



**2018  
Tax Transparency  
Report**



**O V A T O**

# Tax Transparency Code Part A

## Income Tax Expense/(Benefit) and Taxes paid/payable disclosure

### 1) Tax expense as presented in statutory accounts

	PMP Group 2018 \$'000
<b>YEAR ENDED 30 JUNE 2018</b>	
<b>Income tax</b>	
(a) Reconciliation of income tax expense	
Loss before income tax	(37,458)
<b>Prima facie income tax benefit thereon at 30%</b>	<b>(11,237)</b>
<b>Tax effect of non temporary and other differences:</b>	
Non-assessable items	(338)
Effect of differences in overseas tax rate	(89)
Income tax under provided in previous year	218
Non deductible items for tax purposes	848
Benefit of tax losses not brought to account	16,935
<b>Income tax expense attributable to loss</b>	<b>6,337</b>
<b>Major component of income tax expense:</b>	
Current tax benefit	(15,737)
Deferred tax expense	22,074
<b>Income tax expense attributable to loss</b>	<b>6,337</b>

#### Additional notes:

The overseas tax rate difference accounts for the book profit of the New Zealand group being taxed at 28% rather than 30%.

The benefit of tax losses not brought to account represents the estimated Australian tax loss for the 2018 year not brought to account. A deferred tax expense arises as there has been no increase in the Australian Deferred Tax Asset.

## 2) Tax expense composition

	PMP Group 2018 \$'000
<b>Current tax benefit comprises</b>	
Net increase in current year tax losses (before non recognition)	(15,616)
Prior year tax movement (including temporary differences)	(140)
Overseas taxes movement	19
	<b>(15,737)</b>
<b>Deferred tax expense comprises</b>	
Movement in deferred taxes, including prior year adjustments	4,922
Prior year adjustment to increase tax losses not recognised	217
Current year tax loss not recognised	16,935
	<b>22,074</b>

## 3) Effective tax rate (ETR)

	PMP Group 2018 \$'000	Australian Closed Group 2018 \$'000
<b>Loss before tax</b>	<b>(37,458)</b>	<b>(40,551)</b>
<b>Total Tax Expense</b>	<b>6,337</b>	<b>5,051</b>
Adjust for the effect of tax losses not recognised and prior year taxes under provided	(16,935) (218)	(16,935) (213)
Adjust for non assessable reversal of impairment of foreign investments	-	390
<b>Notional tax benefit</b>	<b>(10,816)</b>	<b>(11,707)</b>
<b>ETR</b>	<b>28.9%</b>	<b>28.9%</b>

The ETR is calculated by dividing total income tax expense/(benefit) by total profit/(loss) before income tax, however given that the Australian tax losses are not being recognised (and have not been recognised since 2013) the impact of this and prior year adjustments have been taken into account so that a meaningful ETR can be disclosed.

In addition to these adjustments, the Australian closed group ETR also needs to be adjusted for the non assessable net reversal of impairments of its foreign investments so that a meaningful ETR can be disclosed.

The group ETR of 29% is in line with the corporate Australian tax rate of 30% and the corporate New Zealand tax rate of 28% (and consistent with prior years).

#### 4) Taxes paid/taxes payable

The income taxes paid in the 2018 financial year of \$56K related to \$5K of tax due in New Zealand for 2017 Non Resident Insurers (NRI) tax, and \$51K for other overseas taxes paid in respect of companies acquired from IPMG on 1 March 2017, being companies operating in India and England.

The income taxes payable in 2018 of \$5K includes 2018 New Zealand NRI tax due of \$3K, plus \$2K due for current year taxes in India (nil due for England).

Due to historic tax losses in Australia, and subsequent tax losses incurred it is expected that no other income taxes will be payable for around 9-10 years in Australia (after utilising recognised and unrecognised tax losses, and the impact of the available fraction rules of those tax losses).

New Zealand expects to utilise losses in the next year so that tax payments will then resume.

In arriving at the estimated current year tax losses utilised in New Zealand of \$1.3M and the estimated tax loss incurred in Australia of \$16.9M the following material temporary and non temporary differences have been taken into account in respect of the net \$15.6M tax loss increase (before losses not recognised) :

	PMP Group 2018 \$'000
<b>Loss before income tax</b>	<b>(37,458)</b>
<b>Prima facie income tax benefit thereon at 30%</b>	<b>(11,237)</b>
<b>Tax effect of non temporary and other differences:</b>	
Non-assessable items	(338)
Effect of differences in overseas tax rate	(89)
Non deductible items for tax purposes	848
Less other non deductibles not affecting current tax payable	(528)
<b>Tax effect of temporary differences:</b>	
Capital allowances	3,215
Losses on asset disposals/impairments	(3,768)
Provision movements	(3,127)
Inherited deductions	(378)
Lease surrender payments	(300)
Amortisation of rebates	90
Other	(4)
<b>Net increase in current year tax losses</b>	<b>(15,616)</b>
Add back Australian tax losses not recognised	16,935
<b>New Zealand current year loss utilisation</b>	<b>1,319</b>
Add prior year New Zealand loss utilisation adjusted 2018	77
<b>Total utilisation of losses in Deferred Tax Asset (DTA)</b>	<b>1,396</b>

# Tax Transparency Code Part B

## Tax policy, tax strategy and governance summary

PMP Limited changed its name to Ovato Limited on 7 February 2019. In the Corporate Governance section of Ovato's website, the following is part of the Code of Conduct:

Ovato strives to be a good corporate citizen, including complying with laws and regulations of Australia and the overseas countries it operates in. In addition, Ovato seeks to comply with all taxes in Australia and in the overseas countries it operates in.

Further to this, the Ovato Tax Risk Management Policy states:

The Board of Directors of Ovato Limited ('Ovato' or 'the Group') aims to ensure that the Group pays its fair and correct share of income tax, and other taxes, based on the relevant taxation legislation in the countries it operates in. In this regard Ovato is risk averse in relation to the taxation treatment to be adopted, and will seek external advice and if considered necessary, based on that advice, private rulings or determinations from the relevant tax authorities.

Ovato has historically openly engaged in the past with the Australian Taxation Office ("ATO") and the New Zealand Inland Revenue Department ("IRD"), being the two main jurisdictions that it operates in, to resolve all matters.

### Tax contribution summary

Ovato generated a tax loss in Australia for the 2018 year and has therefore paid no income taxes in 2018 (as disclosed in Part A), as with prior years. In New Zealand, Ovato utilised part of its tax losses and therefore also paid no income taxes in 2018 (other than paying A\$5K for non-resident insurers tax). A\$51K was also paid for other foreign income taxes.

Ovato employs around 1,400 employees in Australia and around 380 employees in New Zealand. As a large employer it has contributed \$8.3 million of Australian state payroll tax on 2018 wages. Ovato has also collected and remitted on behalf of the ATO, and the IRD, substantial PAYG/PAYE withholding tax being \$42.4 million of taxes withheld from Australian employee wages and NZ\$6.5 million from New Zealand employee wages for the 2018 tax year.

Ovato collects and remits GST on behalf of the ATO and the IRD. The Australian GST collected on 2018 annual sales (but not borne by Ovato) less GST claimed on inputs was also substantial, being net GST paid to the ATO of \$33.1 million. In New Zealand the net GST paid to the IRD for the 2018 year was NZ\$2.1 million.

Ovato has not been subject to any other material federal or state government taxes in Australia or New Zealand during 2018 (with immaterial amounts of fringe benefits tax paid). Ovato also owns companies operating in India, Singapore and England, but no material taxes have been paid in these countries (noting the \$56K in total overseas taxes paid as set out above).

### International related party dealings summary

Ovato's Australian operations have no international related party dealings of a material nature with its overseas operations, and accordingly there is no material impact on the Australian taxable income with respect to these dealings. Ovato Australia has minimal cross border sales or purchases with its overseas entities, but Ovato Australia does however charge appropriate fees for financing and management assistance provided to these overseas entities, which it considers to be arm's length in nature. Full transfer pricing documentation is held by Ovato in respect of these dealings.



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