IVE Group Limited (ASX:IGL)

ABN 62 606 252 644

APPENDIX 4E

For the Year Ended 30 June 2018

Company Information
Current Reporting Period: For the year ended 30 June 2018
Previous Corresponding Period: For the year ended 30 June 2017

This information should be read in conjunction with the 30 June 2018 Year Ended Financial Report of IVE Group Limited and its controlled entities, any public announcements made in the period by IVE Group Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

Additional Appendix 4E disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the year ended 30 June 2018.

This report is based on the consolidated financial statements for the year ended 30 June 2018 of IVE Group Limited and its controlled entities, which have been audited by KPMG. The Independent Auditor's Report provided by KPMG is included in the consolidated financial statements for the year ended 30 June 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 4E for the year ended 30 June 2018.

		30 Jun 2018 $'000	**30 Jun 2017 $'000**
Revenue from continuing operations	up 40% to	695,361	496,873
Profit from ordinary activities after tax attributable to members	up 112% to	25,715	12,109
Net profit for the period attributable to members	up 112% to	25,715	12,109

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

Net Tangible Assets per Security	**30 Jun 2018**	**30 Jun 2017**
Net Tangible Asset per security $	0.20	(0.14)

IVE Group Limited (ASX:IGL)

Dividend Amount per Security	Amount per Security cents	Franked Amount per Security cents
Final dividend for the year ended 30 June 2018 to be paid on 25 October 2018	7.5	7.5
Interim dividend for the year ended 30 June 2018 paid on 19 April 2018	8.0	8.0
Final dividend for the year ended 30 June 2017 paid on 25 October 2017	6.4	6.4

Final dividend entitlement date: close of business 19 September 2018; and
Payment date: 25 October 2018.

Attachments

Financial Report for the year ended 30 June 2018 for IVE Group Limited.

IVE GROUP LIMITED ANNUAL FINANCIAL REPORT

ABN 62 606 252 644

YEAR ENDED 30 JUNE 2018

CONTENTS

OPERATING AND FINANCIAL REVIEW

1. INTRODUCTION

The Directors are pleased to present the Operating and Financial Review (OFR) for IVE Group Limited (IVE) for the financial year ended 30th June 2018.

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

2. SUMMARY

IVE achieved revenue growth for FY2018 of 39.9% compared to the prior corresponding period ('PCP'). The revenue increase reflects the impacts of the asset acquisition of Franklin Web Pty Ltd (Franklin) and share capital acquisitions of AIW Printing Pty Ltd (AIW) completed mid December 2016 and SEMA entities acquisition in September 2017. Growth also continued through a combination of new business wins and expanded spend from the existing customer base through IVE's diversified service offering (share of wallet).

IVE achieved pro forma EBITDA growth of 32.4% over the PCP (before restructure and acquisition costs), due to a combination of organic growth and the acquisitions of Franklin WEB, AIW and SEMA, as well as continued productivity gains and cost base refinement through capital expenditure investment, focus on cost management, and the benefits arising from acquisition synergies. Statutory EBITDA is 77.2% higher than PCP, reflecting restructuring and acquisition costs in FY2017 mainly relating to Franklin and AIW acquisition's and costs.

During FY2018 IVE acquired 100% of the share capital of SEMA entities in September 2017, and John W Cage & Co Pty Ltd (trading as Dominion) in mid-November 2017.

FY2018 the Group successfully completed the integration of Franklin WEB and AIW, opened a new greenfield production site in Huntingwood Sydney (Franklin WEB NSW), which became fully operational in November 2017. The new site allowed for the final closure of production at the AIW site in mid-December 2017. The company also successfully undertook a capital raise in August 2017 to fund the SEMA acquisition (integrated H2 FY2018 and will complete Q1 FY2019), funding of a new printing press and ancillary equipment for recently secured revenue for our Franklin WEB operations (VIC and NSW), and provide capacity for future bolt on acquisitions and balance sheet flexibility.

OPERATING AND FINANCIAL REVIEW (CONT.)

3. STRATEGY AND OPERATING OVERVIEW

IVE's journey of evolution and growth over the last 20 years has resulted in the most diversified marketing communications business in Australia. It is the extent of our diversification that has underpinned our capacity to retain customers over a very long period as we continue through our evolving value proposition to remain relevant to our customers changing communications requirements.

IVE's four divisions (Kalido, Blue Star Group, Pareto Group, IVEO) bridge multiple sectors, and in each sector we continue to maintain our market leading positions.

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 will be set out in our 30 June 2018 Annual Report.

4. OVERVIEW OF RESULTS FOR Y/E FY2018

IVE's Financial Report for FY2018 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 FY2018 results presented before impacts of all restructuring and acquisition costs which primarily relate to the acquisitions of AIW, Franklin, SEMA and the August 2017 capital raise. Comparisons to FY2017 performance are on a Pro Forma basis also excluding all restructure and acquisition 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 the basis of 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 FY2018 and FY2017 on a comparable basis.

Table 1: Statutory results

	Statutory			
	Actual FY2018 $'M	Actual FY2017 $'M	Variance $'M	Variance %
Revenue	**695.4**	**496.9**	**198.5**	**39.9%**
Gross Profit	**338.6**	**248.1**	**90.5**	**36.5%**
% of Revenue	48.7%	49.9%	0	-2.5%
EBITDA	**63.7**	**35.9**	**27.7**	**77.2%**
% of Revenue	9.2%	7.2%	0	26.6%
EBIT	**44.8**	**22.2**	**22.6**	**102.2%**
% of Revenue	6.4%	4.5%	0	44.5%
Profit before tax	**36.9**	**16.4**	**20.4**	**124.5%**
NPAT	**25.7**	**12.1**	**13.6**	**112.4%**
NPATA	29.3	14.8	14.5	98.5%

The key variances on a Statutory basis between FY2018 and FY2017 are as follows:

- **Revenue**

Revenue increase of $198.5M or 39.9% over PCP, reflects the impact of Franklin/AIW and SEMA acquisitions, as well as increased revenue through new customer wins and the existing customer base through expanded service offering. The revenue increase has been achieved through realising the successful execution of IVE's growth strategy initiatives. This has led to a number of new customers partnering with the Group throughout the year, the continued success of cross selling to existing and acquired customers, and the ability to achieve several key contract extensions.

- **Gross profit**

The gross profit increase of $90.5M over PCP largely driven by increased revenue. The Group achieved gross profit margin of 48.7% to revenue compared with 49.9% in PCP. Normalising for Franklin and AIW work mix and outsourcing due to capacity constraints during integration in H1 FY2018, gross profit has remained stable as a result of managing of inputs, continued leveraging of supply chain and reducing outsource spend wherever possible by producing internally. Paper cost increases in Q4 had minimal impact and were passed on wherever possible.

OPERATING AND FINANCIAL REVIEW (CONT.)

4.1 STATUTORY RESULTS PER THE FINANCIAL REPORT (CONT.)

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

EBITDA of $63.7M represents an increase of $27.7M or 77.2% over PCP, achieved via a combination of acquisitions, organic revenue growth, and efficiency gains.

Production expenses (excluding depreciation) of $160.3M are 23.1% to revenue compared to $107.9M and 21.7% to revenue in PCP. The main driver of the increase in production expense is to service additional revenue; however % increase to revenue was partly driven by the integration of the SEMA acquisition in H2, as well as a result of keeping AIW operational throughout the integration period in H1 of FY2018. Production expenses also reflect increases in power expense.

Administration expenses (excluding depreciation and amortisation) of $106.0M are 15.2% to revenue compared to $88.7M and 17.8% to revenue in PCP.

Other expenses of $9.5M compared to PCP of $19.1M. FY2018 includes restructure costs associated with final AIW close down as well as SEMA integration costs, and acquisition costs also related to SEMA and August 2017 capital raise (see table 3). FY2017 is comprised of restructuring costs and acquisition costs predominantly relating to the Franklin and AIW acquisitions.

Other income of $0.8M mainly relates to contingent deferred goodwill (net) written back to the profit and loss.

EBITDA also impacted by bad debts asscoicated with Kalido Asia.

4.2 YEAR ENDED FY2018 NON IFRS PRO FORMA FINANCIAL INFORMATION

The FY2018 results below are presented before all restructuring and acquisition costs. Compared to FY2017 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: FY2018 non IFRS Pro Forma financial information, FY2017 results on a Pro Forma basis, and FY2018 Statutory results

	Statutory	Pro Forma (ex restructure & acquisition)			
	Actual FY2018 $'M	Actual FY2018 $'M	Actual FY2017 $'M	Variance $'M	Variance %
Revenue	**695.4**	**695.4**	**496.9**	**198.5**	**39.9%**
Gross Profit	**338.6**	**338.6**	**248.1**	**90.5**	**36.5%**
% of Revenue	48.7%	48.7%	49.9%	0.0	–2.5%
EBITDA	**63.7**	**73.2**	**55.3**	**17.9**	**32.4%**
% of Revenue	9.2%	10.5%	11.1%	0.0	–5.4%
EBIT	**44.8**	**54.3**	**41.5**	**12.8**	**30.9%**
% of Revenue	6.4%	7.8%	8.4%	0.0	–6.5%
Profit before tax	**36.9**	**46.4**	**35.8**	**10.6**	**29.7%**
NPAT	**25.7**	**32.4**	**24.5**	**7.9**	**32.1%**
NPATA	29.3	35.9	27.1	8.8	32.4%

Table 3: FY2018 Statutory NPAT reconciliation to Pro Forma NPAT:

	FY18 Actual $'M
Statutory to pro forma NPAT reconciliation	
Statutory NPAT	**25.7**
Restructure – IVE base (inc FW/AIW)	4.1
Restructure – SEMA/Dominion	4.4
Acquisition costs - SEMA/Dominion/ August 2017 capital raise	1.0
Tax effect of adjustments	–2.9
Pro forma NPAT	**32.4**

OPERATING AND FINANCIAL REVIEW (CONT.)

4.3 BALANCE SHEET

Table 4 sets out the indebtedness of IVE on a Statutory basis as at 30th June 2018 as a comparison to 30th June 2017.

Table 4: FY2018 Statutory indebtedness

	Actual June FY2018 $'M	**Actual June FY2017 $'M**
Borrowings – short term	15.7	12.8
Borrowings – long term	137.5	137.2
Borrowings* – Sub Total	**153.2**	**150.0**
Cash	–22.3	–23.9
Net Debt	**130.9**	**126.2**

* Borrowings are gross of loan establishment costs

Equipment finance borrowings increased due to the new printing presses in LFWO division, offset by reduction in senior facilities due to facility amortisation payment of $5.0M in December 2017 and a further $5.0M in June 2018. The second press and ancillary equipment has been funded from the proceeds of the August 2017 capital raise with the majority of the spend occuring in FY2018 and final payments due on commissioning in H1 of FY2019.

Net debt to FY18 pro forma EBITDA of $73.2M is 1.79X and operating cash flow conversion of 85.4% to EBITDA (on a pro forma basis).

Operating cash flow was strong reflecting EBITDA achievement, although partially offset by an increase in working capital from June 2017 impacted by the SEMA acquisition.

5. FY2018 FINANCIAL OUTLOOK

- Continued good momentum across the Group positons us well for year on year revenue and earnings growth
- The diverse and compelling value proposition we take to market continues to underpin strong revenue retention and growth – both 'cross sell' & new business
- With the completion of the two significant acquisition/integration projects (Franklin/AIW & SEMA/Blue Star DIRECT) and associated major capital investment program, the Company is ideally positioned to fully realise the resulting operational efficiencies in FY19
- Following a period of significant capital expenditure, the Company's FY19 new capital expenditure (excluding already committed FY19 capital expenditure as previously communicated) budget is significantly lower at $9 million
- Restructure costs for FY19 are expected to be minimal.

6. ADDITIONAL INFORMATION

For further information contact:

Geoff Selig
Executive Chairman

+ 61 2 9089 8550

Darren Dunkley
Chief Financial Officer

+ 61 2 8020 4400

DIRECTORS' REPORT

For the year ended 30 June 2018

The directors present their report together with the consolidated financial statements of the Group comprising of IVE Group Limited (the Company), and its subsidiaries (the Group) for the financial year ended 30 June 2018 and the auditor's report thereon.

Principal activities

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

- Conceptual and creative design across print, mobile and interactive media;
- Printing of catalogues, magazines, marketing and corporate communications materials and stationery;
- 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.

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

Operating and financial review

The profit after tax of the Group for the year ended 30 June 2018 was $25,715 thousand (2017: $12,109 thousand). A review of operations and results of the Group for the year ended 30 June 2018 are set out in the Operating and Financial Review, which forms part of the Annual Financial Report.

Dividends

The directors have declared a final dividend of 7.5 Australian cents per share, fully franked, to be paid on 25 October 2018 to shareholders on the register at 19 September 2018.

Total dividends of $21,325 thousand were declared and paid by the Company to members during the 2018 financial year. Further details on dividends is included in note 19 of the Financial Report.

Significant changes in the state of affairs

During the year, the Group acquired a number of businesses, the details of which are included in note 21 of the Financial Report.

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

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2018

Information on Directors

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

Director	Experience, special responsibilities and other directorships
Geoff Bruce Selig *Executive Chairman* *Appointed: 10 June 2015*	Geoff has over 30 years' experience in the marketing communications sector. Geoff was managing director of the IVE Group prior to moving in to the role of executive chairman following the Company's listing on the ASX in December 2015. Geoff is a director Caxton Group and Caxton Print Holdings, and also sits on the board of The Pinnacle Foundation and The Lysicrates Foundation. He was the State President of the NSW Liberal Party from 2005-8. Geoff holds a Bachelor of Economics from Macquarie University and is a member of the Australian Institute of Company Directors.
Warwick Leslie Hay *Managing Director* *Appointed: 25 November 2015*	After joining IVE Group in 2009 as CEO of Blue Star WEB, Warwick was appointed Managing Director in 2014. Warwick has over 20 years of management experience across all business functions in complex B2B environments. His expertise lies in his ability to lead through significant change, from business turnarounds to growth strategies such as building greenfield facilities. He has a proven track record and passion for delivering customer centric strategies, including new product innovation and market launch, implementation of complex importing supply chains and large capital investment projects. Between 2004 and 2009 Warwick was General Manager of Huhtamaki Flexibles Packaging Oceania. His prior work history includes 15 years within Carter Holt Harvey's Packaging division across a broad range of senior roles. Warwick completed his tertiary education in New Zealand, a Graduate Diploma in Packaging Technology from Massey University and a Post Graduate Diploma in Business from Auckland University.
Gavin Terence Bell *Independent Non-executive Director* *Appointed: 25 November 2015*	Gavin is an experienced director, executive and lawyer. Gavin is currently a director of Smartgroup Corporation Limited and Icare NSW. He is also a member of the Advisory Council of the UNSW School of Business. Prior to becoming a director, Gavin was the CEO of global law firm Herbert Smith Freehills. He was a partner in the firm for 25 years. Gavin holds a Bachelor of Laws from the University of Sydney and a Master of Business Administration from the AGSM, University of New South Wales.
Andrew Charles Harrison *Independent Non-executive Director* *Appointed: 25 November 2015*	Andrew is an experienced company director and corporate adviser. Andrew has previously held senior executive positions and non-executive directorships with public, private and private equity owned companies, including as Chief Financial Officer of Seven Group Holdings, Group Finance Director of Landis and Gyr and Chief Financial Officer and a director of Alesco. Andrew is currently a non-executive director of Burson Group, Estia Health, Xenith and WiseTech Global. Andrew was previously a Senior Manager at Ernst & Young (Sydney and London) and Gresham Partners Ltd, and an Associate at Chase Manhattan Bank (New York). Andrew holds a Bachelor of Economics from the University of Sydney and a Master of Business Administration from Wharton, and is a chartered accountant.

Director	Experience, special responsibilities and other directorships
Paul Stephen Selig *Non-executive Director* *Appointed:* *10 June 2015*	Paul's career commenced in banking and treasury management before moving into the print and marketing communications sector over 25 years ago. He has been an executive director of the Company since 2012. Paul is an experienced director and investor having run the Caxton Group family office for over 15 years. Paul is also a director of Caxton Group, Caxton Print Holdings and Caxton Property Developments. He holds a Bachelor of Economics (Hons) from Macquarie University.
James Scott Charles Todd *Non-executive Director* *Appointed:* *10 June 2015*	James is an experienced company director, corporate adviser and investor. He commenced his career in investment banking and has taken active roles in a range of private and public companies. He was until recently Managing Director of Wolseley Private Equity, an independent private equity firm he co-founded in 1999. James is also a Non-Executive Director of two other ASX listed companies, HRL Holdings Limited and Coventry Group Limited. James holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales, and a Graduate Diploma of Applied Finance from the Financial Services Institute of Australasia (FINSIA), where he is a Fellow. He is also a member of the Australian Institute of Company Directors.
Sandra Margaret Hook *Independent Non-executive Director* *Appointed:* *1 June 2016*	Sandra Hook has a track record in driving customer-centred business transformation and transitioning traditional organisations in rapidly evolving environments. She has extensive operational, digital, financial management and strategic experience built over 25 years as a CEO and in senior executive roles for some of Australia's largest media companies including News Limited, Foxtel, Federal Publishing Company, Murdoch Magazines and Fairfax. Since 2000 she has also served as a non-executive director on listed, public and private companies and government bodies. Sandra is currently director of digital/technology companies RXP Services Ltd, MedAdvisor Ltd and .au Domain Administration Ltd as well as the Sydney Fish Market. She is a trustee of the Sydney Harbour Federation Trust and the Royal Botanic Gardens and Domain Trust.

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2018

Company Secretary

Emma Lawler

Emma was appointed as Company Secretary on 11 December 2015. Emma has two decades of experience as a company secretary and governance professional. Emma holds a Bachelor of Business and a Graduate Diploma in Applied Corporate Governance and is a Fellow of the Governance Institute of Australia.

Darren Dunkley

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

Meetings of Directors

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

	Board		Audit, Risk & Compliance Committee ("ARCC")		Nominations & Remuneration Committee ("NRC")		Other Committees	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Geoff Selig	11	11	–	–	–	–	2	2
Warwick Hay	11	11	–	–	–	–	1	1
Gavin Bell	11	10	4	4	3	3	–	–
Andrew Harrison	11	11	4	4	–	–	–	–
Sandra Hook	11	11	–	–	3	3	–	–
Paul Selig	11	10	–	–	–	–	1	1
James Todd	11	11	4	4	3	3	–	–

Committee membership for ARCC and NRC changed during the year.

There were two meetings held of the Independent Directors during the year. All of the Independent Directors attended both of these meetings.

Directors' interest and benefits

The relevant interests of each director in the shares of the Company as at the date of this report are disclosed in the Remuneration Report (on page 25).

Environmental regulation

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

Events subsequent to reporting date

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

Likely developments

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

Indemnification and insurance of officers

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

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

Indemnification and insurance of auditor

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

Insurance premiums

During the financial year the Company has paid premiums in respect of directors' and officers' liability insurance contracts for the year ended 30 June 2018. In addition, since the financial year, the Company paid or agreed to pay premiums in respect of such insurance contracts for the year ending 30 June 2019. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been directors or executive officers of the Company.

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

Letter from the Chair of the Nomination and Remuneration Committee

Dear Shareholder,

As Chair of the Nomination and Remuneration Committee (**NRC**), on behalf of the Board, I am pleased to present IVE Group's Remuneration Report for the year ended 30 June 2018 (**FY18**).

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

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

Remuneration Philosophy

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

The remuneration framework was reviewed in 2018 and a staged process was commenced to appropriately reward Key Management Personnel through base pay and short term incentive levels that are in line with IVE's peers and reward performance and ensure an appropriate level of long term incentives aligned with shareholder objectives of long-term sustainable performance. There have been no significant changes to the overall framework.

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

Gavin Bell

Chair of the Nomination and Remuneration Committee

Remuneration Report (Audited)

This Remuneration Report (**Report**), which has been audited, describes the Key Management Personnel (**KMP**) remuneration arrangements for the period ended 30 June 2018 for IVE Group, in accordance with the *Corporations Act 2001* (Cth) and its regulations.

The remuneration report contains the following sections:

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

Who this report covers

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

	Role
Non-Executive Directors	
Gavin Bell	Independent Non-Executive Director
Andrew Harrison	Independent Non-Executive Director
Sandra Hook	Independent Non-Executive Director
James Todd	Independent Non-Executive Director
Executive Directors	
Geoff Selig	Executive Chairman
Warwick Hay	Managing Director
Paul Selig	Executive Director
Executive Key Management Personnel	
Matt Aitken	Chief Operating Officer
Darren Dunkley	Chief Financial Officer & Company Secretary

KMP detailed above were in their roles for the full year, except for Paul Selig who became an Executive Director effective 1 October 2017, from his previous role as a Non-Executive Director.

Overview of IVE Group's remuneration framework for executive KMP

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

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

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2018

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

Governance

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

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

External remuneration consultants

The Terms of Reference for the NRC requires that any remuneration consultants engaged be appointed by the NRC. During 2018 IVE did not engage the services of any external remuneration consultants.

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

Structure of Remuneration

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

Fixed remuneration

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

The NRC reviews the fixed remuneration of executive KMP on an annual basis and has reviewed the fixed remuneration during FY18 which has been implemented from 1 July 2018.

Fixed remuneration for executive KMP was increased for FY18 based on a review of competitor remuneration, the substantial increase in the size and complexity of the business and also noting the length of time since the last fixed remuneration increase. Most of the executive KMP had not had a fixed remuneration increase since late 2014 or early 2015.

Paying executive KMP the right fixed remuneration is a key tool in attracting and retaining the best talent. The Board is committed to retaining key personnel given the significant acquisitions made over the past two years and the consolidation occurring in some of the Company's key markets. This is reflected in some of the base pay increases effected in FY18. The context of these increases includes the significant increase in the size, complexity and profitability of the Company since it listed in December 2015. As shown in the table on page 18, both revenue and EBITDA have more than doubled since FY15.

Short term incentive (STI)

In FY18, executive KMP (excluding Paul Selig) were eligible to receive an STI payment of between 19 and 24% of fixed remuneration. The STI is a cash incentive payment and full payment is conditional on achievement of:

- The key financial performance target for the Group, specifically, pro-forma Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) for the year in review and
- Individual financial and non-financial performance targets relevant to the individual executive KMP.

This STI target was an increased percentage over FY17, which was a deliberate decision by the NRC to have a greater proportion of remuneration at-risk.

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

In FY18, the NRC reviewed performance against actual EBITDA and achievement of other performance indicators to determine the proportion of target STI to award. The award for each Executive KMP against target is shown in the table on the following page.

Paul Selig was awarded a discretionary bonus payment of $250,000 (paid 30/10/2017), as announced to the ASX in September 2017 on his appointment, for his work on strategic acquisitions, financing, integration and property related matters. The NRC's view is that Mr Selig's industry, financial and property experience, knowledge of the Company, commitment and remuneration arrangements delivered considerably more value to the Company than if an external consultant/s or additional employee/s were retained to perform this role. Paul Selig is not part of the usual executive remuneration framework due to his specific role.

Long term incentive (LTI)

The Board has established a LTI Plan as outlined in prior years Remuneration Reports and outlined in the section in this Report entitled "Share based remuneration". The LTI Plan has not been amended during FY18 and will be the subject of a resolution at this year's AGM to refresh shareholders' approval of the LTI Plan. The LTI Plan is largely used to reward long-term sustainable performance.

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

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

The LTI Plan, including the combination of TSR and EPS hurdles, has been designed commensurate with IVE Group's long-term strategic objectives so that executive KMP will be rewarded when there is a demonstrable increase in shareholder value.

The grant of Rights to the Managing Director was approved by shareholders at the 2017 Annual General Meeting (**AGM**) and the Rights to be granted to the Executive Chairman and Managing Director for 2018 will be submitted for approval by shareholders at the 2018 AGM.

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

The Board makes changes to the level of LTI to grant each year based on reviews of total remuneration packages for executives. In FY18 the Board, following review by the NRC, did not grant an equity-based LTI to Geoff Selig, Executive Chairman, due to Geoff Selig being a substantial shareholder in IVE Group by being a beneficiary of the Selig Family Trust No.5, (trustee Caxton Print Holdings Pty Ltd). The NRC has again reviewed this position and will grant an equity-based LTI to Geoff Selig as Executive Chairman in FY19 after a review of comparable peers and to align his total remuneration package with other executives. Due to Paul Selig's executive role being specific in nature, he does not participate in the LTI Plan.

The NRC agreed to increase the level of long term incentives in both FY18 and FY19 to further align management's remuneration with shareholders' longer term interests. This has been a staged program over FY18 and FY19 and all rewards are subject to achieving the performance conditions outlined above.

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2018

Assessment of performance

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

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

Executive KMP remuneration – paid, vested and targets

The table below presents the STI and LTI paid and vested to executive KMP during FY17 and FY18. Further detail on remuneration is included in the tables at the end of this Report.

All in $		STI		LTI – Number of Rights	
		Maximum	Actual	Granted	Vested
Geoff Selig	FY18	200,000	181,250	0	Not applicable (3 year vesting)
	FY17	70,000	50,000	32,817	Not applicable (3 year vesting)
Warwick Hay	FY18	100,000	84,250	67,567	Not applicable (3 year vesting)
	FY17	70,000	50,000	32,817	Not applicable (3 year vesting)
Matt Aitken	FY18	90,000	76,960	60,810	Not applicable (3 year vesting)
	FY17	70,000	50,000	32,817	Not applicable (3 year vesting)
Darren Dunkley	FY18	75,000	64,700	50,675	Not applicable (3 year vesting)
	FY17	35,000	25,000	19,690	Not applicable (3 year vesting)
Paul Selig*	FY18	0	0	0	0
	FY17	0	0	0	0

*As disclosed earlier, Paul Selig was paid a discretionary bonus payment of $250,000, which is not part of the STI framework.

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

Following the assessment of performance, the annual review of fixed remuneration and STI and LTI targets and benchmarking against peers, the changes to executive KMP for FY19 is outlined below. As detailed above, the increases for FY18 and FY19 have been an agreed staged program to adequately reward executive KMP and align remuneration with shareholders' longer term interests.

All in $	Fixed Remuneration*			STI			LTI		
	FY17 Actual	FY18 Actual	FY19 Agreed	FY17 Actual	FY18 Actual	FY19 Maximum	FY17 Grant**	FY18 Grant**	FY19 Grant**
Geoff Selig	700,000	850,000	952,000	50,000	181,250	200,000	50,000	0	200,000***
Warwick Hay	440,000	500,000	525,000	50,000	84,250	100,000	50,000	100,000	200,000***
Matt Aitken	400,000	480,000	504,000	50,000	79,960	100,000	50,000	90,000	200,000
Darren Dunkley	305,000	400,000	420,000	25,000	64,700	80,000	30,000	75,000	150,000
Paul Selig	N/A****	303,501	330,000	N/A****	250,000	0	N/A****	N/A****	N/A****

*Fixed remuneration includes superannuation

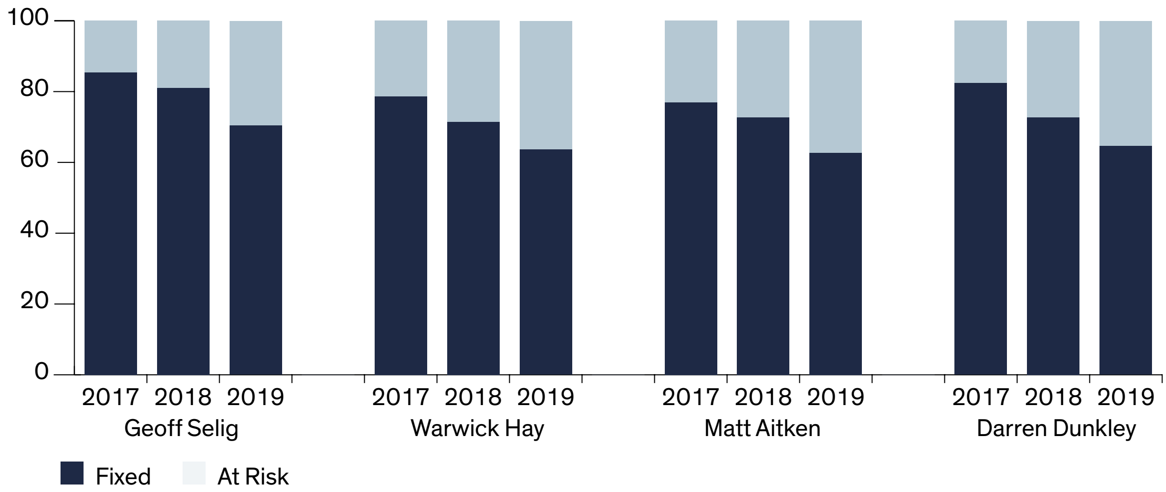
**LTI grant is the $ value of the grant approved by the Board.

***FY19 LTI grant is subject to shareholder approval.

****Paul Selig was a non-executive Director during FY17 and appointed as an Executive effective 1 October 2017. FY18 is Fixed Remuneration for the part of the year Paul Selig was appointed as an Executive. Due to the specific nature of his role, Paul Selig does not participate in the LTI Plan.

Proportions of fixed and variable remuneration

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



DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2018

For FY19, below shows the remuneration mix for each Executive KMP (noting Paul Selig is not subject to the general executive remuneration framework):

	Fixed Remuneration			At risk – STI (maximum)			At risk LTI		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Geoff Selig	70.4%	80.9%	85.4%	14.8%	19.1%	8.5%	14.8%	0%	6.1%
Warwick Hay	63.6%	71.4%	78.6%	12.1%	14.3%	12.5%	24.3%	14.3%	8.9%
Matt Aitken	62.7%	72.7%	76.9%	12.4%	13.7%	13.5%	24.9%	13.6%	9.6%
Darren Dunkley	64.6%	72.7%	82.4%	12.3%	13.7%	9.5%	23.1%	13.6%	8.1%
Paul Selig*	100%	56.9%	N/A	N/A	43.1%	N/A	N/A	N/A	N/A

*Paul Selig was a Non-Executive Director during FY17 and appointed as an executive effective 1 October 2017. FY18 is Fixed Remuneration for the part of the year Paul Selig was appointed as an Executive.

How reward is linked to performance

Performance indicators and link to performance

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

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

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

In FY18, each executive KMP was awarded the proportion of the target STI indicated above, based on achievement of the Group EBITDA component to forecast as well as individual performance targets.

Key financial metrics over the last four years that can be measured are shown below:

	FY14	FY15	FY16	FY17	FY18
Revenue ($m)	303.5	337.4	382.0	496.6	695.4
EBITDA ($m)	22.9	30.9	42.8	55.2	73.2
Net profit after tax ($m)	6.4	9.7	20.9	24.6	32.4
Dividend payment (cents per share)*	N/A	N/A	N/A	12.7	15.5
Dividend payout ratio*	N/A	N/A	N/A	69%	71%
Share price change ($)**	N/A	N/A	N/A	(0.043)	+0.162

The above results are prepared on a pro forma basis***.

*Only applicable post-listing on ASX.

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

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

Grant of Performance Share Rights

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

- On 17 November 2017, offers were made granting 253,374 performance rights under the Senior Leadership Team Plan. These Rights vest following the release of the FY20 financial results if certain performance conditions are met during the Performance period which is 1 July 2017 to 30 June 2020. During the year 27,026 of these Rights lapsed due to employee resignations.

In total there were 357,615 unvested Rights at 30 June 2018 form the FY17 and FY18 offers.

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

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

Feature	**Terms of the IVE Group Equity Incentive Plan**
Type of security	Performance Share Rights which are an entitlement to receive fully paid ordinary IVE Group Limited shares (as traded on the ASX) on a one-for-one basis.
Valuation	The number of Performance Share Rights for each KMP is calculated by dividing the allocated value of the LTI award for that KMP by the fair value of a Performance Share Right. The fair value is calculated using a Monte Carlo simulation approach for the Awards subject to the Relative TSR condition and a risk neutral assumption is used the value the Awards subject to the EPS condition. For the Executive Chairman Managing Director, the LTI grant, as recommended by the Board, will be submitted for approval by shareholders at the relevant Annual General Meeting, as required by the ASX Listing Rules.
Performance Period	The Performance Period is the three year period 1 July to 30 June inclusive.
Performance Conditions	The number of Performance Share Rights that may vest will be determined by reference to: • Earnings Per Share (**EPS**) compound annual growth over the Performance Period. EPS growth will be calculated as IVE Group's Net Profit After Tax (NPAT) divided by the undiluted weighted average shares on issue throughout the Performance Period, using the following formula: $\text{EPS CAGR} = \sqrt[3]{\left(\frac{Year\ 3\ EPS}{Year\ 0\ EPS}\right)} - 1$ (Benchmark 1); and • Relative Total Shareholder Return (**TSR**) performance of the Company in comparison to similar companies in a peer group determined by the Board. The peer group for the FY18 offer is shown on the following page. The TSR of each company will be measured from the start of the Performance Period to the end of the Performance Period (Benchmark 2), (collectively the P**erformance Conditions**). Together Benchmark 1 and Benchmark 2 comprise the total Performance Conditions but act independently relative to their specific target component of 60% and 40% of Performance Share Rights, respectively.
Re-testing	There is no re-testing. Any unvested LTI after the test at the end of the Performance Period will lapse immediately.

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2018

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

TSR Peer Group for FY18 Offer

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

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

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

Non-Executive Director Remuneration

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

Directors receive fees for their role as members of the Board and, where applicable, for additional responsibilities. Non-Executive Directors do not receive additional fees for being a Chair or member of a Board Committee. Non-Executive Directors do not receive any variable or performance-based remuneration. Where Directors are required to provide additional services, these are paid on a fixed fee basis or determined on an hourly basis depending on the nature of the service. There were no additional services provided in FY18 by Non-Executive Directors.

During FY18, the Board agreed to increase the fee paid to Non-Executive Directors from $90,000 per annum to $105,000 per annum, commencing from 1 July 2018. This is the first increase in director fees since IPO and the fees were set approximately three years ago. Since that time the size and complexity of IVE has increased considerably.
In determining the increase, the Board considered the level of Non-Executive Director fees paid to comparable peers and this level was deemed to be appropriate.

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2018

The current annual fees provided to Non-Executive Directors are shown below (inclusive of superannuation):

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

The total Non-Executive Director fee pool has a maximum value of $1 million per annum. The total amount paid to Non-Executive directors in FY18 was $360K , being 36% of the approved fee pool. There is no intent to seek approval to increase the Non-executive Director fee pool at the 2018 AGM.

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

Executive Directors are not remunerated separately for acting as Directors.

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

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

Contractual arrangements with executive KMPs

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

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

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

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2018

Details of Remuneration

The table below provides remuneration prepared for on a statutory basis for directors and executive KMPs year ended 30 June 2018 (except as noted below).

		Fixed Remuneration					Variable Remuneration		
Name		**Cash salary and fees**	**Super-annuation**	**Non-monetary benefits**	**Annual leave**	**Long service leave**	**Short term incentive**	**Fair value of LTI award**	**Total**
Executive Directors									
Geoff Selig	2018	798,030	20,049		31,921	0	181,250		1,031,250
	2017	622,813	19,616		57,571	0	50,000	5,284	755,284
Paul Selig[1,2]	2018	280,030	19,895		3,576	0	250,000		553,501
	2017	51,142	4,859						56,001
Warwick Hay	2018	437,494	20,049		42,457	0	84,250	10,450	594,700
	2017	389,664	19,616		30,720	0	50,000	5,284	495,284
Non-executive Directors									
Gavin Bell	2018	82,192	7,808						90,000
	2017	82,192	7,808						90,000
Andrew Harrison	2018	82,192	7,808						90,000
	2017	82,192	7,808						90,000
Sandra Hook	2018	82,192	7,808						90,000
	2017	82,192	7,808						90,000
James Todd	2018	82,192	7,808						90,000
	2017	82,192	7,808						90,000
Other Executive KMP									
Darren Dunkley	2018	348,340	20,049		39,493	0	64,700	7,838	480,420
	2017	262,334	19,616		27,084	0	25,000	3,171	337,205
Matt Aitken	2018	422,801	20,049		43,651	0	76,960	9,405	572,866
	2017	375,995	19,616		5,157	0	50,000	5,284	456,052

1 Paul Selig provided additional services to IVE Group in 2017 well beyond those usually provided by a Non-Executive Director including advice on financing and property arrangements and assisting with strategic opportunities and acquisitions. Payment relating to these additional services in 2017 was $134,004. In 2017, payments were made out of the director fee pool to Paul Selig via Caxton Property Investments Pty Ltd from 1 July 2016 to 31 March 2017 ($168,003) and from 1 April 2017 to 30 June 2017 payments were made directly to Paul Selig ($56,001). Paul Selig became an Executive Director on 1 October 2017.

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

Rights granted to executive KMP

FY18

KMP	**Number of rights granted in FY18**	**Vesting conditions**	**Grant Date**	**Fair value at grant date**	**Expiry date**
Warwick Hay	27,027	Relative TSR	17 Nov 2017	31,270	After vesting following release of FY20 results. Any unvested Rights expire.
	40,540	Compound annual EPS growth over 3 years	17 Nov 2017	68,730	
	67,567	**Total**		**100,000**	
Matt Aitken	24,324	Relative TSR	17 Nov 2017	28,143	After vesting following release of FY20 results. Any unvested Rights expire.
	36,486	Compound annual EPS growth over 3 years	17 Nov 2017	61,857	
	60,810	**Total**		**90,000**	
Warwick Hay	20,270	Relative TSR	17 Nov 2017	23,452	After vesting following release of FY20 results. Any unvested Rights expire.
	30,405	Compound annual EPS growth over 3 years	17 Nov 2017	51,547	
	50,675	**Total**		**75,000**	

FY17

KMP	Number of rights granted in FY18	Vesting conditions	Grant Date	Fair value at grant date	Expiry date
Geoff Selig	13,127	Relative TSR	16 Sep 2016	15,853	After vesting following release of FY19 results. Any unvested Rights expire.
	19,690	Compound annual EPS growth over 3 years	16 Sep 2016	34,147	
	32,817	**Total**		**50,000**	
Warwick Hay	13,127	Relative TSR	16 Sep 2016	15,853	After vesting following release of FY19 results. Any unvested Rights expire.
	19,690	Compound annual EPS growth over 3 years	16 Sep 2016	34,147	
	32,817	**Total**		**50,000**	
Matt Aitken	13,127	Relative TSR	16 Sep 2016	15,853	After vesting following release of FY19 results. Any unvested Rights expire.
	19,690	Compound annual EPS growth over 3 years	16 Sep 2016	34,147	
	32,817	**Total**		**50,000**	
Warwick Hay	7,876	Relative TSR	16 Sep 2016	9,512	After vesting following release of FY19 results. Any unvested Rights expire.
	11,814	Compound annual EPS growth over 3 years	16 Sep 2016	20,488	
	19,690	**Total**		**30,000**	

Note there were no Rights or options granted in FY16.

Director and Executive KMP Shareholding

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

	Balance at 1 July 2017	Shares received during the period on exercise of Performance Share Rights	Shares acquired	Shares disposed	Balance at 30 June 2018
Executive Directors					
Geoff Selig, Executive Chairman[1]	10,066,329	–	1,143,902	–	11,210,231
Paul Selig[1]	10,066,329	–	1,193,902	–	11,260,231
Warwick Hay, Managing Director	520,681	–	15,000	–	535,681
Non-executive Directors					
Gavin Bell	93,429	–	29,268	–	122,697
Andrew Harrison	53,371	–	37,585	–	90,956
Sandra Hook	10,526	–	2,393	–	12,919
James Todd	86,236	–	19,600		105,836
Executive KMP					
Darren Dunkley, CFO and Company Secretary	200,273	–	–	152,222	48,051
Matt Aitken, Chief Operating Officer	500,681	–	–	500,681	0

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

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2018

Loans to directors and executives

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

Shares under option

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

Shares under performance rights

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

In total there were 357,615 unvested Rights at 30 June 2018.

Shares issued on the exercise of options

There were no ordinary shares of IVE Group Limited issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

This concludes the remuneration report, which has been audited.

Non-audit services

During the year, KPMG, the Group's auditor has performed certain other services in addition to its statutory duties. The Board has considered the non-audit services provided during the year by the auditor, and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirement of the *Corporations Act 2001* (Cth) for the following reasons:

- All non-audit services are subject to corporate governance procedures adopted by the Group and have been reviewed by those charged with governance throughout the year to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to audit independence as set out in the APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate to the Group or jointly sharing the risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, for audit and non-audit services provided during the year are set out in note 30 of the Financial Report.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 27 and forms part of the directors' report for the financial year ended 30 June 2018.

Rounding off

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

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

Geoff Selig

Geoff Selig
Director

Dated at Sydney this 27th day of August 2018

KPMG

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

To the Directors of IVE Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of IVE Group Limited for the financial year ended 30 June 2018 there have been:

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

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

KPMG

John Wigglesworth
Partner

Sydney

27 August 2018

FINANCIAL REPORT

CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

In thousands of AUD	Note	2018	2017
Revenue		695,361	496,873
Cost of sales		(356,742)	(248,769)
Gross profit		**338,619**	**248,104**
Other income	4	807	3,496
Production expenses		(172,653)	(116,380)
Administrative expenses		(112,521)	(93,906)
Other expenses		(9,487)	(19,124)
Results from operating activities	**5, 6**	**44,765**	**22,190**
Finance income		248	237
Finance costs		(8,152)	(6,009)
Net finance costs	**7**	**(7,904)**	**(5,772)**
Profit before tax		**36,861**	**16,418**
Income tax expense	8	(11,146)	(4,309)
Profit for the year		**25,715**	**12,109**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Cash flow hedges – effective portion of changes in fair value (net of tax)		(1,007)	100
Cash flow hedges – reclassified to profit or loss (net of tax)		759	–
Total comprehensive income for the year		**25,467**	**12,209**
Profit attributable to:			
Owners of the Company		25,715	12,109
Profit for the year		**25,715**	**12,109**
Total comprehensive income attributable to:			
Owners of the Company		25,467	12,209
Total comprehensive income for the year		**25,467**	**12,209**
Earnings per share			
Basic earnings per share (dollars)	20	0.18	0.11
Diluted earnings per share (dollars)	20	0.18	0.11

The notes on pages 33 to 63 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

In thousands of AUD	Note	2018	2017
Assets			
Cash and cash equivalents	9	22,325	23,851
Trade and other receivables	10	118,282	94,785
Inventories	11	47,115	46,563
Prepayments		2,559	1,978
Current tax receivable		–	3,049
Other current assets		5,226	4,490
Total current assets		**195,507**	**174,716**
Deferred tax assets	8	16,006	19,192
Property, plant and equipment	12	123,681	80,540
Intangible assets and goodwill	13	170,271	153,857
Total non-current assets		**309,958**	**253,589**
Total assets		**505,465**	**428,305**
Liabilities			
Trade and other payables	14	111,522	98,373
Loans and borrowings	15	16,442	12,815
Employee benefits	16	18,493	15,158
Current tax payable		1,285	–
Provisions	17	1,815	5,861
Total current liabilities		**149,557**	**132,207**
Trade and other payables	14	681	12
Loans and borrowings	15	134,890	135,513
Employee benefits	16	6,079	5,706
Provisions	17	14,917	17,251
Total non-current liabilities		**156,567**	**158,482**
Total liabilities		**306,124**	**290,689**
Net assets		**199,341**	**137,616**
Equity			
Share capital	20	156,318	98,820
Reserves		25	188
Retained earnings		42,998	38,608
Total equity		**199,341**	**137,616**

The notes on pages 33 to 63 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

In thousands of AUD	**Note**	**Share capital**	**Share-based payment reserve**	**Hedging reserve**	**Retained earnings**	**Total equity**
Balance at 1 July 2016		**39,843**	**–**	**–**	**41,684**	**81,527**
Total comprehensive income for the year						
Profit for the year		–	–	–	12,109	12,109
Other comprehensive income		–	–	100	–	100
Total comprehensive income for the year		**–**	**–**	**100**	**12,109**	**12,209**
Transactions with owners of the Company						
Performance share rights	18	–	88	–	–	88
Issue of share capital	19	58,977	–	–	–	58,977
Dividends to owners of the Company	19	–	–	–	(15,185)	(15,185)
Total transactions with owners of the Company		58,977	88	–	(15,185)	43,880
Balance at 30 June 2017		**98,820**	**88**	**100**	**38,608**	**137,616**
Balance at 1 July 2017		**98,820**	**88**	**100**	**38,608**	**137,616**
Total comprehensive income for the year						
Profit for the year		–	–	–	25,715	25,715
Other comprehensive income		–	–	(248)	–	(248)
Total comprehensive income for the year		**–**	**–**	**(248)**	**25,715**	**25,467**
Transactions with owners of the Company						
Performance share rights	18	–	85	–	–	85
Issue of share capital	19	57,498	–	–	–	57,498
Dividends to owners of the Company	19	–	–	–	(21,325)	(21,325)
Total transactions with owners of the Company		57,498	85	–	(21,325)	36,258
Balance at 30 June 2018		**156,318**	**173**	**(148)**	**42,998**	**199,341**

The notes on pages 33 to 63 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

In thousands of AUD	Note	2018	2017
Cash flows from operating activities			
Cash receipts from customers		750,486	564,767
Cash paid to suppliers and employees		(687,997)	(499,344)
Cash generated from operating activities		62,489	65,423
Interest received		211	237
Interest paid		(7,257)	(5,111)
Income tax paid		(3,957)	(9,985)
Payment of acquisition costs		(1,267)	(5,153)
Payment of restructure costs		(13,552)	(11,386)
Net cash from operating activities	9	**36,667**	**34,025**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,095	81
Acquisition of property, plant and equipment and intangible assets		(36,310)	(20,139)
Acquisitions of businesses, net of cash acquired	21	(11,606)	(115,152)
Deferred and contingent consideration paid on acquired business		(3,821)	(7,642)
Net cash used in investing activities		**(50,642)**	**(142,852)**
Cash flows from financing activities			
Proceeds from shares issue		55,582	40,041
Proceeds from bank loans		–	104,295
Repayment of bank loans		(16,000)	(5,000)
Payment of transaction costs for loans and issued capital		(2,297)	(3,345)
Dividends paid		(21,325)	(15,185)
Payment of finance lease liabilities		(3,511)	(2,608)
Net cash from financing activities		**12,449**	**118,198**
Net increase in cash and cash equivalents		23,851	9,371
Cash and cash equivalents at beginning of year		(1,526)	14,480
Cash and cash equivalents at end of year		**22,325**	**23,851**

The notes on pages 33 to 63 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. Reporting entity

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

This consolidated financial report as at and for the year ended 30 June 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 catalogues, magazines, 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

(a) Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on 28 August 2018. Details of the Group's accounting policies is included in Note 3.

(b) Functional and presentation currency

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

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

(c) Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

2. Basis of preparation (cont.)

(d) Use of estimates and judgements (cont.)

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

(i) Judgements

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

- Note 3(d) & (e) – estimation of useful lives of assets;
- Note 3(j) – provisions; and
- Note 23 – Level 3 fair value of contingent consideration, interest rate swaps and forward exchange contracts.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2018 is included in the following notes:

- Note 3(h)(ii) & 13 – impairment testing for cash generating units containing goodwill; and
- Note 21 – acquisitions: fair value measured on a provisional basis.

Measurement of fair values

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. Significant accounting policies

The accounting policies set out below have been applied consistently during the period presented in these consolidated financial statements, and have been applied consistently by all entities in the Group.

(a) Basis of consolidation

(i) Business combinations

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

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

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

(ii) Subsidiaries

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

3. Significant accounting policies (cont.)

(a) Basis of consolidation (cont.)

(ii) Subsidiaries (cont.)

Transactions eliminated on consolidation

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

(b) Foreign currency

Foreign currency transactions

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

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

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises receivables on the date that they are originated. All other financial assets are recognised initially on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group has the following categories of non-derivative financial assets: cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise finance lease liabilities, bank loan, and trade and other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

3. Significant accounting policies (cont.)

(c) Financial instruments (cont.)

(iii) Share capital

Ordinary shares

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

(iv) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income ("OCI") and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

3. Significant accounting policies (cont.)

(d) Property, plant and equipment (cont.)

(iii) Depreciation (cont.)

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

- Leasehold improvements shorter of lease term and life of asset
- plant and equipment 3–20 years
- fixtures and fittings 5–10 years

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

(e) Intangible assets and goodwill

(i) Goodwill

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

The estimated useful lives are as follows:

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

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

(f) Leased assets

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

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

(g) Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

3. Significant accounting policies (cont.)

(h) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group or economic conditions that correlate with defaults.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

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

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

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

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

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

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

3. Significant accounting policies (cont.)

(i) Employee benefits

(i) Defined contribution plans

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

(ii) Other long-term employee benefits

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

(iii) Short-term employee benefits

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

(iv) Share-based payment transactions

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

(j) Provisions

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

(i) Restructuring

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

(ii) Make good provision

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

3. Significant accounting policies (cont.)

(k) Revenue

(i) Sales

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Rendering of services

The Group is involved in a range of services relating to print, communications, creative and digital services, supply chain optimisation, inventory management, warehousing and logistics. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services.

The Group recognises revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

(l) Lease payments

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

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

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

(m) Finance income and finance costs

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

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

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

(n) Income tax

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

3. Significant accounting policies (cont.)

(n) Income tax (cont.)

(ii) Deferred tax (cont.)

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

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

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

(iii) Tax exposures

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

(iv) Tax consolidation

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

(o) Goods and services tax (GST)

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

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

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

(p) Earnings per share

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

(q) Segment reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

3. Significant accounting policies (cont.)

(r) 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 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Group and its financial impact are set out below.

AASB 9 *Financial Instruments (2014)*

AASB 9, approved in December 2014, replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018.

The Group has assessed the requirements of the new standard. The only financial impact affecting the Group will be the implementation of the new expected credit loss (ECL) model for calculating the allowance for impairment in respect of receivables. In calculating the ECL the Group has reviewed it's historical bad debts experience. Based on this the Group will increase as at 1 July 2018 its allowance for impairment in respect of receivables and adjust retained earnings. The Group expects the adjustment amount to be immaterial.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018.

The Group has applied the requirements of the standard to customer contracts with similar characteristics. The following are key characteristics within its customer contracts that the Group believes affects AASB 15: identification of goods and services to be delivered, price, variable consideration (e.g. discounts, rebates, sign-on fees, incentives, etc.), any materials supplied by the customer, payment terms, extended warranty, and right of payment for work completed to date. The Group has applied the following steps in assessing the requirements of the new standard:

- Identification of the customer contract
- Identification of the performance obligation(s)
- Determining the transaction price
- Allocating the transaction price to the performance obligation(s)
- Recognising the revenue as (or when) the performance obligation is completed.

The Group has determined that there is no financial impact. The current recognition of revenue already takes into consideration variable consideration such as discounts, rebates, incentives, etc. Under new standard, the Group's revenue from goods sold does not satisfy the criteria for recognition of revenue over time; hence, the Group will continue to recognise revenue at a point in time when the goods are delivered to the customer.

Seperately, the Group's lesser revenue from services provided also continues to meet the criteria for recognition over time.

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.

The Group is currently assessing the financial impact of AASB 16.

3. Significant accounting policies (cont.)

(r) New standards and interpretations not yet adopted (cont.)

Other standards

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

- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 12).

4. Other income

In thousands of AUD	**2018**	**2017**
Other income*	807	3,496
	807	**3,496**

* Includes reversal of contingent consideration (net) – refer to Note 23.

5. Personnel expenses

In thousands of AUD	**2018**	**20176**
Wages and salaries	183,391	138,432
Contributions to defined contribution plans	12,560	10,353
Share-based payment expense	212	88
	196,163	**148,873**

6. Expenses

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

In thousands of AUD	**2018**	**2017**
Depreciation and amortisation	18,874	13,777
Acquisition costs	1,039	5,911
Restructuring costs	8,475	13,350

7. Finance income and finance costs

In thousands of AUD	**2018**	**2017**
Interest income	211	237
Net foreign exchange gain	37	–
Finance income	**248**	**237**
Interest expense	(8,152)	(5,978)
Net foreign exchange losses	–	(31)
Finance costs	**(8,152)**	**(6,009)**
Net finance costs	**(7,904)**	**(5,772)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

8. Taxes

In thousands of AUD	2018	2017
Current tax expense		
Current year	7,796	3,023
Changes in estimates related to prior years	(43)	434
	7,753	3,457
Deferred tax expense		
Origination and reversal of temporary differences	3,393	852
Total tax expense	**11,146**	**4,309**

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	2018	2017
Profit before tax	36,861	16,418
Tax using the Company's domestic tax rate of 30%	11,058	4,925
(Non-assessable income)/non-deductible expenses – net	73	(545)
Previously unrecognised deductible temporary differences	43	(495)
Changes in estimates related to prior years	(43)	434
Other items (net)	15	(10)
	11,146	**4,309**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2018	2017	2018	2017	2018	2017
Property, plant and equipment	4,011	6,630	–	–	4,011	6,630
Inventories	–	–	(532)	(19)	(532)	(19)
Intangible assets	–	–	(6,037)	(6,275)	(6,037)	(6,275)
Employee benefits	9,108	6,906	–	–	9,108	6,906
Provisions	5,289	7,775	–	–	5,289	7,775
Other items	4,167	4,204	–	(29)	4,167	4,175
Tax assets/(liabilities)	22,575	25,515	(6,569)	(6,323)	16,006	19,192
Set off of tax	(6,569)	(6,323)	–	6,323	–	–
Net deferred tax assets	**16,006**	**19,192**	**–**	**–**	**–**	**19,192**

8. Taxes (cont.)

Movement in temporary differences during the year

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

2017 *In thousands of AUD*	**Balance 1 July 2016**	**Acquisition through business Combination***	**Recognised in equity**	**Recognised in profit or loss**	**Balance 30 June 2017**
Property, plant and equipment	9,404	(1,071)	–	(1,703)	6,630
Inventories	(506)	792	–	(305)	(19)
Intangible assets	(2,739)	(4,332)	–	796	(6,275)
Employee benefits	5,519	1,715	–	(328)	6,906
Provisions	2,516	5,063	–	196	7,775
Other items	3,015	126	542	492	4,175
	17,209	**2,293**	**542**	**(852)**	**19,192**

*The movement includes recognition of deferred tax on acquisitions made in the previous reporting period. These adjustments have been made within twelve months since the acquisition date.

9. Cash and cash equivalents

In thousands of AUD	**2018**	**2017**
Bank balances	22,314	23,843
Petty cash	11	8
Cash and cash equivalents in the statement of cash flows	**22,325**	**23,851**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

9. Cash and cash equivalents (cont.)

Reconciliation of cash flows from operating activities

In thousands of AUD	2018	2017
Profit for the year	**25,715**	**12,109**
Non-cash items		
Depreciation, amortisation and impairment	18,874	13,777
Share based payment expense	212	88
Contingent consideration reduced	(704)	(2,949)
Other income	–	(501)
Interest expense	895	867
Acquisition costs	(228)	758
Restructuring costs	–	3,992
Income tax expense	11,146	4,309
Cash items		
Net gain on disposal of property, plant and equipment	(6)	–
	55,904	32,450
Change in trade and other receivables	(14,514)	18,161
Change in inventories	47	(10,801)
Change in current assets	486	584
Change in prepayment	(111)	690
Change in trade and other payables	5,575	7,980
Change in provisions and employee benefits	(6,763)	(5,054)
Cash generated from operating activities	**40,624**	**44,010**
Income tax paid	(3,957)	(9,985)
Net cash from operating activities	**36,667**	**34,025**

10. Trade and other receivables

In thousands of AUD	2018	2017
Current		
Trade receivables	115,367	92,712
Allowance for impairment	(677)	(704)
	114,690	92,008
Forward exchange contracts used for hedging	655	397
Other receivables	2,937	2,380
	118,282	**94,785**

11. Inventories

In thousands of AUD	2018	2017
Finished goods	3,135	2,421
Work in progress	8,598	7,502
Raw materials	36,989	39,677
	48,722	49,600
Allowance for inventory obsolescence	(1,607)	(3,037)
	47,115	**46,563**

During the year, raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $356,742 thousand (2017: $248,769 thousand).

The reduction in allowance for inventory obsolescence of $1,188 thousand in stock write offs, sale of stock at loss, and costs associated in moving excess/older stock relates to the Franklin WEB and AIW acquisitions.

12. Property, plant and equipment

In thousands of AUD	Leasehold improvements	Plant and equipment	Fixtures and fittings	Total
Cost				
Balance at 1 July 2016	6,292	61,863	1,044	69,199
Acquisitions through business combinations	372	26,812	–	27,184
Additions	1,910	19,087	547	21,544
Disposals	(1,084)	(1,875)	(236)	(3,195)
Balance at 30 June 2017	7,490	105,887	1,355	114,732
Balance at 1 July 2017	7,490	105,887	1,335	114,732
Acquisitions through business combinations	–	3,502	–	3,502
Additions	7,106	47,206	277	54,589
Disposals	–	(1,381)	(24)	(1,405)
Balance at 30 June 2018	**14,596**	**155,214**	**1,608**	**171,418**
Depreciation and impairment losses				
Balance at 1 July 2016	2,474	24,508	510	27,492
Depreciation for the year	858	8,804	150	9,812
Disposals	(1,084)	(1,801)	(227)	(3,112)
Balance at 30 June 2017	2,248	31,511	433	34,192
Balance at 1 July 2017	2,248	31,511	433	34,192
Depreciation for the year	1,235	12,443	194	13,872
Disposals	–	(305)	(22)	(327)
Balance at 30 June 2018	**3,483**	**43,649**	**605**	**47,737**
Carrying amounts				
At 1 July 2017	5,242	74,376	922	80,540
At 30 June 2018	**11,113**	**111,565**	**1,003**	**123,681**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

12. Property, plant and equipment (cont.)

Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at a beneficial price. At 30 June 2018 the net carrying amount of leased assets was $17,621 thousand (2017: $18,338 thousand).

Security

At 30 June 2018 the carrying amount of total assets less the written down value of finance leased assets were held as security for bank facilities.

13. Intangible assets and goodwill

In thousands of AUD	Note	Goodwill	Computer software	Customer relationships	Total
Cost					
Balance at 1 July 2016		58,777	5,764	11,376	75,917
Acquisition through business combinations		72,893	–	14,440	87,333
Other additions		–	2,210	–	2,210
Acquisition accounting measurement period adjustment*		(2,000)	–	–	(2,000)
Balance at 30 June 2017		129,670	7,974	25,816	163,460
Balance at 1 July 2017		129,670	7,974	25,816	163,460
Acquisition through business combinations	21	15,477	–	2,800	18,277
Other additions		–	3,139	–	3,139
Balance at 30 June 2018		**145,147**	**11,113**	**28,616**	**184,876**
Amortisation and impairment losses					
Balance at 1 July 2016		–	3,477	2,161	5,638
Amortisation for the year		–	1,309	2,656	3,965
Balance at 30 June 2017		–	4,786	4,817	9,603
Balance at 1 July 2017		–	4,786	4,817	9,603
Amortisation for the year		–	1,409	3,593	5,002
Balance at 30 June 2018		**–**	**6,195**	**8,410**	**14,605**
Carrying amounts					
At 1 July 2017		129,670	3,188	20,999	153,857
At 30 June 2018		**145,147**	**4,918**	**20,206**	**170,271**

*The adjustment relates to finalisation of preliminary accounting entries for the acquisition of JBA.

No impairment losses in relation to goodwill have been recognised in the year ended 30 June 2018 (2017 nil).

13. Intangible assets and goodwill (cont.)

Impairment testing for cash-generating units containing goodwill

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

In thousands of AUD	**2018**	**2017**
Franklin (and AIW combined)	65,033	69,233
Print communication and marketing services (group of CGUs)	52,618	32,941
Creative services (group of CGUs)	11,614	11,614
Pareto	15,882	15,882
	145,147	**129,670**

Goodwill impairment test is performed applying by value in use calculations. The calculations use cash flow projections based on budgeted EBITDA approved by the Board. A post- tax WACC rate of 9.32% or 9.82% (depending on the size of the CGU) has been used with 2% growth allowance (in line with consumer price index) in the 5 year cash flow projections and terminal growth. In management's assessment, there are no reasonable possible changes in assumptions that would give rise to impairment.

During the year, a part of Franklin's business was transferred into the Print communications CGU. Hence, a reallocation of goodwill has been made between these CGUs.

14. Trade and other payables

In thousands of AUD	**2018**	**2017**
Current		
Trade payables	70,730	63,301
Accrued expenses	34,015	28,804
Deferred consideration	1,850	1,200
Contingent consideration	4,850	4,825
Interest rate swaps used for hedging	77	243
	111,552	**98,373**
Non-current		
Contingent consideration	650	–
Interest rate swaps used for hedging	31	12
	681	**12**

15. Loans and borrowings

In thousands of AUD	**2018**	**2017**
Current		
Bank loan	10,000	10,000
Finance lease liabilities	3,668	2,815
Equipment finance	2,774	–
	16,442	12,815
Non-current		
Bank loan	108,961	124,325
Finance lease liabilities	9,481	11,188
Equipment finance	16,448	–
	134,890	135,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

15. Loans and borrowings (cont.)

Bank loan

As at 30 June 2018, the Syndicated Facilities Agreement has a carrying amount of $118,961 thousand and face value of $120,000 thousand (2017: carrying amount of $134,325 and face value of $136,000 thousand). These facilities have an interest rate of BBSY plus a margin. Facility B is repayable partly during the term with the remaining balance maturing on 30 November 2019. The Company was in compliance with all loan covenants as at 30 June 2018.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

	Future minimum lease payment		Interest		Present value of minimum lease payments	
In thousands of AUD	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Less than one year	4,264	3,462	596	647	3,668	2,815
Between one and five years	9,225	10,027	694	1,260	8,531	8,767
More than five years	1,389	2,530	439	109	950	2,421
	14,878	**16,019**	**1,729**	**2,016**	**13,149**	**14,003**

At 30 June 2018, the finance lease liabilities include $930 thousand lease liability for leased properties (2017: $1,196 thousand) and $12,219 thousand lease liability for leased plant and equipment (2017: $12,807 thousand).

16. Employee benefits

In thousands of AUD	**2018**	**2017**
Current		
Liability for long service leave	7,833	6,116
Liability for annual leave	10,660	9,042
	18,493	**15,158**
Non-current		
Liability for long service leave	6,079	5,706
	6,079	**5,706**

17. Provisions

In thousands of AUD	Restructuring	Make good	Acquired lease liability	Total
Balance at 1 July 2017	6,054	2,642	14,416	23,112
Provisions made during the year	157	702	–	859
Provisions reversed during the year	(5,234)	(354)	(1,651)	(7,239)
Balance at 30 June 2018	977	2,990	12,765	16,732
Current	344	–	1,471	1,815
Non-current	633	2,990	11,294	14,917
	977	2,990	12,765	16,732

18 . Share-based payments

During the year ended 30 June 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	General Management Award	Senior Leadership Team Award
Date of grant	17 November 2017	17 November 2017*
Number granted	92,921	253,374
Contractual life	2 years	3 years and 2 months
Vesting conditions	The Rights are subject to Performance Conditions: depending on the individual, including Earnings Before Interest Tax, Depreciation and Amortisation (EBITDA) or Revenue targets. The performance period is 1 July 2017 to 30 June 2018 inclusive. The vesting date is expected to be on or soon after the approval of IVE's 2018 Annual Financial Report. Vested shares will be subject to an escrow period until 30 June 2019.	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 2017 to 30 June 2020 inclusive. The vesting date is expected to be on or soon after the approval of IVE's 2020 Annual Financial Report.
Weighted average fair value	$1.98	$1.48
Valuation methodology	The fair value has been calculated using a risk-free neutral assumption. This is the difference between the spot price of the underlying asset minus the expected present value of the future dividend over the expected life if the holders of the underlying assets are not entitled to receive future dividends before the vesting date.	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	$2.17	$2.17
Expected volatility	21.4%	21.4%
Risk free interest rate	1.64%	1.96%
Dividend yield	8.04%	8.04%

*Share rights issued to Directors required shareholder approval. This occurred at the Group's 2017 Annual General Meeting.

Total expense relating to Share-based payments has been disclosed in note 5 of this consolidated financial statements.

On 27 September 2017, the Group issued shares under the 2017 General Management award (refer note 19 – Capital). The exercise price per share at the time of issue was $2.07. The fair value per share at grant date was $2.02. The total value of shares issued was $127 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

19. Capital

Issued and paid up capital

	2018	2017
148,103,655 (June 2017: 119,280,624) ordinary shares fully paid	156,318	99,820

Movement in ordinary share capital

Date	Details	Number of shares	Issue Price	Total $'000
1-Jul16	**Opening balance**	89,180,901		39,843
13-Dec-16	Issue of new shares under the Institutional Entitlement Offer and Placement	17,659,564	$2.00	35,319
13-Dec-16	Issue of shares as consideration for acquisitions	9,814,729		19,771
19-Dec-16	Additional issue of shares as consideration for acquisition	264,253		529
30-Dec-16	Issue of new shares under the Retail Entitlement Offer	2,361,177	$2.00	4,722
	Transaction costs arising from issue of shares (net of tax)			(1,364)
30-Jun-17	**Closing balance**	**119,280,624**		**98,820**
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
30-Jun-18	**Closing balance**	**148,103,655**		**156,318**

Dividends

On 27th August 2018, the directors have declared a fully franked dividend of 7.5 cents per share to be paid on 25th October 2018 to shareholders on the register at 19 September 2018. The final dividend payout is $11.1m (2017: $9.5m). A liability has not been recognised as the dividend was declared after the reporting date.

19. Capital and reserves (cont.)

Dividends (cont.)

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

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

On 25 October 2017 a dividend of 6.4 cents per share (100% franked) was declared and paid by the directors. The dividend was paid out of opening retained profits and profits earned up to that date.

On 19 April 2018 a further dividend of 8.0 cents per share (100% franked) was declared and paid by the directors. The dividend was paid out of profits earned up to that date.

The following dividends were declared and paid during the year ended 30 June 2017:

In thousands of AUD	**Cents per share**	**Total amount**	**Date of payment**
2017			
Final 2016 ordinary	8.6	7,671	20 October 2016
Interim 2017 ordinary	6.3	7,514	20 April 2017
Total amount		**15,185**	

Dividend franking account

In thousands of AUD	**2018**	**2017**
Amount of franking credits available to shareholders of IVE Group Limited for subsequent financial years	5,857	12,080

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

20. Earnings per share

In dollars	**2018**	**2017**
Basic earnings per share	0.18	0.11
Diluted earnings per share	0.18	0.11
In thousands	**2018**	**2017**
Earnings		
Profit after income tax attributable to owners of the company used in calculating basic and diluted earnings per share	25,715	12,109
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	142,549	105,560
Weighted average number of ordinary shares used in calculating diluted earnings per share	142,796	105,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

21. Acquisitions

During the year, the Group acquired the following businesses, the details of which are as follows:

- On 6 September 2017, IVE Group acquired the shares of SEMA Holdings Pty Limited ("SEMA") and it's operating entities. SEMA is a leading provider in personalised communication services and will be integrated into IVE's Direct business.
- On 16 November 2017, IVE Group acquired the shares of John W Gage & Co Pty Limited (trading as "Dominion"). Dominion is a provider of creative services, digital print, offset print and warehousing and logistics services. It will be integrated into IVE's Print business.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

In thousands of AUD	**SEMA**	**Dominion**	**Total**
Consideration transferred			
Cash	7,750	4,572	12,322
Completion cash adjustment*	(356)	1,018	662
Deferred consideration	–	1,850	1,850
Contingent consideration	3,350	650	4,000
Issue of shares	3,399	–	3,399
	14,143	8,090	22,233
Identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	657	721	1,378
Trade and other receivables	7,275	1,450	8,725
Inventories	277	322	599
Prepayments	448	22	470
Property, plant and equipment	2,874	628	3,502
Customer relationship (intangible asset)	800	2,000	2,800
Other current assets	1,221	–	1,221
Deferred tax assets/(liabilities)	45	(631)	(586)
Trade and other payables	(6,416)	(877)	(7,293)
Current tax payable	(350)	(188)	(538)
Employee benefits	(2,723)	(799)	(3,522)
	4,108	2,648	6,756
Goodwill on acquisition	**10,035**	**5,442**	**15,477**

*The completion cash adjustment includes working capital and balance sheet date adjustments. These adjustments are made in the ordinary course of a transaction to reflect the difference between normalised expectations around balance sheet items at the time of signing and actual balances on transaction completion.

As part of the consideration transferred, contingent consideration is expected to be payable. The Group has made a best estimate of the amount of consideration payable for the acquisitions where there is a variable purchase price based on future revenue performance. Based on past and expected performance the Group assumes that the acquirees will meet the future revenue target. Any variation at time of settlement will be recognised as an expense or income.

Management have measured the assets and liabilities acquired at fair value with the remainder of the purchase consideration being allocated to goodwill. The acquisition accounting is still on a provisional basis pending the completion of a final valuation. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the accounting for the acquisition will be revised.

The goodwill is attributable to the future profitability of the acquisitions and the synergies expected to arise within the Group. None of the goodwill recognised is expected to be deductible for tax purposes.

21. Acquisitions (cont.)

The businesses of SEMA and Dominion are being integrated into IVE. The profit before tax contribution of these acquisitions are indistinguishable from existing business unit results. On this basis a disclosure of profit before tax is impracticable. However, the revenues of these businesses have been tracked due to contingent consideration. The total revenue since acquisition is $39,447 thousand. Individually these businesses are considered immaterial.

If these acquisitions had occurred from beginning of the reporting period the combined Group revenue would have been estimated at $51,125 thousand. The Group has not estimated the profit before tax for the reasons provided above.

Acquisition-related costs totalling $1,039 thousand for all acquisitions has been included in Other expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

22. Operating segments

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

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

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

In thousands of AUD	**2018**	**2017**
EBITDA	63,639	35,967
Depreciation, amortisation and impairment	(18,874)	(13,777)
Net finance costs	(7,904)	(5,772)
Profit before income tax	**36,861**	**16,418**

23. Financial risk management and financial instruments

Overview

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

a. credit risk

b. liquidity risk

c. market risk

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

Risk management framework

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

23. Financial risk management and financial instruments (cont.)

Credit risk

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

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

Exposure to credit risk

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

		Carrying amounts	
In thousands of AUD	**Note**	**2018**	**2017**
Cash and cash equivalents	9	22,325	23,851
Trade and other receivables	10	118,282	94,785
		140,607	**118,636**

Impairment

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

	Carrying amounts	
In thousands of AUD	**2018**	**2017**
Neither past due nor impaired	68,282	58,578
Past due 1-30 days	33,197	21,327
Past due 31-90 days	10,017	9,172
Past due 91 days and over	6,808	6,015
	118,304	**95,092**

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

In thousands of AUD	**2018**	**2017**
Balance at beginning of the year	704	1,315
Assumed in a business combination in current year	562	424
Impairment loss recognised	263	217
Amounts written off	(852)	(1,252)
Balance at end of year	**677**	**704**

Liquidity risk

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

23. Financial risk management and financial instruments Overview (cont.)

Liquidity risk (cont.)

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

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

		Contractual cash flows			
In thousands of AUD	**Carrying amount**	**Total**	**12 months or less**	**1-5 years**	**More than 5 years**
30 June 2017					
Non-derivative financial liabilities					
Trade and other payable	92,105	92,105	92,105	–	–
Deferred consideration	1,200	1,200	1,200	–	–
Contingent consideration	4,825	4,825	4,825	–	–
Finance lease liabilities	14,003	16,019	3,462	10,027	2,530
Bank loans	134,325	145,700	13,934	131,766	–
	246,458	**259,849**	**115,526**	**141,793**	**2,530**

Market risk

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

Currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

23. Financial risk management and financial instruments (cont.)

Currency risk (cont.)

During the year, 5% of total group purchases were made in foreign currencies. The Group has used forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. These forward exchange contracts has been designated as a cash flow hedge, and have a fair value of $655 thousand at the reporting date (2017: $397 thousand). The Group has performed effectiveness testing and recognised the full fair value amount net of deferred tax of $459 thousand in other comprehensive income (2017: $278 thousand). Based on the results of the test no in-effectiveness has been recognised in the profit or loss.

Exposure to currency risk

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

	As at 30 June 2018			As at 30 June 2017		
In thousands of AUD	**Euro**	**USD**	**GBP**	**Euro**	**USD**	**NZD**
Equipment finance loan	12,739	–	–	–	–	–
Next three months forecast purchases	5,860	350	1,430	5,258	567	26
Forward exchange contracts	(18,599)	(350)	(1,430)	(5,258)	(567)	(26)
Net exposure	–	–	–	–	–	–

Sensitivity analysis

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

Interest rate risk

The Group has entered into interest rate swap contracts to minimise it's variable interest exposure on bank loans. As at 30 June 2018, after taking into account the effect of the interest rate swaps, 50% of the carrying amount of Facility A and B of the bank loan is exposed to variable rates (2017: 50% of the carrying value of Facility A and B). The interest rate swap has been designated as a cash flow hedge. It's fair value at reporting date is $108 thousand (2017: $255 thousand). The Group has performed effectiveness testing and recognised the full fair value amount net of deferred tax of $76 thousand (2017: $178 thousand) in other comprehensive income. Based on the results of the test no in-effectiveness has been recognised in the profit or loss. These interest rate swaps closely match the terms of the bank loan and will mature during December 2019.

Exposure to interest risk

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

	Carrying amount	
In thousands of AUD	**2018**	**2017**
Fixed rate instruments		
Financial liabilities – finance lease liabilities and equipment finance	(32,371)	(14,003)
Effect of interest rate swaps – notional amount	(55,000)	(60,000)
	(87,371)	**(74,003)**
Variable rate instruments		
Financial assets – bank balances	22,314	23,843
Financial liabilities – bank loans	(120,000)	(136,000)
Effect of interest rate swaps – notional amount	55,000	60,000
	(42,686)	**(52,157)**

23. Financial risk management and financial instruments (cont.)

Interest rate risk (cont.)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 10 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by $43 thousand (2017: $52 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as 2017.

Measurement of fair values

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

Type	Valuation technique	Significant unobservable inputs	Relationship between the fair value and unobservable inputs
Contingent consideration	The fair value is calculated based on the acquired business achieving future revenue or earning's target.	Forecast revenue and earnings growth	The Group continuously reassess the contingent consideration payable based on revised expectations of achieving revenue and earnings growth targets over the defined measurement period (over the 2018 and 2019 financial years). As a result, contingent consideration continues to be recognised. If the applicable performance targets for all acquisitions are lower than expected by 10%, then the contingent consideration value will be decreased by approximately $650 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

23. Financial risk management and financial instruments (cont.)

Measurement of fair values (cont.)

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	2018	2017
Balance at 1 July	4,825	10,374
Assumed in a business combination in current year	4,000	1,700
Contingent consideration settled during the year	(2,622)	(2,300)
Contingent consideration reduced	(703)	(2,949)
Acquisition accounting measurement period adjustment	–	(2,000)
Balance at 30 June	**5,500**	**4,825**

Fair values versus carrying amounts

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

Capital management

The primary objective of the Group's capital management is to maintain a strong capital base through cash flow management in order to sustain future development of the business and maximise shareholder value. There were no changes in the Group's approach to capital management during the year. The Group is subject to externally imposed capital requirements (being financial loan covenants – refer to note 15).

24. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2018	2017
Less than one year	25,334	22,067
Between one and five years	78,144	81,304
More than five years	40,325	56,274
	143,803	**159,645**

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

During the year an amount of $26,265 thousand (2017: $19,680 thousand) was recognised as an expense in profit or loss in respect of operating leases.

25. Capital commitments

As at 30 June 2018, the Group has committed to purchase plant and equipment of $16,200 thousand (2017: $23,188 thousand).

26. Related parties

Key management personnel compensation

Key management personnel compensation comprised the following:

In AUD	**2018**	**2017**
Short-term employee benefits	3,433,721	2,494,251
Post-employee benefits	131,323	114,555
Share-based payments	27,693	19,023
	3,592,737	**2,627,829**

Related party transactions and outstanding balances

In AUD	**Transaction value year ended 30 June 2018**	**Transaction value year ended 30 June 2017**
Caxton Property Investments Pty Ltd – purchases	–	224,004

Caxton Property Investments Pty Limited

Geoff Selig and Paul Selig (directors of the Company), hold positions in Caxton Property Investments Pty Limited that result in them having control or significant influence over the financial or operating policies of this entity.

The “purchases” referred to were payments of directors fees paid to that entity in lieu of director fees to the individual directors.

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

27. Group entities

	Ownership interest	
	2018 %	**2017 %**
Ultimate parent entity		
IVE Group Limited		
Controlled entities		
Caxton Print Group Holdings Pty Limited	100	100
Caxton Print Group Pty Limited	100	100
IVE Group Australia Pty Limited	100	100
IVE Group Victoria Pty Limited	100	100
Task 2 Pty Limited	100	100
Pareto Fundraising Pty Limited	100	100
Pareto Phone Pty Limited	100	100
James Bennett & Associates Pty Limited	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2018

27. Group entities (cont.)

	Ownership interest	
	2018 %	**2017 %**
IVE Employment (Australia) Pty Limited	100	100
IVE Employment (Victoria) Pty Limited	100	100
Taverners No. 13 Pty Limited	100	100
AIW Printing (Aust) Pty Limited	100	100
AIW Printing Unit Trust	100	100
IVE Group Asia Limited	100	100
Guangzhou IVE Trading Company Limited	100	100
IVE Singapore Pte Limited	100	100
SEMA Holdings Pty Ltd	100	–
SEMA Infrastructure Pty Ltd	100	–
SEMA Operations Pty Ltd	100	–
John W Gage & Co Pty Ltd	100	–

28. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2018 the parent entity of the Group was IVE Group Limited.

In thousands of AUD	**2018**	**2017**
Result of parent entity		
Profit/(loss) for the year	–	1,004
Other comprehensive income	–	–
Total comprehensive income for the year	**–**	**1,004**
Financial position of parent entity at year/period end		
Current assets	18	80
Total assets	100,593	64,491
Current liabilities	80	18
Total liabilities	80	18
Total equity of the parent entity comprising of:		
Share capital	287,631	230,267
Other equity reserve	(146,662)	(146,662)
Accumulated losses	(40,455)	(19,132)
Total equity	**100,514**	**64,473**

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

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

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

29. Subsequent events

There have been no other events subsequent to balance date which would have a material effect on the Group's consolidated financial statements at 30 June 2018.

30. Auditors' remuneration

In AUD	2018	2017
Audit services		
Auditors of the Company – KPMG		
Audit and review of financial reports	384,088	413,470
Audit of other assurance	10,125	5,000
	394,213	**418,470**
Other services		
Auditors of the Company – KPMG		
Taxation services	189,625	86,818
Transaction services	399,750	653,000
	589,375	**739,818**

31. Deed of cross guarantee

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

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

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

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

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2018 is set out on pages 29 and 30 of this financial report.

DIRECTORS' DECLARATION

1. In the opinion of the directors of IVE Group Limited (the Company):
   (a) the consolidated financial statements and notes, set out on pages 29 to 63, are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified in Note 27 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.
3. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors.

Geoff Selig

Geoff Selig
Director

Dated at Sydney this 27th day of August 2018

Independent Auditor's Report

To the shareholders of IVE Group Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 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 year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

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

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

Assessment of carrying value of goodwill	
Refer to Note 13 'Intangible assets and goodwill' to the Financial Report (Goodwill: $145.1 m)	
The key audit matter	**How the matter was addressed in our audit**
The Group's annual testing of goodwill for impairment is a key audit matter due to the: • size of the goodwill balance (being 28.7% of the total assets); • significant forward looking judgments the Group applied in their value in use models. • The judgments we focused on included: • assessment of the Cash Generating Units (CGUs). The Group has several operating businesses and product lines and has made acquisitions during the year, necessitating our consideration of the Group's determination of CGUs, based on the smallest group of assets to generate largely independent cash inflows; • assessment of allocation of goodwill to CGUs. The Group made significant acquisitions during the year, necessitating our consideration of the Group's allocation of goodwill to the CGUs to which they belong based on the management and monitoring of the business; • forecasting operating cash flows, capital expenditure and forecast growth rates, including terminal growth rate. These judgments are impacted by the highly competitive market conditions and the pace of technological change and digital disruption in the printing industry, and increase the complexity of the audit; • assessment of the discount rates. These are complicated in nature and vary according to the conditions and environment the specific CGU is subject to from time to time;	Our procedures included: • we considered the Group's determination of their CGUs based on our understanding of the Group's business, the impact of the SEMA Holdings Pty Limited ("SEMA") and John W Gage & Co Pty Limited ("Dominion") acquisitions, and, how independent cash inflows were generated, against the requirements of the accounting standards; • we analysed the impact of the SEMA and Dominion acquisitions and the Group's internal reporting to assess their monitoring and management of activities, and the consistency of the allocation of goodwill to CGUs; • we considered the appropriateness and application of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards; • we assessed the integrity of the value in use models used, including the accuracy of the underlying calculations and formulas; • we evaluated the Group's cash flow forecasts, including capital expenditure, by comparing the forecasted data to the Board approved budget. • we assessed the accuracy of previous Group forecasts to inform our evaluation of forecasted data incorporated in the models. • we challenged the Group's significant

KPMG

• level of disclosure of the key assumptions used in the Group's valuation models. Given the nature of these judgments, we involved our valuation specialists and senior staff with experience in the industry and the Group's business.	forecast cash flow and forecast growth rates in light of the expected continuation of highly competitive market conditions and digital disruption in the printing industry. We compared key events to the Board approved plan and strategy. We compared forecast growth rates and terminal growth rates to published information on industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience; • we considered the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range, to identify those CGUs with a higher risk of impairment and to focus our further procedures; • working with our valuation specialists, we analysed the discount rates and terminal growth rates, based on our knowledge of the Group, its industry, current market forces, and publicly available market data for comparable entities; • we assessed the impact of technological change and digital disruption in the printing industry on the Group's key judgements, for indicators of bias and inconsistent application, using our industry knowledge; • we assessed the related disclosures against the requirements of the accounting standards.

Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Appendix 4E, Operating and Financial Review, Director's Report, Remuneration Report and the IVE Group Ltd FY18 Results Presentation. The Chairman's Report and Managing Director's Report are expected to be made available to us after the date of the Auditor's Report.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of IVE Group Limited for the year ended 30 June 2018, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 12 to 26 of the Directors' report for the year ended 30 June 2018.

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

KPMG

John Wigglesworth
Partner

Sydney

27 August 2018

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange (ASX) and not disclosed elsewhere in the Annual Report is set out below. The shareholder information below is as at 30 July 2018.

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

Share registry

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

Registered office

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

Principal Place of Business

Building B, 350 Parramatta Road
Homebush NSW 2140
Phone: +61 2 8020 4400

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

Name	Number of shares held	%
Caxton Print Holdings Pty Ltd as trustee for the Selig Family Trust	11,210,231	8.02%
Hume Partners Pty Ltd	8,421,747	7.20%
Regal Funds Management Pty Ltd	10,259,475	6.93%
COPIA Investment Partners	6,565,000	5.50%
FIL Limited and associated entities	7,607,453	5.14%

Distribution of shareholders and shareholdings – ordinary shares

There are 148,103,655 ordinary shares on issue held by 1,779 shareholders.

Range	Ordinary Shares	%	Number of holders	%
1 to 1,000	87,166	0.06	172	9.67
1,001 to 5,000	1,480,489	1.00	487	27.37
5,001 to 10,000	2,732,277	1.84	333	18.72
10,001 to 100,000	20,506,781	13.85	705	39.63
100,001 and Over	123,296,942	83.25	82	4.61
Total	**148,103,655**	**100.00**	**1,779**	**100.00**

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

There are 447,506 unlisted performance share rights on issue that have been issued under an employee share plan. These are held by 25 employees.

Range	Performance Share Rights	%	Number of holders	%
1 to 1,000	–		–	
1,001 to 5,000	26,765	5.98	9	34.61
5,001 to 10,000	50,500	11.28	10	38.46
10,001 to 100,000	269,857	60.30	6	23.08
100,001 and Over	100,384	22.44	1	3.85
Total	**447,506**	**100.00**	**26**	**100.00**

Unmarketable parcels

The number of shareholders holding less than a marketable parcel of ordinary shares is 40 for 998 shares.

Twenty largest shareholders

Rank	Name	Number of Shares	%
1	Citicorp Nominees Pty Limited	20,324,314	13.72
2	HSBC Custody Nominees (Australia) Limited	18,402,345	12.43
3	Caxton Print Holdings Pty Ltd	11,210,231	7.57
4	J P Morgan Nominees Australia Limited	10,828,047	7.31
5	National Nominees Limited	10,453,586	7.06
6	Taverners N Pty Ltd	7,740,136	5.23
7	BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	4,594,542	3.10
8	CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	3,911,248	2.64
9	BNP Paribas Noms Pty Ltd <DRP>	3,213,815	2.17
10	Brispot Nominees Pty Ltd <House Head NomineE A/C>	2,574,368	1.74
11	Strategic Value Pty Ltd <TAL Super A/C>	2,515,948	1.70
12	Strategic Value Pty Limited	2,024,414	1.37
13	CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	2,007,247	1.36
14	Mr Stephen Craig Jermyn <Jermyn Family S/Fund A/C>	2,000,000	1.35
14	SCJ Pty Ltd <Jermyn Family Account>	2,000,000	1.35
15	UBS Nominees Pty Ltd	1,881,991	1.27
16	Pershing Australia Nominees Pty Ltd <YNominee A/C>	1,220,000	0.82
17	BNP Paribas Noms (NZ) Ltd <DRP>	1,191,252	0.80
18	Shansley Pty Ltd <Ransley Shannon A/C>	988,462	0.67
19	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd DRP	940,133	0.63
20	Neweconomy Com Au Nominees Pty Limited	885,888	0.60
Total		**110,907,967**	**74.89**
Balance of register		**37,195,688**	**25.11**
Grand total		**148,103,655**	**100.00**

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

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

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

There are no other classes of equity securities.

Voluntary escrow

There were no ordinary shares held in a voluntary escrow arrangement as at 31 July 2018.

Stock Exchange Listing

IVE Group securities are only listed on the ASX.

CORPORATE GOVERNANCE STATEMENT

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

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

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

Details of IVE's key governance policies and the charters for the Board and each of its committees are available on IVE's website at **http://investors.ivegroup.com.au/home/**.

The Corporate Governance Statement reports against the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles) and the practices detailed in the Corporate Governance Statement are current as at 31 July 2018. It has been approved by the Board and is available on the IVE website under Investors at **http://investors.ivegroup.com.au/home/**.

IVE427503 08/18