Appendix 4D (rule 4.2A.3)

HALF-YEAR FINANCIAL STATEMENTS
31 December 2018

Results for announcement to the market

Extracts from this report for announcement to the market.

Change of Company Name

At the Annual General Meeting held on 22 November 2018, it was resolved to change the Company name from 'PMP Limited' to 'Ovato Limited'. The name change was effective from 7 February 2019. The Company's ASX code changed from PMP to OVT.

Revenue and net profit

		Percentage Change %		Amount $'000
Sales revenue	up/(down)	(9.2%)	to	362,976
Total revenue	up/(down)	(9.5%)	to	368,690
EBITDA (excluding significant items)	up/(down)	(7.7%)	to	18,628
EBITDA (including significant items)	up/(down)	-	to	11,290
Net loss for the period	up/(down)	44.4%	to	(10,865)

Dividends

No dividend was declared or paid during the half-year ended 31 December 2018.

Brief explanation of results

For the six months ended 31 December 2018, Ovato made a statutory loss of $10.9 million versus $19.5 million in the prior period. A $1.6 million decrease in EBITDA (before significant items) from $37 million lower sales was offset by a $7.6 million decrease in depreciation and significant items and a $2.6 million decrease in income tax.

For the six months ended 31 December 2018, Ovato's EBITDA from operations (before significant items) was $18.6 million, compared to an EBITDA of $20.2 million in the prior period, a decrease of $1.6 million or 7.7%. This was primarily due to higher EBITDA at Ovato Print Group Australia up $3.7 million and Ovato Retail Distribution Australia up $1.6 million (formerly Gordon & Gotch Australia) being offset by Ovato NZ down $4.1 million and Ovato Residential Distribution Australia (formerly Distribution Australia) down $1.3 million. Corporate cost were up $1.2 million on the previous corresponding period ("pcp").

Ovato Print Group Australia sales at $213.0 million were down $31.7 million with $32.3 million lower heatset sales and a $0.6 million increase at Ovato Book Printing revenues (formerly Griffin Press). EBITDA (before significant items) at $13.2 million was up $3.7 million of which $3.0 million was at Ovato Print Australia (heatset) as lower operational costs offset the impact from lower volumes. Ovato Book Printing EBITDA (before significant items) was $0.7 million higher pcp on higher sales and lower costs.

Ovato New Zealand EBITDA (before significant items) of $3.5 million, was down $4.1 million on prior period. While the non-print and sheetfed print businesses were broadly flat pcp, Ovato Print NZ EBITDA was down due to the heatset business. While heatset volumes were in line with pcp, there were a number of major contract renewals at lower sell prices, and higher paper prices were not able to be fully recouped.

Ovato Marketing Services Australia EBITDA (before significant items) of $4.3 million, was up $1.3 million on prior period, due to higher profits at Ovato Retail Distribution Australia as higher price/mix and lower costs offset lower volumes.

Ovato Residential Distribution Australia EBITDA (before significant items) of $1.3 million, was down $1.3 million on prior period, as reduced volumes from existing customers and lower sell prices in a competitive market offset cost savings.

Cashflow from operations at minus $3.5 million was $9.5 million better than the pcp as $7.9 million of lower significant items and favourable outcomes for working capital movements offset higher interest expense and lower EBITDA.

Net debt at 31 December 2018 was $41.4 million, $8.7 million higher compared to 31 December 2017. Net debt to EBITDA (before significant items) rose from 0.8 times to 1.1 times, with interest cover decreasing from 5.6 times at 31 December 2017 to 5.2 times. A bond refinance of $40 million occurred in November 2018.

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

Net tangible assets per security	December 2018 $	December 2017 $
Net tangible assets per security	0.31	0.38

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.

Ovato Limited
(formerly PMP Limited)

ABN 39 050 148 644

HALF-YEAR FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

Ovato Limited

(formerly PMP Limited)

ABN 39 050 148 644

HALF-YEAR FINANCIAL STATEMENTS
31 December 2018

Contents

Directors' Report

For the half-year ended 31 December 2018.

The Board of Directors of Ovato Limited ("Ovato") submit their report including the condensed consolidated statement of financial position of the economic entity ("Group") at 31 December 2018, and related statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the half-year ("the period") then ended and report as follows:

DIRECTORS

The following persons were Directors of Ovato during the half-year and up to the date of this report:

Matthew Bickford-Smith (Chairman)

Kevin Slaven

Dhun Karai

Michael Hannan

Terry Sinclair

Wai Tang

Andrew McMaster (appointed 5 October 2018)

REVIEW OF OPERATIONS

Sales at $363.0 million were down by $37 million or 9.2% on the previous corresponding period ("pcp") mostly due to a $31.7 million fall in revenues at Ovato Print Group Australia from lost customers and lower volumes with existing newspaper and magazine customers. In addition, sales at Ovato Residential Distribution (formerly Distribution Australia) were $3.1 million lower and at Ovato NZ sales reduced $1.8 million.

Revenues at Ovato Print Group Australia were $213.0 million, down 12.9% or $31.7 million lower from $14 million of lost contracts (catalogues and magazines) and $13 million of lower magazine and newspaper volumes from existing customers impacted by the weaker real estate market. Importantly, tier 1 existing customer catalogue volumes have remained flat pcp. Ovato Book Printing sales (was Griffin Press) were $0.6 million higher than pcp.

Ovato Residential Distribution Australia sales at $43.1 million were down $3.1 million or 6.7% as mostly due to lower volumes from existing customers while new business outweighed losses. Unaddressed volumes in H1 FY19 were 3.1% lower on pcp vs industry down by 7.5%. Newspaper real estate related volumes were 7% lower than pcp.

Ovato Marketing Services Australia sales at $44.3 million were down by $0.4 million or 0.8% mainly due to lower sales at Ovato Retail Distribution Australia (formerly Gordon & Gotch Australia) down $0.6 million or 2.1% as favourable sell price/mix was offset by lower volumes, down 8% pcp.

Ovato New Zealand revenues at $62.6 million were down $1.8 million or 2.8% pcp mainly due to lower heatset sell prices and magazine distribution revenues. Heatset volumes, Sheetfed sales and Distribution revenues were broadly in line year on year.

For the six months ended 31 December 2018, Ovato's EBITDA from operations (before significant items) was $18.6 million, compared to an EBITDA of $20.2 million in the prior period, a decrease of $1.6 million or 7.7%. While Ovato Print Group Australia was up $3.7 million or 38.7% and Ovato Retail Distribution Australia rose by $1.6 million this was offset by Ovato NZ down $4.1 million and Ovato Residential Distribution Australia $1.3 million lower and Corporate costs were up $1.2 million.

Ovato Print Group Australia EBITDA (before significant items) at $13.2 million was up $3.7 million or 38.7%. Heatset profit was up $3.0 million on pcp as operational savings around labour costs, ink, repairs and maintenance and lower headcount more than offset the impact from lower sales volumes and higher paper prices not fully recouped. Ovato Book Printing EBITDA (before significant items) was up $0.7 million pcp as volumes held and higher sell prices and lower costs more than offset higher paper prices.

Ovato Residential Distribution EBITDA (before significant items) at $1.3 million was down $1.3 million or 50.2% as operational savings were offset by lower volumes from existing customers and unfavourable price/mix. New business wins offset customer losses.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Ovato New Zealand EBITDA (before significant items) of $3.5 million, was down $4.1 million on prior period. While the non-print and sheetfed print businesses were broadly flat on pcp, NZ was down due to the performance of the heatset print business. Heatset print volumes were flat year on year as a number of major contracts were re-signed with sell price reductions due to aggressive competition. In addition higher paper prices were not able to be fully recouped.

Ovato Marketing Services Australia EBITDA (before significant items) of $4.3 million, was up $1.3 million on prior period, due to $1.6 million higher EBITDA at Ovato Retail Distribution as favourable price/mix and lower operational and administration costs offset lower volumes (down 8%).

Significant items in first half fiscal 2019 were $8.0 million (pre-tax) down $7.1 million versus prior year. The major items included labour related restructuring and press relocations.

Cashflow from operations at minus $3.5 million was $9.5 million less on pcp as lower significant items and favourable outcomes for working capital movements offset higher interest expense and lower EBITDA.

Net debt at 31 December 2018 was $41.4 million, $8.7 million higher compared to 31 December 2017. Net debt to EBITDA (before significant items) rose from 0.8 times to 1.1 times, with interest cover decreasing from 5.6 times at 31 December 2017 to 5.2 times at 31 December 2018.

A bond refinance of $40 million occurred in November 2018 and the $40 million ANZ RFF facility was extended to February 2020.

SUBSEQUENT EVENTS

At the Annual General Meeting held on 22 November 2018, it was resolved to change the Company name from 'PMP Limited' to 'Ovato Limited'. The name change was effective from 7 February 2019.

The Directors are not aware of any matter or circumstance post 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 Group, the results of those operations or the state of affairs of the Group in subsequent years.

DIVIDENDS

No dividends were declared or paid during the half-year ended 31 December 2018 (2017: Nil).

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the Audit Independence requirements of the Corporations Act 2001, the Directors have received and are satisfied with the "Auditor's Independence Declaration" provided by the Ovato Group external auditors Deloitte Touche Tohmatsu. The Auditor's Independence Declaration is included on Page 22.

ROUNDING OF AMOUNTS

Pursuant to instrument 2016/191 made by the Australian Securities and Investments Commission, the Company has rounded amounts in this report and the accompanying financial statements to the nearest thousand dollars unless specifically stated to be otherwise.

Signed in accordance with a resolution of the Directors made pursuant to s306(3) of the Corporations Act 2001.

Matthew Bickford-Smith

Matthew Bickford-Smith
Director and Chairman

Sydney, 26 February 2019

Condensed consolidated statement of profit or loss and other comprehensive income

HALF-YEAR ENDED 31 DECEMBER 2018	NOTES	CONSOLIDATED	
		Half-Year Ended 31 Dec 2018	Half-Year Ended 31 Dec 2017
		$'000	$'000
Continuing operations			
Revenues	2(i), 5	**368,690**	407,432
Expenses	2(ii)	**(372,127)**	(417,580)
Loss before finance costs and income tax		**(3,437)**	(10,148)
Finance costs	2(iv)	**(4,192)**	(3,606)
LOSS BEFORE INCOME TAX EXPENSE		**(7,629)**	(13,754)
Income tax expense	3	**(3,236)**	(5,786)
LOSS FOR THE PERIOD		**(10,865)**	(19,540)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plan actuarial (loss)/gains		**(778)**	61
Income tax relating to this item		**233**	(18)
		(545)	43
Items that may be reclassified subsequently to profit or loss			
Exchange gains/(losses) arising on translation of foreign operations		**1,557**	(1,618)
Other		-	(4)
Loss on cash flow hedges taken to equity		**(491)**	(266)
Income tax relating to these items		**139**	81
		1,205	(1,807)
Other comprehensive income/(expense) for the period (net of tax)		**660**	(1,764)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(10,205)**	(21,304)
Basic earnings per share (cents)		**(2.1)**	(3.8)
Diluted earnings per share (cents)		**(2.1)**	(3.8)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share ('000)		**510,184**	508,748

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the condensed consolidated interim financial statements set out on pages 9 to 20.

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Condensed consolidated statement of financial position

HALF-YEAR ENDED 31 DECEMBER 2018	NOTES	CONSOLIDATED		
		AS AT 31 DEC 2018	AS AT 30 JUNE 2018	AS AT 31 DEC 2017
		$'000	$'000	$'000
CURRENT ASSETS				
Cash and cash equivalents		**43,547**	54,418	41,122
Receivables		**96,284**	91,924	117,359
Inventories		**104,888**	105,015	105,509
Financial assets		**1,478**	1,470	755
Other		**7,067**	6,149	7,350
TOTAL CURRENT ASSETS		**253,264**	258,976	272,095
NON-CURRENT ASSETS				
Property, plant and equipment		**145,099**	154,299	163,310
Deferred tax assets		**60,107**	62,659	63,315
Goodwill and intangible assets		**39,099**	37,710	37,662
Financial assets		**1,612**	1,768	1,853
Other		**1,976**	2,910	2,787
TOTAL NON-CURRENT ASSETS		**247,893**	259,346	268,927
TOTAL ASSETS		**501,157**	518,322	541,022
CURRENT LIABILITIES				
Payables		**158,422**	157,502	171,785
Interest bearing liabilities	7	**5,571**	39,899	23,814
Income tax payable		**11**	5	-
Financial liabilities		**423**	121	362
Provisions		**40,324**	39,829	40,883
TOTAL CURRENT LIABILITIES		**204,751**	237,356	236,844
NON-CURRENT LIABILITIES				
Interest bearing liabilities	7	**79,278**	48,787	51,275
Provisions		**17,374**	21,737	19,120
TOTAL NON-CURRENT LIABILITIES		**96,652**	70,524	70,395
TOTAL LIABILITIES		**301,403**	307,880	307,239
NET ASSETS		**199,754**	210,442	233,783
EQUITY				
Contributed equity	6	**482,433**	482,433	482,433
Reserves		**11,384**	10,436	9,580
Accumulated losses		**(294,063)**	(282,427)	(258,230)
TOTAL EQUITY		**199,754**	210,442	233,783

The statement of financial position is to be read in conjunction with the notes to the condensed consolidated interim financial statements set out on pages 9 to 20.

Condensed consolidated statement of cash flows

HALF-YEAR ENDED 31 DECEMBER 2018	CONSOLIDATED	
	Half-Year Ended 2018 $'000	Half-Year Ended 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**620,507**	657,528
Payments to suppliers and employees	**(618,589)**	(667,811)
Fee for early termination of corporate bond	**(400)**	-
Interest received	**373**	246
Interest and other costs of finance paid	**(5,321)**	(2,878)
Income taxes paid	**(22)**	(21)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(3,452)**	(12,936)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	**(4,822)**	(3,240)
Proceeds from sale of property, plant and equipment	**-**	2,247
Payments for intellectual property and development costs	**(319)**	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(5,141)**	(993)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of corporate bond	**(40,000)**	-
Proceeds from corporate bond	**40,000**	-
Repayment of borrowings	**(14,122)**	(2,630)
Proceeds from borrowings	**11,364**	3,644
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	**(2,758)**	1,014
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(11,351)**	(12,915)
Add opening cash and cash equivalents brought forward	**54,418**	54,340
Effects of exchange rate changes on cash and cash equivalents	**480**	(303)
CLOSING CASH AND CASH EQUIVALENTS	**43,547**	41,122

The statement of cash flows is to be read in conjunction with the notes to the condensed consolidated interim financial statements set out on pages 9 to 20.

Condensed consolidated statement of changes in equity

HALF-YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED

31 DECEMBER 2018

	Attributable to owners of the Ovato Group					
	Contributed equity $'000	**Accumulated losses $'000**	**Foreign currency translation reserve $'000**	**Share-based payment reserve $'000**	**Cash flow hedge reserve $'000**	**Total equity $'000**
At 1 July 2018	**482,433**	**(282,427)**	**9,877**	**257**	**302**	**210,442**
Change in accounting policy (net of tax) ~	**-**	**(498)**	**-**	**-**	**-**	**(498)**
Restated total equity at the beginning of the financial year	**482,433**	**(282,925)**	**9,877**	**257**	**302**	**209,944**
Currency translation differences	**-**	**-**	**1,557**	**-**	**-**	**1,557**
Cash flow hedges (net of tax)	**-**	**-**	**-**	**-**	**(352)**	**(352)**
Defined benefit plan (net of tax)	**-**	**(545)**	**-**	**-**	**-**	**(545)**
Total income for the period recognised directly in equity	**-**	**(545)**	**1,557**	**-**	**(352)**	**660**
Loss for the period	**-**	**(10,865)**	**-**	**-**	**-**	**(10,865)**
Total comprehensive loss for the period	**-**	**(11,410)**	**1,557**	**-**	**(352)**	**(10,205)**
Share-based payments	**-**	**272**	**-**	**(257)**	**-**	**15**
At 31 December 2018	**482,433**	**(294,063)**	**11,434**	**-**	**(50)**	**199,754**

31 DECEMBER 2017

	Attributable to owners of the Ovato Group					
	Contributed equity $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Cash flow hedge reserve $'000	Total equity $'000
At 1 July 2017	482,819	(239,790)	11,150	849	23	255,051
Currency translation differences	-	-	(1,618)	-	-	(1,618)
Cash flow hedges (net of tax)	-	-	-	-	(185)	(185)
Other	-	(4)	-	-	-	(4)
Defined benefit plan (net of tax)	-	43	-	-	-	43
Total expense for the period recognised directly in equity	-	39	(1,618)	-	(185)	(1,764)
Loss for the period	-	(19,540)	-	-	-	(19,540)
Total comprehensive loss for the period	-	(19,501)	(1,618)	-	(185)	(21,304)
Share-based payments #	675	-	-	(639)	-	36
Prior period share-based payments adjustment	(1,061)	1,061	-	-	-	-
At 31 December 2017	482,433	(258,230)	9,532	210	(162)	233,783

~ Cumulative effect of the initial application of *AASB 9 Financial Instruments* on 1 July 2018. Refer to Changes in Accounting Policies in Note 1.

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.

The statement of changes in equity is to be read in conjunction with the notes to the condensed consolidated interim financial statements set out on pages 9 to 20.

Notes to the Financial Statements

HALF-YEAR ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL STATEMENTS

Statement of compliance

The half-year financial statements are general-purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including *AASB 134 Interim Financial Reporting* and other mandatory professional reporting requirements.

The half-year financial statements do not include all the notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements.

The half-year financial statements should be read in conjunction with Ovato Limited's annual financial statements for the year ended 30 June 2018 and any public announcements made by Ovato Limited (formerly PMP Limited) and its controlled entities during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The half-year financial statements have been prepared in accordance with the historical cost convention, except for derivative financial instruments that have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

The accounting policies applied by the Ovato Group in these half-year financial statements are consistent with those applied by the Ovato Group in the 2018 annual financial statements, except for the impact of those described below.

Where applicable, comparative balances have been reclassified to ensure consistency in presentation of the 31 December 2018 reported result. This includes an adjustment to reflect changes arising from the adoption of *AASB 15 Revenue from Contracts with Customers* on 1 July 2017*,* with a $4.8 million increase in revenue and a $4.8 million increase in expenses. Materials recycled from the manufacturing process were historically treated as a cost recovery and offset against raw materials and consumables. Consistent with the 30 June 2018 annual report, these costs have been restated to be disclosed under revenue for the half-year ended 31 December 2017. There was no impact on the loss for the period.

New accounting standards applied for the half-year

The following new standards, amendments to, or interpretation of standards have been issued which applied for the half-year ended 31 December 2018.

	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. Amendments to *AASB 2 Share-based Payment.*	1 January 2018	30 June 2019

Changes in accounting policies

Financial Instruments

AASB 9 Financial Instruments includes revised guidance on the classification and measurement of financial instruments, new general hedge accounting requirements and a new expected credit loss model for calculating impairment on financial assets. The standard is effective for annual reporting periods beginning on or after 1 January 2018. The Ovato Group has adopted AASB 9 from 1 July 2018. The adoption has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. This has arisen from the new impairment rules. Comparative figures have not been restated in accordance with the transitional provisions under the standard but adjustments have been recognised in the opening balance sheet as at 1 July 2018.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL STATEMENTS (continued)

Changes in accounting policies (continued)

Financial Instruments (continued)

The impact on the financial statements is summarised below.

i. Classification and measurement of financial assets

Under AASB 9 classification of financial assets 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.

Ovato Group has the following financial assets - cash and cash equivalents, trade and other receivables and derivative financial instruments. All assets (apart from derivatives which are measured at fair value) are held with the business purpose to collect contractual cash flows. The contractual cash flows are payments of principal and interest on the principal amount outstanding and are measured at amortised cost. The new classification requirements and measurement amendments have no impact on the Group's existing financial assets.

ii. Measurement of financial liabilities

Under AASB 9 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.

Ovato Group has the following financial liabilities - trade and other payables, interest bearing liabilities and derivative financial instruments. The new measurement requirements have no impact on the Group's existing financial liabilities.

iii. Hedge accounting

The 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 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. Ovato 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.

Under AASB 9 the type of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting has been broadened. Ovato has reviewed its risk management objectives and strategies and has not identified any new qualifying hedging instruments and hedged items.

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. The Group has assessed all its current hedging relationships and they are in alignment with the requirements of AASB 9 and qualify as continuing hedges. The Group's forward exchange contracts and cross currency swap as at 30 June 2018 qualify as cash flow hedges under AASB 9.

The treatment of forward points under AASB 9 is consistent with the Group's current policy of including the forward element of the foreign currency forward contracts in its designated hedging relationships.

Foreign currency basis spread is excluded for Ovato's Euro/AUD cross currency swap.

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

Overall the application of AASB 9 hedge accounting requirements has not had a material impact on the Group's consolidated financial statements.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL STATEMENTS (continued)

Changes in accounting policies (continued)

Financial Instruments (continued)

iv. Impairment of financial assets

AASB 9 introduces new impairment requirements for financial assets with the replacement of the incurred loss model with a forward looking expected credit loss model. The new impairment model will apply to financial assets measured at amortised cost (loans and receivables) or fair value through other comprehensive income. Ovato's trade debtors are the only material financial assets in scope. A simplified impairment approach is available for financial assets that do not have a significant financing component. The Group has elected to apply the simplified impairment approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To calculate the expected credit losses, the Group's trade debtors were examined and customers were grouped by country, business and similar risk profile. Historical bad debt data for the last three years was extracted for each country and business to calculate historical loss rates. This data was overlaid with current and forward-looking information on macro-economic factors affecting the ability of customers to pay. This includes interest rates, GDP, unemployment rates, CPI, consumer confidence and global economic outlook. Historical loss rates are adjusted based on expected changes in these factors.

The application of the new impairment requirements at 1 July 2018 has resulted in an additional allowance for impairment of $711,000 for trade debtors as at 30 June 2018. A corresponding adjustment has been made to the opening balance of retained earnings. In accordance with AASB 9, comparative information has not been restated.

Impact of standards issued but not yet applied by the entity

AASB 16 Leases

The Group will apply *AASB 16 Leases* from 1 July 2019. This standard replaces *AASB 117 Leases*, *Interpretation 4 Determining whether an Arrangement Contains a Lease*, *Interpretation 115 Operating Lease - Incentives* and *Interpretation 127 Evaluating the Substance of Transactions in the Legal Form of a Lease*.

AASB 16 requires lessees to recognise most leases on balance sheet as lease liabilities and a corresponding right-of-use asset, except for short-term leases and leases of low-value assets. 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 as operating leases. Under current requirements these are expensed on a straight-line basis over the term of the lease to the income statement and assets and liabilities are recognised only to the extent that there is a timing difference between actual lease payments and the expense recognised.

Lessor accounting will not change significantly under AASB 16 with lessors continuing to classify leases as finance or operating leases. The Group has some sub-leases in which it is the lessor. The Group is in the process of re-assessing the classification of each sub-lease in accordance with the requirements under AASB 16.

A project to manage implementation and compliance with AASB 16 has commenced. The project has members from finance, treasury and IT with oversight by the CFO. An external consultant has been engaged to provide technical guidance to the project team. After receiving demonstrations from companies that provide software to manage lease accounting and portfolio management, a provider was selected. A review of the requirements under the standard has been performed. An assessment of transitional options and relief under AASB 16 has been conducted. Preliminary accounting policy choices and judgments have been made and documented. All material lease data has been collated and reviewed in accordance with the new lease accounting guidance in AASB 16. This included identification of leases that are exempt based on being short-term or low-value assets. These will be recognised on a straight-line basis as an expense in the Group's consolidated financial statements. It also included an embedded lease review, identification of non-lease components and identification of variable lease components linked to an index/rate. Bulk uploads of lease data into the software has commenced. Sanity checks and verification of system outputs are being performed. Lease data completeness testing and review of the impact on systems and processes will be performed during the next stage of the project.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL STATEMENTS (continued)

Impact of standards issued but not yet applied by the entity (continued)

AASB 16 Leases (continued)

AASB 16 must be applied 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 intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to adoption.

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 will measure material property leases as if AASB 16 has always applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption.

The definition of a lease has changed under AASB 16 compared to that under current guidance. There is a practical expedient under AASB 16 to retain the classification of existing contracts as leases under current accounting standards. This relief must be applied to all contracts. The Group intends to apply this transitional relief.

Under AASB 16 provisions for operating leases that were deemed to be onerous will no longer be recognised. The Group has some onerous leases and under AASB 16 the Group will include the payments due under the lease in its lease liability.

There are a number of practical expedients available on transition for leases previously classified as operating leases. The Group is continuing to assess the potential impact of using these expedients.

Under AASB 16, payments for non-lease components are excluded from the lease liability unless an election is made on a class of asset basis to combine lease and non-lease components. A material portion of Ovato's leased property portfolio has non-lease components which are known as property outgoings. The Group will elect not to combine lease and non-lease components. The standalone outgoings price will be determined by separate identification on the rental invoice. In turn, the calculated lease liability for property leases will exclude outgoings.

The Group is still evaluating 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 Consolidated statement of financial position. The Group expects that overall net assets will be lower and net current assets will be lower due to presentation of a portion of the lease liability as current. The Group's EBITDA is expected to increase as the operating lease payments were previously included in EBITDA and amortisation of the right-of-use assets and interest on the lease liability are excluded from EBITDA. It is anticipated that the Group's operating cash flows will increase and financing cash flows decrease as repayment of the principal portion of lease liabilities will be classified as a financing cash flow.

Other

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to the Group's accounting policies.

Critical accounting estimates, assumptions and judgements

(i) 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.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL STATEMENTS (continued)

Critical accounting estimates, assumptions and judgements (continued)

(i) Deferred tax assets (continued)

The deferred tax assets of $5.4 million pertaining to the current half-year's Australian tax loss was not recognised in the financial statements as at 31 December 2018. Given the savings from the transformation plan, the timeframe over which Ovato expects to recoup the Australian deferred tax asset of $34.8 million is still in the range of 6-8 years (6-8 years as at 30 June 2018). Therefore, the Directors believe that the deferred tax asset value is supportable given the level of forecast future tax profits from the 2021 financial year onwards. This position will be reassessed on an ongoing basis.

The New Zealand deferred tax asset value of $9,000, attributable to tax losses is expected to be fully recouped by the end of 2019.

In total, Ovato has $55.6 million of tax effected Australian tax losses incurred since 2013, and $20 million of tax effected tax losses transferred from IPMG, which haven't been recognised (total $75.6 million, gross $252 million). Despite the non-recognition of these losses on the balance sheet, the losses will be 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.

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

The Group assesses 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. The recoverable amounts of cash generating units have been determined based on either a value in use model or fair value less costs to sell model. These calculations require the use of a number of assumptions and assesses the impact of possible changes in these assumptions. Based on testing carried out at 31 December 2018 there has been no impairment of the cash generating units.

While the Print New Zealand/Maxum business unit impairment analysis shows a surplus, 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$0 to NZ$2 million.

While the Print Group Australia business unit impairment analysis shows a $10 million surplus which is lower than $16.6 million at 30 June 2018, 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 $17 million to $22 million versus $10 million to $15 million at 30 June 2018.

Refer to the annual financial statements of Ovato Limited (formerly PMP Limited) as at 30 June 2018 for further details of these assumptions.

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Notes to the Financial Statements

HALF-YEAR ENDED 31 DECEMBER 2018

	NOTES	CONSOLIDATED 2018 $'000	2017 $'000
2. REVENUES AND EXPENSES			
(i) Revenues			
Sales revenue			
External sales		**344,376**	378,375
Freight		**18,600**	21,567
		362,976	399,942
Other revenue			
Interest	2(iv)	**372**	248
Rental income		**32**	42
Net gain on disposal of property, plant and equipment		**-**	2,247
Other		**5,310**	4,953
	5	**368,690**	407,432
(ii) Expenses			
Raw materials and consumables		**(139,942)**	(149,990)
Cost of finished goods sold		**(788)**	(389)
Employee expenses		**(142,785)**	(163,031)
Outside production services		**(7,317)**	(8,591)
Freight		**(36,928)**	(42,166)
Repairs and maintenance		**(7,914)**	(10,488)
Occupancy costs		**(14,014)**	(14,880)
Reversal/(Impairment) of plant and equipment	2(iii)	**1,498**	(361)
Amortisation of intangibles	5	**(246)**	(290)
Depreciation	5	**(14,481)**	(15,018)
Net loss on disposal of property, plant and equipment		**(314)**	-
Net impairment losses on financial assets		**(490)**	(96)
Other expenses		**(8,406)**	(12,280)
		(372,127)	(417,580)
(iii) Significant items			
Included in net loss before income tax are the following significant items of income and expense:			
- (Loss)/Gain on sale of assets		**(291)**	2,202
- Restructure initiatives and other one off costs		**(7,892)**	(13,315)
- Relocation of presses		**(653)**	(3,551)
- Reversal/(Impairment)		**1,498**	(361)
- Fee for early termination of corporate bond		**(400)**	-
- Write off of prepaid financing costs		**(231)**	-
Net significant expense items (included in net loss before income tax)		**(7,969)**	(15,025)
Tax benefit associated with significant items		**2,371**	4,499
Tax losses not brought to account	3	**(5,402)**	(9,890)
Tax loss adjustment prior year		**75**	(263)
Tax expense included in net loss after tax		**(2,956)**	(5,654)

Significant items have been included in the Condensed Statement of Profit or Loss and Other Comprehensive Income within the following categories:

	2018	2017
- Other revenue	**-**	2,202
- Raw materials and consumables used	**(81)**	(145)
- Employee expenses	**(5,766)**	(11,268)
- Freight	**(55)**	(520)
- Repairs and maintenance	**(70)**	(93)
- Occupancy costs	**(861)**	(915)
- Impairment	**1,498**	(361)
- Other expenses	**(2,003)**	(3,925)
- Finance costs	**(631)**	-
	(7,969)	(15,025)

Notes to the Financial Statements

HALF-YEAR ENDED 31 DECEMBER 2018 **CONSOLIDATED**

	2018 $'000	2017 $'000
2. REVENUES AND EXPENSES (continued)		
(iv) Finance costs		
Interest expense		
- Bank loans and overdraft	**(3,511)**	(3,572)
- Unwind of discount on long term provisions	**(50)**	(34)
Total interest expense	**(3,561)**	(3,606)
- Fee for early termination of corporate bond	**(400)**	-
- Write off of prepaid financing costs	**(231)**	-
Total finance cost	**(4,192)**	(3,606)
Interest received		
- Other corporations and persons	**372**	248
Net finance costs	**(3,820)**	(3,358)

3. INCOME TAX

(a) Income tax expense

	2018 $'000	2017 $'000
Loss before income tax	**(7,629)**	(13,754)
Prima facie income tax thereon at 30%	**(2,289)**	(4,126)
Tax effect of non-temporary and other differences:		
Income tax (over)/under provided in previous year	**(162)**	250
Non-deductible items for tax purposes	**290**	118
Non-assessable items	-	(253)
Effect of differences in overseas tax rate	**(5)**	(93)
Benefit of tax losses not brought to account	**5,402**	9,890
	3,236	5,786

(b) Major component of income tax expense

	2018 $'000	2017 $'000
Current tax benefit	**(5,071)**	(8,614)
Deferred tax expense	**8,307**	14,400
	3,236	5,786

(c) Tax losses not brought to account

	Gross $'000	Gross $'000
Revenue losses	**251,961**	211,650
Capital losses	**287,093**	287,293

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.

4. CONTINGENT ASSETS AND LIABILITIES

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

Related bodies corporate

- Ovato Limited has guaranteed the borrowings of Ovato Finance Pty Ltd, Ovato (NZ) Limited and Hannanprint NSW Pty Limited to facilitate group banking arrangements.
- Wholly owned entities in the Ovato Group have provided guarantees and securities to banks, in respect of debt and foreign currency management.
- Entities in the Ovato 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.

Notes to the Financial Statements

HALF-YEAR ENDED 31 DECEMBER 2018

5. SEGMENT INFORMATION

Description of segments

Management has determined the operating segments based on the manner 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.

Ovato Print Group Australia includes all of the Print businesses in Australia namely, Ovato Print Australia (Heatset) and Ovato Book Printing (formerly Griffin Press). Ovato Marketing Services Australia includes Ovato Retail Distribution (formerly Gordon & Gotch Australia) and the digital businesses. Ovato New Zealand segment includes all businesses in New Zealand.

The 2017 comparatives have been adjusted to reflect changes between the Ovato Marketing Services Australia and Corporate segments.

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:

Operating segments	**Ovato Print Group Australia**		**Ovato Residential Distribution Australia**		**Ovato Marketing Services Australia**		**Ovato New Zealand**		**Corporate**		**Consolidated**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue												
External sales *	**203,562**	234,120	**39,171**	40,469	**43,693**	44,069	**57,950**	59,717	**-**	-	**344,376**	378,375
Freight *	**9,435**	10,556	**3,939**	5,758	**620**	611	**4,606**	4,642	**-**	-	**18,600**	21,567
Other revenue *	**4,232**	3,825	**394**	380	**127**	168	**661**	705	**300**	210	**5,714**	5,288
Other revenue significant item	**-**	2,202	**-**	-	**-**	-	**-**	-	**-**	-	**-**	2,202
Total revenue	**217,229**	250,703	**43,504**	46,607	**44,440**	44,848	**63,217**	65,064	**300**	210	**368,690**	407,432
EBITDA ~ before significant items	**13,175**	9,500	**1,294**	2,597	**4,256**	2,923	**3,513**	7,574	**(3,610)**	(2,409)	**18,628**	20,185
Depreciation and amortisation	**(11,376)**	(11,461)	**(11)**	(20)	**(910)**	(950)	**(2,246)**	(2,732)	**(184)**	(145)	**(14,727)**	(15,308)
EBIT ^ before significant items	**1,799**	(1,961)	**1,283**	2,577	**3,346**	1,973	**1,267**	4,842	**(3,794)**	(2,554)	**3,901**	4,877
Significant items before income tax	**(4,152)**	(10,634)	**(410)**	(312)	**(581)**	(1,055)	**(976)**	(152)	**(1,219)**	(2,872)	**(7,338)**	(15,025)
Segment EBIT ^ after significant items	**(2,353)**	(12,595)	**873**	2,265	**2,765**	918	**291**	4,690	**(5,013)**	(5,426)	**(3,437)**	(10,148)
Significant items - Finance costs											**(631)**	-
Finance costs											**(3,561)**	(3,606)
Loss before income tax											**(7,629)**	(13,754)
Income tax expense											**(3,236)**	(5,786)
Net loss after income tax											**(10,865)**	(19,540)

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

^: EBIT - Profit/(loss) before finance costs and income tax

*: Revenue comparatives have been restated to reflect changes arising from the adoption of *AASB 15 Revenue from Contracts with Customers* . Refer to Note 1.

Notes to the Financial Statements

HALF-YEAR ENDED 31 DECEMBER 2018

5. SEGMENT INFORMATION (continued)

Geographic segments	Australia		New Zealand		Consolidated	
	Half-Year Ended 31 December 2018					
	2018	2017	**2018**	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
External sales *	**286,426**	318,658	**57,950**	59,717	**344,376**	378,375
Freight *	**13,994**	16,925	**4,606**	4,642	**18,600**	21,567
Other revenue *	**5,053**	4,583	**661**	705	**5,714**	5,288
Other revenue significant item	**-**	2,202	**-**	-	**-**	2,202
Total revenue	**305,473**	342,368	**63,217**	65,064	**368,690**	407,432

*: Revenue comparatives have been restated to reflect changes arising from the adoption of *AASB 15 Revenue from Contracts with Customers* . Refer to Note 1.

6. CONTRIBUTED EQUITY

	CONSOLIDATED			
	2018 Number '000	2017 Number '000	**2018 $'000**	2017 $'000
Balance as at 1 July	**510,184**	508,028	**482,433**	482,819
Share-based payments	**-**	2,156	**-**	675
Adjustment to prior period share-based payments	**-**	-	**-**	(1,061)
Balance as at 31 December	**510,184**	510,184	**482,433**	482,433

7. INTEREST BEARING LIABILITIES

(a) Current interest bearing liabilities	**December 2018 $'000**	June 2018 $'000
Secured		
Bank loans - Working Capital Facility: Australian Dollars	**-**	10,000
Bank loans repayable in: Euros #	**3,231**	3,138
Equipment financing: Australian dollars	**2,819**	2,819
Receivables financing: Australian dollars	**-**	23,233
Other		
Other: Australian dollars	**214**	1,186
Prepaid finance costs	**(693)**	(477)
Total current interest bearing liabilities	**5,571**	39,899

(b) Non-current interest bearing liabilities		
Secured		
Bank loans repayable in: Euros #	**6,462**	7,844
Equipment financing: Australian dollars	**-**	1,409
Receivables financing: Australian dollars	**34,597**	-
Unsecured		
Corporate bond: Australian dollars	**40,000**	40,000
Other		
Other: prepaid finance costs	**(1,781)**	(466)
Total non-current interest bearing liabilities	**79,278**	48,787

Represents the Euro denominated loan of EUR 6.0 million at 31 December 2018 measured at the exchange rate prevailing rate at balance date.

7. INTEREST BEARING LIABILITIES (continued)

(c) Terms and conditions

Ovato 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 next review due by 31 December 2018. Subsequent to 31 December 2018, the maturity date of these facilities were extended to 2 March 2020. ANZ Banking Group is the lender. Security pledged involves a first ranking fixed and floating charge over the assets of Ovato, including the subsidiaries in Australia and New Zealand. The facilities are subject to a number of financial covenants, including the Ovato 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 $7.5 million (reduced from $17.5 million) and a change of control clause.

Ovato entered into a fully secured Australian dollar Working Capital Facility in March 2017. This facility has a maturity date of 1 March 2019 and has a limit of $10 million. This facility was not drawn at 31 December 2018. ANZ Banking Group is the lender. Security pledged involves a first ranking fixed and floating charge over the assets of Ovato, including the subsidiaries in Australia and New Zealand. The facilities are subject to a number of financial covenants, including the Ovato 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. Subsequent to 31 December 2018, this facility limit was reduced to $0 million and simultaneously the minimum cash balance maintenance requirement reduced from $17.5 million to $7.5 million.

Ovato issued an unsecured $40 million corporate bond on 22 November 2018 replacing the previous $40 million bond which has been repaid. This new bond has a fixed coupon of 8.25% per annum and a four year term. It is subject to a number of financial covenants, including the Ovato Group being measured against a maximum lease adjusted Gearing ratio and a minimum Debt Service Cover, along with limits on new financial indebtedness. Capital Management restrictions which limits payouts also apply.

Ovato entered into a Euro 17 million export financing loan agreement in February 2013, secured against an offset rotary press. As at 31 December 2018, this loan was fully drawn and after amortisation payments had a balance of Euro 6.0 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, Ovato took on a fully secured $8.5 million Australian dollar equipment financing facility. As at 31 December 2018, this loan was fully drawn at $2.8 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.

Ovato entered into a $35 million Australian 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 31 December 2018, this loan was drawn to $34.6 million. This facility has a maturity date of 28 February 2020. 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.

(d) Net debt

Ovato has taken out a cross currency swap to exchange the Euro 6.0 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 Ovato Group debt that is hedged to fixed rates. For the purposes of calculating Ovato's net debt, the hedged fixed rate Australian obligation of the Euro loan of $7.3 million has been used.

	December 2018 $'000	June 2018 $'000
Cash	**(43,547)**	(54,418)
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	**9,693**	10,982
Cross currency swap revaluation - adjusted to measure the Euro denominated loan at the hedged fixed rate of the Australian obligation	**(2,369)**	(2,438)
Equipment Financing: Australian dollars	**2,819**	4,228
Receivables Financing: Australian dollars	**34,597**	23,233
Other Loan: Australian dollars	**214**	1,186
Net debt	**41,407**	32,773

To calculate gross debt, total interest bearing liabilities of $87.3 million is adjusted by $2.4 million being the revaluation of the above Euro loan to the hedged fixed rate.

Notes to the Financial Statements

HALF-YEAR ENDED 31 DECEMBER 2018

7. INTEREST BEARING LIABILITIES (continued)

(e) Reconciliation of liabilities arising from financing activities

				Non-cash changes			
	NOTES	June 2018 $000	Cash Flows $000	Other $000	Foreign Exchange Movement $000	Fair Value Changes $000	December 2018 $000
Corporate Bond	7(b)	40,000	**-**	**-**	**-**	**-**	**40,000**
Bank Loans - Working Capital	7(a)	10,000	**(10,000)**	**-**	**-**	**-**	**-**
Bank Loans - EUR	7(a) & 7(b)	10,982	**(1,221)**	**-**	**(68)**	**-**	**9,693**
Equipment Financing	7(a) & 7(b)	4,228	**(1,409)**	**-**	**-**	**-**	**2,819**
Receivables Financing	7(a) & 7(b)	23,233	**11,364**	**-**	**-**	**-**	**34,597**
Other	7(a)	1,186	**(1,492)**	**520**	**-**	**-**	**214**
Total current & non-current interest bearing liabilities #		89,629	**(2,758)**	**520**	**(68)**	**-**	**87,323**
Asset held to hedge long-term borrowings ##	8	(2,252)	**-**	**-**	**-**	**(3)**	**(2,255)**
Total liabilities from financing activities		87,377	**(2,758)**	**520**	**(68)**	**(3)**	**85,068**

A reconciliation between the opening and closing balances arising from financing activities. This includes changes from cash flows (refer to Consolidated 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.

8. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

The table below 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 from 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 are unobservable for the asset or liability.

	As at 31 December 2018			
	Level 1 $000	**Level 2 $000**	**Level 3 $000**	**Total $000**
Financial derivatives being hedge accounted				
Forward Foreign Exchange Contracts	**-**	**412**	**-**	**412**
Cross Currency Swaps	**-**	**2,255**	**-**	**2,255**
Total financial derivatives	**-**	**2,667**	**-**	**2,667**

	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

9. SUBSEQUENT EVENTS

At the Annual General meeting held on 22 November 2018, it was resolved to change the Company name from 'PMP Limited' to 'Ovato Limited'. The name change was effective from 7 February 2019.

Apart from the 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 Group, the results of those operations or the state of affairs of the Group in subsequent years.

Directors' Declaration

In the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity:

   (i) give a true and fair view of the financial position as at 31 December 2018 and the performance for the half-year ended on that date of the consolidated entity; and

   (ii) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors pursuant to s303(5) of the *Corporations Act 2001.*

On behalf of the Board

Matthew Bickford-Smith
Director and Chairman

Sydney, 26 February 2019

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The Board of Directors
Ovato Limited
Level 1, 100 Harris Street,
Pyrmont NSW 2009

26 February 2019

Dear Directors,

Ovato Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Ovato Limited.

As lead audit partner for the review of the financial statements of Ovato Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JLGorton

Joanne L Gorton
Partner
Chartered Accountants
Sydney, 26 February 2019

Deloitte Touche Tohmatsu
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Independent Auditor's Review Report to the Members of Ovato Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ovato Limited, which comprises the condensed statement of financial position as at 31 December 2018, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 21.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Ovato Limited's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ovato Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Ovato Limited would be in the same terms if given to the directors as at the time of this auditor's review report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ovato Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JLGorton

Joanne L Gorton
Partner
Chartered Accountants
Sydney, 26 February 2019