

APPENDIX 4D

For the Half Year Ended 31 December 2019

Company Information

Current Reporting Period: For the half year ended 31 December 2019
 Previous Corresponding Period: For the half year ended 31 December 2018

This information should be read in conjunction with the 31 December 2019 Half Year Financial Report of IVE Group Limited and its controlled entities and 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 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half year ended 31 December 2019.

This report is based on the consolidated financial statements for the half year ended 31 December 2019 of IVE Group Limited and its controlled entities, which have been reviewed by KPMG. The Independent Auditor's Review Report provided by KPMG is included in the consolidated financial statements for the half year ended 31 December 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 4D for the half year ended 31 December 2019.

Results - Post AASB 16		31 Dec 2019 Post AASB 16 \$'000	31 Dec 2018 \$'000
Revenue from continuing operations	Down 4%	360,151	375,603
Profit (loss) from ordinary activities after tax attributable to members	Down 33%	12,368	18,383
Net profit (loss) for the period attributable to members	Down 33%	12,368	18,383

Results - Pre AASB 16		31 Dec 2019 Pre AASB 16 \$'000	31 Dec 2018 \$'000
Revenue from continuing operations	Down 4%	360,151	375,603
Profit (loss) from ordinary activities after tax attributable to members	Down 28%	13,322	18,383
Net profit (loss) for the period attributable to members	Down 28%	13,322	18,383

- All comparisons are on a statutory basis unless stated.
- The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of the initial application. Further details on AASB 16 can be found in Note 2 of the Interim Consolidated Financial Report.

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

Net Tangible Assets per Security

	31 Dec 2019	31 Dec 2018
Net Tangible Asset per security (cents) – post AASB 16	21.6	26.1
Net Tangible Asset per security (cents) – pre AASB 16	31.1	26.1

Dividend Amount per Security

	Amount per Security (cents)	Franked Amount per Security (cents)
Interim dividend for the half year ended 31 December 2019	8.6	8.6
Interim dividend for the half year ended 31 December 2018	8.6	8.6

Record date for determining entitlements to the dividend

- Interim dividend entitlement date: close of business 12 March 2020; and payment date: 22 April 2020.

Audit review

The Independent Auditor's Review Report provided by KPMG is included in the IVE Group Limited Interim Financial Report for the half year ended 31 December 2019.

Attachments

Interim Financial Report for the half year ended 31 December 2019 for IVE Group Limited.

Authorised for release: The Board

IVE GROUP LIMITED INTERIM CONSOLIDATED FINANCIAL REPORT

31 December 2019
ABN 62 606 252 644

IVE Group Limited

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1 Introduction

The Directors are pleased to present the Operating and Financial Review (OFR) for IVE Group Limited (IVE) for the half year ended 31st December 2019.

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

This year IGL is reporting its results in accordance with the new leasing standard AASB16 which has resulted in a change to the Company's reported IFRS result. There is no change to the fundamental economic performance and cash generation of the business. The results presented are on a pre and post AASB16 basis.

2 Summary

IVE H1 FY2020 results reflect the impacts of reduced revenue for the period, primarily due to subdued activity from certain clients in the retail sector. The reduced volumes impacted EBITDA and NPAT, while gross profit margin remained stable and the cost base continued to be well managed.

Revenue for H1 FY2020 was \$360.2M down 4.1% compared to the prior corresponding period ('PCP'). The revenue decrease was impacted by macro-economic conditions with retail spend in particular lower than expected.

IVE achieved pro forma¹ EBITDA of \$40.1M which compares to \$43.4M PCP, the reduced EBITDA over PCP was directly attributable to the reduction in revenue, with gross profit stable. Pro forma NPAT decrease of 7.3% on prior period reflecting decreased EBITDA as noted above, partly offset by the impact of a decrease in interest expense in the period.

IFRS EBITDA of \$34.3M (pre AASB16) compares to PCP of \$42.6M, impacted by transaction costs associated with the acquisition of Salmat Marketing Solutions as well as redundancy costs and the relocation of our Victorian logistics facility during the period. NPAT is lower by 27.5% than PCP, again reflecting the reduced revenue impacting profitability as well the impact of increase restructure and acquisition costs, offset by reduced interest expense.

3 Strategy and operating overview

Our strategy of diversification and innovation over the years 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 material increase over the last 4 years in customers engaging IVE across multiple parts of the business.

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.

¹ Pro forma results are on a non IFRS and pre AASB16 basis that are not audited or reviewed. They exclude all restructuring and acquisition expenses (see table 1).

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
- The 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 half year FY2020

IVE's Financial Report for H1 FY2020 is presented 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 H1 FY2020 and H1 FY2019 results presented before the impact of restructuring and acquisition costs as, and before the impacts of adoption of AASB16, which allow for a direct comparison to H1 FY2019. The Directors believe the non-IFRS pro forma results better reflect the underlying operating performance and is consistent with prior year reporting, this differs from the IFRS 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 Half Year ended FY2020 Non IFRS pro forma financial information

The H1 FY2020 results are presented before restructuring and acquisition costs and on a pre and post AASB16 basis. This compares to H1 FY2019 on a Pro Forma basis also excluding restructure and acquisition costs to allow investors to make a comparison on a like for like basis.

Table 1: H1 FY2020 non IFRS Pro Forma financial information, H1 FY2019 results on a Pro Forma basis, and H1 FY2020 IFRS results pre and post impacts of adoption of AASB16

	Statutory			Pro Forma (ex restructure & acquisition)					
	Post AASB 16	AASB 16	Pre AASB 16	Post AASB 16		Pre AASB 16			
	Actual H1 FY2020	Impact H1 FY2020	Actual H1 FY2020	Actual H1 FY2020	Impact H1 FY2020	Actual FY2020	Actual FY2019	Variance \$'M	Variance %
Revenue	360.2	0.0	360.2	360.2	0.0	360.2	375.6	-15.5	-4.1%
Gross Profit	173.4	1.4	172.0	173.4	1.4	172.0	180.9	-8.9	-4.9%
% of Revenue	48.2%		47.8%	48.2%		47.8%	48.2%		-0.9%
EBITDA	45.4	11.1	34.3	51.1	11.1	40.1	43.4	-3.4	-7.8%
% of Revenue	12.6%		9.5%	14.2%		11.1%	11.6%		-3.8%
EBIT	23.4	0.5	22.9	29.2	0.5	28.7	32.1	-3.4	-10.6%
% of Revenue	6.5%		6.4%	8.1%		8.0%	8.5%		-6.8%
Profit before tax	18.2	-1.4	19.5	24.0	-1.4	25.3	27.4	-2.1	-7.7%
NPAT	12.4	-1.0	13.3	16.6	-0.9	17.6	19.0	-1.4	-7.3%
NPATA	14.2	-0.9	15.2	18.5	-0.9	19.5	20.8	-1.4	-6.7%

The key variances on a non IFRS pro forma and pre AASB16 basis between H1 FY2020 and H1 FY2019 as follows:

- **Revenue**

Revenue decrease of (\$15.5M) or 4.1% below PCP, reflecting softness in H1 due to broader macro-economic conditions particularly relating to certain sections of the retail sector. Revenue 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 renewals/extensions.

- **Gross profit**

Gross profit as a '% of revenue of 47.8% was similar to PCP of 48.2% with margin on the whole remaining stable. The decline of (\$8.9M) on PCP directly attributable to reduced revenue rather than impacts of changes in input costs. Timing of passing on paper price increases still impacted H1, however the global paper market is less volatile with pricing more stable than FY19.

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

EBITDA of \$40.1M represents a decrease of (\$3.4M) or (7.8%) over PCP, primarily due to revenue reduction over PCP. EBITDA margin of 11.1% compared to PCP of 11.6% and consistent with FY19 full year of 11.1%.

Production expenses is a decrease on PCP relating to the management of direct labour. Direct labour also impacted by a combination of reduced revenue and production efficiencies. Administration expenses reduction, reflecting tight management of cost base and efficiency gains which will further benefit the business moving forward.

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

NPAT of \$17.6M compares to PCP of \$19.0M a decrease of (\$1.4M) for the period primarily related to the reduced EBITDA. This reduction was partly offset by reduced finance costs reflecting the benefits of refinanced senior facilities in H2 of FY2019.

4.2 IFRS results per the Financial Report

Table 2 outlines the IFRS results for H1 FY2020 and H1 FY2019 on a comparable basis pre and post impacts of adoption of AASB16.

Table 2: IFRS results

	IFRS					
	Post AASB 16		Pre AASB 16			
	Actual H1 FY2020	Impact H1 FY2020	Actual H1 FY2020	Actual FY2019	Variance \$'M	Variance %
Revenue	360.2	0.0	360.2	375.6	-15.5	-4.1%
Gross Profit	173.4	1.4	172.0	180.9	-8.9	-4.9%
% of Revenue	48.2%		47.8%	48.2%		-0.9%
EBITDA	45.4	11.1	34.3	42.6	-8.3	-19.4%
% of Revenue	12.6%		9.5%	11.3%		-16.0%
EBIT	23.4	0.5	22.9	31.2	-8.3	-26.6%
% of Revenue	6.5%		6.4%	8.3%		-23.5%
Profit before tax	18.2	-1.4	19.5	26.6	-7.0	-26.4%
NPAT	12.4	-1.0	13.3	18.4	-5.1	-27.5%
NPATA	14.2	-0.9	15.2	20.2	-5.1	-25.0%

Table 3: H1 FY2020 IFRS NPAT reconciliation to Pro Forma NPAT

IFRS to pro forma NPAT reconciliation	Post AASB 16 H1 FY20 Actual	Pre AASB 16 H1 FY20 Actual
IFRS NPAT	12.4	13.3
Restructure costs	2.8	2.8
Acquisition costs	2.9	2.9
Tax effect of adjustments	-1.4	-1.4
Pro forma NPAT	16.6	17.6

On adoption of AASB 16, the Group's EBITDA result has increased significantly compared to prior year. The new accounting standard requires operating leases previously expensed within EBITDA to be brought on the balance sheet as a right-of-use asset and lease liability. These balances reduce over the lease term as depreciation and interest expense.

4.3 Balance sheet and cash flow

Table 4 sets out the indebtedness of IVE on a IFRS basis as at 31st December 2019 as a comparison to 30th June 2019 on a pre AASB16 basis.

Table 4: H1 FY2020 IFRS indebtedness

	Actual Dec 2020	Actual June 2019
Borrowings - short term	7.2	6.3
Borrowings - long term	166.6	168.9
Borrowings* - Sub Total	173.8	175.2
Cash	-23.7	-31.5
Net Debt	150.1	143.7

* Loans & borrowings are gross of facility establishment costs. Excludes right of use liabilities impacts from adopting AASB 16.

Net debt increase on Y/E June 2019 from \$143.7M to \$150.1M primarily due to increase in working capital for the period relating to seasonality. As in prior years working capital is expected to reduce in H2 of FY2020.

H1 capital expenditure of \$6.3M with full year expected to circa \$10.0M as communicated in August 2019 excluding ERP/MIS enhancement.

IFRS free cash conversion to EBITDA of 67.4% impacted by increased working capital as outlined above. The cash flow also reflects higher tax expense due to increase in tax instalment rates to that of PCP.

5 FY20 outlook

Outlook

- Full year FY20 pro forma and pre AASB16 EBITDA guidance is in the range of \$75-79M
- Continuing softer macro-economic conditions with soft retail environment impacting revenue
- The impacts of the COVID-19 virus on our Asian supply chain and broader customer base remain uncertain
- Gross profit margin expected to remain stable
- Key inputs cost of paper and energy have stabilised, albeit remain elevated

Strategic Focus

- Continue to unlock value from the strategic investment program over the last 3 years
- Communicate effectively under one brand our diversified powerful value proposition and reaffirm the strength of our market leading position across the sectors we operate in
- The successful integration of the recent acquisitions of Salmat Marketing Solutions and Reach Media NZ
 - Finalise integration plans
 - Commit to 'industry changing' catalogue collation investment. Estimated cost of \$25-30M funded through a combination of cash reserves and existing facilities
- Medium term:
 - The continued solid and stable performance of the business will generate strong free cashflow over the years ahead
 - Capital expenditure (excluding FY21 catalogue collation equipment) over the next 2 years expected to reduce significantly on prior years
 - No deferred consideration remains payable on prior acquisitions
 - No expected change to dividend policy with resulting solid dividend profile to continue

6 Additional information

For further information contact:

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IVE Group Limited

The directors present their report together with the interim consolidated financial statements of the Group comprising of IVE Group Limited (the Company), and its subsidiaries (the Group) for the six months ended 31 December 2019 and the auditor's review report thereon.

Directors

The names of the Company's directors in office during the interim period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Geoff Bruce Selig

Warwick Leslie Hay (Ceased 5 August 2019)

Gavin Terence Bell

Paul Stephen Selig

James Scott Charles Todd

Sandra Margaret Hook

Carole Louise Campbell

Operating and financial review

This is the first set of the Group's financial statements in which AASB 16 Leases has been applied. Under the transition method chosen, comparative information has not been restated. The 31 December 2019 results are therefore not directly comparable to prior years. Changes to significant accounting policies and the impact of applying the new standards are described in Note 2.

The profit after tax of the Group for the six months ended 31 December 2019 was \$12,368 thousand (for six months ended 31 December 2018 was \$18,383 thousand). A review of operations and results of the Group for the six months ended 31 December 2019 are set out in the Operating and Financial Review, which forms part of the interim consolidated financial report.

Dividends

The directors have declared an interim dividend of 8.6 Australian cents per share, fully franked, to be paid on 22 April 2020 to shareholders on the register at 12 March 2020. The interim dividend declared by the Company to members for the six months ended 31 December 2019 was \$12,745 thousand (for the six months ended 31 December 2018: \$12,743 thousand).

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 legislative instrument, amounts in the interim consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 9 and forms part of the directors' report for the six months ended 31 December 2019.

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



Geoff Selig

Director

Dated at Sydney this 26th day of February 2020



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 review of IVE Group Limited for the half-year ended 31 December 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

John Wigglesworth
Partner

Sydney

26 February 2020

IVE Group Limited

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2019

<i>In thousands of AUD</i>	<i>Note</i>	31 December 2019	31 December 2018*
Revenue	4	360,151	375,603
Cost of sales		(186,730)	(194,658)
Gross profit		173,421	180,945
Other income		35	19
Production expenses		(90,803)	(90,232)
Administrative expenses		(53,900)	(58,503)
Other expenses		(5,378)	(941)
Results from operating activities	5, 6	23,375	31,288
Finance income		79	102
Finance costs		(5,268)	(4,820)
Net finance costs	7	(5,189)	(4,718)
Profit before tax		18,186	26,570
Income tax expense	8	(5,818)	(8,187)
Profit/(loss) for the year		12,368	18,383
Other comprehensive income			
Cash flow hedges - effective portion of changes in fair value		(486)	(518)
Cash flow hedges - reclassified to profit or loss		284	298
Total comprehensive income for the period		12,166	18,163
Profit/(loss) attributable to:			
Owners of the Company		12,368	18,383
Profit/(loss) for the period		12,368	18,383
Total comprehensive income attributable to:			
Owners of the Company		12,166	18,163
Total comprehensive income for the period		12,166	18,163
Earnings per share			
Basic earnings per share (cents per share)		8.3	12.4
Diluted earnings per share (cents per share)		8.3	12.4

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of the initial application. See Note 2.

The notes on pages 14 to 27 are an integral part of these interim consolidated financial statements.

IVE Group Limited

Condensed consolidated statement of financial position

As at 31 December 2019

<i>In thousands of AUD</i>	<i>Note</i>	31 December 2019	30 June 2019*
Assets			
Cash and cash equivalents	9	23,698	31,501
Trade and other receivables	10	114,240	113,586
Contract assets		199	47
Inventories	11	60,997	66,016
Prepayments		3,265	3,076
Other current assets		3,588	3,901
Total current assets		205,987	218,127
Deferred tax assets		14,330	13,536
Property, plant and equipment	12	114,663	135,278
Right of use assets*	12	111,203	-
Intangible assets and goodwill	13	161,461	163,612
Total non-current assets		401,657	312,426
Total assets		607,644	530,553
Liabilities			
Trade and other payables	14	84,797	100,957
Lease liabilities*		30,156	-
Loan and borrowings	15	3,003	6,192
Employee benefits	16	17,949	18,882
Current tax payable		678	2,864
Contract liabilities		4,671	6,734
Provisions	17	-	2,006
Total current liabilities		141,254	137,635
Loan and borrowings	15	153,207	167,349
Lease liabilities*		110,349	-
Employee benefits	16	6,244	6,182
Provisions	17	3,174	13,580
Total non-current liabilities		272,974	187,111
Total liabilities		414,228	324,746
Net assets		193,416	205,807
Equity			
Share capital			
Reserves	18	156,502	156,468
Retained earnings		(729)	(493)
Total equity		37,643	49,832
		193,416	205,807

*The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of the initial application. See Note 2.

The notes on pages 14 to 27 are an integral part of these interim consolidated financial statements.

IVE Group Limited

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2019

<i>In thousands of AUD</i>	<i>Note</i>	Share capital	Share based payment reserve	Hedging reserve	Retained earnings	Total equity
Balance at 1 July 2018		156,318	173	(148)	42,998	199,341
Initial application of AASB 9*		-	-	-	(619)	(619)
Adjusted balance 1 July 2018		156,318	173	(148)	42,379	198,722
Total comprehensive income for the period						
Profit for the period		-	-	-	18,383	18,383
Other comprehensive income		-	-	(220)	-	(220)
Total comprehensive income for the period		-	-	(220)	18,383	18,163
Transactions with owners of the Company						
Issue of share capital	18	-	-	-	-	-
Dividends to owners of the Company	18	-	-	-	(11,108)	(11,108)
Performance share rights	19	150	84	-	-	234
Total transactions with owners of the Company		150	84	-	(11,108)	(10,874)
Balance at 31 December 2018		156,468	257	(368)	49,654	206,011
Balance at 1 July 2019		156,468	119	(612)	49,832	205,807
Initial application of AASB 16**	2	-	-	-	(13,145)	(13,145)
Adjusted balance 1 July 2019		156,468	119	(612)	36,687	192,662
Total comprehensive income for the period						
Profit for the period		-	-	-	12,368	12,368
Other comprehensive income		-	-	(202)	-	(202)
Total comprehensive income for the period		-	-	(202)	12,368	12,166
Transactions with owners of the Company						
Issue of share capital	18	-	-	-	-	-
Dividends to owners of the Company	18	-	-	-	(11,412)	(11,412)
Performance share rights	19	34	(34)	-	-	-
Total transactions with owners of the Company		34	(34)	-	(11,412)	(11,412)
Balance at 31 December 2019		156,502	85	(814)	37,643	193,416

* The Group has initially applied AASB 9 as at 1 July 2018.

** The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of the initial application. See note 2.

The notes on pages 14 to 27 are an integral part of these consolidated financial statements.

IVE Group Limited

Condensed consolidated statement of cash flows

For the six months ended 31 December 2019

<i>In thousands of AUD</i>	<i>Note</i>	31 December 2019	31 December 2018*
Cash flows from operating activities			
Cash receipts from customers		395,440	403,797
Cash paid to suppliers and employees		(354,033)	(368,426)
Cash generated from operating activities		<u>41,407</u>	<u>35,371</u>
Interest received		38	102
Interest paid**		(4,955)	(3,957)
Income tax paid		(7,437)	(3,693)
Payment of costs in relation to acquisitions		(388)	(88)
Restructure and make good		(3,100)	(953)
Net cash from operating activities		<u>25,565</u>	<u>26,782</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		449	25
Acquisition of property, plant and equipment and intangible assets		(6,670)	(16,624)
Deferred and contingent consideration paid on acquired business		-	(6,000)
Net cash used in investing activities		<u>(6,221)</u>	<u>(22,599)</u>
Cash flows from financing activities			
Proceeds from bank loans		-	19,934
Repayment of bank loans		-	(5,000)
Dividends paid		(11,412)	(11,108)
Payment of lease liabilities (2018: Payment of finance lease liabilities)**		(15,735)	(3,182)
Net cash from financing activities		<u>(27,147)</u>	<u>644</u>
Net (decrease)/increase in cash and cash equivalents		(7,803)	4,827
Cash and cash equivalents at 1 July		31,501	22,325
Cash and cash equivalents at 31 December	9	<u>23,698</u>	<u>27,152</u>

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of the initial application. See Note 2.

** The Group has classified:

- cash payments for the principal portion of lease payments as financing activities.
- cash payments for the interest portion as operating activities consistent with the presentation of interest payments of bank loans.
- short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of the lease liability within operating activities.

The notes on pages 14 to 27 are an integral part of these consolidated financial statements.

IVE Group Limited

Notes to the interim condensed consolidated financial statements

For the six months ended 31 December 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.

These interim consolidated financial statements, as at and for the six months ended 31 December 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 magazines, catalogues, 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 mail, publication mail, eCommunications, multi-channel solutions and call centre services;
- Data analytics, customer experience strategy, and 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

This interim consolidated financial report has been prepared in accordance with AASB 134 Interim Financial Reporting, the Corporations Act 2001 and IAS 34 Interim Financial Reporting. It does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2019.

The interim 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 legislative instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Significant accounting policies

The accounting policies applied in these interim consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2019, except for the adoption of new accounting standards noted over the page.

The interim consolidated financial statements were authorised for issue by the Board of Directors on 26th February 2020.

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2019

2 Basis of preparation (continued)

Changes in Accounting Policies

Adoption of new accounting standards

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2019.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2020.

The Group has initially adopted AASB 16 Leases from 1 July 2019. A number of other standards are effective from 1 July 2019 but they do not have a material effect on the Group's financial statements.

AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below.

a. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

b. As a lessee

The Group leases many assets, including properties, production equipment and IT equipment. As a lessee, the Group previously classified operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use-assets and lease liabilities for some short-term leases and low value assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in the statement of financial position. Right-of-use assets that meet the definition of investment property are presented within lease receivable. The carrying amounts of right-of-use assets are as below.

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2019

2 Basis of preparation (continued)

<i>In thousands of AUD</i>	Property, plant and equipment		Total
	Property	Production equipment*	
Balance as at 1 July 2019	93,725	26,215	119,940
Balance as at 31 December 2019	85,406	25,797	111,203

* Includes amounts in plant and equipment re-classified to right-of-use assets as at 1 July 2019.

The Group presents lease liabilities in the statement of financial position.

i. Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Group classified property leases as operating leases under AASB 117. These include warehouse and factory facilities. The leases typically run for a period up to 10 years. Some leases include an option to renew the lease after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2019

2 Basis of preparation (continued)

The Group used the following exemptions and practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months lease term, or low value.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of items of production equipment. These leases were classified as finance leases under AASB 117. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

c. As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under AASB 117. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor. However, the Group has applied AASB 15 Revenue from Contracts with Customers to allocate consideration in the contracts to each lease and non-lease component.

The Group sub-leases some of its properties. Under AASB 117, the head lease and sub-lease contracts were classified as operating leases. On transition to AASB 16, some of these leases have been classified as a finance lease, and the investment in the sub-lease recognised from the head leases are presented as lease receivables.

d. Impacts on financial statements

i. Impacts on transition

On transition to AASB 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

<i>In thousands of AUD</i>	1 July 2019
Right-of-use assets presented in lease receivable	701
Property, plant and equipment	(18,560)
Right-of-use assets	119,940
Deferred tax liability (net)	1,275
Trade and other payables	5,596
Lease liabilities	(150,112)
Finance lease liabilities	15,733
Provisions	12,282
Retained earnings	13,145

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019 of between 2.21% and 3.42% depending on the lease term.

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2019

2 Basis of preparation (continued)

<i>In thousands of AUD</i>	1 July 2019
Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statements	125,348
Discounted using the incremental borrowing rate at 1 July 2019	(15,521)
Finance lease liabilities recognised as at 30 June 2019	15,733
• Recognition of exemption for leases of low-value assets	(1,237)
• Recognition of exemption for leases with less than 12 months of lease term at transition	(419)
• Extension options reasonably certain to be exercised	24,725
New leases recognised and other adjustments	1,483
Lease liabilities recognised at 1 July 2019	150,112

ii. Impacts for the period

In relation to those leases under AASB 16, the Group has recognised depreciation and interest costs, instead of an operating lease expense. During the six months ended 31 December 2019, the Group recognised \$12,620 thousand of depreciation charges and \$2,803 thousand of interest costs from these leases. No depreciation is recognised for right of use asset that meets the definition of lease receivable.

3 Use of estimates and judgements

In preparing these interim 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 as at and for the year ended 30 June 2019, except for the adoption of new accounting standards (refer note 2).

Measurement of fair values

When measuring the fair value of an asset or a liability, the group uses market observable data where 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).

Further information about the assumptions made in measuring fair values is included in Note 22 Financial instruments.

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2019

4 Revenue

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

a) Disaggregation of revenue

<i>In thousands of AUD</i>	31 December 2019	31 December 2018
Products transferred at a point in time	325,418	342,385
Products and services transferred over time	34,733	33,218
	<u>360,151</u>	<u>375,603</u>

b) Contract balances

<i>In thousands of AUD</i>	31 December 2019	30 June 2019
Receivables, which are included in 'Trade and other receivables'	112,647	113,306
Contract assets	199	47
Contract liabilities	4,671	6,734

5 Personnel expenses

<i>In thousands of AUD</i>	31 December 2019	31 December 2018
Wages and salaries	89,567	93,393
Contributions to defined contribution plans	6,483	6,513
Share-based payment expense	91	234
	<u>96,141</u>	<u>100,140</u>

6 Expenses

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

<i>In thousands of AUD</i>	31 December 2019	31 December 2018
Depreciation and amortisation	21,956	11,335
Restructuring costs	2,844	779
Acquisition expenses	2,924	88

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2019

7 Finance income and finance costs

In thousands of AUD

	31 December 2019	31 December 2018
Interest income	50	102
Net foreign exchange gains	29	-
Finance income	79	102
Interest expense	(5,268)	(4,763)
Net foreign exchange losses	-	(57)
Finance costs	(5,268)	(4,820)
Net finance costs	(5,189)	(4,718)

8 Tax expense

In thousands of AUD

	31 December 2019	31 December 2018
Current tax expense		
Current year	4,716	5,664
Changes in estimates related to prior years	255	-
Deferred tax benefit		
Origination and reversal of temporary differences	847	2,523
Total tax expense	5,818	8,187

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD

	31 December 2019	31 December 2018
Profit before tax	18,186	26,570
Tax using the Company's domestic tax rate of 30%	5,456	7,971
Non-deductible expenses	107	217
Changes in estimates related to prior years	255	(1)
	5,818	8,187

9 Cash and cash equivalents

In thousands of AUD

	31 December 2019	30 June 2019
Bank balances	23,688	31,491
Petty cash	10	10
Cash and cash equivalents	23,698	31,501

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2019

10 Trade and other receivables

In thousands of AUD

Current

	31 December 2019	30 June 2019
Trade receivables	112,647	113,306
Allowance for doubtful debts	(1,760)	(1,814)
	<hr/>	<hr/>
	110,887	111,492
Lease receivable	518	-
Other receivables	2,835	2,094
	<hr/>	<hr/>
	114,240	113,586

11 Inventories

In thousands of AUD

	31 December 2019	30 June 2019
Finished goods	3,303	3,404
Work in progress	12,451	9,677
Raw materials	46,011	53,723
Allowance for inventory obsolescence	(768)	(788)
	<hr/>	<hr/>
	60,997	66,016

12 Property, plant and equipment, and Right-of-use assets

Acquisitions

During the six months ended 31 December 2019 the Group acquired property, plant and equipment with a cost of \$8,615 thousand (six months ended 31 December 2018: \$22,593 thousand).

During the six months ended 31 December 2019, the Group entered into new lease agreements for the use of production equipment's for up to 5 years. The Group makes fixed payments and additional variable payments depending on the usage of the asset during the contract period. On lease commencement, the Group recognised \$1,429 thousand of right of use asset and lease liability.

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2019

13 Intangible assets and goodwill

<i>In thousands of AUD</i>	Note	Goodwill	Computer software	Customer relationships	Total
Cost					
Balance at 1 July 2018 (restated)*		143,617	11,113	28,616	183,346
Other additions		-	62	-	62
Balance at 31 December 2018		143,617	11,175	28,616	183,408
Balance at 1 July 2019		143,617	11,862	28,616	184,095
Other additions		-	760	-	760
Balance at 31 December 2019		143,617	12,622	28,616	184,855
Amortisation and impairment losses					
Balance at 1 July 2018		-	6,195	8,410	14,605
Amortisation for the period		-	1,090	1,861	2,951
Balance at 31 December 2018		-	7,285	10,271	17,556
Balance at 1 July 2019		-	8,355	12,128	20,483
Amortisation for the period		-	1,053	1,858	2,911
Balance at 31 December 2019		-	9,408	13,986	23,394
Carrying amounts					
At 31 December 2018 (restated)*		143,617	3,890	18,345	165,852
At 31 December 2019		143,617	3,214	14,630	161,461

* Refer to note 33 of the 2019 Annual Financial Report on restatement.

For the six months ending 31 December 2019, the Group performed an impairment test for all cash generating units. The estimated recoverable amount for the 'Franklin Web' CGU exceeded its carrying amount by approximately \$6.4 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 3% 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.

14 Trade and other payables

<i>In thousands of AUD</i>	31 December 2019	30 June 2019
Current		
Trade payables	63,645	72,010
Accrued expenses	20,456	28,772
Forward exchange contracts used for hedging	696	-
Interest rate swaps	-	175
	84,797	100,957

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2019

15 Loans and borrowings

In thousands of AUD

	31 December 2019	30 June 2019
Current		
Finance lease liabilities	-	3,147
Equipment finance - secured	3,003	3,045
	3,003	6,192
Non-current		
Bank loan	141,170	141,042
Finance lease liabilities	-	12,586
Equipment finance - secured	12,037	13,721
	153,207	167,349

16 Employee benefits

In thousands of AUD

	31 December 2019	30 June 2019
Current		
Liability for long service leave	8,448	8,463
Liability for annual leave	9,501	10,419
	17,949	18,882
Non-current		
Liability for long service leave	6,244	6,182
	6,244	6,182

17 Provisions

In thousands of AUD

	Restructuring	Make good	Acquired lease liability	Total
Balance at 1 July 2018	628	3,304	11,654	15,586
Initial application of AASB 16*	(628)	-	(11,654)	(12,282)
Adjusted balance 1 July 2019	-	3,304	-	3,304
Provisions made during the year	-	-	-	-
Provisions reversed and utilised during the year	-	(130)	-	(130)
Balance at 31 December 2019	-	3,174	-	3,174
	-	-	-	-
Current	-	3,174	-	3,174
Non-current	-	3,174	-	3,174

*Refer to note 2.

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2019

18 Capital and reserves

Issued and paid up capital

	31 December 2019	30 June 2019
148,207,285 (June 2019: 148,179,157) ordinary shares fully paid	156,502	156,468

Movement in ordinary share capital

Date	Details	Number of shares	Issue Price	Total \$'000
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
31 Dec 18	Closing balance	148,179,157		156,468
1 Jul 18	Opening balance	148,179,157		156,468
4 Sep 19	Issue of shares under the Equity Incentive Plan	28,128	\$1.21	34
31 Dec 19		148,207,285		156,502

Dividends

The following dividends were declared by the Group:

For the six months ended 31 December 2018

In thousands of AUD

	31 December 2019	31 December 2018
8.6 cents per share (31 December 2018: 8.6 cents per share)	12,745	12,743

On 26 February 2020, the directors have declared a fully franked interim dividend of 8.6 cents per share to be paid on 22 April 2020 to shareholders on the register at 12 March 2020. The interim dividend payout is \$12,745 thousand (for the six months ended 31 December 2018: \$12,743 thousand). A liability has not been recognised as the interim dividend was declared after the reporting date.

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2019

19 Share-based payments reserve

During the six months ended 31 December 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	26 November 2019*
Number granted	880,000
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 2019 to 30 June 2022 inclusive. The vesting date is expected to be on or soon after the approval of IVE's 2022 Annual Financial Report.
Weighted average fair value	\$1.36
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	\$2.05
Expected volatility	19.1%
Risk free interest rate	0.98%
Dividend yield	8.64%

*Share rights issued to Directors required shareholder approval. This occurred at the Group's 2019 Annual General Meeting. Total expense relating to Share-based Payments has been disclosed in Note 5 of this interim consolidated financial statements.

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2019

20 Acquisitions

There have been no acquisitions during the six months ended 31 December 2019.

21 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 reports 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.

<i>In thousands of AUD</i>	31 December 2019 Post AASB 16*	31 December 2019 Pre AASB 16*	31 December 2018
EBITDA	45,331	34,265	42,623
Depreciation and amortisation	(21,956)	(11,372)	(11,335)
Net finance costs	(5,189)	(3,344)	(4,718)
Profit before income tax	18,186	19,549	26,570

*The Group has applied AASB 16 at 1 July 2019. Refer to note 2.

22 Financial instruments

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
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

Fair values versus carrying amounts

As at 31 December 2019, the carrying value of other financial assets and liabilities as at the end of the financial year are considered to approximate their fair value.

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2019

23 Group entities

Ultimate parent entity	Ownership interest %	
	31 December 2019	31 December 2018
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 Ltd	100	100
Pareto Fundraising Pty Ltd	100	100
Pareto Phone Pty Ltd	100	100
James Bennett & Associates Pty Limited	100	100
IVE Employment (Australia) Pty Ltd	100	100
IVE Employment (Victoria) Pty Ltd	100	100
Taverners No. 13 Pty Ltd	100	100
AIW Printing (Aust) Pty Ltd	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

24 Events after the reporting period

Other than the acquisition noted below, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations or state of affairs of the Group in the future.

On 1 January 2020, the Group acquired Salmat Marketing Solutions, the Australian catalogue distribution business of Salmat Limited, for a consideration of \$25.4 million. The transaction includes the acquisition of Reach Media NZ Limited, Salmat's catalogue distribution business in New Zealand.

IVE Group Limited

Directors' declaration

- 1 In the opinion of the directors of IVE Group Limited (the Company):
- (a) the condensed consolidated financial statements and notes, set out on pages 10 to 27, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the six months ended on that date; and
 - (ii) complying with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.



Geoff Selig
Director

Dated at Sydney this 26th day of February 2020



Independent Auditor's Review Report

To the shareholders of IVE Group Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of IVE Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of IVE Group Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 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 Interim Period ended on that date.
- Notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

The **Group** comprises IVE Group Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 31 December 2019.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of IVE Group Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

John Wigglesworth
Partner

Sydney

26 February 2020