McPHERSON'S LIMITED
5 Dunlop Road Mulgrave Victoria 3170
A.C.N. 004 068 419

AUSTRALIAN STOCK EXCHANGE
MCP000073

FACSIMILE

TO:	The Manager Companies Announcements Office Australian Stock Exchange Limited	**FAX:**	1300 300 021
FROM:	Phil Bennett	**PHONE:** **FAX:**	(03) 9566 3300 (03) 9574 9075
DATE:	8 November 2002		
NO. OF PAGES:	5		
SUBJECT:	**2002 Annual General Meeting**		

The following address is to be delivered by the Chairman at the McPherson's Limited Annual General Meeting at 11.00 a.m. today.

Yours faithfully,

P.R. BENNETT
Company Secretary.

CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING
Friday 8th November 2002

It is pleasing to be able to comment on the strong profit performance of your company for the twelve months ended June 2002.

It is even more pleasing to report that, during the year, there was a progressive strengthening of performance, culminating in a strong June 2002 quarter.

At this meeting last year, I foreshadowed that pre-tax profit for the full year was likely to be around the $10.3 million earned in 2001 before one-off items. I also commented that, whereas our printing businesses were well on track at the end of September last year, we were concerned about the performance of our housewares businesses which had a relatively disappointing first quarter. We were also concerned about the possible impact of September 11 on the global and Australian economies.

Happily, the Australian economy performed at the upper end of the range of expectations. Even more happily, as the year progressed, our housewares management was increasingly successful in implementing productivity improvements. Significantly, in the June quarter, management achieved a welcome reversal of the downward trend in housewares profit margins that had plagued the business since the plunge in global currencies against the US dollar more than two years ago.

As a consequence of management's initiatives, we were able to report a better than anticipated pre-tax profit for the twelve months to June 2002 of $13.1 million, a 27% improvement on what was achieved in 2001 (before one-off items) rather than the flat result I had foreshadowed.

The strong earnings result for the year was underpinned by excellent performances by our printing businesses which produced a combined profit before interest and tax 54% greater than the previous year.

The result was, of course, enhanced by the acquisition of The Australian Print Group, making McPherson's the largest book printer in Australia. Successful completion of the first stage of its integration with the McPherson's Printing Group in Maryborough, Victoria, was achieved during the year.

I would like to highlight to shareholders that, at the time of its acquisition, The Australian Print Group was in a state of severely declining profitability. However, as our due diligence investigations had identified in excess of $3 million in first stage productivity improvements, management was confident that the company's return on investment criteria would be met.

It is a tribute to both McPherson's management and the Maryborough workforce that the productivity targets were met. McPherson's is the largest employer in the Maryborough region and the long term benefits to the local community of a more financially robust and efficient business have been clearly recognised.

I would also like to acknowledge the performance in 2002 by our directory printing business, William Brooks, which produced another solid result. A major highlight during the year was the successful negotiation with Telstra of an extension until 2009 to the company's supply agreement to print 50% of Australia's telephone directories.

Whilst the Telstra agreement extension provides William Brooks with a high degree of business certainty until 2009, the competitive nature of the negotiations has resulted in some aspects of the new arrangements not being as favourable as those previously enjoyed. However, offsetting this are a number of factors which will result in improvements to the Printing Division's profitability. These include greater flexibility to undertake non-Telstra printing work at the Chullora directory printing plant, further profitable growth opportunities in other areas of our printing business and additional targeted rationalisation and efficiency gains. Non-Telstra work has already commenced at Chullora.

As referred to earlier, last year was another difficult one for McPherson's Housewares' business with profit margins at unsatisfactory levels despite the improvement in the final quarter. Management has worked hard to negate the impact on profit margins of a strong US dollar which, for example, saw the cost into Australia of overseas-manufactured products rise by more than 25% between January 2000 and January 2002. Management's hard work in targeting productivity improvements to negate the impact of unfavourable exchange rates was rewarded with a 5% increase in Housewares earnings compared to 2001. Whilst these earnings were still well down on those earned when, for example, the Australian dollar was much stronger, the 2002 result was significantly better than was anticipated twelve months ago. Management is to be congratulated for its determined efforts in difficult circumstances.

During the year, Directors declared a 12 cent dividend which, as McPherson's is now a full tax paying entity, was fully franked. It will continue to be company policy to maintain a dividend payout ratio approximating 50% of after-tax earnings. More recently, Directors reinstated the company's dividend reinvestment plan which has been fully underwritten in respect to the October final dividend. Those shares have been placed with institutional investors who, as a group, are now showing greater interest in the company.

I would like to highlight once again some aspects of McPherson's performance that I believe are still largely ignored. I refer to the company's robust set of financial dynamics.

Firstly, return on investment. In the recent twelve month period, McPherson's again produced a return on investment that not only far exceeded its cost of capital but also placed the company well inside the top 10% of companies listed on the ASX. Sophisticated investors would be well aware of the benefits to shareholder value of a significant surplus of a company's return on investment over its cost of capital.

Secondly, cash flow. Over the past five years, McPherson's has consistently produced an operating cash flow greater than its operating profits, with the excess averaging more than 40% over the five year period. This is both a function of the high return on investment referred to earlier and to management's very efficient use of capital in running the business. As with return on investment, McPherson's, as a generator of cash, is in very elite company.

But, what is the tangible benefit of a robust set of financial dynamics? Simply this:-

McPherson's Directors are able to pay out 50% of after-tax earnings as dividends despite the higher than average gearing levels required to fund growth opportunities.

In turn, these higher than average gearing levels further lower the company's weighted average cost of capital and contribute to increased shareholder value.

As shareholders would be well aware, McPherson's has been effectively re-rated by financial markets over the past twelve months with its share price reflecting an improved earnings multiple from a very low five times after-tax earnings per share to a still barely respectable eight times earnings per share.

Shareholders would also be aware that this price earnings ratio is still well below the average for small cap stocks of around fourteen times after-tax earnings.

Given McPherson's more reliable and consistent performance in recent years, given the robustness of the company's financial dynamics, given management's ability to achieve profitable growth in two relatively unfashionable industries and given the fact that McPherson's has only just started to appear on the radar screens of the financial markets, one can only anticipate that logic will finally prevail and shareholders will ultimately be rewarded with a market rating at least closer to the average for small cap stocks.

No doubt the market's rating of McPherson's is still influenced by the company's less than reliable performance record during much of the 1990's. In time, this overhang should be overcome by sustaining into the future the company's more recent improved and consistent performance.

So, I come to the 64 dollar question. Is your company likely to take another step towards meeting that objective in the current year? I believe so.

The momentum that was building in our housewares business towards the end of the last financial year, particularly in our Australasian and UK operations, has continued strongly into the first quarter. The UK operation, as you are well aware, has been a problem area for some time but cost reductions, greater outsourcing from Asia and the initiatives of new management are now being reflected in bottom line results. Given that overall Housewares first quarter performance is maintained throughout the year, divisional earnings in 2003 will show a significant increase over those of 2002.

In our printing businesses, the objective is to consolidate the gains made in 2002 and to produce in 2003 earnings similar to those of last year. First quarter earnings are well in line with these targets.

Given that the economic environment and competitive pressures remain relatively unchanged from those experienced in the first quarter, our current projections would support double digit earnings per share growth in 2003.

In conclusion, I would like to express the Board's appreciation to the many shareholders who have shown the interest and taken the time to attend our Annual General Meeting.

* * * * *