book and related printing businesses, and are currently a part of the MCP group of companies.

On 18 November 2011, MCP announced a proposed demerger which, if implemented, will result in the separation of MCP's printing business, as operated by MPG Printing and its subsidiary (**Proposed Demerger**).

The Proposed Demerger is subject to approval by MCP Shareholders and, if approved, will proceed by way of an in-specie distribution pursuant to which all of the issued shares in MPG Printing held by MCP will be transferred to MCP Shareholders in the ratio of one (1) MPG Printing Share for every four (4) MCP ordinary share held as at the Record Date, partly by way of dividend and partly by way of capital reduction. Further information about the Proposed Demerger in so far as it pertains to and affects MCP (as distinct from MPG Printing) is set out in the MCP Notice of Meeting.

Possible Opus Acquisition post demerger

Also on 18 November 2011, MCP announced that MPG Printing had entered into a conditional agreement (with various parties) to acquire the entire share capital of each entity comprising the Opus Group (**Opus Acquisition**).

Shareholders should note that completion of the Proposed Demerger is not conditional on the Opus Acquisition.

The Opus Acquisition is conditional on, among other things, the implementation of the Proposed Demerger and approval of MPG Printing Shareholders.

Shareholders should note that this Prospectus has not been issued for the purposes of MPG Printing applying to be listed on the ASX. MPG Printing will issue a separate notice of meeting and prospectus in relation to the possible ASX listing of MPG Printing and the Opus Acquisition if and after the Proposed Demerger is implemented.

This Prospectus is provided for information purposes only, and is intended to set out relevant and important information regarding MPG Printing for the purposes of the Proposed Demerger. **If the Proposed Demerger is implemented, you do not have to do anything.**

The Proposed Demerger of MPG Printing is an important step in the strategic direction of this Company, and the directors of MPG Printing believe that it represents an exciting milestone in the evolution of the Company.

If you have any questions about the Proposed Demerger or this Prospectus, please contact Computershare Investor Services on 1300 850 505 (for callers within Australia) and +61 3 9415 4000 (for callers outside Australia), or consult your licensed financial adviser, stockbroker or other professional adviser.

MCP looks forward to continuing to have you as a shareholder and MPG Printing looks forward to welcoming its new shareholders and sharing a successful future together.

Yours sincerely,

D. G. Allman

David Allman
Chairman
McPherson's Limited

Simon Rowell
Chairman
MPG Printing Pty Ltd

1. Investment Overview

The information in this Section 1 is a summary only. It should be read in conjunction with the information in the remainder of this Prospectus.

1.1 Purpose of this Prospectus

This Prospectus has been issued for the purposes of Section 707 of the Corporations Act and in relation to a proposed reduction of capital by MCP by way of an in-specie distribution of shares in MPG Printing to MCP Shareholders.

This Prospectus has not been issued for the purposes of MPG Printing applying to be listed on the ASX.

1.2 Details of the Offer

It is proposed that, subject to MCP Shareholder approval, MCP will effect a demerger of MPG Printing by way of an in-specie distribution, whereby all of the issued shares in MPG Printing held by MCP (being 18,100,440 MPG Printing shares) will be transferred to MCP Shareholders on a pro rata basis, partly by way of dividend and partly by way of capital reduction (**Proposed Demerger**).

The invitation to vote contained in the MCP Notice of Meeting constitutes an offer for the purposes of section 707(2) of the Corporations Act. Accordingly, MCP has prepared this Prospectus.

It is proposed that one (1) share in MPG Printing will be transferred to each MCP Shareholder for every four (4) MCP shares that an MCP Shareholder holds as at the Record Date. Holdings of MPG Printing Shares will be rounded up to the nearest whole number.

The Proposed Demerger, if implemented, will result in the separation of MCP's printing business, as operated by MPG Printing and its subsidiary.

1.3 Separate Opus Acquisition

Separately and subject to and following implementation of the Proposed Demerger, as has been publicly announced, it is proposed that MPG Printing Shareholders will be provided the opportunity to consider and vote on the acquisition by MPG Printing of all of the issued shares in the entities constituting the Opus Group (**Opus Acquisition**), and the possible listing of MPG Printing on the ASX.

Further details of the Opus Acquisition and possible listing of MPG Printing will be provided to MPG Printing Shareholders by way of a separate notice of meeting and prospectus to enable MPG Printing Shareholders to consider and vote on the Opus Acquisition and listing of MPG Printing, if the Proposed Demerger is approved. For the avoidance of doubt, this Prospectus has not been issued for the purposes of the Opus Acquisition or the possible listing of MPG Printing.

1.4 Approvals required for the Demerger

The Proposed Demerger is subject to MCP Shareholder and regulatory approvals.

MCP Shareholder approval will be sought at a MCP Shareholders' meeting scheduled for 16 January 2012. If MCP Shareholders do not approve the Proposed Demerger, the Proposed Demerger will not proceed and MCP will continue to hold all of the MPG Printing Shares it currently holds.

1.5 Action required by MCP Shareholders

No action is required by MCP Shareholders under this Prospectus. Should MCP Shareholder approval be obtained for the Proposed Demerger, all of the issued shares in MPG Printing held by MCP will be transferred to MCP Shareholders in the ratio of one (1) MPG Printing Share for every four (4) MCP shares that an MCP Shareholder holds as at the Record Date. Holdings of MPG Printing Shares will be rounded up to the nearest whole number.

1.6 Highlights of MPG Printing

- One of Australia's leading producers of books.
- A major diversified printing company operating from two production facilities at Mulgrave and Maryborough in Victoria, offering digital and conventional printing and finishing.
- Offers a wide range of high quality commercial services in addition to book production including the production, warehousing and direct distribution of loose-leaf products, journals, newsletters, directories, industrial catalogues and technical manuals.
- Services a range of customers including major domestic and international book publishers, directory and professional reference information publishers, magazine and periodical publishers, corporate/industrial catalogue and manual publishers, the automotive and horse racing industries and a variety of other specialised users.

1.7 Risk factors

There are a number of risks associated with an investment in the Company which may affect its financial performance, financial position, cash flows, distributions, growth prospects and share price. The key risk factors identified by the Directors are discussed in Section 6.3(b) and Section 7, and include:

- An overcapacity in the Australian printing industry generally;
- Aggressive pricing strategies adopted by local and offshore competitors;
- The emergence of electronic media and changes in technology;
- Threats to traditional 'bricks and mortar' book retailing; and
- Globalisation of the book printing industry influencing book volumes sourced from Australia.

You should read this Prospectus carefully and in its entirety, including Section 6.3(b) and Section 7, and consult your licensed financial adviser, accountant, stockbroker, solicitor or other professional adviser if you have any questions.

2. Business Overview

This Section 2 sets out the details of the Company and its business before and immediately following implementation of the Proposed Demerger, but for the avoidance of any doubt before the possible completion of the Opus Acquisition.

2.1 Summary

MPG Printing is a major diversified printing company operating nationally from two production facilities at Mulgrave and Maryborough in Victoria, offering digital and conventional printing and finishing.

MPG Printing is one of Australia's leading producers of books, offering a wide range of integrated products and services to publishers and commercial print users. MPG Printing's business specialises in short-run, medium and long-run book production with its in-house finishing making it a recognised leader within the industry throughout Australia. Able to service a variety of markets, MPG Printing utilises both conventional and digital print technologies for mono and colour book production efficiently across a full range of run lengths. It also offers a range of related services in the production and distribution of loose-leaf products, journals, newsletters and technical manuals.

MPG Printing services a variety of customers including major domestic and international book publishers, directory and professional reference information publishers, magazine and periodical publishers, corporate/industrial catalogue and manual publishers, customers in the automotive and horse racing industries and other specialised users.

2.2 History

A brief history of MPG Printing's operations and the significant historical milestones in its business development are summarised below:

1940 Acquired an interest in Maryborough based printer, Hedges & Bell

1961 Acquired the balance of Hedges & Bell to assume full control

1981 Acquired Melbourne printing business Dominion Press

1986 Hedges & Bell merged with Dominion Press to form The Book Printer

1989 Acquired Litho Industries and Mulgrave based printing business Owen King Printers Pty Ltd

1991 Acquired Globe Press Pty Ltd

1992 All printing businesses consolidated into McPherson's Printing Pty Ltd

2001 Acquired Maryborough based printing business Australian Print Group Pty Ltd

The above history includes acquisitions by MCP and other MCP group members.

2.3 Business model, product/service offerings and operations

MPG Printing's business is structured as a diversified book printer with a market leading position in the Australian domestic market.

In the traditional book publishing market, the Company's core business is mono "read for pleasure" publications. The Company also has a significant presence in the book and loose-leaf professional reference sector and quality full colour publications. MPG Printing offers a broad range of binding styles and provides additional value adding services such as in print on demand, warehousing and direct mail/distribution.

MPG Printing achieves diversification through a significant presence in non-traditional book markets including bound colour industrial catalogues, automotive manuals, race books and catalogues for the horse racing industry, guides, children's activity publications, puzzle periodicals and specialised digital mono/colour products.

The Mulgrave facility in Melbourne houses MPG Printing's head office and colour sheet fed printing equipment. Three sheet fed perfecting presses (10 colour, 8 colour and 5 colour) print flat sheets, colour covers and text for subsequent finishing at the Maryborough plant. The new 10 colour press was installed in early 2011 and provides the latest in quick make ready, high speed quality colour printing capability.

The larger Maryborough plant located in the Central Goldfields area of Victoria, which is around 2.5 hours from Melbourne with easy access to major distribution points. This plant prints mono text on seven web fed presses including two presses with two colour capability and a latest technology quick make-ready heat assisted book press. A large scale in-house finishing capability includes four perfect binding lines, multiple saddle stitchers, several folders for flat sheet work from Mulgrave, a sewer with in line collating and various ancillary equipment.

Shorter run requirements are serviced at Maryborough by three cut sheet digital machines with integrated near line short run finishing for print on demand books. A new high end digital ink jet book line is scheduled to be installed in early 2012 for short/medium run work. This will incorporate fully integrated in line finishing and is expected to be the most productive inkjet line in Australia and equal to any global equivalent. This investment responds to the increasing demand for shorter run lengths and faster speed to market in the book market generally.

MPG Printing owns one-third of the issued capital of Denward Court Pty Ltd, a trade book binding business located in Mount Waverley in Melbourne and which trades as The Bindery. The business offers a full range of binding styles and finishing services, including hard case binding. The investment in and results of Denward Court Pty Ltd are equity accounted on the basis that the company is an associated entity of MPG Printing.

2.4 Action taken to date with respect to the Proposed Demerger

To prepare MPG Printing for implementation of the Proposed Demerger, the following steps have been taken to formally separate MPG Printing from the MCP group:

(a) Employees

With the exception of the Chief Executive Officer of MPG Printing, all personnel involved with the operation of the business conducted by MPG Printing and its subsidiary will be employed by MPG Printing or its subsidiary at the date of implementation of the Proposed Demerger. All costs relating to the services provided by the Chief Executive Officer will be borne by MPG Printing.

(b) Deed of cross guarantee

MPG Printing and its subsidiary are parties to the MCP group's Deed of Cross Guarantee in accordance with ASIC class order 98/1418.

Steps have been taken to revoke the participation of MPG Printing and its subsidiary in the MCP group's Deed of Cross Guarantee dated 31 January 2006. A revocation deed has been lodged with ASIC, which will take effect on or about the date of implementation of the Proposed Demerger provided that no party to the MCP group's Deed of Cross Guarantee is wound up or otherwise becomes insolvent during the six month period following the date of revocation.

Following implementation of the Proposed Demerger, MPG Printing and its subsidiary will enter into a separate Deed of Cross Guarantee in accordance with ASIC class order 98/1418. Subject to and following completion of the Opus Acquisition, the Australian entities forming part of the Opus Group will become parties to the MPG Printing Deed of Cross Guarantee.

2.5 Directors intentions

Following implementation of the Proposed Demerger, the Directors of the Company intend to manage the business and assets of the MPG Printing Group with a view to increasing value to MPG Printing Shareholders over the long term.

2.6 Corporate structure

Immediately following implementation of the Proposed Demerger, the corporate structure of the Company, its subsidiary and its associate will be as follows:

MPG Printing Limited

100%

McPherson's Printing Pty Ltd

33⅓%

Denward Court Pty Ltd

2.7 Competitive strengths

MPG Printing enjoys a leading or near leading market share of the Australian book printing market. The ability to service a broader range of books and book/like products differentiates MPG Printing from most of its major domestic competitors. The Company has invested in a suite of digital and conventional book printing equipment accompanied by automated workflows and customer interfaces. The in-house book finishing capability of the business is considered to be a competitive strength. The combination of equipment, technical and specialist experience positions the business favourably compared with many competitors in the domestic book printing market.

Australian book printing businesses are competing in a global market and it is estimated that around 50% of books sold in Australia are imported, including colour and educational publications. The relative competitive position of Australian printers in terms of cost to produce is relatively weak, with offshore print providers experiencing lower labour costs, longer run lengths, and lower compliance costs. A high Australian dollar exchange rate also favours overseas competitors. However, local producers enjoy the benefits of speed to market and favourable environmental outcomes. Speed to market is becoming increasingly important in the developing "print on demand" supply chain as publishers seek to reduce inventory carrying costs and obsolete stock while responding to the retail demand for quicker delivery.

2.8 Business strategy and prospects

The market offering is centred on a high customer servicing model, a broad spread of modern equipment providing a full range of speed to market, specialised book printing services and a suite of value adding services beyond "ink on paper". The increased competition from off shore as a result of the higher value of the Australian dollar, has contributed to the Company's declining revenues in recent years. To counter this increased competition, the Company is focusing on time sensitive product and additional value adding services not available offshore. MPG Printing has enjoyed long term contractual relationships with the majority of its major customers. Approximately 61% of revenue in the financial year ended 30 June 2011 was performed under contractual arrangements with customers.

The strategy of the business is to continue a focus on customers by providing a "one stop book shop" for publishers and other corporates and continuing to respond to market demands for shorter run lengths that are able to be delivered more quickly and more economically. The Company has committed to new technology investments in systems, workflows and equipment giving it the ability to produce quality product while maximising automation. A significant investment in a latest technology digital ink jet printing solution with in line finishing is due to be implemented in the first quarter of 2012 and will provide improved competitive opportunities for the business as it responds to market shifts.

Future prospects for the Company will ultimately depend upon the demand for printed books in Australia and the portion of these books sourced locally by publishers. MPG Printing, with a leading market position and a technology strategy, is well placed to continue to service the Australian market.

3. Industry Background

This Section 3 provides background information on the sectors in which the Company currently operates and will continue to operate immediately following implementation of the Proposed Demerger, but for the avoidance of doubt before the possible completion of the Opus Acquisition.

3.1 Overview

The Company operates a book printing and related services business. The Company is a leading producer in the Australian market of mono and colour books required by read for pleasure publishers, professional reference publishers and various non traditional book customers including corporates, institutions and government.

3.2 Book printing industry

The Australian book printing industry is serviced by three larger scale specialised book printers, several medium sized specialist book printers, a few large non-specialised printers who print books and a very large number of smaller printers. There is little reliable information available defining the industry and its market size. A book can mean any group of pages that are bound together to form a book like product including products outside of traditional read for pleasure, educational or reference books.

Book printing industry customers include traditional book publishers with a small number of large multi-nationals joined by a number of medium and smaller independents. These publishers may publish domestically, export titles and/or import titles either in their own right or under license. Other non-traditional publishers include self publishing authors, corporates and other institutions that produce books for promotional, sales, reference, scholarly or other purposes.

Publishers generally control the intellectual property in the book, engaging the book printer to produce the book and then deliver the book to the publisher or to their distribution channels. As such the printer does not own or market the book itself. The industry could be described as a service industry that manufactures.

The industry competes with overseas suppliers particularly where time sensitivity is not a factor. As outlined in Sections 2.7 and 2.8, the level of overseas competition has been increasing, which has resulted in declining revenues for MPG Printing.

Further information relating to issues impacting the industry and the Company are set out in Section 6.7 of this Prospectus.

4. Board, Senior Management and Corporate Governance

This Section 4 sets out the details of the composition of the Board and senior management, immediately following implementation of the Proposed Demerger but for the avoidance of doubt before the possible completion of the Opus Acquisition.

4.1 Board Members

Immediately following implementation of the Proposed Demerger, the Board of Directors of the Company will comprise the following Directors:

(a) **Simon A. Rowell, B.A. (Hons), CA, FAICD**
Chairman and Non-Executive Director

Mr Rowell was appointed a Director of McPherson's Limited in 2003 and was Chairman from 31 August 2007 until his retirement as a Director on 18 November 2011. He is the former Managing Director of Snack Foods Ltd, Australia's largest listed snack food company, which was acquired by Arnott's Biscuits Ltd in 2002. Prior to Snack Foods, he spent 12 years as CEO of the Jack Chia Group, a diversified business including consumer products, engineering, textiles, property and finance. He was formerly Chairman of Savcor Group Ltd, Greens Foods Ltd and MMC Contrarian Ltd. Mr Rowell is a Chartered Accountant and has an honours degree in Arts.

(b) **Alan E. Fahy, B. Bus, CPA**
Chief Executive Officer and Executive Director

Mr Fahy has been the Chief Executive of MPG Printing's subsidiary McPherson's Printing Pty Ltd since July, 2005 and was previously the Chief Financial Officer of McPherson's Limited from 1995 to 2000. In total he has been with the McPherson's Limited group for 20 years during which time he has gained in depth experience in the printing industry. Mr Fahy has previous broad financial management experience having worked in senior financial roles in several industries including automotive parts manufacture and distribution (including three years in the USA), shipping and retail shopping centres. Mr Fahy is a CPA and has a bachelor's degree in business.

(c) **Paul Witheridge, B. Comm, CA**
Non-Executive Director

Mr Witheridge was appointed the Chief Financial Officer of McPherson's Consumer Products Pty Ltd in May 2010. Mr Witheridge is a Chartered Accountant and has a Commerce Degree. Before joining McPherson's Mr Witheridge held senior financial and company secretarial positions with a number of listed companies in the retail sector including Angus and Coote Limited and OPSM Limited. Prior to that Mr Witheridge spent six years within KPMG's Audit and Assurance Practice.

4.2 Company Secretary

Immediately following implementation of the Proposed Demerger, the Company Secretary of MPG Printing and its subsidiary will be:

Philip R. Bennett, B.Com, CA

Mr Bennett was appointed as Chief Financial Officer of McPherson's Limited in 2000, having been previously appointed to the position of Company Secretary of McPherson's Limited in 1995. He held both these positions until the end of November 2011. Mr Bennett is a Chartered Accountant and has a Commerce degree from the University of Melbourne. Before joining McPherson's, Mr Bennett held senior financial and company secretarial positions with another listed company, and prior to that was a senior manager with a major Australian chartered accounting firm.

4.3 Senior Management

The senior management group of MPG Printing Group comprises the following persons:

(a) **Alan Fahy**
Chief Executive Officer

See Section 4.1(b) above.

(b) **David McKenzie**
Commercial Manager

Mr McKenzie commenced with MPG Printing Group in August, 2005. He has previously held financial management positions in the consumer products and health care industries. Mr McKenzie is a CPA and has a bachelor's degree in business.

(c) **Craig Drummond**
Operations Manager

Mr Drummond commenced with MPG Printing Group in 1985 and has held a number of production related line and management positions.

(d) **Greg Brown**
National Sales Manager

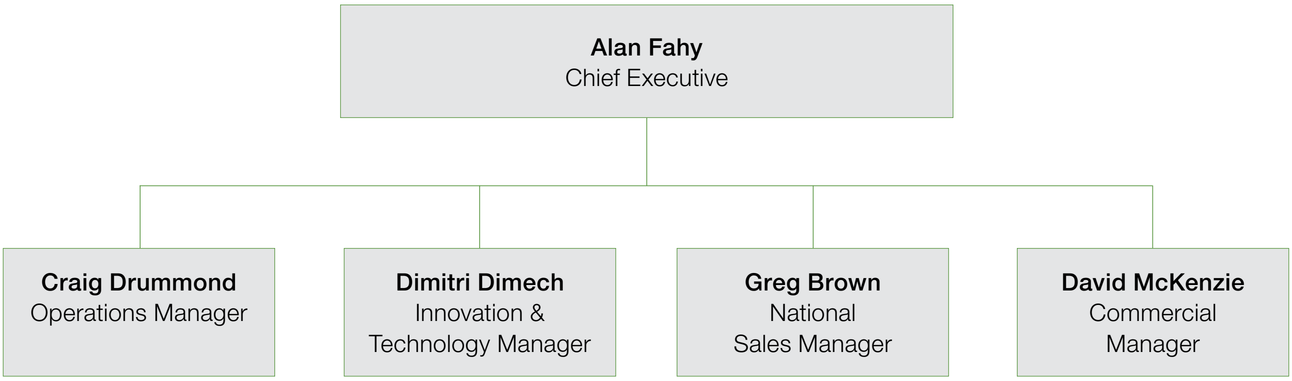
Mr Brown commenced with MPG Printing Group in 1983 and has held a number of sales related line and management positions.

(e) **Dimitri Dimech**
Innovation and Technology Manager

Mr Dimech commenced with MPG Printing Group in 1987 and has held a number of line and management positions in pre press production, sales and technology development.

4.4 Management Structure

Immediately following implementation of the Proposed Demerger, the management structure of the MPG Printing Group will be as follows:



5. Effect of Proposed Demerger on MCP

5.1 Effect of Proposed Demerger on MCP's capital structure

(a) Effect on MCP Shares

MCP currently has 72,401,758 fully paid ordinary shares on issue.

The number of MCP Shares on issue will remain unchanged as a result of implementation of the Proposed Demerger.

(b) Effect on MCP Options

MCP currently has 1,800,000 unlisted options over MCP Shares on issue (**MCP Options**). The details of MCP Options on issue are:

Date Options Granted	Expiry Date	Exercise Price	Number Under Option
6 July 2009	6 July 2014	$1.64	375,000
6 July 2009	6 January 2015	$1.75	375,000
1 April 2011	31 March 2016	$3.61	1,050,000

The number of MCP Options on issue will remain the same as a result of implementation of the Proposed Demerger. However, the MCP Options are required to have their exercise price per MCP Option reduced by the Capital Reduction Component Amount returned pursuant to the Capital Reduction in respect of each MCP Share, in accordance with ASX Listing Rule 7.22.3.

5.2 Acquisition prospects post Proposed Demerger

Following the Proposed Demerger, MCP will continue, as it presently does, to actively pursue the acquisition of compatible consumer products businesses.

5.3 Costs of the Proposed Demerger

The total one-off transaction costs are estimated to be approximately $0.5 million on a pre-tax basis ($0.35 million after tax), which will be incurred by MCP.

The majority of the one-off transaction costs will be incurred even if the Proposed Demerger does not proceed.

One-off transaction costs associated with the Proposed Demerger relate predominantly to legal and advisory fees.

5.4 Management Commentary

MCP management commentary on the effect of the Proposed Demerger on MCP is contained in Section 3 of the MCP Notice of Meeting.

5. Effect of Proposed Demerger on MCP continued

5.5 Pro Forma Consolidated Statement of Comprehensive Income of MCP

The Pro Forma Statement of Comprehensive Income (shown in the right-hand column below) excludes MPG Printing and has been prepared on the basis that the Proposed Demerger is assumed to have occurred on 1 July 2010. MPG Printing amounts are expressed as an adjustment to the MCP group Statement of Comprehensive Income.

McPherson's Limited Group Statement of Comprehensive Income for the year ended 30 June

	MCP Actual 2010 $000's	MCP Actual 2011 $000's	Less MPG Printing 2011 $000's	MCP Pro Forma 2011 $000's
Revenue	354,265	349,178	(58,934)	290,244
Other income	1,634	1,417	(1,167)	250
Expenses	(311,465)	(304,127)	57,483	(246,644)
Finance costs	(7,973)	(7,098)	-	(7,098)
Share of net profit of associate	195	268	(268)	-
Profit before income tax	**36,656**	**39,638**	**(2,886)**	**36,752**
Income tax expense	(11,007)	(11,609)	791	(10,818)
Profit after income tax	**25,649**	**28,029**	**(2,095)**	**25,934**
Other comprehensive income				
Changes in fair value of cash flow hedges (net of tax)	8,123	272	22	294
Exchange differences on translation of foreign operations	5	(1,987)	-	(1,987)
Total comprehensive income	**33,777**	**26,314**	**(2,073)**	**24,241**

Note 1: 2011 actual and pro forma amounts exclude a printing related goodwill impairment charge of $8.53 million.

Note 2: MPG Printing 2011 excludes a management fee of $0.44m which will not be on-charged by MCP post-demerger and will therefore become an additional cost to MCP.

5.6 Pro Forma Consolidated Statement of Cash Flows of MCP

The pro forma cash flow (shown in the right-hand column below) excludes MPG Printing and has been prepared on the basis that the Proposed Demerger is assumed to have occurred on 1 July 2010. MPG Printing amounts are expressed as an adjustment to the MCP group Cash Flows.

McPherson's Limited Group Statement of Cash Flows for the year ended 30 June

	MCP Actual 2010 $000's	MCP Actual 2011 $000's	Less MPG Printing 2011 $000's	MCP Pro Forma 2011 $000's
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	390,753	385,577	(65,052)	320,525
Payments to suppliers and employees (inclusive of GST)	(341,280)	(327,762)	59,161	(268,601)
Interest received	42	322	-	322
Interest paid	(8,073)	(7,669)	-	(7,669)
Income tax paid	(10,896)	(9,183)	955	(8,228)
Dividends received	400	300	(300)	-
Net cash inflows from operating activities	**30,946**	**41,585**	**(5,236)**	**36,349**
Cash flows from investing activities				
Payments for purchase of property, plant and equipment	(3,618)	(6,846)	4,612	(2,234)
Proceeds from disposal of property, plant and equipment	21	583	(523)	60
Payments for purchase of intangibles	(77)	(167)	-	(167)
Net cash outflows from investing activities	**(3,674)**	**(6,430)**	**4,089**	**(2,341)**
Cash flows from financing activities				
Proceeds from exercise of options	-	1,223	-	1,223
Costs from exercise of options	-	(5)	-	(5)
Proceeds from issue of shares	15,000	-	-	-
Costs from issue of shares	(763)	-	-	-
Proceeds from borrowings	115,500	120,000	-	120,000
Repayment of borrowings	(150,500)	(140,000)	3,000	(137,000)
Dividends paid	(7,165)	(15,853)	-	(15,853)
Repayment of hire purchase liabilities	(11)	(12)	-	(12)
Net cash outflows from financing activities	**(27,939)**	**(34,647)**	**3,000**	**(31,647)**
Net (decrease)/increase in cash held	**(667)**	**508**	**1,853**	**2,361**
Cash at beginning of the financial year	702	20	(2,369)	(2,349)
Net effect of exchange rate changes on cash	(15)	(42)	-	(42)
Cash held at end of financial year	**20**	**486**	**(516)**	**(30)**

5.7 Pro Forma Consolidated Balance Sheet of MCP

The pro forma balance sheet (shown in the right-hand column below) has been prepared on the basis that the Proposed Demerger is assumed to occur on 1 July 2011. MPG Printing amounts are expressed as an adjustment to the MCP group Balance Sheet.

McPherson's Limited Group Balance Sheet – 30 June

	MCP Actual 2010 $000's	MCP Actual 2011 $000's	Less MPG Printing Demerger 2011 $000's	MCP Pro Forma 2011 $000's
Current assets				
Cash in hand	14	14	(1)	13
Cash at bank	453	1,691	-	1,691
Trade receivables	58,301	55,088	(5,075)	50,013
Provision for receivables impairment	(74)	(65)	30	(35)
Other receivables and prepayments	4,285	2,907	(694)	2,213
Inventories	65,868	61,274	(5,549)	55,725
Provision for inventory obsolescence	(1,571)	(1,602)	177	(1,425)
Derivative financial instruments	258	-	-	-
Non-current assets				
Investments	1,281	1,249	(1,249)	-
Property, plant and equipment at cost	77,165	78,927	(52,173)	26,754
Provision for depreciation	(54,903)	(55,214)	35,500	(19,714)
Goodwill and other intangibles	188,135	179,163	-	179,163
Future income tax benefit	6,274	6,856	(2,227)	4,629
TOTAL ASSETS	**345,486**	**330,288**	**(31,261)**	**299,027**
Current liabilities				
Trade payables	23,062	21,958	(5,036)	16,922
Other payables and accruals	18,165	14,784	(1,219)	13,565
Derivative financial instruments	1,529	3,251	(31)	3,220
Borrowings	456	1,235	-	1,235
Provision for tax	2,365	5,376	-	5,376
Provision for employee entitlements	8,152	8,510	(2,942)	5,568
Provisions – other	2,795	2,479	(236)	2,243
Non-current liabilities				
Derivative financial instruments	290	191	-	191
Borrowings	77,018	57,000	-	57,000
Provision for employee entitlements	1,084	1,010	(192)	818
Provision for deferred tax	13,672	13,696	(121)	13,575
TOTAL LIABILITIES	**148,588**	**129,490**	**(9,777)**	**119,713**
NET ASSETS	**196,898**	**200,798**	**(21,484)**	**179,314**
Shareholders' equity				
Share capital	127,193	129,338	(12,314)	117,024
Reserves	(2,290)	(4,181)	22	(4,159)
Retained profits	71,995	75,641	(9,192)	66,449
TOTAL SHAREHOLDERS' EQUITY	**196,898**	**200,798**	**(21,484)**	**179,314**

(a) Pro forma balance sheet adjustments

The demerger entries in the McPherson's Limited Group Balance Sheet have been prepared on the basis that prior to the Proposed Demerger:

- There is a clean exit by MPG Printing from the McPherson's Tax Consolidation Group.
- Debt forgiveness is given on intercompany indebtedness with other members of the McPherson's Limited Group as at 30 June 2011.
- There is a transfer of MPG Printing's cash balance to McPherson's Limited on the assumption that MPG Printing is demerged on an ungeared basis.

5.8 Significant Accounting Policies

The principal accounting policies used in preparation of the MCP Group Balance Sheet and Pro Forma Historical Financial Information are consistent with those set out in the McPherson's Limited Annual Report for the years ended 30 June 2010 and 30 June 2011. Complete versions of these reports are available from MCP's website, www.mcphersons.com.au or the ASX website, www.asx.com.au.

6. Effect of Proposed Demerger on MPG Printing

6.1 Overview

This Section 6 provides actual and pro forma historical financial information on MPG Printing and its subsidiary (as a standalone group) immediately after the Proposed Demerger is implemented (but for the avoidance of doubt before the possible completion of the Opus Acquisition).

The pro forma financial information reflects certain historical financial information that has been adjusted to reflect the Company's position, as if the Proposed Demerger had been implemented as at 1 July 2011.

All financial information is presented as consolidated financial information. The financial information included in this Prospectus has been prepared in accordance with the Company's accounting policies, as disclosed in Section 6.9. The financial information is presented in summary form and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports prepared in accordance with the Corporations Act.

The financial information comprises:

(a) The pro forma consolidated statement of comprehensive income for the years ended 30 June 2010 and 2011;

(b) The actual consolidated cash flow statements for the years ended 30 June 2010 and 2011; and

(c) The actual consolidated balance sheet as at 30 June 2010 and 30 June 2011 and the pro forma consolidated balance sheet as at 1 July 2011.

In addition to financial information referred to above, the MPG Directors' commentary on the MPG Printing Group's future performance and outlook is set out in Section 6.7.

MPG Printing's pro forma historical financial information has been reviewed by the Investigating Accountant. The Investigating Accountant's Report is included in Section 9. The comments made in relation to the scope and limitations of the Investigating Accountant's Report should be noted. This Section 6 should be read in conjunction with the risks to which MPG Printing is subject and the risks associated with the Proposed Demerger, as set out in Section 7.

6.2 Basis of preparation and presentation

(a) Historical actual financial information

A Pro Forma Consolidated Statement of Comprehensive Income, Historical Actual Consolidated Statement of Cash Flows and Pro Forma Consolidated Balance Sheet are set out in Section 6.3, 6.4 and 6.5 respectively.

The basis of preparation applied in compiling MPG Printing's pro forma historical financial information is set out below:

Unless otherwise noted, MPG Printing's pro forma historical financial information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, which comply with the recognition and measurement principles of the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The accounting policies used in preparation of MPG Printing's pro forma historical financial information are consistent with those set out in MCP's annual report for the years ended 30 June 2010 and 30 June 2011.

MPG Printing's pro forma historical financial information has been derived from MCP's consolidated financial reports for the years ended 30 June 2010 and 30 June 2011.

MCP's financial reports for the years ended 30 June 2010 and 30 June 2011 were audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. The respective audit opinions issued to MCP in relation to those financial reports were unmodified.

Complete versions of MCP's financial reports for these periods are available from MCP's website, www.mcphersons.com.au or the ASX website, www.asx.com.au.

Pro forma adjustments have been made in the preparation of MPG Printing's Pro Forma Statement of Comprehensive Income and Balance Sheet. Refer to the notes in Sections 6.3(a), 6.5(a) and 6.5(b).

(b) Commentary on future performance and outlook

It is anticipated that revenue and earnings of the Company for the year ended 30 June 2012 will be materially lower than for the year ended 30 June 2011. The primary reasons for this are outlined in Section 6.3(b) and Section 6.7.

The Directors of the Company have prepared the information on MPG Printing's future performance and outlook, as set out in Section 6.7. This information has been prepared with proper care and attention and the MPG Directors consider that the assumptions when taken as a whole are reasonable at the time of preparing this Prospectus based on present circumstances and market conditions, and the implementation of the Company's business strategies.

Investors should be aware that the Company's future performance is by its very nature subject to business, economic and competitive uncertainties, contingencies and risks, many of which are beyond the control of the Directors of the Company and are not reliably predictable.

Actual events and outcomes might differ from those anticipated in the commentary on MPG Printing Group's future performance and outlook in Section 6.7, with material consequential impacts on the Company's future performance.

(c) General

In order to understand the bases, assumptions and limitations underlying the pro forma and actual historical financial information and the commentary on future performance and outlook, this information should be read in conjunction with:

- the risk factors in Section 7;
- the Investigating Accountants' Report on the pro forma historical financial information set out in Section 9;
- the notes to the pro forma and actual historical financial information set out in this Section 6; and
- other information contained in this Section and this Prospectus.

6.3 Historical Pro Forma Consolidated Statement of Comprehensive Income of MPG Printing

(a) Financial performance

MPG Printing Statement of Comprehensive Income for the year ended 30 June 2010 and 30 June 2011

	Pro Forma 2010 $000's	Pro Forma 2011 $000's
Revenue	64,300	58,934
Other income	963	1,167
Expenses	(62,037)	(57,921)
Share of net profit of associate	195	268
Profit before income tax	**3,421**	**2,448**
Income tax expense	(969)	(660)
Profit after income tax	**2,452**	**1,788**
Other comprehensive income		
Changes in fair value of cash flow hedges (net of tax)	(13)	(22)
Total comprehensive income	**2,439**	**1,766**

Notes:

The result for 2011 excludes a goodwill impairment charge of $8,277,000 incurred in that year.

A normalisation adjustment has not been made for public company costs that are estimated to be incurred by the demerged entity, as the actual results include management fees charged by MCP which are expected to approximate the costs of operating the company as a publicly listed company.

(b) Management commentary

(i) Results for year ended 30 June 2011

Excluding the impairment charge, MPG Printing's profit before income tax decreased to $2.4 million, down from $3.4 million for the prior year, on revenue of $58.9 million that was adversely affected by subdued market conditions and competitive pressures. The business remained focused on cost containment and efficiency improvement through selective investment in modern printing technology including the commissioning during the year of new colour printing equipment and the planned investment in digital inkjet capability in 2011-12.

(ii) Results for year ended 30 June 2010

The MPG Printing Group profit before tax decreased to $3.4 million down from $3.9 million for the prior year, on 6% lower revenue of $64.3 million. The revenue decline was due mainly to reduced demand in the commercial and professional reference segments, but 'read for pleasure' book print volumes were steady. Productivity improvements generated during the year from selective capital investment partly offset the reduced contribution from lower volumes.

(iii) Key industry factors driving the decline in sales for years ended 30 June 2010 and 30 June 2011

Key factors in the decline in sales and profits of the MPG Printing Group for the years ended 30 June 2010 and 30 June 2011 have been:

- overcapacity in the Australian printing industry generally;
- the emergence of electronic media;
- aggressive pricing strategies from both local and overseas competitors; and
- material appreciation of the Australian dollar.

6.4 Historical Actual Consolidated Statement of Cash Flows of MPG Printing

(a) Cash flow

MPG Printing Statement of Cash Flows for the year ended 30 June 2010 and 30 June 2011

	Actual 2010 $000's	Actual 2011 $000's
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	72,570	65,052
Payments to suppliers and employees (inclusive of GST)	(63,865)	(59,161)
Income tax paid	(829)	(955)
Dividends received	400	300
Net cash inflows from operating activities	**8,276**	**5,236**
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(660)	(4,612)
Proceeds from disposal of property, plant and equipment	21	523
Net cash outflows from investing activities	**(639)**	**(4,089)**
Cash flows from financing activities		
Cash transfers to McPherson's Limited	(11,000)	(3,000)
Net cash outflows from financing activities	**(11,000)**	**(3,000)**
Net decrease in cash held	**(3,363)**	**(1,853)**
Cash at beginning of the financial year	5,732	2,369
Cash held at end of financial year	**2,369**	**516**

(b) Management commentary

(i) Changes in cash flows from operating activities

The decline in receipts from customers year-on-year is in line with the reduction in revenue which was adversely affected by subdued market conditions and competitive pressures. The reduction in activity levels and wage cost savings achieved through restructuring initiatives has resulted in a reduction in payments to suppliers and employees.

(ii) Changes in cash flows from investing activities

The increase in cash outflows from investing activities year-on-year is due to the investment in 2011 of new sheet-fed colour printing equipment allowing two older presses to be decommissioned.

(iii) Net cash outflow from financing activities

The reduction in activity levels and the increased net capital expenditure year on-year resulted in a reduction in cash available for transfer to MCP.

6.5 Historical Actual Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet as at 1 July 2011 of MPG Printing

(a) Actual balance sheets and pro forma balance sheet

MPG Printing Group Balance Sheet – 30 June*

	Actual 2010 $000's	Actual 2011 $000's	Demerger Entries* 2011 $000's	Pro Forma 2011 $000's
Current assets				
Cash in hand	1	1	-	1
Cash at bank	2,369	516	(516)	-
Trade receivables	5,885	5,075	-	5,075
Provision for receivables impairment	(31)	(30)	-	(30)
Other receivables and prepayments	835	694	-	694
Intercompany receivable	8	-	-	-
Inventories	6,668	5,549	-	5,549
Provision for inventory obsolescence	(173)	(177)	-	(177)
Non-current assets				
Investments	1,281	1,249	-	1,249
Property, plant and equipment at cost	50,326	52,173	-	52,173
Provision for depreciation	(35,585)	(35,500)	-	(35,500)
Goodwill and other intangibles	8,277	-	-	-
Future income tax benefit	2,413	2,227	-	2,227
TOTAL ASSETS	**42,274**	**31,777**	**(516)**	**31,261**
Current liabilities				
Trade payables	5,260	5,036	-	5,036
Other payables and accruals	1,572	1,219	-	1,219
Derivative financial instruments	-	31	-	31
Provision for income tax	199	(274)	274	-
Provision for employee entitlements	2,957	2,942	-	2,942
Provisions – other	200	236	-	236
Non-current liabilities				
Provision for employee entitlements	162	192		192
Intercompany indebtedness	18,518	15,518	(15,518)	-
Provision for deferred tax	139	121		121
TOTAL LIABILITIES	**29,007**	**25,021**	**(15,244)**	**9,777**
NET ASSETS	**13,267**	**6,756**	**14,728**	**21,484**
Shareholders' equity				
Share capital	1,060	1,060	-	1,060
Reserves	2	(20)	-	(20)
Retained profits	12,205	5,716	14,728	20,444
TOTAL SHAREHOLDERS' EQUITY	**13,267**	**6,756**	**14,728**	**21,484**

* The Proposed Demerger Entries and pro forma balance sheet have been prepared on the basis that the Proposed Demerger is assumed to occur on 1 July 2011.

(b) Pro forma balance sheet adjustments

The Proposed Demerger entries in the MPG Printing Group Balance Sheet have been prepared on the basis that:

- There is a clean exit from the McPherson's Limited Tax Consolidation Group;
- Debt forgiveness is given on intercompany indebtedness with other members of the McPherson's Limited Group as at 30 June 2011; and
- There is a transfer of MPG Printing's cash balance to McPherson's Limited on the assumption that MPG Printing is demerged on an ungeared basis.

MPG Printing's Pro Forma Historical Balance Sheet does not represent the actual financial position of MPG Printing at the time of the Proposed Demerger, but represents an indication of MPG Printing's Pro Forma Historical Balance Sheet as at 1 July 2011 in the circumstances set out in this Section.

6.6 Capital expenditure commitment

MPG Printing has a capital expenditure commitment during financial year 2011/12 of approximately $7.0 million with respect to new digital ink jet equipment (referred to more fully in Section 6.7 below). By the date of this Prospectus, this equipment will have been partly paid for in cash, partly financed by finance lease or hire-purchase arrangement, and a component of which will be paid in cash following the Proposed Demerger.

6.7 MPG Directors commentary on MPG Printing Group's future performance and outlook

The outlook for earnings in the printing industry is problematic at this time and it is anticipated that revenue and earnings of the Company for the year ended 30 June 2012 will be materially lower than for the year ended 30 June 2011. The primary reasons for this are the key industry factors identified in Section 6.3(b). The current trading environment has been further adversely affected by the difficult retail conditions and by the recent collapse of the large Red Group book retail chain (Angus and Robertson/Borders), which has resulted in abnormally high levels of surplus stock in the market, lowering demand for printing services to a level which has significantly disrupted normal supply chain ordering patterns this financial year and which is likely to continue to do so for some time into the next financial year.

In light of the extremely adverse nature of certain of the circumstances applying at the moment as outlined above, which could be expected to moderate over time, the current market is therefore not considered a good indicator of future trading conditions. To better position its business MPG Printing has invested in a latest technology digital ink jet printing solution with in line finishing, which is due to be implemented in the first quarter of 2012. This is expected to provide improved competitive opportunities for the business as it responds to market shifts. This investment is expected to improve the competitive position of the Company when implemented, with production efficiencies and an enhanced capability to leverage the increasing requirement for print on demand book supply. However, it is difficult to quantify the future financial benefits of this investment prior to implementation and a clearer indication of evolving market developments and opportunities.

The book printing industry in Australia requires rationalisation in order to facilitate further investment in new technologies in a contracting market. The Proposed Demerger is expected to better enable MPG Printing to participate in this rationalisation activity.

6.8 Working capital/profit from continuing operations

As outlined in Section 5.7(a) and apart from finance lease and hire purchase commitments, if MPG Printing is demerged, this may occur on a cash free and debt free basis. The business is expected to have sufficient working capital to carry out its stated business objectives. In the event that MPG Printing requires additional funding to support its working capital requirements, the Directors of MPG Printing would seek appropriate third party funding. If required, MCP would provide a short term loan to MPG Printing, on an arm's length basis, to support any immediate working capital funding needs in the period immediately following the demerger. The MPG Printing Group is expected to continue operating profitably from its ongoing operations.

6.9 Significant accounting policies

The principal accounting policies used in preparation of the MPG Printing Group actual and pro forma historical financial information are consistent with those set out in the McPherson's Limited Annual Reports for the years ended 30 June 2010 and 30 June 2011.

6.10 Australian tax consolidation

At the time of the Proposed Demerger, MPG Printing will exit McPherson's Limited's Australian tax consolidated group and is expected to form a new Australian tax consolidated group.

As the head company of that new Australian tax consolidated group, MPG Printing will be principally responsible for paying the Australian income tax of the group. Furthermore, under current Australian tax laws, the tax bases of certain of MPG Printing's assets are required to be reset on formation of the new Australian tax consolidated group. Broadly, this involves the tax cost base of MPG Printing being allocated across its assets. To the extent that the cost bases of these assets are reset, it will be done so in accordance with the relative market value of those assets at the date of formation of the new Australian tax consolidated group.

6.11 Dividend Policy and franking credits

(a) Dividend policy

The dividend policy of MPG Printing will be determined by the MPG Printing Board at its discretion and may change over time.

(b) Franking credits

The MPG Printing Board will determine to what extent dividends will be franked. Whether any given dividend can be franked will depend on MPG Printing's franking account balance. Upon demerger, MPG Printing's franking account balance will be nil. As MPG Printing will no longer be part of MCP's consolidated tax group, its franking account balance will be limited to the amount of Australian income tax paid in respect of its own earnings.

7. Risk Factors

There are general risks with any investment in the stock market. In addition, there are a number of specific risks concerning the Company which investors should be aware.

The following is not an exhaustive summary but identifies the areas the Board regards as the major risks specific to an investment in the Company. You should carefully consider the risks and uncertainties set out below and the information contained elsewhere in this Prospectus. You should also seek your own professional advice in relation to the risks associated with an investment in the Company and should make your own assessment as to investing in the Company.

7.1 General risk factors

(a) Economic conditions

The performance of the MPG Printing Group is likely to be affected by changes in economic conditions. Profitability of the business may be affected by some of the matters listed below. The MPG Directors make no forecast in regard to:

(i) the future demand for MPG Printing Group's products and services;

(ii) general financial issues which may affect policies, exchange rates, inflation and interest rates;

(iii) deterioration in economic conditions, possibly leading to reductions in business spending and other potential revenues which could be expected to have a corresponding adverse impact on the Company's operating and financial performance;

(iv) the strength of the equity and share markets in Australia and throughout the world;

(v) financial failure or default by any entity with which a member of the MPG Printing Group is or may become involved in a contractual relationship; and

(vi) industrial disputes in Australia and overseas.

(b) Geo-political factors

The MPG Printing Group may be affected by the impact that geo-political factors have on the world, or Australian economy, or on financial markets, and investments generally or specifically. This may include international wars, terrorist type activities and governmental responses to such activities.

(c) Government policies & legislation

The MPG Printing Group may be affected by changes to government policies and legislation, including those relating to the printing sector and taxation.

Specifically, this may include the impact of the Carbon Tax on input costs, particularly power. Also, Australian printed and supplied books are subject to GST while books purchased on line from overseas are currently GST free. The industry is pushing for this inequity to be rectified. Changes in government procurement policies may also have the potential to impact the future volume of Australian printed matter.

7.2 Specific risk factors

(a) Changes in technology

Changes in book reading technologies such as e books, e book readers and other on-line technologies (such as on-line industrial catalogues, sat nav guidance systems, on-line reference materials, overseas on-line purchases) are impacting the demand for books printed in Australia.

(b) Book retailing

The threats to traditional "bricks and mortar" book retailing (including overseas on-line purchasing being GST free and electronic delivery of content) present challenges to traditional physical book retailers. The recent collapse of the Red Group book retail chain (Angus and Robertson and Borders) has at least temporarily diminished the number of physical retail book outlets in Australia with a corresponding drop in book volumes.

(c) Globalisation

Australian book printers compete in a global procurement market place for books. Shifts in the procurement practices of global publishers in response to factors such as foreign exchange rates, local publishing programs and changing distribution channels can influence future book volumes sourced from Australia.

8. Taxation Information

A letter from KPMG, which sets out the taxation implications arising from the Proposed Demerger, is attached as Appendix A. Shareholders are urged to read the contents of that letter carefully. Please note that the letter does not cover, and has not been prepared with regard to, taxation implications arising in any other circumstance, including taxation implications which:

(a) arise outside Australia;

or

(b) relate to the initial acquisition of MPG Printing Shares by the Opus Shareholders as a result of the possible Opus Acquisition, (noting that general information on the Opus Acquisition will be set out in the MPG Printing notice of meeting and a further prospectus which will be sent to MPG Printing Shareholders following implementation of the Proposed Demerger).

The letter is based on Australian income tax legislation, public taxation rulings, determinations and administrative practice as at the date of this Prospectus. The implications outlined in this Section 8 or in the attached letter are not intended to be exhaustive, or a substitute for, or to constitute, specific tax advice for any MPG Printing Shareholder. The application of Australian income tax legislation may vary according to individual circumstances, and MPG Printing Shareholders should obtain specific professional advice from their own taxation advisers in respect of their particular circumstances.

9. Investigating Accountant's Report

Grant Thornton

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6 December 2011
PRIVATE AND CONFIDENTIAL

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

We have prepared this report on certain historical financial information presented by MPG Printing Pty Ltd ("MPG" or "The Company") for inclusion in the Prospectus dated on or around 16 December 2011. MPG is a wholly owned subsidiary of McPherson's Limited ("MCP"). MCP is listed on the Australian Securities Exchange ("ASX"). This Prospectus relates to a proposed demerger, which if implemented, will result in the separation of MCP's printing business, as operated by MPG and its subsidiary ("the Proposed Demerger").

Expressions defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds an Australian financial services licence under the Corporations Act 2001. Grant Thornton Corporate Finance Pty Limited ("Grant Thornton Corporate Finance") which is wholly owned by Grant Thornton Australia Limited holds the appropriate Australian financial services licence. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A to this report.

Scope

The Company has requested Grant Thornton Corporate Finance to prepare this Investigating Accountant's Report ("the Report") covering the following financial information:

a The pro forma consolidated statement of comprehensive income of MPG for the years ended 30 June 2010 and 30 June 2011;

b The actual consolidated cash flow statements of MPG for the years ended 30 June 2010 and 30 June 2011;

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c The actual consolidated balance sheet of MPG as at 30 June 2010 and 30 June 2011 and the pro forma consolidated balance sheet as at 1 July 2011.

This financial information is referred to collectively in this Report as the Historical Financial Information.

Historical Financial Information.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared.

Scope of review of Historical Financial Information

The Historical Financial Information has been derived from the audited consolidated financial statements of MCP. The financial statements of MCP were audited by PricewaterhouseCoopers who issued unqualified audit opinions on them. However, the financial statements of MPG have not been separately audited. The Historical Financial Information incorporates such pro forma transactions and/or adjustments described in Section 6.5(b) (the "pro forma adjustments") as the Directors considered necessary to present the Historical Financial Information on a basis consistent with the planned structure subsequent to the Proposed Demerger. The Directors are responsible for the preparation of the Historical Financial Information, including the determination of the pro forma adjustments.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standards applicable to review engagements. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- An analytical review of the management accounts of the Company for the relevant historical periods;
- A review of work papers, accounting records and other documents;
- A review of the pro forma adjustments and supporting work papers used to compile the Historical Financial Information;
- A comparison of consistency in application of the recognition and measurement principles under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in MCP's Annual Reports for the years ended 30 June 2010 and 30 June 2011; and
- Enquiry of Directors, management and others.

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These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information.

Review statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- Pro forma consolidated statement of comprehensive income of MPG for the year ended 30 June 2010 and 30 June 2011 and the pro forma consolidated balance sheet as at 1 July 2011 have not been properly prepared on the basis of the pro forma adjustments.
- The pro forma adjustments do not form a reasonable basis for the pro forma consolidated statement of comprehensive income of MPG for the year ended 30 June 2010 and 30 June 2011 and the pro forma consolidated balance sheet as at 1 July 2011 have not been properly prepared on the basis of the pro forma adjustments.
- The Historical Financial Information as set out in certain sections of the Prospectus does not present fairly:

  a The pro forma consolidated statement of comprehensive income of MPG for the years ended 30 June 2010 and 30 June 2011;

  b The actual consolidated cash flow statements (in the statutory format) of MPG for the years ended 30 June 2010 and 30 June 2011;

  c The actual consolidated balance sheet of MPG as at 30 June 2010 and 2011 and the pro forma consolidated balance sheet as at 1 July 2011.

in accordance with the recognition and measurement principles prescribed under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in MCP's Annual Reports for the years ended 30 June 2010 and 30 June 2011.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary course of business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to our Report or that would cause such information to be misleading or deceptive.

Liability

Grant Thornton Corporate Finance has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. The liability of Grant Thornton Corporate Finance is limited to the inclusion of this Report in the Prospectus. Grant

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Thornton Corporate Finance makes no representation regarding, and has not liability for, any other statements or any other material in, or any omissions from, the Prospectus.

Independence and Disclosure of Interest

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this report.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

Liz Smith
Director

Brad Taylor
Director

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APPENDIX A

Financial Services Guide

Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by MPG Printing Pty Ltd ("MPG") to prepare an Investigating Accountant's Report.

Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 (the "Act") and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

General financial product advice

In our report we provide general financial product advice. The advice in our report does not take into account the personal objectives, financial situation or needs of individual Non-Associated Shareholders.

Grant Thornton Corporate Finance does not accept instructions in relation to securities from retail clients. Grant Thornton Corporate Finance provides no financial services in relation to securities directly to retail clients and receives no remuneration from retail clients for financial services in relation to securities. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors in relation to securities nor does it provide market-related advice directly to retail investors in relation to securities.

Remuneration

When providing the report, Grant Thornton Corporate Finance's client is MPG. Grant Thornton Corporate Finance receives its remuneration from MPG. Grant Thornton Corporate Finance will receive a fee from MPG based on commercial rates for the preparation of our report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, nor any director or employee of Grant Thornton Corporate Finance or any related body corporate of Grant Thornton Corporate Finance or any associate has received any other remuneration or other benefit attributable to the preparation of and provision of this report.

Independence

Grant Thornton Corporate Finance is required to be independent of MPG in order to provide this report. Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this report.

Complaints procedures

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Industry Complaints Service's Complaints Handling Tribunal, No F-3986. All complaints must be in writing and addressed to the National Service Line Leader at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days after receiving the complaint. If a complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Industry Complaints Service, which can be contacted at:

GPO Box 3
Melbourne VIC 3001
Telephone: 03) 9613 7366
Facsimile: (03) 9613 6399

Grant Thornton Corporate Finance is only responsible for its report and this FSG. Complaints or questions about the Notice of General Meeting and Explanatory Notes and Memorandum should not be directed to Grant Thornton Corporate Finance, which is not responsible for that document. Grant Thornton Corporate Finance will not respond to a complaint to the extent to which it might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of Section 912B of the Act.

10. Additional Information relating to MCP

10.1 Corporate status

MCP is a company incorporated in Australia under the Corporations Act and is publicly listed on the ASX.

10.2 Related party transactions

Other than as disclosed elsewhere in this Prospectus, MCP is not a party to any agreement that would be considered a related party transaction.

10.3 Litigation and material disputes

To the knowledge of the MCP Directors, there is no material litigation threatened against MCP and no material litigation threatened by MCP. The MCP Directors are not presently aware of any circumstances likely to give rise to any of the above.

10.4 MCP Directors' Interests and Key Management Personnel

For the purposes of Section 711(2) of the Corporations Act, it is noted, except as set out below or elsewhere in this Prospectus, no MCP Director (whether individually or in consequence of a MCP Director's association with any company or firm or in any material contract entered into by MCP) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- any property acquired or proposed to be acquired by the Company in connection with the Company's formation or promotion, or the Proposed Demerger.

In addition, except as set out below or elsewhere in this Prospectus, no benefits of any kind (whether in cash, MPG Printing Shares or otherwise) have been paid or agreed to be paid to any MCP Director or to any company or firm with which a MCP Director is associated to induce him to become, or to qualify as, a MCP Director, or otherwise for services rendered by him or his company or firm with which the MCP Director is associated in connection with the formation or the promotion of the Company.

(a) MCP Directors' interests

The direct and indirect interests of each MCP Director in the securities of MCP and the Company are as follows:

Director (including associates)	Interest in MCP (before and after Proposed Demerger)		Interest in MPG Printing (after Proposed Demerger)	
	Shares	**Options**	**Shares**	**Options**
David J. Allman	500,193	Nil	125,049	Nil
Paul J. Maguire	1,250,143	750,000	312,536	Nil
John P. Clifford	Nil	Nil	Nil	Nil
Graham Cubbin	10,000	Nil	2,500	Nil
Amanda Lacaze	Nil	Nil	Nil	Nil

(b) Key Management Personnel Remuneration

The current total fixed remuneration packages inclusive of superannuation and other benefits for Key Management Personnel of MCP are as follows:

David Allman	$140,338
Paul Maguire	$477,405
Graham Cubbin	$79,712
Amanda Lacaze	$76,344
John Clifford	$70,730
Paul Witheridge	$316,100
Sammy Chan	$334,758
Paul Mitchell	$237,399

In addition, these employees are eligible for discretionary at risk incentives in circumstances where pre-determined MCP performance targets are exceeded. The quantum of these incentives is determined annually in conjunction with annual performance and remuneration reviews.

11. Additional Information relating to MPG

11.1 Corporate status

MPG Printing is a company incorporated in Australia under the Corporations Act and by the date of the Proposed Demerger will have converted from a proprietary company to a non-listed public company.

11.2 Company's Constitution and rights attaching to MPG Printing Shares

As part of the process of converting into a non-listed public company, the Company adopted a new constitution (**Constitution**). The Constitution is of the kind usually adopted by a public company, with certain provisions taking effect once (and for so long as) the company is listed on the ASX.

A summary of the rights attaching to MPG Printing Shares under the Constitution is set out below. This summary is qualified by the full terms of the Constitution (copies of the Constitution may be inspected at the registered office of the Company during normal business hours by appointment with the Company Secretary) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of MPG Printing Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory, ASX Listing Rules and common law requirements. For an investor to obtain a definitive assessment of the rights and liabilities which attach to MPG Printing Shares in any specific circumstances, the investor should seek legal advice.

(a) General

Subject to the Constitution and the terms of issue of an MPG Printing Share, attached to each MPG Printing Share is the right to receive notice of, and attend and vote at all meetings of MPG Printing Shareholders, to receive dividends, and in a winding up to participate equally in the distribution of assets of the Company subject only to the amounts unpaid on any MPG Printing Share.

(b) Voting

At a meeting of MPG Printing Shareholders, subject to the Constitution, the Corporations Act and (if applicable) the ASX Listing Rules, on a show of hands each MPG Printing Shareholder present in person or by proxy has one vote. At the taking of a poll, each MPG Printing Shareholder present in person or by proxy has one vote for each fully paid MPG Printing Share, and for each partly paid MPG Printing Share a fraction of a vote equivalent to the proportion which the amount paid (not credited) bears to the total amount paid and payable (excluding amounts credited). An MPG Printing Shareholder is entitled to be counted in a vote only in respect of MPG Printing Shares on which all calls due and payable have been paid.

A resolution put to vote at a meeting must be decided on a show of hands unless a poll is demanded.

(c) General meetings and Notices

A director of the Company may call a general meeting and the Directors must call an annual general meeting in accordance with the Corporations Act. MPG Printing Shareholders may request or call and arrange to hold a general meeting in accordance with the Corporations Act.

Each MPG Printing Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, financial statements and other documents required to be sent to ordinary MPG Printing Shareholders under the Company's Constitution, the Corporations Act and (if applicable) the ASX Listing Rules.

The quorum for a meeting of MPG Printing Shareholders is 3 MPG Printing Shareholders entitled to vote at the meeting.

(d) Dividends and Share Plans

The MPG Directors may pay to MPG Printing Shareholders any interim and final dividends as they see fit. The MPG Directors may fix the amount, the time for payment and the method of payment.

The MPG Directors may establish and make rules for a dividend reinvestment plan/or a dividend election plan in relation to any dividend payable by the Company.

The MPG Directors may declare dividends on a class of MPG Printing Shares to the exclusion of and in different amounts than other classes. Dividends on partly paid shares must not exceed the proportion which the amount paid (not credited) bears to the total amount paid and payable (excluding amounts credited) on that MPG Printing Share.

(e) Issue of MPG Printing Shares

Subject to the Constitution, the Corporations Act, the ASX Listing Rules (if applicable) and any special rights conferred on holders of existing MPG Printing Shares or a class of MPG Printing Shares, the MPG Directors may issue or otherwise dispose of, or grant options in respect of, shares to such persons on such terms as they think fit. In particular, the MPG Directors may issue shares with preferred, deferred or special rights or restrictions in relation to dividends, voting, return of capital and payment of calls.

The Company may issue preference shares which are or at the option of the Company are to be, liable to be redeemed. Holders of preference shares will only have the right to vote at a meeting convened for the purpose of reducing capital, in certain circumstances upon winding up, where the resolution effects the rights attached to the preference shares, when a dividend on the preference shares are in arrears or on a resolution to approve the terms of a buy-back.

(f) Transfer of MPG Printing Shares

Generally, all MPG Printing Shares are freely transferable subject to the procedural requirements of the Constitution, and to the provisions of the Corporations Act, the ASX Listing Rules (if applicable) and the rules of the ASX's Securities Clearing House (if applicable). The MPG Directors may decline to register an instrument of transfer received where refusal is permitted under the Constitution and (if applicable) the ASX Listing Rules. If the Company is admitted to the official list of the ASX, the MPG Directors must refuse to register the transfer of Restricted Securities (as defined in the Constitution) during the relevant escrow period (except as permitted by the ASX Listing Rules or the ASX) or any other transfer as required by the ASX Listing Rules. If the MPG Directors decline to register a transfer the Company must give reasons for the refusal.

(g) Proportional Takeover Provisions

If the Company is admitted to the official list of the ASX or if the Company is an unlisted public company with more than 50 MPG Printing Shareholders, the registration of a transfer of MPG Printing Shares which would give effect to a proportional takeover bid is prohibited unless and until an approving resolution approving the proportional takeover bid is passed. The proportional takeover provisions will cease to have effect on the third anniversary of the adoption of the Constitution, unless renewed.

(h) Small Shareholdings

If the Company is admitted to the official list of the ASX, subject to the ASX Listing Rules, and compliance with the procedure set out in the Constitution, the Company may issue a notice of divestment to an MPG Printing Shareholder holding a parcel of non-marketable shares. Unless the MPG Printing Shareholder objects to the divestment, the Company must sell the MPG Printing Shares as agent of the MPG Printing Shareholder with all consideration received by the Company to be paid to the relevant MPG Printing Shareholder.

(i) Winding Up

Subject to any special rights attaching to a class of shares, if the Company is wound up the liquidator in a winding up may, with the sanction of a special resolution of the MPG Printing Shareholders, divide the assets of the Company among the MPG Printing Shareholders.

(j) Liability of MPG Printing Shareholders

As the MPG Printing Shares transferred to MPG Printing Shareholders pursuant to the Proposed Demerger will be fully paid, MPG Printing Shareholders will not be subject to any further call for money by the MPG Directors and therefore MPG Printing Shares will not become liable to forfeiture.

(k) Variation of rights

The rights attaching to the MPG Printing Shares may only be varied, modified or cancelled with the prior written consent of at least 75% of the holders of votes in that class or by a special resolution of the holders of shares in that class at a meeting of those holders.

(l) MPG Directors – Appointment, retirement and removal

The minimum number of MPG Directors is three (3) and the maximum is ten (10). Immediately following implementation of the Proposed Demerger there will be a total of 3 Directors. The MPG Directors are not required to hold any MPG Printing Shares.

MPG Directors may be appointed by resolution of MPG Printing Shareholders at a general meeting. The MPG Directors may appoint a Director either in addition to existing Directors or to fill a casual vacancy, and such Director will hold office until the next annual general meeting.

MPG Directors may only be removed by resolution of MPG Printing Shareholders at a general meeting.

An MPG Director must retire from office at the end of the third annual general meeting following that Directors last appointment or 3 years, whichever is longer. The requirement to retire does not apply to the Managing Director. If there is more than one Managing Director then the requirement to retire will not apply to just one Managing Director. A retiring Director is eligible for re-election.

(m) Decisions of Directors

The quorum for a meeting of MPG Directors is two. Questions arising at a meeting of MPG Directors are decided by a majority of votes cast by MPG Directors entitled to vote on the resolution. The Chairman has a casting vote.

(n) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of MPG Printing Shareholders present and voting at a general meeting. At least 28 days' notice of the meeting at which the special resolution is proposed must be given.

11.3 Share capital structure

As at the date of this Prospectus, the Company's share capital comprises 18,100,440 fully paid ordinary shares.

Subject to and on completion of MPG Printing's proposed acquisition of the entities comprising the Opus Group, MPG Printing will issue fully paid ordinary shares to the Opus Shareholders, as part of the purchase consideration for that acquisition. Further details of the Opus Acquisition, including the number of fully paid ordinary shares that will be issued and the issue price of those shares, will be provided to MPG Printing Shareholders after the Proposed Demerger is implemented.

The Company may issue securities to its officers and employees under its Employee Share/Option Plan as contemplated in Section 11.4 of this Prospectus.

11.4 Employee Share Option Plan

The MPG Directors intend to consider the introduction of an appropriate Employee Share Plan in due course.

11.5 Dividend policy and Dividend reinvestment plan

The MPG Directors anticipate distributing a reasonable percentage of net profits earned by the Company, subject to other funding requirements.

No guarantee can be given about future dividends, or the level of franking or imputation of such dividends, as these matters will depend upon the future profits of the Company, its financial and taxation position and the MPG Directors' view of the appropriate payout ratio at the time.

11.6 Litigation

To the knowledge of MPG Directors, there is no material litigation threatened against the Company and no material litigation threatened by the Company. The MPG Directors are not presently aware of any circumstances likely to give rise to any of the above.

11.7 Funding arrangements

On implementation of the Proposed Demerger, MPG Printing will be generally self-funding given that capital equipment acquisitions will be financed by way of leasing or hire purchase arrangements. In the event that MPG Printing requires additional funding to support its working capital requirements, the Directors of MPG Printing would seek appropriate third party funding. If required, MCP would provide a short term loan to MPG Printing, on an arm's length basis, to support any immediate funding needs in the period immediately following the demerger.

11.8 Material contracts

Set out below is a brief summary of contracts which have been entered into by the MPG Printing Group. These are important contracts for the MPG Printing Group and have accordingly been identified as relevant information of which an investor in the Company should be aware.

(a) Customer Contracts

Where possible the MPG Printing Group enters into contracts with its major customers who require specified printing services over a fixed term for a specified product or group of products. These contracts typically run for a minimum of one year up to five years, with most either two or three year terms. Pricing is generally either fixed for the contract term or the contract includes escalation clauses for limited cost increase recoveries. Termination of contracts is usually possible if agreed service level criteria are not met or other events of default occur. The majority of contracted customers have been doing business with MPG Printing or its subsidiary over several contract renewals, although each renewal is generally subject to current market benchmarking.

(b) Supply Contracts

The MPG Printing Group generally enters into contracts with major suppliers where there is a commercial need to secure supply and/ or pricing over an extended period, generally ranging between one to three years in duration. There are no unusually onerous terms in any of these contracts.

(c) Leases

The MPG Printing Group leases premises at Mulgrave, Victoria which includes offices and the colour sheet fed printing operation. This lease expires at the end of October 2012 with one two year option to renew. The premises at Maryborough, Victoria are owned by the MPG Printing Group.

(d) Capital Equipment

The MPG Printing Group has entered into several contracts covering the purchase and in some cases financing of a new ink jet book printing line with finishing equipment due to be installed in the March 2012 quarter at Maryborough, Victoria. This investment will equip the business to produce shorter run books quicker and more efficiently than conventional offset equipment. The installed cost of the equipment and associated projects is expected to be around $7 million.

11.9 MPG Directors' Interests and Key Management Personnel

Except as set out below or elsewhere in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- any property acquired or proposed to be acquired by the Company in connection with the Company's formation or the Proposed Demerger.

In addition, except as set out below or elsewhere in this Prospectus, no benefits of any kind (whether in cash, MPG Printing Shares or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or the promotion of the Company.

(a) MPG Directors' interests

The direct and indirect interests of each MPG Director in the securities of MCP and the Company are as follows:

Director (including associates)	Interest in MCP (before and after Proposed Demerger)		Interest in MPG Printing (after Proposed Demerger)	
	Shares	**Options**	**Shares**	**Options**
Simon Rowell	217,523	-	54,381	-
Alan Fahy	746	-	187	-
Paul Witheridge	8,000	-	2,000	-

(b) Key Management Personnel Remuneration

The current total fixed remuneration packages inclusive of superannuation and other benefits for Key Management Personnel of the MPG Printing group are as follows:

Alan Fahy	$365,000
David McKenzie	$200,000
Craig Drummond	$190,000
Greg Brown	$178,500
Dimitri Dimech	$157,500

In addition, these employees are eligible for discretionary at risk incentives in circumstances where pre-determined MPG Printing performance targets are exceeded. The quantum of these incentives is determined annually in conjunction with annual performance and remuneration reviews.

(c) Indemnification and Directors & Officers Insurance

The Company has agreed to indemnify the current MPG Directors, the MPG Printing Company Secretary 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 indemnity agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Prior to implementation of the Proposed Demerger, MCP paid a premium to insure MPG 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 the Company and its subsidiaries, senior management of the Company and senior management of divisions and controlled entities of MCP. 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.

With effect from implementation of the Proposed Demerger, the Company will maintain a similar insurance policy to that maintained by MCP as described above to cover the directors and officers of the Company and its subsidiaries after the Proposed Demerger is implemented.

The Company has not otherwise indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred by such officer.

12. General Additional Information

12.1 Interests of named persons

Set out below are the benefits that have been or have been agreed to be given to any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (together, **Prescribed Persons**).

Except as set out below or elsewhere in this Prospectus, no Prescribed Person holds, or during the last 2 years has held, any interests in:

- the formation or promotion of the Company;
- any property acquired or proposed to be acquired by the Company in connection with the Company's formation or the promotion, or the Proposed Demerger; or
- the Proposed Demerger.

In addition, except as set out below or elsewhere in this Prospectus, no benefit of any kind, (whether in cash, Shares or otherwise) have been paid or agreed to be paid to a Prescribed Person in connection with the preparation or distribution of the Prospectus for services rendered by that person in connection with the formation or promotion of the Company, or the Proposed Demerger.

Grant Thornton Corporate Finance Pty Limited is to receive fees of approximately $15,000 excluding GST in relation to the preparation of the Investigating Accountant's Report in Section 9 of this Prospectus.

KPMG is to receive fees of approximately $125,000 excluding GST in relation to the preparation of the Taxation Information in Section 8 this Prospectus.

Thomsons Lawyers is to receive fees of approximately $160,000 excluding GST in relation to the preparation of this Prospectus.

All of the above fees will be paid for in full by MCP and MPG Printing Group will not have any liability to the above advisers in connection with the Proposed Demerger.

12.2 Consents

Each of the parties named in the table below in this Section 12.2 has consented to being named in this Prospectus in the form and context in which it is named and has not withdrawn such consent prior to the lodgement of this Prospectus with the ASX:

Capacity as appointed by the Company	Consenting Party
Australian legal adviser	Thomsons Lawyers
Australian tax adviser	KPMG
MCP Auditors	PricewaterhouseCoopers
Investigating Accountant	Grant Thornton Corporate Finance Pty Limited
Share registry	Computershare Investor Services Pty Limited

To the maximum extent permitted by law, each of the parties named in the table in this Section 12.2:

- states that it has not authorised or caused the issue of this Prospectus;
- is not taken to have made, or purported to have made, any representation or warranty in relation to the Company either expressly or implied or any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section; and
- expressly disclaims and takes no responsibility for any part of this Prospectus other than as referred to in this Prospectus as having been made by such party.

12.3 Expenses of the Proposed Demerger

All costs and expenses incurred in relation to the Proposed Demerger will be paid for in full by MCP.

12.4 ASIC relief

In accordance with ASIC Class Order 07/10, no application form is required to be completed or returned to participate in the proposed distribution and transfer of MPG Printing Shares under the Proposed Demerger and no application form is included in or accompanies this Prospectus.

12.5 Supplementary information

A supplementary Prospectus will be issued if MCP becomes aware of any of the following between the issue of this Prospectus and the date the MPG Printing Shares are quoted:

- A material statement in this Prospectus is misleading or deceptive;
- There is a material omission from this Prospectus;
- There has been a significant change affecting a matter included in this Prospectus; or
- A significant new circumstance has arisen and it would have been required to be included in this Prospectus.

12.6 Information available to MCP Shareholders

MCP will provide a copy of each of the following documents, free of charge, to any investor who so requests during the currency of this Prospectus:

(a) the Financial Report for MCP for the year ending 30 June 2011; and

(b) the following documents used to notify ASX of information relating to MCP during the period after lodgement of the Financial Report of MCP for the period ending 30 June 2011 (notified to ASX on 11/10/2011):

Date of Announcement	Announcement
30/11/2011	Change to CFO and Company Secretary
22/11/2011	Final Directors' Interest Notices
18/11/2011	Results of Meeting
18/11/2011	Chairman's Address to Shareholders
25/10/2011	Response to an ASX query
18/10/2011	Initial Director's Interest Notice
11/10/2011	Notice of Annual General Meeting/Proxy Form

13. Authorisation by Directors

Each MCP Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed for and on behalf of MCP by:

David Allman
Director

16 December 2011

14. Glossary

In this Prospectus, unless the context or subject matter otherwise requires, each word in the first column below has the meaning set out alongside that word in the second column:

ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691).
ASX Listing Rules	The official Listing Rules of ASX.
Board	The board of MPG Directors.
Capital Reduction	The reduction in the share capital of MCP on the Demerger Date by the Capital Reduction Component Amount by way of the in-specie distribution of MPG Printing Shares to MCP shareholders as set out in Section 2.8 of the MCP Notice of Meeting.
Capital Reduction Component Amount	Has the meaning given to that term in Section 2.8(b) of the MCP Notice of Meeting.
Company or **MPG Printing**	MPG Printing Ltd. (ABN 48 006 162 876).
Corporations Act	*Corporations Act 2001* (Cth) as amended from time to time.
Demerger Date	The date on which, if the resolutions set out in the MCP Notice of Meeting are passed by MCP Shareholders, the in-specie distribution of MPG Printing Shares will occur.
Prospectus	This Prospectus.
MCP	McPherson's Limited (ABN 98 004 068 419) (ASX Code: MCP).
MCP Directors	The directors of MCP
MCP Notice of Meeting	The notice of meeting dated 16 December 2011 issued by MCP.
MCP Shares	Ordinary shares in the capital of the Company.
MCP Shareholder	Holder of fully paid ordinary shares in MCP.
MPG Directors	The directors of MPG Printing.
MPG Printing Group	MPG Printing and its subsidiary.
MPG Printing Shares	Ordinary shares in the capital of MPG Printing.
MPG Printing Shareholder	Holder of MPG Printing Shares.
Opus Acquisition	The proposed acquisition by MPG Printing of all of the issued shares in the capital of each entity comprising the Opus Group.
Opus Group	The following entities: • Cactus Imaging Holdings Pty Ltd (ABN 84 129 630 539) • CanPrint Holdings Pty Ltd (ABN 31 134 477 357) • Opus Group (Australia) Pty Ltd (ABN 11 125 553 497) • Opus Group NZ Holdings Ltd (New Zealand company number 1973427), and each of their subsidiaries.

Opus Shareholders	The shareholders of the entities comprising the Opus Group who will be selling their interest in all of the issued share capital in those entities to the Company on completion of the Opus Acquisition, whose names are set out below: • Knox Investment Partners Fund AUD 1 Limited • Knox Investment Partners Fund AUD 3 Limited • Knox Investment Partners Fund AUD 4 Limited • Knox Investment Partners Fund AUD 5 Limited • Richard Francis Celarc as trustee for the Richard Celarc Family Trust • David John Daniel and Debra Margaret Daniel as trustees of the Daniel Superannuation Fund • Clifford Douglas John Brigstocke
Proposed Demerger	The proposed demerger of MPG Printing from MCP by way of an in-specie distribution as described in the MCP Notice of Meeting.
Record Date	The record date set by the directors of the Company to determine entitlements to the distribution and transfer.
Share Registry	Computershare Investor Services Pty Ltd.

15. Corporate Directory

MCP Directors

David Allman
Paul Maguire
John Clifford
Graham Cubbin
Amanda Lacaze

MCP Company Secretary

Paul Witheridge

MPG Directors

Simon Rowell
Alan Fahy
Paul Witheridge

MPG Company Secretary

Philip R. Bennett

Registered Office

5-7 Dunlop Road
Mulgrave, Victoria 3170
Australia

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067

MCP Auditor

PricewaterhouseCoopers
201 Sussex Street
Sydney, NSW 2000

Investigating Accountant

Grant Thornton Corporate Finance Pty Limited
Level 2, 215 Spring Street
Melbourne, Victoria 3000

Solicitors

Thomsons Lawyers
Level 25, Australia Square Tower
264 George Street
Sydney, NSW 2000

Tax
147 Collins Street
Melbourne Vic 3000

GPO Box 2291U
Melbourne Vic 3001
Australia

ABN: 51 194 660 183
Telephone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
DX: 30824 Melbourne
www.kpmg.com.au

Private and confidential
The Board of Directors
McPherson's Limited
5 Dunlop Road
Mulgrave
VIC 3170

Our ref 13421560_1

6 December 2011

Dear Sirs

McPherson's Limited - Demerger of MPG Printing Limited
Taxation Summary

We have been instructed by McPherson's Limited ("McPherson's") to prepare a taxation summary to be included in the Notice of Meeting and the Prospectus in relation to the restructure of the printing business of McPherson's. This restructure will take the form of a demerger of MPG Printing Limited ("MPG Printing").

Capitalised terms not otherwise defined in this letter have the meaning given in the Prospectus.

All legislative references in this letter are to the *Income Tax Assessment Act 1936* or the *Income Tax Assessment Act 1997* (the Act) as applicable.

1 Scope

The taxation summary contained in this letter is based upon the information contained in the Notice of Meeting and Prospectus. McPherson's has sought a private binding ruling from the Australian Taxation Office ("ATO") to confirm the tax outcomes of the Proposed Demerger for McPherson's. McPherson's has also sought a Class Ruling on behalf of MCP Shareholders to confirm the taxation outcomes for them. While the ATO has not issued a Class Ruling as at the date of this letter, the information set out below is based on McPherson's submissions to the ATO and expected ruling. McPherson's will provide a copy of the Class Ruling on its website as soon as it is available.

This letter contains general comments on the major Australian income tax consequences for MCP Shareholders who hold their MCP Shares on capital account and who are residents of Australia for income tax purposes. As the income tax consequences of the demerger will depend on the precise personal circumstances of each MCP Shareholder, MCP Shareholders should seek independent advice that is relevant to their own particular circumstances.

This letter does not address the consequences that arise for MCP Shareholders that hold their MCP Shares on revenue account or as trading stock or MCP Shareholders who are not residents of Australia.

McPherson's Limited
McPherson's Limited - Demerger of MPG Printing Limited
Taxation Summary
6 December 2011

Our income tax advice is based on current taxation law as at the date of this letter. You will appreciate that the tax law is frequently being changed, both prospectively and retrospectively. A number of key reform measures have been implemented, a number of other key reforms remain unclear at this stage.

We will update our advice to take account of any changes to the tax legislation, case law, rulings and determinations issued by the ATO or other practices of taxation authorities that occur prior to the implementation of the Proposed Demerger. However, unless special arrangements are made, this advice will not be updated to take account of changes subsequent to the Proposed Demerger.

We are of course unable to give any guarantee that our interpretation will ultimately be sustained in the event of challenge by the ATO.

These comments are made specifically in response to your request for our opinion. Accordingly, neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person or company other than McPherson's for any errors or omissions in the advice given, however caused.

2 Overview of the Proposed Demerger

- McPherson's will undertake a Capital Reduction and declare a Dividend in order to implement the Proposed Demerger; and
- The Capital Reduction and Dividend will be satisfied by an in specie distribution of ordinary shares in MPG Printing.

MPG Printing Shares are intended to be listed on the ASX in due course, subject to and in compliance with relevant Corporations Law and ASX listing requirements.

3 Australian income tax implications of the Proposed Demerger

Application of Australian demerger legislation

MCP Shareholders who are residents of Australia for income tax purposes and hold their MCP Shares on capital account will be eligible for roll-over relief under the demerger rules in the tax law ("demerger roll-over relief").

Broadly, demerger roll-over relief will allow MCP Shareholders to elect to defer the Capital Gains Tax ("CGT") consequences of the CGT Event arising on the separation of MPG Printing.

Set out in Part 4 below are the taxation implications applicable to Australian resident MCP Shareholders who elect demerger roll-over relief for all of their MCP Shares.

Also set out below in Part 5 are the taxation implications for Australian resident MCP Shareholders who do not elect demerger roll-over relief.

4 Australian income tax implications where demerger roll-over relief is elected by an Australian resident MCP Shareholder

4.1 Treatment of the Dividend

The Proposed Demerger should be regarded as a demerger for the purposes of the income tax law.

The Dividend paid by McPherson's should be treated as a demerger dividend and should not be assessable income of MCP Shareholders. No franking credits will attach to the Dividend and it will not be subject to tax.

4.2 Treatment of the Capital Reduction

Under the demerger, MCP Shareholders will be entitled to receive a capital return equal to the amount of the Capital Reduction. This will not be paid to MCP Shareholders in cash but will be satisfied by the transfer of MPG Printing Shares to MCP Shareholders.

No part of the Capital Reduction amount will constitute a taxable dividend, and it should not be included in the taxable income of MCP Shareholders.

Where MCP Shareholders elect demerger roll-over relief, the CGT Event will be disregarded in respect of the MCP Shares and no capital gain or loss will arise for MCP Shareholders.

4.3 CGT consequences in relation to MCP Shares

Shareholders in McPherson's will be required to adjust the cost base of all their shares in both McPherson's and MPG Printing following the demerger. Broadly, this means MCP Shareholders must reallocate the total cost base of their MCP Shares (before the demerger) across their remaining original MCP Shares and the MPG Printing Shares they received as a result of the demerger. McPherson's will provide MCP Shareholders with information on the McPherson's website to assist MCP Shareholders with this process.

4.4 CGT consequences in relation to MPG Printing Shares

MCP Shareholders will be deemed to have acquired their MPG Printing Shares at the same time they acquired their MCP Shares.

As discussed above, the cost base of MPG Printing Shares is determined by reference to the relative market value of MPG Printing Shares and MCP Shares just after the Proposed Demerger. McPherson's will provide MPG Printing Shareholders with information on the McPherson's website to assist MPG Printing Shareholders with this process.

4.5 Mechanics of election

No formal election is required to be lodged with the ATO in order for MCP Shareholders to obtain demerger roll-over relief.

MCP Shareholders who choose to obtain demerger roll-over relief should prepare their income tax returns in a manner consistent with their election. This would mean that any capital gain which may arise on the Capital Reduction portion of the in-specie distribution should not be included in the income tax returns of the MCP Shareholders. The Dividend amount should also be excluded from the income tax return of the MCP Shareholders.

5 Australian income tax implications if a MCP Shareholder does not elect demerger roll-over relief

5.1 Treatment of the Dividend

As stated in Part 4 above, the Dividend paid by McPherson's should be treated as a demerger dividend and should not be assessable income of MCP Shareholders. No franking credits will attach to the Dividend and it will not be subject to tax. This will be the case regardless of whether or not the MCP Shareholder elects demerger roll-over relief.

5.2 Treatment of the Capital Reduction and CGT consequences in relation to MCP Shares

The Capital Reduction will be a CGT Event under the Tax Law and any capital gain or capital loss that the MCP Shareholder makes will not be disregarded and should therefore be reflected in the MCP Shareholder's income tax return.

MCP Shareholders will realise a capital gain in respect of the amount of the Capital Reduction on each of their MCP Shares to the extent that the amount of the Capital Reduction on each MCP Share is greater than the cost base of that MCP Share.

This capital gain may be eligible for discount CGT treatment in the case of MCP Shareholders who are individuals, trusts or complying superannuation entities if they held their MCP Shares for at least 12 months prior to the date of the demerger. Otherwise, the Capital Reduction will reduce the CGT cost base of each MCP Share by the amount of the Capital Reduction.

MCP Shareholders cannot realise a capital loss as a result of the Capital Reduction.

5.3 CGT consequences in relation to MPG Printing Shares

The cost base of the MPG Printing Shares will be equal to the amount of the Capital Reduction plus the amount of the Dividend.

For CGT purposes, MCP Shareholders will be taken to have acquired their MPG Printing Shares on the date of the Proposed Demerger.

6 Goods and Services Tax ("GST")

MCP Shareholders will not be liable for (or be required to pay) GST on the receipt of their MPG Printing Shares.

McPherson's Limited
McPherson's Limited - Demerger of MPG Printing Limited
Taxation Summary
6 December 2011

7 Stamp Duty

MCP Shareholders will not pay Australian stamp duty on the transfer of their MPG Printing Shares.

Yours faithfully

Tony Morganti
Tax Partner

Designed by FCR www.fcr.com.au
Printed by McPherson's Printing Group www.mcphersonsprinting.com.au

McPherson's

McPherson's
ABN 98 004 068 419

000001 000 MCP
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

☑ **Cast your proxy vote**	***Your secure access information is:*** **Control Number: 999999**
☑ **Access the annual report**	**SRN/HIN: I9999999999** **PIN: 99999**
☑ **Review and update your securityholding**	**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10.00 a.m. (AEDT) on 14 January 2012

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of McPherson's Limited hereby appoint

☐ **the Chairman of the meeting** **OR** ________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of McPherson's Limited to be held at the KPMG Auditorium, Ground Floor, 10 Shelley Street, Sydney on 16 January 2012 at 10.00 a.m. (AEDT) and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Item 1	Alteration of Constitution of McPherson's Limited	☐	☐	☐
Item 2	Equal Capital Reduction - In-specie Distribution of Shares in MPG Printing*	☐	☐	☐

*Shareholders should refer to Explanatory Notes 2.1 and 2.8 for an explanation as to how the in specie distribution of the MPG Printing Shares to the Company's shareholders is comprised of the Capital Reduction and the Dividend.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ________ **Contact Daytime Telephone** ________ **Date** ___ / ___ / ___