

## CHAIRMAN'S REVIEW

### To the shareholders of PMP Limited

In my report to shareholders last year I commented on the need for the company to complete its re-equipment upgrade of the Print business, particularly in Melbourne. I expected that this program would take a couple of years to complete and cost around \$100 million. The aim was to invest in technology that would drive production costs down and enable PMP to compete effectively in markets where price reduction and competitive rivalry are common place. I am pleased to report that as a result of the acquisition of Times Printers (Australia) Pty Limited which completed in November last year, the company has delivered on this strategy well ahead of plan and at a cost of around \$50 million.

Net profit after tax (before significant items) increased by 7.7% to \$52.3 million from \$48.6 million.

EBIT (before significant items) was \$85.1 million a 6.8% reduction over the previous year whilst sales increased by 4.6% to \$1,347.3 million.

	2007/8	2006/7	% Change
<b>Sales revenue</b>	<b>1,347.3</b>	<b>1,288.1</b>	<b>4.6%</b>
EBITDA (before significant items)	125.9	128.3	(1.8)
Depreciation and amortisation	(40.8)	(37.0)	(10.3)
<b>EBIT (before significant items)</b>	<b>85.1</b>	<b>91.3</b>	<b>(6.8)</b>
Finance costs	(19.3)	(23.8)	18.8
Income tax expense	(13.5)	(18.9)	28.6
<b>Net profit (before significant items)</b>	<b>52.3</b>	<b>48.6</b>	<b>7.7</b>
Significant Items	26.6	(2.2)	-
<b>Net profit</b>	<b>78.9</b>	<b>46.4</b>	<b>70.2</b>

Included within the significant items benefit of \$26.6 million, is a \$43.0 million tax benefit booked this year following the settlement of the long standing dispute with the Australian Taxation Office and a \$3.7 million benefit being the discount on acquisition of Times Printers (Australia) Pty Limited. Offsetting this is \$11.6 million of non-recurring restructuring costs of which a large part is the costs associated with relocating and integrating the Times Printers acquisition. The remaining \$8.5 million is \$5.2 million impairment of plant and equipment, \$2.3 million write down to fair value of assets held for sale and \$1.0 million impairment of goodwill.

A key objective in recent years has been to restore the Group's balance sheet to full investment grade, and with the gearing ratio (debt : equity) falling to 50.5% from 93.9% in the previous year, and interest cover increasing from 5.4 to 6.5 times, this outcome has clearly been achieved. With the balance sheet strength now fully restored a final dividend of 3 cents per share 60% franked, will be paid on 17 October 2008, bringing total dividends for the year to 4.5 cents. PMP's future dividend policy will be addressed at this year's AGM as carry forward franking credits have been almost fully utilised at 30 June 2008 and only limited franking



credits will be generated until tax losses have been fully utilised. The company announced an on market share buy back of up to 5% of issued shares and an update will be provided at the AGM.

## Operations

The business performed well this year in an intensely competitive market. In particular, the Distribution and Fulfilment business which comprises PMP letterbox distribution and the Gordon and Gotch magazine distribution business, delivered an impressive 48.8% growth in EBIT to \$20.1 million from \$13.5 million in the previous year. The Digital Premedia business delivered an EBIT of \$7.3 million compared to \$7.5 million in the previous year, and while slightly below last year the result was in line with expectation.

The Printing business also gained significant market share in the year with revenue increasing by 7.4% to \$724.9 million from \$675.2 million in the previous year. However, the dual impact of lower average selling prices with higher than normal operating costs associated with the integration of the Times Printers acquisition, EBIT performance for the Printing division was down 19.3% to \$65.5 million from \$81.1 million in the previous year. Notwithstanding these set backs, the Printing business is now in great shape. All major PMP Australian print sites are now re-equipped with the latest technology and the Times integration program is complete. An additional highlight for the Print division was the successful commissioning on 1 July 2008 of the new Print ERP (Enterprise Resource Planning) system "DiMS", which is now successfully running live around the country.

## Directors on the Board

In November 2008 Datò Ng Jui Sia joined the PMP Board as a Non-Executive Director. This appointment followed the successful acquisition of Times Printers (Australia) Pty Ltd from Times Publishing in Singapore.

## Corporate Governance

It is the responsibility of the Board to ensure that the company operates within a governance framework that fosters high ethical standards and links the performance of the company with the remuneration of senior executives. The remuneration report outlines the Group remuneration policies and reward structure.

An external review of the Board's performance and governance was completed in 2008. This highlighted a number of areas for consideration and certain recommendations and changes have been implemented.

Director's fees were also reviewed and benchmarked against other organisations and fees for 2008/9 have been increased by approximately 4%.

## Outlook

The market segments in which PMP operates will remain competitive for the foreseeable future with costs increasing. The average selling prices across the portfolio of businesses should begin to stabilise in fiscal 2009. Under these conditions it is essential that the company continue to strive for productivity gains and further cost reductions. As with prior years PMP will provide guidance on current half earnings at the AGM.

On behalf of the Board I wish to thank Brian Evans, his senior management team and all employees of the company for the substantial effort they have made and the success they have achieved over the past year in strengthening our company. Their dedication and contributions have resulted in increased returns to shareholders and have underpinned the future success of the company.

"The company's balance sheet strength has been fully restored to investment grade."



**Graham J Reaney**  
Chairman, PMP Limited



The Clayton Victoria print site was re-equipped using modern commercial presses acquired from Times Printers.