

COMMENTARY ON THE ACCOUNTS

Richard Allely
CFO PMP Limited



Richard Allely - CFO & Company Secretary PMP Limited

Richard is the Chief Financial Officer and Company Secretary for PMP and is responsible for all finance and company secretarial support functions in the Group. Richard leads a small corporate team which provides taxation, treasury, group accounting, corporate legal council, risk management, management accounting and investor relations support to the Group. Richard joined PMP in 2002 and has over 30 years experience in senior financial, commercial management and company secretarial roles with leading companies including John Fairfax Holdings Limited, Tenix Pty Limited, Boral Limited and James Hardie Industries Limited.

Income Statement

	2007-08	2006-07	% Change
EBITDA (before significant items)	125.9	128.3	(1.8)
Depreciation and amortisation	(40.8)	(37.0)	(10.3)
EBIT (before significant items)	85.1	91.3	(6.8)
Finance costs	(19.3)	(23.8)	18.8
Income tax expense	(13.5)	(18.9)	28.6
Net profit (before significant items)	52.3	48.6	7.7
Significant items	26.6	(2.2)	-
Net profit	78.9	46.4	70.2

Operating Sales Revenue

Operating sales revenue for the year was \$1,347.3 million, a 4.6% increase on the prior year. In our core printing business we benefited from a 15.4% increase in volume during fiscal 2008, largely due to market share gains in catalogue printing and the impact of the Times Printers (Australia) Pty Limited acquisition which delivered substantial magazine print volume. These gains were offset to some extent by lower average selling prices during the period. Our Distribution business, which includes Gordon and Gotch (magazine distribution) and Letterbox distribution, recorded a 3.6% or \$20.1 million uplift over last year. The completion of the roll out of our new GPS tracking capability in letterbox distribution and a more customer focused magazine distribution business combined to deliver improved results. Revenue in the Digital Premedia business reduced by \$10.6 million or 21.5% from the previous year and was in line with our expectations.

Earnings Before Interest and Tax (EBIT)

The full-year EBIT (before significant items) was down 6.8% or \$6.2 million on the prior year. EBIT (before significant items) amounted to \$85.1 million at 30 June 2008. The primary cause of the reduction in operating earnings in the year was the impact of reduced average selling prices in the Print business coupled with the weakening of the New Zealand economy and also some additional costs associated with the integration of the Times printing business which was completed by the end of the year. While the Australian printing business is expected to benefit from the acquisition in fiscal 2009, the 2008 result suffered due to a substantial amount of additional labour cost being incurred as equipment was relocated and installed around the country. The Distribution and Fulfillment business posted a 48.8% increase in operating earnings over last year reflecting

the dual impacts of our new GPS tracking capability in letterbox delivery and a more cost effective magazine distribution operation at Gordon and Gotch. Corporate costs fell by \$3.0 million year on year, but include a benefit of \$2.5 million for the write back of executive options which, at 30 June 2008 were not expected to ultimately vest.

Net Profit after Tax

Net profit after tax increased to \$78.9 million from \$46.4 million, an increase of 70.2% on the previous year and includes a \$43 million tax benefit booked this year following the settlement of a long standing dispute with the Australian Taxation Office. Interest expense decreased by 18.8% to \$19.3 million due to a combination of lower average borrowings and lower cost of funding associated with the new five year debt facilities established in May 2007.

Cash Flow

The Group generated \$83.7 million in operating cash flow compared to \$104.4 million last year, the reduction being attributable to lower earnings in the Print business. A combination of strong operating cash flow and reduced funding costs enabled net debt to reduce to \$199.6 million from \$255.1 million in the previous financial year.

Balance Sheet

The financial position of the Group has significantly strengthened over the last 12 months with net assets now standing at \$395.2 million, up from \$271.7 million in the previous year. The Group's gearing has also improved with net debt / equity now standing at 50.5%, down from 93.9% last year and interest cover is now well within the investment grade ratios at 6.5 times (last year 5.4 times).

Segment Revenue

	2007-08	2006-07	VARIANCE
Sales revenue			
Printing	724.9	675.2	7.4%
Distribution and Fulfilment	583.8	563.7	3.6%
Digital Premedia	38.6	49.2	(21.5%)
Total	1,347.3	1,288.1	4.6%

Segment EBIT before significant

	2007-08	2006-07	VARIANCE
EBIT before significant			
Printing	65.5	81.1	(19.3%)
Distribution and Fulfilment	20.1	13.5	48.8%
Digital Premedia	7.3	7.5	(1.5%)
Corporate	(7.8)	(10.8)	28.1%
Total	85.1	91.3	(6.8%)

Cash Flow

	2007-08	2006-07
EBITDA after significant items	109.5	127.0
Non-cash	(0.6)	2.3
EBITDA - cash	108.9	129.3
Borrowing costs	(18.3)	(23.1)
Dividend received	-	0.6
Income tax paid	(3.7)	(2.3)
Net movement in working capital	(3.2)	(0.1)
Cash flow from operating activities	83.7	104.4
Cash flow applied to investing activities	(84.6)	(13.8)
Free cash flow	(0.9)	90.6

Balance Sheet

Year ended 30 June	2008	2007
Current assets	265.9	249.3
Non-current assets	576.7	523.9
Total assets	842.6	773.2
Current liabilities	221.8	284.0
Non-current liabilities	225.6	217.5
Total liabilities	447.4	501.5
Net assets	395.2	271.7