ABN 62 606 252 644

# APPENDIX 4E

## For the Year Ended 30 June 2019

**Company Information**

Current Reporting Period: For the year ended 30 June 2019

Previous Corresponding Period: For the year ended 30 June 2018

This information should be read in conjunction with the 30 June 2019 Year Ended Financial Report of IVE Group Limited and its controlled entities, any public announcements made in the period by IVE Group Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

Additional Appendix 4E disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the year ended 30 June 2019.

This report is based on the consolidated financial statements for the year ended 30 June 2019 of IVE Group Limited and its controlled entities, which have been audited by KPMG. The Independent Auditor's Report provided by KPMG is included in the consolidated financial statements for the year ended 30 June 2019.

**Results for announcement to the market**

In accordance with the ASX Listing Rule 4.3, the board and management of IVE Group Limited has enclosed an Appendix 4E for the year ended 30 June 2019.

| | | **30 Jun 2019 $'000** | **30 Jun 2018 $'000** |
|---|---|---|---|
| Revenue from continuing operations | up 4% to | 724,197 | 695,361 |
| Profit from ordinary activities after tax attributable to members | up 22% to | 31,304 | 25,715 |
| Net profit for the period attributable to members | up 22% to | 31,304 | 25,715 |

Refer to the attached Directors' Report and Operating and Financial Review for commentary and explanation of results.

| **Net Tangible Assets per Security** | **30 Jun 2019** | **30 Jun 2018** |
|---|---|---|
| Net Tangible Asset per security $ | 0.28 | 0.21* |

*Note 30 June 2018 Net Tangible Asset per security- restated prior year from 0.20 to 0.21 (see note 33 to accounts)*

| **Dividend Amount per Security** | **Amount per Security cents** | **Franked Amount per Security cents** |
|---|---|---|
| Final dividend for the year ended 30 June 2019 to be paid on 24 October 2019 | 7.7 | 7.7 |
| Interim dividend for the year ended 30 June 2019 paid on 18 April 2018 | 8.6 | 8.6 |
| Final dividend for the year ended 30 June 2018 paid on 25 October 2018 | 7.5 | 7.5 |

Final dividend entitlement date: close of business 18 September 2019; and
Payment date: 24 October 2019.

**Attachments**

Financial Report for the year ended 30 June 2019 for IVE Group Limited.

# IVE GROUP LIMITED ANNUAL FINANCIAL REPORT

ABN 62 606 252 644

YEAR ENDED 30 JUNE 2019

# CONTENTS

# OPERATING AND FINANCIAL REVIEW

## 1. INTRODUCTION

The Directors are pleased to present the Operating and Financial Review (OFR) for IVE Group Limited (IVE) for the year ended 30th June 2019.

The OFR is provided to assist shareholders understanding of IVE's business performance and factors underlying its results and financial position.

## 2. SUMMARY

IVE FY2019 results reflect the impacts of previous period's capital investment, final acquisition integration and growth strategy execution resulting in revenue, EBITDA and NPAT increase as well as EBITDA margin expansion. Restructure and acquisition costs were down significantly on prior corresponding period ('PCP').

Revenue growth for the year FY2019 of 4.1% compared to the PCP. The revenue increased through a combination of new business wins and expanded spend from the existing customer base through diversified service offering (share of wallet) which resulted in organic growth of 2.4%. The balance of revenue growth relates to prior period acquisition revenue for the full period.

IVE achieved pro forma EBITDA growth of 9.8% over the PCP (before restructure and acquisition costs), driven by revenue growth as well as the operation of Franklin WEB NSW facility for the full period of FY19 thereby increasing production efficiencies and reducing outwork, driving increased gross profit and EBITDA. This was offset by the negative impact of increased paper costs. EBITDA also reflects the write off of prior period's bad debts in Kalido, largely offset by the reversal of deferred goodwill in other income. Further productivity gains and cost base refinement through prior period capital expenditure investment, as well as the benefits arising from acquisition synergies and continued focus on cost management drove EBITDA margin expansion. Statutory EBITDA is 21.4% higher than PCP, reflecting restructuring and acquisition costs in FY2018 mainly relating to Franklin, AIW and SEMA acquisition and integration costs.

Pro forma NPAT increase on prior period of 4.5% reflecting increased EBITDA as noted above partly offset by the impact of increased depreciation, due to Franklin WEB NSW being fully operational for the period. Statutory NPAT is 21.7% higher than PCP, reflecting significantly reduced restructuring and acquisition costs in FY2019 compared to FY2018.

During the period IVE refinanced its senior debt facilities for a new four year term, resulting in more facility and covenant headroom at improved pricing with benefits to flow in FY2020 and beyond.

## 3. STRATEGY AND OPERATING OVERVIEW

Our strategy of diversification and innovation has resulted in a marketing communications value proposition that is unparalleled in this country, and one that is compelling for our customers and prospective customers. The power of our vertically integrated multi-channel product and service offering and the success we've had in cross selling is evidenced by the increase over the last 4 years in customers engaging IVE across multiple parts of the business. We continue to grow revenue on the back of customers seeking to rationalise their supply chain.

As a result of the diversity of our offer, the Group does not have one headline competitor. The structure of our sector has improved significantly over the last decade, with IVE taking a leading role in driving rationalisation and consolidation. This consolidation has resulted in fewer but stronger operators like IVE across many of the sectors in which we operate.

IVE's evolution and growth strategy has been focused on the following key initiatives:

- A cohesive, talented and stable leadership team
- A very stable, diverse and inclusive workforce
- New customer origination driven by a highly customer centric culture
- Effective cross selling to drive growth in share of wallet with existing customers
- Execution of a disciplined acquisition program
- Expansion of the value proposition through the addition of new products and services
- Continuing to strengthen and leverage our existing operational platforms through targeted productivity investment programs

Further information on IVE's strategy, operations and markets are set out in our 30 June 2019 Annual Report.

## 4. OVERVIEW OF RESULTS FOR FULL YEAR FY2019

IVE's Financial Report for FY2019 is presented on a statutory basis in accordance with Australian Accounting Standards which comply with International Financial Reporting Standards (IFRS).

In this OFR, certain non-IFRS financial information has also been included to allow investors to understand the underlying performance of IVE. The non-IFRS financial information relates to FY2019 and FY2018 results presented before impacts of all restructuring and acquisition costs (including write off of previous facility establishment costs of $0.7M), which allow for a direct comparison to FY2018, primarily impacted by acquisition and integration costs associated with August 2017 equity raise as well as the SEMA acquisition in September 2017 and final AIW close down costs.

The Directors believe that the results before restructuring and acquisitions costs, and Pro Forma comparisons, better reflect the underlying operating performance and this differs from the statutory presentation.

The non-IFRS Pro Forma financial information has not been audited or reviewed.

Financial information in this OFR is expressed in millions and has been rounded to one decimal place. This differs from the interim Financial Report where numbers are expressed in thousands. As a result, some minor rounding discrepancies occur.

## 4.1 STATUTORY RESULTS PER THE FINANCIAL REPORT

Table 1 outlines the statutory results for FY2019 and FY2018 on a comparable basis.

*Table 1: Statutory results*

| | Statutory | | | |
|---|---|---|---|---|
| | Actual FY2019 $'M | Actual FY2018 $'M | Variance $'M | Variance % |
| **Revenue** | **724.2** | **695.4** | **28.8** | **4.1%** |
| **Gross Profit** | **347.1** | **338.6** | **8.5** | **2.5%** |
| % of Revenue | 47.9% | 48.7% | | -1.6% |
| **EBITDA** | **77.3** | **63.7** | **13.6** | **21.4%** |
| % of Revenue | 10.7% | 9.2% | | 16.6% |
| **EBIT** | **54.6** | **44.8** | **9.8** | **21.8%** |
| % of Revenue | 7.5% | 6.4% | | 17.0% |
| **Profit before tax** | **44.8** | **36.9** | **7.9** | **21.6%** |
| **NPAT** | **31.3** | **25.7** | **5.6** | **21.7%** |
| NPATA | 35.0 | 29.3 | 5.7 | 19.5% |

The key variances on a statutory basis between FY2019 and FY2018 are as follows:

- **Revenue**

Revenue increase of $28.8M or 4.1% over PCP, reflecting continued growth through existing client base through expanded service offering as well as new customer wins resulting in organic growth of 2.4%, revenue growth also increased by full year contribution of SEMA acquisition. The revenue increase continues to be realised through the successful execution of IVE's growth strategy initiatives. This has led to a number of new customers partnering with the Group throughout the year, the continued success of cross selling to existing and acquired customers, and the ability to achieve several key contract extensions.

- **Gross profit**

The gross profit increase of $8.5M over PCP largely driven by increased revenue. The Group achieved gross profit margin of 47.9% which was down on FY2018 of 48.7%. Although the Group benefited from reduced outwork in FY19 due to Franklin WEB NSW facility being fully operational, this was offset by unrecovered paper cost increases negatively impacting margin (timing difference). Gross profit margin in all other areas of the business remained stable to PCP.

# OPERATING AND FINANCIAL REVIEW (CONT.)

## 4.1 STATUTORY RESULTS PER THE FINANCIAL REPORT (CONT.)

- **EBITDA** (Earnings before interest, tax, depreciation and amortisation)

EBITDA of $77.3M represents an increase of $13.6M or 21.4% over PCP, as well as an expansion of EBITDA margin from 9.2% in PCP to 10.7%, achieved through a combination of revenue growth, stable gross profit offset by paper price impact, productivity gains, continued focus on cost management as well as the benefits arising from synergies from prior period acquisitions. EBITDA also reflects write off of prior period bad debts relating to Kalido, largely offset by the reversal of deferred goodwill not paid which is included in other income.

Production expenses (excluding depreciation) of $163.0M are 22.5% to revenue compared to $160.3M and 23.1% to revenue in PCP. The main driver of the increase in production expense is to service additional revenue however the % to revenue reduced to PCP due to efficiencies during the period. Production expenses also reflect the absorption of continued higher energy costs.

Administration expenses (excluding depreciation and amortisation) of $104.9M are 14.5% to revenue compared to $106.0M and 15.2% to revenue in PCP, the reduction as a % to revenue in current period reflecting benefits of further synergies from prior period acquisitions as well as a focus on controlling of cost base.

Other expenses of $3.3M compared to PCP of $9.5M. FY2018 includes restructure costs associated with final phase of the AIW close down, SEMA acquisition and integration costs, and acquisition costs related to August 2017 equity raise. FY2019 is comprised of restructuring and acquisition costs partly relating to the final integration of SEMA as well as ongoing cost base management, Victorian warehouse relocation due to growth and restructure of Pareto Fundraising.

- **NPAT** (Net profit after tax)

NPAT of $31.3M represents an increase of $5.6M or 21.7% over PCP, achieved via a combination of revenue growth, efficiency gains and reduced acquisition and restructure costs. FY2019 increased depreciation due to Franklin WEB NSW facility being fully operational for period as well as targeted communications business expansion compared to that in FY2018. Interest expense increased in FY2019 due to FY2018 benefiting from capital raise funds not yet deployed.

## 4.2 YEAR ENDED FY2019 NON IFRS PRO FORMA FINANCIAL INFORMATION

The FY2019 results below are presented before all restructuring and acquisition costs. Compared to FY2018 on a Pro Forma basis also excluding all restructure and acquisitions costs to allow investors to make a comparison on a like for like basis.

*Table 2: FY2019 non IFRS Pro Forma financial information, FY2018 results on a Pro Forma basis, and FY2019 Statutory results*

| | Statutory | Pro Forma (ex restructure & acquisition) | | | |
|---|---|---|---|---|---|
| | Actual FY2019 $'M | Actual FY2019 $'M | Actual FY2018 $'M | Variance $'M | Variance % |
| **Revenue** | **724.2** | **724.2** | **695.4** | **28.8** | **4.1%** |
| **Gross Profit** | **347.1** | **347.1** | **338.6** | **8.5** | **2.5%** |
| % of Revenue | 47.9% | 47.9% | 48.7% | | -1.6% |
| **EBITDA** | **77.3** | **80.4** | **73.2** | **7.2** | **9.8%** |
| % of Revenue | 10.7% | 11.1% | 10.5% | | 5.5% |
| **EBIT** | **54.6** | **57.7** | **54.3** | **3.4** | **6.2%** |
| % of Revenue | 7.5% | 8.0% | 7.8% | | 1.9% |
| **Profit before tax** | **44.8** | **48.7** | **46.4** | **2.3** | **4.9%** |
| **NPAT** | **31.3** | **33.8** | **32.4** | **1.4** | **4.5%** |
| NPATA | 35.0 | 37.5 | 35.9 | 1.6 | 4.4% |

*Table 3: FY2019 Statutory NPAT reconciliation to Pro Forma NPAT.*

| | FY19 Actual $'M |
|---|---|
| **Statutory to pro forma NPAT reconciliation** | |
| **Statutory NPAT** | **31.3** |
| Restructure costs | 3.1 |
| Acquisition costs | 0.5 |
| Prior facility write off costs | 0.7 |
| Tax effect of adjustments | –1.3 |
| **Pro forma NPAT** | **33.8** |

# OPERATING AND FINANCIAL REVIEW (CONT.)

## 4.3 BALANCE SHEET AND CASH FLOW

Table 4 sets out the indebtedness of IVE on a statutory basis as at 30th June 2019.

*Table 4: FY2019 Statutory indebtedness*

| | Actual June FY2019 $'M |
|---|---|
| Borrowings – short term | 6.3 |
| Borrowings – long term | 168.9 |
| **Borrowings – Sub Total** | **175.2** |
| Cash | –31.5 |
| **Net Debt** | **143.7** |

| | |
|---|---|
| **FY19 Net debt to pro forma EBITDA** | **1.79** |

Net debt to pro forma EBITDA of $80.4M 1.79x

Equipment finance borrowings increased due to the installation of a new high speed digital ink jet press relating to the SEMA acquisition, integration, and the group's targeted communication's growth strategy. Increase in borrowings also related to funding of higher working capital balance due to temporarily higher levels of paper inventory in the period.

Statutory free cash conversion to EBITDA of 80.8% impacted by increased working capital due to higher paper inventory holdings. The cash flow also reflects finalisation of our significant growth phase capital investment, as well as payments for acquisitions related to SEMA deferred goodwill consideration in H1 of FY2019. There is no further goodwill consideration payable from prior acquisitions.

During the period the Group refinanced its senior debt facilities for a new four year term resulting in additional facility and covenant headroom at improved pricing with benefits to flow to FY2020 and beyond.

## 5. FY20 OUTLOOK

- Expected solid performance positions us well to generate strong free cashflow over the year ahead
- Following a period of heavy investing in a number of strategic growth initiatives, FY20 capital expenditure will reduce to circa $8-10M (excluding the MIS upgrade/enhancement)
- No further goodwill consideration payable from prior acquisitions
- Restructure costs are once again expected to be minimal

## 6. ADDITIONAL INFORMATION

For further information contact:

**Geoff Selig**
Executive Chairman
+ 61 2 9089 8550

**Darren Dunkley**
Chief Financial Officer
+ 61 2 8020 4400

# DIRECTORS' REPORT

For the year ended 30 June 2019

The directors present their report together with the consolidated financial statements of the Group comprising of IVE Group Limited (the Company), and its subsidiaries (the Group) for the financial year ended 30 June 2019 and the auditor's report thereon.

## Principal activities

The principal activities of the Group during the course of the financial year were:

- Conceptual and creative design across print, mobile and interactive media;
- Printing of catalogues, magazines, marketing and corporate communications materials and stationery;
- Manufacturing of point of sale display material and large format banners for retail applications;
- Personalised communications including marketing automation, marketing mail, publication mail, eCommunications, multi-channel solutions and call centre services;
- Data analytics, customer experience strategy, CRM; and
- Outsourced communications solutions for large organisations including development of customised multi-channel management models covering creative and digital services, supply chain optimisation, inventory management, warehousing and logistics.

The Group services all major industry sectors in Australia including financial services, publishing, retail, communications, property, clubs and associations, not-for-profit, utilities, manufacturing, education and government.

There were no significant changes in the nature of the activities of the Group during the year.

## Operating and financial review

The profit after tax of the Group for the year ended 30 June 2019 was $31,304 thousand (2018: $25,715 thousand). A review of operations and results of the Group for the year ended 30 June 2019 are set out in the Operating and Financial Review, which forms part of the Annual Financial Report.

## Dividends

The directors have declared a final dividend of 7.7 Australian cents per share, fully franked, to be paid on 24 October 2019 to shareholders on the register at 18 September 2019.

Total dividends of $23,851 thousand were declared and paid by the Company to members during the 2019 financial year. Further details on dividends is included in note 20 of the Financial Report.

## Significant changes in the state of affairs

In the opinion of the directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year under review.

# DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2019

## Information on Directors

The directors of the Company at any time during or since the end of the financial year are:

| Director | Experience, special responsibilities and other directorships |
|---|---|
| **Geoff Bruce Selig**<br>*Executive Chairman*<br>*Appointed: 10 June 2015* | Geoff has over 30 years' experience in the marketing communications sector. Geoff was managing director of the IVE Group prior to moving in to the role of executive chairman following the Company's listing on the ASX in December 2015.<br>Geoff is a director Caxton Group and Caxton Print Holdings, and also sits on the board of The Lysicrates Foundation. He was the State President of the NSW Liberal Party from 2005-8.<br>Geoff holds a Bachelor of Economics from Macquarie University and is a member of the Australian Institute of Company Directors. |
| **Warwick Leslie Hay**<br>*Managing Director*<br>*Appointed: 25 November 2015*<br>*Ceased: 5 August 2019* | After joining IVE Group in 2009 as CEO of Blue Star WEB, Warwick was appointed Managing Director in 2014. Warwick has over 20 years' of management experience across all business functions in complex B2B environments. His expertise lies in his ability to lead through significant change, from business turnarounds to growth strategies such as building greenfield facilities. He has a proven track record and passion for delivering customer centric strategies, including new product innovation and market launch, implementation of complex importing supply chains and large capital investment projects.<br>Between 2004 and 2009 Warwick was General Manager of Huhtamaki Flexibles Packaging Oceania. His prior work history includes 15 years within Carter Holt Harvey's Packaging division across a broad range of senior roles. Warwick completed his tertiary education in New Zealand, a Graduate Diploma in Packaging Technology from Massey University and a Post Graduate Diploma in Business from Auckland University. |
| **Gavin Terence Bell**<br>*Independent Non-executive Director*<br>*Appointed: 25 November 2015* | Gavin is an experienced director, executive and lawyer. Gavin is currently a director of Smartgroup Corporation Limited (ASX: SIQ) and Icare NSW. He is also a member of the Advisory Council of the UNSW School of Business. Prior to becoming a director, Gavin was the CEO of global law firm Herbert Smith Freehills. He was a partner in the firm for 25 years.<br>Gavin holds a Bachelor of Laws from the University of Sydney and a Master of Business Administration from the AGSM, University of New South Wales.<br>**Committees:** Chair of the Nominations & Remuneration Committee and Member of the Audit, Risk & Compliance Committee. |
| **Carole Louise Campbell**<br>*Independent Non-executive Director*<br>*Appointed: 21 November 2018* | Carole Campbell is a professional company director with more than 30 years' experience across a diverse range of industries including professional services, financial services, media, mining and industrial services.<br>Carole commenced her career with KPMG and has held senior finance roles with Macquarie Group, Westpac Institutional Bank, Seven West Media, Bis Industries and Merivale.<br>Carole is a Non-Executive Director and Chair of Audit Committee of FlexiGroup Limited (ASX: FXL) and Deputy Chair of Council and Chair of the Finance, Audit and Risk Management Committee of the Australian Film Television and Radio School. She is also a Non-Executive Director of The Sydney Film Festival.<br>Carole is a Fellow of Chartered Accountants Australia and New Zealand (FCA) and a Graduate Member of the Australian Institute of Company Directors (GAICD).<br>**Committees:** Chair of the Audit, Risk & Compliance Committee. |

| Director | Experience, special responsibilities and other directorships |
|---|---|
| **Paul Stephen Selig**<br>*Executive Director*<br>*Appointed:*<br>*10 June 2015* | Paul's career commenced in banking and treasury management before moving into the print and marketing communications sector over 25 years ago. He has been a director of the Company since 2012 and appointed to IVE Group Limited on its incorporation in 2015. Paul is an experienced director and investor having run the Caxton Group family office for over 15 years.<br>Paul is also a director of Caxton Group, Caxton Print Holdings and Caxton Property Developments. He holds a Bachelor of Economics (Hons) from Macquarie University. |
| **James Scott Charles Todd**<br>*Independent Non-executive Director*<br>*Appointed:*<br>*10 June 2015* | James is an experienced company director, corporate adviser and investor. He commenced his career in investment banking and has taken active roles in a range of private and public companies. He was until recently Managing Director of Wolseley Private Equity, an independent private equity firm he co-founded in 1999.<br>James is also a Non-Executive Director of two other ASX listed companies, HRL Holdings Limited and Coventry Group Limited.<br>James holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales, and a Graduate Diploma of Applied Finance from the Financial Services Institute of Australasia (FINSIA), where he is a Fellow. He is also a member of the Australian Institute of Company Directors.<br>**Committees:** Member of the Audit, Risk & Compliance Committee and Nominations & Remuneration Committee. |
| **Sandra Margaret Hook**<br>*Independent Non-executive Director*<br>*Appointed:*<br>*1 June 2016* | Sandra has a track record in driving customer-centred business transformation and transitioning traditional organisations in rapidly evolving environments. She has extensive operational, digital, financial management and strategic experience built over 25 years as a CEO and in senior executive roles for some of Australia's largest media companies including News Limited, Foxtel, Federal Publishing Company, Murdoch Magazines and Fairfax.<br>Since 2000 she has also served as a non-executive director on listed, public and private companies and government bodies. Sandra is currently director of digital/technology companies RXP Services Ltd (ASX: RXP), MedAdvisor Ltd (ASX: MDR) and .au Domain Administration Ltd as well as the Sydney Fish Market. She is a trustee of the Sydney Harbour Federation Trust.<br>**Committees:** Member of the Nominations & Remuneration Committee. |
| **Andrew Charles Harrison**<br>*Independent Non-executive Director*<br>*Appointed:*<br>*25 November 2015*<br>*Ceased:*<br>*20 November 2018* | Andrew is an experienced company director and corporate adviser.<br>Andrew has previously held senior executive positions and non-executive directorships with public, private and private equity owned companies, including as Chief Financial Officer of Seven Group Holdings, Group Finance Director of Landis and Gyr and Chief Financial Officer and a director of Alesco. Andrew is currently a non-executive director of Capitol Health Limited, Bapcor Limited and WiseTech Global Ltd. He was previously a director of Estia Health Limited and Xenith IP Group Limited. Andrew was previously a Senior Manager at Ernst & Young (Sydney and London) and Gresham Partners Ltd, and an Associate at Chase Manhattan Bank (New York). Andrew holds a Bachelor of Economics from the University of Sydney and a Master of Business Administration from Wharton, and is a chartered accountant. |

# DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2019

## Company Secretary

### Naomi Dolmatoff

Naomi was appointed as joint Company Secretary on 26 March 2019. Naomi is an experienced Company Secretary and has worked with ASX-listed entities in the financial services, technology, telecommunications and mining and resources industries. Naomi holds a Bachelor of Commerce (Finance) with distinction and a graduate Diploma in Applied Corporate Governance. Naomi is also an Associate of both the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators (UK).

### Darren Dunkley

Darren has been the Chief Financial Officer (CFO) of the Group since 2012, and has been with IVE for over 15 years. He has over 25 years of experience with a range of blue chip companies including Sharp Corporation, ANZ Banking Group Ltd and Nashua Australia. Darren has a Bachelor of Commerce majoring in Accounting and is a CPA.

### Emma Lawler

Emma was also a joint Company Secretary of IVE during the period. Emma ceased as joint Company Secretary on 26 March 2019.

## Meetings of Directors

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

| | Board | | Audit, Risk & Compliance Committee (ARCC) | | Nominations & Remuneration Committee (NRC) | | Other Committees | |
|---|---|---|---|---|---|---|---|---|
| | Eligible | Attended | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Geoff Selig | 16 | 15 | – | – | – | – | 2 | 2 |
| Warwick Hay | 16 | 15 | – | – | – | – | 1 | 1 |
| Gavin Bell | 16 | 14 | 4 | 4 | 3 | 3 | – | – |
| Sandra Hook | 16 | 15 | – | – | 3 | 3 | – | – |
| Paul Selig | 16 | 14 | – | – | – | – | – | – |
| James Todd | 16 | 15 | 4 | 4 | 3 | 3 | – | – |
| Carole Campbell* | 10 | 10 | 2 | 2 | – | – | 1 | 1 |
| Andrew Harrison** | 5 | 5 | 2 | 2 | – | – | 1 | 1 |

*** Carole was appointed as a director on 21 November 2018.**

**** Andrew ceased to be a director on 20 November 2018.**

## Directors' interest and benefits

The relevant interests of each director in the shares of the Company as at the date of this report are disclosed in the Remuneration Report (on page 12).

## Environmental regulation

The Group's operation is not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they may apply to the Group during the period covered by this report.

## Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## Likely developments

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

## Indemnification and insurance of officers

During the financial year, the Group paid a premium insuring the directors of the Group, the company secretaries, and executive officers to the extent permitted by the *Corporations Act 2001*.

The Group indemnified its directors and company secretaries to the extent permitted by law against a liability incurred.

## Indemnification and insurance of auditor

During or since the end of the financial year the Group has not indemnified or made a relevant agreement to indemnify the auditor of the Group against a liability incurred as the auditor. In addition, the Group has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by the auditor.

## Insurance premiums

During the financial year the Company has paid premiums in respect of directors' and officers' liability insurance contracts for the year ended 30 June 2019. In addition, since the financial year, the Company paid or agreed to pay premiums in respect of such insurance contracts for the year ending 30 June 2020. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been directors or executive officers of the Company.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

# DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2019

## Remuneration Report (Audited)

### Introduction

This Remuneration Report (**Report**), which has been audited, describes the Key Management Personnel (**KMP**) remuneration arrangements for the period ended 30 June 2019 for IVE, in accordance with the *Corporations Act 2001* (Cth) (**Corporations Act**) and its regulations.

The Report is designed to provide shareholders with an understanding of IVE's remuneration philosophy and the link between this philosophy and IVE's strategy and performance.

The Board is committed to having remuneration policies and practices which are designed to ensure remuneration is competitive and reasonable to attract and retain key talent who are critical to IVE's business success. IVE will align remuneration to strategies and business objectives and provide a balance between fixed and variable rewards to ensure that rewards are given for performance. Remuneration structures are designed to be transparent to employees and other stakeholders and easily understood. In addition the remuneration framework is designed to be acceptable to shareholders by being consistent with market practice and creating value for shareholders.

The remuneration framework was reviewed in 2018 and a staged process was commenced to appropriately reward Key Management Personnel through base pay and short term incentive levels that are in line with IVE's peers and reward performance and ensure an appropriate level of long term incentives aligned with shareholder objectives of long-term sustainable performance. The remuneration framework was reviewed again in 2019. There have been no changes to the overall framework, quantum or components of any member of the KMP for the 2020 financial year.

The members of the Nominations and Remuneration Committee (**NRC**) have the necessary expertise and independence to fulfil their responsibilities and are able to access independent experts in remuneration for advice should this be required. The governance processes in relation to remuneration are working effectively and the Board trusts that shareholders find this Report useful and informative.

As discussed on pages 1 to 6, the 2019 financial year saw a strong financial performance across the group. This is in the context of a very competitive market and our key competitors not achieving similar levels of performance. The remuneration outcomes for the executive KMP reflect this success but overall satisfy the goals of the remuneration framework.

The remuneration report contains the following sections:

- Persons covered by this Report
- Overview of the remuneration framework for executive KMPs
- Linking reward and performance
- Grant of Performance Share Rights and the Long Term Incentive Plan
- Non-Executive Director remuneration framework
- Contractual arrangements with executive KMPs
- Details of remuneration for KMPs
- Rights Granted to executive KMP
- Directors and executive KMP shareholdings in IVE Group Limited
- Other statutory disclosures

### Who this report covers

This report covers Non-Executive Directors and executive KMPs (collectively **KMP**) and includes:

| | Role |
|---|---|
| **Non-Executive Directors** | |
| Gavin Bell | Independent Non-Executive Director |
| Andrew Harrison[1] | Independent Non-Executive Director |
| Sandra Hook | Independent Non-Executive Director |
| James Todd | Independent Non-Executive Director |
| Carole Campbell[2] | Independent Non-Executive Director |
| **Executive Directors** | |
| Geoff Selig | Executive Chairman |
| Warwick Hay[3] | Managing Director |
| Paul Selig | Executive Director |
| **Executive Key Management Personnel** | |
| Matthew (Matt) Aitken | Chief Executive Officer (appointed 5 August 2019)<br>Chief Operating Officer (ceased 5 August 2019) |
| Darren Dunkley | Chief Financial Officer & Company Secretary |

1 Andrew Harrison ceased to be a Director on 20 November 2018.
2 Carole Campbell was appointed as a Director on 21 November 2018.
3 Warwick Hay resigned as Managing Director effective 5 August 2019 but will remain employed until 31 January 2020.

### Overview of IVE Group's remuneration framework for executive KMP

The objective of IVE's remuneration philosophy is to ensure KMPs are rewarded for business performance and retained to continue to grow the business. The objectives underpinning the remuneration philosophy are that remuneration will:

- Be competitive and reasonable to attract and retain key talent;
- Align to IVE's strategies and business objectives;
- Provide a balance between fixed and variable rewards;
- Be transparent and easily understood; and
- Be acceptable to shareholders.

A key factor in IVE's business success will be being able to attract and retain key talent and the remuneration framework has been designed to enable this.

### Governance

IVE Group has established the Nominations & Remuneration Committee ('NRC') whose role is to assist the Board with its remuneration responsibilities, including reviewing and recommending to the Board for approval, arrangements for executives, Executive Directors and Non-Executive Directors. The NRC has three members, all of whom are independent, including an independent Chair. The members of the NRC have appropriate qualifications and experience to enable the NRC to fulfil its role.

In addition, the Board has appointed Gavin Bell as the Lead Independent Director to fulfil the role of Chair whenever the Executive Chairman is conflicted and to assist in reviewing the Executive Chairman's performance as part of the Board performance evaluation process.

# DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2019

### External remuneration consultants

The Terms of Reference for the NRC requires that any remuneration consultants engaged be appointed by the NRC. During 2019 IVE did not engage the services of any external remuneration consultants.

Any advice that may be received from remuneration consultants in future will be carefully considered by the NRC to ensure it is given free of undue influence by IVE executives.

### Structure of Remuneration

The remuneration framework for executive KMP includes both fixed and performance-based pay.

### Fixed remuneration

Fixed remuneration is set using a combination of historical levels and sector comparisons. Fixed remuneration includes base pay, statutory contributions for superannuation and non-monetary benefits.

The NRC reviews the fixed remuneration of executive KMP on an annual basis. As indicated in the 2018 remuneration report, fixed remuneration was reviewed in 2018 and was implemented from 1 July 2018. The NRC has also reviewed fixed remuneration for executive KMP for the 2020 financial year and determined not to increase fixed remuneration. The NRC believes that current fixed remuneration remains appropriate.

Paying executive KMP the right fixed remuneration is a key tool in attracting and retaining the best talent. The Company continues to perform soundly and as shown in the table on page 5, both revenue and EBITDA continue to grow.

Fixed remuneration is the major component of the Executive Chairman's remuneration. Through his family arrangements, he has an interest in a substantial shareholding in the Company. This provides significant alignment with shareholders' experience.

### Short term incentive (STI)

The NRC reviews the achievement of STI targets at the end of each year and sets STI targets for the following year. The STI is the main tool for rewarding the current year's performance of the business.

In FY19, executive KMP (excluding Paul Selig) were eligible to receive an STI payment of between 19% and 21% of fixed remuneration. The STI is a cash incentive payment and full payment is conditional on achievement of the following:

- The key financial performance target for the Group, specifically, pro-forma Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) for the year in review; and
- Individual financial and non-financial performance targets relevant to the individual executive KMP which includes strategic and discretionary measurements. Discretionary measurements vary depending on the nature and specific strategic areas attributable to the executive KMP to align with the IVE's strategic objectives. Discretionary payments are linked to initiatives such as:
  - workplace health and safety;
  - risk management;
  - new business and organic and inorganic growth opportunities;
  - customer retention; and
  - stakeholder relationships.

The Board determines the STI payment for executive KMP by allocating a percentage weighting across the above measures. At the end of the financial year, the Board assesses the individual and collective performance against the STI measures.

The percentage weightings across financial and discretionary targets, and the assessed performance achieved during FY19 for each of the KMP to whom an STI payment was made was as follows.

| | STI Target Measures | | | | |
|---|---|---|---|---|---|
| **KMP** | **Group EBITDA target (%)** | **Individual financial targets (%)** | **Discretionary and non-financial targets (%)** | **Total (%)** | **STI Achieved (%)** |
| Geoff Selig | 25.00 | – | 75.00 | 100.00 | 89.00 |
| Warwick Hay | 75.00 | 11.25 | 13.75 | 100.00 | 82.75 |
| Matt Aitken | 75.00 | 10.00 | 15.00 | 100.00 | 82.75 |
| Darren Dunkley | 50.00 | 37.50 | 12.50 | 100.00 | 88.50 |

Details of the actual dollar amounts paid to each executive KMP are set out in the table on page 16.

The STI target for FY19 was increased over FY18 by the NRC to ensure a greater proportion of remuneration at-risk. No increase has been made to the STI target for FY20.

### Long term incentive (LTI)

The Board has established a LTI Plan as outlined in prior years' Remuneration Reports and outlined in the section in this Report entitled "Share based remuneration". The LTI Plan was last approved by shareholders at IVE's 2018 Annual General Meeting (**AGM**). The LTI Plan is largely used to reward long-term sustainable performance.

The LTI Plan facilitates the offer of Performance Share Rights (**Rights**) to key executives and the Rights vest and convert to ordinary shares on a one-for-one basis, subject to meeting specific performance conditions, specifically achievement of:

- relative total shareholder return (**TSR**); and
- compound annual earnings per share growth (**EPS**) over a three-year performance period.

The LTI Plan, including the combination of TSR and EPS hurdles, has been designed commensurate with IVE's long-term strategic objectives so that executive KMP will only receive a substantial component of LTI when there has been strong absolute and relative performance.

The grant of Rights during FY19 to the Executive Chairman and Managing Director was approved by shareholders at the 2018 AGM and the Rights to be granted to the Executive Chairman for FY20 will be submitted for approval by shareholders at the 2019 AGM.

The Board has the discretion to amend the future vesting terms and performance hurdles at the grant of each award of Rights to ensure that they are aligned to market practice and ensure the best outcome for IVE. The Board also has the discretion to change the LTI Plan and to determine whether LTI grants will be made in future years. There is no-retesting of performance hurdles.

The Board makes changes to the level of LTI to grant each year based on reviews of total remuneration packages for executives. In FY19 the Board, following review by the NRC, agreed to grant an equity-based LTI to Geoff Selig, Executive Chairman. This was to better align the Executive Chairman's remuneration package with other executives and the results of the peer review undertaken. The NRC has again reviewed this position and will grant an equity-based LTI to Geoff Selig as Executive Chairman in FY20, as well as other executives. Due to Paul Selig's executive role being specific in nature, he does not participate in the LTI Plan.

The NRC decided to not to increase the level of long term incentives for FY20. They will remain in-line with the same quantum agreed in respect of FY19. The NRC believe that the issue of long term equity incentivises and aligns management's remuneration with shareholders' longer term interests.

The staged approach to executive remuneration over recent years has led to the current level of executive remuneration which the Board feels is appropriate in the challenging and competitive sector in which the Group operates. All rewards, other than fixed remuneration, are subject to achieving the performance conditions outlined above.

# DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2019

### Assessment of performance

Performance of executive KMPs is assessed against the agreed non-financial and financial targets on a regular basis. Based on this assessment, the Executive Chairman will make a recommendation to the NRC for Board approval of the amount of STI and LTI to award (as applicable) to each KMP, other than the Executive Chairman. Recommendations in relation to the Executive Chairman are made by the Chair of the NRC for Board approval.

The NRC assesses the actual performance of IVE and the Executive Chairman against the agreed targets and recommends the amount of the STI and LTI (as applicable) to be paid for approval by the Board.

### Executive KMP remuneration – paid, vested and targets

The table below presents the STI and LTI paid and vested to executive KMP during FY18 and FY19. Further detail on remuneration is included in the tables at the end of this Report.

| All in $ | | STI | | LTI – Number of Rights | |
|---|---|---|---|---|---|
| | | Maximum | Actual | Granted | Vested |
| Geoff Selig | FY19 | 200,000 | 178,000 | 130,718 | Not applicable (3 year vesting) |
| | FY18 | 200,000 | 181,250 | 0 | Not applicable (3 year vesting) |
| Warwick Hay | FY19 | 100,000 | 82,750 | 130,718[2] | Not applicable (3 year vesting) |
| | FY18 | 100,000 | 84,250 | 67,567[2] | Not applicable (3 year vesting) |
| Matt Aitken | FY19 | 100,000 | 82,750 | 130,718 | Not applicable (3 year vesting) |
| | FY18 | 90,000 | 76,960 | 60,810 | Not applicable (3 year vesting) |
| Darren Dunkley | FY19 | 80,000 | 70,800 | 98,039 | Not applicable (3 year vesting) |
| | FY18 | 75,000 | 64,700 | 50,675 | Not applicable (3 year vesting) |
| Paul Selig[1] | FY19 | 0 | 0 | 0 | N/A |
| | FY18 | 0 | 250,000[1] | 0 | N/A |

1 Paul Selig was paid a discretionary bonus payment of $250,000 during FY18 as announced to the ASX on September 2017, which is not part of the STI framework.

2 Warwick Hay resigned as Managing Director effective 5 August 2019 but will remain employed until 31 January 2020. In accordance with the IVE Group Equity Incentive Plan Rules, these unvested performance rights have lapsed and were forfeited.

Further detail on the value of the Rights granted is included in the tables at the end of this Report.

### Proportions of fixed and variable remuneration

The Board and NRC consider annually the fixed remuneration and proportion of variable remuneration that is dependent on performance ("at risk") for each executive KMP. The relative proportions of fixed versus variable pay (as a percentage of total remuneration) received by executive KMP during the past two financial periods and proposed for the next financial period are shown below. This chart shows the staged process the NRC has undertaken to increase the proportion of at risk remuneration.

As shown below, no changes were made to executive KMP remuneration for FY20 following the assessment of performance, the annual review of fixed remuneration and STI and LTI targets.

| All in $ | Fixed Remuneration[1] | | | STI | | | LTI | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY18 Actual | FY19 Actual | FY20 Agreed | FY18 Actual | FY19 Actual | FY20 Maximum | FY18 Grant[2] | FY19 Grant[2] | FY20 Grant[2] |
| Geoff Selig | 850,000 | 952,000 | 952,000 | 181,250 | 178,000 | 200,000 | 0 | 200,000 | 200,000[3] |
| Warwick Hay[5] | 500,000 | 525,000 | 525,000 | 84,250 | 82,750 | N/A | 100,000[5] | 200,000[5] | N/A |
| Matt Aitken | 486,501 | 504,000 | 504,000 | 79,960 | 82,750 | 100,000 | 90,000 | 200,000 | 200,000 |
| Darren Dunkley | 407,882 | 420,000 | 420,000 | 64,700 | 70,800 | 80,000 | 75,000 | 150,000 | 150,000 |
| Paul Selig | 303,501 | 330,000 | 330,000 | 250,000 | 0 | 0 | N/A[4] | N/A[4] | N/A[4] |

1 Fixed remuneration includes superannuation and excludes annual leave loading

2 LTI grant is the $ value of the grant approved by the Board.

3 FY20 LTI grant is subject to shareholder approval.

4 Paul Selig was appointed as an Executive effective 1 October 2017 and as such, FY18 is Fixed Remuneration for the part of the year Paul Selig was appointed as an Executive. Due to the specific nature of his role, Paul Selig does not participate in the LTI Plan.

5 Warwick Hay resigned as Managing Director effective 5 August 2019. In accordance with the IVE Group Equity Incentive Plan Rules, the unvested performance rights granted under the FY18 and FY19 LTI have lapsed and were forfeited.

The Board uses a fair value method to determine the value of performance rights issued under the LTI Plan, which was last approved by shareholders in 2018. This is consistent with the required accounting treatment of rights and the basis on which the KMP remuneration arrangements were agreed. The Board recognises that some stakeholders advocate the use of the face value method to determine the value of performance rights. A face value approach does not take into account the risk that rights may not vest and that the rights are not entitled to dividends. The executive KMPs remuneration arrangements were agreed assuming a fair value approach. In a year where there is no change to remuneration arrangements, a move to a face value approach would effectively reduce the executive KMPs remuneration.

If a face value method were used, the FY19 LTI and proposed FY20 LTI grants for each of the executive KMP would be as indicated below:

| | FY19 Fair Value (No. of rights) | FY19 Face Value[1] (No. of rights) | Proposed FY20 Fair Value (No. of rights) | Proposed FY20 Face Value[2] (No. of rights) |
|---|---|---|---|---|
| Geoff Selig | 130,718 | 86,956 | 147,058 | 97,560 |
| Warwick Hay[3] | 130,718 | 86,956 | N/A | N/A |
| Matt Aitken | 130,718 | 86,956 | 147,058 | 97,560 |
| Darren Dunkley | 98,039 | 65,217 | 110,294 | 73,170 |
| Paul Selig | 0 | N/A | 0 | N/A |

1 Based on the closing share price on 2 July 2018 of $2.30 per share

2 Based on the closing share price on 1 July 2019 of $2.05 per share

3 Warwick Hay resigned as Managing Director effective 5 August 2019. In accordance with the IVE Group Equity Incentive Plan Rules, the 130,718 unvested performance rights granted under the FY19 LTI have lapsed and were forfeited.

# DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2019

## How reward is linked to performance

### Performance indicators and link to performance

IVE's financial performance has been strong since listing on the ASX in December 2015. Performance of the business is reflected in the outcome of the variable components to the remuneration framework:

- full STI payments are only made if executive KMP meet agreed financial and non-financial targets for the year in review; and
- LTI grants only vest if IVE Group achieves the targets set for TSR and EPS over a three year performance period.

There has been no LTI vesting for executive KMP since listing on the ASX. The first possible vesting date for executive KMP is after the FY19 financial results are released to the market and targets will be tested at that time. Vesting performance will be reported in the FY20 annual report.

In FY19, each executive KMP was awarded the proportion of the target STI indicated above, based on achievement of the Group EBITDA component to forecast as well as individual performance targets.

Key financial metrics over the last six years are shown below:

| | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 |
|---|---|---|---|---|---|---|
| Revenue ($m) | 303.5 | 337.4 | 382.0 | 496.6 | 695.4 | 724.2 |
| EBITDA ($m) | 22.9 | 30.9 | 44.9 | 55.2 | 73.2 | 80.4 |
| Net profit after tax ($m) | 6.4 | 9.7 | 22.3 | 24.6 | 32.4 | 33.8 |
| Dividend payment (cents per share)[1] | N/A | N/A | N/A | 12.7 | 15.5 | 16.3 |
| Dividend payout ratio[1] | N/A | N/A | N/A | 69% | 71% | 71% |
| Share price change ($)[2] | N/A | N/A | N/A | (0.043) | +0.162 | (0.23) |

The above results are prepared on a pro forma basis[3].

1 Only applicable post-listing on ASX.

2 Calculated as close price on 30 June for the applicable year.

3 Pro forma results exclude all restructure and acquisition costs. This better reflects the underlying operating performance and is consistent with guidance.

### Grant of Performance Share Rights

During the year, the Company made offers of Rights under the LTI Plan with clear performance measures. The offers included:

- On 21 November 2018, offers were made granting 594,767 performance rights under the Senior Leadership Team Plan. These Rights vest following the release of the FY21 financial results if certain performance conditions are met during the Performance period which is 1 July 2018 to 30 June 2021. Of these, 130,718 unvested performance rights were granted to Warwick Hay who resigned as Managing Director effective 5 August 2019. Accordingly, these performance rights have lapsed and were forfeited.
- On 3 April 2019, additional offers were made granting 65,358 performance rights under the Senior Leadership Team Plan as an adjustment to the non-KMP FY19 LTI. These Rights vest following the release of the FY21 financial results if certain performance conditions are met during the Performance period which is 1 July 2018 to 30 June 2021.

In total there were 1,017,740 unvested Rights at 30 June 2019 from the FY17, FY18 and FY19 offers. Of these, 198,285 unvested performance rights were granted to Warwick Hay who resigned as Managing Director effective 5 August 2019. Accordingly, these performance rights have lapsed and were forfeited.

There were no offers of options during the year and there are no unvested options.

The terms of the Equity Incentive Plan which provide the framework under which the LTI grants were made in FY17, FY18 and FY19 are as follows:

| Feature | Terms of the IVE Group Equity Incentive Plan |
|---|---|
| Type of security | Performance Share Rights which are an entitlement to receive fully paid ordinary IVE Group Limited shares (as traded on the ASX) on a one-for-one basis. |
| Valuation | The number of Performance Share Rights for each KMP is calculated by dividing the allocated value of the LTI award for that KMP by the fair value of a Performance Share Right. The fair value is calculated using a Monte Carlo simulation approach for the Awards subject to the Relative TSR condition and a risk neutral assumption is used the value the Awards subject to the EPS condition.<br>For the Executive Chairman and Managing Director, the LTI grant, as recommended by the Board, will be submitted for approval by shareholders at the relevant Annual General Meeting, as required by the ASX Listing Rules. |
| Performance Period | The Performance Period is the three year period 1 July to 30 June inclusive. |
| Performance Conditions | The number of Performance Share Rights that may vest will be determined by reference to:<br>• Earnings Per Share (**EPS**) compound annual growth over the Performance Period. EPS growth will be calculated as IVE Group's Net Profit After Tax (**NPAT**) divided by the undiluted weighted average shares on issue throughout the Performance Period, using the following formula<br>$\text{EPS CAGR} = \sqrt[3]{\left(\frac{Year\ 3\ EPS}{Year\ 0\ EPS}\right)} - 1$<br>(Benchmark 1); and<br>• Relative Total Shareholder Return (**TSR**) performance of the Company in comparison to similar companies in a peer group determined by the Board. The peer group for the FY19 offer is shown on the following page. The TSR of each company will be measured from the start of the Performance Period to the end of the Performance Period (Benchmark 2),<br>(collectively the **Performance Conditions**).<br>Together Benchmark 1 and Benchmark 2 comprise the total Performance Conditions but act independently relative to their specific target component of 60% and 40% of Performance Share Rights, respectively. |
| Re-testing | There is no re-testing. Any unvested LTI after the test at the end of the Performance Period will lapse immediately. |

# DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2019

| Feature | Terms of the IVE Group Equity Incentive Plan |
|---|---|
| Forfeiture | All Rights will lapse if the participant elects to cease employment with IVE Group prior to the Conversion Date (being the date that Performance Share Rights convert to shares).<br>Rights will immediately lapse if the participant is dismissed or removed from office as an employee for any reason which entitles IVE Group to dismiss the participant without notice or if the participant acts fraudulently, dishonestly or in breach of their obligations to the Company.<br>The only exception to the lapse of rights if for a Good Leaver reason detailed below:<br>• Any unvested Rights will not lapse if the participant's employment with IVE Group ceases due to death, ill-health, total permanent disability or sale of the business in which they are employed.<br>• Rights for employees who cease employment due to death will vest in full upon cessation.<br>• Rights for other good leavers will remain on foot and will be tested against the Performance Conditions as at the Vesting Date, vesting on a pro-rata basis.<br>The Board has discretion to allow vesting for other reasons, such as retirement or redundancy. |
| Clawback | The Board has broad "clawback" powers if, amongst other things, the participant has acted fraudulently or dishonestly, engaged in gross misconduct or has acted in a manner that has brought the Company into disrepute, or there is a material financial mis-statement, or the Company is required or entitled under law or company policy to reclaim remuneration from the participant, or the participant's entitlements vest as a result of the fraud, dishonesty or breach of obligations of any other person and the Board is of the opinion that the incentives would not have otherwise vested. |

**TSR Peer Group for FY19 Offer**

| | | |
|---|---|---|
| 1 | OPG | Opus Group Limited |
| 2 | OVT | Ovato Limited |
| 3 | WLL | Wellcom Group Limited |
| 4 | CWY | Cleanaway Waste Management Limited |
| 5 | MIL | Millennium Services Group Limited |
| 6 | SLM | Salmat Limited |
| 7 | SPO | Spotless Group Holdings Limited |
| 8 | SGN | STW Communications Group Limited |
| 9 | SWM | Seven West Media Limited |
| 10 | ORA | Orora Limited |
| 11 | PPG | Pro-Pac Packaging Limited |
| 12 | GWA | GWA Group Limited |
| 13 | DCG | Decmil Group Limited |
| 14 | APN | APN Outdoor Group Limited |
| 15 | SIQ | Smartgroup Corporation Ltd |
| 16 | MMS | McMillan Shakespeare Limited |
| 17 | QMS | QMS Media Limited |

| | | |
|---|---|---|
| 18 | KSC | K & S Corporation Limited |
| 19 | LAU | Lindsay Australia Limited |
| 20 | CKF | Collins Foods Limited |
| 21 | OML | Ooh!Media Limited |
| 22 | PRT | Prime Media Group Limited |
| 23 | SXL | Southern Cross Media Group Limited |
| 24 | TRS | The Reject Shop Limited |
| 25 | RCG | RCG Corporation Limited |
| 26 | TGA | Thorn Group Limited |
| 27 | KMD | Kathmandu Holdings Limited |
| 28 | AMA | AMA Group Limited |
| 29 | FWD | Fleetwood Corporation Limited |
| 30 | GUD | GUD Holdings Limited |
| 31 | PGH | Pact Group Holding Limited |

The peer group was chosen by the Board. When compiling the peer group, the Board sought to include similar companies and, in addition to their size, considered characteristics such as being a direct competitor, operating in a similar industry or sector, generating revenue in Australia only, being exposed to domestic economic conditions including consumer spending and marketing spend.

### Non-Executive Director Remuneration

Non-Executive Directors enter into service agreements through a letter of appointment which are not subject to a fixed term. Non-Executive Directors receive a fee for their contribution as Directors. Fees are determined with reference to the demands of the role and the responsibilities carried out by Directors. The fee setting process also takes into account market levels, the need to attract high quality Directors and the size and complexity of the Company.

Directors receive fees for their role as members of the Board and, where applicable, for additional responsibilities. Non-Executive Directors do not receive additional fees for being a Chair or member of a Board Committee. Non-Executive Directors do not receive any variable or performance-based remuneration. Where Directors are required to provide additional services, these are paid on a fixed fee basis or determined on an hourly basis depending on the nature of the service. There were no additional services provided in FY19 by Non-Executive Directors.

During FY19, the Board did not increase fees paid to Non-Executive Directors and no increase is proposed for FY20. The current annual fees provided to Non-Executive Directors are shown below (inclusive of superannuation):

| Chair fee | Non-Executive Director fee (effective since 1 July 2018) |
|---|---|
| N/A as Executive Chairman | $105,000 (each) |

The total Non-Executive Director fee pool has a maximum value of $1 million per annum. The total amount paid to Non-Executive directors in FY19 was $423,296, being 42% of the approved fee pool. There is no intent to seek approval to increase the Non-executive Director fee pool at the 2019 AGM.

Non-Executive Directors do not receive fees that are contingent on performance, shares in return for their services, retirements benefits (other than statutory superannuation) or termination benefits.

Executive Directors are not remunerated separately for acting as Directors.

Directors are not required under the Constitution or any other Board policy to hold any shares in IVE.

The remuneration paid to Non-Executive Directors is detailed in the tables later in this Report.

# DIRECTORS’ REPORT (CONT.)

For the year ended 30 June 2019

### Contractual arrangements with executive KMPs

Remuneration and other conditions of employment are set out in the executive KMPs employment contracts. The key elements of these employment contracts are summarised below

| | |
|---|---|
| Name: | **Geoff Selig** |
| Title: | Executive Chairman |
| Terms of Agreement: | No fixed term – subject to termination provisions detailed below |
| Details: | Annual remuneration includes cash salary, superannuation and non-cash benefits<br>Incentives – eligible to participate in short term incentive and equity remuneration plans |
| Termination: | Termination – 12 months written notice (except in certain circumstances, such as where committed any breach or material neglect of the material terms of his contract of employment, or any act of serious or wilful misconduct) by Company or employee.<br>All payments on termination will be subject to the termination benefits cap under the *Corporations Act 2001* in the absence of shareholder approval.<br>Post-employment – 12 months restraint provisions. |
| Name: | **Paul Selig** |
| Title: | Executive Director |
| Terms of Agreement: | No fixed term – subject to termination provisions detailed below |
| Details: | Annual remuneration includes cash salary, superannuation and non-cash benefits<br>Incentives – discretionary bonus |
| Termination: | Termination – 3 months written notice (except in certain circumstances, such as where committed any breach or material neglect of the material terms of his contract of employment, or any act of serious or wilful misconduct) by Company or employee.<br>All payments on termination will be subject to the termination benefits cap under the *Corporations Act 2001* in the absence of shareholder approval.<br>Post-employment – 12 months restraint provisions. |
| Name: | **Warwick Hay** |
| Title: | Managing Director[1]<br>1 Warwick Hay resigned as Managing Director effective 5 August 2019 but will remain employed until 31 January 2020 |
| Terms of Agreement: | No fixed term – subject to termination provisions detailed below |
| Details: | Annual remuneration includes cash salary, superannuation and non-cash benefits<br>Incentives – eligible to participate in short term incentive and equity remuneration plans |
| Termination: | Termination – 6 months written notice (except in certain circumstances, such as where committed any breach or material neglect of the material terms of his contract of employment, or any act of serious or wilful misconduct) by Company or employee.<br>All payments on termination will be subject to the termination benefits cap under the *Corporations Act 2001* in the absence of shareholder approval.<br>Post-employment – 9 months restraint provisions. |

| | |
|---|---|
| Name: | **Darren Dunkley** |
| Title: | Chief Financial Officer |
| Terms of Agreement: | No fixed term – subject to termination provisions detailed below |
| Details: | Annual remuneration includes cash salary, superannuation and non-cash benefits |
| | Incentives – eligible to participate in short term incentive and equity remuneration plans |
| Termination: | Termination – 6 months written notice (except in certain circumstances, such as where committed any breach or material neglect of the material terms of his contract of employment, or any act of serious or wilful misconduct) by Company or employee. |
| | All payments on termination will be subject to the termination benefits cap under the *Corporations Act 2001* in the absence of shareholder approval. |
| | Post-employment – 3 months restraint provisions. |
| Redundancy | 6 months' pay in circumstance where employment is terminated due to redundancy. |
| Name: | **Matt Aitken** |
| Title: | Chief Executive Officer (appointed 5 August 2019) |
| | Chief Operating Officer (ceased 5 August 2019) |
| Terms of Agreement: | No fixed term – subject to termination provisions detailed below |
| Details: | Annual remuneration includes cash salary, superannuation and non-cash benefits |
| | Incentives – eligible to participate in short term incentive and equity remuneration plans |
| Termination: | Termination – 9 months written notice (except in certain circumstances, such as where committed any breach or material neglect of the material terms of his contract of employment, or any act of serious or wilful misconduct) by Company or employee. |
| | All payments on termination will be subject to the termination benefits cap under the *Corporations Act 2001* in the absence of shareholder approval. |
| | Post-employment – 3 months restraint provisions. |
| Redundancy | 6 months' pay in circumstance where employment is terminated due to redundancy. |

# DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2019

### Details of Remuneration

The table below provides remuneration prepared for on a statutory basis for directors and executive KMPs year ended 30 June 2019 (except as noted below)

| | | Fixed Remuneration | | | Variable Remuneration | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Year | Cash salary and fees[4] | Super-annuation | Other long term benefits | Short term incentive | Fair value of LTI award | Total | Total performance related | Percentage performance related |
| **Executive Directors** | | | | | | | | | |
| Geoff Selig | 2019 | 931,469 | 20,531 | | 178,000 | 20,218 | 1,150,218 | 198,218 | 17.2% |
| | 2018 | 829,951 | 20,049 | | 181,250 | | 1,031,250 | 181,250 | 17.6% |
| Paul Selig[1] | 2019 | 309,469 | 20,531 | | | | 330,000 | 0 | 0.0% |
| | 2018 | 283,606 | 19,895 | | 250,000 | | 553,501 | 250,000 | 45.2% |
| Warwick Hay | 2019 | 504,469 | 20,531 | | 82,750 | 20,218 | 627,968 | 102,968 | 16.4% |
| | 2018 | 479,951 | 20,049 | | 84,250 | 10,450 | 594,700 | 94,700 | 15.9% |
| **Non-executive Directors** | | | | | | | | 0 | |
| Gavin Bell | 2019 | 96,657 | 8,351 | | | | 105,008 | 0 | 0.0% |
| | 2018 | 82,192 | 7,808 | | | | 90,000 | 0 | 0.0% |
| Andrew Harrison[2] | 2019 | 39,962 | 3,796 | | | | 43,758 | 0 | 0.0% |
| | 2018 | 82,192 | 7,808 | | | | 90,000 | 0 | 0.0% |
| Carole Campbell[3] | 2019 | 58,887 | 5,594 | | | | 64,481 | 0 | 0.0% |
| | 2018 | | | | | | 0 | 0 | |
| Sandra Hook | 2019 | 95,898 | 9,110 | | | | 105,008 | 0 | 0.0% |
| | 2018 | 82,192 | 7,808 | | | | 90,000 | 0 | 0.0% |
| James Todd | 2019 | 95,928 | 9,113 | | | | 105,041 | 0 | 0.0% |
| | 2018 | 82,192 | 7,808 | | | | 90,000 | 0 | 0.0% |
| **Other Executive KMP** | | | | | | | | 0 | |
| Darren Dunkley | 2019 | 350,995 | 20,531 | 52,238 | 70,800 | 15,163 | 509,727 | 85,963 | 16.9% |
| | 2018 | 387,833 | 20,049 | | 64,700 | 7,838 | 480,420 | 72,538 | 15.1% |
| Matt Aitken | 2019 | 493,231 | 20,531 | | 82,750 | 20,218 | 616,730 | 102,968 | 16.7% |
| | 2018 | 466,452 | 20,049 | | 76,960 | 9,405 | 572,866 | 86,365 | 15.1% |

1 Paul Selig is not part of the STI framework but was awarded a discretionary bonus of $250,000 in FY18.

2 Andrew Harrison ceased to be a Director on 20 November 2018.

3 Carole Campbell was appointed as a Director on 21 November 2018.

4 Cash, salary and fees includes annual leave.

## Rights granted to executive KMP

### FY19

| KMP | Number of rights granted in FY19 | Vesting conditions | Grant Date | Fair value at grant date | Expiry date |
|---|---|---|---|---|---|
| Geoff Selig | 130,718 | Relative TSR and Compound annual EPS growth over 3 years | 21 November 2018 | $200,000 | After vesting following release of FY21 financial results. Any unvested Rights expire. |
| Warwick Hay[1] | 130,718 | Relative TSR and Compound annual EPS growth over 3 years | 21 November 2018 | $200,000 | After vesting following release of FY21 financial results. Any unvested Rights expire. |
| Matt Aitken | 130,718 | Relative TSR and Compound annual EPS growth over 3 years | 21 November 2018 | $200,000 | After vesting following release of FY21 financial results. Any unvested Rights expire. |
| Darren Dunkley | 98,039 | Relative TSR and Compound annual EPS growth over 3 years | 21 November 2018 | $150,000 | After vesting following release of FY21 financial results. Any unvested Rights expire. |

1 Warwick Hay resigned as Managing Director effective 5 August 2019. In accordance with the IVE Group Equity Incentive Plan Rules, these unvested performance rights have lapsed and were forfeited.

### FY18

| KMP | Number of rights granted in FY18 | Vesting conditions | Grant Date | Fair value at grant date | Expiry date |
|---|---|---|---|---|---|
| Warwick Hay[1] | 67,567 | Relative TSR and Compound annual EPS growth over 3 years | 17 November 2017 | $100,000 | After vesting following release of FY20 financial results. Any unvested Rights expire. |
| Matt Aitken | 60,810 | Relative TSR and Compound annual EPS growth over 3 years | 17 November 2017 | $90,000 | After vesting following release of FY20 financial results. Any unvested Rights expire. |
| Darren Dunkley | 50,675 | Relative TSR and Compound annual EPS growth over 3 years | 17 November 2017 | $75,000 | After vesting following release of FY20 financial results. Any unvested Rights expire. |

1 Warwick Hay resigned as Managing Director effective 5 August 2019. In accordance with the IVE Group Equity Incentive Plan Rules, these unvested performance rights have lapsed and were forfeited.

### FY17

| KMP | Number of rights granted in FY17 | Vesting conditions | Grant Date | Fair value at grant date | Expiry date |
|---|---|---|---|---|---|
| Geoff Selig | 32,817 | Relative TSR and Compound annual EPS growth over 3 years | 22 November 2016 | $50,000 | After vesting following release of FY19 financial results. Any unvested Rights expire. |
| Warwick Hay | 32,817 | Relative TSR and Compound annual EPS growth over 3 years | 22 November 2016 | $50,000 | After vesting following release of FY19 financial results. Any unvested Rights expire. |
| Matt Aitken | 32,817 | Relative TSR and Compound annual EPS growth over 3 years | 16 September 2016 | $50,000 | After vesting following release of FY19 financial results. Any unvested Rights expire. |
| Darren Dunkley | 19,690 | Relative TSR and Compound annual EPS growth over 3 years | 16 September 2016 | $30,000 | After vesting following release of FY19 financial results. Any unvested Rights expire. |

Note there were no Rights or options granted in FY16.

# DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2019

### Director and Executive KMP Shareholding

The table below provides the number of shares in IVE Group Limited held by each Director and executive KMP during the period, including their related parties:

| | Balance at 1 July 2018 | Shares received during the period on exercise of Performance Share Rights | Shares acquired | Shares disposed | Balance at 30 June 2019 |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Geoff Selig, Executive Chairman[1] | 11,210,231 | – | – | – | 11,210,231 |
| Paul Selig[1] | 11,260,231 | – | – | – | 11,260,231 |
| Warwick Hay, Managing Director[5] | 535,681 | – | – | – | 535,681 |
| **Non-executive Directors** | | | | | |
| Gavin Bell | 122,697 | – | – | – | 122,697 |
| Andrew Harrison[2] | 90,956 | – | – | – | 90,956[2] |
| Sandra Hook | 12,919 | – | – | – | 12,919 |
| James Todd | 105,836 | – | – | – | 105,836 |
| Carole Campbell[3] | 0 | – | – | – | 0 |
| **Executive KMP** | | | | | |
| Darren Dunkley, CFO and Company Secretary | 48,051 | – | – | – | 48,051 |
| Matt Aitken, Chief Executive Officer[4] | 0 | – | – | – | 0 |

1 Geoff Selig and Paul Selig are each beneficiaries of the Selig Family Trust No. 5, the trustee of which holds 11,210,231 shares.

2 Andrew Harrison ceased to be a Director on 20 November 2018. The closing balance above is reflective of the known balance at the date of ceasing to be a Director.

3 Carole Campbell was appointed as a Director on 21 November 2018.

4 Matt Aitken held the role of Chief Operating Officer until 5 August 2019 and was appointed as Chief Executive Officer on 5 August 2019.

5 Warwick Hay resigned as Managing Director effective 5 August 2019 but will remain employed until 31 January 2020.

### Loans to directors and executives

No loans were made to directors and executives of IVE including their close family and entities related to them during the year.

### Shares under option

There were no unissued ordinary shares of IVE under option outstanding at the date of this report.

### Shares under performance rights

There were no unissued ordinary shares of IVE under Rights outstanding at the date of this report.

In total there were 1,017,740 unvested Rights at 30 June 2019. Of these, 198,285 unvested performance rights were granted to Warwick Hay who resigned as Managing Director effective 5 August 2019. Accordingly, these performance rights have lapsed and were forfeited.

### Shares issued on the exercise of options

There were no ordinary shares of IVE Group Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

### Shares issued on the exercise of Performance Share Rights

75,502 rights vested during the year and 75,502 shares were issued on exercise of Rights during the year.

**This concludes the remuneration report, which has been audited.**

**Non-audit services**

During the year, KPMG, the Group's auditor has performed certain other services in addition to its statutory duties. The Board has considered the non-audit services provided during the year by the auditor, and, in accordance with the advice received from the Audit Committee, is satisfied that:

1. the non-audit services provided during the financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Act; and
2. any non-audit services provided during the financial year by KPMG as the external auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:
   a) all non-audit services are subject to corporate governance procedures adopted by the Group and have been reviewed by those charged with governance throughout the year to ensure they do not impact the integrity and objectivity of the auditor; and
   b) the nature of the services provided do not undermine the general principles relating to audit independence in accordance with APES 110: Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate to the Group or jointly sharing the risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, for audit and non-audit services provided during the year are set out in note 31 of the Financial Report.

**Lead auditor's independence declaration**

The Lead auditor's independence declaration is set out on page 28 and forms part of the directors' report for the financial year ended 30 June 2019.

**Rounding off**

The Group is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors.

Geoff Selig

**Geoff Selig**
Director

Dated at Sydney this 27th day of August 2019

KPMG

# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

## To the Directors of IVE Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2019, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

John Wigglesworth
*Partner*

Sydney

27 August 2019

# FINANCIAL REPORT

## CONTENTS

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

| *In thousands of AUD* | Note | 2019 | 2018 |
|---|---|---|---|
| Revenue | *4* | 724,197 | 695,361 |
| Cost of sales | | (377,134) | (356,742) |
| **Gross profit** | | **347,063** | **338,619** |
| Other income | *5* | 1,383 | 807 |
| Production expenses | | (177,838) | (172,653) |
| Administrative expenses | | (112,691) | (112,521) |
| Other expenses | | (3,254) | (9,487) |
| **Results from operating activities** | *6, 7* | **54,663** | **44,765** |
| Finance income | | 191 | 248 |
| Finance costs | | (10,031) | (8,152) |
| **Net finance costs** | *8* | **(9,840)** | **(7,904)** |
| **Profit before tax** | | **44,823** | 36,861 |
| Income tax expense | *9* | (13,519) | (11,146) |
| **Profit for the year** | | **31,304** | 25,715 |
| **Other comprehensive income** | | | |
| **Items that are or may be reclassified to profit or loss** | | | |
| Cash flow hedges – effective portion of changes in fair value (net of tax) | | (579) | (1,007) |
| Cash flow hedges – reclassified to profit or loss (net of tax) | | 115 | 759 |
| **Total comprehensive income for the year** | | **30,840** | 25,467 |
| **Profit attributable to:** | | | |
| Owners of the Company | | 31,304 | 25,715 |
| **Profit for the year** | | **31,304** | 25,715 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 30,840 | 25,467 |
| **Total comprehensive income for the year** | | **30,840** | 25,467 |
| **Earnings per share** | | | |
| Basic earnings per share (dollars) | *21* | 0.21 | 0.18 |
| Diluted earnings per share (dollars) | *21* | 0.21 | 0.18 |

The notes on pages 34 to 68 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

| *In thousands of AUD* | Note | 2019 | 2018 restated* |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *10* | 31,501 | 22,325 |
| Trade and other receivables | *11* | 113,586 | 118,282 |
| Inventories | *12* | 66,016 | 47,115 |
| Prepayments | | 3,076 | 2,559 |
| Contract asset | *4* | 47 | – |
| Other current assets | | 3,901 | 5,226 |
| **Total current assets** | | **218,127** | **195,507** |
| Deferred tax assets | *9* | 13,536 | 17,536 |
| Property, plant and equipment | *13* | 135,278 | 123,681 |
| Intangible assets and goodwill | *14* | 163,612 | 168,741 |
| **Total non-current assets** | | **312,426** | **309,958** |
| **Total assets** | | **530,553** | **505,465** |
| **Liabilities** | | | |
| Trade and other payables | *15* | 100,957 | 111,522 |
| Loans and borrowings | *16* | 6,192 | 16,442 |
| Employee benefits | *17* | 18,882 | 18,493 |
| Contract liabilities | *4* | 6,734 | – |
| Current tax payable | | 2,864 | 1,285 |
| Provisions | *18* | 2,006 | 1,815 |
| **Total current liabilities** | | **137,635** | **149,557** |
| Trade and other payables | *15* | – | 681 |
| Loans and borrowings | *16* | 167,349 | 134,890 |
| Employee benefits | *17* | 6,182 | 6,079 |
| Provisions | *18* | 13,580 | 14,917 |
| **Total non-current liabilities** | | **187,111** | **156,567** |
| **Total liabilities** | | **324,746** | **306,124** |
| **Net assets** | | **205,807** | **199,341** |
| **Equity** | | | |
| Share capital | *20* | 156,468 | 156,318 |
| Reserves | | (493) | 25 |
| Retained earnings | | 49,832 | 42,998 |
| **Total equity** | | **205,807** | **199,341** |

*Refer to note 33 on restatement.

The notes on pages 34 to 68 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

| *In thousands of AUD* | **Note** | **Share capital** | **Share-based payment reserve** | **Hedging reserve** | **Retained earnings** | **Total equity** |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2018** | | 98,820 | 88 | 100 | 38,608 | 137,616 |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | | – | – | – | 25,715 | 25,715 |
| Other comprehensive income | | – | – | (248) | – | (248) |
| **Total comprehensive income for the year** | | – | – | (248) | 25,715 | 25,467 |
| **Transactions with owners of the Company** | | | | | | |
| Performance share rights | *19* | – | 85 | – | – | 85 |
| Issue of share capital | *20* | 57,498 | – | – | – | 57,498 |
| Dividends to owners of the Company | *20* | – | – | – | (21,325) | (21,325) |
| Total transactions with owners of the Company | | 57,498 | 85 | – | (21,325) | 36,258 |
| **Balance at 30 June 2018** | | **156,318** | **173** | **(148)** | **42,998** | **199,341** |
| **Balance at 1 July 2018** | | 156,318 | 173 | (148) | 42,998 | 199,341 |
| **Initial application of AASB 9*** | *3(s)* | – | – | – | (619) | (619) |
| **Adjusted balance 1 July 2018** | | **156,318** | **173** | **(148)** | **42,379** | **198,722** |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | | – | – | – | 31,304 | 31,304 |
| Other comprehensive income | | – | – | (464) | – | (464) |
| **Total comprehensive income for the year** | | – | – | (464) | 31,304 | 30,840 |
| **Transactions with owners of the Company** | | | | | | |
| Performance share rights | *19* | – | (54) | – | – | (54) |
| Issue of share capital | *20* | 150 | – | – | – | 150 |
| Dividends to owners of the Company | *20* | – | – | – | (23,851) | (23,851) |
| Total transactions with owners of the Company | | 150 | (54) | – | (23,851) | (23,755) |
| **Balance at 30 June 2019** | | **156,468** | **119** | **(612)** | **49,832** | **205,807** |

* The Group has initially applied AASB 9 as at 1 July 2018. Under the transition method chosen, comparative information has not been restated. Refer to note 3(s) on 'Adoption of new accounting standards'.

The notes on pages 34 to 68 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

| *In thousands of AUD* | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 799,817 | 750,486 |
| Cash paid to suppliers and employees | | (734,140) | (687,997) |
| Cash generated from operating activities | | 65,677 | 62,489 |
| Interest received | | 191 | 211 |
| Interest paid | | (7,738) | (7,257) |
| Income tax paid | | (7,477) | (3,957) |
| Payment of acquisition costs | | (500) | (1,267) |
| Payment of restructure costs | | (2,716) | (13,552) |
| **Net cash from operating activities** | *10* | **47,437** | **36,667** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | 43 | 1,095 |
| Acquisition of property, plant and equipment and intangible assets | | (21,935) | (36,310) |
| Acquisitions of businesses, net of cash acquired | *22* | – | (11,606) |
| Deferred and contingent consideration paid on acquired business | | (6,000) | (3,821) |
| **Net cash used in investing activities** | | **(27,892)** | **(50,642)** |
| **Cash flows from financing activities** | | | |
| Proceeds from shares issue | | – | 55,582 |
| Proceeds from bank loans | | 27,000 | – |
| Repayment of bank loans | | (5,000) | (16,000) |
| Payment of transaction costs for loans and issued capital | | (1,022) | (2,297) |
| Dividends paid | | (23,851) | (21,325) |
| Payment of finance lease liabilities | | (7,496) | (3,511) |
| **Net cash from financing activities** | | **(10,369)** | **12,449** |
| Net increase in cash and cash equivalents | | 9,176 | 23,851 |
| Cash and cash equivalents at beginning of year | | 22,325 | (1,526) |
| **Cash and cash equivalents at end of year** | | **31,501** | **22,325** |

The notes on pages 34 to 68 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

## 1. Reporting entity

IVE Group Limited (the ultimate parent entity or the Company) is a company domiciled in Australia. Its registered address is Level 3, 35 Clarence Street, Sydney NSW 2000.

This consolidated financial report as at and for the year ended 30 June 2019 comprises the Company and its subsidiaries (IVE or Group).

The Group is a for-profit entity. The Group is primary involved in:

- Conceptual and creative design across print, mobile and interactive media;
- Printing of catalogues, magazines, marketing and corporate communications materials and stationery;
- Manufacturing of point of sale display material and large format banners for retail applications;
- Personalised communications including marketing automation, marketing mail, publication mail, eCommunications, multi-channel solutions, and call centre services;
- Data analytics, customer experience strategy, CRM; and
- Outsourced communications solutions for large organisations including development of customised multi-channel management models covering creative and digital services, supply chain optimisation, inventory management, warehousing and logistics.

The Group services all major industry sectors in Australia including financial services, publishing, retail, communications, property, clubs and associations, not-for-profit, utilities, manufacturing, education and government.

## 2 Basis of preparation

### (a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 27 August 2019. Details of the Group's accounting policies is included in Note 3.

### (b) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016, and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

### (c) Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2018.

## 2. Basis of preparation (cont.)

### (c) Use of estimates and judgements (cont.)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

#### (i) Judgements

Information about judgements made in applying the Group's accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 3(e) & (f) – estimation of useful lives of assets;
- Note 3(k) – provisions; and
- Note 24 – Level 3 fair value of contingent consideration, interest rate swaps and forward exchange contracts.

#### (ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2019 is included in the following notes:

- Note 3(i)(ii) & 14 – impairment testing for cash generating units containing goodwill; and
- Note 22 – acquisitions: fair value measured on a provisional basis.

***Measurement of fair values***

When measuring the fair value of an asset or a liability, the group uses market observable data if possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 3 Significant accounting policies

The accounting policies set out below have been applied consistently during the period presented in these consolidated financial statements, and have been applied consistently by all entities in the Group, except for the adoption of new accounting standards (see Note 3(s)).

### (a) Basis of consolidation

#### (i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except those related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-exiting relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition, with subsequent changes in the fair value of the contingent consideration recognised in profit or loss.

#### (ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 3. Significant accounting policies (cont.)

### (a) Basis of consolidation (cont.)

#### (iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### (b) Foreign currency

*Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency of the Group (Australian dollars) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Foreign currency differences arising on retranslation are recognised in profit or loss.

### (c) Financial instruments

#### (i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (ii) Classification and subsequent measurement

Effective 1 July 2018, the Group classifies its financial instruments in accordance with AASB 9 in the following measurement categories: at amortised cost, at fair value through profit and loss (FVTPL) and at fair value through other comprehensive income (FVOCI).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on a specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on a specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## 3. Significant accounting policies (cont.)

### (c) Financial instruments (cont.)

### (ii) Classification and subsequent measurement (cont.)

***Financial assets at amortised costs***

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

***Financial liabilities – Classification, subsequent measurement and gains and losses***

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit and loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### (iii) Derecognition

***Financial assets***

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

***Financial liabilities***

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### (iv) Offsetting

Financial asset and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### (v) Derivative financial instruments and hedge accounting

**Derivative financial instruments and hedge accounting – Policy applicable from 1 July 2018**

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 3. Significant accounting policies (cont.)

### (c) Financial instruments (cont.)

### (v) Derivative financial instruments and hedge accounting (cont.)

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

*Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

**Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2018**

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss. Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognised immediately in profit or loss.

### (d) Share capital

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## 3. Significant accounting policies (cont.)

### (e) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Any gains and losses on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) are recognised in profit or loss.

#### (ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

#### (iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current year of significant items of property, plant and equipment are as follows:

- Leasehold improvements — shorter of lease term and life of asset
- Plant and equipment — 3 – 20 years
- Fixtures and fittings — 5 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### (f) Intangible assets and goodwill

#### (i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

#### (ii) Other intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

#### (iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives are as follows:

- computer software — 3 years
- customer relationships — 5 – 9 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 3. Significant accounting policies (cont.)

### (g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition of finance leases the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating leases and are not recognised in the Group's consolidated statement of financial position.

### (h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

### (i) Impairment

#### (i) Non-derivative financial assets

The impairment of financial assets is based on the expected credit loss (ECL) approach, as introduced by AASB 9. Prior to the introduction of AASB 9, the incurred loss model of AASB 139 required the recognition of an allowance once a loss event occurred. An additional allowance was recorded based on past bad debts experience and possible future defaults. AASB 9 replaces the incurred loss model under AASB 139.

The Group recognizes loss allowances for ECLs on financial assets measured at amortised costs.

The Group measures loss allowance at an amount equal to lifetime ECL.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

***Measurement of ECLs***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present values of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

***Credit-impaired financial assets***

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- A breach of contract such as a default or being more than 90 days past due;
- It is probable that the debtor will enter bankruptcy or other financial reorganization.

## 3. Significant accounting policies (cont.)

### (i) Impairment (cont.)

### (i) Non-derivative financial assets (cont.)

***Presentation of allowance for ECL in the statement of financial position***

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

***Write-off***

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit (CGU). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (j) Employee benefits

### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

### (ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

### (iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 3. Significant accounting policies (cont.)

### (j) Employee benefits (cont.)

#### (iv) Share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

### (k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### (i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

#### (ii) Make good provision

A make good provision is recognised when the Group enters into a lease contract that requires the property to be returned to the lessor in its original condition. The provision is based on the expected future cost of the refurbishment discounted to reflect current market assessments.

### (l) Revenue from contracts with customers

The Group has initially applied AASB 15 from 1 July 2018. Information about the Group's accounting policies relating to contracts with customers is below. The effect of initially applying AASB 15 is described in Note 3(s).

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue over-time, or at a point in time.

***Recognising of revenue over-time***

The Group is involved in a range of services relating to print, communications, creative and digital services, supply chain optimisation, inventory management, warehousing and logistics.

Revenue recognition under AASB 15 (applicable from 1 July 2018) – Revenue and associated costs are recognised over time. Revenue is recognised on the rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

***Recognising of revenue at a point in time***

The Group recognises revenue of when it transfers control over a good or service to a customer. Customers obtain control when the goods are delivered to and have been accepted. Invoices are generated at that point in time. Invoices are usually payable within 30 days.

Revenue recognition under AASB 15 (applicable from 1 July 2018) – Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.

Revenue recognition under AASB 118 (applicable before 1 July 2018) – Revenue was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred.

## 3. Significant accounting policies (cont.)

### (m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### (n) Finance income and finance costs

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

### (o) Income tax

Income Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

### (i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

### (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; or
- temporary differences related to investments in associates to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future, and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (iii) Tax exposures

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 3. Significant accounting policies (cont.)

### (o) Income tax (cont.)

#### (iv) Tax consolidation

IVE Group Limited and it's wholly owned Australian controlled entities formed a tax consolidated group on 16 December 2015. As a consequence, these entities are taxed as a single entity and the deferred tax asset and liabilities of these entities are offset in the consolidated financial statements.

### (p) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (q) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### (r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. It has been determined the Board of Directors is the chief operating decision maker, as they are ultimately responsible for allocating resources and assessing performance.

### (s) Adoption of new accounting standards

The Group has adopted all new and amended Australian Accounting Standards and Australian Accounting Standards Board (AASB) interpretations that are mandatory for the current reporting period and relevant to the Group. Adoption of these standards and interpretations has not resulted in any material changes to the Group's financial report.

Effective 1 July 2018, the Group adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments. The Group has elected to apply these standards from that date.

*AASB 9 Financial Instruments*

With the adoption of AASB 9, the Group assesses on a forward looking basis the expected credit losses associated with trade receivables. The expected lifetime losses are recognised from initial recognition of the receivables. It has been calculated by assessing previous six years of actual bad debts, and any possible defaults in the future. The change in policy resulted in a reduction of retained earnings of $619 thousand and has been disclosed in the Condensed Consolidated statement of changes in equity.

The following table below explains the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets and financial liabilities as at 1 July 2018.

## 3. Significant accounting policies (cont.)

### (s) Adoption of new accounting standards (cont.)

*AASB 9 Financial Instruments (cont.)*

| In thousands | Original classification under AASB 139 | New classification under AASB 9 | Original carrying amount under AASB 139 | Original carrying amount under AASB 9 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade and other receivables | Loans and receivables | Amortised cost | 117,627 | 116,743 |
| Forward exchange contracts used for hedging | Cash flow – hedging instrument | Cash flow – hedging instrument | 655 | 655 |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 22,325 | 22,325 |
| Total financial assets | | | **140,607** | **139,723** |

| In thousands | Original classification under AASB 139 | New classification under AASB 9 | Original carrying amount under AASB 139 | Original carrying amount under AASB 9 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Trade payables | Other financial liabilities | Other financial liabilities | 70,030 | 70,730 |
| Interest rate swaps used for hedging | Cash flow – hedging instrument | Cash flow – hedging instrument | 108 | 108 |
| Loans and borrowings receivables | Loans and Amortised cost | Amortised cost | 151,332 | 151,332 |
| Total financial liabilities | | | **222,170** | **222,170** |

***AASB 15 Revenue from Contracts with Customers***

The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under AASB 118, AASB 111 and related interpretations, and there has been no material impact to the Group's current financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 3. Significant accounting policies (cont.)

### (s) Adoption of new accounting standards (cont.)

The following table summarises the impacts of adopting AASB 15 on the Group's consolidated statement of financial position as at 30 June 2019. There was no material impact on the Group's consolidated statement of profit or loss and other comprehensive income, and Condensed consolidated statement of cash flows for the year ended 30 June 2019.

### Consolidated statement of financial position

| *In thousands of AUD* | *Note* | As reported | Adjustments | Amounts without adoption of AASB 15 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | *10* | 31,501 | | 31,501 |
| Trade and other receivables | *11* | 113,586 | 47 | 113,633 |
| Inventories | *12* | 66,016 | | 66,016 |
| Prepayments | | 3,076 | | 3,076 |
| Contract asset | *4* | 47 | (47) | – |
| Other current assets | | 3,901 | | 3,900 |
| **Total current assets** | | **218,127** | **–** | **218,126** |
| **Total non-current assets** | | 312,426 | – | 312,820 |
| **Total assets** | | **530,553** | **–** | **530,946** |
| **Liabilities** | | | | |
| Trade and other payables | *15* | 100,957 | 6,734 | 107,691 |
| Loans and borrowings | *16* | 6,192 | | 6,192 |
| Employee benefits | *17* | 18,882 | | 18,882 |
| Contract liabilities | *4* | 6,734 | (6,734) | – |
| Current tax payable | | 2,864 | | 3,257 |
| Provisions | *18* | 2,006 | | 2,006 |
| **Total current liabilities** | | **137,635** | **–** | **138,028** |
| **Total non-current liabilities** | | 187,111 | – | 187,111 |
| **Total liabilities** | | **324,746** | **–** | **325,139** |
| **Net assets** | | **205,807** | **–** | **205,807** |
| **Equity** | | | | |
| **Total equity** | | **205,807** | **–** | **205,807** |

## 3. Significant accounting policies (cont.)

### (t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been applied in preparing these financial statements. Those which may be relevant to the Group and its financial impact are set out below.

*AASB 16 Leases*

The Group is required to adopt AASB 16 Leases from 1 July 2019. The Group has assessed the estimated impact that initial application of AASB 16 will have on its consolidated financial statements, as described below.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Leases – Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

*Leases in which the Group is a lessee*

The Group will recognise new assets and liabilities for its operating leases of warehouse and factory facilities. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases. Instead, the Group will include the payments due under the lease in its lease liability.

No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of between $102,000 thousand and $126,000 thousand as at 1 July 2019. The Group does not expect the adoption of AASB 16 to impact its ability to comply with its loan covenants.

*Transition*

The Group plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with AASB 117 and AASB Interpretations 4.

*Other standards*

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRIC 23 Uncertainty over Tax Treatments.
- Annual Improvements to IFRSs 2015–2017 Cycle – various standards
- Amendments to References to Conceptual Framework in IFRS Standards

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 4. Revenue

The Group's operations and main revenue streams are those described in Note 1. The tables below provide information on the Group's revenue and contract balances derived from contracts with customers.

The nature and effect of initially adopting AASB 15 on the Group's interim financial statements are disclosed in Note 3.

The Group has initially adopted AASB 15 as at 1 July 2018. Under this transition method chosen, comparative information has not been restated.

### (a) Disaggregation of revenue

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| Products transferred at a point in time | 654,189 | 628,079 |
| Services transferred over time | 70,008 | 67,282 |
| | **724,197** | **695,361** |

### (b) Contract balances

| *In thousands of AUD* | **2019** | **1 July 2018*** |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 113,306 | 115,367 |
| Contract assets | 47 | 8 |
| Contract liabilities | 6,734 | 8,013 |

* The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect initially applying this standard recognised at the date of initial application (i.e. 1 July 2018).

## 5. Other income

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| Other income* | 1,383 | 807 |
| | **1,383** | **807** |

*Includes reversal of contingent consideration (net) - refer to Note 24.

## 6. Personnel expenses

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| Wages and salaries | 184,810 | 183,391 |
| Contributions to defined contribution plans | 12,894 | 12,560 |
| Share-based payment expense | 96 | 212 |
| | **197,800** | **196,163** |

## 7. Expenses

**Included in the consolidated statement of profit or loss and other comprehensive income:**

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| Depreciation and amortisation | 22,726 | 18,874 |
| Acquisition costs | 500 | 1,039 |
| Restructuring costs | 2,598 | 8,475 |

## 8. Finance income and finance costs

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| Interest income | 191 | 211 |
| Net foreign exchange gain | – | 37 |
| **Finance income** | **191** | **248** |
| Interest expense | (9,764) | (8,152) |
| Derivative net change in fair value | (174) | – |
| Net foreign exchange losses | (93) | – |
| **Finance costs** | **(10,031)** | **(8,152)** |
| **Net finance costs** | **(9,840)** | **(7,904)** |

## 9. Taxes

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| **Current tax expense** | | |
| Current year | 9,072 | 7,796 |
| Changes in estimates related to prior years | (17) | (43) |
| | 9,055 | 7,753 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | 4,464 | 3,393 |
| **Total tax expense** | **13,519** | **11,146** |

**Numerical reconciliation between tax expense and pre-tax accounting profit**

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| **Profit before tax** | 44,823 | 36,861 |
| Tax using the Company's domestic tax rate of 30% | 13,447 | 11,058 |
| (Non-assessable income)/non-deductible expenses – (net) | (147) | 73 |
| Previously unrecognised deductible temporary differences | 17 | 43 |
| Changes in estimates related to prior years | (17) | (43) |
| Other items (net) | 219 | 15 |
| | **13,519** | **11,146** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 9. Taxes (cont.)

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| *In thousands of AUD* | **2019** | **2018 restated*** | **2019** | **2018 restated*** | **2019** | **2018 restated*** |
| Property, plant and equipment | 3,221 | 4,011 | – | – | 3,221 | 4,011 |
| Inventories | – | – | (1,527) | (532) | (1,527) | (532) |
| Intangible assets | – | – | (4,922) | (6,037) | (4,922) | (6,037) |
| Employee benefits | 7,919 | 9,108 | – | – | 7,919 | 9,108 |
| Provisions | 5,386 | 5,289 | – | – | 5,386 | 5,289 |
| Other items | 3,459 | 5,697 | – | – | 3,459 | 5,697 |
| Tax assets/(liabilities) | 19,985 | 24,105 | (6,449) | (6,569) | 13,536 | 17,536 |
| Set off of tax | (6,449) | (6,569) | – | – | – | – |
| **Net deferred tax assets** | **13,536** | **17,536** | **–** | **–** | **13,536** | **17,536** |

*Refer to note 33 on restatement.

**Movement in temporary differences during the year**

| **2019** *In thousands of AUD* | **Balance 1 July 2018 restated*** | **Acquisition through business Combination** | **Recognised in equity** | **Recognised in profit or loss** | **Balance 30 June 2019** |
|---|---|---|---|---|---|
| Property, plant and equipment | 4,011 | – | – | (790) | 3,221 |
| Inventories | (532) | – | – | (995) | (1,527) |
| Intangible assets | (6,037) | – | – | 1,115 | (4,922) |
| Employee benefits | 9,108 | – | – | (1,189) | 7,919 |
| Provisions | 5,289 | – | – | 97 | 5,386 |
| Other items | 5,697 | – | 464 | (2,702) | 3,459 |
| | **17,536** | **–** | **464** | **(4,464)** | **13,536** |

*Refer to note 33 on restatement.

| **2018** *In thousands of AUD* | **Balance 1 July 2017** | **Acquisition through business Combination** | **Recognised in equity** | **Recognised in profit or loss** | **Balance 30 June 2018** |
|---|---|---|---|---|---|
| Property, plant and equipment | 6,630 | (989) | – | (1,630) | 4,011 |
| Inventories | (19) | – | – | (513) | (532) |
| Intangible assets | (6,275) | (840) | – | 1,078 | (6,037) |
| Employee benefits | 6,906 | 1,007 | – | 1,195 | 9,108 |
| Provisions | 7,775 | 236 | – | (2,722) | 5,289 |
| Other items | 4,175 | – | 793 | (801) | 4,167 |
| | **19,192** | **(586)** | **793** | **(3,393)** | **16,006** |

## 10. Cash and cash equivalents

| *In thousands of AUD* | 2019 | 2018 |
|---|---|---|
| Bank balances | 31,491 | 22,314 |
| Petty cash | 10 | 11 |
| Cash and cash equivalents in the statement of cash flows | **31,501** | **22,325** |

### Reconciliation of cash flows from operating activities

| *In thousands of AUD* | 2019 | 2018 |
|---|---|---|
| **Profit for the year** | **31,304** | **25,715** |
| **Non-cash items** | | |
| Depreciation, amortisation and impairment | 22,726 | 18,874 |
| Share based payment expense | 96 | 212 |
| Contingent consideration reduced | (1,350) | (704) |
| Derivative net change in fair value | 174 | – |
| Interest expense | 2,026 | 895 |
| Decrease in allowance for impairment on trade receivables | (59) | – |
| Acquisition costs | – | (228) |
| Restructuring costs | 232 | – |
| Income tax expense | 13,519 | 11,146 |
| **Cash items** | | |
| Net gain on disposal of property, plant and equipment | 84 | (6) |
| | 68,752 | 55,904 |
| Change in trade and other receivables | 3,167 | (14,514) |
| Change in inventories | (18,901) | 47 |
| Change in current assets | 1,325 | 486 |
| Change in prepayment | (517) | (111) |
| Change in trade and other payables | 2,540 | 5,575 |
| Change in provisions and employee benefits | (1,452) | (6,763) |
| **Cash generated from operating activities** | **54,914** | **40,624** |
| Income tax paid | (7,477) | (3,957) |
| **Net cash from operating activities** | **47,437** | **36,667** |

## 11. Trade and other receivables

| *In thousands of AUD* | 2019 | 2018 |
|---|---|---|
| **Current** | | |
| Trade receivables | 113,306 | 115,367 |
| Allowance for impairment | (1,814) | (677) |
| | 111,492 | 114,690 |
| Forward exchange contracts used for hedging | – | 655 |
| Other receivables | 2,094 | 2,937 |
| | **113,586** | **118,282** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 12. Inventories

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| Finished goods | 3,404 | 3,135 |
| Work in progress | 9,677 | 8,598 |
| Raw materials | 53,723 | 36,989 |
| | 66,804 | 48,722 |
| Allowance for inventory obsolescence | (788) | (1,607) |
| | **66,016** | **47,115** |

During the year, raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $377,134 thousand (2018: $356,742 thousand).

During 2019 financial year an analysis of aged inventory and previous write-offs was performed which resulted in a reduction of excess provision amounting to $819 thousand.

## 13. Property, plant and equipment

| *In thousands of AUD* | **Leasehold improvements** | **Plant and equipment** | **Fixtures and fittings** | **Total** |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 July 2017 | 7,490 | 105,887 | 1,335 | 114,732 |
| Acquisitions through business combinations | – | 3,502 | – | 3,502 |
| Additions | 7,106 | 47,206 | 277 | 54,589 |
| Disposals | – | (1,381) | (24) | (1,405) |
| Balance at 30 June 2018 | 14,596 | 155,214 | 1,608 | 171,418 |
| Balance at 1 July 2018 | 14,596 | 155,214 | 1,608 | 171,418 |
| Additions | 3,977 | 24,574 | 48 | 28,599 |
| Disposals | (97) | (311) | (37) | (445) |
| **Balance at 30 June 2019** | **18,476** | **179,477** | **1,619** | **199,572** |
| **Depreciation and impairment losses** | | | | |
| Balance at 1 July 2017 | 2,248 | 31,511 | 433 | 34,192 |
| Depreciation for the year | 1,235 | 12,443 | 194 | 13,872 |
| Disposals | – | (305) | (22) | (327) |
| **Balance at 30 June 2018** | **3,483** | **43,649** | **605** | **47,737** |
| Balance at 1 July 2018 | 3,483 | 43,649 | 605 | 47,737 |
| Depreciation for the year | 1,839 | 14,803 | 206 | 16,848 |
| Disposals | (97) | (159) | (35) | (291) |
| **Balance at 30 June 2019** | **5,225** | **58,293** | **776** | **64,294** |
| **Carrying amounts** | | | | |
| At 1 July 2018 | 11,113 | 111,565 | 1,003 | 123,681 |
| **At 30 June 2019** | **13,251** | **121,184** | **843** | **135,278** |

## 13. Property, plant and equipment (cont.)

### Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at a beneficial price. At 30 June 2019 the net carrying amount of leased assets was $20,901 thousand (2018: $17,621 thousand).

### Security

At 30 June 2019 the carrying amount of total assets less the written down value of finance leased assets were held as security for bank facilities.

## 14. Intangible assets and goodwill

| *In thousands of AUD* | **Note** | **Goodwill** | **Computer software** | **Customer relationships** | **Total** |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 July 2017 | | 129,670 | 7,974 | 25,816 | 163,460 |
| Acquisition through business combinations | | 15,477 | – | 2,800 | 18,277 |
| Other additions | | – | 3,139 | – | 3,139 |
| Balance at 30 June 2018 | | 145,147 | 11,113 | 28,616 | 184,876 |
| Balance at 1 July 2018 (restated)* | | 143,617 | 11,113 | 28,616 | 183,346 |
| Other additions (or adjustments) | | – | 749 | – | 749 |
| **Balance at 30 June 2019** | | **143,617** | **11,862** | **28,616** | **184,095** |
| **Amortisation and impairment losses** | | | | | |
| Balance at 1 July 2017 | | – | 4,786 | 4,817 | 9,603 |
| Amortisation for the year | | – | 1,409 | 3,593 | 5,002 |
| Balance at 30 June 2018 | | – | 6,195 | 8,410 | 14,605 |
| Balance at 1 July 2018 | | – | 6,195 | 8,410 | 14,605 |
| Amortisation for the year | | – | 2,160 | 3,718 | 5,878 |
| **Balance at 30 June 2019** | | **–** | **8,355** | **12,128** | **20,483** |
| **Carrying amounts** | | | | | |
| At 1 July 2018 (restated)* | | 143,617 | 4,918 | 20,206 | 168,741 |
| **At 30 June 2019** | | **143,617** | **3,507** | **16,488** | **163,612** |

*Refer to note 33 on restatement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 14. Intangible assets and goodwill (cont.)

No impairment losses in relation to goodwill have been recognised in the year ended 30 June 2019 (2018 nil).

### Impairment testing for cash-generating units containing goodwill

The following CGUs or groups of CGUs have carrying amounts of goodwill:

| *In thousands of AUD* | **2019** | **2018 restated*** |
|---|---|---|
| Franklin (and AIW combined) | 64,141 | 64,141 |
| Print communication and marketing services (group of CGUs) | 51,980 | 51,980 |
| Creative services (group of CGUs) | 11,614 | 11,614 |
| Pareto | 15,882 | 15,882 |
| | **143,617** | **143,617** |

*Refer to note 33 on restatement.

Goodwill impairment test is performed by applying value in use calculations. The calculations for all CGU's use cash flow projections based on budgeted EBITDA approved by the Board. A post-tax WACC rate of 9.95% to 11.0% (depending on the size and nature of the CGU) has been used with 2% growth allowance (in line with consumer price index) in the 5 year cash flow projections and terminal growth.

The estimated recoverable amount for the "Franklin Web" CGU exceeded its carrying amount by approximately $26 million. Franklin WEB operates in a competitive environment and is subject to cost of goods sold fluctuations. Certain positive forecast EBITDA assumptions have been made relating to these impacts. Management has identified that a reasonably possible change in these assumptions could cause the carrying amount to exceed the recoverable amount. A decrease of forecast EBITDA over the 5 year projection period of 13% would reduce the recoverable amount to be equal to the carrying amount.

There are no other reasonable possible changes in assumptions that would give rise to impairment.

## 15. Trade and other payables

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| **Current** | | |
| Trade payables | 72,010 | 70,730 |
| Accrued expenses | 28,772 | 34,015 |
| Deferred consideration | – | 1,850 |
| Contingent consideration | – | 4,850 |
| Interest rate swaps | 175 | 77 |
| | **100,957** | **111,552** |
| **Non-current** | | |
| Contingent consideration | – | 650 |
| Interest rate swaps | – | 31 |
| | **–** | **681** |

## 16. Loans and borrowings

| *In thousands of AUD* | 2019 | 2018 |
|---|---|---|
| **Current** | | |
| Bank loan | – | 10,000 |
| Finance lease liabilities | 3,147 | 3,668 |
| Equipment finance | 3,045 | 2,774 |
| | **6,192** | **16,442** |
| **Non-current** | | |
| Bank loan | 141,042 | 108,961 |
| Finance lease liabilities | 12,586 | 9,481 |
| Equipment finance | 13,721 | 16,448 |
| | **167,349** | **134,890** |

### Bank loan

During the financial year, the Group refinanced its bank loan. As at 30 June 2019, the amended Syndicated Facilities Agreement has a carrying amount of $141,042 thousand and face value of $142,000 thousand (2018: carrying amount of $118,961 and face value of $120,000 thousand). These facilities have an interest rate of BBSY plus a margin, and mature on 4th April 2023. The Company was in compliance with all loan covenants as at 30 June 2019.

### Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

| | **Future minimum lease payment** | | **Interest** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|---|---|
| *In thousands of AUD* | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Less than one year | 3,936 | 4,264 | 789 | 596 | 3,147 | 3,668 |
| Between one and five years | 13,539 | 9,225 | 1,264 | 694 | 12,275 | 8,531 |
| More than five years | 390 | 1,389 | 79 | 439 | 311 | 950 |
| | **17,865** | 14,878 | **2,132** | 1,729 | **15,733** | 13,149 |

At 30 June 2019, the finance lease liabilities include $639 thousand lease liability for leased properties (2018: $930 thousand) and $15,094 thousand lease liability for leased plant and equipment (2018: $12,219 thousand).

## 17. Employee benefits

| *In thousands of AUD* | 2019 | 2018 |
|---|---|---|
| **Current** | | |
| Liability for long service leave | 8,463 | 7,833 |
| Liability for annual leave | 10,419 | 10,660 |
| | **18,882** | **18,493** |
| **Non-current** | | |
| Liability for long service leave | 6,182 | 6,079 |
| | **6,182** | **6,079** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 18. Provisions

| *In thousands of AUD* | **Restructuring** | **Make good** | **Acquired lease liability** | **Total** |
|---|---|---|---|---|
| Balance at 1 July 2018 | 977 | 2,990 | 12,765 | 16,732 |
| Provisions made during the year | 19 | 368 | 490 | 877 |
| Provisions reversed during the year | (368) | (54) | (1,601) | (2,023) |
| Balance at 30 June 2019 | **628** | **3,304** | **11,654** | **15,586** |
| Current | 360 | – | 1,646 | 2,006 |
| Non-current | 268 | 3,304 | 10,008 | 13,580 |
| | **628** | **3,304** | **11,654** | **15,586** |

## 19. Share-based payments

During the year ended 30 June 2019, the company granted Performance Share Rights (Rights) under the Equity Incentive Plan (EIP). The Rights are an entitlement to receive fully paid ordinary IVE Group Limited Shares on a one-for-one basis. Further details on the Rights are described below.

| **Type of arrangement** | **Senior Leadership Team Award** |
|---|---|
| Date of grant | 20 November 2018* |
| Number granted | 660,127 |
| Contractual life | 3 years and 2 months |
| Vesting conditions | The Rights are subject to the following Performance Conditions: sixty percent of the Rights are referenced against achieving Earnings Per Share Target (EPS), and forty percent are referenced against achieving Relative Shareholder Return (TSR) target. The performance period is 1 July 2018 to 30 June 2021 inclusive. The vesting date is expected to be on or soon after the approval of IVE's 2021 Annual Financial Report. |
| Weighted average fair value | $1.53 |
| Valuation methodology | The EPS target was calculated using a risk-neutral assumption, whereas the TSR target has been valued using a Monte Carlo simulation approach. |
| Expected dividend | Holders of performance share rights are not entitled to receive dividends prior to vesting. |
| **Other key valuation assumptions** | |
| Share price at valuation date | $2.27 |
| Expected volatility | 20.4% |
| Risk free interest rate | 2.09% |
| Dividend yield | 8.07% |

*Share rights issued to Directors required shareholder approval. This occurred at the Group's 2018 Annual General Meeting..

Total expense relating to Share-based payments has been disclosed in note 6 of this consolidated financial statements.

On 4 October 2019, the Group issued shares under the 2018 General Management award (refer note 20 – Capital). The exercise price per share at the time of issue was $2.15. The fair value per share at grant date was $1.98. The total value of shares issued was $150 thousand.

## 20. Capital and reserves

### Issued and paid up capital (in thousands of AUD)

| | 2019 | 2018 |
|---|---|---|
| 148,179,157 (June 2018: 148,103,655) ordinary shares fully paid | 156,468 | 156,318 |

### Movement in ordinary share capital

| Date | Details | Number of shares | Issue Price | Total $'000 |
|---|---|---|---|---|
| 1-Jul-17 | Opening balance | 119,280,624 | | 98,820 |
| 15-Sep-17 | Issue of new shares under the Institutional Entitlement Offer (refer below) | 18,860,264 | $2.05 | 38,664 |
| 5-Sep-17 | Issue of shares as consideration for acquisition (refer below) | 1,650,165 | | 3,399 |
| 20-Sep-17 | Issue of new shares under the Retail Entitlement Offer (refer below) | 8,249,730 | $2.05 | 16,912 |
| | Transaction costs arising from issue of shares (net of tax) | | | (1,604) |
| 27-Sep-17 | Issue of shares under the Equity Incentive Plan | 62,872 | $2.02 | 127 |
| **30-Jun-18** | **Closing balance** | **148,103,655** | | **156,318** |
| 1-Jul-18 | Opening balance | 148,103,655 | | 156,318 |
| 4-Oct-18 | Issue of shares under the Equity Incentive Plan | 75,502 | $1.98 | 150 |
| **30-Jun-19** | **Closing balance** | **148,179,157** | | **156,468** |

### Dividends

On 27th August 2019, the directors have declared a fully franked dividend of 7.7 cents per share to be paid on 24 October 2019 to shareholders on the register at 18 September 2019. The final dividend payout is $11.4M (2018: $11.1M). A liability has not been recognised as the dividend was declared after the reporting date.

The following dividends were declared and paid during the year ended 30 June 2018:

| *In thousands of AUD* | Cents per share | Total amount | Date of payment |
|---|---|---|---|
| **2019** | | | |
| Final 2018 ordinary | 7.5 | 11,108 | 25 October 2018 |
| Interim 2019 ordinary | 8.6 | 12,743 | 18 April 2019 |
| **Total amount** | | **23,851** | |

On 25 October 2018 a dividend of 7.5 cents per share (100% franked) was declared and paid by the directors. The dividend was paid out of opening retained profits and profits earned up to that date.

On 18 April 2019 a further dividend of 8.6 cents per share (100% franked) was declared and paid by the directors. The dividend was paid out of profits earned up to that date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 20. Capital and reserves (Cont.)

The following dividends were declared and paid during the year ended 30 June 2018:

| *In thousands of AUD* | Cents per share | Total amount | Date of payment |
|---|---|---|---|
| **2018** | | | |
| Final 2017 ordinary | 6.4 | 9,477 | 25 October 2017 |
| Interim 2018 ordinary | 8.0 | 11,848 | 19 April 2018 |
| **Total amount** | | **21,325** | |

### Dividend franking account

| *In thousands of AUD* | 2019 | 2018 |
|---|---|---|
| Amount of franking credits available to shareholders of IVE Group Limited for subsequent financial years | 4,902 | 5,857 |

The ability to utilise the franking credits is dependent upon the ability to declare dividends.

## 21. Earnings per share

| *In dollars* | 2019 | 2018 |
|---|---|---|
| Basic earnings per share | 0.21 | 0.18 |
| Diluted earnings per share | 0.21 | 0.18 |
| *In thousands* | | |
| **Earnings** | | |
| Profit after income tax attributable to owners of the company used in calculating basic and diluted earnings per share | 31,304 | 25,715 |
| **Weighted average number of ordinary shares** | | |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 148,160 | 142,549 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 148,638 | 142,796 |

## 22. Acquisitions

There have been no acquisitions during the year ended 30 June 2019.

## 23. Operating segments

The Group has identified one operating segment (whole of business) based on the internal reports that are reviewed and used by the Board (Chief Operating Decision Maker or "CODM") in assessing performance and in determining the allocation of resources. The Board reviews the internal report on a monthly basis.

The key measure of performance used by the CODM to assess performance is earnings before interest, tax, depreciation and amortisation (EBITDA).

A reconciliation of the reportable segment's EBITDA to profit before income tax expense is shown below. Profit and loss, total assets and liabilities for the reportable segment is consistent with the primary statements included in this consolidated interim financial report.

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| EBITDA | 77,389 | 63,639 |
| Depreciation, amortisation and impairment | (22,726) | (18,874) |
| Net finance costs | (9,840) | (7,904) |
| **Profit before income tax** | **44,823** | **36,861** |

## 24. Financial risk management and financial instruments

### Overview

The Group has exposure to the following risks from its use of financial instruments:

a. credit risk

b. liquidity risk

c. market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

### Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The CFO is responsible for developing and monitoring the Group's risk management policies. He reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history based on enquires through the Group's Finance department. Ongoing customer credit performance is monitored on a regular basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 24. Financial risk management and financial instruments (cont.)

### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | | Carrying amounts | |
|---|---|---|---|
| *In thousands of AUD* | **Note** | **2019** | **2018** |
| Cash and cash equivalents | *10* | 31,501 | 22,325 |
| Trade and other receivables | *11* | 113,586 | 118,282 |
| | | **145,087** | **140,607** |

**Impairment**

The aging of the trade and other receivables at the end of the reporting period that were not impaired was as follows:

| | Carrying amounts | |
|---|---|---|
| *In thousands of AUD* | **2019** | **2018** |
| Neither past due nor impaired | 65,691 | 68,282 |
| Past due 1-30 days | 34,586 | 33,197 |
| Past due 31-90 days | 12,437 | 10,017 |
| Past due 91 days and over | 2,686 | 6,808 |
| | **115,400** | **118,304** |

The movement in the allowance for impairment in respect of receivables during the year was as follows:

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| Balance at beginning of the year | 677 | 704 |
| Initial application of AASB 9 | 884 | – |
| Assumed in a business combination in current year | – | 562 |
| Impairment loss recognised | 1,034 | 263 |
| Amounts written off | (781) | (852) |
| **Balance at end of year** | **1,814** | **677** |

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

## 24. Financial risk management and financial instruments (cont.)

### Liquidity risk (cont.)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments:

| | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| *In thousands of AUD* | **Carrying amount** | **Total** | **12 months or less** | **1-5 years** | **More than 5 years** |
| **30 June 2019** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payable | 100,782 | 100,782 | 100,782 | – | – |
| Finance lease liabilities | 15,733 | 17,865 | 3,936 | 13,539 | 390 |
| Equipment finance | 16,766 | 17,952 | 3,332 | 14,620 | – |
| Bank loans | 141,042 | 160,921 | 5,055 | 155,866 | – |
| | **274,323** | **297,520** | **113,105** | **184,025** | **390** |
| **Derivative financial liabilities** | | | | | |
| Interest rate swaps used for hedging | 175 | 175 | 175 | – | – |
| | **175** | **175** | **175** | **–** | **–** |

| | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| *In thousands of AUD* | **Carrying amount** | **Total** | **12 months or less** | **1-5 years** | **More than 5 years** |
| **30 June 2018** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payable | 104,745 | 104,745 | 104,745 | – | – |
| Deferred consideration | 1,850 | 1,850 | 1,850 | – | – |
| Contingent consideration | 5,500 | 5,500 | 5,500 | – | – |
| Finance lease liabilities | 13,149 | 14,878 | 4,264 | 9,225 | 1,389 |
| Equipment finance | 19,222 | 19,610 | 3,093 | 12,096 | 4,421 |
| Bank loans | 118,961 | 125,866 | 13,738 | 112,128 | – |
| | **263,427** | **272,449** | **133,190** | **133,449** | **5,801** |
| **Derivative financial liabilities** | | | | | |
| Interest rate swaps used for hedging | 108 | 108 | 77 | 31 | – |
| | **108** | **108** | **77** | **31** | **–** |

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which purchases are denominated and the respective functional currencies of Group entities. The functional currency of the Group is the Australian dollar (AUD). The currencies in which these transactions are primarily denominated are Euro, US dollars and AUD.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 24. Financial risk management and financial instruments (cont.)

### Currency risk (cont.)

During the year, 6% (2018: 5%) of total group purchases were made in foreign currencies. The Group has used forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. These forward exchange contracts has been designated as a cash flow hedge, and have a zero fair value at the reporting date (2018: $655 thousand). The Group has performed effectiveness testing and recognised the full fair value amount net of deferred tax of zero thousand in other comprehensive income (2018: $459 thousand). Based on the results of the test no in-effectiveness has been recognised in the profit or loss.

### Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

| | As at 30 June 2019 | | | As at 30 June 2018 | | |
|---|---|---|---|---|---|---|
| *In thousands of AUD* | **Euro** | **USD** | **NZD** | **Euro** | **USD** | **NZD** |
| Equipment finance loan | 10,758 | – | – | 12,739 | – | – |
| Next three months forecast purchases | 6,675 | 150 | – | 5,860 | 350 | 1,430 |
| Forward exchange contracts | (17,433) | (150) | – | (18,599) | (350) | (1,430) |
| Net exposure | – | – | – | – | – | – |

### Sensitivity analysis

The impact of exchange rate movements on profit is subject to other variables including movement in market prices. The impact of exchange rate movements on profit and loss is not material.

### Interest rate risk

During the financial year, the Group refinanced its bank loan. Hence, the interest rate swap contracts (used to hedge the previous bank loan) are not designated as a cash flow hedge. Its fair value at reporting date is $175 thousand (2018: $108 thousand). The Group now recognises the full fair value amount net of deferred tax of $123 thousand in the profit or loss (2018: $76 thousand in other comprehensive income).

### Exposure to interest risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

| | Carrying amount | |
|---|---|---|
| *In thousands of AUD* | **2019** | **2018** |
| **Fixed rate instruments** | | |
| Financial liabilities – finance lease liabilities and equipment finance | (32,499) | (32,371) |
| Effect of interest rate swaps – notional amount | (36,625) | (55,000) |
| | **(69,124)** | **(87,371)** |
| **Variable rate instruments** | | |
| Financial assets – bank balances | 31,491 | 22,314 |
| Financial liabilities – bank loans | (142,000) | (120,000) |
| Effect of interest rate swaps – notional amount | 36,625 | 55,000 |
| | **(73,884)** | **(42,686)** |

## 24. Financial risk management and financial instruments (cont.)

### Exposure to interest risk (cont.)

#### Fair value sensitivity analysis for fixed rate instruments

During the financial year, the Group refinanced its bank loan. Hence, the interest rate swap contracts (used to hedge the previous bank loan) is not designated as a cash flow hedge.

The Group does account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would affect profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 10 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by $74 thousand (2018: $43 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as 2018.

#### Measurement of fair values

The table below gives information on the valuation technique and unobservable inputs of financial assets or liabilities categorised as a Level 2 or Level 3 in the fair value hierarchy.

| **Type** | **Valuation technique** | **Significant unobservable inputs** | **Relationship between the fair value and unobservable inputs** |
|---|---|---|---|
| Contingent consideration | The fair value is calculated based on the acquired business achieving future revenue or earning's target. | Forecast revenue and earnings growth | Not applicable |
| Interest rate swaps | The fair value is calculated using the present value of the estimated future cash flow based on observable yield curves. | Not applicable | Not applicable |
| Forward exchange contracts | The fair value is determined using quoted forward exchange rates and present value of estimated future cash flow based on observable yield curves. | Not applicable | Not applicable |

#### Reconciliation of Level 3 Contingent consideration fair value

The following table shows reconciliation of Contingent consideration from the opening balance to the closing balance:

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| Balance at 1 July | 5,500 | 4,825 |
| Assumed in a business combination in current year | – | 4,000 |
| Contingent consideration settled during the year | (4,150) | (2,622) |
| Contingent consideration reduced | (1,350) | (703) |
| **Balance at 30 June** | **–** | **5,500** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 24. Financial risk management and financial instruments (cont.)

### Fair values versus carrying amounts

As at the reporting date, the carrying value of other financial assets and liabilities as at the end of the financial year are considered to approximate their fair value.

### Capital management

The primary objective of the Group's capital management is to maintain a strong capital base through cash flow management in order to sustain future development of the business and maximise shareholder value. There were no changes in the Group's approach to capital management during the year. The Group is subject to externally imposed capital requirements (being financial loan covenants – refer to note 16).

## 25. Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| Less than one year | 25,795 | 25,334 |
| Between one and five years | 73,500 | 78,144 |
| More than five years | 26,053 | 40,325 |
| | **125,348** | **143,803** |

The Group leases office space and plant and equipment under operating leases. The leases typically run for a period of 2 to 10 years, with an option to renew the lease after that date.

During the year an amount of $26,850 thousand (2018: $26,265 thousand) was recognised as an expense in profit or loss in respect of operating leases.

## 26. Capital commitments

As at 30 June 2018, the Group has committed to purchase plant and equipment of GBP585 thousand (2018: $16,200 thousand).

## 27. Related parties

### Key management personnel compensation

Key management personnel compensation comprised the following:

| *In AUD* | **2019** | **2018** |
|---|---|---|
| Short-term employee benefits | 3,391,262 | 3,433,721 |
| Post-employee benefits | 138,621 | 131,323 |
| Other long term benefits | 52,238 | – |
| Share-based payments | 75,817 | 27,693 |
| | **3,657,938** | **3,592,737** |

## 27. Related parties (cont.)

### Related party transactions and outstanding balances (cont.)

| *In AUD* | Transaction value year ended 30 June 2019 | Transaction value year ended 30 June 2018 |
|---|---|---|
| Caxton Property Developments Pty Ltd – sales | 7 | – |

Paul Selig (director of the Company), holds positions in Caxton Property Developments Pty Ltd that results in him having control or significant influence over the financial or operating policies of this entity.

During the year ending 30 June 2019, the Group sold goods and services to Caxton Property Developments Pty Ltd.

The terms and conditions of the transactions above were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to other third parties on an arm's length basis.

## 28. Group entities

| | Ownership interest | |
|---|---|---|
| | 2019 % | 2018 % |
| **Ultimate parent entity** | | |
| **IVE Group Limited** | | |
| ***Controlled entities*** | | |
| Caxton Print Group Holdings Pty Limited | 100 | 100 |
| Caxton Print Group Pty Limited | 100 | 100 |
| IVE Group Australia Pty Limited | 100 | 100 |
| IVE Group Victoria Pty Limited | 100 | 100 |
| Task 2 Pty Limited | 100 | 100 |
| Pareto Fundraising Pty Limited | 100 | 100 |
| Pareto Phone Pty Limited | 100 | 100 |
| James Bennett & Associates Pty Limited | 100 | 100 |
| IVE Employment (Australia) Pty Limited | 100 | 100 |
| IVE Employment (Victoria) Pty Limited | 100 | 100 |
| Taverners No. 13 Pty Limited | 100 | 100 |
| AIW Printing (Aust) Pty Limited | 100 | 100 |
| AIW Printing Unit Trust | 100 | 100 |
| IVE Group Asia Limited | 100 | 100 |
| Guangzhou IVE Trading Company Limited | 100 | 100 |
| IVE Singapore Pte Limited | 100 | 100 |
| SEMA Holdings Pty Ltd | 100 | 100 |
| SEMA Infrastructure Pty Ltd | 100 | 100 |
| SEMA Operations Pty Ltd | 100 | 100 |
| John W Gage & Co Pty Ltd | 100 | 100 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 29. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2019 the parent entity of the Group was IVE Group Limited.

| *In thousands of AUD* | **2019** | **2018** |
|---|---|---|
| **Result of parent entity** | | |
| Profit/(loss) for the year | – | – |
| Other comprehensive income | – | – |
| **Total comprehensive income for the year** | **–** | **–** |
| **Financial position of parent entity at year/period end** | | |
| Current assets | 3 | 18 |
| Total assets | 76,896 | 100,593 |
| Current liabilities | 83 | 80 |
| Total liabilities | 83 | 80 |
| **Total equity of the parent entity comprising of:** | | |
| Share capital | 287,781 | 287,631 |
| Other equity reserve | (146,662) | (146,662) |
| Accumulated losses (net of dividend paid) | 64,306 | (40,455) |
| **Total equity** | **76,813** | **100,514** |

IVE Group Limited was incorporated on 10 June 2015, but did not undertake any trading activities until its listing (IPO) on the Australian Stock Exchange (ASX) on 16 December 2015 where it also contemporaneously acquired Caxton Print Group Holdings Pty Ltd (CPGH).

An internal restructure took place resulting in IVE Group Limited becoming the holding company of CPGH. The Directors elected to account for the restructure as a capital re-organisation rather than a business combination. In the Directors' judgement, the continuation of the existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to IPO and most appropriately reflects the substance of the internal restructure. As such, the consolidated financial statements of the new IVE Group have been presented as a continuation of the pre-existing accounting values of assets and liabilities in CPGH's financial statements.

Accordingly, the other equity reserve represents the difference between the fair value of the share capital at the date of the IPO and historical book values of the assets and liabilities of the Group.

## 30. Subsequent events

There have been no other events subsequent to balance date which would have a material effect on the Group's consolidated financial statements at 30 June 2019.

## 31. Auditors' remuneration

| *In AUD* | 2019 | 2018 |
|---|---|---|
| **Audit services** | | |
| Auditors of the Company – KPMG | | |
| Audit and review of financial reports | 353,720 | 384,088 |
| Other assurance | 6,000 | 10,125 |
| | **359,720** | **394,213** |
| **Other services** | | |
| Auditors of the Company – KPMG | | |
| Taxation services | 86,500 | 189,625 |
| Transaction services | – | 399,750 |
| IT services | 70,000 | – |
| | **156,500** | **589,375** |

## 32. Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785 the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and directors' reports.

It is a condition of the Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The Company and its subsidiaries amended its Deed of Cross Guarantee on 23 February 2018. The subsidiaries subject to the Deed are:

a. Caxton Print Group Holdings Pty Limited
b. IVE Group Australia Pty Limited
c. IVE Group Victoria Pty Limited
d. Caxton Print Group Pty Limited
e. Task 2 Pty Limited
f. Pareto Fundraising Pty Limited
g. Pareto Phone Pty Limited
h. James Bennett & Associates Pty Limited
i. IVE Employment (Australia) Pty Limited
j. IVE Employment (Victoria) Pty Limited
k. Taverners No. 13 Pty Limited
l. AIW Printing (Aust) Pty Limited
m. SEMA Holdings Pty Limited
n. SEMA Infrastructure Pty Limited
o. SEMA Operations Pty Limited
p. John W. Gage & Co Pty Limited

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2019 is set out on pages 30 and 31 of this financial report.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2019

## 33. Restatement of comparative information

During 2019, the Group finalised its tax cost setting amount for joining subsidiary's assets. Previously, the Group used draft amounts in its opening acquisition accounting with a view to updating these amounts once finalised. The amount have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group's consolidated financial statements.

### Consolidated statement of financial position

| *In thousands of AUD* | **2018** | | **2018 restated** |
|---|---|---|---|
| **Assets** | | | |
| Total current assets | 195,507 | – | 195,507 |
| Deferred tax assets | 16,006 | 1,530 | 17,536 |
| Property, plant and equipment | 123,681 | – | 123,681 |
| Intangible assets and goodwill | 170,271 | (1,530) | 168,741 |
| Total non-current assets | 309,958 | – | 309,958 |
| **Total assets** | **505,465** | **–** | **505,465** |
| **Liabilities** | | | |
| Total current liabilities | 149,557 | – | 149,557 |
| Total non-current liabilities | 156,567 | – | 156,567 |
| **Total liabilities** | **306,124** | **–** | **306,124** |
| **Net assets** | **199,341** | **–** | **199,341** |
| **Equity** | | | |
| **Total equity** | **199,341** | **–** | **199,341** |

# DIRECTORS' DECLARATION

1 In the opinion of the directors of IVE Group Limited (the Company):

(a) the consolidated financial statements and notes, set out on pages 30 to 68, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

(ii) complying with Australian 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.

2 There are reasonable grounds to believe that the Company and the group entities identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

3 The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors.

**Geoff Selig**
Director

Dated at Sydney this 27th day of August 2019

# Independent Auditor's Report

## To the shareholders of IVE Group Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the ***Financial Report*** of IVE Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies.
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

## Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

| Assessment of carrying value of goodwill | |
|---|---|
| Refer to Note 14 'Intangible assets and goodwill' to the Financial Report (Goodwill: $143.6 m) | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| The Group's annual testing of goodwill for impairment is a key audit matter due to the:<br>• size of the goodwill balance (being 27% of the total assets);<br>• significant forward looking judgments the Group applied in its value in use models.<br>The judgments we focused on included:<br>• assessment of the Cash Generating Units (CGUs). The Group had several operating businesses and product lines during the year, necessitating our consideration of the Group's determination of CGUs, based on the smallest group of assets that generate largely independent cash inflows;<br>• forecasting operating cash flows, capital expenditure and forecast growth rates, including terminal growth rate. These judgments are impacted by the highly competitive market conditions and the pace of technological change and digital disruption in the printing industry;<br>• assessment of the discount rates. These are complicated in nature and vary according to the conditions and environment the specific CGU is subject to from time to time;<br>• level of disclosure of the key assumptions used in the Group's valuation models.<br>Given the nature of these judgments, we involved our valuation specialists and senior staff with experience in the industry and the Group's business. | Our procedures included:<br>• we considered the Group's determination of their CGUs based on our understanding of the Group's business and how independent cash inflows were generated, against the requirements of the accounting standards;<br>• we analysed the impact of the Group's internal reporting to assess their monitoring and management of activities, and the consistency of the allocation of goodwill to CGUs;<br>• we considered the appropriateness and application of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards;<br>• we assessed the integrity of the value in use models used, including the accuracy of the underlying calculations and formulas;<br>• working with our valuation specialists, we analysed the discount rates and terminal growth rates, based on our knowledge of the Group, its industry, current market forces, and publicly available market data for comparable entities;<br>• we agreed the Group's cash flow forecasts, including capital expenditure to the Board approved budget and strategy;<br>• we assessed the accuracy of previous Group forecasts to inform our evaluation of forecasted data incorporated in the models. |

KPMG

| | |
|---|---|
| | • we used our knowledge of the Group, their past performance, business and customers, and our industry experience to challenge the Group's significant forecast cash flow and forecast growth rates, in light of the expected continuation of highly competitive market conditions, technological change and digital disruption in the printing industry. We also compared forecast growth rates and terminal growth rates to published information on industry trends and expectations, and considered differences for the Group's operations;<br>• we considered the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range, to identify those CGUs with a higher risk of impairment and to focus our further procedures;<br>• we assessed the related disclosures against the requirements of the accounting standards. |

## Other Information

Other Information is financial and non-financial information in IVE Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Appendix 4E, Operating and Financial Review, Director's Report, Remuneration Report and the IVE Group Ltd FY19 Results Presentation. The Chairman's Report and Chief Executive Officer's Report are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001.*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of IVE Group Limited for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in pages 12 to 26 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

John Wigglesworth
*Partner*

Sydney

27 August 2019

# ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange (ASX) and not disclosed elsewhere in the Annual Report is set out below. The shareholder information below is as at 17 July 2019.

IVE Group Limited shares are traded on the ASX under the code 'IGL'.

**Share registry**

Link Market Services
Level 12, 680 George Street
Sydney NSW 2000
Phone: +61 1300 554 474

**Registered office**

Level 3, 35 Clarence Street
Sydney NSW 2000
Phone: +61 2 8020 4400

**Principal Place of Business**

Building B, 350-374 Parramatta Road
Homebush NSW 2140
Phone: +61 2 8020 4400
Phone: +61 1300 554 474

## Substantial shareholders of ordinary shares (as reported to the ASX)

| Name | Number of shares held | % |
|---|---|---|
| Caxton Print Holdings Pty Ltd as trustee for the Selig Family Trust* | 11,210,231 | 8.02% |
| Regal Funds Management Pty Ltd | 10,520,584 | 7.10% |
| COPIA Investment Partners | 6,565,000 | 5.5% |
| FIL Limited | 8,285,741 | 5.59% |
| Anthony Young | 7,486,024 | 5.1% |
| Commonwealth Bank of Australia | 5,553,759 | 5.03% |

## Distribution of shareholders and shareholdings – ordinary shares

There are 148,179,157 ordinary shares on issue held by 2,387 shareholders.

| Range | Ordinary Shares | % | Number of holders | % |
|---|---|---|---|---|
| 1 to 1,000 | 124,401 | 0.08 | 240 | 10.05 |
| 1,001 to 5,000 | 2,205,112 | 1.49 | 699 | 29.28 |
| 5,001 to 10,000 | 3,709,516 | 2.50 | 439 | 18.39 |
| 10,001 to 100,000 | 25,417,658 | 17.15 | 909 | 38.08 |
| 100,001 and Over | 116,722,470 | 78.77 | 100 | 4.19 |
| **Total** | **148,179,157** | **100.00** | **2,387** | **100.00** |

## Distribution of shareholders and shareholdings – performance share rights (unlisted)

There are 1,017,740 unlisted performance share rights on issue that have been issued under an employee share plan. These are held by 6 employees.

| Range | Performance Share Rights | % | Number of holders | % |
|---|---|---|---|---|
| 1 to 1,000 | – | – | – | – |
| 1,001 to 5,000 | – | – | – | – |
| 5,001 to 10,000 | – | – | – | – |
| 10,001 to 100,000 | – | – | – | – |
| 100,001 and Over | 1,017,740 | 100.00 | 6 | 100.00 |
| **Total** | **1,017,740** | **100.00** | **6** | **100.00** |

## Unmarketable parcels

The number of shareholders holding less than a marketable parcel of ordinary shares is 60 for 2,647 shares, based on IVE's closing share price of $2.08, on 17 July 2019.

# ASX ADDITIONAL INFORMATION (CONT.)

## Twenty largest shareholders

| Rank | Name | Number of Shares | % |
|---|---|---|---|
| 1 | J P Morgan Nominees Australia Pty Limited | 17,481,266 | 11.80 |
| 2 | HSBC Custody Nominees (Australia) Limited | 13,729,409 | 9.27 |
| 3 | Citicorp Nominees Pty Limited | 13,577,334 | 9.16 |
| 4 | Caxton Print Holdings Pty Ltd | 11,210,231 | 7.57 |
| 5 | National Nominees Limited | 5,870,229 | 3.96 |
| 6 | UBS Nominees Pty Ltd | 5,630,398 | 3.80 |
| 7 | Strategic Value Pty Ltd | 3,779,316 | 2.55 |
| 8 | Taverners N Pty Ltd | 3,176,470 | 2.14 |
| 9 | Warbont Nominees Pty Ltd | 3,051,457 | 2.06 |
| 10 | SCJ Pty Ltd | 3,000,000 | 2.02 |
| 11 | Rylelage Pty Ltd | 2,986,118 | 2.02 |
| 12 | Scanlon Family Pty Ltd | 2,926,829 | 1.98 |
| 13 | CS Third Nominees Pty Limited | 2,630,953 | 1.78 |
| 14 | BNP Paribas Noms (NZ) Ltd | 2,063,399 | 1.39 |
| 15 | Strategic Value Pty Limited | 2,035,086 | 1.37 |
| 16 | Mr Stephen Craig Jermyn | 2,000,000 | 1.35 |
| 17 | BNP Paribas Noms Pty Ltd | 1,829,719 | 1.23 |
| 18 | BNP Paribas Nominees Pty Ltd | 1,108,089 | 0.75 |
| 19 | Exldata Pty Ltd | 992,407 | 0.67 |
| 20 | BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd DRP | 879,320 | 0.59 |
| **Total** | | **99,958,030** | **67.46** |
| **Balance of register** | | **48,221,127** | **32.54** |
| **Grand total** | | **148,179,157** | **100.00** |

### On-Market Buy Back

There is no current on-market buy back.

### Voting Rights

The voting rights attached to ordinary shares are set out below:

On a show of hands every member present at a meeting in person or by proxy shall have one vote, and upon a poll, one vote for each fully paid share held.

Holders of performance rights do not have voting rights on the performance rights held by them.

### Voluntary escrow

There were no ordinary shares held in a voluntary escrow arrangement as at 17 July 2019.

### Stock Exchange Listing

IVE Group securities are only listed on the ASX.

## Corporate Governance Statement

The Board is responsible for the overall corporate governance of IVE Group Limited, including adopting appropriate policies and procedures designed to ensure that the IVE Group is properly managed to protect and enhance Shareholder interests.

The Board monitors the operational and financial position and performance of IVE and oversees its business strategy, including approving the strategic goals of IVE. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of IVE.

In conducting business with these objectives, the Board is committed to ensuring that IVE is properly managed to protect and enhance Shareholder interests, and that IVE, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing IVE, including adopting relevant internal controls, risk management processes and corporate governance policies and practices, which it believes are appropriate for IVE's business and that are designed to promote the responsible management and conduct of IVE.

Details of IVE's key governance policies and the charters for the Board and each of its committees are available on IVE's website at **http://investors.ivegroup.com.au/investor-centre/?page=corporate-governance**.

The Corporate Governance Statement reports against the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles) and the practices detailed in the Corporate Governance Statement are current as at 19 August 2019. It has been approved by the Board and is available on the IVE website under Investors at **http://investors.ivegroup.com.au/investor-centre/?page=corporate-governance**.

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