



ABN 62 606 252 644

APPENDIX 4D

For the Half Year Ended 31 December 2018

Company Information

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

Previous Corresponding Period: For the half year ended 31 December 2017

This information should be read in conjunction with the 31 December 2018 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 2018.

This report is based on the consolidated financial statements for the half year ended 31 December 2018 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 2018.

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 2018.

		31 Dec 2018	31 Dec 2017
		\$'000	\$'000
Revenue from continuing operations	Up 5% to	375,603	359,305
Profit (loss) from ordinary activities after tax attributable to members	Up 15% to	18,383	15,973
Net profit (loss) for the period attributable to members	Up 15% to	18,383	15,973

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

Net Tangible Assets per Security

	31 Dec 2018	31 Dec 2017
Net Tangible Asset per security (cents)	26.1	22.3

Dividend Amount per Security

	Amount per Security	Franked Amount per Security
	cents	cents
Interim dividend for the half year ended 31 December 2018*	8.6	8.6
Interim dividend for the half year ended 31 December 2017	8.0	8.0

*Record date for determining entitlements to the dividend

*Interim dividend entitlement date: close of business 14th March 2019; and payment date: 18th April 2019.

Audit qualification or 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 2018.

Attachments

Interim Financial Report for the half year ended 31 December 2018 for IVE Group Limited.

IVE GROUP LIMITED INTERIM CONSOLIDATED FINANCIAL REPORT

31 DECEMBER 2018

ABN 62 606 252 644

IVE Group Limited

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1. INTRODUCTION

The Directors are pleased to present the half year Operating and Financial Review (OFR) for IVE Group Limited (IVE) for the period half year ended 31st December 2018.

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

2. SUMMARY

IVE H1 FY2019 results reflect the impacts of previous period's capital investment, acquisition integration and growth strategy execution resulting in revenue, EBITDA and NPAT increase as well as margin expansion. Restructure and acquisition costs are minimal as expected.

Revenue growth for half year H1 FY2019 of 4.5% compared to the prior corresponding period ('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). Growth also resulted from acquisition revenue for full half year for SEMA.

IVE achieved pro forma EBITDA growth of 13.3% over the PCP (before restructure and acquisition costs), driven by revenue growth as noted above as well as the operation of Franklin WEB NSW facility for the full period of H1 FY2019 thereby increasing production efficiencies and reducing outwork, driving increased gross profit and EBITDA. The half year reflects prior period's execution resulting in productivity gains and cost base refinement through capital expenditure investment, focus on cost management as well as the benefits arising from acquisition synergies driving EBITDA margin expansion. Statutory EBITDA is 17.5% higher than PCP, reflecting restructuring and acquisition costs in H1 FY2018 mainly relating to Franklin and AIW integration, and SEMA acquisition and integration costs.

Pro forma NPAT increase on prior period of 8.1% reflecting increased EBITDA as noted above partly offset by the impact of increased depreciation, due to Franklin WEB NSW facility not becoming operational for large part of H1 FY2018 (November 2017). Statutory NPAT is 15.1% higher than PCP, reflecting significantly reduced restructuring and acquisition costs in H1 FY2019 compared to H1 FY2018 mainly due to Franklin and AIW integration, and SEMA.

Balance sheet remains strong, with net debt on the lower end of expectation reflecting good free cash flow generation.

3. STRATEGY AND OPERATING OVERVIEW

Our strategy of diversification and innovation over the last 20 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. 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
- Historically, 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 2018 Annual Report.

4. OVERVIEW OF RESULTS FOR HALF YEAR FY2019

IVE's Financial Report for H1 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 H1 FY2019 and H1 FY2018 results presented before impacts of all restructuring and acquisition costs which allow for a direct comparison to H1 FY2018, primarily impacted by acquisition and integration costs associated with August 2017 capital raise as well as the SEMA acquisition in September 2017 and 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 is consistent with full year guidance, 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 H1 FY2019 and H1 FY2018 on a comparable basis.

Table 1: Statutory results

	Statutory			
	Actual H1 FY2019	Actual H1 FY2018	Variance \$'M	Variance %
Revenue	375.6	359.3	16.3	4.5%
Gross Profit	180.9	171.2	9.7	5.7%
% of Revenue	48.2%	47.7%		1.1%
EBITDA	42.6	36.2	6.3	17.5%
% of Revenue	11.3%	10.1%		12.4%
EBIT	31.2	27.3	3.9	14.3%
% of Revenue	8.3%	7.6%		9.3%
Profit before tax	26.6	23.3	3.3	14.1%
NPAT	18.4	16.0	2.4	15.1%
NPATA	20.2	17.7	2.5	14.2%

The key variances on a statutory basis between H1 FY2019 and H1 FY2018 are as follows:

- **Revenue**

Revenue increase of \$16.3M or 4.5% over PCP, reflecting continued growth through existing client base as well as new customer wins and the existing customer base through expanded service offering. Revenue growth was also impacted by half 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, with no customer losses of note.

- **Gross profit**

The gross profit increase of \$9.7M over PCP largely driven by increased revenue and margin expansion. The Group achieved gross profit margin of 48.2% compared to H1 FY2018 of 47.7%. The margin increase was predominantly driven by reducing outwork through Franklin WEB NSW facility being operational for the full period, despite paper cost increases having some negative impact during the period. For all other areas of the business gross profit remained stable.

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

EBITDA of \$42.6M represents an increase of \$6.3M or 17.5% over PCP, as well as an expansion of EBITDA margin from 10.1% in PCP to 11.3%, achieved through a combination of growth, stable gross profit, productivity gains, continued focus on cost management as well as the synergies from prior period acquisitions.

Production expenses (excluding depreciation) of \$82.8M are 22.1% to revenue compared to \$79.0M and 22.0% to revenue in PCP. The main driver of the increase in production expense is to service additional revenue; although % to revenue remained stable with PCP, the current period reflected a higher proportion of produced revenue to that of corresponding period mainly due to reduced outwork relating to Franklin WEB. Production expenses also reflect continued higher energy costs.

Administration expenses (excluding depreciation and amortisation) of \$54.6M are 14.5% to revenue compared to \$54.0M and 15.0% to revenue in PCP, the reduction as a % to revenue in current period reflecting benefits of further synergies from prior period acquisitions.

Other expenses of \$0.9M compared to PCP of \$2.3M. H1 FY2018 includes restructure costs associated with final AIW close down, SEMA acquisition and integration costs, and acquisition costs related to August 2017 capital raise. H1 FY2019 is comprised of the residual restructuring and acquisition costs relating to the final integration of SEMA.

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

NPAT of \$18.4M represents an increase of \$2.4M or 15.1% over PCP, achieved via a combination of revenue growth, and efficiency gains as outlined above. H1 FY2019 increased depreciation due to Franklin WEB NSW facility being fully operational for the period, whereas in H1 FY2018 no depreciation impact until November 2017. Interest expense increased in H1 FY2019 due to H1 FY2018 benefiting from capital raise funds not yet deployed.

4.2 HALF YEAR ENDED FY2019 NON IFRS PRO FORMA FINANCIAL INFORMATION

The H1 FY2018 results below are presented before all restructuring and acquisition costs. Compared to H1 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: H1 FY2019 non IFRS Pro Forma financial information, H1 FY2018 results on a Pro Forma basis, and H1 FY2018 Statutory results

	Statutory	Pro Forma (ex restructure & acquisition)			
	Actual H1 FY2019	Actual H1 FY2019	Actual H1 FY2018	Variance \$'M	Variance %
Revenue	375.6	375.6	359.3	16.3	4.5%
Gross Profit	180.9	180.9	171.2	9.7	5.7%
% of Revenue	48.2%	48.2%	47.7%		1.1%
EBITDA	42.6	43.4	38.3	5.1	13.3%
% of Revenue	11.3%	11.6%	10.7%		8.4%
EBIT	31.2	32.1	29.4	2.7	9.1%
% of Revenue	8.3%	8.5%	8.2%		4.3%
Profit before tax	26.6	27.4	25.4	2.1	8.1%
NPAT	18.4	19.0	17.6	1.4	8.1%
NPATA	20.2	20.8	19.3	1.5	7.9%

Table 3: H1 FY2019 Statutory NPAT reconciliation to Pro Forma NPAT

Statutory to proforma NPAT reconciliation	FY19 H1 Actual \$'M
Statutory NPAT	18.4
Restructure costs	0.8
Acquisition costs	0.1
Tax effect of adjustments	-0.3
Pro forma NPAT	19.0

4.3 BALANCE SHEET

Table 4 sets out the indebtedness of IVE on a Statutory basis as at 31st December 2018 as a comparison to 30th June 2018.

Table 4: H1 FY2018 Statutory indebtedness

	Actual Dec 2018 \$'M	Actual June 2018 \$'M
Borrowings – short term	12.5	16.5
Borrowings – long term	158.9	136.8
Borrowings* – Sub Total	171.4	153.2
Cash	-27.2	-22.3
Net Debt	144.2	130.9

*Borrowings are gross of loan establishment costs

Equipment finance borrowings increased as a result of the capital expenditure program associated with the further expansion of the Group's personalised communication's growth strategy post the SEMA acquisition. The period also reflects the large portion of FY2019 capital investment spend including final payment for Franklin WEB NSW second press and ancillary equipment.

5. ADDITIONAL INFORMATION

For further information contact:

Geoff Selig
Executive Chairman

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Darren Dunkley
Chief Financial Officer

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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 2018 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
Gavin Terence Bell
Andrew Charles Harrison (resigned 20 November 2018)
Paul Stephen Selig
James Scott Charles Todd
Sandra Margaret Hook
Carole Louise Campbell (appointed 21 November 2018)

Operating and financial review

The profit after tax of the Group for the six months ended 31 December 2018 was \$18,383 thousand (for six months ended 31 December 2017 was \$15,973 thousand). A review of operations and results of the Group for the six months ended 31 December 2018 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 18 April 2019 to shareholders on the register at 14 March 2019. The interim dividend declared by the Company to members for the six months ended 31 December 2018 was \$12,743 thousand (for the six months ended 31 December 2017: \$11,848 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 11 and forms part of the directors' report for the six months ended 31 December 2018.

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



Geoff Selig

Director

Dated at Sydney this 25th day of February 2019



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 2018 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.

A handwritten signature in black ink, appearing to read 'John Wigglesworth'.

KPMG

A handwritten signature in black ink, appearing to read 'John Wigglesworth'.

John Wigglesworth
Partner

Sydney

25 February 2019

IVE Group Limited

Condensed consolidated statement of profit or loss and other comprehensive income For the six months ended 31 December 2018

In thousands of AUD

	Note	31 December 2018	31 December 2017
Revenue	4	375,603	359,305
Cost of sales		(194,658)	(188,061)
Gross profit		180,945	171,244
Other income		19	254
Production expenses		(90,232)	(84,654)
Administrative expenses		(58,503)	(57,252)
Other expenses		(941)	(2,261)
Results from operating activities	5, 6	31,288	27,331
Finance income		102	130
Finance costs		(4,820)	(4,177)
Net finance costs	7	(4,718)	(4,047)
Profit before tax		26,570	23,284
Income tax expense Profit/ (loss) for the half year	8	(8,187)	(7,311)
Other comprehensive income			
Cash flow hedges – effective portion of changes in fair value		(518)	(512)
Cash flow hedges – reclassified to profit or loss		298	397
Total comprehensive income for the period		18,163	15,858
Profit/(loss) attributable to:			
Owners of the Company		18,383	15,973
Profit/(loss) for the period		18,383	15,973
Total comprehensive income attributable to:			
Owners of the Company		18,163	15,858
Total comprehensive income for the period		18,163	15,858
Earnings per share			
Basic earnings per share (cents per share)		12.4	11.7
Diluted earnings per share (cents per share)		12.4	11.6

The notes on pages 16 to 29 are an integral part of these interim consolidated financial statements.

IVE Group Limited

Condensed consolidated statement of financial position

As at 31 December 2018

<i>In thousands of AUD</i>	<i>Note</i>	31 December 2018	30 June 2018
Assets			
Cash and cash equivalents	9	27,152	22,325
Trade and other receivables	10	126,377	118,282
Contract assets		399	-
Inventories	11	50,540	47,115
Prepayments		2,360	2,559
Other current assets		4,985	5,226
Total current assets		211,813	195,507
Deferred tax assets		13,749	16,006
Property, plant and equipment	12	137,729	123,681
Intangible assets and goodwill	13	167,382	170,271
Total non-current assets		318,860	309,958
Total assets		530,673	505,465
Liabilities			
Trade and other payables	14	104,708	111,522
Loans and borrowings	15	11,777	16,442
Employee benefits	16	18,662	18,493
Current tax payable		3,162	1,285
Contract liabilities		5,990	-
Provisions	17	1,838	1,815
Total current liabilities		146,137	149,557
Trade and other payables	14	-	681
Loans and borrowings	15	158,134	134,890
Employee benefits	16	6,202	6,079
Provisions	17	14,189	14,917
Total non-current liabilities		178,525	156,567
Total liabilities		324,662	306,124
Net assets		206,011	199,341
Equity			
Share capital	18	156,467	156,318
Reserves		(110)	25
Retained earnings		49,654	42,998
Total equity		206,011	199,341

The notes on pages 16 to 29 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 2018

In thousands of AUD

	<i>Note</i>	Share capital	Share based payment reserve	Hedging reserve	Retained earnings	Total equity
Balance at 1 July 2017		98,820	88	100	38,608	137,616
Total comprehensive income for the period						
Profit for the period		-	-	-	15,973	15,973
Other comprehensive income		-	-	(115)	-	(115)
Total comprehensive income for the period		-	-	(115)	15,973	15,858
Transactions with owners of the Company						
Issue of share capital	18	57,498	-	-	-	57,498
Dividends to owners of the Company	18	-	-	-	(9,477)	(9,477)
Performance share rights	19	-	23	-	-	23
Total transactions with owners of the Company		57,498	23	-	(9,477)	48,044
Balance at 31 December 2017		156,318	111	(15)	45,104	201,518
Balance at 1 July 2018		156,318	173	(148)	42,998	199,341
Initial application of AASB 9* (net of tax)	2	-	-	-	(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	149	85	-	-	234
Total transactions with owners of the Company		149	85	-	(11,108)	(10,874)
Balance at 31 December 2018		156,467	258	(368)	49,654	206,011

*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 2 on 'Adoption of new accounting standards'.

The notes on pages 16 to 29 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 2018

<i>In thousands of AUD</i>	<i>Note</i>	31 December 2018	31 December 2017
Cash flows from operating activities			
Cash receipts from customers		403,797	376,603
Cash paid to suppliers and employees		(368,426)	(346,159)
Cash generated from operating activities		<u>35,371</u>	<u>30,444</u>
Interest received		102	127
Interest paid		(3,957)	(3,505)
Income tax paid		(3,693)	(4,709)
Payment of costs in relation to acquisitions		(88)	(676)
Restructure and make good		(953)	(5,147)
Net cash from operating activities		<u>26,782</u>	<u>16,534</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		25	316
Acquisition of property, plant and equipment and intangible assets		(16,624)	(20,857)
Acquisitions of businesses, net of cash acquired		-	(10,588)
Deferred and contingent consideration paid on acquired business		(6,000)	(3,172)
Net cash used in investing activities		<u>(22,599)</u>	<u>(34,301)</u>
Cash flows from financing activities			
Proceeds from shares issue	18	-	55,576
Proceeds from bank loans		19,934	-
Repayment of bank loans		(5,000)	(26,000)
Payment of transaction costs for issued capital and loans		-	(2,291)
Dividends paid		(11,108)	(9,477)
Payment of finance lease liabilities		(3,182)	(1,464)
Net cash from financing activities		<u>644</u>	<u>16,344</u>
Net (decrease)/increase in cash and cash equivalents		4,827	(1,423)
Cash and cash equivalents at 1 July		22,325	23,851
Cash and cash equivalents at 31 December	9	<u>27,152</u>	<u>22,428</u>

The notes on pages 16 to 29 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 2018

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 2018 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;
- Printing of point of sale display material and large format banners for retail applications;
- Personalised communications including marketing mail, publication mail, eCommunications and multi-channel solutions; 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 2018.

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 2018, 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 25 February 2019.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2018

2 **Basis of preparation (continued)**

Changes in Accounting Policies

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 half-year 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.

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 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.

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2018

2 Basis of preparation (continued)

The following table summarises the impacts of adopting AASB 15 on the Group's Condensed consolidated statement of financial position as at 31 December 2018. There was no material impact on the Group's Condensed consolidated statement of profit or loss and other comprehensive income, and Condensed consolidated statement of cash flows for the six months ended 31 December 2018.

<i>In thousands of AUD</i>	<i>Note</i>	<i>As reported</i>	<i>Adjustments</i>	<i>Amounts without adoption of AASB 15</i>
Assets				
Cash and cash equivalents	9	27,152		27,152
Trade and other receivables	10	126,377	399	126,776
Contract asset		399	(399)	-
Inventories	11	50,540		50,540
Prepayments		2,360		2,360
Other current assets		4,985		4,985
Total current assets		211,813	-	211,813
Deferred tax assets		13,749		13,749
Property, plant and equipment	12	137,729		137,729
Intangible assets and goodwill	13	167,382		167,382
Total non-current assets		318,860	-	318,860
Total assets		530,673	-	530,673
Liabilities				
Trade and other payables	14	104,708	5,990	110,698
Loan and borrowings	15	11,777		11,777
Employee benefits	16	18,662		18,662
Current tax payable		3,162		3,162
Contract liabilities		5,990	(5,990)	-
Provisions	17	1,838		1,838
Total current liabilities		146,137	-	146,137
Loan and borrowings	15	158,134		158,134
Employee benefits	16	6,202		6,202
Provisions	17	14,189		14,189
Total non-current liabilities		178,525	-	178,525
Total liabilities		324,662	-	324,662
Net assets		206,011	-	206,011
Equity				
Share capital	18	156,467		156,467
Reserves		(110)		(110)
Retained earnings		49,654		49,654
Total equity		206,011	-	206,011

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2018

2 Basis of preparation (continued)

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 interim consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early, and is currently assessing the impact of these standards on its accounting policies and consolidated financial statements. In particular, it has put together a team, developed a plan, and commenced analysis.

AASB 16 Leases

Under this Standard, there will no longer be a distinction between operating and finance leases. Instead, there will be one treatment and a requirement to recognise an asset and a lease liability for all leases. The effective date is for annual reporting periods beginning on or after 1 January 2019. Management has developed a plan to implement this standard 1 July 2019.

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 2018.

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 2018

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.

The nature and effect of initially adopting AASB 15 on the Group's interim financial statements are disclosed in Note 2.

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

	31 December 2018	31 December 2017
Products transferred at a point in time	342,385	326,871
Services transferred over time	33,218	32,434
	375,603	359,305

b) Contract balances

In thousands of AUD

	31 December 2018	1 July 2018*
Receivables, which are included in 'Trade and other receivables'	124,059	115,367
Contract assets	399	8
Contract liabilities	5,990	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 Personnel expenses

In thousands of AUD

	31 December 2018	31 December 2017
Wages and salaries	93,393	92,209
Contributions to defined contribution plans	6,513	6,108
Share-based payment expense	234	150
	100,140	98,467

6 Expenses

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

In thousands of AUD

	31 December 2018	31 December 2017
Depreciation and amortisation	11,335	8,902
Restructuring costs	779	1,422
Acquisition expenses	88	669

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2018

7 Finance income and finance costs

In thousands of AUD

	31 December 2018	31 December 2017
Interest income	102	127
Net foreign exchange gains	-	3
Finance income	102	130
Interest expense	(4,763)	(4,177)
Net foreign exchange losses	(57)	-
Finance costs	(4,820)	(4,177)
Net finance costs	(4,718)	(4,047)

8 Tax expense

In thousands of AUD

	31 December 2018	31 December 2017
Current tax expense		
Current year	5,664	6,325
Changes in estimates related to prior years	-	184
Deferred tax benefit		
Origination and reversal of temporary differences	2,523	802
Total tax expense	8,187	7,311

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD

	31 December 2018	31 December 2017
Profit before tax	26,570	23,284
Tax using the Company's domestic tax rate of 30%	7,971	6,985
Non-deductible expenses	217	142
Changes in estimates related to prior years	(1)	184
	8,187	7,311

9 Cash and cash equivalents

In thousands of AUD

	31 December 2018	30 June 2018
Bank balances	27,141	22,314
Petty cash	11	11
Cash and cash equivalents	27,152	22,325

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2018

10 Trade and other receivables

In thousands of AUD

	31 December 2018	30 June 2018
Current		
Trade receivables	124,059	115,367
Allowance for doubtful debts	(1,499)	(677)
	<hr/> 122,560	<hr/> 114,690
Forward exchange contracts used for hedging	649	655
Other receivables	3,168	2,937
	<hr/> 126,377	<hr/> 118,282

11 Inventories

In thousands of AUD

	31 December 2018	30 June 2018
Finished goods	3,595	3,135
Work in progress	11,074	8,598
Raw materials	36,936	36,989
Allowance for inventory obsolescence	(1,065)	(1,607)
	<hr/> 50,540	<hr/> 47,115

12 Property, plant and equipment

Acquisitions

During the six months ended 31 December 2018 the Group acquired property, plant and equipment with a cost of \$22,593 thousand (six months ended 31 December 2017: \$44,413 thousand). This previous interim period (six months ended 31 December 2017) included assets acquired through a business combination of \$3,502 thousand.

Financing of plant and machinery

The Group has production equipment under a number of finance arrangements. During the six months ended 31 December 2018 the Group acquired financed assets with a cost of \$5,969 thousand (six months ended 31 December 2017: \$21,498 thousand).

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2018

13 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		14,225	-	2,800	17,025
Other additions		-	85	-	85
Balance at 31 December 2017		143,895	8,059	28,616	180,570
Balance at 1 July 2018		145,147	11,113	28,616	184,876
Other additions		-	62	-	62
Balance at 31 December 2018		145,147	11,175	28,616	184,938
Amortisation and impairment losses					
Balance at 1 July 2017		-	4,786	4,817	9,603
Amortisation for the period		-	692	1,756	2,448
Balance at 31 December 2017		-	5,478	6,573	12,051
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
Carrying amounts					
At 31 December 2017		143,895	2,581	22,043	168,519
At 31 December 2018		145,147	3,890	18,345	167,382

14 Trade and other payables

In thousands of AUD

	31 December 2018	30 June 2018
Current		
Trade payables	74,773	70,730
Accrued expenses	28,467	34,015
Deferred consideration	-	1,850
Contingent consideration	1,350	4,850
Interest rate swaps used for hedging	118	77
	104,708	111,552
Non-current		
Contingent consideration	-	650
Interest rate swaps used for hedging	-	31
	-	681

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2018

15 Loans and borrowings

In thousands of AUD

	31 December 2018	30 June 2018
Current		
Bank loan	5,000	10,000
Finance lease liabilities	3,986	3,668
Equipment finance – secured	2,791	2,774
	11,777	16,442
Non-current		
Bank loan	129,317	108,961
Finance lease liabilities	14,846	9,481
Equipment finance – secured	13,971	16,448
	158,134	134,890

16 Employee benefits

In thousands of AUD

	31 December 2018	30 June 2018
Current		
Liability for long service leave	8,155	7,833
Liability for annual leave	10,507	10,660
	18,662	18,493
Non-current		
Liability for long service leave	6,202	6,079
	6,202	6,079

17 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	21	20	245	286
Provisions reversed and utilised during the year	(194)	-	(797)	(991)
Balance at 31 December 2018	804	3,010	12,213	16,027
Current	349	-	1,489	1,838
Non-current	455	3,010	10,724	14,189
	804	3,010	12,213	16,027

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2018

18 Capital and reserves

Issued and paid up capital

	31 December 2018	30 June 2018
148,179,157 (June 2018: 148,103,655) ordinary shares fully paid	156,467	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
5 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
31 Dec 17	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	149
31 Dec 18		148,179,157		156,467

*On 28 August 2017, the company announced capital raising to fund further growth initiatives (acquisition of SEMA, additional press and equipment, growth capital and associated costs).

**The shares issued as consideration for acquisitions was at the agreed amounts per the Share Purchase and Asset Sale Agreements.

Dividends

The following dividends were declared by the Group:

For the six months ended 31 December 2018

In thousands of AUD

	31 December 2018	31 December 2017
8.6 cents per share (31 December 2017: 8.0 cents per share)	12,743	11,848

On 25 February 2019, the directors have declared a fully franked interim dividend of 8.6 cents per share to be paid on 18 April 2019 to shareholders on the register at 14 March 2019. The interim dividend payout is \$12,743 thousand (for the six months ended 31 December 2017: \$11,848 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 2018

19 Share-based payments reserve

During the six months ended 31 December 2018, 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	21 November 2018*
Number granted	594,767
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.
<u>Other key valuation assumptions</u>	
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 5.

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2018

20 Acquisitions

There have been no acquisitions during the six months ended 31 December 2018.

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 2018	31 December 2017
EBITDA	42,623	36,233
Depreciation and amortisation	(11,335)	(8,902)
Net finance costs	(4,718)	(4,047)
Profit before income tax	<u>26,570</u>	<u>23,284</u>

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
Contingent consideration	The fair value is calculated based on the acquired business achieving future revenue or earnings target.	Forecast revenue and earnings growth	If the applicable performance targets for all acquisitions are lower than expected by 10%, then the contingent consideration value will be decreased by approximately \$1,110 thousand.
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

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2018

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

Balance at 1 July 2018	5,500
Assumed in a business combination in current year	-
Contingent consideration settled during the year	(4,150)
Contingent consideration reduced	-
Balance at 31 December 2018	1,350

Fair values versus carrying amounts

As at 31 December 2018, the carrying value of other financial assets and liabilities as at the end of the financial year are considered to approximate their fair value.

23 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD

	31 December 2018	30 June 2018
Less than one year	26,083	25,334
Between one and five years	82,780	78,144
More than five years	29,023	40,325
	137,886	148,803

IVE Group Limited

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2018

24 Group entities

Ultimate parent entity	Ownership interest %	
	31 December 2018	31 December 2017
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 Limiteddw	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

25 Events after the reporting period

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.

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 12 to 29, 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 2018 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 25th day of February 2019

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 2018 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 2018
- 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 25 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.

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 2018 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

25 February 2019