PMP Limited
ABN 39 050 148 644

# Preliminary final report of PMP Limited

**for the year ended 30 June 2016**

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 2016 |
| Previous corresponding period: | Financial year ended 30 June 2015 |

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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 2016**

## Results for announcement to the market

Extracts from this report for announcement to the market.

**Revenue, EBIT and net profit**

| | | Percentage Change % | | Amount $'000 |
|---|---|---|---|---|
| Sales revenue | up/(down) | 0.5% | to | 815,979 |
| Revenue | up/(down) | 0.03% | to | 820,116 |
| EBIT (including significant items) | up/(down) | (46.0%) | to | 11,019 |
| EBIT (excluding significant items) | up/(down) | (11.7%) | to | 23,275 |
| Net result for the year | up/(down) | (97.7%) | to | 185 |

**Dividends (Distributions)**

A final ordinary dividend for the year ended 30 June 2015 of 1.8 cents per share, 50% franked was declared and paid during the year ended 30 June 2016. An interim dividend for the year ended 30 June 2016 of 1.2 cents per share, unfranked was paid during the year (2015: nil).

**Brief explanation of financial results**

For the year ended 30 June 2016, PMP's EBIT (before significant items) was $23.3 million, a 11.7% or $3.1 million reduction on prior period. This was mainly due to lower profits at PMP New Zealand, down $2.6 million following the loss of a major publishing contract with sheefed sales down 12% and lower print sell prices. Elsewhere, EBIT (before significant items) was down at PMP Australia and Gordon & Gotch and this was mostly offset by lower corporate costs.

The fall in EBIT (before significant items) was offset by a reduction in interest expense so earnings before tax and significant items was broadly in line year on year. Statutory profit after tax at $0.2 million was down $7.8 million due to higher significant items (post tax) up $7.5 million including items such as Dick Smith impairment and the fees associated with the termination of the old corporate bond.

PMP Australia sales at $334.6 million are down $57.6 million due to the final flow through of a major print customer buying their own paper $25 million, a major contract loss $13 million, the final cessation of Directories print contract $8 million and Dick Smith ceasing business $6 million. EBIT (before significant items) was down $1.6 million as lower heatset print volumes and higher costs at Griffin Press were mostly offset by tight cost controls, lower depreciation and further cost-out initiatives mainly in the print business.

Gordon & Gotch sales at $345.8 million was up $77.3 million as Bauer revenues offset lower sales from existing customers. EBIT (before significant items) at $2.3 million was down $0.7 million as the impact of the lower volumes from existing customers offset part year gains from the Bauer contracts.

Cash flow from operations was $32.0 million down $1.1 million as better working capital outcomes and lower interest expense mostly offset higher significant items and lower EBITDA (before significant items).

A new 4 year corporate bond was issued for $40 million and the first bond of $50 million was repaid. This extended tenor and provided a lower coupon. At 30 June 2016, the company had a net cash position of $0.7 million.

Refer to ASX announcements for further explanation of the group's results.

**Net tangible assets per security**

| | 2016 $ | 2015 $ |
|---|---|---|
| Net tangible assets per security | 0.73 | 0.75 |

**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
ABN 39 050 148 644

| YEAR ENDED 30 JUNE 2016 | NOTES | PMP Group 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Sales revenue | 2(a), 9 | **815,979** | 811,682 |
| Other revenue | 2(a), 9 | **4,137** | 8,156 |
| Raw materials and consumables used | | **(158,471)** | (204,526) |
| Cost of finished goods sold | | **(323,478)** | (251,661) |
| Employee expenses | | **(219,416)** | (228,406) |
| Outside production services | | **(12,658)** | (14,968) |
| Freight | | **(22,420)** | (16,396) |
| Repairs and maintenance | | **(11,236)** | (16,233) |
| Occupancy costs | | **(18,789)** | (21,260) |
| Other expenses | | **(14,715)** | (14,227) |
| Depreciation and amortisation | 2(e), 9 | **(27,914)** | (31,747) |
| Finance costs | 3 | **(8,266)** | (8,838) |
| **Profit before income tax** | 2(c) | **2,753** | 11,576 |
| Income tax expense: | | | |
| Current tax expense in respect of the current period | | **(223)** | (2,467) |
| Deferred tax expense in respect of the current period | | **(2,345)** | (1,124) |
| Income tax expense | 4 | **(2,568)** | (3,591) |
| **Net profit after income tax** | | **185** | 7,985 |
| **Other comprehensive income/(expense)** | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Defined benefit plan actuarial (losses) | | **(210)** | (125) |
| Income tax relating to items that will not be reclassified subsequently | | **63** | 38 |
| | | **(147)** | (87) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | **4,873** | (3,419) |
| (Loss)/gain on cash flow hedges taken to equity | | **(1,682)** | 2,971 |
| Income tax relating to items that may be reclassified subsequently | | **490** | (871) |
| | | **3,681** | (1,319) |
| Other comprehensive income/(expense) for the period (net of tax) | | **3,534** | (1,406) |
| **Total comprehensive profit for the year** | | **3,719** | 6,579 |
| Basic earnings per share (cents) | 10 | **0.1** | 2.5 |
| Diluted earnings per share (cents) | 10 | **0.1** | 2.5 |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share ('000) | 10(a) | **322,126** | 323,781 |

| | | | |
|---|---|---|---|
| (a) Significant items included within profit before finance costs and income tax ("EBIT") | 2(b) | **(12,256)** | (5,938) |
| (b) Significant items included within finance costs | 2(b) | **(2,333)** | (35) |
| Total significant items | | **(14,589)** | (5,973) |
| EBIT excluding significant items | | **23,275** | 26,352 |

# Statement of financial position

PMP Limited and its controlled entities
ABN 39 050 148 644

| YEAR ENDED 30 JUNE 2016 | NOTES | PMP Group 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 11(b) | **54,103** | 49,529 |
| Receivables | | **96,277** | 78,833 |
| Inventories | | **85,602** | 69,769 |
| Financial assets | | **248** | 1,878 |
| Other | | **2,465** | 4,501 |
| **Total current assets** | | **238,695** | 204,510 |
| **Non-current assets** | | | |
| Property, plant and equipment | | **155,944** | 178,857 |
| Deferred tax assets | | **49,335** | 52,793 |
| Goodwill and intangible assets | | **27,514** | 26,842 |
| Financial assets | | **2,381** | 2,360 |
| Other | | **3,072** | 4,093 |
| **Total non-current assets** | | **238,246** | 264,945 |
| **Total assets** | | **476,941** | 469,455 |
| **Current liabilities** | | | |
| Payables | | **139,371** | 107,487 |
| Interest bearing liabilities - financial institutions | 5(a) | **2,518** | 2,309 |
| Income tax payable | | **12** | 13 |
| Financial liabilities | | **1,093** | 150 |
| Provisions | | **18,009** | 18,558 |
| **Total current liabilities** | | **161,003** | 128,517 |
| **Non-current liabilities** | | | |
| Interest bearing liabilities - financial institutions | 5(b) | **51,988** | 64,355 |
| Deferred tax liabilities | | **-** | 1,845 |
| Financial liabilities | | **12** | - |
| Provisions | | **4,519** | 4,197 |
| **Total non-current liabilities** | | **56,519** | 70,397 |
| **Total liabilities** | | **217,522** | 198,914 |
| **Net assets** | | **259,419** | 270,541 |
| **Equity** | | | |
| Contributed equity | 6 | **353,227** | 356,035 |
| Reserves | 7 | **12,063** | 8,596 |
| Accumulated losses | | **(105,871)** | (94,090) |
| **Total equity** | | **259,419** | 270,541 |

# Statement of cash flows

PMP Limited and its controlled entities
ABN 39 050 148 644

| YEAR ENDED 30 JUNE 2016 | NOTES | PMP Group 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **881,959** | 907,387 |
| Payments to suppliers and employees | | **(842,695)** | (866,476) |
| Fee for early termination of corporate bond | 2(b), 3 | **(1,500)** | - |
| Interest rate swap close out costs | 3 | **-** | (190) |
| Interest received | | **787** | 500 |
| Interest and other costs of finance paid | | **(6,520)** | (8,074) |
| Income tax (paid)/received | | **(8)** | 12 |
| **Net cash flow from operating activities** | 11(a) | **32,023** | 33,159 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(4,232)** | (5,414) |
| Proceeds from sale of property, plant and equipment | | **2,398** | 8,399 |
| Payments for development costs and licences | | **-** | (78) |
| **Net cash flow (used in)/provided by investing activities** | | **(1,834)** | 2,907 |
| **Cash flows from financing activities** | | | |
| Repayment of corporate bond | 5 | **(50,000)** | - |
| Repayments of borrowings | | **(2,441)** | (15,056) |
| Proceeds from corporate bond | 5 | **40,000** | - |
| Dividends paid to company's shareholders | 8 | **(9,715)** | - |
| Payment for share buy-back | 6 | **(4,141)** | - |
| Payment of finance lease liabilities | | **-** | (18) |
| **Net cash flow used in financing activities** | | **(26,297)** | (15,074) |
| Net increase in cash held | | **3,892** | 20,992 |
| Cash at the beginning of the financial year | | **49,529** | 28,745 |
| Effects of exchange rate changes on cash | | **682** | (208) |
| **Cash at the end of the financial year** | 11(b) | **54,103** | 49,529 |

# Statement of changes in equity

PMP Limited and its controlled entities
ABN 39 050 148 644

**YEAR ENDED 30 JUNE 2016**

| | 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 2014** | 356,035 | (100,698) | 10,037 | 1,278 | (1,859) | 264,793 |
| Other ^ | - | (1,488) | - | - | - | (1,488) |
| Currency translation differences | - | - | (3,419) | - | - | (3,419) |
| Cash flow hedges (net of tax) | - | - | - | - | 2,100 | 2,100 |
| Defined benefit plan (net of tax) | - | (87) | - | - | - | (87) |
| Total (expense)/income recognised directly in equity | - | (87) | (3,419) | - | 2,100 | (1,406) |
| Profit for the year | - | 7,985 | - | - | - | 7,985 |
| Total comprehensive income/(expense) for the year | - | 7,898 | (3,419) | - | 2,100 | 6,579 |
| Share-based payments | - | 198 | - | 459 | - | 657 |
| **At 30 June 2015** | **356,035** | **(94,090)** | **6,618** | **1,737** | **241** | **270,541** |
| **At 1 July 2015** | 356,035 | (94,090) | 6,618 | 1,737 | 241 | 270,541 |
| Currency translation differences | - | - | 4,873 | - | - | 4,873 |
| Cash flow hedges (net of tax) | - | - | - | - | (1,192) | (1,192) |
| Defined benefit plan (net of tax) | - | (147) | - | - | - | (147) |
| Total income/(expense) recognised directly in equity | - | (147) | 4,873 | - | (1,192) | 3,534 |
| Profit for the year | - | 185 | - | - | - | 185 |
| Total comprehensive income/(expense) for the year | - | 38 | 4,873 | - | (1,192) | 3,719 |
| Dividends ~ | - | (9,715) | - | - | - | (9,715) |
| Share buy-back | (4,141) | - | - | - | - | (4,141) |
| Share-based payments * | 1,333 | (2,104) | - | (214) | - | (985) |
| **At 30 June 2016** | **353,227** | **(105,871)** | **11,491** | **1,523** | **(951)** | **259,419** |

~ 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, the dividend reserve has a balance of $40.6 million at 30 June 2016.

* On 25 August 2015, the performance rights issued in October 2012 to the CEO and eligible executives were exercised. The vested rights were settled 50% by cash and 50% by the issue of 2.487 million shares for $1.333 million. The difference of ($2.104) million between the amount provided in the share-based payment reserve and settlement of the vested rights was transferred to accumulated losses, in accordance with accounting standards.

^ GST asset $1.5 million from prior period no longer recoverable. This has been taken as an adjustment to opening accumulated losses and accounts payable.

# Notes to the consolidated financial statements

PMP Limited and its controlled entities
ABN 39 050 148 644

**YEAR ENDED 30 JUNE 2016**

**Notes to the consolidated financial statements**


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## 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 2015 financial report of PMP Limited together with any public announcements made by PMP Limited during the financial year ended 30 June 2016.

**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').

## 1 Summary of significant accounting policies (continued)

**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 2016.

**Changes in accounting policies**

*AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'*

This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that standard to be effectively withdrawn.

The Group has no transactions that would be affected by this new amendment.

**Standards and interpretations issued not yet adopted**

*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 not applicable until 1 January 2018 but is available for early adoption. The Group has not yet assessed its impact and has not yet decided when to adopt AASB 9.

*AASB 15 Revenue from contracts with customers* establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. The standard is not applicable until 1 January 2018 but is available for early adoption. The Group has not yet assessed its impact and has not yet decided when to adopt AASB 15.

*AASB 16 Leases* introduces a new accounting model for leases that requires leasees 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. 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. The standard includes better guidance on identifying whether a contract contains a lease and requires enhanced disclosures. AASB 16 is not applicable until 1 January 2019 but is available for early adoption but only if AASB 15 *Revenue from contracts with customers* is also applied. The Group has not yet assessed its impact and has not yet decided when to adopt AASB 16.

### 1 Summary of significant accounting policies (continued)

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 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' and AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15' | 1 January 2018 | 30 June 2019 |
| AASB 16 'Leases' | 1 January 2019 | 30 June 2020 |
| AASB 2014-4 'Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation' | 1 January 2016 | 30 June 2017 |
| AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle' | 1 January 2016 | 30 June 2017 |
| AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101' | 1 January 2016 | 30 June 2017 |
| AASB 2016-1 'Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses' | 1 January 2017 | 30 June 2018 |
| AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107' | 1 January 2017 | 30 June 2018 |

At the date of issue of the preliminary final report, the following IASB Standards and IFRIC Interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) 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 |
|---|---|---|
| Classification and Measurement of Share-based Payment Transactions (Amendment to IFRS 2) | 1 January 2018 | 30 June 2019 |

**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. An estimation of the recoverable amount of cash generating units is made by using a value in use model or fair value less costs of disposal. 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.

## 1 Summary of significant accounting policies (continued)

**Critical accounting estimates, assumptions and judgements (continued)**

(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.

Tax losses in Australia have increased from $0.5 million in 2015 to $1.8 million for the year to 30 June 2016 mainly due to the lower net profit after income tax, and the reversal of prior year temporary differences (including tax losses on the sale of previously impaired plant). The Directors consider it prudent to not recognise $18.1 million of tax losses (equating to prior year Australian tax losses of $16.3 million and $1.8 million forecast 2016 Australian tax losses). Despite the non-recognition of these losses on the balance sheet, 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.

The Directors believe the Australian deferred tax asset value of $34.8 million, attributable to tax losses, is supportable given the level of redundancy costs incurred in the previous years are not expected to reoccur and PMP is forecasting future tax profits from the 2017 financial year onwards, making it probable that the tax losses will be recouped over a period of 6 to 7 years (as with 2015). This position will be reassessed on an ongoing basis.

The New Zealand deferred tax asset value of $3.4 million, attributable to tax losses (which were partly recouped this year), are expected to be fully recouped over a period of 2 years.

(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 consolidated financial statements

PMP Limited and its controlled entities
ABN 39 050 148 644

| YEAR ENDED 30 JUNE 2016 | NOTES | PMP Group 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **2a Revenue** | | | |
| Sales revenue | | **815,979** | 811,682 |
| **Included in profit before income tax are the following items of other revenue:** | | | |
| Other income - external | | **2,740** | 2,086 |
| Rental income | | **613** | 1,931 |
| Net gain on disposal of property | 2(b), 2(c) | **-** | 3,650 |
| Net (loss) on disposal of plant and equipment | 2(c) | **-** | (11) |
| Interest income | 3 | **784** | 500 |
| Total other revenue | | **4,137** | 8,156 |
| **Total revenue** | 9 | **820,116** | 819,838 |

| | | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **2b Significant items** | | | |
| **Included in net profit after income tax are the following significant items of revenue and expense:** | | | |
| Gain on disposal of property * | 2(a) | **-** | (3,650) |
| Net loss/(gain) on disposal of plant and equipment and non-current assets classified as held for sale | | **224** | (13) |
| Restructure initiatives and other one off costs | | **8,368** | 9,018 |
| (Reversal)/impairment of plant and equipment due to restructure initiatives | 2(c) | **(230)** | 583 |
| Impairment of Dick Smith trade receivable | 2(c) | **3,894** | - |
| Fee for early termination of corporate bond | 3 | **1,500** | - |
| Finance cost interest rate swap unwind | 3 | **-** | 35 |
| Write off of prepaid finance costs | 3 | **833** | - |
| **Aggregate significant items (included in profit before interest and tax)** | | **14,589** | 5,973 |
| Tax benefit associated with significant items | | **4,671** | 2,342 |
| Adjustment of prior year losses not recognised to actual | | **111** | - |
| Tax losses not brought to account | | **(1,841)** | (472) |
| **Tax benefit** | | **2,941** | 1,870 |

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

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Sales revenue | **350** | - |
| Other revenue | **-** | (3,663) |
| Employee expenses | **5,707** | 5,654 |
| Freight | **91** | - |
| Repairs and maintenance | **-** | 956 |
| Occupancy costs | **-** | 2,013 |
| Other expenses | **6,108** | 978 |
| Finance costs | **2,333** | 35 |
| | **14,589** | 5,973 |

* Gain on disposal of property is related to sale and lease-back transactions during the financial year ended 30 June 2015.

# Notes to the consolidated financial statements

PMP Limited and its controlled entities
ABN 39 050 148 644

| YEAR ENDED 30 JUNE 2016 | NOTES | PMP Group 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **2c Profit before income tax** | | | |
| **Profit before income tax is arrived at after charging/(crediting) the following items:** | | | |
| Lease rental expenses - operating leases | | **21,288** | 21,511 |
| Net foreign exchange gain | | **(49)** | (33) |
| Share-based payment plans | 7 | **468** | 799 |
| Net loss/(gain) on disposal of property, plant and equipment | | **256** | (3,639) |
| (Reversal)/impairment of plant and equipment | 2(b) | **(230)** | 583 |
| Impairment of Dick Smith trade receivable | 2(b) | **3,894** | - |
| Bad debt provision movement | | **(96)** | (114) |

| | | 2016 $ | 2015 $ |
|---|---|---|---|
| **2d Auditors' remuneration** | | | |
| **Auditing the accounts** | | | |
| Chief entity auditors: | Deloitte Touche Tohmatsu | **376,698** | 370,736 |
| **Other services** | | | |
| Deloitte Touche Tohmatsu: | Taxation and related advisory services | **147,795** | 142,125 |
| **Total auditors' remuneration** | | **524,493** | 512,861 |

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **2e Depreciation and amortisation** | | |
| **Depreciation** | | |
| Leasehold improvements | **1,027** | 955 |
| Plant and equipment | **26,093** | 29,998 |
| Leased plant and equipment | **-** | 15 |
| Total depreciation | **27,120** | 30,968 |
| **Amortisation** | | |
| Development and licence costs | **794** | 779 |
| Total amortisation | **794** | 779 |
| **Total depreciation and amortisation** | **27,914** | 31,747 |

| | | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **3 Finance costs** | | | |
| Interest expense: | | | |
| Bank loans and overdraft | | **6,026** | 8,969 |
| Unwind of discount on long term provisions | | **29** | 12 |
| Finance lease charges | | **-** | 1 |
| Total interest expense | | **6,055** | 8,982 |
| Fee for early termination of corporate bond | 2(b) | **1,500** | - |
| Write off of prepaid finance costs | 2(b) | **833** | - |
| (Gain) on interest rate swaps - realised | | **(122)** | - |
| (Gain) on interest rate swaps - unrealised | | **-** | (179) |
| (Gain) on swaps closed out - realised | 2(b) | **-** | (155) |
| Interest rate swap close out costs | 2(b) | **-** | 190 |
| **Total finance costs** | | **8,266** | 8,838 |
| Interest income | 2(a) | **(784)** | (500) |
| **Net finance costs** | | **7,482** | 8,338 |

| YEAR ENDED 30 JUNE 2016 | PMP Group 2016 $'000 | 2015 $'000 |
|---|---|---|

## 4 Income tax

### (a) Reconciliation of income tax expense

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Profit before income tax | **2,753** | 11,576 |
| Prima facie income tax expense thereon at 30% (2015: 30%) | **826** | 3,473 |
| Tax effect of non temporary and other differences: | | |
| Non assessable income | **-** | (714) |
| Effect of differences in overseas tax rate | **(136)** | (240) |
| Income tax (over) provided in previous year | **(72)** | (140) |
| Non deductible items for tax purposes | **545** | 740 |
| Tax deductible items not in profit | **(436)** | - |
| Benefit of tax losses not brought to account | **1,841** | 472 |
| **Income tax expense attributable to profit** | **2,568** | 3,591 |
| **Major component of income tax expense:** | | |
| Current tax expense | **223** | 2,467 |
| Deferred tax expense | **2,345** | 1,124 |
| **Income tax expense attributable to profit** | **2,568** | 3,591 |

### (b) Deferred tax assets and deferred tax liabilities

At 30 June 2016 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 (2015: $nil).

### (c) Franking credits

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| The amount of franking credits available are: | | |
| Franking account balance as at the end of the financial year at 30% (2015: 30%) | **-** | 1,256 |
| Franking debits that will arise from the dividends declared subsequent to balance date but not recognised as a distribution to equity holders during the period | **-** | (1,256) |
| **Franking account balance** | **-** | - |

### (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 CY | $'000 Tax effected |
|---|---|---|
| Revenue losses | 60,188 | 18,056 |
| Capital losses | 287,293 | 86,188 |

The benefit of these revenue losses has not been brought to account as realisation is not probable within 6 -7 years, refer to Note 1 for 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 consolidated financial statements

PMP Limited and its controlled entities
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| YEAR ENDED 30 JUNE 2016 | | PMP Group 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **5 Interest bearing liabilities** | | | |
| **(a) Current interest bearing liabilities - financial institutions** | | | |
| **Secured** | | | |
| Bank loans - repayable in: | Euros* | **2,968** | 2,887 |
| **Other** | | | |
| Prepaid finance costs | | **(450)** | (578) |
| **Total current interest bearing liabilities - financial institutions** | | **2,518** | 2,309 |
| **(b) Non-current interest bearing liabilities - financial institutions** | | | |
| **Secured** | | | |
| Bank loans - repayable in: | Euros* | **13,353** | 15,878 |
| **Unsecured** | | | |
| Corporate bond | | **40,000** | 50,000 |
| **Other** | | | |
| Prepaid finance costs | | **(1,365)** | (1,523) |
| **Total non-current interest bearing liabilities - financial institutions** | | **51,988** | 64,355 |

* Represents Euro denominated loan of 10.9 million (2015: Euro 12.9 million) measured at the exchange rate prevailing at balance date.

**(c) Interest bearing liabilities - facility details**

| Facility details: | Facility $'000s | Drawn $'000s | Available $'000s |
|---|---|---|---|
| **2016** | | | |
| **Secured** | | | |
| Overdraft facility | **9,793** | **-** | **9,793** |
| Export finance facility * | **16,321** | **16,321** | **-** |
| **Unsecured** | | | |
| Corporate Bond | **40,000** | **40,000** | **-** |
| **Total facilities** | **66,114** | **56,321** | **9,793** |
| **2015** | | | |
| **Secured** | | | |
| Overdraft facility | 14,467 | - | 14,467 |
| Revolving facility | 533 | - | 533 |
| Export finance facility * | 18,765 | 18,765 | - |
| **Unsecured** | | | |
| Corporate Bond | 50,000 | 50,000 | - |
| Total facilities | 83,765 | 68,765 | 15,000 |

* 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 are subject to annual reviews with next review due by 4 February 2017. 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 Debt/EBITDA ratio and a minimum Fixed Charge Ratio. The facilities are 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 loan agreement in February 2013, secured against an offset rotary press. As at 30 June 2016, this loan was fully drawn and after amortisation payments had a balance of Euro 10.9 million. This facility has a maturity date of 30 September 2021 with semi-annual amortisations. The lender is Commerzbank AG.

PMP issued an unsecured $40 million corporate bond on 17 September 2015 replacing the previous $50 million corporate bond which has been repaid. This new 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.

### (e) Net debt

PMP has taken out a cross currency swap to exchange the Euro 10.9 million (2015: Euro 12.9 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 $13.4 million (2015: $15.9 million) has been used.

| | PMP Group | |
|---|---|---|
| | **2016 $'000** | 2015 $'000 |
| Cash | **(54,103)** | (49,529) |
| Corporate Bond - repayable in Australian dollars | **40,000** | 50,000 |
| Bank loans - repayable in Euros - measured at the exchange rate prevailing at balance date | **16,321** | 18,765 |
| Cross currency swap revaluation - adjusted to measure the loan at the hedged fixed rate of the Australian obligation | **(2,894)** | (2,897) |
| **Net (cash)/debt** | **(676)** | 16,339 |

# Notes to the consolidated financial statements

PMP Limited and its controlled entities
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**YEAR ENDED 30 JUNE 2016**

## 6 Contributed equity

**Issued and paid up capital**

| Movements in ordinary share capital: | NOTES | 2016 Number '000 | 2015 Number '000 | PMP Group 2016 $'000 | PMP Group 2015 $'000 |
|---|---|---|---|---|---|
| Balance as at 1 July - ordinary shares | | **323,781** | 323,781 | **356,035** | 356,035 |
| Share movements in respect of: | | | | | |
| - Share-based payments | | **2,487** | - | **1,333** | - |
| - Share buy-back | | **(8,096)** | - | **(4,141)** | - |
| **Balance at 30 June - ordinary shares** | | **318,172** | 323,781 | **353,227** | 356,035 |

As at 25 August 2015, following the announcement of the result to 30 June 2015 to the ASX, the performance rights issued in October 2012 to the CEO and eligible executives under the PMP Long Term Incentive Plan were exercised. Half of the vested rights were cash settled and half were settled via the issue of 2,486,565 shares. These shares were subject to a six month holding lock.

On 17 September 2015, PMP announced its intention to undertake an on-market buy-back from 23 November 2015 to 30 June 2016. The maximum number of shares that could be bought back would equate to $8.1 million. During this period 8,095,974 shares were bought back which equated to $4.1 million. All shares bought back were cancelled.

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 2016 $'000 | PMP Group 2015 $'000 |
|---|---|---|---|
| **Foreign currency translation reserve** | | | |
| Opening balance | | **6,618** | 10,037 |
| Movement in reserve relating to: | | | |
| - Exchange fluctuation on translation of overseas controlled entities | | **4,873** | (3,419) |
| Total foreign currency translation reserve | | **11,491** | 6,618 |
| **Share-based payment reserve** | | | |
| Opening balance | | **1,737** | 1,278 |
| Movement in reserve relating to: | | | |
| - Share-based payment expense | 2(c) | **468** | 799 |
| - Issue of shares on exercise | | **(1,333)** | - |
| - Cash paid on exercise | | **(1,333)** | - |
| - Transfer to accumulated losses | | **2,104** | (198) |
| - Purchase of shares | | **(120)** | (142) |
| Total share-based payment reserve | | **1,523** | 1,737 |
| **Cash flow hedge reserve** | | | |
| Opening balance | | **241** | (1,859) |
| Movement in reserve relating to: | | | |
| - Cash flow hedge | | **(1,682)** | 2,971 |
| - Tax effect of cash flow hedge net loss/(gain) | | **490** | (871) |
| Total cash flow hedge reserve | | **(951)** | 241 |
| **Total reserves** | | **12,063** | 8,596 |

## 8 Dividends

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Final dividend** | | |
| Final dividend for the year ended 30 June 2015 of 1.8 cents, 50% franked paid on 6 October 2015 | **5,873** | - |
| **Interim dividend** | | |
| Interim dividend for the year ended 30 June 2016 of 1.2 cents (2015: $nil cents), unfranked paid on 6 April 2016 | **3,842** | - |
| **Total dividends declared** | **9,715** | - |

## 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 groups similar operations or geographic locations.

PMP Australia includes all of the Print businesses in Australia namely, Heatset and Griffin Press and also includes Distribution and Digital Premedia. Gordon and Gotch (G&G) includes magazine distribution businesses in Australia. 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**

| | PMP Australia (excl. G&G) | | Gordon and Gotch Australia | | New Zealand | | Corporate | | Elimination | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 |
| **Revenue** | | | | | | | | | | | | |
| Sales revenue | **334,989** | 392,281 | **345,763** | 268,485 | **135,577** | 150,916 | **-** | - | **-** | - | **816,329** | 811,682 |
| Sales revenue significant item | **(350)** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(350)** | - |
| Other revenue | **-** | 31 | **2,547** | 2,034 | **993** | 636 | **597** | 1,788 | **-** | - | **4,137** | 4,489 |
| Other revenue significant item | **-** | - | **-** | - | **-** | 3,667 | **-** | - | **-** | - | **-** | 3,667 |
| Total revenue | **334,639** | 392,312 | **348,310** | 270,519 | **136,570** | 155,219 | **597** | 1,788 | **-** | - | **820,116** | 819,838 |
| EBITDA* before significant items | **37,058** | 41,318 | **2,861** | 3,475 | **14,995** | 18,564 | **(3,725)** | (5,258) | **-** | - | **51,189** | 58,099 |
| Depreciation and amortisation | **(20,602)** | (23,229) | **(512)** | (466) | **(6,426)** | (7,439) | **(374)** | (613) | **-** | - | **(27,914)** | (31,747) |
| EBIT~ before significant items | **16,456** | 18,089 | **2,349** | 3,009 | **8,569** | 11,125 | **(4,099)** | (5,871) | **-** | - | **23,275** | 26,352 |
| Significant items before income tax | **(9,639)** | (8,360) | **(813)** | (66) | **(1,464)** | 2,807 | **(340)** | (319) | **-** | - | **(12,256)** | (5,938) |
| **Segment EBIT after significant items** | **6,817** | 9,729 | **1,536** | 2,943 | **7,105** | 13,932 | **(4,439)** | (6,190) | **-** | - | **11,019** | 20,414 |
| Significant items - Finance costs | | | | | | | | | | | **(2,333)** | (35) |
| Finance costs | | | | | | | | | | | **(5,933)** | (8,803) |
| Consolidated entity profit before income tax | | | | | | | | | | | **2,753** | 11,576 |
| Income tax (expense) | | | | | | | | | | | **(2,568)** | (3,591) |
| **Net profit after income tax** | | | | | | | | | | | **185** | 7,985 |

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

**YEAR ENDED 30 JUNE 2016**

### 9 Segmental information (continued)

#### (b) Significant items by operating segments

| | PMP Australia (excl. G&G) | | Gordon and Gotch Australia | | New Zealand | | Corporate | | Elimination | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 |
| **Significant items of revenue** | | | | | | | | | | | | |
| Sales revenue | **(350)** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(350)** | - |
| Gain on disposal of plant and equipment, and non-current assets classified as held for sale | **-** | - | **-** | - | **-** | 17 | **-** | - | **-** | - | **-** | 17 |
| Gain on disposal of property | **-** | - | **-** | - | **-** | 3,650 | **-** | - | **-** | - | **-** | 3,650 |
| **Total segment significant items of revenue** | **(350)** | - | **-** | - | **-** | 3,667 | **-** | - | **-** | - | **(350)** | 3,667 |
| **Significant items of expense** | | | | | | | | | | | | |
| Restructure initiatives and other one off costs | **(5,814)** | (7,773) | **(813)** | (66) | **(1,051)** | (860) | **(340)** | (319) | **-** | - | **(8,018)** | (9,018) |
| Loss on disposal of plant and equipment | **(224)** | (4) | **-** | - | **-** | - | **-** | - | **-** | - | **(224)** | (4) |
| Impairment of Dick Smith trade receivable | **(3,251)** | - | **-** | - | **(643)** | - | **-** | - | **-** | - | **(3,894)** | - |
| Reversal/(impairment of) plant and equipment due to restructure initiatives | **-** | (583) | **-** | - | **230** | - | **-** | - | **-** | - | **230** | (583) |
| **Total segment significant items of expense** | **(9,289)** | (8,360) | **(813)** | (66) | **(1,464)** | (860) | **(340)** | (319) | **-** | - | **(11,906)** | (9,605) |
| **Total segment significant items before income tax** | **(9,639)** | (8,360) | **(813)** | (66) | **(1,464)** | 2,807 | **(340)** | (319) | **-** | - | **(12,256)** | (5,938) |
| **Significant items - finance costs** | | | | | | | | | | | | |
| Finance costs | **-** | - | **-** | - | **-** | - | **(2,333)** | (35) | **-** | - | **(2,333)** | (35) |
| **Total significant items - finance costs** | **-** | - | **-** | - | **-** | - | **(2,333)** | (35) | **-** | - | **(2,333)** | (35) |

## 9 Segmental information (continued)

### (c) Other segment information

**Geographic Segments**

| | Australia | | New Zealand | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 |
| Sales revenue | **680,752** | 660,766 | **135,577** | 150,916 | **816,329** | 811,682 |
| Sales revenue significant item | **(350)** | - | **-** | - | **(350)** | - |
| Other revenue | **3,144** | 3,853 | **993** | 636 | **4,137** | 4,489 |
| Other revenue significant items | **-** | - | **-** | 3,667 | **-** | 3,667 |
| **Total revenue** | **683,546** | 664,619 | **136,570** | 155,219 | **820,116** | 819,838 |
| **Non-current assets** (excluding deferred tax assets and defined benefit plan asset) | **134,866** | 156,300 | **52,358** | 54,041 | **187,224** | 210,341 |

## 10 Earnings per share

| | 2016 Number '000 | 2015 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 | **322,126** | 323,781 |
| Effect of dilutive securities: | | |
| Share rights* | **5,960** | - |
| Weighted average number of shares used in the calculation of diluted earnings per share | **328,086** | 323,781 |

* The weighted average number of exercised/lapsed share rights included is nil (2015: nil).

2,409,108 rights outstanding as at 30 June 2016 are considered anti-dilutive and excluded from the calculation of diluted earnings per share at 30 June 2016 (2015: 11,946,631). These rights could potentially dilute basic earnings per share in the future.

### (b) Earnings

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Net profit after income tax | **185** | 7,985 |
| Profit used in calculating basic and diluted earnings per share | **185** | 7,985 |

# Notes to the consolidated financial statements

PMP Limited and its controlled entities
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| YEAR ENDED 30 JUNE 2016 | | NOTES | PMP Group 2016 $'000 | 2015 $'000 |
|---|---|---|---|---|
| **11 Cash flow statement notes** | | | | |
| **(a) Reconciliation of cash flow from operating activities to operating profit after income tax** | | | | |
| Operating profit after income tax | | | **185** | 7,985 |
| Adjustments for non-cash items: | | | | |
| Depreciation | | 2(e) | **27,120** | 30,968 |
| Amortisation | | 2(e) | **794** | 779 |
| (Reversal)/impairment of plant and equipment | | 2(b), 2(c) | **(230)** | 583 |
| (Credit)/Provision for doubtful debts/bad debts written off | | | **(976)** | 1,115 |
| Movement in provision for tax | | | **(1)** | (7) |
| Net loss/(gain) on disposal of property, plant and equipment | | 2(c) | **256** | (3,639) |
| Share-based payment plans | | 2(c), 7 | **468** | 799 |
| Non cash superannuation expense | | | **200** | 251 |
| Other non cash items | | | **181** | (5,643) |
| Change in assets and liabilities: | | | | |
| Accounts receivable | Decrease/(Increase) | | **(16,468)** | 7,407 |
| Inventories | Decrease/(Increase) | | **(15,833)** | 5,279 |
| Liabilities | (Decrease)/Increase | | **30,106** | (20,500) |
| Non-current assets | Decrease/(Increase) | | **4,355** | 5,374 |
| Provision for employee benefits | (Decrease)/Increase | | **(170)** | (349) |
| Prepayments | Decrease/(Increase) | | **2,036** | 2,757 |
| **Net cash flow from operating activities** | | | **32,023** | 33,159 |

**(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 2016 $'000 | 2015 $'000 |
|---|---|---|
| Cash and cash equivalents | **54,103** | 49,529 |
| **Total cash and cash equivalents** | **54,103** | 49,529 |

# Notes to the consolidated financial statements

PMP Limited and its controlled entities
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**YEAR ENDED 30 JUNE 2016**

## 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 2016.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition of fair value, grouped into Level(s) 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 or indirectly; and
- Level 3 inputs for the asset or liability that are not based on observable market data

| | As at 30 June 2016 | | | |
|---|---|---|---|---|
| | **Level 1 $000** | **Level 2 $000** | **Level 3 $000** | **Total $000** |
| **Financial derivatives being hedge accounted** | | | | |
| Forward Foreign Exchange Contracts | **-** | **(1,056)** | **-** | **(1,056)** |
| Cross Currency Swaps | **-** | **2,580** | **-** | **2,580** |
| **Total financial derivatives** | **-** | **1,524** | **-** | **1,524** |

| | As at 30 June 2015 | | | |
|---|---|---|---|---|
| | **Level 1 $000** | **Level 2 $000** | **Level 3 $000** | **Total $000** |
| **Financial derivatives being hedge accounted** | | | | |
| Forward Foreign Exchange Contracts | - | 1,787 | - | 1,787 |
| Cross Currency Swaps | - | 2,423 | - | 2,423 |
| **Financial derivatives at fair value through profit or loss** | | | | |
| Interest Rate Swaps | - | (122) | - | (122) |
| **Total financial derivatives** | - | 4,088 | - | 4,088 |

## 13 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 a Deed of Guarantee and class order number 98/1418 issued by the Australian Securities and Investments Commission, which provides relief from the requirement to prepare statutory financial statements.

**Related bodies corporate:**

- PMP has guaranteed the borrowings of PMP Finance Pty Limited and PMP (NZ) Limited to facilitate group 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.

## 14 Subsequent events

Since the balance date, the Directors have declared a final dividend of 2.4 cents per fully paid ordinary share, unfranked. The aggregate amount of the proposed dividend expected to be paid on the 7 October 2016, but not recognised as a liability at 30 June 2016, is $7.7 million.

Other than the matter raised above, the Directors are not aware of any matters or circumstance arising since balance date not otherwise dealt with in this report or the consolidated 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.