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ASX RELEASE – IVE GROUP LIMITED (ASX: IGL)

23 October 2020

2020 ANNUAL REPORT

IVE Group Limited (ASX: IGL) attaches its 2020 Annual Report which has been sent to shareholders today.

ENDS

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Authorised for release: Geoff Selig, Executive Chairman ive

Annual Report 2020

Founded in 1921, IVE is Australia's leading holistic marketing company. With an unmatched breadth and depth of offering, we guide our clients from idea to execution.

Our landscape is constantly shifting and evolving, and as marketing natives so are we. We are forever seeking new ways to navigate the marketing maze to connect our clients with customers, wherever and whenever.

Specialising in creative, data-driven communications (DDC), integrated marketing, production and distribution, we bring together the capabilities, specialists and technology needed to make customer connection seamless.

By forever seeking new ways to simplify, integrate, and amplify their marketing activity, we take our clients, their businesses and their customers, further.

> ASX: IGL

IVE Group Limited's 2020 AGM will be held on Tuesday, 24 November 2020 commencing at 10:00am (Sydney time) at IVE Building, Level 1, Huntingwood Drive, Huntingwood NSW 2148

Registered office
IVE Group Limited
Level 3, 35 Clarence Street
Sydney NSW 2000
Phone: +61 2 8020 4400
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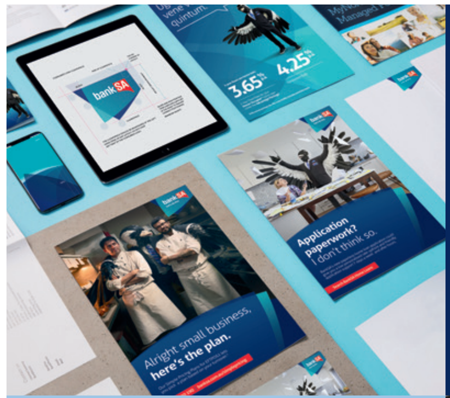
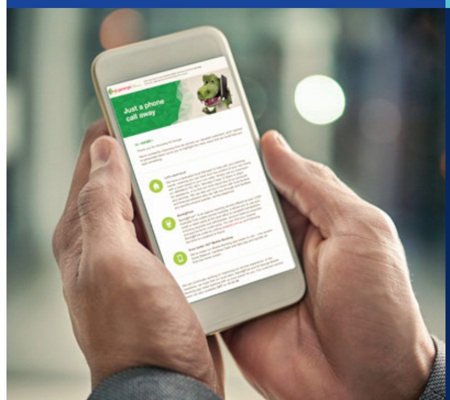
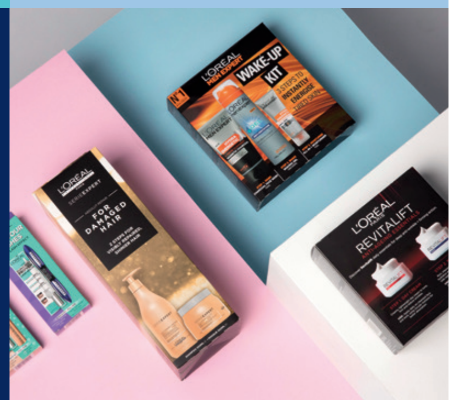


> Designed.
> Refined.
> Delivered.

> We connect our clients with customers. Wherever, whenever.

> Bringing brands to life.





> Retail displays that convert shoppers to customers.

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Year in review

The year was defined by the unprecedented impacts of COVID-19

- We moved quickly at the outset of the pandemic to implement appropriate measures to ensure the safety and wellbeing of our staff
- We effectively executed a range of initiatives to mitigate the expected financial impacts of revenue declines and volatility
- We ensured throughout that we continued to provide high levels of customer service
- We took the opportunity to leverage our supply chain, logistics capability and strong client relationships to significantly expand our personal protective equipment (PPE) range

The Company delivered a solid financial performance as a result of:

- The flexibility of our cost base and our capacity to respond to the impacts of COVID-19
- Consistent gross profit margin
- The diversity of our offer
- The quality of our people
- The strength of our customer relationships

The acquisition of Salmat Marketing Solutions (now IVE Distribution), Reach Media NZ and Lasoo in January 2020 completed the final phase of our strategic roadmap over recent years to further strengthen and expand our offer to retail clients

The business was streamlined and strengthened through brand simplification to the one IVE brand in December 2019

The Group remains well capitalised and highly liquid

- Free cash conversion to EBITDA of 110%
- At 30 June, 2020
  - cash of $51.6m with working capital facility of $30m fully undrawn
  - net debt to EBITDA of 1.79x
- Cash at 30 September, 2020 of $67.3m with working capital facility of $30m fully undrawn
- Capital expenditure of $12.3m significantly reduced on prior years

Dividends

- No dividend was declared during the FY20 year as a result of COVID-19
- $72m in fully franked dividends have been paid since listing on the ASX in December 2015

We are confident that we are ideally placed to maintain and grow our strong market position as we emerge from the COVID-19 crisis

Financial results

REVENUE **$691.5m**	EBITDA **$76.6m**
EBITDA MARGIN **11.1%**	NPATA **$36.7m**
NET DEBT TO EBITDA **1.79x**	FREE CASH CONVERSION TO EBITDA OF **110%**

- NPAT excluding amortisation of customer contracts
- The underlying financial results are on a non-IFRS basis and are not audited or reviewed
- The underlying results are on a continuing operations basis and exclude non-operating items (see reconciliation page 41)
- The underlying results include net JobKeeper receipts ($15.1m).

Chair's review

2021 will mark a significant milestone with the centenary year of our business. I reflect with much pride at what has been created over the last 100 years, starting with the humble beginnings of my grandfather Oscar Selig who in March 1921 launched a suburban newspaper called 'the Link' in Balmain NSW. It was my father Gordon's vision and leadership for decades that undoubtedly formed the solid foundations of the Group we have today.

We commenced the evolution in the late 1990s from 'just a printing company' to a broader product and service offering through a combination of organic growth initiatives and a strategic acquisition program. Twenty years on, the successful execution of our long-term strategy has resulted in the unparalleled value proposition IVE currently takes to market and the leading positions we hold across the marketing sector.

I feel strongly that core to our longevity and success has been the commitment of our people, and our capacity to understand and respond to the constantly changing and expanding communications needs of our clients.

As I consider the unprecedented and ongoing impacts of the COVID-19 crisis, it has been our heritage, the culture of our business, and the collective experience and dedication of our people that placed us in a position of strength from which to respond. Notwithstanding the extent and speed with which the crisis impacted their personal and professional lives, our entire workforce of 1700 staff responded together as one. They committed to do whatever was required to maintain a safe workplace, and to ensure we continued delivering high levels of service to our clients. Under the circumstances, I don't believe we could have responded any better to the impacts of COVID-19, and I thank our CEO Matt Aitken, our leadership team, and all of our amazing staff for their outstanding efforts and commitment over the last year, particularly the last 8 months. Matt moved seamlessly into the CEO's role in August 2019, and since has clearly demonstrated through his leadership how fortunate we are to have someone of his calibre, personal style and skill set at the helm.

An important component of our growth and continued diversification over the last 5 years was our decision to list on the ASX in December 2015.

> **I feel strongly that core to our longevity and success has been the commitment of our people, and our capacity to understand and respond to the constantly changing and expanding communications needs of our clients.**

Our strong free cashflow combined with access to capital has enabled us to undertake a significant investment program to further expand and strengthen our integrated communications offer to enhance our long-term client relationships.

The acquisition of Salmat Marketing Solutions (now IVE Distribution), Reach Media NZ and Lasoo in January 2020 completed the final phase of our strategic roadmap over recent years to further strengthen and expand our offer to retail clients. The now enhanced structure of these businesses has resulted in a more streamlined, nimble and lower cost operation.

Lasoo is the market leader in online digital catalogue aggregation, offering shoppers an interactive experience across a broad range of retailers. Lasoo provides Australian shoppers with a single platform to search for product pricing comparisons, with the detailed analytics that flow further, informing our clients on their customer activity. We see significant opportunity to grow the scale, reach and effectiveness of Lasoo over the year ahead as the printed and digital catalogue work in unison.

Whilst we did not pay a dividend for the last year, as a result of the pandemic, the solid financial performance of the business since listing in late 2015 has enabled us to pay $72 million in fully franked dividends to our shareholders.

Notwithstanding the impacts of COVID-19 and the most recent acquisitions, the Company remains well capitalised and highly liquid. The Board intends to resume dividend payments consistent with the existing dividend policy commencing with the H1 FY21 interim dividend.

We are confident that we are ideally placed to maintain and grow our strong market position as we emerge from the COVID-19 crisis, albeit the global and domestic uncertainty and volatility continues.

We believe our investment and diversification strategy over the last decade to be sound, and we have confidence that the value proposition IVE takes to market, and our extensive customer base, places us in a flexible position to adapt to movements in client expectations over the years ahead.

We are fortunate to have a highly skilled, diverse and engaged board. Thank you to my fellow directors for their commitment and valuable input over what has been a seminal year for the business and all of us in the context of the COVID-19 pandemic.

Geoff Selig
Executive Chairman

CEO’s review

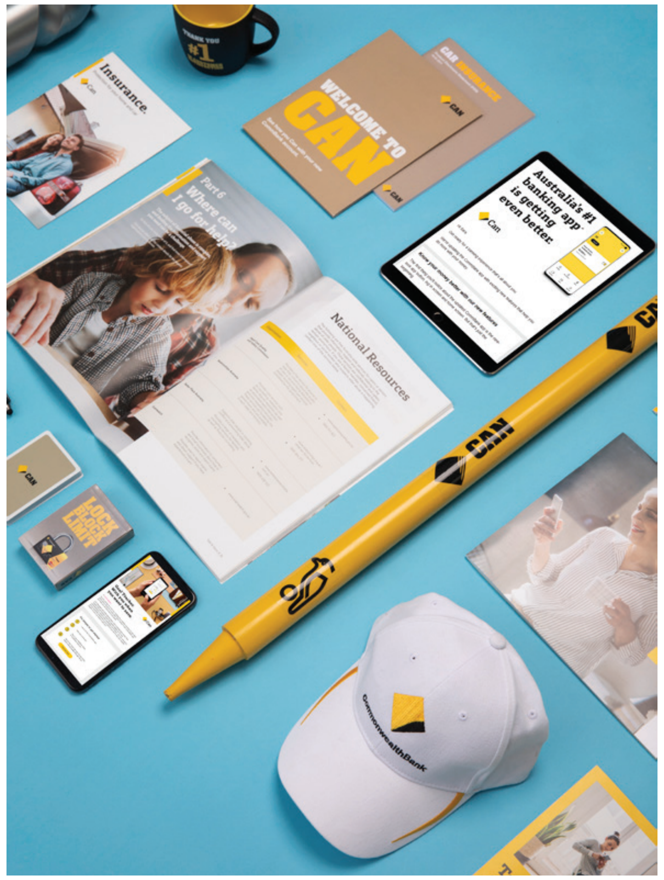
My first year as CEO of IVE has clearly been defined by the COVID-19 pandemic and how the business has managed to navigate its way through an environment we have never experienced previously. I couldn’t be more proud or appreciative of the commitment of our 1700 staff over the last year, particularly since the outbreak of the pandemic in late March – we are so fortunate to have such a wonderful team.

I am also of the view that IVE entered the COVID-19 crisis in a position of strength, this view validated by our capacity to continue servicing our clients throughout, and the strong financial performance of the business highlighted below.

The impacts of COVID-19 on the business were varied, driving in some respects positive initiatives whilst at the same time resulting in lower earnings impacts due to a meaningful reduction in revenue. We estimated a COVID-19 impacted revenue reduction to budget of circa $80m in Q4 FY20, which ultimately impacted our full year financial performance. The revenue shortfall resulted in the Company qualifying for the Federal Government’s JobKeeper program which played an important role in supporting the ongoing employment of many staff across the business.

Due to the impacts of COVID-19 and relative to the previous year, revenue was down 4% to $691.5m, EBITDA down 5% to $76.6m, and NPATA down 2% to $36.7m. Both gross profit margin and EBITDA margin were consistent with previous year. Capital expenditure of $12.3m was significantly reduced on the prior year and we expect this to remain around $10m per annum for the next couple of years. Free cash conversion of 110% resulted in net debt to EBITDA consistent with previous 2 years at 1.79x.

We moved quickly at the outset of the pandemic to implement appropriate measures to ensure the safety and wellbeing of our staff. We also executed a range of initiatives to mitigate the expected financial effects of COVID-impacted revenue volatility, whilst still ensuring high levels of customer service. More detail around our COVID-19 response and impacts is contained on pages 34-39 of this report. It is important to note that this crisis demonstrated the flexibility of our cost base, and the strong liquidity position we have worked hard to achieve.



The year also saw the Company cease going to market under multiple brands with the move to one IVE brand with four core offerings. This move was in recognition of our increasingly integrated offer, and will ensure we build further on the IVE brand to create a highly impactful, strong and simplified offer to the market. We also took the opportunity due to COVID-19 to leverage our supply chain and strong client relationships to significantly expand our personal protective equipment (PPE) range.

At the same time as rebranding we also launched our IVE Care program which focuses on ensuring and improving two key areas of our business: the quality and security of our products and services for our clients, and the wellbeing, safety, diversity and inclusion of our people.

Every year we commit a significant amount of resource to workplace health and safety through our IVE Care program, and the program was core to our COVID-19 response as we managed the health and wellbeing (physical and mental) of our staff and ensured continuity of operations across all of our sites.

We are executing a range of important initiatives across the business over the year ahead and I look forward to updating shareholders in more detail at our AGM in November.

As I have said previously, we will always strive to be focused on high levels of performance for our customers, looking after our staff, and ensuring we operate as efficiently as possible to deliver an acceptable return for our shareholders.

My sincere thanks to our Executive Chairman Geoff Selig for his invaluable contribution and mentorship, my cohesive and committed leadership team, and to other members of the board for their ongoing support and encouragement since taking on the role of CEO in August of last year.

We look forward to celebrating our centenary year in 2021.

> **I couldn’t be more proud or appreciative of the commitment of our 1700 staff over the last year, particularly since the outbreak of the pandemic in late March – we are so fortunate to have such a wonderful team.**

Matt Aitken
Chief Executive Officer

Board of Directors

Geoff Selig
Executive Chairman

Geoff has over 30 years' experience in the marketing communications sector. Geoff was managing director of the IVE Group prior to moving into the role of executive chairman following the Company's listing on the ASX in December 2015.

Geoff is a director of Caxton Group and Caxton Print Holdings, and also sits on the board of The Lysicrates Foundation. He was the State President of the NSW Liberal Party from 2005-08.

Geoff holds a Bachelor of Economics from Macquarie University and is a member of the Australian Institute of Company Directors.

Paul Selig
Executive Director

Paul's career commenced in banking and treasury management before moving into the print and marketing communications sector over 25 years ago. He has been a director of the Company since 2012 and appointed to IVE Group Limited on its incorporation in 2015. Paul is an experienced director and investor having run the Caxton Group family office for over 15 years.

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.

Sandra Hook
Independent
Non-Executive Director

Sandra has a track record in driving customer-centred business transformation and transitioning traditional organisations in rapidly evolving environments. She has extensive operational, digital, financial management and strategic experience built over 25 years as a CEO and in senior executive roles for some of Australia's largest media companies including News Limited, Foxtel, Federal Publishing Company, Murdoch Magazines and Fairfax.

Since 2000 she has also served as a non-executive director on listed, public and private companies and government bodies. Sandra is currently director of digital/technology companies RXP Services Ltd (ASX: RXP), MedAdvisor Ltd (ASX: MDR) and Redhill Education (ASX: RDH) as well as the Sydney Fish Market. She is a trustee of the Sydney Harbour Federation Trust.

Committees:
Member of the Nominations & Remuneration Committee.

James Todd
Independent
Non-Executive Director

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 three other ASX listed companies, HRL Holdings Limited (ASX: HRL), Coventry Group Limited (ASX: CYG) and Bapcor Limited (ASX: BAP).

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.

Committees:
Member of the Audit, Risk & Compliance Committee and Nominations & Remuneration Committee.

Carole Campbell
Independent
Non-Executive Director

Carole Campbell is a professional company director with more than 30 years' experience across a diverse range of industries including professional services, financial services, media, mining and industrial services.

Carole commenced her career with KPMG and has held senior finance roles with Macquarie Group, Westpac Institutional Bank, Seven West Media, Bis Industries and Merivale.

Carole is a Non-Executive Director and Chair of Audit Committee of FlexiGroup Limited (ASX: FXL), Southern Cross Media Group Limited (ASX: SXL) and Deputy Chair of Council and Chair of the Finance, Audit and Risk Management Committee of the Australian Film Television and Radio School. She is also a Non-Executive Director of The Sydney Film Festival.

Carole is a Fellow of Chartered Accountants Australia and New Zealand (FCA) and a Graduate Member of the Australian Institute of Company Directors (GAICD).

Committees:
Chair of the Audit, Risk & Compliance Committee.

Gavin Bell
Independent
Non-Executive Director

Gavin is an experienced director, executive and lawyer. Gavin is currently a director of Smartgroup Corporation Limited (ASX: SIQ). 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.

Committees:
Chair of the Nominations & Remuneration Committee and Member of the Audit, Risk & Compliance Committee.

Operating and financial review

Our vision, purpose and values

Our vision and purpose is to maintain and grow a highly respected, strong and sustainable business for all key stakeholders – our staff, our clients and our shareholders. Core to this is ensuring a value proposition that maintains its relevance to our clients' ever evolving communications needs.

IVE unlocks value for our stakeholders through the powerful combination of our brand values that are the guiding principles of our behaviour – core to this is our 'one company philosophy'.

Strategy

IVE commenced the evolution to a broader product and service offering late in the 1990's through a combination of organic growth initiatives and a long-term strategic acquisition program. Our continued growth and diversification, and the convergence of technologies on the back of the digital revolution over the last decade, has coincided with meaningful consolidation across the more traditional parts of the marketing communications sector. This has resulted in a more defined competitive landscape than ever before with a reduced number of competitors. IVE has led sector consolidation and innovation over the last 10 years and today has the most diversified integrated marketing communications offer in the Australian market.

Core to the ongoing sustainability of the business is that the value proposition we take to market has always remained relevant by being closely aligned to our clients evolving marketing communications requirements.

The diversity of IVE's value proposition places us in a strong position relative to a number of competitors across the sector. IVE does not have one headline competitor that has an equivalent breadth of offering, and we continue to hold dominant market positions across the sub sectors we operate in. In this context we believe the impact of the COVID-19 pandemic will further strengthen our position to grow market share.

The strength of our long-term client relationships, continued high levels of customer service, combined with a powerful commercial offer, are core to protecting revenue. This, combined with the continued drive to grow new revenues, places IVE in a unique position from which to build market share as the sector consolidates further post COVID-19, and on the back of potentially softer macro-economic conditions.

IVE's strengths relative to competitors places us in an ideal position to defend and grow revenue:

> **Our people and culture**

> **Our customer first philosophy**

> **Significant and ongoing investment in our asset base and operations over many years**

> **Efficient operations enhanced further through further cost recalibration and business simplification over the last 12 months**

> **Diversified value proposition facilitates 'bundled offer' to our clients**

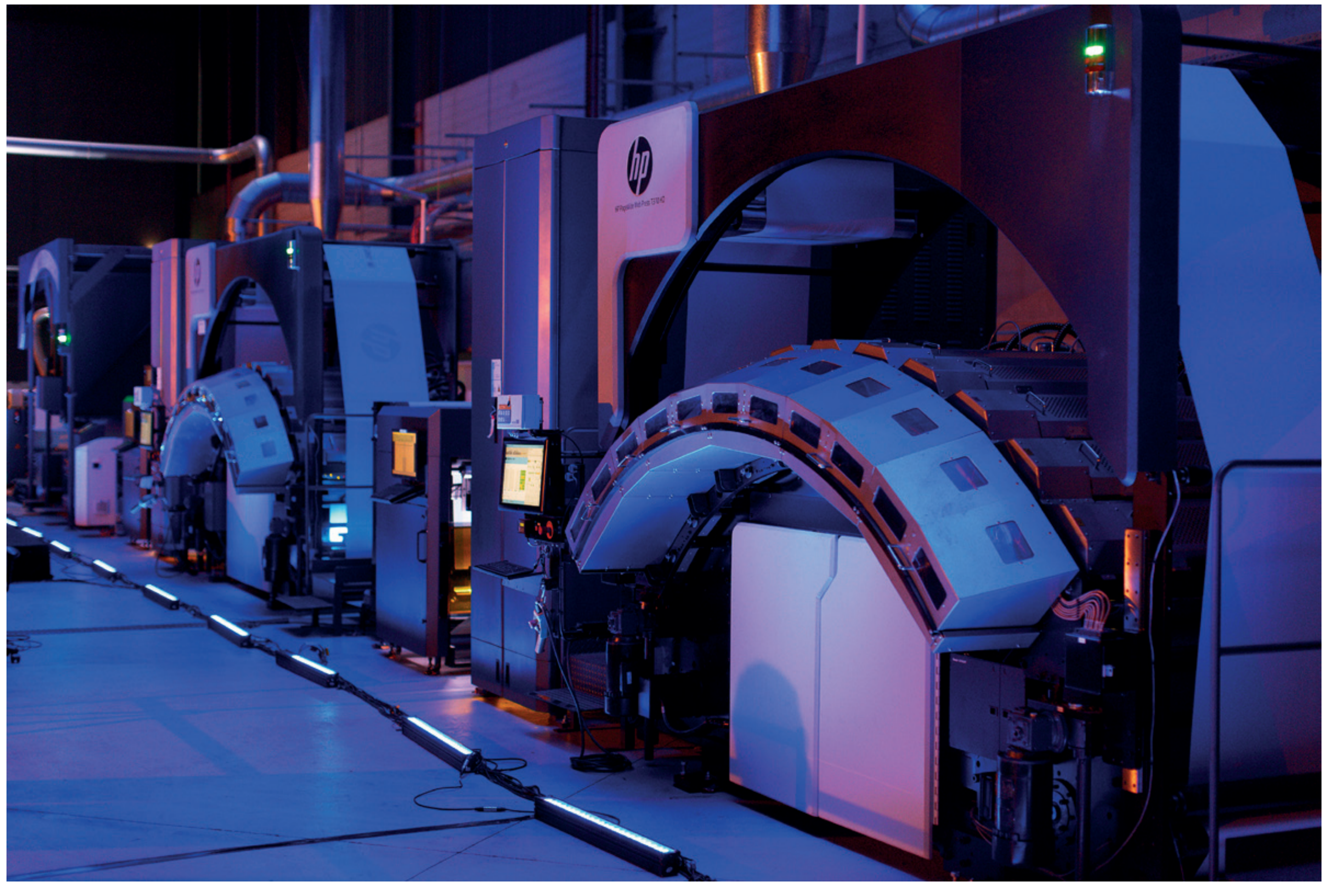
> **Scale of business ensures powerful buying power**

> **Strong financial position provides staff, clients and suppliers with security**

> **Very well credentialed in terms of quality, environment and data security**

The move in November 2019 to simplify our brand further supports the increasingly integrated offer IVE takes to market.

The Company believes that its investment and diversification strategy over the last decade to be sound, and has confidence that the value proposition IVE takes to market places us in a flexible position to adapt to movements in client expectations in the post COVID-19 world.



Environmental, social and corporate governance

People and culture

Proudly inclusive, we believe we are an employer of choice across all the sectors in which we operate, continuing to attract and retain the best diversity of talent. Our IVE Care program is focused on ensuring and improving the wellbeing, diversity and inclusion, and health and safety of all our employees. We believe in 'a better you, a better workplace' for a people and for their families.

ivecare

We're exceptionally proud of our people. Our IVE Care program aims to help our people, through recognition and support, to achieve their personal and professional goals. Designed to create an environment that embraces our diverse workforce, our employee wellbeing program provides our 1,700+ employees access to a wide range of benefits, including:

Health and wellbeing

Our Employee Assistance Program (EAP) is designed to help employees resolve issues and challenges arising in the workplace or in their personal life in a positive way. The EAP provides access to independent, confidential counselling and advice from qualified and experienced psychologists. We also provide onsite health assessments at specified times to help employees understand and increase awareness of their health. To support this, from time to time, education and information programs will be made available to assist employees in making changes for a healthier lifestyle. Flu vaccinations are also offered across the IVE business on an annual basis. In FY20, we again ran awareness events surrounding R U OK Day.

Lifestyle benefits

IVE Rewards program provides our employees and their families the opportunity to stretch their dollar further through significant savings at all of their favourite retailers. Our employees spend more than $1m per annum through this program.

Wealth and security

IVE have partnered with Bupa to provide a corporate health insurance offer with an employee discount on rates. In addition to receiving competitive premiums, the cover reduces the waiting periods for certain benefits and provides access to the Bupa Life Skills program. IVE has also made an additional superannuation fund choice available to employees via a key client partner.

Diversity and inclusion

We come from many different nationalities, backgrounds, experiences and lines of work. Our rich diversity is at the centre of our success, and at the heart of our evolution as Australia's leading holistic marketing company.

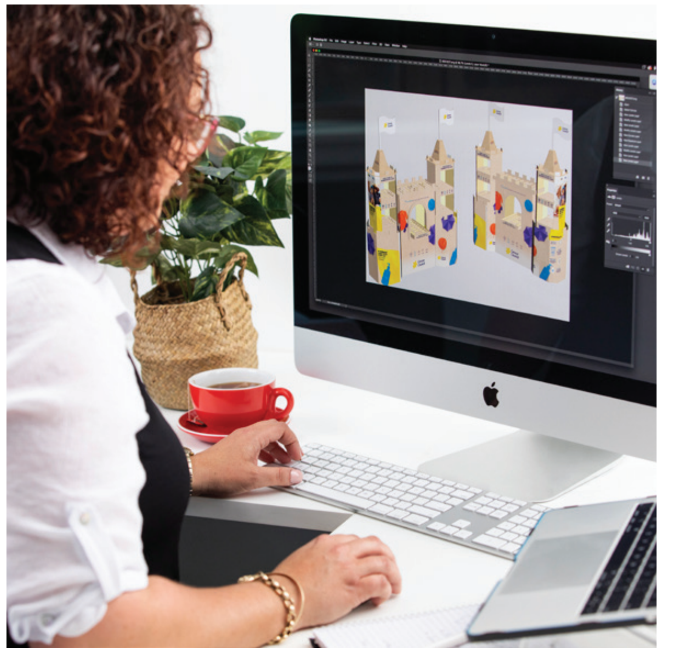
An inclusive working environment that embraces our unique differences and diverse perspectives, brings greater creativity and innovation, leads to higher wellbeing, productivity and engagement, and importantly, enables us to better reflect and relate to our customers.

IVE Group is committed to ensuring diversity and inclusion permeates all areas and levels of our business, with every individual feeling included, safe and supported to express themselves authentically. In recognition and support of this, we have established IVE's Diversity & Inclusion Program, reinforcing our commitment to growing a diverse and inclusive organisational culture encompassing and benefiting all employees.

Our Diversity and Inclusion program identifies six key areas of focus:

> Gender equality and inclusion
> Cultural and linguistic diversity
> Intergenerational and mature age
> Aboriginal and Torres Strait Islander Australians
> LGBTI (lesbian, gay, bisexual, trans/ transgender and intersex)
> Disability

In FY20 we ran employee events related to both Pride Week and International Women's Day.



Personal, family and community

Our Workplace Giving Program has been developed to build a stronger link between IVE Group and the community. We believe each of us have an important role to play in the broader community. We have designed this program around a number of great charity partners to provide employees with a simple and effective way to regularly donate from their pre-tax earnings.

Environmental, social and corporate governance – *continued*

Workplace Health and Safety (WH&S)

IVE Group is committed to providing a healthy and safe workplace for all of our employees, contractors, visitors and suppliers, through our IVE Care program.

IVE Care embeds WH&S principles into everything that we do. Our WH&S commitments include:

- Providing effective performance through continual improvement, innovation and capability.
- Empowering our people to make informed, effective, risk based decisions through education, instruction and continual improvement models.
- Achievement of our objectives, targets and actions through evidence-based decision-making.
- Planning, implementation and evaluation of all activities for operational excellence.
- Education through information, instruction, data and analytics.

We have a dedicated, full-time team continually enhancing our WH&S processes and amplifying awareness to ensure all of our people, across all of our locations, experience the best work conditions possible.

In FY20, these efforts focused on three key WH&S Risk Areas with projects in:

- Improving physical safety through fixed plant and traffic management critical risk controls to ensure we manage our most significant risks in a standardised and effective manner.
- Collaborating with key industry leaders to ensure we provide our contractors and suppliers with the right work health, safety, environmental, and quality information to perform their work in line with IVE Group's WHSEQ commitments.
- Enhanced the consultation mechanisms our business needs to allow our people to collaborate on hazard identification, risk reduction and WH&S innovation to accelerate our WH&S journey.

Sustainability and Risk Management

Quality assurance

IVE understands the importance of quality management and has maintained certification to ISO 9001 in Quality Management for almost 20 years. This commitment to quality ensures we can provide superior products and services to our customers, measured in terms of performance, reliability and durability and returned in customer satisfaction and loyalty. We regularly receive positive and welcomed feedback from our clients and strive to continue to provide this level of excellence from marketing technology through to production and distribution.

Ethical sourcing and environmental management

IVE Group continues to deliver a number of processes to ensure that we have a focus on improved sustainability and the ongoing protection of the environments that we source from, work in and supply.

IVE expects all our suppliers (companies and individuals who conduct business with any IVE Group business unit) to adhere to the same ethical values we uphold and as such has put in place controls to ensure that every supplier is assessed, complies to our values and standards, and meets and exceeds our delivery expectations. Through the blending of our best practices and our socially responsible supply base, we are able to achieve the optimal levels of cost efficiency, product/service effectiveness and product safety in a sustainable, inclusive and socially ethical manner.

IVE are active members of Supplier Ethical Data Exchange (SEDEX). Supplier membership

Environmental, social and corporate governance – *continued*

is highly regarded, and allows IVE to assess risk relating to labour standards, health and safety, environmental impact and provide supply chain visibility. We understand that ensuring good business practices is important to our clients, our employees, our shareholders and we support the introduction of the Australian Modern Slavery Act 2018.

We continue to hold accreditation with the Programme for the Endorsement of Forest Certification® (PEFC), which tracks forest-based products from sustainable sources to the final product. It demonstrates close monitoring of each step of the supply chain through independent auditing to ensure that unsustainable sources are excluded.

Additionally, certification of our fibre, paper and fibre-based product supply chains to Forest Stewardship Council® standards assure they are free from any direct or indirect involvement in activities that violate traditional and human rights in forestry operations, as required by the International Labour Organization (ILO) Convention 169.4.

Our outstanding credentials include ISO 14001 Environment certification and our focus remains on delivering our promise of continual improvement by establishing sustainability targets that reflect our commitment to our customers and the communities we work in.

Paper

As the largest printer in Australia, IVE is a significant user of paper from sustainably managed forests. These sustainably run forests help prevent the land being sold and lost to non-forest use eg agriculture or infrastructure development.

The benefits of 'forest land' include prevention of soil erosion, improved water quality – fighting salinity, providing habitat for native birds and wildlife and reducing the use of fertilizer and chemicals.

The industry is a leading recycler as 87% of paper is recovered for recycling in Australia, a substantial increase from 28% in 1990. [Specifically 77% of catalogues are recycled (Australasian catalogue assoc. 2014)*.]

Recycling complements the need for virgin wood fibre, further supporting the growth in fibre based packaging as an environmentally sustainable alternative to plastic.

Around 70% of our paper requirement is sourced offshore as the Australian paper we use is quite specific in nature. We source paper from North America, Finland, Sweden, Germany, South Korea and China.

Though we have seen a proliferation of electronic screens across society, findings conclude that 74% of consumers prefer to read from paper than from screens and 71% enjoy the tactile nature of paper. Consumers also fundamentally believe that when sourced from sustainably managed forests, paper and print remain a sustainable way to communicate.

Source: 'The Attractiveness and Sustainability of Paper and Print' – Two Sides survey July 2016

Data security

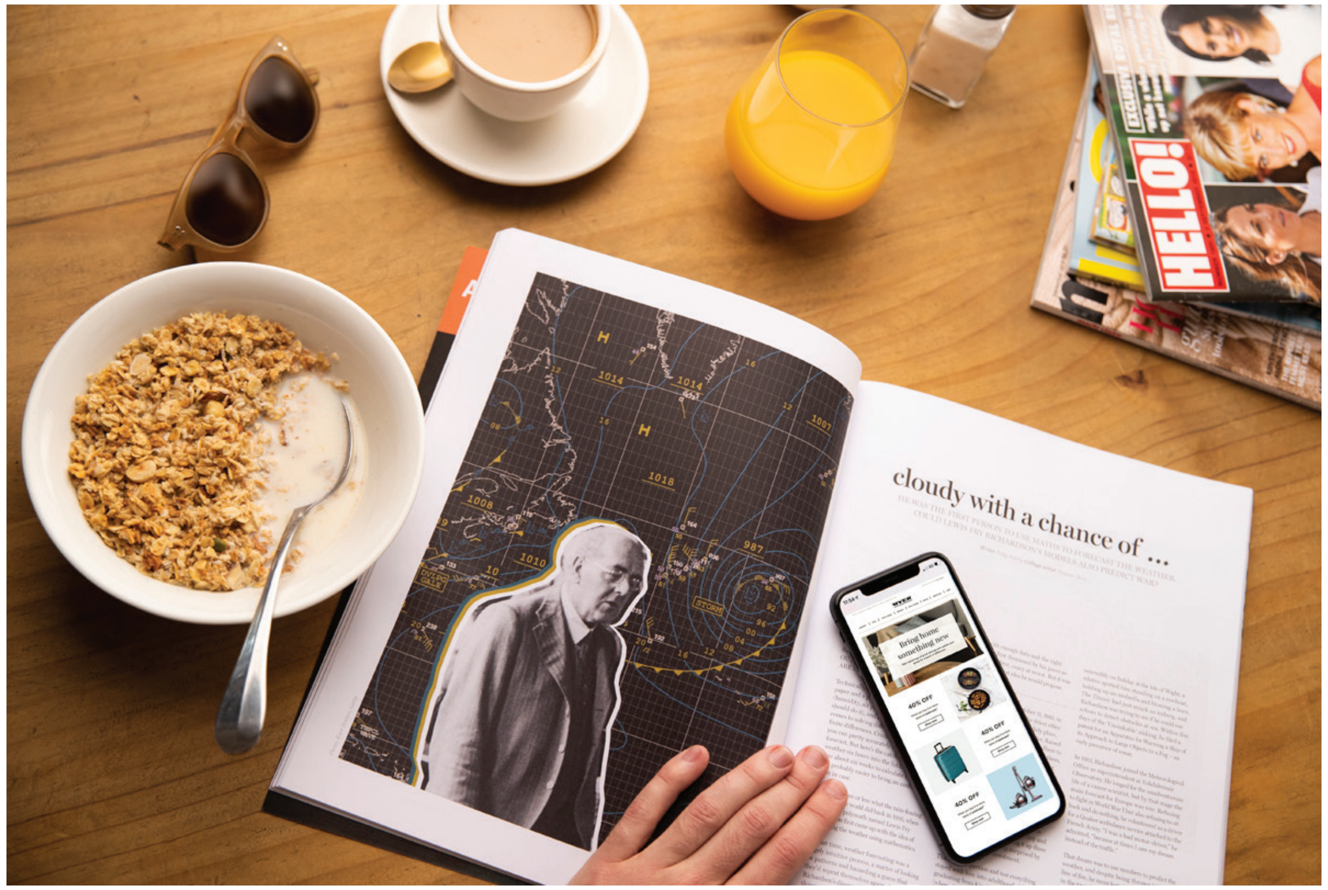
IVE invests over $2 million dollars annually to ensure we maintain best in class data security certifications such as ISO 27001, PCI DSS (RoA) and IRAP, all of which are complex and provide a mature information security profile that supports our customer's obligations and commitment to protecting their customers' data.

In July 2020, IVE communicated to our customers a group wide initiative to conduct a full infrastructure upgrade which demonstrates our commitment to continual investment and improvement in the confidentiality, integrity and availability of our information systems and the future growth of our business.

APRA's latest regulation, CPS234, which came into effect from July 2020, was introduced to ensure we provide cybersecurity controls and strong processes for managing security vulnerabilities and breaches. The Company is well supported by IVE's cybersecurity policies.

We believe that IVE leads the way in providing robust and technologically advanced systems, with the highest security requirements giving our customers the assurance they require.

Environmental, social and corporate governance – *continued*



Risk Management Framework

Over the last year IVE has focused on further enhancing our Risk Management Framework. The purpose of the Framework is to provide a mechanism for IVE to identify opportunities and challenges that could impact the business, understand the risk appetite, and ensure appropriate mitigations are in place.

The Framework provides a method to:

> identify risks including any emerging risks;

> regularly review risks facing the organisation and update the risk register;

> determine the materiality of those risks and the development of a plan to minimise the impact of such risks;

> formulate and update the risk management processes and procedures to address any significant risks;

> monitor the risk culture to ensure alignment with the Board's risk appetite and risk priorities;

> monitor the effectiveness of the risk management processes and procedures that have been implemented; and

> monitor and evaluate the personnel within the organisation responsible for risk management.

IVE's Risk Management Framework and risk register were recently reviewed in light of recent events including COVID-19, and as the economic impacts affecting sales and client demand.

A key focus area was the impact of COVID-19 on the business, that was elevated to an extreme risk where multiple contingencies have been applied to mitigate any negative impact on IVE business units. These are outlined below in our response to COVID-19. The business will continue to monitor the impacts of COVID-19 on our clients and any flow-on effect to IVE.

Other risks elevated within the risk register included the effects of climate change and the impact on the supply chain through the past year, with Australia experiencing bushfires in January 2020 and floods in February 2020.

The introduction of APRA's CPS234 has increased the workload for our Compliance team, with numerous client security assessments, audits and attestations being undertaken. Contracts for APRA entities have all required updating to confirm IVE's ability to support our customer's regulatory obligations. IVE has been able to manage any potential risks by ensuring strict compliance to ISO 27001 Information Security Management. Additionally, IVE has recently implemented PCI DSS. IVE's accreditations make us a preferred partner for many of our customers.

Environmental, social and corporate governance – *continued*

IVE has identified the following key risks as being the most relevant to the business achieving its operational and financial targets:

Key Risk	Description	Risk Appetite	Mitigation
Pandemic	Failure to respond and recover from the effects of the COVID-19 pandemic resulting in the potential loss of employee health, suppliers and customers.	IVE will take a balanced approach to the risks associated with changes in the macro environment. The level of risk taken will be planned for each risk event. This will be measured by monitoring: > employee health, > the revenue to budget in customer sectors, > increased debtor days, forward bookings; and > economic indicators.	> Manage work from home for employees – wherever possible – monitor employee's health, additional cleaning at sites, provide hand sanitiser and temperature checks, split shifts > Pandemic/Business Continuity Plans (BCP), identification of Key Customers/Suppliers/Staff & Functions, site redundancy, staff stand downs, revenue and cost forecast management > Essential service support for clients/supply chain mitigation
External macro-economic factors	Reduced general economic conditions across Australia, lower employment levels and deterioration in consumer confidence may reduce demand for marketing and communications services and products.	IVE will take a balanced approach to the risks associated with changes in the macro environment. The level of risk taken will be planned for each risk event. This will be measured by monitoring: > the revenue to budget in customer sectors, > increased debtor days' forward bookings; and > economic indicators	> Monitor pricing in the market > Continuous engagement with customers > Driving consistent and high-level customer service > Ensure flexibility in operating model across multiple sites
Competition	Increased competitive behaviour in various market segments	IVE will take risks in response to competition and the competitive environment that represents value for money in the returns obtained for the risk taken. This will be measured through: > pricing and margin pressures, > talent and client retention; and > competitor mergers or failures.	> Monitor pricing in the market > Continuous engagement with customers > Driving consistent and high-level customer service > Participate in industry consolidation if the opportunity meets appropriate risk and return parameters
Changing Customer Preferences	Failure to adapt to changing customer and client expectations driven by new or disruptive technologies.	When adapting to the expectations of clients and customers in the changing external environment IVE will take risk to drive value for money. This will be measured by: > customer retention, > number of services per customer; and > customer feedback.	> Maintaining a diverse customer base of over 2,000 customers across a range of different sectors of the economy > Customer contracts will vary in renewal length with an average customer tenure of 8 years > IVE will continue to provide multiple strands of offerings and provide scalability in the technology through the investment in both digital and printed media.

Climate risks

Risks elevated within the risk register included the effects of climate change and the impact on the supply chain through the past year, with Australia experiencing bushfires and floods, and more recently a pandemic.

IVE's business portfolio is diverse and is supported by a portfolio of relatively fixed, long life assets across a number of locations. This diversity of portfolio strongly positions the company to mitigate and manage its exposure to physical climate risks and to maximise the business opportunities it may present.

IVE's major supply chains are also diversified across multiple regions – especially our paper supplies which are drawn from multiple destinations in Europe, Asia, the United States and locally in Australia.

It is IVE's intention to further analyse the potential for climate change risk and the impacts of such risks, as well as regulation and legislation developments, known as 'transition risks' specifically related to climate change, as part of our regular Risk Review. This analysis would include the environmental factors such as water and energy usage, supply chain diversity, transportation and physical risks which form part of our current certifications in Environment, Quality and Information Security and any transition risks that may affect IVE's business or suppliers.

Our offering

Specialising in creative, data-driven communications, integrated marketing, production and distribution, we bring together the capabilities, specialists and technology needed to make customer connection seamless.

Our offering is supported by robust integrated technology platforms that make complex marketing simpler for our clients.

Creative Services

- Visual
- Motion
- Digital
- Personalised
- Structural (3D)

Data-Driven Communications

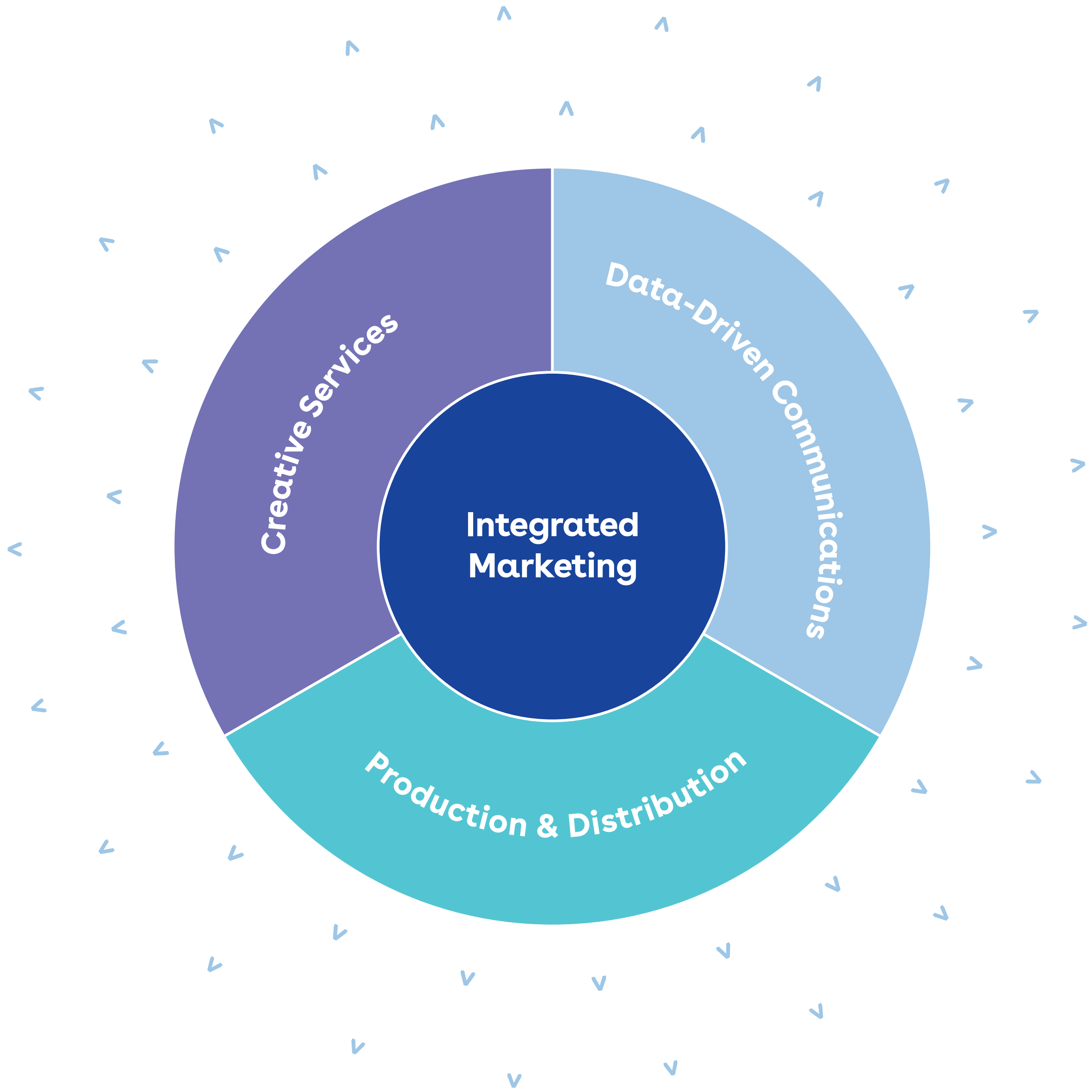
- CX data & insights
- Marketing technology
- Omni-channel deployment
- Retrieval & enrichment
- Tele-fundraising

Production & Distribution

- Print
- Retail display
- Premiums & merchandising
- Integrated logistics

Integrated Marketing

- Collateral optimisation
- Resource management
- Supply chain
- Business intelligence



Sector and client spread

IVE enjoys long-standing relationships with a tier 1 client base. The table below provides a snapshot of our revenue by sector for the year ended June 2020.

Revenue Sector Analysis	$m	%
Retail: White goods, electronics, furniture, clothing	142.3	20.6
Supermarkets	86.6	12.5
Health / personal products	62.9	9.1
Food / beverage	12.0	1.7
Financial / Corporate Services	101.8	14.7
Publishing	55.1	8.0
Charity / Not for Profit	32.9	4.8
Government	30.5	4.4
Tourism / Entertainment	23.7	3.4
Health	15.8	2.3
Telecommunications	15.5	2.2
Manufacturing	10.8	1.6
Other*	102.1	14.7
Grand Total	692.0	100.0

*Other includes: Media, Associations, Education, Service, Automotive, Food, Transport, Agency, Utilities, Broker, Advertising Agency, IT, Building / Construction, Property, Legal Sectors.

Our clients

American Express
Cancer Council
foxtel
nab
Kmart
nib it's worth it
Tabcorp
Westpac
RACV
vodafone
ANZ
bp
Supercheap Auto
Woolworths the fresh food people
AMP
coles
The Salvation Army
BCF
Chemist Warehouse Discount Chemist
L'ORÉAL
DIAGEO
McDonald's
rebel
CommonwealthBank of Australia

Year in review

Business and brand simplification

In November 2019 the Group ceased going to market under four divisional brands (Kalido, Blue Star, Pareto, IVEO). The evolution to one IVE brand with four core offerings (Creative, Data-Driven Communications, Integrated Marketing, Production & Distribution) is in recognition of our increasingly integrated offering, and will ensure we build further on the IVE brand to create a highly impactful, strong and simplified offer to the market. The brand simplification incorporated a complete refresh of all Group marketing material.

The brand simplification coincided with a number of initiatives to further streamline and strengthen the operational structure of the business:

- Refined and enhanced organisational structure
- The closure of our CX (Customer Experience) operations (formerly Kalido) in Asia from May 2020
- The closure of our Queensland DDC operations, with revenue transferred into our existing NSW and Victorian operations
- The integration of our Pareto Fundraising and Pareto Phone businesses into our DDC division

Acquisition of Salmat Marketing Solutions, Reach Media New Zealand and Lasoo

The acquisition of Salmat Marketing Solutions (now IVE Distribution), Reach Media New Zealand and Lasoo was completed on 1 January 2020 for a purchase consideration of $25.4 million. The acquisitions were fully debt funded and at the time of the completion we expected the acquisitions to be accretive to earnings in H2 FY20.

These acquisitions completed the final phase of our strategic roadmap over recent years to further expand and strengthen our offer to retail clients. The combination of Australia's largest letterbox distribution business with IVE's broader print, data analytics and marketing services offer provides a powerful opportunity for clients to enhance returns on their marketing spend through our highly integrated offer.

The integration and restructure plans for the business that were developed through the due diligence program were further refined and expedited as a result of the material negative impact of COVID-19 on the business.

The enhanced structure has resulted in a more streamlined, nimble and lower cost base business.

LASOO

Lasoo is Australia's largest aggregated digital catalogue site. Lasoo transforms printed materials such as catalogues and brochures into an interactive shoppable experience where products can be purchased through the Lasoo site with a simple click to cart.

With all the latest offers, Lasoo provides Australian shoppers with a single platform to search for specials across a range of retailers, the detailed analytics that flow are valuable in measuring activity and further informing our clients on their customer activity.

Lasoo is the market leader in online digital catalogue aggregation attracting over 800,000 shoppers per month. More than 2 million digital catalogues are opened each month on Lasoo generating 21 million interactions. On average more than 70,000 buy-now clicks are recorded through the site per month.

Response and impact of COVID-19

IVE moved quickly at the outset of the pandemic to implement appropriate measures to protect, to the extent possible, the safety and wellbeing of our valued staff.

Notwithstanding the extent and speed with which the COVID-19 crisis impacted their personal and professional lives, our entire workforce of circa 1,700 staff responded amazingly by coming together and committing to do whatever was required to ensure we continued caring for each other and maintaining high levels of service to our clients.

The Company, throughout the period, continued to maintain high levels of customer service through a hybrid of continuing operations across multiple production/service facilities and staff working remotely.

IVE entered this crisis in a position of strength, with the Company responding very well on all fronts to the unprecedented and volatile operating environment. IVE remains well capitalised, highly liquid, and confident that we are ideally placed to maintain our strong market position as we emerge from this period of uncertainty and disruption.

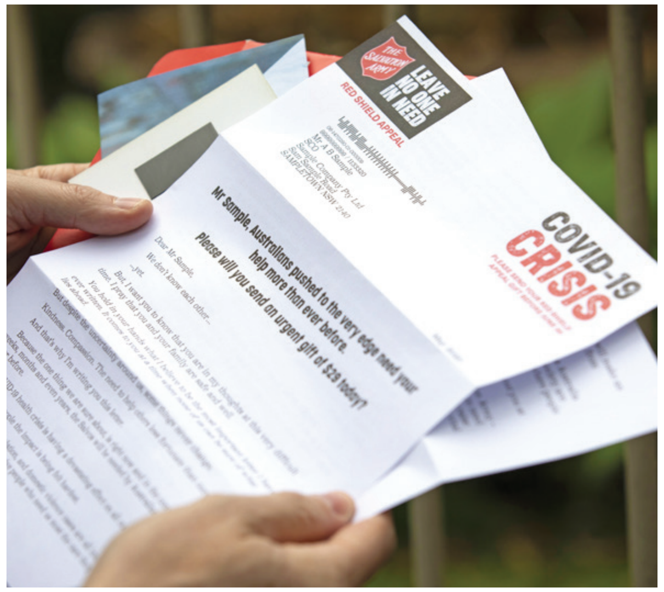
The Company qualified for the Federal Government's JobKeeper Program based on the year on year revenue reduction measured at 30 April 2020. The JobKeeper subsidy will be received up until the end of September 2020 (Q1 FY21).

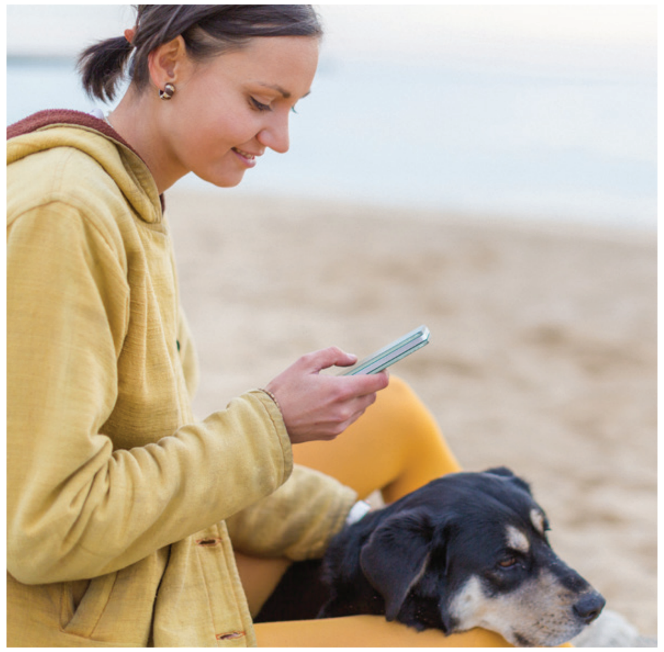
Outlined below is a summary of impacts, initiatives and focus areas in response to the crisis:

> Health and safety of our staff
> Customers and revenue
> Operational
> Banking and liquidity

> The Company, through the period, continued to maintain high levels of customer service through a hybrid of continuing operations across multiple production/service facilities and staff working remotely.

> We have experienced strong growth in sales of our PPE range since April as we continue to meet the needs of our existing and new customers.





> Data-driven communications has remained strong on the back of an increased desire from our clients to communicate 1 to 1 with their customers.

Response and impact of COVID-19 – *continued*

Health and safety of our staff

Driven by the Business Leadership Team, regular meetings were held to ensure a Pandemic Plan was established for each site, in conjunction with a review of site failover and recovery plans in the event a site needed to be shut down for cleaning. This identified key suppliers, key customers and key personnel. Risks were tracked, mitigated and managed across the entire group.

Updates to Policies such as Working from Home and the development of a COVID-19 Site Safety Procedures and Action Plan have enabled the business to continue to operate with minimum impact on our customers, whilst maintaining the health and safety of all our people.

Additional actions taken included enabling all office staff to work remotely where possible and establishing 'tribes' within production areas with staggered shifts to minimise the number of staff onsite and reduce the impact of any possible infection within a shift. Additional cleansing of amenities, temperature checks at entry and providing staff with hand sanitiser and PPE Masks has also allowed staff to protect themselves and their families.

IVE issued numerous client, staff and supplier communications to provide assurance that we were well prepared. We continue to monitor the situation closely and respond to Government advice. IVE is an essential supplier to many of our clients whose businesses must continue to operate throughout these times.

Customers and revenue

As outlined in the strategy overview, IVE continues to benefit from its diversified value proposition and loyal strong customer base.

Across the four (retailing, supermarkets, health & personal products, food & beverage) retail sectors, IVE delivers a broad range of products and services – these include creative, catalogue production/letterbox distribution, publications, in store retail display/point of sale, data-driven personalised communications and packaging.

To the extent we are able to fully measure, the short-term (Q4 FY20) direct revenue impacts of the COVID-19 crisis have been:

- A meaningful reduction in catalogue production and letterbox distribution for a number of our retail customers
- A meaningful reduction in activity across the tourism/entertainment & publishing sectors
- Data-driven communications (DDC) has remained strong on the back of an increased desire from our clients to communicate 1 to 1 with their customers.
- Solid revenues across the not for profit and health sectors
- We have experienced strong growth in sales of our PPE range since April as we continue to meet the needs of our existing and new customers. The growth of this new revenue stream is an excellent example of management's ability to leverage existing competencies (sourcing/logistics in this case) and client relationships to drive organic revenue growth
- A general softening of activity levels across our broader customer base

Given the residual effects of the crisis, the resurgence of the virus in late July 2020, particularly in Victoria, we would expect, given the prevailing uncertainty, that this revenue volatility will be ongoing throughout H1 FY21.

Operational

As communicated in our market update on 23 March 2020, the Company executed a range of initiatives to mitigate the financial impacts of COVID-19 whilst still ensuring high levels of customer service.

The Federal Government's JobKeeper Program has fortunately enabled us to retain staff through this period of revenue volatility. The Group received a gross amount from JobKeeper of $16.8m, with a final net amount of $15.1m net of payments to employees on stand down.

Flexibility across the cost base

The flexibility of the Company's cost base has been core to mitigation.

The Company has executed a range of actions to reduce both short-term and permanent labour cost:

> Staff stand downs as a component of the JobKeeper Program

> Significant reduction/elimination of casual and temporary labour with enhanced resource sharing across the Group

> Reduced hours, including overtime, for a proportion of temporary and permanent staff

> A voluntary temporary reduction in fixed remuneration in Q4 FY20:

- 50% reduction for all board members including the Executive Chairman
- 25% reduction for the leadership team including Chief Executive Officer and Chief Financial Officer
- A range of fixed remuneration reductions for a meaningful number of staff across the Company

> Permanent labour cost reductions:

- In late 2019 the Company moved from multiple brands to one simplified IVE brand and go to market. This resulted in the bringing together of three existing businesses (Blue Star DIRECT, Kalido and Pareto) to form our DDC (Data-driven Communications) offering. The integration of these three business resulted in a refined and enhanced national structure with a meaningful number of permanent positions removed from the business as a result. A number of these redundancies took place following a decision to discontinue our Kalido Asia operations and close our Queensland production operations.
- The Group completed the acquisition of Salmat Marketing Solutions (now IVE Distribution) and Reach Media NZ in early January 2020. In response to revenue impacts as a result of the COVID-19 crisis, we moved quickly to accelerate a comprehensive integration and business simplification plan that resulted in a significant permanent labour cost reduction across the business.
- Further reductions took place across the broader business.
- We have also continued to reduce labour costs across the broader business as we progressively implement our Group wide MIS/ERP upgrade(s).

> Utilisation of accrued annual leave and long service leave

Reducing costs and discretionary expenditure across the Group.

Supply chain

IVE's extensive supply chain consists of:

> Both domestic and global suppliers for our raw materials (primarily paper)

> Both domestic and Asian supply chain for finished goods (primarily premiums and merchandise, personal protective equipment (PPE) and permanent retail display)

From the outset of the pandemic, our entire supply chain has remained stable/reliable and we did not experience any material negative impact through the period.

Our sourcing team based in Guangdong Province in China remained highly engaged with our accredited suppliers on the ground to ensure timelines and quality standards were maintained. We have continued the move to expand our global supply chain to incorporate South East Asia and the Sub Continent.

The response from our supply partners through the crisis reaffirms the strength of relationship we have developed over many years. Some suppliers requested early payment to assist through the crisis which we agreed to.

> **From the outset of the pandemic, our entire supply chain has remained stable/reliable and we did not experience any material negative impact through the period.**

Review of financial performance

Basis of preparation

IVE's Financial Report for FY2020 is presented in accordance with Australian Accounting Standards which comply with International Financial Reporting Standards (IFRS).

In this OFR, certain non-IFRS financial information (underlying) has also been included to allow investors to understand the underlying performance of IVE. The non-IFRS financial information relates to FY2020 and FY2019 results presented before the impact of certain non-operating items and on a continuing business basis as well as before impacts of adoption of AASB16, which allow for a direct comparison to FY2019. The Directors believe the non-IFRS underlying results better reflect the underlying operating performance and is consistent with prior year reporting, this differs from the IFRS presentation.

The non-IFRS underlying 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.

IGL Financial Results (Pre adoption of AASB16)

	IFRS and Underlying (Pre AASB16)			
	Actual FY2020 $m	Actual FY2019 $m	Variance $m	Variance %
Revenue	691.5	723.6	(32.1)	(4.4%)
Gross Profit	329.6	346.6	(17.0)	(4.9%)
% of Revenue	47.7%	47.9%		(0.5%)
Underlying EBITDA continuing operations	76.6	82.0	(5.4)	(6.6%)
Underlying EBITDA continuing operations (ex JobKeeper)	61.5	82.0	(20.5)	(25.0%)
Underlying EBITDA margin %	11.1%	11.3%		(2.2%)
Underlying EBITDA margin % (ex JobKeeper)	8.9%	11.3%		(21.6%)
Non-Operating items	(12.7)	(3.0)	(9.7)	326.1%
Non-Operating item (ex JobKeeper)	2.4	(3.0)	5.4	(180.3%)
EBITDA	63.9	79.0	(15.1)	(19.1%)
Depreciation, amortisation and impairment	63.7	22.7	41.0	180.4%
EBIT	0.2	56.3	(56.1)	(99.6%)
Net finance costs	7.3	9.7	(2.5)	(25.3%)
NPBT	(7.0)	46.5	(53.6)	(115.1%)
Income tax expense	11.4	13.5	(2.1)	(15.9%)
NPAT from continuing operations	(18.4)	33.0	(51.4)	(155.8%)
Discontinued Operations (NPAT)	(1.8)	(1.7)	(0.1)	3.9%
NPAT	(20.2)	31.3	(51.5)	(164.6%)
NPATA continuing operations	(14.3)	36.7	(51.1)	(139.0%)
Underlying NPAT continuing operations	32.6	35.4	(2.8)	(8.0%)
Underlying NPAT continuing operations (ex JobKeeper)	22.1	35.4	(13.4)	(37.7%)
Underlying NPATA continuing operations	36.7	39.1	(2.5)	(6.3%)
Underlying NPATA continuing operations (ex JobKeeper)	26.2	39.1	(13.0)	(33.2%)

The underlying financial results are on a non-IFRS basis and are not audited or reviewed

Non-Operating items excluded from underlying NPAT

Statutory to underlying NPAT reconciliation	Pre AASB16 FY2020 $m	Post AASB16 FY2020 $m
Statutory NPAT continuing operations	(18.4)	(18.4)
Restructure costs	8.7	8.7
Acquisition costs	3.6	3.6
Prior period other	0.4	0.4
Sub Total Non-Operating items	**12.7**	**12.7**
Tax effect of adjustments	(1.7)	(1.7)
Goodwill impairment	40.0	40.0
Underlying NPAT continuing operations	**32.6**	**32.6**

Adoption of AASB16

The full year statutory results are reported in accordance with new leasing standard AASB16, which has resulted in a change to the Company's reported FY20 statutory result. There is no change to the economic performance and cash generation of the business due to AASB16 adoption.

Impact of adoption of AASB16 on the profit and loss Statement

The adoption of AASB16 has increased the EBITDA of the business for the year compared to prior reporting periods. This is due to certain lease costs now being excluded from operating costs in the profit and loss and offset by an increase in depreciation and finance cost charge over the life of the lease. The lease costs are now classified as a right to use asset and lease liability which will reduce over the remaining lease period.

The net result of excluding the lease costs from the profit and loss and increasing the depreciation and finance charges is an increase of $25.4m on a EBITDA basis, however NIL on a NPAT and NPATA basis as outlined in the table below.

It should be noted any impacts in reported earnings is non-cash and is temporary timing difference which will reverse over the life of the leases impacted.

Banking covenants are on a pre AASB16 adoption basis.

Review of financial performance – *continued*

	IFRS and Underlying FY20 Pre and Post AASB16			
	Pre AASB16 Actual FY2020 $m	Post AASB16 Actual FY2020 $m	Variance $m	Variance %
Revenue	691.5	691.5	0.0	0.0%
Gross Profit	329.6	326.8	2.8	0.9%
% of Revenue	47.7%	47.3%	0.0	0.8%
Underlying EBITDA continuing operations	76.6	102.0	(25.3)	(24.9%)
Underlying EBITDA continuing operations (ex JobKeeper)	61.5	86.9	(25.4)	(29.3%)
Underlying EBITDA margin %	11.1%	14.7%	0.0	(24.9%)
Underlying EBITDA margin % (ex JobKeeper)	8.9%	12.6%		(29.3%)
Non-Operating items	(12.7)	(12.7)	0.0	0.0%
Non-Operating item (ex JobKeeper)	2.4	2.4	0.0	0.0%
EBITDA	63.9	89.4	(25.4)	(28.5%)
Depreciation, amortisation and impairment	63.7	85.6	(21.9)	(25.6%)
EBIT	0.2	3.7	(3.5)	(93.8%)
Net finance costs	7.3	10.7	(3.4)	(32.1%)
NPBT	(7.0)	(7.0)	0.0	1.1%
Income tax expense	11.4	11.4	0.0	0.0%
NPAT from continuing operations	(18.4)	(18.4)	0.0	0.0%
Discontinued Operations (NPAT)	(1.8)	(1.8)	0.0	0.0%
NPAT	(20.2)	(20.2)	0.0	0.0%
NPATA continuing operations	(14.3)	(14.3)	0.0	0.0%
Underlying NPAT continuing operations	32.6	32.6	0.0	0.0%
Underlying NPAT continuing operations (ex JobKeeper)	22.1	22.1	0.0	0.0%
Underlying NPATA continuing operations	36.7	36.7	0.0	0.0%
Underlying NPATA continuing operations (ex JobKeeper)	26.2	26.2	0.0	0.0%

The underlying financial results are on a non-IFRS basis and are not audited or reviewed

All financial commentary is based on pre AASB16 adoption and continuing operations basis, this is in order for comparatives to pcp to be meaningful. All impacts of adoption of AASB16 on the profit and loss are outlined in the table above.

Revenue

Total revenue for the Group for FY20 was $691.5m. This includes acquisition revenue for H2 for Salmat Marketing Solutions (now IVE Distribution) and Reach Media of $50.0m. Normalised for the acquisitions, revenue declined by $82.1m from pcp of $723.6m to $641.5m. The main drivers in the decreased revenue relate to

> COVID-19 negatively impacting revenues from March and the balance of Q4

– Catalogue production and distribution revenue was impacted due to major supermarket clients not needing to advertise as a result of significantly increased sales through the crisis. Some retail clients also reduced or cancelled catalogue production and distribution due to a combination of their ongoing supply issues and store closures.

– Travel sector clients reduced spend over the period, however it should be noted that we are still doing work for travel clients albeit at reduced levels.

Despite the negative impacts of COVID-19 on some parts of the business other sectors continued to perform strongly:

> Retail Display had strong growth year on year

> COVID-19 resulted in many clients increasing 1 to 1 communications with their with customers

> Many clients/sectors not impacted by COVID-19 and activity levels remain strong (eg: healthcare and not for profit)

> No material client losses of note during FY20 including post COVID-19

> Secured contract extensions for a large number of existing clients

> Continued strong momentum on organic revenue growth

> Revenue from the PPE product lines in our premiums and merchandise business was much higher than anticipated

As a result of COVID-19 impacts outlined above the Group qualified for the Federal Governments JobKeeper Program (i.e. April 2020 revenue down by more than 30% to pcp).

> Prior to COVID-19 and as discussed in H1, revenues were also impacted by softer macro-economic conditions, particularly in some parts of the retail sector.

Earnings

IFRS and underlying gross profit was $329.6m and compares to $346.6m in pcp.

> The Group's gross profit margin (revenue less material cost of goods sold) has remained stable over the period at 47.7% and normalising for Salmat/Reach revenue, gross profit margin is 48.6%, an increase on pcp.

The increase reflects

– benefits of paper price reduction savings partly reflected in FY20, with positive signs indicating further benefits may support margin improvement moving forward.

– benefits of work mix, bringing more work into 'in-house' operations as the group continues to refine offering to its clients

– continuing to procure well through leveraging the Group's scale across the supply chain

> Distribution revenues have a lower gross profit margin than other parts of the business.

Production and Administration expense on an IFRS basis reflect the net benefits of the Federal Government JobKeeper scheme of $15.1m (net of amounts paid to staff placed on stand down) which is a credit to the profit and loss and reflected as an offset reducing labour expense.

> On an underlying and continuing business basis production and selling labour is a decrease of $24.8m to pcp ($171.5m to pcp $196.3m), this has largely been driven by:

– Reduction in volume results in reduce variable labour in line with the revenue reduction. As a result of the significant revenue reductions relating to COVID-19 impacts, the Group further reduced its labour cost through a combination of:

- Benefits of JobKeeper
- Staff stand downs
- Reduction/elimination of casual and temporary labour
- Reduced hours, including overtime
- Voluntary reduction in fixed remuneration for Q4
- Permanent labour cost reduction (redundancies)
- Utilisation of accrued annual and long service leave

– Offset by an increase due to Salmat/Reach acquisition labour in H2 of $10.1m, this is net of redundancies in H2 due to acquisition synergies as a result of expediting integration plans.

Review of financial performance – *continued*

- On an underlying and continuing business basis, production and administration expense (excluding depreciation) is an increase of $7.3m to pcp ($76.7m to pcp $69.4m) –
  - Increase due to Salmat/Reach acquisition $6.4m
  - Bad and doubtful debts
    - There have been no bad debts to date as a direct result of COVID-19
    - As a result of COVID-19, we considered it prudent to increase the provision at year end for bad and doubtful debts
    - $0.7m bad debt for Harris Scarfe has been fully provided for

EBITDA

IFRS EBITDA of $63.9m also includes the net benefits of JobKeeper of $15.1m.

- Non-operating items excluded from underlying earnings
  - $8.7m restructure costs (predominantly redundancies and business relocations)
  - $3.6m acquisition costs (predominantly Salmat Marketing Solutions and Reach Media acquisitions)
  - $40m impairment to goodwill

Underlying EBITDA of $76.6m and an EBITDA margin of 11.1% including JobKeeper on a continuing business basis compares to FY19 of $82.0m. The decrease in EBITDA to pcp is due to revenue reduction over the COVID-19 period as well as softer macro-economic conditions in some parts of the retail sector impacting H1 and into the later part of Q3.

- EBITDA margin reduction was partly due to an increased cost base for Salmat/Reach acquisitions impacting H2, however revenue significantly reduced in Q4 as a direct result of COVID-19 on catalogue and distribution revenue. This was partly offset by net JobKeeper receipts
- The Group remained profitable throughout Q4

Depreciation and amortisation

Depreciation and amortisation (pre AASB16) remained in line with pcp normalising for Salmat/Reach. Amortisation expense of $6.3m to pcp of $5.9m with increase relating to Salmat/Reach acquisition customer contracts amortisation.

Net finance costs

Net finance costs improved on pcp with IFRS net finance costs reducing to $7.3m from $9.7m, and on an underlying basis $7.3m to $9.0m (pcp underlying excludes write off of prior facility costs). The savings in finance cost to pcp relates to a full year of the new finance facility with improved pricing. Offset by additional borrowings in relation to the Salmat/Reach acquisitions.

Net profit after tax (NPAT)

IFRS NPAT loss of ($18.4m) impacted by goodwill impairment (non-cash) of $40.0m, following annual impairment testing of the Group's Cash Generating Unit (CGU), a goodwill impairment has been recognised in relation to the Production & Distribution CGU. More specifically, the impairment relates to Large Format Web Offset (formally Franklin Web) and Distribution (formally Salmat Marketing Solutions/Reach Media NZ). A full explanation is contained in Note 15 of the financial statements. On an underlying basis (including JobKeeper) profit of $32.6m to pcp $35.4m. Again impacted by COVID-19 and softer macro-economic conditions, particularly in some parts of the retail sector.

Net Debt, Balance Sheet and liquidity

IVE Group Limited Net Debt

	FY2020 Actual $m	FY2019 Actual $m
Loans & borrowings – short term	6.9	6.3
Loans & borrowings – long term	181.8	168.9
Loans & borrowings* – Sub Total	188.7	175.2
Cash	(51.6)	(31.5)
Net Debt	**137.1**	**143.7**

** Loans & borrowings are gross of facility establishment costs*
** Excludes right of use liabilities impacts from adopting AASB16*

- Net debt to underlying EBITDA of $76.6m and leverage of 1.79x
- Net debt reduced from 23 March 2020 market update by $36.9m to $137.1m at 30 June 2020 due to tight liquidity control and working capital management from the start of COVID-19 period and ongoing
- As at 30 June 2020 working capital facility of $30.0m is fully undrawn
- As at 31 July cash at bank was $56.7m (with the working capital facility remaining fully undrawn)
- To be prudent, the Company moved quickly at the outset of the pandemic to obtain leverage covenant waivers for 30 June 2020 and 31 December 2020. Based on positive trading and the close management of working capital the Company was covenant compliant at 30 June 2020
- IVE's senior debt facility matures in April 2023.
- As announced on 23 March 2020, the Company took the pre-emptive and conservative decision to cancel the previously announced H1 FY20 interim dividend of $12.7m (8.6 cents per share). We have continued to maintain a high level of liquidity since then and expect this to continue.

Capital expenditure

The Company's operational footprint is in excellent shape as a result of its substantial investment program over the last 5 years.

- H1 FY20 capital expenditure was $6.3m excluding MIS/ERP upgrade(s)
- In line with previous communication, FY20 full year capital expenditure was $8.7m excluding MIS/ERP upgrade(s) of $3.6m
- FY21 capital expenditure expected to be approximately $10m including MIS/ERP upgrade(s)
- As communicated in March 2020, the previously foreshadowed capital expenditure of $25-30m on catalogue collation automation is currently on hold

Cash Flow

	Underlying FY2020 $m	Stat FY2020 $m
EBITDA	76.6	63.9
Movement in NWC/non-cash items in EBITDA	7.3	7.9
Free Cash Flow	**83.9**	**71.8**
Capital expenditure (net)	(9.5)	(9.5)
Payments for acquisitions & deferred consideration	(25.5)	(25.5)
Net cash flow before financing and taxation	48.9	36.7
Tax	(12.5)	(8.9)
Net proceeds from bank loans	14.9	14.9
Payment of finance lease liabilities	(3.9)	(3.9)
New facility transaction costs	(0.2)	(0.2)
Dividends paid	(11.4)	(11.4)
Interest paid	(5.9)	(5.9)
Discontinued operations	0.0	(1.2)
Net cash flow	**29.8**	**20.1**
Free cash conversion to EBITDA	**110%**	**112%**

Underlying cash flow is presented on a continuing operations basis pre AASB16 including JobKeeper

The underlying financial results are on a non-IFRS basis and are not audited or reviewed

During the period the Group managed its working capital closely through debtors, creditors and inventory levels:

> Creditors
  – Extended agreed payment terms with a limited number of key suppliers with most suppliers reverting to normal payment terms from July 2020
  – Deferred rent for 3 months for some facilities (circa $3.0m which is to be repaid to landlords over a 6-12 month period starting July 2020)
  – Payroll tax payments deferred for Q4 as agreed with state revenue offices
  – Some key suppliers requested early payment to assist through the COVID-19 period to which IGL agreed

> Debtors
  – Some clients requested payment plans with which the company agreed. All of these clients are currently now back to normal trading terms or are paying to agreed payment plan
  – The Group took COVID-19 as an opportunity to further focus on reducing debtors wherever possible in order to reduce credit risk.
  – As at 30 June 20 we have had no bad debts specifically related to COVID-19, however we do service clients who have been negatively impacted such as some retail, publishing and travel sector clients, and as a result we have ensured the appropriate amount of provisioning.
  – During the period Harris Scarfe went into administration with an amount of $0.7m fully provided for at 30 June 2020.

> Inventory
  – At 30 June 2019 paper inventory levels were higher than average due to stock supply issues in the prior period
  – In FY20 the Group has made a concerted effort to reduce these holdings, which was made more difficult given the reduced volumes impacting revenues during Q4 due to COVID-19.
  – Despite this the Group inventory levels have decreased by circa $10.0m to pcp.

As a result of the actions taken to strengthen liquidity our free cash flow conversion of 112% to EBITDA on an IFRS basis and110% on an underlying basis.

Additional information

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Directors' report

for the year ended 30 June 2020

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 2020 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 and distribution of catalogues, magazines, marketing and corporate communications materials and stationery;

> Manufacturing of point of sale display material and large format banners for retail applications;

> Personalised communications including marketing automation, marketing mail, publication mail, eCommunications,multi-channel solutions, and call center services;

> Data analytics, customer experience strategy, and CRM; and

> Outsourced communications solutions for large organisations including development of customised multi-channel management models covering creative and digital services, supply chain optimisation, inventory management, warehousing and logistics.

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

Aside from the acquisition of Salmat Limited's distribution business (refer note 23 of the financial report), there were no other significant changes in the nature of the activities of the Group during the year.

Operating and financial review

The loss after tax of the Group for the year ended 30 June 2020 was $20,189 thousand (2019: profit after tax of $31,304 thousand). A review of operations and results of the Group for the year ended 30 June 2020 are set out in the Operating and Financial Review, which forms part of the Annual Financial Report.

Dividends

On 23 March 2020, the Group announced the cancellation of the H1 FY20 interim dividend (8.6 cents per share – $12,700 thousand in total). The Board has decided to suspend the final dividend for FY20 given the ongoing economic impact of COVID-19, and to continue strengthening the balance sheet to further support opportunities to create additional value for shareholders.

The Board intends to resume dividend payments consistent with the existing dividend policy commencing the H1 FY21 interim dividend.

Total dividends of $11,412 thousand were declared and paid by the Company to members during the 2020 financial year. Further details on dividends are included in note 20 of the Financial Report.

Significant changes in the state of affairs

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

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 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 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.
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 (ASX: SIQ). 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. *Committees*: Chair of the Nomination & Remuneration Committee and Member of the Audit, Risk & Compliance Committee.
Carole Louise Campbell Independent Non-executive Director Appointed: 21 November 2018	Carole Campbell is a professional company director with more than 30 years' experience across a diverse range of industries including professional services, financial services, media, mining and industrial services. Carole commenced her career with KPMG and has held executive roles with Macquarie Group, Westpac Institutional Bank, Seven West Media, Bis Industries and Merivale. Carole is a Non-Executive Director and Chair of Audit Committee of FlexiGroup Limited (ASX: FXL), Non-Executive Director of Seven West Media Group Limited (ASX: SXL), Southern Cross Media Group Limited (ASX: SXL) and Deputy Chair of Council and Chair of the Finance, Audit and Risk Management Committee of the Australian Film Television and Radio School. She is also a Non-Executive Director of The Sydney Film Festival. Carole is a Fellow of Chartered Accountants Australia and New Zealand (FCA) and a Graduate Member of the Australian Institute of Company Directors (GAICD). *Committees*: Chair of the Audit, Risk & Compliance Committee.
Sandra Margaret Hook Independent Non-executive Director Appointed: 1 June 2016	Sandra has a track record in driving customer-centred business transformation and transitioning traditional organisations in rapidly evolving environments. She has extensive operational, digital, financial management and strategic experience built over 25 years as a CEO and in senior executive roles for some of Australia's largest media companies including News Limited, Foxtel, Federal Publishing Company, Murdoch Magazines and Fairfax. Since 2000 she has also served as a non-executive director on listed, public and private companies and government bodies. Sandra is currently director of digital/technology companies RXP Services Ltd (ASX: RXP), MedAdvisor Ltd (ASX: MDR) and Redhill Education Limited (ASX: RDH) as well as the Sydney Fish Market and CRC Fight Food Waste. She is a trustee of the Sydney Harbour Federation Trust. *Committees*: Member of the Nomination & Remuneration Committee.

Director	Experience, special responsibilities and other directorships
Paul Stephen Selig 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 a director of the Company since 2012, and appointed to IVE Group Limited on it's incorporation in 2015. 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 Independent 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 three other ASX listed companies, HRL Holdings Limited (ASX: HRL), Coventry Group Limited (ASX: CYG) and Bapcor Limited (ASX: BAP). 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. *Committees*: Member of the Audit, Risk & Compliance Committee and Nomination & Remuneration Committee.
Warwick Leslie Hay Managing Director Appointed: 25 November 2015 Ceased: 5 August 2019	After joining IVE Group in 2009 as CEO of Blue Star WEB, Warwick was appointed Managing Director in 2014. Warwick has over 20 years' of management experience across all business functions in complex B2B environments. His expertise lies in his ability to lead through significant change, from business turnarounds to growth strategies such as building greenfield facilities. He has a proven track record and passion for delivering customer centric strategies, including new product innovation and market launch, implementation of complex importing supply chains and large capital investment projects. 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.

Directors' report – *continued*

Company Secretary

Naomi Dolmatoff

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

Darren Dunkley

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

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 54).

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.

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	20	20	–	–	–	–	2	2
Gavin Bell	20	18	4	4	3	3	–	–
Sandra Hook	20	19	–	–	3	3	–	–
Paul Selig	20	20	–	–	–	–	–	–
James Todd	20	20	4	4	3	3	–	–
Carole Campbell	20	20	4	4	–	–	2	2
Warwick Hay[1]	2	2	–	–	–	–	–	–

1 Warwick Hay resigned as Managing Director effective 5 August 2019 and ceased employment on 31 January 2020.

Events subsequent to reporting date

Aside from the event below, 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.

On 11 August 2020, Coles Group Limited informed the Group that it would reduce catalogue printing. This will affect the Group's revenue with an estimated reduction of between $35,000-$40,000 thousand.

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 2020. 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 2021. 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.

Remuneration Report (Audited)

Introduction

This Remuneration Report (**Report**), which has been audited, describes the Key Management Personnel (**KMP**) remuneration arrangements for the 12 months ended 30 June 2020 for IVE Group, in accordance with the *Corporations Act 2001 (Cth)* (**Corporations** Act) and its regulations.

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

The Board is committed to having remuneration policies and practices which are designed to ensure remuneration is equitable, competitive and reasonable to attract and retain key talent who are critical to IVE Group's business success, align with long-term interests of the Company and its shareholders, and to ensure that any incentives do not reward conduct that is contrary to the Company's values or risk appetite. IVE Group will align remuneration to strategies and business objectives and provide a balance between fixed and variable rewards to ensure that rewards are given for performance. Remuneration structures are designed to be transparent to employees and other stakeholders and easily understood. In addition, the remuneration framework is designed to be acceptable to shareholders by being consistent with market practice and creating value for shareholders.

The remuneration framework was reviewed in 2018 and a staged process was commenced to appropriately reward Key Management Personnel through base pay and short term incentive levels that are in line with IVE Group's peers and reward performance and ensure an appropriate level of long-term incentives aligned with shareholder objectives of long-term sustainable performance. The remuneration framework was reviewed again in 2019. Following the promotion of Matt Aitken from the role of Chief Operating Officer to Chief Executive Officer during 2019, Mr Aitken's fixed remuneration was reviewed and increased 27% to $604,000 per annum and his short term incentive for FY20 was also increased by $50,000. These increases were considered by the Board to be appropriate and in-line with a KMP Remuneration Benchmark Review conducted by Egan Associates Pty Limited, an independent external remuneration consultant. No changes were made to the overall remuneration framework, quantum or components of any other member of the KMP for the 2020 financial year

During the second half of the 2020 financial year the impacts of the unprecedented global COVID-19 pandemic brought about significant uncertainty and change. The Company was not immune from the impacts and implemented cost reduction initiatives across the whole of the organisation which included a review of remuneration resulting in the implementation of temporary salary reductions for Directors, senior executives and staff and the decision to suspend the FY20 short term incentive. The salary reductions applied to the June 2020 quarter. Directors agreed to a 50% reduction in their fees and the Chief Executive Officer and Chief Financial Officer agreed to a 25% reduction in their salaries. No increases to fixed remuneration were agreed to be paid to Directors, senior executives and staff for FY21.

The Board is mindful that the unprecedented impact of COVID-19 has affected IVE Group's people in many different ways and are extremely proud of the manner in which its people rose to the challenges presented to continue to focus on delivering excellent service and products to its customers. No changes have been made to the overall remuneration framework for the 2021 financial year as the Board considers that the existing structure comprising fixed remuneration balanced with short and long-term incentives, appropriate to continue to incentivise, retain and recognise senior executives and staff for their significant contribution during 2020 and into the future.

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

As outlined on pages 40 to 46, the FY20 financial performance was impacted by the unprecedented global COVID-19 pandemic. This is in the context of a competitive market and challenging macro-economic environment. The Board believes that the remuneration outcomes for the executive KMP for the 2020 financial year reflect this and satisfy the goals of the remuneration framework.

The remuneration report contains the following sections:

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

Who this report covers

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

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

1 Warwick Hay resigned as Managing Director effective 5 August 2019 and ceased employment on 31 January 2020.

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 Group's strategies and business objectives;
- Provide a balance between fixed and variable rewards;
- Be transparent and easily understood; and
- Be acceptable to shareholders.

A key factor in IVE 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 the 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 committee 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 2020 IVE Group engaged Egan Associates Pty Limited to undertake a KMP Remuneration Benchmark Review. This engagement was arranged and supervised by the chair of the NRC and the report was provided and considered by the NRC members without executives present. The fee paid to Egan Associates Pty Limited was $15,960.

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. Paying executive KMP the right fixed remuneration is a key tool in attracting and retaining the best talent.

The NRC reviews the fixed remuneration of executive KMP on an annual basis. As indicated in the 2018 remuneration report, fixed remuneration was reviewed in 2018 and was implemented from 1 July 2018. Fixed remuneration in respect of executive KMP was again reviewed in 2019 which included the engagement of Egan Associates Pty Limited to undertake a KMP Remuneration Benchmark Review across IVE Group peers. Mr Aitken's fixed remuneration was increased 27% from $504,000 to $640,000 to reflect his promotion from the role of Chief Operating Officer to Chief Executive Officer. Although Mr Aitken commenced as Chief Executive Officer in August 2019, the increased fixed remuneration did not come into effect until 1 January 2020. Following the external benchmark review, the fixed remuneration of other executive KMP was considered to be appropriate and no increases were made.

The NRC has determined that fixed remuneration for the 2021 financial year will stay the same with no increases to be made. This follows executive KMP agreeing to a temporary fixed remuneration salary reduction ranging between 25% - 50% applying to the three months ended 30 June 2020, as a result of COVID-19 and is reflected in the remuneration paid to executive KMP in the 2020 financial year.

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

Short-term incentive (STI)

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

In FY20, executive KMP (excluding Paul Selig) were eligible to receive an STI payment as a cash incentive payment conditional on achievement of target pro-forma Earnings before Interest, Tax, Depreciation and Amortisation (**EBITDA**), individual financial and non-financial performance targets across strategic and discretionary measurements.

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

In light of the unprecedented impacts of COVID-19 the Board agreed to suspend the FY20 STI and accordingly, no STI payments to executive KMP have been made in respect of the 2020 financial year. The FY21 STI amounts for some of the executive KMP have been adjusted as shown in the table on page 58.

Long-term incentive (LTI)

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

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

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

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

The grant of Rights during FY20 to the Executive Chairman was approved by shareholders at the 2019 AGM and the Rights to be granted to the Executive Chairman for FY21 will be submitted for approval by shareholders at the 2020 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 FY20 the Board, following review by the NRC, agreed to grant an equity-based LTI to Geoff Selig, Executive Chairman. This was to better align the Executive Chairman's remuneration package with other executives and the results of the peer review undertaken. The NRC has again reviewed this position and will grant an equity-based LTI to Geoff Selig as Executive Chairman in FY21, as well as other executives. Due to Paul Selig's executive role being specific in nature, he does not participate in the LTI Plan.

The NRC decided to not increase the level of long-term incentives for FY21. They will remain in-line with the same quantum agreed in respect of FY19 and FY20. The NRC believe that the issue of long-term equity incentivises and aligns management's remuneration with shareholders' longer term interests.

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

Assessment of performance

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

The NRC assesses the actual performance of IVE 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 FY19 and FY20. 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	FY20	200,000	0	147,058	Not applicable (3 year vesting)
	FY19	200,000	178,000	130,718	Not applicable (3 year vesting)
Warwick Hay[1]	FY20	100,000	0	0	Not applicable (3 year vesting)
	FY19	100,000	82,750	130,7181	Not applicable (3 year vesting)
Matt Aitken	FY20	150,000	0	147,058	Not applicable (3 year vesting)
	FY19	100,000	82,750	130,718	Not applicable (3 year vesting)
Darren Dunkley	FY20	80,000	0	110,294	Not applicable (3 year vesting)
	FY19	80,000	70,800	98,039	Not applicable (3 year vesting)
Paul Selig	FY20	0	0	0	N/A
	FY19	0	0	0	N/A

1 Warwick Hay resigned as Managing Director effective 5 August 2019 and ceased employment on 31 January 2020. In accordance with the IVE Group Equity Incentive Plan Rules, these unvested performance rights have lapsed and were forfeited.

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

Proportions of fixed and variable remuneration

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

As shown below, no changes are proposed to executive KMP fixed remuneration for FY21 following the assessment of performance, the annual review of fixed remuneration and STI and LTI targets. Increases to the FY21 STI of the Matt Aitken, Chief Executive Officer, and Darren Dunkley, Chief Financial Officer, are designed to incentivise performance in what remains an uncertain period. Payment of STI is of course dependent on the achievement of relevant key performance measures.

All in $	Fixed Remuneration[1]			STI			LTI		
	FY19 Actual	FY20 Actual	FY21 Agreed	FY19 Actual	FY20 Actual	FY21 Maximum	FY19 Grant[2]	FY20 Grant[2]	FY21 Grant[2]
Geoff Selig	952,000	835,566	952,000	178,000	0	200,000	200,000	200,000	200,000[3]
Warwick Hay[5]	525,000	308,144	N/A	82,750	0	N/A	200,000[5]	N/A[5]	N/A
Matt Aitken	504,000	537,864	640,000	82,750	0	300,000	200,000	200,000	200,000
Darren Dunkley	420,000	400,971	420,000	70,800	0	180,000	150,000	150,000	150,000
Paul Selig	330,000	289,794	330,000	0	0	0	N/A[4]	N/A[4]	N/A[4]

1 Fixed remuneration includes superannuation and excludes annual leave loading
2 LTI grant is the $ value of the grant approved by the Board.
3 FY21 LTI grant is subject to shareholder approval.
4 Due to the specific nature of his role, Paul Selig does not participate in the LTI Plan.
5 Warwick Hay resigned as Managing Director effective 5 August 2019 and ceased employment on 31 January 2020. In accordance with the IVE Group Equity Incentive Plan Rules, the unvested performance rights granted under the FY19 LTI lapsed and were forfeited.

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

The executive KMPs remuneration arrangements were agreed assuming a fair value approach. The FY21 LTI will again use a fair valuation calculation to determine the quantity of performance rights to be granted to executive KMP. Given the significant volatility in the Company's share price since March 2020 to the date of this report as a result of the COVID-19 pandemic, the Board agreed that the measurement date for the fair valuation report will be based on the volume weighted average price of the 20 trading days following the release of the Company's full year 2020 results. The Board believes that this will allow the market to absorb the full year results and align the fair valuation closer to the date of grant.

If a face value method were used, the FY20 LTI grant for each of the executive KMP would be as indicated in the table below. The number of performance rights to be granted under the FY21 LTI will be determined and reported in the 2021 remuneration report.

	FY20 Fair Value (No. of rights)	FY20 Face Value* (No. of rights)
Geoff Selig	147,058	97,560
Matt Aitken	147,058	97,560
Darren Dunkley	110,294	73,170
Paul Selig	0	N/A

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

Directors' report – *continued*

How reward is linked to performance

Performance indicators and link to performance

Notwithstanding the impacts of the unprecedented COVID-19 pandemic during the 2020 financial year, 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 (the FY20 STI payment was suspended due to the impact of COVID-19); and
- LTI grants only vest if IVE Group achieves the targets set for TSR and EPS over a three year performance period.

Performance rights granted to KMP in 2016 under the FY17 LTI vested during FY20. Of these, 25,315 performance rights granted to KMP vested and 92,826 unvested performance rights lapsed in accordance with the IVE Group Equity Incentive Plan rules. This is the first vesting of LTI for executive KMP since IVE Group listed on the ASX and vesting performance against targets is shown below:

	Total LTI Grant FY17	60% of Performance Share Rights Earnings Per Share Target (EPS)	40% of Performance Share Rights Relative Total Shareholder Return (TSR))	Vested	Lapsed
Geoff Selig	32,817	19,690	13,127	7,032	25,785
Matt Aitken	32,817	19,690	13,127	7,032	25,785
Darren Dunkley	19,690	11,814	7,876	4,219	15,471
Warwick Hay	32,817	19,690	13,127	7,032	25,785
Paul Selig	N/A	N/A	N/A	N/A	N/A
	118,141	**70,884**	**47,257**	**25,315**	**92,826**

Performance rights under the FY17 LTI vested in accordance with the performance conditions shown as follows:

60% of Performance Share Rights Earnings Per Share Target (EPS)		40% of Performance Share Rights Relative Total Shareholder Return (TSR)	
EPS Target 7.75%	Performance Share Rights	TSR growth	Performance Share Rights
		Company ranks below 50th percentile	Nil
Less than 90% of target achieved	Nil	Company ranks at the 50th percentile	50%
90-99% of target achieved	80%	Company ranks between the 50th and 75th percentile	Straight line vesting
Target achieved or exceeded	100%	Company ranks at or above 75th percentile	100%

Accumulated pro-forma EPS growth over the three year vesting period between FY17 to FY19 was less than 90% of the EPS Target. Accordingly, none of the EPS tranche of performance rights vested.

IVE Group was ranked as 53.57 compared to the relevant FY17 LTI peer group as at 30 June 2019. Accordingly, 53.5% of the TSR tranche of performance rights vested.

Unvested rights were forfeited in accordance with the LTI plan rules.

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

	FY14	FY15	FY16	FY17	FY18	FY19[3]	FY20
Revenue ($m)	303.5	337.4	382.0	496.6	695.4	723.6	691.5
EBITDA ($m)	22.9	30.9	42.8	55.2	73.2	82.0	76.6
Net profit after tax ($m)	6.4	9.7	20.9	24.6	32.4	35.4	32.6
Dividend payment (cents per share)[1]	N/A	N/A	N/A	12.7	15.5	16.3	0.0
Dividend payout ratio[1]	N/A	N/A	N/A	69%	71%	71%	0%
Share price change ($)[2]	N/A	N/A	N/A	(0.043)	+0.162	(0.23)	(1.26)

The above results are prepared on an underlying continuing business basis. This excludes all non-operating items and better reflects the underlying operating performance.

1 Only applicable post-listing on ASX.

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

3 FY19 revenue, EBITDA and NPAT have been updated on a continuing business basis for FY20 comparative purposes.

Grant of Performance Share Rights

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

On 27 November 2019, offers were made granting 647,056 performance rights under the Senior Leadership Team Plan. Of these, 147,058 were granted to Geoff Selig for which approval for the issue was obtained under ASX Listing Rule 10.14 at the 2019 annual general meeting. These Rights vest following the release of the FY22 financial results if certain performance conditions are met during the Performance period which is 1 July 2019 to 30 June 2022.

In total there were 1,335,244 unvested Rights at 30 June 2020 from the FY18, FY19 and FY20 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 FY18, FY19 and FY20 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 and Managing Director (if applicable), 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.

Directors' report – *continued*

Feature	Terms of the IVE Group Equity Incentive Plan
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: $\text{EPS CAGR} = \sqrt[3]{\left(\frac{\text{Year 3 EPS}}{\text{Year 0 EPS}}\right)} - 1$ (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 FY20 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 **Performance 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.
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 FY20 Offer

1	AX1	Accent Group Limited
2	CKF	Collins Foods Limited
3	DHG	Domain Holdings Australia Limited
4	FWD	Fleetwood Corporation Limited
5	GUD	G.U.D. Holdings Limited
6	GWA	GWA Group Limited
7	HT1	HT&E Limited
8	IVC	InvoCare Limited
9	JBH	JB Hi-Fi Limited
10	KMD	Kathmandu Holdings Limited
11	KSC	K & S Corporation Limited
12	MTS	Metcash Limited
13	NEC	Nine Entertainment Co. Holdings Limited
14	OML	Ooh!Media Limited
15	ORA	Orora Limited
16	OVT	Ovato Limited
19	PGH	Pact Group Holdings Limited
18	PPG	Pro-Pac Packaging Limited
19	PRT	Prime Media Group Limited
20	QMS	QMS Media Limited
21	RXP	RXP Services Limited
22	SLM	Salmat Limited
23	SUL	Super Retail Group Limited
24	SWM	Seven West Media Limited
25	SXL	Southern Cross Media Group Limited
26	TRS	The Reject Shop Limited
27	WLL	Wellcom Group Limited
28	WPP	WPP Aunz Ltd

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.

Due to changes in the market and the lack of material numbers of useful comparator companies, the Board proposes to use the companies who are included in the ASX Small Ordinaries Index at the commencement of the performance period as the peer group for the TSR tranche of performance rights to be offered in future.

Non-Executive Director Remuneration

Non-Executive Directors enter into service agreements through letters 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 FY20 by Non-Executive Directors.

During FY20, the Board did not increase fees paid to Non-Executive Directors and no increase is proposed for FY21. As set out earlier, this follows Non-Executive Directors agreeing to a temporary fee reduction of 50% applying to the three months ended 30 June 2020, as a result of COVID-19 and is reflected in the remuneration paid in the 2020 financial year. The current annual fees provided to Non-Executive Directors, before the COVID-19 temporary salary reduction, are shown below (inclusive of superannuation):

Chair fee	Non-Executive Director fee (effective since 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 FY20 was $367,500, being 36.7% of the approved fee pool. This amount reflects a temporary fee reduction agreed to by the Non-Executive Directors due to COVID-19 to 30 June 2020. There is no intent to seek approval to increase the Non-Executive Director fee pool at the 2020 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
Termination:	Incentives – eligible to participate in short term incentive and equity remuneration plans 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:	Paul Selig
Title:	Executive Director
Terms of Agreement:	No fixed term – subject to termination provisions detailed below
Details:	Annual remuneration includes cash salary, superannuation and non-cash benefits
Termination:	Incentives – discretionary bonus Termination – 3 months written notice (except in certain circumstances, such as where committed any breach or material neglect of the material terms of his contract of employment, or any act of serious or wilful misconduct) by Company or employee. 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[1] 1 Warwick Hay resigned as Managing Director effective 5 August 2019 and ceased employment on 31 January 2020
Terms of Agreement:	No fixed term – subject to termination provisions detailed below
Details:	Annual remuneration includes cash salary, superannuation and non-cash benefits
Termination:	Incentives – eligible to participate in short term incentive and equity remuneration plans 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 – 9 months restraint provisions.

Directors' report – *continued*

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

Details of Remuneration

The table below provides remuneration prepared for on a statutory basis for directors and executive KMPs year ended 30 June 2020 (except as noted below):

		Fixed Remuneration			Variable Remuneration				
Name	Year	Cash salary and fees[4]	Super-annuation	Other long-term benefits	Short term incentive	Fair value of LTI award	Total	Total per-formance related	Percent-age per-formance related
Executive Directors ($)									
Geoff Selig	2020	814,564	21,003		0		835,566	0	0.0%
	2019	931,469	20,531		178,000	20,218	1,150,218	198,218	17.2%
Paul Selig	2020	270,373	19,421				289,794	0	0.0%
	2019	309,469	20,531				330,000	0	0.0%
Warwick Hay[1]	2020	293,998	14,146	342,756	0		650,900	0	0.0%
	2019	504,469	20,531		82,750	20,218	627,968	102,968	16.4%
Non-executive Directors ($)									
Gavin Bell	2020	91,875	0				91,875	0	0.0%
	2019	96,657	8,351				105,008	0	0.0%
Andrew Harrison[2]	2019	39,962	3,796				43,758	0	0.0%
Carole Campbell[3]	2020	83,904	7,971				91,875	0	0.0%
	2019	58,887	5,594				64,481	0	0.0%
Sandra Hook	2020	83,904	7,971				91,875	0	0.0%
	2019	95,898	9,110				105,008	0	0.0%
James Todd	2020	83,904	7,971				91,875	0	0.0%
	2019	95,928	9,113				105,041	0	0.0%
Other Executive KMP ($)									
Darren Dunkley	2020	379,968	21,003		0		400,971	0	0.0%
	2019	350,995	20,531	52,238	70,800	15,163	509,727	85,963	16.9%
Matt Aitken	2020	516,861	21,003				537,864	0	0.0%
	2019	493,231	20,531		82,750	20,218	616,730	102,968	16.7%

1 Warwick Hay resigned as Managing Director effective 5 August 2019 and ceased employment on 31 January 2020.

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

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

4 Cash, salary and fees includes annual leave and long service leave.

Directors' report – *continued*

Rights granted to executive KMP

FY20

KMP	Number of rights granted in FY20	Vesting conditions	Grant Date	Fair value at grant date	Expiry date
Geoff Selig	147,058	Relative TSR and Compound annual EPS growth over 3 years	27 November 2019	$200,000	After vesting following release of FY22 financial results. Any unvested Rights expire.
Matt Aitken	147,058	Relative TSR and Compound annual EPS growth over 3 years	27 November 2019	$200,000	After vesting following release of FY22 financial results. Any unvested Rights expire.
Darren Dunkley	110,294	Relative TSR and Compound annual EPS growth over 3 years	27 November 2019	$150,000	After vesting following release of FY22 financial results. Any unvested Rights expire.

FY19

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

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

FY18

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

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

FY17

Performance rights granted to KMP under the FY17 LTI vested during FY20. Of these, 25,315 performance rights vested and 92,826 unvested performance rights lapsed in accordance with the IVE Group Equity Incentive Plan rules.

KMP	Number of rights granted in FY18	Vesting conditions	Grant Date	Fair value at grant date	Expiry date	
Geoff Selig	32,817	Relative TSR and Compound annual EPS growth over 3 years	22 November 2016	$50,000	After vesting following release of FY19 financial results. Any unvested Rights expire.	7,032 shares were issued on vesting of 7,032 performance rights. 25,785 unvested performance rights lapsed.
Warwick Hay	32,817	Relative TSR and Compound annual EPS growth over 3 years	22 November 2016	$50,000	After vesting following release of FY19 financial results. Any unvested Rights expire.	7,032 shares were issued on vesting of 7,032 performance rights. 25,785 unvested performance rights lapsed.
Matt Aitken	32,817	Relative TSR and Compound annual EPS growth over 3 years	16 September 2016	$50,000	After vesting following release of FY19 financial results. Any unvested Rights expire.	7,032 shares were issued on vesting of 7,032 performance rights. 25,785 unvested performance rights lapsed.
Darren Dunkley	19,690	Relative TSR and Compound annual EPS growth over 3 years	16 September 2016	$30,000	After vesting following release of FY19 financial results. Any unvested Rights expire.	4,219 shares were issued on vesting of 4,219 performance rights. 15,471 unvested performance rights lapsed.

Note there were no Rights or options granted in FY16.

Directors' report – *continued*

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 2019	Shares received during the period on exercise of Performance Share Rights	Shares acquired	Shares disposed	Balance at 30 June 2020
Executive Directors					
Geoff Selig, Executive Chairman[1]	11,210,231	7,032	1,650,000	–	12,867,263
Paul Selig[1]	11,260,231	–	1,650,000	–	12,910,231
Warwick Hay, Managing Director[3]	535,681	7,032	–	–	542,7133
Non-executive Directors					
Gavin Bell	122,697	–	–	–	122,697
Sandra Hook	12,919	–	–	–	12,919
James Todd	105,836	–	16,500	–	122,336
Carole Campbell	0	–	50,000	–	50,000
Executive KMP					
Darren Dunkley, CFO and Company Secretary	48,051	4,219	–	–	52,270
Matt Aitken, Chief Executive Officer[2]	0	7,032	–	–	7,032

1 Geoff Selig and Paul Selig are each beneficiaries of the Selig Family Trust No. 5, the trustee of which holds 12,860,231 shares.

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

3 Warwick Hay resigned as Managing Director effective 5 August 2019 ceased employment on 31 January 2020. Holdings are shown as known as at the date of resignation and set out in the Final Director Interest Notice lodged with ASX on 5 August 2019, and including the issue of shares on vesting of FY17 LTI.

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 1,335,244 unvested Rights at 30 June 2020.

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 2020 and up to the date of this report.

Shares issued on the exercise of Performance Share Rights

28,128 rights vested during the year and 28,128 shares were issued on exercise of Rights during the year.

This concludes the remuneration report, which has been audited.

Non-audit services

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

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

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

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 72 and forms part of the directors' report for the financial year ended 30 June 2020.

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
Director

Dated at Sydney this 25th day of August 2020

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

To the Directors of IVE Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of IVE Group Limited for the financial year ended 30 June 2020 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
25 August 2020

Financial report

for the year ended 30 June 2020

Contents

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

In thousands of AUD	Note	2020	2019 Restated*
Continuing operations			
Revenue	*4*	691,538	723,597
Cost of sales		(364,727)	(376,963)
Gross profit		**326,811**	**346,634**
Other income	*5*	168	1,383
Production expenses		(156,436)	(176,604)
Administrative expenses		(114,825)	(111,768)
Other expenses	7	(52,021)	(3,254)
Results from operating activities	*6, 7*	**3,697**	56,391
Finance income		149	191
Finance costs		(10,812)	(10,035)
Net finance costs	*8*	**(10,663)**	**(9,844)**
Profit/(loss) before tax		**(6,966)**	**46,547**
Income tax expense	*9*	(11,432)	(13,519)
Profit/(loss) from continuing operations		**(18,398)**	**33,028**
Discontinued operation			
Loss from discontinued operation, net of tax**	33	(1,791)	(1,724)
Profit/(loss) for the year		**(20,189)**	**31,304**
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)		(392)	(579)
Cash flow hedges – reclassified to profit or loss (net of tax)		224	115
Total other comprehensive income		(168)	(464)
Total comprehensive income/(loss) for the year		**(20,357)**	**30,840**
Profit/(loss) attributable to:			
Owners of the Company		(20,189)	31,304
Profit/(loss) for the year		**(20,189)**	**31,304**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(20,357)	30,840
Total comprehensive income/(loss) for the year		**(20,357)**	**30,840**
Earnings per share			
Basic earnings (loss) per share (dollars)	*22*	(0.14)	0.21
Diluted earnings (loss) per share (dollars)	22	(0.14)	0.21
Basic earnings (loss) per share (dollars) – continuing operation	*22*	(0.12)	0.22
Diluted earnings (loss) per share (dollars) – continuing operations	*22*	(0.12)	0.22

*The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of the initial application. See Note 3 and 14.

**The Group has elected to disclose a single amount of post-tax loss of discontinued operations in the statement of profit or loss and OCI, and has analysed that single amount into revenue, expenses and the pre-tax loss in Note 33.

The notes on pages 80 to 118 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2020

In thousands of AUD	Note	2020	2019
Assets			
Cash and cash equivalents	*10*	51,640	31,501
Trade and other receivables	*11*	103,590	113,586
Inventories	*12*	56,267	66,016
Prepayments		3,654	3,076
Contract asset	*4*	521	47
Other current assets		2,519	3,901
Total current assets		**218,191**	**218,127**
Deferred tax assets	*9*	15,295	13,536
Property, plant and equipment	*13*	109,793	135,278
Right of use assets*	*14*	115,548	–
Intangible assets and goodwill	*15*	142,408	163,612
Total non-current assets		**383,044**	**312,426**
Total assets		**601,235**	**530,553**
Liabilities			
Trade and other payables	*16*	84,028	100,957
Lease liabilities*		34,343	–
Loans and borrowings	*17*	3,102	6,192
Employee benefits	*18*	16,996	18,882
Contract liabilities	*4*	5,805	6,734
Current tax payable		3,252	2,864
Provisions	*19*	993	2,006
Total current liabilities		**148,519**	**137,635**
Loans and borrowings	*17*	169,855	167,349
Lease liabilities*		108,084	–
Employee benefits	*18*	6,700	6,182
Provisions	*19*	3,575	13,580
Total non-current liabilities		**288,214**	**187,111**
Total liabilities		**436,733**	**324,746**
Net assets		**164,502**	**205,807**
Equity			
Share capital	*21*	156,502	156,468
Reserves		(582)	(493)
Retained earnings		8,582	49,832
Total equity		**164,502**	**205,807**

*The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of the initial application. See Note 3 and 14.

The notes on pages 80 to 118 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2020

In thousands of AUD	Note	Share capital	Share-based payment reserve	Hedging reserve	Retained earnings	Total equity
Balance at 1 July 2018		156,318	173	(148)	42,379	198,722
Total comprehensive income for the year						
Profit for the year		–	–	–	31,304	31,304
Other comprehensive loss		–	–	(464)	–	(464)
Total comprehensive income for the year		–	–	(464)	31,304	30,840
Transactions with owners of the Company						
Performance share rights	*20*	–	(54)	–	–	(54)
Issue of share capital	*21*	150	–	–	–	150
Dividends to owners of the Company	*21*	–	–	–	(23,851)	(23,851)
Total transactions with owners of the Company		150	(54)	–	(23,851)	(23,755)
Balance at 30 June 2019		**156,468**	**119**	**(612)**	**49,832**	**205,807**
Balance at 1 July 2019		156,468	119	(612)	49,832	205,807
Initial application of AASB 16**		–	–	–	(9,649)	(9,649)
Adjusted balance 1 July 2019		**156,468**	**119**	**(612)**	**40,183**	**196,158**
Total comprehensive income for the year						
Loss for the year		–	–	–	(20,189)	(20,189)
Other comprehensive loss		–	–	(168)	–	(168)
Total comprehensive income for the year		–	–	**(168)**	**(20,189)**	**(20,357)**
Transactions with owners of the Company						
Performance share rights	*20*	–	79	–	–	79
Issue of share capital	*21*	34	–	–	–	34
Dividends to owners of the Company	*21*	–	–	–	(11,412)	(11,412)
Total transactions with owners of the Company		34	79	–	(11,412)	(11,299)
Balance at 30 June 2020		**156,502**	**198**	**(780)**	**8,582**	**164,502**

**The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of the initial application. See Note 3 and 14.

The notes on pages 80 to 118 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2020

In thousands of AUD	Note	2020 Restated*	2019
Cash flows from operating activities			
Cash receipts from customers		785,735	799,969
Cash paid to suppliers and employees		(674,978)	(731,772)
Cash generated from operating activities		110,757	68,197
Interest received		102	191
Interest paid**		(10,153)	(7,738)
Income tax paid		(8,896)	(7,477)
Payment of acquisition costs		(3,570)	(500)
Payment of restructure costs		(8,116)	(2,716)
Net cash from operating activities	*10*	**80,124**	**49,958**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		880	58
Discontinued operation***	*33*	(1,177)	(2,536)
Acquisition of property, plant and equipment and intangible assets		(10,389)	(21,935)
Acquisitions of businesses, net of cash acquired	*23*	(25,543)	–
Deferred and contingent consideration paid on acquired business		–	(6,000)
Net cash used in investing activities		**(36,229)**	**(30,413)**
Cash flows from financing activities			
Proceeds from bank loans		36,000	27,000
Repayment of bank loans and borrowings		(21,135)	(5,000)
Payment of transaction costs for loans and issued capital		(237)	(1,022)
Dividends paid		(11,412)	(23,851)
Payment of lease liabilities (2019: Payment of finance lease liabilities)**		(26,972)	(7,496)
Net cash from financing activities		**(23,756)**	**(10,369)**
Net increase in cash and cash equivalents		20,139	9,176
Cash and cash equivalents at beginning of year		31,501	22,325
Cash and cash equivalents at end of year		**51,640**	**31,501**

*The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of the initial application. See Note 3 and 14.

**The Group has classified:

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

***The Group has elected to present a statement of cash flows that analyses all cash flows in total – i.e. including both continuing and discontinuing operations, amounts relating to discontinued operations by operating, investing and financing activities are disclosed in Note 33.

The notes on pages 80 to 118 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2020

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 2020 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 and distribution of catalogues, magazines, marketing and corporate communications materials and stationery;
- Manufacturing of point of sale display material and large format banners for retail applications;
- Personalised communications including marketing automation, marketing mail, publication mail, eCommunications, multi-channel solutions, and call center services; Data analytics, customer experience strategy, and CRM; and
- Outsourced communications solutions for large organisations including development of customised multi-channel management models covering creative and digital services, supply chain optimisation, inventory management, warehousing and logistics.

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

2. Basis of preparation

(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 25 August 2020. 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 2019, except for those identified below.

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

(i) Judgements

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

- Note 3(e) & (f) – estimation of useful lives of assets;
- Note 3(j) – provisions
- Note 25 – Level 3 fair value of contingent consideration, interest rate swaps and forward exchange contracts; and
- Note 14 – lease term: whether the Group is reasonably certain to exercise extension options.

(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 2020 is included in the following notes:

- Note 3(h)(ii) & 15 – impairment testing for cash generating units containing goodwill
- Note 23 – acquisitions: fair value measured on a provisional basis; and
- Note 25 – measurement of Expected Credit Loss (ECL) allowance on trade receivables.

Measurement of fair values

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

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

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

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

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

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

(ii) Subsidiaries

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

(iii) Transactions eliminated on consolidation

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

(b) Foreign currency

Foreign currency transactions

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

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

(c) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

The Group classifies its financial instruments in the following measurement categories: at amortised cost, at fair value through profit and loss (FVTPL)

Notes to the consolidated financial statements – *continued*

and at fair value through other comprehensive income (FVOCI).

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

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

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

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

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

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

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

Financial assets at amortised costs

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

(iii) Derecognition

Financial assets

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

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

Financial liabilities

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

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

(iv) Offsetting

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

(v) Derivative financial instruments and hedge accounting

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

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

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

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

Cash flow hedges

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

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

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

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

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

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

(d) Share capital

Ordinary shares

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

Any gains and losses on disposal of an item of property, plant and equipment (calculated as the

Notes to the consolidated financial statements – *continued*

difference between the net proceeds from disposal and the carrying amount of the item) are recognised in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

(f) Intangible assets and goodwill

(i) Goodwill

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(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 – 10 years

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

(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.

(h) Impairment

(i) Non-derivative financial assets

The Group recognizes loss allowances for expected credit loss (ECL) on financial assets measured at amortised costs.

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

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

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

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

> A breach of contract such as a default or being more than 90 days past due;

> It is probable that the debtor will enter bankruptcy or other financial reorganization.

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

(ii) Non-financial assets

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

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

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

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

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

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

(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.

Notes to the consolidated financial statements – *continued*

(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.

(k) Revenue from contracts with customers

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

Recognising of revenue over-time

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

Revenue is recognised on the rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

Recognising of revenue at a point in time

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

(l) Leases

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

Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contracts conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, or after 1 July 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contracts to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Group determines it's incremental borrowing rate by obtaining interest rates from external financing sources.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group's changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents separately right-of-use assets that do not meet the definition of investment property, and lease liabilities in statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not recognize right-of-use assets and liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

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

When the Group acts as a lessor, it determines a lease inception whether such lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies AASB 15 to allocate the consideration in the contract.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from AASB 16 except for the classification of the sub-lease.

Policy applicable before 1 January 2019

For contracts entered before 1 July 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

> fulfilment of the arrangement was dependent was dependent on the use of a specific asset or assets; and

> the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  – the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  – the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  – fact and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of minimum lease payment. Minimum lease payments were payments over the lease term that the lease was required to make, excluding any contingent rent.

Subsequent to intial recognisition, the assets were accounted for in accordance with the accounting policy applicable to the asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the lease. Lease incentives received were recognised as an integral part of the lease expense, over the term of the lease.

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

(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) Government grants

The Group recognises a conditional government grant relating to the JobKeeper Payment scheme in the consolidated statement of profit or loss as a credit to wages and salaries when the grant becomes receivable.

(o) Income tax

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

(i) Current tax

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

(ii) Deferred tax

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

> temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; or

> temporary differences related to investments in associates to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future, and

> taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

(iii) Tax exposures

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

(iv) Tax consolidation

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

(p) Goods and services tax (GST)

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

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

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

(q) Earnings per share

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

(r) Segment reporting

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

(s) Adoption of new accounting standards

The Group has adopted all new and amended Australian Accounting Standards and Australian Accounting Standards Board (AASB) interpretations that are mandatory for the current reporting period and relevant to the Group. Other than, the adoption of AASB 16, these other standards and interpretations has not resulted in any material changes to the Group's financial report.

The Group has initially adopted AASB 16 Leases from 1 July 2019.

AASB 16 Leases

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

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

Definition of a lease

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

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

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

(i) As a lessee

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

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

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

Significant accounting policies

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

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

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

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

Transition

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

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

> their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its property leases; or

> an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

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

> Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months lease term, or low value.

> Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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

(ii) As a lessor

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

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

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

Notes to the consolidated financial statements – *continued*

(iii) Impacts on financial statements

Impacts on transition

On transition to AASB 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. Subsequent to 31 December 2019, the Group has restated certain aspects of it's AASB 16 transition calculation. The impact on transition is summarised below.

In thousands of AUD	1 July 2019 opening adjustments		
	Reported at 31 December 2019	Adjustment	Reported at 30 June 2020
Right-of-use assets presented in lease receivable	701	-	701
Property, plant and equipment	(18,560)	(697)	(19,257)
Right-of-use assets	119,940	697	120,637
Deferred tax asset (net)	1,275	3,496	4,771
Trade and other payables	5,596	-	5,596
Lease liabilities	(150,112)	-	(150,112)
Finance lease liabilities	15,733	-	15,733
Provisions	12,282	-	12,282
Retained earnings	13,145	(3,496)	9,649

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

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

(t) New standards and interpretations not yet adopted

There are no new or amended standards and interpretations that are expected to have a significant impact on the Group's consolidated financial statements.

4. Revenue

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

(a) Disaggregation of revenue

In thousands of AUD	2020	2019
Products transferred at a point in time	576,659	654,189
Services transferred over time	114,879	69,408
	691,538	**723,597**

(b) Contract balances

In thousands of AUD	2020	2019
Receivables, which are included in 'Trade and other receivables'	98,552	113,306
Contract assets	521	47
Contract liabilities	5,805	6,734

5. Other income

In thousands of AUD	2020	2019
Other income	168	1,383
	168	**1,383**

6. Personnel expenses

In thousands of AUD	2020	2019
Wages and salaries	158,273	183,281
Contributions to defined contribution plans	13,096	12,894
Share-based payment expense	112	96
	171,481	**196,271**

The Group has credited to wages and salaries $16,887 thousand relating to the JobKeeper Payment scheme. Refer Note 3(n).

7. Expenses

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

In thousands of AUD	Note	2020	2019
Depreciation and amortisation		45,612	22,711
Impairment of goodwill	15	40,000	-
Acquisition costs		3,570	500
Restructuring costs		8,697	2,598

Notes to the consolidated financial statements – *continued*

8. Finance income and finance costs

In thousands of AUD	2020	2019
Interest income	102	191
Net foreign exchange gain	47	–
Finance income	**149**	**191**
Interest expense	(10,812)	(9,764)
Derivative net change in fair value	–	(174)
Net foreign exchange losses	–	(97)
Finance costs	**(10,812)**	**(10,035)**
Net finance costs	**(10,663)**	**(9,844)**

9. Taxes

In thousands of AUD	2020	2019
Current tax expense		
Current year	9,034	9,072
Changes in estimates related to prior years	255	(17)
	9,289	9,055
Deferred tax expense		
Origination and reversal of temporary differences	2,143	4,464
Total tax expense	**11,432**	**13,519**
Profit (loss) before tax	(8,757)	44,823
Tax using the Company's domestic tax rate of 30%	(2,627)	13,447
(Non-assessable income)/non-deductible expenses – (net)	13,085	(147)
Previously unrecognised deductible temporary differences	(255)	17
Changes in estimates related to prior years	255	(17)
Other items (net)	974	219
	11,432	13,519

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2020	2019	2020	2019	2020	2019
Property, plant and equipment	1,353	3,221	–	–	1,353	3,221
Right-of-use-assets	–	–	(29,146)	–	(29,146)	–
Inventories	–	–	(1,510)	(1,527)	(1,510)	(1,527)
Intangible assets	–	–	(5,934)	(4,922)	(5,934)	(4,922)
Lease liabilities	38,442	–	–	–	38,442	–
Employee benefits	8,040	7,919	–	–	8,040	7,919
Provisions	2,338	5,386	–	–	2,338	5,386
Other items	1,712	3,459	–	–	1,712	3,459
Tax assets/(liabilities)	51,885	19,985	(36,590)	(6,449)	15,295	13,536
Set off of tax	(36,590)	(6,449)	36,590	6,449	–	–
Net deferred tax assets	**15,295**	**13,536**	**–**	**–**	**15,295**	**13,536**

Movement in temporary differences during the year

2020 *In thousands of AUD*	Balance 1 July 2019 restated	Initial application of AASB16	Acquisition through business Combination	Recognised in equity	Recognised in profit or loss	Balance 30 June 2020
Property, plant and equipment	3,221	–	–	–	(1,868)	1,353
Right-of-use-assets	–	(30,414)	(4,873)	–	6,141	(29,146)
Inventories	(1,527)	–	–	–	17	(1,510)
Intangible assets	(4,922)	–	(2,242)	–	1,230	(5,934)
Lease liabilities	–	40,314	4,790	–	(6,662)	38,442
Employee benefits	7,919	–	973	–	(852)	8,040
Provisions	5,386	(3,684)	412	–	224	2,338
Other items	3,459	(1,445)	–	71	(373)	1,712
	13,536	**4,771**	**(940)**	**71**	**(2,143)**	**15,295**

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

10. Cash and cash equivalents

In thousands of AUD	2020	2019
Bank balances	51,633	31,491
Petty cash	7	10
Cash and cash equivalents in the statement of cash flows	**51,640**	**31,501**

Reconciliation of cash flows from operating activities

In thousands of AUD	2020	2019
Profit (loss) from continuing operations	(18,398)	33,028
Non-cash items		
Depreciation, amortisation and impairment	45,612	22,711
Impairment of goodwill	40,000	-
Share based payment expense	112	96
Contingent consideration reduced	–	(1,350)
Derivative net change in fair value	–	174
Interest expense	659	2,026
Decrease in allowance for impairment on trade receivables	–	(59)
Restructuring costs	727	232
Income tax expense	11,432	13,519
Cash items		
Net gain/(loss) on disposal of property, plant and equipment	(683)	84
	79,461	70,461
Change in trade and other receivables	24,875	3,979
Change in inventories	9,792	(18,901)
Change in current assets	1,382	1,324
Change in prepayment	1,381	(517)
Change in trade and other payables	(23,239)	2,541
Change in provisions and employee benefits	(4,632)	(1,452)
Cash generated from operating activities	**89,020**	**57,435**
Income tax paid	(8,896)	(7,477)
Net cash from operating activities	**80,124**	**49,958**

11. Trade and other receivables

In thousands of AUD	2020	2019
Current		
Trade receivables	98,552	113,306
Allowance for impairment	(2,220)	(1,814)
	96,332	111,492
Other receivables	6,925	2,094
Lease receivable	333	–
	103,590	**113,586**

12. Inventories

In thousands of AUD	2020	2019
Finished goods	3,377	3,404
Work in progress	8,748	9,677
Raw materials	45,102	53,723
	57,227	66,804
Allowance for inventory obsolescence	(960)	(788)
	56,267	**66,016**

During the year, raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $364,727 thousand (2019: $376,963 thousand).

During 2020 financial year an analysis of aged inventory was performed which resulted in an increase to the provision of $172 thousand.

13. Property, plant and equipment

In thousands of AUD	Leasehold improvements	Plant and equipment	Fixtures and fittings	Total
Cost				
Balance at 1 July 2018	14,596	155,214	1,608	171,418
Additions	3,977	24,574	48	28,599
Disposals	(97)	(311)	(37)	(445)
Balance at 30 June 2019	18,476	179,477	1,619	199,572
Balance at 1 July 2019	18,476	179,477	1,619	199,572
Initial application of AASB 16	(1,186)	(31,609)	–	(32,795)
Adjusted balance 1 July 2019	17,290	147,868	1,619	166,777
Acquisitions through business combination	756	973	200	1,929
Additions	1,925	4,455	392	6,772
Disposals	–	(1,988)	–	(1,988)
Balance at 30 June 2020	**19,971**	**151,308**	**2,211**	**173,490**
Depreciation and impairment losses				
Balance at 1 July 2018	3,483	43,649	605	47,737
Depreciation for the year	1,839	14,803	206	16,848
Disposals	(97)	(159)	(35)	(291)
Balance at 30 June 2019	**5,225**	**58,293**	**776**	**64,294**
Balance at 1 July 2019	5,225	58,293	776	64,294
Initial application of AASB 16	(228)	(13,311)	–	(13,539)
Adjusted balance 1 July 2019	4,997	44,982	776	50,755
Depreciation for the year	1,915	12,519	153	14,587
Disposals	–	(1,645)	–	(1,645)
Balance at 30 June 2020	**6,912**	**55,856**	**929**	**63,697**
Carrying amounts				
At 1 July 2019 adjusted	12,293	103,582	843	116,718
At 30 June 2020	**13,059**	**95,452**	**1,282**	**109,793**

Leased plant and machinery (classified as finance lease under AASB 117)

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

On the introduction of AASB 16, these leases have been reclassified to Right-of-use-assets.

Security

At 30 June 2020 the carrying amount of total assets less the written down value of finance leased assets were held as security for bank facilities.

14. Leases

A. Leases as lessee

The Group leases warehouses and factory facilities. The leases typically run up to a period of 10 years, with an option to renew the lease after that date. Lease payments are renegotiated periodically to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The warehouse and factory leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under AASB 117.

One of the Group's properties has been sub-let. The lease and sub-lease will expire in 2021.

The Group leases production equipment under a number of leases, which were classified as finance leases under AASB 117.

The Group leases IT equipment with contract terms of one to three years. These leases are short term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lease is presented below.

(i) Right-of-use assets

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

	Property, plant and equipment		
In thousands of AUD	Property	Production equipment*	Total
Balance at 1 July 2019	93,725	26,912	120,637
Depreciation charge for the year	(17,801)	(6,897)	(24,698)
Acquisitions through business combination	16,293	–	16,293
Additions to right-of-use assets	544	3,651	4,195
Disposals of right-of-use assets	(879)	–	(879)
Balance at 30 June 2020	91,882	22,666	115,548

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

(ii) Amounts recognised in profit or loss

In thousands of AUD	2020
2020 – Leases under AASB 16	
Interest on lease liabilities	5,042
Income from sub-leasing right-of-use assets credited within 'expenses'	120
Expenses relating to short-term leases	207
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	819

In thousands of AUD	2019
2019 – Operating leases under AASB 117	
Lease expense	25,795
Sub-lease income	48

(iii) Amounts recognised in statement of cash flows

In thousands of AUD	2020
Total cash outflow for leases	32,014

Notes to the consolidated financial statements – *continued*

(iv) Extension options

Some property leases contain extension options exercisable before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is significant event or changes in circumstances within its control.

B. Leases as lessor

The Group leases out some its leased properties. All leases are classified as operating leases from a lessor perspective with the exception of a sub-lease, which the Group has classified as a finance sub-lease.

(i) Finance lease

During the year, the Group recognised interest income on lease receivables of $333 thousand (2019: nil).

The following table sets out the maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date. Under AASB 117, the Group did not have any finance leases as a lessor.

In thousands of AUD	2020
Less than one year	333
Total undiscounted lease receivable	333
Unearned finance income	–
Net investment in the lease	333

(ii) Operating lease

The Group has classified some sub-leased property as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group during the year was $120 thousand (2019: $48 thousand).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

In thousands of AUD	
2020 – Operating leases under AASB 16	
Less than one year	134
Between one to five years	241
More than five years	–
Total	375

In thousands of AUD	
2019 – Operating leases under AASB 117	
Less than one year	120
Between one to five years	363
More than five years	12
Total	495

15. Intangible assets and goodwill

In thousands of AUD	Note	Goodwill	Computer software	Customer relationships	Total
Cost					
Balance at 1 July 2018		143,617	11,113	28,616	183,346
Other additions		–	749	–	749
Balance at 30 June 2019		143,617	11,862	28,616	184,095
Balance at 1 July 2019		143,617	11,862	28,616	184,095
Acquisitions through business combination	23	13,061	808	7,653	21,522
Other additions (or adjustments)		–	3,617	–	3,617
Balance at 30 June 2020		**156,678**	**16,287**	**36,269**	**209,234**
Amortisation and impairment losses					
Balance at 1 July 2018		–	6,195	8,410	14,605
Amortisation for the year		–	2,160	3,718	5,878
Balance at 30 June 2019		**–**	**8,355**	**12,128**	**20,483**
Balance at 1 July 2019		–	8,355	12,128	20,483
Amortisation for the year		–	2,245	4,098	6,343
Impairment		(40,000)	–	–	(40,000)
Balance at 30 June 2020		**(40,000)**	**10,600**	**16,226**	**(13,174)**
Carrying amounts					
At 1 July 2019		143,617	3,507	16,488	163,612
At 30 June 2020		**116,678**	**5,687**	**20,043**	**142,408**

For the year ended 30 June 2020, an impairment of goodwill has been recognised in the Franklin WEB CGU of $35,000, and Distribution CGU of $5,000 (2019 nil). See below for further details.

Impairment testing for cash-generating units containing goodwill

The Group completes impairment testing for nine CGU's/groups of CGU's. The carrying amount of any goodwill summarised by operating division is set out below:

In thousands of AUD	2020	2019
Production (Franklin WEB CGU)	29,141	64,141
Production & Distribution (group of CGUs)	39,047	33,298
Data-Driven Communications (group of CGUs)	48,490	46,178
	116,678	**143,617**

*The Group has realigned its grouping of CGUs in line with business reorganisation and brand simplification during the year.

Goodwill impairment test is performed by applying value in use calculations. The calculations for all CGU's use cash flow projections based on budgeted EBITDA approved by the Board. A post-tax WACC rate of 8.56% to 11.5% (depending on the size and nature of the CGU) has been used with 1% to 2% growth allowance (apart from Franklin WEB and Distribution below) in the 5 year cash flow projections and terminal growth. Whilst the near-term future economic consequences of COVID-19 remain uncertain, the experience to date of the impacts of COVID-19 on FY20 has been taken into consideration in the preparation of the projected cash flows for the FY21 budget and the business plans for FY22 to terminal value.

Notes to the consolidated financial statements – *continued*

Aside from the below, there are no other reasonable possible changes in assumptions that would give rise to impairment.

Production & Distribution

For CGU's/groups of CGU's where impairment risk is identified further work was completed to consider alternate scenarios on a probability weighted basis.

COVID-19 impacted all parts of the business, some greater than others. The Franklin WEB ('FW') and Distribution CGU's were more heavily impacted due to clients temporarily suspending catalogue programs. The impacts of COVID-19 on FY20 EBITDA cash flows for the FW and Distribution CGU's are forecast to continue into FY21. The FY22 through to terminal year cash flow projections assume a return to pre COVID-19 levels allowing for a subdued economic environment.

Due to the prevailing uncertainty the budget for these CGU's has been used as a base, with a further two low case scenarios being developed, the mid and low case. A probability of occurrence for each scenario based on the estimated medium-term impact of COVID-19 was then applied. This probability was used to calculate a weighted average VIU for each CGU.

Franklin WEB – The Base case incorporates the budget presented to the board and positive assumptions relating to future benefits of paper price decreases and ensuing margin recovery from FY22 to terminal value. An additional two low case scenarios have been developed allowing for further 15% and 30% reductions to the base case reflecting further possible impacts from COVID-19. These have been probability weighted as follows:

Base case 25%

Mid case 50%

Low Case 25%

Distribution – Consistent with FW, the base case incorporated the budget presented to the board and positive assumptions on cost savings initiatives from FY22 to terminal value. An additional two low case scenarios have been developed allowing for further 15% and 30% reductions to the base case reflecting further possible impacts from COVID-19. These have then been probability weighted to the mid and low case a result of Distribution being recently acquired as follows:

Base case 10%

Mid case 50%

Low Case 40%

This probability was used to calculate a weighted average VIU for each CGU.

Based on the modeling outlined above, the impairment testing performed on these CGUs determined that the carrying amount of their assets was higher than it's recoverable amount through value in use. An impairment loss was recognised, in respect of the Franklin WEB CGU of $35,000 thousand, with a further $5,000 thousand recognised in respect of Distribution and included in 'other expenses'. The impairment loss amount has been fully allocated to the CGUs goodwill.

The key assumptions used in the estimation of value in use for these CGUs were as follows:

In percent	2020	2019
Post-tax WACC rate	Franklin WEB 8.56% / Distribution 11.5%	Franklin WEB 9.95%
Terminal growth rate	Franklin WEB 1% / Distribution 1%	Franklin WEB 2%

Following the impairment loss of these CGUs, the recoverable amount was equal to the carrying amount of $129,662 thousand. Any adverse movements in a key assumption would lead to further impairment.

16. Trade and other payables

In thousands of AUD	2020	2019
Current		
Trade payables	59,264	72,010
Accrued expenses	24,205	28,772
Forward exchange contracts used for hedging	559	–
Interest rate swaps	–	175
	84,028	**100,957**

17. Loans and borrowings

In thousands of AUD	2020	2019
Current		
Bank loan	–	–
Finance lease liabilities	–	3,147
Equipment finance	3,102	3,045
	3,102	**6,192**
Non-current		
Bank loan	159,095	141,042
Finance lease liabilities	–	12,586
Equipment finance	10,760	13,721
	169,855	**167,349**

Bank loan

During the financial year, the Group refinanced it's bank loan. As at 30 June 2020, the amended Syndicated Facilities Agreement has a carrying amount of $159,095 thousand and face value of $160,000 thousand (2019: carrying amount of $141,042 thousand and face value of $140,000 thousand). These facilities have an interest rate of BBSY plus a margin, and mature on 5 April 2023. The Group was in compliance with all loan covenants as at 30 June 2020. In April 2020, due to the uncertain impacts on current economic activity due to COVID-19, the Group obtained a waiver relating to the net leverage ratio requirement at 30 June 2020 and 31 December 2020.

Finance lease liabilities*

Finance lease liabilities of the Group are payable as follows:

In thousands of AUD	Future minmum lease payment 2019	Interest 2019	Present value of minmum lease payments 2019
Less than one year	3,936	789	3,147
Between one and five years	13,539	1,264	12,275
More than five years	390	79	311
	17,865	**2,132**	**15,733**

*The Group has provided the split between the principal and interest components of minimum lease payments under AASB 117. However, there is no specific requirement under AASB 16 to provide this disclosure.

Notes to the consolidated financial statements – *continued*

18. Employee benefits

In thousands of AUD	2020	2019
Current		
Liability for long service leave	8,150	8,463
Liability for annual leave	8,846	10,419
	16,996	**18,882**
Non-current		
Liability for long service leave	6,700	6,182
	6,700	6,182

19. Provisions

In thousands of AUD	Restructuring	Make good	Acquired lease liability	Total
Balance at 1 July 2019	628	3,304	11,654	15,586
Initial application of AASB 16	(628)	–	(11,654)	(12,282)
Adjusted balance 1 July 2019	–	3,304	–	3,304
Provisions made during the year	147	1,260	–	1,407
Provisions reversed during the year	–	(143)	–	(143)
Balance at 30 June 2020	**147**	**4,421**	**–**	**4,568**
Current	147	846	–	993
Non-current	–	3,575	–	3,575
	147	**4,421**	**–**	**4,568**

20. Share-based payments

During the year ended 30 June 2020, the company granted Performance Share Rights (Rights) under the Equity Incentive Plan (EIP). The Rights are an entitlement to receive fully paid ordinary IVE Group Limited Shares on a one-for-one basis. Further details on the Rights are described below.

Type of arrangement	Senior Leadership Team Award
Date of grant	26 November 2019*
Number granted	880,000
Contractual life	3 years and 2 months
Vesting conditions	The Rights are subject to the following Performance Conditions: sixty percent of the Rights are referenced against achieving Earnings Per Share Target (EPS), and forty percent are referenced against achieving Relative Shareholder Return (TSR) target. The performance period is 1 July 2019 to 30 June 2022 inclusive. The vesting date is expected to be on or soon after the approval of IVE's 2022 Annual Financial Report.
Weighted average fair value	$1.36
Valuation methodology	The EPS target was calculated using a risk-neutral assumption, whereas the TSR target has been valued using a Monte Carlo simulation approach.
Expected dividend	Holders of performance share rights are not entitled to receive dividends prior to vesting.
Other key valuation assumptions	
Share price at valuation date	$2.05
Expected volatility	19.1%
Risk free interest rate	0.98%
Dividend yield	8.64%

*Share rights issued to Directors required shareholder approval. This occurred at the Group's 2019 Annual General Meeting.

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

On 2 September 2019, the Group issued shares under the 2017 Equity Incentive Plan (refer note 21 – Capital). The exercise price per share at the time of issue was nil. The fair value per share at grant date was $1.21. The total value of shares issued was $34 thousand.

Notes to the consolidated financial statements – *continued*

21. Capital

Issued and paid up capital

In thousands of AUD	2020	2019
148,207,285 (June 2019: 148,179,157) ordinary shares fully paid	156,502	156,468

Movement in ordinary share capital

Date	Details	Number of shares	Issue price	Total $'000
1-Jul-19	Opening balance	148,103,655		156,318
4-Oct-18	Issue of shares under the Equity Incentive Plan	75,502	$1.98	150
30-Jun-19	**Closing balance**	**148,179,157**		**156,468**
1-Jul-19	Opening balance	148,179,157		156,468
2-Sep-19	Issue of shares under the Equity Incentive Plan	28,128	$1.21	34
30-Jun-20	**Closing balance**	**148,207,285**		**156,502**

Dividends

On 23 March 2020, the Group announced the cancellation of the H1 FY20 interim dividend (8.6 cents per share – $12,700 thousand in total). The Board has decided to suspend the final dividend for FY20 given the ongoing economic impact of COVID-19, and to continue strengthening the balance sheet.

The Board intends to resume dividend payments consistent with the existing dividend policy commencing the H1 FY21 interim dividend.

The following dividends were declared and paid during the year ended 30 June 2020:

	Cents per share	Total amount $'000	Date of payment
2020			
Final 2019 ordinary	7.7	11,412	24 October 2019
Total amount		**11,412**	

On 24 October 2019 a dividend of 7.7 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.

The following dividends were declared and paid during the year ended 30 June 2019:

	Cents per share	Total amount $'000	Date of payment
2019			
Final 2018 ordinary	7.5	11,108	25 October 2018
Interim 2019 ordinary	8.6	12,743	18 April 2019
Total amount		**23,851**	

Dividend franking account

In thousands of AUD	2020	2019
Amount of franking credits available to shareholders of IVE Group Limited for subsequent financial years	8,839	4,902

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

22. Earnings per share

In dollars	2020	2019
Basic earnings (loss) per share	(0.14)	0.21
Diluted earnings (loss) per share	(0.14)	0.21
Basic earnings (loss) per share – continuing operations	(0.12)	0.22
Diluted earnings (loss) per share – continuing operations	(0.12)	0.22
In thousands of AUD		
Earnings		
Profit (loss) after income tax attributable to owners of the company used in calculating basic and diluted earnings per share	(20,189)	31,304
Profit (loss) after income tax attributable to owners of the company used in calculating basic and diluted earnings per share – continuing operations	(18,398)	33,028
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	148,202	148,160
Weighted average number of ordinary shares used in calculating diluted earnings per share	148,635	148,638

There has been no material overall impact from the adoption of AASB 16 on the Group's earnings per share.

23. Acquisitions

On 1 January 2020, the Group acquired Salmat Marketing Solutions business and Reach Media NZ Limited (the catalogue distribution business of Salmat Limited in Australia and New Zealand, respectively) for a consideration of $25,385 thousand (plus working capital adjustment).

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	
Consideration transferred	
Cash	25,000
Completion cash adjustment*	610
Deferred consideration	385
	25,995
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	452
Trade and other receivables	15,265
Inventories	43
Current tax receivable	9
Prepayments	1,959
Property, plant and equipment	1,929
Right-of-use-asset	16,293
Intangible asset (customer relationship and software)	8,461
Deferred tax assets/(liabilities)	(944)
Trade and other payables	(9,713)
Lease liabilities	(16,293)
Employee benefits	(3,481)
Provisions	(1,046)
	12,934
Goodwill on acquisition	13,061

*The completion cash adjustment includes working capital and balance 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.

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. 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.

For the six months ended 30 June 2020, the acquired businesses contributed revenue of $49,979 thousand, but a loss before tax of $4,770 thousand partly due to restructure costs.

If these acquisitions had occurred from the beginning of the reporting period the combined Group revenue would have been estimated at $770,908 thousand, and loss before tax of $4,387 thousand from continuing operations.

Acquisition-related costs totaling $3,329 thousand for all acquisitions has been included in Other Expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

24. Operating segments

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

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

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

In thousands of AUD	2020	2019
EBITDA	89,309	79,102
Depreciation, amortisation and impairment	(85,612)	(22,711)
Net finance costs	(10,663)	(9,844)
Profit (loss) before income tax from continuing operations	**(6,966)**	**46,547**

25. Financial risk management and financial instruments

Overview

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

a. credit risk

b. liquidity risk

c. market risk

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

Risk management framework

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

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

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

Credit risk

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

Notes to the consolidated financial statements – *continued*

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	2020	2019
Cash and cash equivalents	*10*	51,640	31,501
Trade and other receivables	*11*	103,590	113,586
		155,230	**145,087**

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated the industry under the current economic environment. Additional allowances have been made for this uncertainty.

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 enquiries through the Group's Finance department. Ongoing customer credit performance is monitored on a regular basis.

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	2020	2019
Neither past due nor impaired	58,711	65,691
Past due 1-30 days	29,566	34,586
Past due 31-90 days	8,527	8,948
Past due 91 days and over	9,006	6,175
	105,810	**115,400**

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

	Carrying amounts	
In thousands of AUD	2020	2019
Balance at beginning of the year	1,814	677
Initial application of AASB 9	–	884
Assumed in a business combination in current year	151	–
Impairment loss recognised	1,247	1,034
Amounts written off	(992)	(781)
Balance at end of year	**2,220**	**1,814**

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.

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 2020 Non-derivative financial liabilities					
Trade and other payable	83,469	83,469	83,469	–	–
Lease liabilities	142,427	160,560	34,343	104,164	22,053
Equipment finance	13,862	14,753	3,332	11,421	–
Bank loans	159,095	172,917	3,441	169,476	–
	398,853	**431,699**	**124,585**	**285,061**	**22,053**
Derivative financial liabilities					
Forward exchange contracts used for hedging	559	559	559	–	–
	559	**559**	**559**	**–**	**–**

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

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.

Notes to the consolidated financial statements – *continued*

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.

During the year, 9% (2019: 6%) 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 $6 thousand at the reporting date (2019: nil). The Group has performed effectiveness testing and recognised the full fair value amount net of deferred tax of $4 thousand in other comprehensive income (2019: nil). 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 2020		As at 30 June 2019	
In thousands of AUD	Euro	USD	Euro	USD
Equipment finance loan	8,820	–	10,758	–
Next three months forecast purchases	1,346	1	6,675	150
Forward exchange contracts	(10,166)	(1)	(17,433)	(150)
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 refinanced it's bank loan. The interest rate swap contracts used to hedge the previous bank loan have matured. The Group recognised $140 thousand in the profit or loss (2019: $123 thousand in other comprehensive income).

Exposure to interest risk

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

	Carrying amount	
In thousands of AUD	2020	2019
Fixed rate instruments		
Financial liabilities – leases liabilities (2019: finance lease liabilities)	(142,427)	(15,733)
Financial liabilities - equipment finance	(13,862)	(16,766)
Effect of interest rate swaps – notional amount	–	(36,625)
	(156,289)	**(69,124)**
Variable rate instruments		
Financial assets – bank balances	51,633	31,491
Financial liabilities – bank loans	(160,000)	(142,000)
Effect of interest rate swaps – notional amount	–	36,625
	(108,367)	**(73,884)**

Fair value sensitivity analysis for fixed rate instruments

The Group does account for any fixed rate financial assets and liabilities at fair value through 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 $108 thousand (2019: $74 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as 2019.

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
Forward exchange contracts	The fair value is determined using quoted forward exchange rates and present value of estimated future cash flow based on observable yield curves.	Not applicable	Not applicable

Reconciliation of Level 3 Contingent consideration fair value

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

In thousands of AUD	2020	2019
Balance at 1 July	–	5,500
Assumed in a business combination in current year	–	–
Contingent consideration settled during the year	–	(4,150)
Contingent consideration reduced	–	(1,350)
Balance at 30 June	**–**	**–**

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 17).

26. Capital commitments

As at 30 June 2020, the Group has no commitment to purchase plant and equipment (2019: GBP585 thousand).

27. Related parties

Key management personnel compensation

Key management personnel compensation comprised the following:

In AUD	2020	2019
Short-term employee benefits	2,619,352	3,391,262
Post-employee benefits	120,488	138,621
Other long-term benefits	342,756	52,238
Share-based payments	–	75,817
	3,082,596	3,657,938

In AUD	Transaction value year ended 30 June 2020	Transaction value year ended 30 June 2019
Caxton Property Developments Pty Ltd – sales	–	7

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

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

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

28. Group entities

	Ownership interest	
Ultimate parent entity	**2020 %**	**2019 %**
IVE Group Limited		
Controlled entities		
Caxton Print Group Holdings Pty Limited	100	100
Caxton Print Group Pty Limited	100	100
IVE Group Australia Pty Limited	100	100
IVE Group Victoria Pty Limited	100	100
Task 2 Pty Limited	100	100
Pareto Fundraising Pty Limited	100	100
Pareto Phone Pty Limited	100	100
James Bennett & Associates Pty Limited	100	100
IVE Employment (Australia) Pty Limited	100	100
IVE Employment (Victoria) Pty Limited	100	100
Taverners No. 13 Pty Limited	100	100
AIW Printing (Aust) Pty Limited	100	100
AIW Printing Unit Trust	100	100
IVE Group Asia Limited	100	100
Guangzhou IVE Trading Company Limited	100	100
IVE Singapore Pte Limited	100	100
SEMA Holdings Pty Ltd	100	100
SEMA Infrastructure Pty Ltd	100	100
SEMA Operations Pty Ltd	100	100
John W Gage & Co Pty Ltd	100	100
IVE Distribution Pty Ltd	100	–
Lasoo Pty Ltd	100	–
Reach Media New Zealand Limited	100	–

Notes to the consolidated financial statements – *continued*

29. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2020 the parent entity of the Group was IVE Group Limited.

In thousands of AUD	2020	2019
Result of parent entity		
Profit/(loss) for the year	(0.4)	–
Other comprehensive income	–	–
Total comprehensive income for the year	**(0.4)**	**–**
Financial position of parent entity at year/period end		
Current assets	31	3
Total assets	65,504	76,896
Current liabilities	104	83
Total liabilities	104	83
Total equity of the parent entity comprising of:		
Share capital	287,781	287,781
Other equity reserve	(146,662)	(146,662)
Accumulated losses (net of dividend paid)	(75,719)	(64,306)
Total equity	**65,400**	**76,813**

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.

30. Subsequent events

Aside from the event below, 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 2020.

On 11 August 2020, Coles Group Limited informed the Group that it would reduce catalogue printing. This will affect the Group's revenue with an estimated reduction of between $35,000 – $40,000 thousand.

31. Auditors' remuneration

In AUD	2020	2019
Audit services		
Auditors of the Company – KPMG		
Audit and review of financial reports	403,220	353,720
Other assurance	–	6,000
	403,220	**394,213**
Other services		
Auditors of the Company – KPMG		
Taxation services	52,867	86,500
Transaction services	681,400	–
IT services	–	70,000
	734,267	**156,500**

32. Deed of cross guarantee

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

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

The Company and its subsidiaries amended its Deed of Cross Guarantee on 25 February 2020. 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
q. IVE Distribution 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 2020 is set out on pages 76 and 77 of this financial report.

33. Discontinued operation

During the year, the Group commenced closing down its loss making Asian operation. Its customers will continue to be serviced from Australia.

(i) Results of discontinued operation

In thousands of AUD	2020	2019
Revenue	881	600
Cost of sales	(284)	(171)
Gross profit	**597**	**429**
Production expenses	(1,219)	(1,234)
Administrative expenses	(1,185)	(923)
Results from operating activities	**(1,807)**	**(1,728)**
Finance income	16	–
Finance costs	–	(4)
Net finance costs	**16**	**(1,724)**
Loss before tax	**(1,791)**	**(1,724)**
Income tax expense	–	–
Loss from discontinued operations	**(1,791)**	**(1,724)**
Basic loss per share	**(0.02)**	**(0.01)**
Diluted loss per share	**(0.02)**	**(0.01)**

The loss from the discontinued operation of $1,791 thousand (2019: loss of $1,724 thousand) is attributable entirely to the owners of the Company.

(i) Cash flows from (used in) discontinued operation

In thousands of AUD	2020	2019
Net cash used in operating activities	**(1,177)**	**(2,536)**

IVE Group Limited
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 76 to 118, 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 2020 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the group entities identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities (refer Note 32) 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 25th day of August 2020

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 2020 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 Statements of financial position as at 30 June 2020.
- Consolidated Statements of profit or loss and other comprehensive income Consolidated Statements of changes in equity, and Consolidated statements 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 (including Independence Standards)* (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 15 'Intangible assets and goodwill' to the Financial Report (Goodwill: $116.7m)

The key audit matter	How the matter was addressed in our audit
A key audit matter for us was the Group's annual testing of goodwill for impairment, given the size of the balance (being 19% of total assets) and the significantly higher estimation uncertainty continuing from the business disruption impact of the COVID-19 global pandemic. Certain conditions impacting the Group increased the judgement applied by us when evaluating the evidence available. We focussed on the significant forward-looking assumptions the Group applied in their value in use models, including: • assessment of the Cash Generating Units (CGUs). The Group restructured part of the business during the year and acquired the distribution business of Salmat Limited including Reach Media NZ, necessitating our consideration of the Group's determination of CGUs, based on the smallest group of assets that generate largely independent cash inflows; • forecast operating cash flows, growth rates and terminal growth rates – the Group has experienced significant business disruption, as a result of COVID-19 in addition to continuing competitive market conditions and the pace of technological change and digital disruption in the printing industry. This impacted the Group through a reduction in the demand for products and services in addition to some project cancellations and deferrals. These conditions and the uncertainty of their	Our procedures included: • we considered the Group's determination of their CGUs based on our understanding of the Group's business impact of Salmat and Reach Media acquisition, and how independent cash inflows were generated, against the requirements of the accounting standards; • we analysed the impact of the restructure of the business 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 met with management to understand the impact of COVID-19 to the Group and impact of government response programs to the FY20 results; • we compared the forecast cash flows and capital expenditure contained in the value in use models to revised forecasts reflecting the Group's COVID-19 expected recovery rate approved by the Board; • we assessed the accuracy of previous Group

continuation increase the possibility of goodwill being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes for us to consider. We focused on the expected rate of recovery for the Group, what the Group considers as their future business model, and continued access to government relief/stimulus measures when assessing the feasibility of the Group's revised COVID-19 forecast cashflows; • 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; • level of disclosure of the key assumptions used in the Group's valuation models. The Group uses complex models to perform their annual testing of goodwill for impairment. The models are largely manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. The Group have not always met prior forecasts, raising our concern for reliability of current forecasts. Complex modelling using forward-looking assumptions tends to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. Given the nature of these judgments, we involved our valuation specialists and senior staff with experience in the industry and the Group's business in assessing this key audit matter.	forecasts to inform our evaluation of forecasts incorporated in the models; • we assessed the Group's underlying methodology and documentation for the allocation of corporate costs to the forecast cash flows contained in the value in use model, for consistency with our understanding of the business and the criteria in the accounting standards; • we considered the sensitivity of the models by varying key assumptions, such as expected rate of recovery for the Group, cost saving initiatives, forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We considered the interdependencies of key assumptions when performing the sensitivity analysis and what the Group consider to be reasonably possible. We did this to identify those CGUs at higher risk of impairment and those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures; • we met with management to understand changes in the Group's plans resulting from COVID-19, and potential future impacts to the Group; • we challenged the Group's significant forecast cash flow and growth assumptions in light of the expected continuation of unprecedented uncertainty of business disruption and impacts of the COVID-19 global pandemic in addition to continued competitive market conditions and digital disruption. We compared forecast growth rates and terminal growth rates to authoritative published studies of industry trends and expectations, and considered differences for the Group's operations. We assessed key assumptions such as expected rate of recovery for the group and cost savings initiatives. We used our knowledge of the Group, business and customers, and our industry experience. We sourced authoritative and credible inputs from our specialists and market advisors; • we checked the consistency of the growth rates to the Group's revised plans and our experience regarding the feasibility of these in

	the printing industry and the COVID-19 economic environment in which they operate; • we assessed the impact of technology and market changes on the Group's key assumptions, specifically the continued market for catalogues and other printed materials as a marketing and communications tool, for indicators of bias and inconsistent application, using our industry knowledge and information published by reputable sources; • working with our valuation specialists we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in; • we assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and 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 FY20 Results Presentation. The Chairman's Report and Chief Executive Officer's Report are expected to be made available to us after the date of the Auditor's Report.

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

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

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

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of IVE Group Limited for the year ended 30 June 2020, 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 54 to 71 of the Directors' report for the year ended 30 June 2020.

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

25 August 2020

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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 24 July 2020.

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

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

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

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

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

Name	Number of shares held	%
Caxton Print Holdings Pty Ltd as trustee for the Selig Family Trust**	11,210,231	8.02%
Anthony Young	8,990,160	6.1%
Ryan Young	7,411,946	5.0%
Mitsubishi UFJ Financial Group, Inc.	7,544,225	5.09%

* The above table includes a correction removing COPIA Investment Partners, who ceased to be a substantial holder in September 2017.

** The above disclosure is presented in accordance with ASX Listing Rule 4.10. As at the date of this Annual Report, Caxton Print Holdings Pty Ltd as trustee for the Selig Family Trust, holds a total of 12,860,231 fully paid ordinary shares (8.68%)

Distribution of shareholders and shareholdings – ordinary shares

There are 148,207,285 ordinary shares on issue held by 4,002 shareholders.

Range	Ordinary Shares	%	Number of holders	%
1 to 1,000	324,770	0.22	537	13.42
1,001 to 5,000	3,855,710	2.60	1,316	32.88
5,001 to 10,000	5,665,483	3.82	695	17.37
10,001 to 100,000	38,659,769	26.08	1,322	33.03
100,001 and Over	99,701,553	67.27	132	3.30
Total	148,207,285	100.00	4,002	100.00

Distribution of performance right holders and holdings

There are 1,335,244 unlisted performance share rights on issue that have been issued under an employee share plan. These are held by 6 employees.

Range	Performance Share Rights	%	Number of holders	%
1 to 1,000	–	–	–	–
1,001 to 5,000	–	–	–	–
5,001 to 10,000	–	–	–	–
10,001 to 100,000	51,470	3.85	1	16.67
100,001 and Over	1,283,774	96.15	5	83.33
Total	1,335,244	100.00	6	100.00

Unmarketable parcels

The number of shareholders holding less than a marketable parcel of ordinary shares is 242 for 72,546 shares, based on IVE's closing share price of $0.86, on 24 July 2020.

Twenty largest shareholders

Rank	Name	Number of Shares	%
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	14,295,355	9.65
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,550,959	7.79
3	CAXTON PRINT HOLDINGS PTY LTD*	11,210,231	7.56
4	CITICORP NOMINEES PTY LIMITED	11,001,332	7.42
5	STRATEGIC VALUE PTY LTD	4,495,816	3.03
6	NATIONAL NOMINEES LIMITED	4,046,597	2.73
7	RYLELAGE PTY LTD	3,639,436	2.46
8	MR STEPHEN CRAIG JERMYN	3,000,000	2.02
8	SCJ PTY LTD	3,000,000	2.02
9	TAVERNERS J PTY LTD	2,176,829	1.47
10	STRATEGIC VALUE PTY LIMITED	1,980,392	1.34
11	CAXTON PRINT HOLDINGS PTY LTD*	1,650,000	1.11
12	EXLDATA PTY LTD	1,625,546	1.10
13	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	1,174,511	0.79
14	DOROTHY PRODUCTIONS PTY LTD	681,995	0.46
15	JOHN BARNES FOUNDATION LIMITED	666,890	0.45
16	MOKSA PTY LTD	615,850	0.42
17	BNP PARIBAS NOMS PTY LTD	599,171	0.40
18	UBS NOMINEES PTY LTD	576,704	0.39
19	TOGO JOST PTY LTD	502,700	0.34
20	LINDWAY INVESTMENTS PTY LIMITED	493,474	0.33
	Total	78,983,788	53.29
	Balance of register	69,223,497	46.71
	Grand total	148,207,285	100.00

*As at the date of this Annual Report, Caxton Print Holdings Pty Ltd as trustee for the Selig Family Trust, holds a total of 12,860,231 fully paid ordinary shares (8.68%)

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

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

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

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

Voluntary escrow

There were no ordinary shares held in a voluntary escrow arrangement as at 24 July 2020.

Stock Exchange Listing

IVE Group securities are only listed on the ASX.

Corporate governance statement

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

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

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

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

The Corporate Governance Statement reports against the 3rd edition of the ASX Corporate Governance Council's
Principles and Recommendations (ASX Principles) and the practices detailed in the Corporate Governance Statement are current as at 25 August 2020. It has been approved by the Board and is available on the IVE website under Investors at http://investors.ivegroup.com.au/investor-centre/?page=corporate-governance. IVE Group has undertaken a review of its corporate governance policies, charters and practices to bring the Company into compliance with the 4th edition ASX Principles which will be reported against for the first time in 2021.

www.ivegroup.com.au