



McPherson's Limited
ABN 98 004 068 419



000001

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SAMPLEVILLE VIC 3030

MCP

25 February 2004

Dear Shareholder,

On behalf of your Board of Directors I am pleased to enclose the McPherson's Half-Yearly Report summarising trading for the 6 months ended 31st December 2003. The Directors' Review of Operations is also contained in the Half-Yearly Report.

The Board is also pleased to announce that the interim dividend for 2003-04 has increased to 9.0 cents per share (fully franked), compared with the 7.0 cents interim dividend paid last year.

I also take this opportunity to advise you of changes that have been made to the way the Company's Dividend Reinvestment Plan (DRP) will operate, as set out below.

It has been the recent practice of the Company to issue shares under the DRP at a weighted average market price less a discount of 5%. However, to provide the flexibility that the Company needs, the Directors have decided to amend the DRP rules so that the discount to be applied to the weighted average market price can be reduced to zero.

The Board has also decided that a discount will not be provided in connection with the 2003-04 interim dividend payable on 30 April 2004, or on future dividends until further notice. The removal of the discount is considered to be more in line with current practice.

Full details of the revised DRP terms and conditions can be viewed on the Company's website at www.mcphersons.com.au. A DRP election form is enclosed for shareholders who wish to commence, vary the level of, or terminate their participation in the DRP. Please complete and return the form, in the reply paid envelope provided, to Computershare Investor Services prior to the dividend Record Date of 8 April 2004.

No action is required by shareholders who do not wish to vary their DRP participation details.

Yours faithfully,

R.C. KING
Chairman.

5 Dunlop Road, PO Box 4490, Mulgrave. Vic. 3170 Australia
Telephone: (03) 9566 3300 Facsimile: (03) 9574 9075

SHAREHOLDER INFORMATION

Share Registry

Computershare Investor Services Pty. Ltd.
Level 12
565 Bourke Street
Melbourne Victoria 3000
Telephone: 1300 850 505
Facsimile: 03 9611 5710
www.computershare.com

Shareholder Enquiries

Shareholders who wish to contact the Company on any matter related to their shareholding are invited to telephone or write to the Share Registry. It is important that shareholders notify the Share Registry in writing if there is a change to their registered address. For added protection shareholders should quote their Shareholder Reference Number.

Comprehensive information about your shareholding can also be obtained on the internet at www.computershare.com, or via the Company's website at www.mcphersons.com.au.

Separate shareholdings may be consolidated by advice to the Share Registry in writing.

Change of address should be notified to the Share Registry in writing without delay. Shareholders who are Broker sponsored on the CHESSE sub-register must notify their sponsoring Broker of a change of address.

Direct payment of dividends into a nominated account may be arranged with the Share Registry. Shareholders are encouraged to use this option by writing to the Share Registry with particulars.

The Annual Report is produced for your information. However, should you receive more than one or wish to be removed from the mailing list for the Annual Report, please advise the Share Registry. You will continue to receive notices of meetings and proxy forms.

Australian Tax File Numbers

The interim dividend payable on 30 April 2004 will be fully franked. However, although it is expected that future dividends will be fully franked, it is possible that subsequent dividends may not be fully franked or may be unfranked. Australian shareholders who have not had their tax file number (TFN) recorded will have deductions made from any unfranked dividend amount. Advising the share Registry of your TFN will prevent deductions being made from unfranked dividends.

McPHERSON'S LIMITED

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Registered Office

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McPHERSON'S LIMITED

ABN 98 004 068 419

HALF-YEARLY REPORT
2003 – 2004

McPherson's Limited is pleased to provide shareholders with summary information relating to the six months trading ending on 31st December 2003.

The following financial information is an extract of the half-year consolidated accounts lodged with the Australian Stock Exchange. The consolidated accounts were subject to an audit review which was unqualified.

Directors have announced an increase in the interim dividend to 9.0 cents per share. The dividend will be fully franked, and paid on 30 April 2004. Books close on 8 April 2004.

**Summary of Consolidated Financial Performance
for the six months ended 31st December 2003,
with 31st December 2002 comparatives**

	A\$'000 2003	A\$'000 2002	Change
Sales revenue	174,582	133,240	+31%
Profit before amortisation of goodwill	17,967	10,404	+73%
Amortisation of goodwill	(2,317)	(547)	
Profit before restructure costs	15,650	9,857	+59%
Restructure costs	(3,000)	-	
Profit before income tax expense	12,650	9,857	+28%
Income tax expense	(3,774)	(2,551)	
Profit after income tax expense	8,876	7,306	+21%
Earnings per share *	24.1 cents	19.7 cents	
Dividend per share (fully franked)	9.0 cents	7.0 cents	

*. Before goodwill amortisation and non-recurring restructuring costs.

DIRECTORS' REVIEW OF OPERATIONS

McPherson's Limited recorded another strong result for the six months to 31st December 2003, the highlights of which were as follows:-

- Profit after tax up 69% to \$13.3 million (before goodwill amortisation of \$2.3 million and provision for restructuring costs of \$3.0 million).
- Earnings per share up 22% to 24.1 cents (before goodwill amortisation and restructuring costs).
- A two cent increase (up 29%) in the interim dividend (fully franked) to nine cents.
- Continued strong cash flow resulted in net debt being reduced from \$104 million on 1st July 2003 to \$89 million, representing 89% of shareholders' funds as at 31st December 2003.

Cork Asia Pacific, acquired on 1st July 2003, performed ahead of expectations which, together with improved performances from McPherson's Housewares operations in Australia and New Zealand, generated a 158% increase in the Consumer Products EBITA contribution. Whilst contributions from North America and Europe both improved in local currency, they registered a minor decline when translated into Australian dollars.

A provision of \$3 million for non-recurring restructuring costs has been reflected in the half-yearly results. The provision relates to a major project involving the integration of McPherson's and Cork's Australian warehousing activities. The project is proceeding to plan, with minimal disruption to customer service.

As a consequence of continued pressure on prices and margins, the EBITA contribution by the Printing Division fell by 15% despite the implementation of successful cost reduction programmes. In order to remain competitive, focus will continue on the necessity for further cost reductions.

The Company has been advised that a major Cork hanger supply contract will not be renewed. As a consequence, an agreed \$10 million withheld at the time of the Cork acquisition will now not be paid. The termination of the contract will not materially impact the Company's results this financial year, or in subsequent years.

OUTLOOK

The strong momentum experienced in the first half is expected to continue in the second half. Based on the current trend, full year earnings per share (before amortisation and restructuring costs) are projected to be approximately 40 cents. The Company's demonstrated ability to generate cash will continue to motivate a high level of focus on further compatible acquisitions.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	At 31st December	
	2003	2002
	A\$'000	A\$'000
Current assets		
Cash	4,264	10,926
Receivables	55,509	42,383
Inventories	41,419	41,483
Deferred tax assets	4,017	3,366
Other	317	414
Total current assets	105,526	98,572
Non-current assets		
Receivables	8,654	7,281
Other financial assets	398	398
Property, plant and equipment	27,029	23,530
Intangibles	109,242	33,916
Deferred tax assets	1,472	1,648
Total non-current assets	146,795	66,773
Total assets	252,321	165,345
Current liabilities		
Payables	40,083	29,052
Interest bearing liabilities	1,058	743
Provisions	10,305	5,255
Current tax liabilities	2,602	1,407
Deferred tax liabilities	985	337
Total current liabilities	55,033	36,794
Non-current liabilities		
Interest bearing liabilities	91,939	62,949
Provisions	2,922	2,272
Deferred tax liabilities	2,577	1,867
Other	-	189
Total non-current liabilities	97,438	67,277
Total liabilities	152,471	104,071
Net assets	99,850	61,274
Shareholders' equity		
Share capital	84,607	47,285
Reserves	2,141	7,042
Retained profits	13,102	6,947
Total shareholders' equity	99,850	61,274