PMP Limited
ABN 39 050 148 644

PMP LIMITED

Preliminary final report of PMP Limited

for the year ended 30 June 2018

This preliminary final report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

Current reporting period:	Financial year ended 30 June 2018
Previous corresponding period:	Financial year ended 30 June 2017

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The information contained in this report is to be read in conjunction with the last annual report and any announcements made to the market by PMP Limited during the year.

For more information about PMP Limited, please visit our website at: www.pmplimited.com.au

PMP Limited
ABN 39 050 148 644
Preliminary final report
for the year ending 30 June 2018

Results for announcement to the market

Extracts from this report for announcement to the market.

Revenue, EBITDA and net profit

		Percentage Change %		Amount $'000
Sales revenue	up/(down)	21.9%	to	733,968
Revenue	up/(down)	22.2%	to	746,495
EBITDA (including significant items)	up/(down)	101.1%	to	1,267
EBITDA (excluding significant items)	up/(down)	26.0%	to	40,626
Net result for the year	up/(down)	65.4%	to	(43,795)

Dividends (Distributions)

No dividend was declared or paid during the year ended 30 June 2018.

Brief explanation of financial results

FY18 resulted in a statutory loss after tax of $43.8 million vs. a prior period loss of $126.4 million. Higher EBITDA (before significant items) up $8.4 million was partially offset by higher depreciation and interest costs. The main improvement year on year was a $103.3 million reduction in before tax significant items. Income tax expense was $6.3 million mainly due to the reversal of deferred tax timing differences booked in FY17.

For the year ended 30 June 2018, PMP's sales at $734.0 million were up $132.1 million or 21.9% due to higher sales at both Print Australia and Marketing Services. EBITDA (before significant items) was $40.6 million, a 26.0% or $8.4 million increase on prior period as higher volumes at Print Australia and Marketing Services and post merger savings were mostly offset by lost contracts, lower sell prices, lower volumes from existing customers, higher direct labour costs and other input costs.

Print Australia sales of $440.6 million were up $131.1 million or 42.4% as an additional 8 months of IPMG Print sales offset lower volumes from existing customers (newspapers & magazines). EBITDA (before significant items) at $24.3 million was up $7.4 million as higher volumes from IPMG heatset print and post merger savings offset lost contracts, lower sell prices, lower volumes from existing customers, higher input costs e.g. power & paper and higher direct labour costs post merger.

Marketing Services including Gordon & Gotch had sales of $87.5 million up $10.8 million or 14.0% on 8 months additional Marketing Services sales. EBITDA (before significant items) was $6.3 million up $2.7 million from higher Marketing Services EBITDA (before significant items), lower costs at PMP Digital and higher EBITDA (before significant items) at Gordon & Gotch up $0.5 million.

Distribution Australia sales at $85.8 million were down 1.2% as higher volumes were offset by lower sell price/mix. EBITDA (before significant items) at $2.9 million was $0.1 million below last year as cost out savings were offset by unfavourable price/mix.

PMP New Zealand Sales were down $8.7 million or 6.8% (or 4.4% in local currency) due to lower heatset and sheetfed print revenues. Gordon & Gotch and Distribution sales were broadly inline with the previous corresponding period ('pcp'). EBITDA (before significant items) was down $1.8 million as higher outcomes at Gordon & Gotch up $0.9 million were offset by lower EBITDA (before significant items) in Print down $2.0 million as lower sell prices offset tight cost controls and lower input costs. Sheetfed sales were lower down 5.9% and Distribution EBITDA (before significant items) was $0.3 million below last year.

The Group early adopted AASB15 *Revenue from Contracts with Customers* so some prior year numbers have been restated and this will be explained further in Note 1.

Net Cash flow at $12.6 million negative was up $1.9 million as higher EBITDA (before significant items) and lower cash significant items were offset by working capital movements, higher capital expenditure and interest paid. Working capital movement was $4.9 million negative as $10.2 million of onerous leases, make good and redundancy provisions from June 2017 were paid out while trade working capital was better by $5.3 million.

Refer to ASX announcements for further explanation of the Group's results, including a like-for-like sales analysis for FY17 and FY18.

Net tangible assets per security

	2018 $	2017 $
Net tangible assets per security	0.34	0.43

Details of entities over which control has been gained or lost

There are no entities within the consolidated group over which control has been gained or lost during the period.

Information on audit

This report is based upon accounts that are in the process of being audited.

There are no likely disputes or qualifications to the accounts.

Statement of profit or loss and other comprehensive income

PMP Limited and its controlled entities
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YEAR ENDED 30 JUNE 2018	NOTES	PMP Group 2018 $'000	2017 (restated) * $'000
Continuing operations			
Sales revenue	2(a), 9	**733,968**	601,876
Other revenue	2(a), 9	**12,527**	8,900
Raw materials and consumables used		**(273,486)**	(205,240)
Cost of finished goods sold		**(986)**	(1,467)
Employee expenses		**(303,477)**	(283,312)
Outside production services		**(14,492)**	(12,784)
Freight		**(78,355)**	(73,581)
Repairs and maintenance		**(18,436)**	(15,659)
Occupancy costs		**(35,550)**	(43,194)
Other expenses		**(20,446)**	(85,922)
Depreciation and amortisation	2(e), 9	**(31,276)**	(28,549)
Finance costs	3	**(7,449)**	(5,087)
Loss before income tax		**(37,458)**	(144,019)
Income tax (expense)/benefit:			
Current tax benefit in respect of the current period		**15,737**	13,353
Deferred tax (expense)/benefit in respect of the current period		**(22,074)**	4,239
Income tax (expense)/benefit	4	**(6,337)**	17,592
Net loss after income tax		**(43,795)**	(126,427)
Other comprehensive (expense)/income			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan actuarial gains		**145**	278
Income tax relating to items that will not be reclassified subsequently		**(44)**	(83)
		101	195
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,273)**	(341)
Other		**(4)**	-
Gain on cash flow hedges taken to equity		**391**	1,382
Income tax relating to items that may be reclassified subsequently		**(112)**	(408)
		(998)	633
Other comprehensive (expense)/income for the period (net of tax)		**(897)**	828
Total comprehensive loss for the year		**(44,692)**	(125,599)
Basic earnings per share (cents)	10	**(8.6)**	(33.3)
Diluted earnings per share (cents)	10	**(8.6)**	(32.9)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share ('000)	10(a)	**509,460**	379,850
Total significant items	2(b)	**(39,359)**	(142,615)
EBITDA excluding significant items	9(a)	**40,626**	32,232

* On 1 July 2017, PMP Limited adopted AASB 15 *Revenue from Contracts with Customers* , resulting in a change in accounting policy and a restatement of balances for the financial year ended 30 June 2017. There was no impact on the loss for the period. Refer to Changes in accounting policies.

Statement of financial position

PMP Limited and its controlled entities
ABN 39 050 148 644

AS AT 30 JUNE 2018	NOTES	PMP Group 2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	11(b)	**54,418**	54,340
Receivables		**91,924**	117,280
Inventories		**105,015**	106,830
Financial assets		**1,470**	786
Other		**6,149**	6,565
Total current assets		**258,976**	285,801
Non-current assets			
Property, plant and equipment		**154,299**	175,095
Deferred tax assets		**62,659**	66,782
Goodwill and intangible assets		**37,710**	37,648
Financial assets		**1,768**	1,802
Other		**2,910**	2,914
Total non-current assets		**259,346**	284,241
Total assets		**518,322**	570,042
Current liabilities			
Payables		**157,502**	173,838
Interest bearing liabilities - financial institutions	5(a)	**39,899**	19,842
Income tax payable		**5**	29
Financial liabilities		**121**	620
Provisions		**39,829**	47,587
Total current liabilities		**237,356**	241,916
Non-current liabilities			
Interest bearing liabilities - financial institutions	5(b)	**48,787**	53,654
Provisions		**21,737**	19,421
Total non-current liabilities		**70,524**	73,075
Total liabilities		**307,880**	314,991
Net assets		**210,442**	255,051
Equity			
Contributed equity	6	**482,433**	481,758
Reserves	7	**10,436**	12,022
Accumulated losses		**(282,427)**	(238,729)
Total equity		**210,442**	255,051

Statement of cash flows

PMP Limited and its controlled entities
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YEAR ENDED 30 JUNE 2018	NOTES	PMP Group 2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		**1,319,127**	1,191,633
Payments to suppliers and employees		**(1,319,473)**	(1,199,806)
Interest received		**488**	673
Interest and other costs of finance paid		**(6,171)**	(4,887)
Income tax paid		**(56)**	(113)
Net cash flow (used in)/provided by operating activities	11(a)	**(6,085)**	(12,500)
Cash flows from investing activities			
Payments for property, plant and equipment		**(9,031)**	(1,950)
Payments for development and licence costs		**(16)**	-
Proceeds from sale of property, plant and equipment		**2,571**	265
Acquisition of controlled entity		**-**	11,134
Net cash flow (used in)/provided by investing activities		**(6,476)**	9,449
Cash flows from financing activities			
Repayments of borrowings	5(f)	**(5,550)**	(3,848)
Proceeds from borrowings	5(f)	**18,407**	14,826
Dividends paid to company's shareholders	8	**-**	(7,636)
Net cash flow provided by/(used in) financing activities		**12,857**	3,342
Net increase in cash held		**296**	291
Cash at the beginning of the financial year		**54,340**	54,103
Effects of exchange rate changes on cash		**(218)**	(54)
Cash at the end of the financial year	11(b)	**54,418**	54,340

Statement of changes in equity

PMP Limited and its controlled entities
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YEAR ENDED 30 JUNE 2018

	Attributable to equity holders of PMP Limited					
	Contributed equity $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Cash flow hedge reserve $'000	Total equity $'000
PMP Group						
At 1 July 2016	353,227	(105,871)	11,491	1,523	(951)	259,419
Currency translation differences	-	(51)	(341)	-	-	(392)
Cash flow hedges (net of tax)	-	-	-	-	974	974
Defined benefit plan (net of tax)	-	195	-	-	-	195
Total income/(expense) recognised directly in equity	-	144	(341)	-	974	777
Loss for the year	-	(126,427)	-	-	-	(126,427)
Total comprehensive (expense)/income for the year	-	(126,283)	(341)	-	974	(125,650)
Dividends ~	-	(7,636)	-	-	-	(7,636)
Shares Issue - Acquisition	128,760	-	-	-	-	128,760
Share-based payments *	832	-	-	(674)	-	158
Prior period share-based payments adjustment	(1,061)	1,061	-	-	-	-
At 30 June 2017	**481,758**	**(238,729)**	**11,150**	**849**	**23**	**255,051**
At 1 July 2017	481,758	(238,729)	11,150	849	23	255,051
Currency translation differences	-	-	(1,273)	-	-	(1,273)
Cash flow hedges (net of tax)	-	-	-	-	279	279
Other	-	(4)	-	-	-	(4)
Defined benefit plan (net of tax)	-	101	-	-	-	101
Total (expense)/income recognised directly in equity	-	97	(1,273)	-	279	(897)
Loss for the year	-	(43,795)	-	-	-	(43,795)
Total comprehensive (expense)/income for the year	-	(43,698)	(1,273)	-	279	(44,692)
Share-based payments #	675	-	-	(592)	-	83
At 30 June 2018	**482,433**	**(282,427)**	**9,877**	**257**	**302**	**210,442**

The above table represents the PMP Group position.

~ At 30 June 2015, a dividend reserve of $50.1 million was created in the parent entity. A final ordinary dividend for the year ended 30 June 2015 was paid on 6 October 2015 and an interim ordinary dividend for the year ended 30 June 2016 was paid on 6 April 2016 from the parent entity dividend reserve. After the 2016 profit of the parent and the payment of the final dividend for the year ended 30 June 2016 of $7.636 million on 7 October 2016, the dividend reserve had a balance of $33.0 million.

* On 25 August 2016, the performance rights issued in October 2013 to the eligible executives were exercised. The vested rights were settled by the issue of 1,885,815 shares for $0.832 million, utilising the provision.

On 28 August 2017, the performance rights issued in October 2014 to the eligible executives were exercised. The vested rights were settled by the issue of 699,204 shares on 29 August 2017 for $0.238 million, utilising the provision.

On 1 December 2017, the eligible performance rights issued on 1 October 2015 to the former Managing Director and Chief Executive Officer vested on retirement. The vested rights were settled by the issue of 1,456,650 shares for $0.437 million, utilising the provision.

Notes to the financial statements

PMP Limited and its controlled entities
ABN 39 050 148 644

YEAR ENDED 30 JUNE 2018

Notes to the financial statements

1 Summary of significant accounting policies

Basis of preparation
This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A.

The financial report does not include all notes of the type normally included within the annual financial report. As a result it should be read in conjunction with the 30 June 2017 annual financial report of PMP Limited together with any public announcements made by PMP Limited during the financial year ended 30 June 2018.

Statement of compliance
Compliance with IFRS
The financial statements comply with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that financial statements, comprising the financial statements and notes, thereto comply with International Financial Reporting Standards ('IFRS').

Adoption of new and revised accounting standards
In the current year, PMP Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the year ended 30 June 2018.

In preparing the financial statements for the year, the Group has applied the changes required by the following amendments to AASBs :

- *AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses-* Amendment to *AASB 112 Income Taxes.*

- *AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows.*

Change in segment reporting

The Group applies a 'management approach' to identify its operating segments, based on the information provided to the Group's chief operating decision-makers. This information is used to make decisions about resources to be allocated to the segment and assess their performance. During the financial year, the group changed its internal reporting structure after the acquisition of IPMG Holdco Pty Ltd and its subsidiaries. This has resulted in a change to how the Group defines its operating segments. The 2017 comparatives have been adjusted to reflect this change.

Marketing Services Australia includes Gordon & Gotch Australia and the digital businesses. Previously Gordon & Gotch Australia was a discrete operating segment and Distribution Australia, Griffin Press and the digital businesses were combined. Distribution Australia is now a discrete operating segment and Print Group Australia includes Griffin Press. There has been no change to the New Zealand operating segment.

1 Summary of significant accounting policies (continued)

Standards and interpretations issued not yet adopted

At the date of issue of the preliminary final report, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments and the relevant amending standards	1 January 2018	30 June 2019
AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions. Amendment to *AASB 2 Share-based Payment.*	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020

AASB 9 Financial Instruments

AASB 9 Financial Instruments includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. The standard is applicable from 1 January 2018.

The expected impact on the financial statements is as follows:

i. Classification and measurement of financial assets

AASB 9 contains amendments to the classification and measurement of financial assets. Classification is based on the entity's purpose for holding such instruments and the contractual cash flow characteristics of the individual financial asset. Under AASB 9 there are three classification categories for financial assets - amortised cost, fair value through other comprehensive income and fair value through profit and loss. The categories of held to maturity and available for sale have been eliminated and fair value through other comprehensive income measurement category introduced for simple debt instruments.

PMP Group has the following financial assets - cash and cash equivalents, trade and other receivables and derivative financial instruments. The Group has performed a preliminary assessment and does not believe that the new classification requirements will have a material impact on the Group's existing financial assets. Financial assets will continue to be measured under the same basis as is currently adopted under *AASB 139 Financial Instruments: Recognition and Measurement.*

ii. Measurement of financial liabilities

AASB 9 requires financial liabilities to be measured on the same basis as AASB 139 with one exception noted. Financial liabilities which are held for trading continue to be measured at fair value through profit or loss. However, under AASB 9 the effects of changes in fair value due to changes in credit risk are recognised in other comprehensive income.

PMP Group has the following financial liabilities - trade and other payables, interest bearing liabilities and derivative financial instruments. The Group has performed a preliminary assessment and the Group's existing financial liabilities will continue to be measured under the same basis as is currently adopted under AASB 139.

iii. Hedge accounting

Under AASB 9 the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting has been broadened. This has had no impact on the PMP Group. Also, the effectiveness test has been replaced with the principle of an 'economic relationship' that more closely aligns hedge accounting with risk management activities. Retrospective assessment of hedge effectiveness is no longer required with the standard introducing a more qualitative and forward-looking approach to assessing hedge effectiveness. AASB 9 prohibits voluntary discontinuation of hedge accounting, introduces new requirements regarding rebalancing hedge relationships, has revised the treatment of forward points and foreign currency basis spread and introduces a change to accounting for a hedged transaction that results in the recognition of a non-financial asset.

The PMP Group is exposed to foreign exchange risk when purchasing paper and ink from foreign suppliers. This risk is managed through the use of forward exchange currency derivatives with a portion of these transactions hedged in accordance with the Group's risk management policy.

The Group is also exposed to foreign exchange risk from a Euro denominated borrowing and interest rate risk. PMP has eliminated this risk by taking out a cross currency swap to exchange the loan's principal and floating Euro interest payments for an equally valued Australian dollar loan and floating Australian dollar interest payments in accordance with the Group's risk management policy.

PMP has reviewed its risk management objectives and strategies and at this time has not identified any new qualifying hedging instruments and hedged items under the revised model.

1 Summary of significant accounting policies (continued)

The Group has also assessed all of its current hedging relationships and confirm that they are in alignment with the Group's risk management policy. It is anticipated that upon application of AASB 9 they will all qualify as continuing hedging relationships.

The Group expects to continue to include the forward element of foreign currency forward contracts in its designated hedging relationships. This is consistent with the Group's current hedge accounting policy.

Foreign currency basis spread is not expected to be material for PMP's foreign currency forward contracts as they are short dated being less than 12 months and no material changes are expected to the current treatment of foreign currency basis points for the Euro/AUD cross currency swap.

PMP's current accounting for a basis adjustment when hedging a forecast transaction that results in the recognition of inventory is consistent with the requirements under AASB 9.

The hedge documentation requirements are similar to AASB 139, however, there are some additional requirements which will be addressed by PMP.

Overall the Group does not anticipate that the application of AASB 9 hedge accounting requirements will have a material impact on the Group's financial statements.

iv. Impairment of financial assets

AASB 9 introduces new impairment requirements for financial assets with the replacement of the incurred loss model under AASB 139 with a forward looking expected credit loss model. The incurred loss model recognised credit losses only when an event had occurred that had a negative effect on future cash flows and the effect could be reliably measured. The new model does not require a loss event to occur before an impairment loss is recognised instead an ongoing assessment will have to be made of expected credit losses. The model involves a three stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses. A simplified approach is available for financial assets that do not have a significant financing component. The new model will apply to financial assets measured at amortised cost (loans and receivables) or fair value through other comprehensive income.

PMP's trade debtors are the only material financial assets in scope under the AASB 9 impairment model. The new model under AASB 9 will require an earlier assessment by the Group of the likelihood of credit losses. Additional disclosures regarding credit losses will also be required. Based on the Group's preliminary assessment, the impairment losses are not likely to materially increase for the Group's trade debtors and is in the range of $1 million to $2 million. The Group will apply the standard as at 1 July 2018 with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings.

AASB 16 Leases

AASB 16 Leases introduces a new accounting model for leases that requires lessees to recognise all leases on balance sheet, except for short-term leases and leases of low-value assets. Under the model a lease asset and liability will be initially recognised. Amortisation of lease assets and interest on the lease liabilities will be recognised in the income statement over the lease term. This will primarily impact leases of property, presses, forklifts, motor vehicles and equipment which are currently classified by PMP as operating leases.

The total amount of cash paid will be separated into a principal portion (financing activities) and interest (operating activities) for presentation in the cash flow statement.

Lessor accounting will not change significantly and it is expected that the Group's accounting will remain unchanged under AASB 16.

AASB 16 is applicable for annual reporting periods beginning on or after 1 January 2019.

A project has commenced to manage implementation and compliance with AASB 16. The project has members from finance, treasury and IT with oversight by the CFO. An external consultant has been engaged to provide technical guidance. The key deliverables of the project include development of the project plan, establishment of the project timeline, setting the budget for implementation and monitoring project costs, collation of data, assessment of system requirements, making and documenting accounting policy choices and judgements, assessing and finalising the impact on adoption.

The Group is in the process of collating all lease data, storing it in a central repository and performing a detailed review. This includes identification of leases that are exempt on the basis of being short-term or low-value assets. These will be recognised on a straight-line basis as an expense in the Group's financial statements. It also includes identifying all non-lease components and variable lease components linked to an index/rate.

This standard must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 July 2019 under the modified retrospective approach. The Group currently expects to use the modified retrospective approach. A practical expedient under AASB 16 is the option to retain the classification of existing contracts as leases under current accounting standards. It is expected that the Group will apply this accounting policy choice at the date of initial application of AASB 16.

On transition under the modified retrospective approach you have the choice to measure the right-of-use asset as either equal to the lease liability or calculated retrospectively as if AASB 16 has always applied from the date of lease inception. This is applied on a lease-by-lease basis. The Group is considering this approach for its more recent and material leases.

1 Summary of significant accounting policies (continued)

The Group has received some demonstrations from companies that provide an end-to-end long term technology solution to manage the ongoing lease accounting beyond transition. The Group has selected a provider and in is in the process of finalising their engagement.

The Group is continuing to evaluate the impact of the new requirements on the Group's financial statements, systems and processes. However, it is expected that it will result in materially higher assets with the recognition of a right-of-use asset and liabilities on the Statement of financial position. More quantitative and qualitative information will be provided as the project progresses.

Standards early adopted for the financial year

- *AASB 15 Revenue from Contracts with Customers*

- *AASB 2014-5 Amendments to Australian Accounting Standards - arising from AASB 15*

- *AASB 2015-8 Amendments to Australian Accounting Standards - Effective date of AASB 15*

- *AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15*

Changes in accounting policies

Revenue recognition

AASB 15 Revenue from Contracts with Customers establishes a single comprehensive 5-step approach to revenue recognition and supersedes the current revenue guidance under *AASB 118 Revenue*. The steps are as follows:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, revenue is recognised when or as a performance obligation is satisfied and when control of the good or service under the performance obligation is transferred to the customer.

The standard is effective for annual reporting periods beginning on or after 1 January 2018. The PMP Group elected to early adopt AASB 15 from 1 July 2017.

PMP Limited and its subsidiaries enter into contracts with all its customers for the sale of products and services therefore this standard applies to the Group.

The major sources of revenue recognised by PMP Group are commercial printing, letterbox delivery, magazine distribution services, marketing services and digital premedia. The impact of the new standard has been reviewed by the PMP Group and changes to revenue recognition have been identified for magazine distribution services, freight and other income. The application has not had an impact on the financial position and performance of the Group. It has resulted in a reclassification of revenue and expense balances in the Statement of profit or loss.

The revised standard includes changes to the recognition of income for the Gordon & Gotch magazine distribution business. Under AASB 118 revenue is recognised on the transfer of risks and rewards. Gordon & Gotch was treated as a principal under AASB 118 on the basis that they absorbed the risks of credit and damage to the magazines whilst in distribution and enjoyed the rewards from the collection of the magazines from the publisher to its distribution to the outlet. Sales revenue was recorded on a gross basis being the trade magazine cover price net of returns and a cost of finished goods sold expense recorded for the trade price of the magazine paid to the publisher net of returns.

Under AASB 15, the performance obligations with publishers under the agreements were considered and it was determined that in substance Gordon & Gotch provides a magazine distribution service. It was noted that while Gordon & Gotch takes risk at various stages of the distribution process the publisher/retailers take the risk on sales and inventory. AASB 15 provides detailed guidance on the assessment of principal versus agent arrangements. The revised guidance under *AASB 2016-3 'Amendments to Australian Accounting Standards - Clarifications to AASB 15'* was considered for determining whether Gordon & Gotch is acting as agent or principal, including the removal of credit risk as an indicator of principal. AASB 15 places emphasis on whether the entity controls the specified good or service before it is transferred to the customer. Gordon & Gotch does not have control over the magazines as they have no control over the magazine content, setting of the magazine cover price, magazine quantity supplied and when the magazine arrives. It was concluded that Gordon & Gotch is in substance acting as an agent engaged by the publisher to sell the magazines on their behalf to the retail outlet, collect monies from the retailers for the sale of the magazines and remit the amounts collected to the publishers. The publishers are charged by Gordon & Gotch a distribution fee for this service (copies sold or delivered). Accordingly sales should be recorded on a net basis with the underlying fee paid by the publishers to distribute the magazines recorded as revenue. Revenue should be reduced by the amount included in cost of finished goods sold (being the price due to the publisher).

The PMP Group has applied this amendment retrospectively resulting in a $488,200,000 reduction in sales revenue and a $488,200,000 reduction in cost of finished goods sold for the financial year ended 30 June 2017. There was no impact on the loss for the period.

1 Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

The adoption of the standard has also resulted in a change in the recognition of the recovery of freight cost. PMP prints and distributes books, magazines and catalogues. Customers may also engage PMP to deliver the produced product to a specified location. Historically PMP has not included the freight component of the invoice as revenue instead under AASB 118 the on-charging of freight to customers was treated as a recovery of costs and offset against freight expense. The provision of freight services should be treated as revenue as it is a distinct service that is separately included in the customer contract. It is not part of the overall performance obligation as not every customer engages the Group to perform this service. AASB 15 requires the amounts invoiced for freight to be presented as revenue as the provision of freight services represents a separate performance obligation to the goods being delivered. The PMP Group has applied this amendment retrospectively resulting in a $36,061,000 increase in sales revenue, a $1,320,000 decrease in other revenue and a $34,741,000 increase in freight expense for the financial year ended 30 June 2017. There was no impact on the loss for the period.

PMP recycles waste paper, spoilt work, used plates and reels from the manufacturing process. Historically these were treated as a cost recovery and offset against raw materials and consumables used. Under AASB 15 these represent distinct goods provided and the promise to transfer the goods represent performance obligations that are accounted for separately. They represent revenue which is derived from outside the company's core operations and should be recorded as other revenue. The PMP Group has applied this amendment resulting in a $6,613,000 increase in other revenue and a $6,613,000 increase in raw materials and consumables used for the year ended 30 June 2017. There was no impact on the loss for the period.

The Group has also conducted a review of the classification of revenue items as other revenue. The source of the revenue was considered with an assessment undertaken of whether it was from the Group's core operations or outside the core operations of the Group. Income derived from core operations has been classified as sales revenue and income derived from outside the core operations has been classified as other revenue. Magazine subscriptions, digital distribution of magazines, merchandising, special packing, returns sorting and storage fees are governed by specific performance obligations in Gordon & Gotch distribution contracts and represent income from the core operations of the business. Historically these ancillary revenue streams have been classified as other revenue and should be recorded as sales revenue. The reclassification of these revenue items retrospectively has resulted in a $2,532,000 increase in sales revenue and a $2,532,000 reduction in other revenue for the year ended 30 June 2017. There was no impact on the loss for the period.

The following table summaries the impact of adopting AASB 15 on each line item in the Group's Statement of profit or loss and other comprehensive income for the year ended 30 June 2017. The change in the basis of revenue recognition had no impact on the Statement of financial position, Statement of cash flows and on the Group's basic or diluted earnings per share.

YEAR ENDED 30 JUNE 2017	**2017 $'000 Reported**	**2017 $'000 Adjustment**	**2017 $'000 Restated**
Continuing operations			
Sales revenue	1,051,483	(449,607)	601,876
Other revenue	6,139	2,761	8,900
Raw materials and consumables used	(198,627)	(6,613)	(205,240)
Cost of finished goods sold	(489,667)	488,200	(1,467)
Employee expenses	(283,312)	-	(283,312)
Outside production services	(12,784)	-	(12,784)
Freight	(38,840)	(34,741)	(73,581)
Repairs and maintenance	(15,659)	-	(15,659)
Occupancy costs	(43,194)	-	(43,194)
Other expenses	(85,922)	-	(85,922)
Depreciation and amortisation	(28,549)	-	(28,549)
Finance costs	(5,087)	-	(5,087)
Loss before income tax	(144,019)	-	(144,019)
Income tax benefit	17,592	-	17,592
Net loss after income tax	**(126,427)**	**-**	**(126,427)**

1 Summary of significant accounting policies (continued)

Critical accounting estimates, assumptions and judgements

(i) Goodwill, intangible assets, property, plant and equipment

The Group determines whether goodwill is impaired on a bi-annual basis and assesses impairment of all other assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include technology, economic and political environments. If an impairment trigger exists the recoverable amount of the asset is determined. Recoverable amount is the greater of fair value less costs of disposal and value in use. It is determined for an individual asset, unless it does not generate inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs. A number of assumptions are made by the Group in this estimation of recoverable amount.

In assessing value in use, the estimated future cash flows, excluding future uncommitted restructurings and associated benefits, are discounted to their present value using a pre-tax discount rate that approximates the weighted average cost of capital for that cash generating unit.

In assessing fair value less costs of disposal, primary consideration is given to external sources of value such as comparable transactions adjusted for costs of disposal, market price in an actively traded market or the best information available to reflect the amount to be obtained from disposal. In the absence of comparable transactions, fair value has been assessed using a discounted cash flow methodology. This is supported by EBITDA multiples which serve as an external cross check. PMP believe that this provides the best indication of the recoverable amount to be obtained from disposal of the cash generating unit at arms length between knowledgeable and willing parties.

Based on testing carried out at 30 June 2018, the Maxum and heatset web printing - New Zealand business unit impairment analysis shows a surplus. However, the Directors estimate, that if forecast EBITDA reflected in the model were to decrease by 10%, it could result in the aggregate carrying value of this cash generating unit exceeding the recoverable amount in the range of approximately NZ$1 million to NZ$3 million.

While the Print Australia business unit impairment analysis shows a surplus which is lower than at 30 June 2017, the Directors estimate, that if forecast EBITDA reflected in the model were to decrease by 10%, it could result in the aggregate carrying value of this cash generating unit exceeding the recoverable amount in the range of approximately $10 million to $15 million. This model includes benefits from the new Manroland press from late 2019 onwards. In addition, the company will continue to respond to lower volumes by addressing the fixed cost base as applicable.

Refer to the Annual Report of PMP Limited as at 30 June 2018 for further details of these assumptions.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based on the likely timing and level of future taxable profits.

The deferred tax assets of $16.9 million pertaining to the current financial year Australian tax loss was not recognised in the financial statements as at 30 June 2018. Due to the lower EBITDA performance of the Australian operations in the current financial year, the savings from the strategic review plan and the 2019 budget, the timeframe over which PMP expects to recoup the Australian deferred tax asset of $34.8 million has increased to 6-8 years. The Directors believe that this time frame is reasonable and not inconsistent with prior periods.

Therefore, the Directors believe that the deferred tax asset value is supportable given the level of forecast future tax profits from the 2019 financial year onwards. The position will be reassessed on an ongoing basis.

The New Zealand deferred tax asset value of $229,000, attributable to tax losses is expected to be fully recouped by the end of 2019.

Total gross unrecognised tax losses as at 30 June 2017 was $203.7 million. Due to tax consolidation issues determined upon lodging the IPMG 2017 tax return the final tax losses transferred to PMP reduced by $25.9 million from $93.4 million to $67.5 million. There was also an adjustment increasing gross prior year losses not recognised by $0.7 million upon lodgement of the PMP 2017 tax return. Current year gross tax losses not recognised was $56.5 million. Total gross unrecognised tax losses as at 30 June 2018 was $235.0 million ($70.5 million tax effected).

Despite the non-recognition of these losses, the losses will remain available indefinitely for offset against future taxable profits, subject to continuing to meet the statutory tax tests of continuity of ownership or failing that, the same business test.

(iii) Fair value measurement and valuation process

PMP has financial instruments that are carried at fair value in the Statement of financial position. The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, PMP determines fair value by using various valuation models. The objective of using a valuation technique is to establish the price that would be received to sell an asset or paid to transfer a liability between market participants. The chosen valuation models make maximum use of market inputs and relies as little as possible on entity specific inputs. The fair values of all positions include assumptions made on the recoverability based on the counterparty's and PMP's credit risk.

Details of the inputs to the fair value of financial instruments are included in Note 12.

Notes to the financial statements

PMP Limited and its controlled entities
ABN 39 050 148 644

YEAR ENDED 30 JUNE 2018	NOTES	PMP Group 2018 $'000	2017 $'000	
2a Revenue				
External sales		**696,217**	565,815	*
Freight		**37,751**	36,061	*
Total sales revenue		**733,968**	601,876	
Included in loss before income tax are the following items of other revenue:				
Recoveries from the manufacturing process		**9,973**	7,000	*
Other income - external		**44**	858	*
Net gain on disposal of plant and equipment		**1,961**	-	
Rental income		**59**	389	
Interest income	3	**490**	653	
Total other revenue		**12,527**	8,900	
Total revenue	9	**746,495**	610,776	

		2018 $'000	2017 $'000
2b Significant items			
Included in net loss after income tax are the following significant items of revenue and expense:			
Net (gain)/loss on disposal of plant and equipment		**(1,904)**	337
Restructure initiatives and other one off costs		**27,015**	50,086
Onerous leases		**9,614**	20,028
Acquisition costs - IPMG Group		**-**	8,015
Relocation of presses		**5,502**	3,477
Impairment of intangible assets		**-**	24,590
(Reversal)/impairment of plant and equipment due to restructure initiatives	2(c), 9(b)	**(868)**	36,082
Aggregate significant items (included in loss before interest and tax)		**39,359**	142,615
Tax benefit associated with significant items		**11,581**	33,193
Adjustment of prior year losses not recognised to actual		**(217)**	(35)
Tax losses not brought to account		**(16,935)**	(15,026)
Tax (expense)/benefit		**(5,571)**	18,132

Significant items have been included in the Statement of profit or loss and other comprehensive income within the following categories:

		2018 $'000	2017 $'000
Other revenue	- Gain on sale of equipment	**(1,904)**	-
Raw materials and consumables used		**68**	-
Cost of finished goods sold		**431**	-
Employee expenses		**23,749**	47,133
Freight		**993**	449
Repairs and maintenance		**229**	18
Occupancy costs		**9,614**	20,241
Other expenses	- Impairment	**(868)**	60,672
	- Legal and professional fees	**1,378**	8,886
	- Relocation of presses	**5,502**	3,477
	- Other expenses	**167**	1,739
		39,359	142,615

* On 1 July 2017, PMP Limited adopted AASB 15 *Revenue from Contracts with Customers* , resulting in a change in accounting policy and a restatement of balances for the financial year ended 30 June 2017. There was no impact on the loss for the period. Refer to Changes in accounting policies.

Notes to the financial statements

PMP Limited and its controlled entities
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YEAR ENDED 30 JUNE 2018	NOTES	PMP Group 2018 $'000	2017 $'000
2c Loss before income tax			
Loss before income tax is arrived at after charging/(crediting) the following items:			
Lease rental expenses - operating leases		**38,990**	27,822
Share-based payment plans	7	**83**	158
Net (gain)/loss on disposal of plant and equipment		**(1,961)**	193
(Reversal)/impairment of plant and equipment	2(b)	**(868)**	36,082
Bad debt provision movement		**275**	554

		2018 $	2017 $
2d Auditors' remuneration			
Auditing the accounts			
Chief entity auditors:	Deloitte Touche Tohmatsu	**494,615**	526,108
Other services			
Deloitte Touche Tohmatsu:	Taxation and related advisory services including the acquisition of IPMG	**174,401**	587,803
Total auditors' remuneration		**669,016**	1,113,911

	2018 $'000	2017 $'000
2e Depreciation and amortisation		
Depreciation		
Leasehold improvements	**969**	1,212
Plant and equipment	**29,727**	26,410
Total depreciation	**30,696**	27,622
Amortisation		
Development and licence costs	**580**	927
Total amortisation	**580**	927
Total depreciation and amortisation	**31,276**	28,549

		2018 $'000	2017 $'000
3 Finance costs			
Interest expense			
Bank loans and overdraft		**6,784**	5,087
Unwind of discount on long term onerous lease and make good provisions		**665**	-
Total interest expense		**7,449**	5,087
Total finance costs		**7,449**	5,087
Interest income	2(a)	**(490)**	(653)
Net finance costs		**6,959**	4,434

Notes to the financial statements

PMP Limited and its controlled entities
ABN 39 050 148 644

YEAR ENDED 30 JUNE 2018	PMP Group 2018 $'000	PMP Group 2017 $'000
4 Income tax		
(a) Reconciliation of income tax expense/(benefit)		
Loss before income tax	**(37,458)**	(144,019)
Prima facie income tax benefit thereon at 30% (2017: 30%)	**(11,237)**	(43,206)
Tax effect of non-temporary and other differences:		
Non-assessable items	**(338)**	-
Effect of differences in overseas tax rate	**(89)**	300
Income tax under provided in previous year	**218**	80
Non-deductible items for tax purposes	**848**	10,208
Benefit of tax losses not brought to account	**16,935**	15,026
Income tax expense/(benefit) attributable to loss	**6,337**	(17,592)
Major component of income tax (benefit)/expense:		
Current tax (benefit)	**(15,737)**	(13,353)
Deferred tax expense/(benefit)	**22,074**	(4,239)
Income tax expense/(benefit) attributable to loss	**6,337**	(17,592)

(b) Deferred tax assets and deferred tax liabilities

At 30 June 2018 there is no recognised or unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of PMP's wholly owned subsidiaries, as the PMP Group has no liability for additional taxation should such amounts be remitted or any such tax due would be offset by existing unrecognised deferred tax losses (2017: $nil).

(c) Franking credits	2018 $'000	2017 $'000
The amount of franking credits available:		
Franking account balance as at the end of the financial year at 30% (2017: 30%)	**62,529**	62,529

Upon the acquisition of the IPMG tax consolidated group franking credits of $62.5 million transferred to the PMP tax consolidated group on 1 March 2017.

(d) Tax consolidation and tax effect accounting by members of the tax consolidated group

Effective 1 July 2003, for the purposes of income taxation, PMP Limited and its 100% owned Australian subsidiaries formed a tax consolidated group. Members of the group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. The agreement also provides for the allocation of income tax liabilities between the entities should the head entity default on its obligations. At the balance date the possibility of default is remote. The head entity of the tax consolidation group is PMP Limited.

Members of the Australian tax consolidated group have also entered into a tax funding agreement. The tax funding agreement provides for the allocation of current tax assets and liabilities between wholly owned group members. Each group member of the PMP tax group calculates its current year tax liability on the basis of the stand alone approach. Once each member has calculated its own current year tax liability/tax loss the head entity will then assume these current year tax liabilities/tax losses and be paid/pay compensation for this assumption by way of an intercompany receivable/payable. Allocations under the tax funding agreement are made on a yearly basis.

All 100% owned PMP entities operating in New Zealand are members of the PMP (NZ) Limited tax consolidated group. Although there is no NZ tax funding agreement, PMP (NZ) Limited and its group members have also calculated their current year tax liabilities/tax losses, and PMP (NZ) Limited is paid/pays compensation for this assumption by way of an intercompany receivable/payable on a yearly basis, in the same manner as the Australian tax funding agreement operates.

(e) Tax losses not brought to account	$'000 Gross Current Year	$'000 Tax effected
Revenue losses	234,982	70,495
Capital losses	287,093	86,128

The benefit of these revenue losses has not been brought to account as realisation is not probable. Refer to Note 1 for further details. In addition, capital losses are only able to be used against capital gains and so are not recognised until used in any tax year.

Notes to the financial statements

PMP Limited and its controlled entities
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YEAR ENDED 30 JUNE 2018		PMP Group 2018 $'000	2017 $'000
5 Interest bearing liabilities			
(a) Current interest bearing liabilities - financial institutions			
Secured			
Bank loans - Working Capital Facility:	Australian dollars	**10,000**	-
Bank loans - repayable in:	Euros*	**3,138**	2,955
Equipment Financing:	Australian dollars	**2,819**	2,819
Receivable Financing:	Australian dollars	**23,233**	14,826
Other			
Other:	Australian dollars	**1,186**	-
Prepaid finance costs		**(477)**	(758)
Total current interest bearing liabilities - financial institutions		**39,899**	19,842
(b) Non-current interest bearing liabilities - financial institutions			
Secured			
Bank loans - repayable in:	Euros*	**7,844**	10,344
Equipment Financing:	Australian dollars	**1,409**	4,228
Unsecured			
Corporate bond:	Australian dollars	**40,000**	40,000
Other			
Prepaid finance costs		**(466)**	(918)
Total non-current interest bearing liabilities - financial institutions		**48,787**	53,654

* Represents Euro denominated loan of 7.0 million (2017: Euro 9.0 million) measured at the exchange rate prevailing at balance date.

(c) Interest bearing liabilities - facility details

Facility details:	Facility $'000s	Drawn $'000s	Available $'000s
2018			
Secured			
Overdraft facility	**9,591**	**-**	**9,591**
Export finance facility *	**10,982**	**10,982**	**-**
Equipment Financing Facility	**4,228**	**4,228**	**-**
Receivable Financing Facility	**40,000**	**23,233**	**16,767**
Working Capital Facility	**10,000**	**10,000**	**-**
Unsecured			
Other	**1,186**	**1,186**	**-**
Corporate Bond	**40,000**	**40,000**	**-**
Total facilities	**115,987**	**89,629**	**26,358**
2017			
Secured			
Overdraft facility	9,758	-	9,758
Export finance facility *	13,299	13,299	-
Equipment Financing Facility	7,047	7,047	-
Receivable Financing Facility	35,000	14,826	20,174
Working Capital Facility	30,000	-	30,000
Unsecured			
Corporate Bond	40,000	40,000	-
Total facilities	135,104	75,172	59,932

* Represents the loan measured at the exchange rate prevailing at balance date.

5 Interest bearing liabilities (continued)

(d) Terms and conditions

PMP entered into a fully secured $5 million Australian Dollar and $5 million New Zealand Dollar Overdraft Facility in February 2016 replacing the previous Overdraft and a Revolving facility. A bank guarantee facility is also provided in conjunction with the overdraft facilities. These facilities have a maturity date of 1 March 2019 and are subject to annual reviews with the next review due by 31 December 2018. ANZ Banking Group is the lender. Security pledged involves a first ranking fixed and floating charge over the assets of PMP, including the subsidiaries in Australia and New Zealand. The facilities are subject to a number of financial covenants, including the PMP Group being measured against a maximum Net Debt/EBITDA ratio and a minimum Fixed Charge Ratio. The facilities are also subject to the warranties and conditions of the agreement, including a requirement to maintain a minimum cash balance in total of $17 million and also a change of control clause.

PMP issued an unsecured $40 million corporate bond on 17 September 2015. The bond has a fixed coupon of 6.43% per annum and a four year term. It is subject to a number of financial covenants, including the PMP Group being measured against a maximum Secured Debt/EBITDA ratio, a maximum Net Debt/EBITDA ratio and a minimum EBITDA/Interest ratio. Capital Management restrictions also apply which limits payouts to 100% of NPAT before significant items.

PMP entered into a fully secured $30 million Australia Dollar Working Capital Facility in March 2017. This facility has a maturity date of 1 March 2019 and has reduced to a limit of $10 million. The amount drawn as at 30 June 2018 was $10 million. ANZ Banking Group is the lender. Security pledged involves a first ranking fixed and floating charge over the assets of PMP, including the subsidiaries in Australia and New Zealand. The facilities are subject to a number of financial covenants, including the PMP Group being measured against a maximum Net Debt/EBITDA ratio and a minimum Fixed Charge Ratio. The facility is also subject to the warranties and conditions of the agreement during the term of it including a change of control clause.

PMP entered into a Euro 17 million export financing bank loan agreement in February 2013, secured against an offset rotary press. As at 30 June 2018, this loan was fully drawn and after amortisation payments had a balance of Euro 7.0 million. This facility has a maturity date of 30 September 2021 with semi-annual amortisations. The lender is Commerzbank AG.

As a result of the IPMG acquisition, PMP took on a fully secured $8.5 million Australian Dollar equipment financing facility. As at 30 June 2018, this loan was fully drawn at $4.2 million. This facility has a maturity date of 23 November 2019 with semi-annual amortisations. The lender is ANZ Banking Group. The facility is also subject to the warranties and conditions of the agreement during the term of it.

PMP entered into a $35 million Australia Dollar Receivables Financing Facility in March 2017. The loan facility amount was increased to $40 million Australian Dollars as at 31 December 2017. As at 30 June 2018, this loan was drawn to $23.2 million. This facility has a maturity date of 28 February 2019. ANZ Banking Group is the lender. Security pledged involves a charge over certain receivables of the Print, Distribution and Marketing Services businesses. The facility is also subject to the warranties and conditions of the agreement during the term of the facility.

5 Interest bearing liabilities (continued)

(e) Net debt

PMP has taken out a cross currency swap to exchange the Euro 7.0 million export financing loan's principal and floating Euro interest payments for an equally valued AUD loan and AUD interest payments. This loan has formed part of the overall PMP Group debt that is hedged to fixed rates. For the purposes of calculating PMP's net debt, the hedged fixed rate Australian obligation of the Euro loan of $8.5 million has been used.

	PMP Group	
	2018 $'000	2017 $'000
Cash	**(54,418)**	(54,340)
Corporate Bond: Australian dollars	**40,000**	40,000
Bank loans - Working Capital Facility: Australian dollars	**10,000**	-
Bank loans repayable in: Euros measured at the exchange rate prevailing at balance date	**10,982**	13,299
Cross currency swap revaluation - adjusted to measure the Euro denominated loan at the hedged fixed rate of the Australian obligation	**(2,438)**	(2,314)
Equipment Financing: Australian dollars	**4,228**	7,047
Receivable Financing: Australian dollars	**23,233**	14,826
Other loan: Australian dollars	**1,186**	-
Net debt / (cash)	**32,773**	18,518

(f) Reconciliation of liabilities arising from financing activities

				Non-cash changes			
	NOTES	**2017 $000**	**Cash flows $000**	**Other $000**	**Foreign Exchange Movement $000**	**Fair Value Changes $000**	**2018 $000**
Corporate Bond	5(b)	**40,000**	**-**	**-**	**-**	**-**	**40,000**
Bank Loans - Working Capital	5(a)	**-**	**10,000**	**-**	**-**	**-**	**10,000**
Bank Loans - EUR	5(a) & 5(b)	**13,299**	**(2,441)**	**-**	**124**	**-**	**10,982**
Equipment Financing	5(a) & 5(b)	**7,047**	**(2,819)**	**-**	**-**	**-**	**4,228**
Receivables Financing	5(a)	**14,826**	**8,407**	**-**	**-**	**-**	**23,233**
Other	5(a)	**-**	**(290)**	**1,476**	**-**	**-**	**1,186**
Total current & non-current interest bearing liabilities #		**75,172**	**12,857**	**1,476**	**124**	**-**	**89,629**
Assets held to hedge long-term borrowings ##	12	**(2,064)**	**-**	**-**	**-**	**(188)**	**(2,252)**
Total liabilities from financing activities		**73,108**	**12,857**	**1,476**	**124**	**(188)**	**87,377**

A reconciliation between the opening and closing balances arising from financing activities. This includes changes from cash flows (refer to Statement of cash flows) and non-cash changes.

[#] Excludes prepaid financing costs as does not form part of cash flow from financing activities reconciliation.

[##] The valuation of the cross currency swap includes foreign exchange and an interest rate component.

6 Contributed equity

Issued and paid up capital

Movements in ordinary share capital:	2018 Number '000	2017 Number '000	PMP Group 2018 $'000	PMP Group 2017 $'000
Balance as at 1 July - ordinary shares	**508,028**	318,172	**481,758**	353,227
Share movements in respect of:				
- Share-based payments	**2,156**	1,886	**675**	832
- Acquisition	**-**	187,970	**-**	128,760
- Adjustment to prior period share-based payments	**-**	-	**-**	(1,061)
Balance at 30 June - ordinary shares	**510,184**	508,028	**482,433**	481,758

On 29 August 2017, PMP issued 699,204 fully paid ordinary shares pursuant to PMP's Long Term Incentive Plan following the vesting of performance rights to the eligible executives of PMP.

As at 1 December 2017 with the retirement of Mr George, the former MD and CEO, and in accordance with the terms of the PMP Long Term Incentive Plan and his Employee Service Agreement an early vesting event occurred and 1,456,650 TSR rights vested. The vested rights were settled by the issue of 1,456,650 fully paid ordinary shares.

On 1 March 2017, PMP issued 179,856,110 fully paid ordinary shares in relation to acquisition of IPMG Holdco Pty Ltd (177,970,295) and pursuant to the PMP Long Term Incentive Plan following the vesting of performance rights to the eligible executives of PMP (1,885,815). A further 10,000,000 fully paid ordinary shares were issued on 5 May 2017 as part of the settlement of the IPMG acquisition.

Ordinary shares have no par value. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

7 Reserves

	NOTES	PMP Group 2018 $'000	PMP Group 2017 $'000
Foreign currency translation reserve			
Opening balance		**11,150**	11,491
Movement in reserve relating to:			
- Exchange fluctuation on translation of overseas controlled entities		**(1,273)**	(341)
Total foreign currency translation reserve		**9,877**	11,150
Share-based payment reserve			
Opening balance		**849**	1,523
Movement in reserve relating to:			
- Share-based payment expense	2(c)	**83**	158
- Issue of shares on exercise		**(675)**	(832)
Total share-based payment reserve		**257**	849
Cash flow hedge reserve			
Opening balance		**23**	(951)
Movement in reserve relating to:			
- Cash flow hedge		**391**	1,382
- Tax effect of cash flow hedge net gain		**(112)**	(408)
Total cash flow hedge reserve		**302**	23
Total reserves		**10,436**	12,022

8 Dividends

	2018 $'000	2017 $'000
Final dividend		
Final dividend for the year ended 30 June 2016 of 2.4 cents, unfranked paid on 7 October 2016	**-**	7,636
Total dividends declared	**-**	7,636

9 Segmental information

Management has determined the operating segments based on the manner in which the Group is structured and managed by the Executive Management Team ('EMT'). All reports regularly reviewed by the Chief Executive Officer and the EMT are presented on this basis which group similar operations or geographic locations.

The Group adjusted its segment reporting in the year under review due to the acquisition of IPMG Holdco Pty Ltd and its subsidiaries on 1 March 2017 (refer to comments on 'Change in segment reporting' contained in Note 1: Summary of significant accounting policies). The 2017 comparatives have been adjusted to reflect this change.

Print Group Australia includes all of the Print businesses in Australia namely, Heatset and Griffin Press. Marketing Services Australia includes Gordon & Gotch Australia and the digital businesses. New Zealand segment includes all businesses in New Zealand.

Transactions between segments are carried out at arm's length and are eliminated on consolidation.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment for the periods presented:

(a) Operating Segments

	Print Group Australia		Distribution Australia		Marketing Services Australia		New Zealand		Corporate		Consolidated	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Revenue												
External sales *	**422,259**	294,556	**76,506**	76,194	**86,499**	75,243	**110,953**	119,822	**-**	-	**696,217**	565,815
Freight *	**18,356**	14,971	**9,262**	10,636	**997**	1,488	**9,136**	8,966	**-**	-	**37,751**	36,061
Other revenue *	**7,867**	5,202	**760**	545	**285**	1,213	**1,323**	1,387	**388**	553	**10,623**	8,900
Other revenue significant items	**1,764**	-	**-**	-	**151**	-	**(11)**	-	**-**	-	**1,904**	-
Total revenue	**450,246**	314,729	**86,528**	87,375	**87,932**	77,944	**121,401**	130,175	**388**	553	**746,495**	610,776
EBITDA~ before significant items	**24,339**	16,949	**2,943**	3,040	**6,282**	3,581	**10,600**	12,420	**(3,538)**	(3,758)	**40,626**	32,232
Depreciation and amortisation	**(23,729)**	(20,351)	**(35)**	(71)	**(1,895)**	(1,930)	**(5,332)**	(5,833)	**(285)**	(364)	**(31,276)**	(28,549)
EBIT^ before significant items	**610**	(3,402)	**2,908**	2,969	**4,387**	1,651	**5,268**	6,587	**(3,823)**	(4,122)	**9,350**	3,683
Significant items before income tax	**(29,621)**	(105,800)	**(518)**	(194)	**(3,784)**	(2,475)	**(757)**	(21,614)	**(4,679)**	(12,532)	**(39,359)**	(142,615)
Segment EBIT after significant items	**(29,011)**	(109,202)	**2,390**	2,775	**603**	(824)	**4,511**	(15,027)	**(8,502)**	(16,654)	**(30,009)**	(138,932)
Finance costs											**(7,449)**	(5,087)
Consolidated entity loss before income tax											**(37,458)**	(144,019)
Income tax (expense)/benefit											**(6,337)**	17,592
Net loss after income tax											**(43,795)**	(126,427)

~ EBITDA - Profit/(loss) before depreciation, amortisation, finance costs and income tax
^ EBIT - Profit/(loss) before finance costs and income tax

* On 1 July 2017, PMP Limited adopted AASB 15 *Revenue from Contracts with Customers* , resulting in a change in accounting policy and a restatement of balances for the financial year ended 30 June 2017. There was no impact on the loss for the period. Refer to Changes in accounting policies.

YEAR ENDED 30 JUNE 2018

9 Segmental information (continued)

(b) Significant items by operating segments

	Print Group Australia		Distribution Australia		Marketing Services Australia		New Zealand		Corporate		Consolidated	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Significant items of revenue												
Gain/(loss) on disposal of plant and equipment	**1,764**	-	**-**	-	**151**	-	**(11)**	-	**-**	-	**1,904**	-
Total segment significant items of revenue	**1,764**	-	**-**	-	**151**	-	**(11)**	-	**-**	-	**1,904**	-
Significant items of expense												
Loss on disposal of plant and equipment	**-**	(156)	**-**	-	**-**	(7)	**-**	(146)	**-**	(28)	**-**	(337)
Restructure initiatives and other one off costs	**(19,841)**	(42,670)	**(372)**	(194)	**(2,145)**	(2,243)	**(674)**	(348)	**(3,983)**	(4,631)	**(27,015)**	(50,086)
Onerous leases	**(6,982)**	(19,376)	**(146)**	-	**(1,790)**	(34)	**-**	(421)	**(696)**	(197)	**(9,614)**	(20,028)
Acquisition costs - IPMG Group	**-**	(339)	**-**	-	**-**	-	**-**	-	**-**	(7,676)	**-**	(8,015)
Impairment of intangible assets	**-**	(5,015)	**-**	-	**-**	(191)	**-**	(19,384)	**-**	-	**-**	(24,590)
Relocation of presses	**(5,430)**	(3,477)	**-**	-	**-**	-	**(72)**	-	**-**	-	**(5,502)**	(3,477)
Reversal/(impairment) of plant and equipment due to restructure initiatives	**868**	(34,767)	**-**	-	**-**	-	**-**	(1,315)	**-**	-	**868**	(36,082)
Total segment significant items of expense	**(31,385)**	(105,800)	**(518)**	(194)	**(3,935)**	(2,475)	**(746)**	(21,614)	**(4,679)**	(12,532)	**(41,263)**	(142,615)
Total segment significant items before income tax	**(29,621)**	(105,800)	**(518)**	(194)	**(3,784)**	(2,475)	**(757)**	(21,614)	**(4,679)**	(12,532)	**(39,359)**	(142,615)

9 Segmental information (continued)

(c) Other segment information

Geographic Segments

	Australia		New Zealand		Consolidated	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
External sales *	**585,264**	445,993	**110,953**	119,822	**696,217**	565,815
Freight *	**28,615**	27,095	**9,136**	8,966	**37,751**	36,061
Other revenue *	**9,300**	7,513	**1,323**	1,387	**10,623**	8,900
Other revenue significant items	**1,915**	-	**(11)**	-	**1,904**	-
Total revenue	**625,094**	480,601	**121,401**	130,175	**746,495**	610,776
Non-current assets (excluding deferred tax assets and defined benefit plan asset)	**168,488**	187,755	**26,077**	27,759	**194,565**	215,514

* On 1 July 2017, PMP Limited adopted AASB 15 *Revenue from Contracts with Customers* , resulting in a change in accounting policy and a restatement of balances for the financial year ended 30 June 2017. There was no impact on the loss for the period. Refer to Changes in accounting policies.

Notes to the financial statements

PMP Limited and its controlled entities
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YEAR ENDED 30 JUNE 2018

10 Earnings per share

		2018 Number '000	2017 Number '000
(a)	**Weighted average number of ordinary shares**		
	Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**509,460**	379,850
	Effect of dilutive securities:		
	Share rights*	**-**	4,372
	Weighted average number of shares used in the calculation of diluted earnings per share	**509,460**	384,222

* The weighted average number of exercised/ lapsed share rights included is nil (2017: nil).

1,815,232 rights outstanding as at 30 June 2018 are considered anti-dilutive and excluded from the calculation of diluted earnings per share at 30 June 2018 (2017: 1,841,820).

(b) Earnings

	2018 $'000	2017 $'000
Net loss after income tax	**(43,795)**	(126,427)
Loss used in calculating basic and diluted earnings per share	**(43,795)**	(126,427)

YEAR ENDED 30 JUNE 2018		NOTES	PMP Group 2018 $'000	2017 $'000
11 Cash flow statement notes				
(a) Reconciliation of cash flow from operating activities to operating loss after income tax				
Operating loss after income tax			**(43,795)**	(126,427)
Adjustments for non-cash items:				
Depreciation		2(e)	**30,696**	27,622
Amortisation		2(e)	**580**	927
(Reversal)/impairment of plant and equipment		2(b), 2(c)	**(868)**	36,082
(Credit)/provision for doubtful debts/bad debts written off			**(44)**	842
Movement in provision for tax			**(24)**	-
Net (gain)/loss on disposal of plant and equipment		2(c)	**(1,961)**	193
Share-based payment plans		2(c), 7	**83**	158
Non-cash superannuation expense			**147**	178
Impairment of intangible assets		2(b)	**-**	24,590
Other non-cash items			**(879)**	8,850
Change in assets and liabilities:				
Accounts receivable	Decrease/(Increase)		**25,400**	(21,845)
Inventories	Decrease/(Increase)		**1,815**	(21,228)
Liabilities	(Decrease)/Increase		**(19,760)**	65,651
Non-current assets	Decrease/(Increase)		**4,304**	(17,031)
Provision for employee benefits	(Decrease)/Increase		**(2,195)**	13,038
Prepayments	Decrease/(Increase)		**416**	(4,100)
Net cash flow from operating activities			**(6,085)**	(12,500)

(b) Reconciliation of cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalents comprise the following:

	PMP Group 2018 $'000	2017 $'000
Cash and cash equivalents	**54,418**	54,340
Total cash and cash equivalents	**54,418**	54,340

Notes to the financial statements

PMP Limited and its controlled entities
ABN 39 050 148 644

YEAR ENDED 30 JUNE 2018

12 Fair value measurement of financial instruments

The fair value measurement principles adopted in this report are consistent with those applied in the PMP Limited Annual Report for the year ended 30 June 2018.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition of fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 30 June 2018			
	Level 1 $000	**Level 2 $000**	**Level 3 $000**	**Total $000**
Financial derivatives being hedge accounted				
Forward Foreign Exchange Contracts	-	**865**	-	**865**
Cross Currency Swaps	-	**2,252**	-	**2,252**
Total financial derivatives	-	**3,117**	-	**3,117**

	As at 30 June 2017			
	Level 1 $000	**Level 2 $000**	**Level 3 $000**	**Total $000**
Financial derivatives being hedge accounted				
Forward Foreign Exchange Contracts	-	(96)	-	(96)
Cross Currency Swaps	-	2,064	-	2,064
Total financial derivatives	-	1,968	-	1,968

13 Business combination

Summary of acquisition

On 1 March 2017, PMP Limited acquired 100% of IPMG Holdco Pty Ltd and its subsidiaries, a print and digital services group operating in Australia. Details of the purchase, the net assets acquired and goodwill were provisionally disclosed in the Annual Report of PMP Limited as at 30 June 2017. Adjustments to provisional amounts have subsequently been made during the measurement period and additional liabilities recognised. The measurement period is one year from 1 March 2017, the acquisition date. The adjustments have arisen during the current reporting period to reflect new information about facts and circumstances that existed at acquisition date. Further calculations and market valuations have been performed resulting in adjustments being made to acquired receivables, inventory, deferred tax assets, payables, provisions and goodwill arising at the date of acquisition.

(i) Purchase consideration and revised goodwill on acquisition

	$'000
Shares in PMP Limited	128,760
Cash	6,321
Purchase consideration	**135,081**
Net assets acquired *	100,284
Adjustment to acquired:	
Receivables	(24)
Inventory	(362)
Deferred tax assets	2,465
Payables	93
Employee entitlement provisions	(136)
Other provisions	(2,442)
Revised net assets acquired	**99,878**
Revised goodwill on acquisition	**35,203**

* Includes cash and cash equivalents $11,134,010.

The acquisition was funded by way of 187,970,295 new fully paid ordinary shares in PMP Limited and cash. IPMG shareholders were issued with 177,970,295 PMP Limited fully paid ordinary shares on 1 March 2017 and a further 10,000,000 PMP Limited fully paid ordinary shares on 5 May 2017.

(ii) Reconciliation of revised goodwill on acquisition

	$'000
Carrying amount of goodwill on acquisition at the beginning of year	34,797
Adjustments to net assets acquired during the measurement period	2,871
Adjustments resulting from the subsequent recognition of deferred tax assets	(2,465)
Carrying amount of goodwill on acquisition at the end of year	**35,203**

14 Contingent liabilities

Contingent liabilities classified in accordance with the party for whom the liability could arise are:

The Company:

- PMP has guaranteed the debts of certain wholly owned Australian controlled entities in accordance with ASIC Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission, which provides relief from the requirement to prepare, audit and lodge statutory financial statements.

Related bodies corporate:

- PMP has guaranteed the borrowings of PMP Finance Pty Limited, PMP (NZ) Limited and Hannanprint NSW Pty Limited to facilitate banking arrangements.

- Wholly owned entities in the PMP Group have provided guarantees to banks, in respect of debt and foreign currency management.

- Entities in the PMP Group contribute to a number of defined benefit superannuation funds and have undertaken to contribute annually such amounts as the actuaries consider necessary to secure the rights of members.

15 Subsequent events

The Directors are not aware of any matters or circumstance arising since balance date not otherwise dealt with in this report or the financial statements, that has significantly affected or may significantly affect the operations of the PMP Group, the results of those operations or the state of affairs of the PMP Group in subsequent years.