IVE Group Limited **(ASX:IGL)**

ABN 62 606 252 644

APPENDIX 4D

For the Half Year Ended 31 December 2016

Company Information

Current Reporting Period: For the half year ended 31 December 2016
Previous Corresponding Period: For the half year ended 31 December 2015

This information should be read in conjunction with the 31 December 2016 Half Year Financial Report of IVE Group Limited and its controlled entities, the IVE Group Limited Prospectus dated 4 December 2015 and any public announcements made in the period by IVE Group Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half year ended 31 December 2016.

This report is based on the consolidated financial statements for the half year ended 31 December 2016 of IVE Group Limited and its controlled entities, which have been reviewed by KPMG. The Independent Auditor's Report provided by KPMG is included in the consolidated financial statements for the half year ended 31 December 2016.

Results for announcement to the market

In accordance with the ASX Listing Rule 4.2A, the board and management of IVE Group Limited has enclosed an Appendix 4D for the half year ended 31 December 2016.

Statutory results per the Financial Report

		31 Dec 2016 $'000	**31 Dec 2015 $'000**
Revenue from continuing operations	up 13% to	207,745	184,602
Profit (loss) from ordinary activities after tax attributable to members	up 546% to	3,502	(785)
Net profit (loss) for the period attributable to members	up 546% to	3,502	(785)

IVE Group Limited (ASX:IGL)

H1 FY2017 Non IFRS pro forma financial information

		31 Dec 2016 $'000	31 Dec 2015 $'000
Revenue from continuing operations	up 6% to	207,745	196,109
Profit (loss) from ordinary activities after tax attributable to members	up 2% to	11,641	11,392
Net profit (loss) for the period attributable to members	up 2% to	11,641	11,392

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

Net Tangible Assets per Security

	31 Dec 2016	30 Jun 2016
Net Tangible Asset per security $	0.07	0.18

* The number of securities of the Group were significantly impacted by the capital raising during December 2016. If prepared on a 'like for like' basis using ordinary securities as at 31 December 2016, the Net Tangible Asset per security as at 31 December 2015 would be $0.14.

Dividend Amount per Security

	Amount per Security	Franked Amount per Security
Interim dividend (cents)	6.3	6.3

Record date for determining entitlements to the dividend	Interim dividend entitlement date: close of business 14 March 2017; and payment date: 20 April 2017.

Audit qualification or review

The Independent Auditor's Report provided by KPMG is included in the IVE Group Limited Interim Financial Report for the half year ended 31 December 2016.

Attachments

Interim Financial Report for the half year ended 31 December 2016 for IVE Group Limited.

IVE GROUP LIMITED

ABN 62 606 252 644
Interim consolidated financial report

31 December 2016

IVE Group Limited

Contents

IVE GROUP LIMITED OPERATING AND FINANCIAL REVIEW

HALF YEAR ENDED 31 DECEMBER 2016

1. INTRODUCTION

The Directors are pleased to present the half year Operating and Financial Review (OFR) for IVE Group Limited (IVE) for the period ended 31st December 2016 (H1 FY2017).

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

2. SUMMARY

IVE achieved revenue growth for FY2017 of 5.9% compared to the prior corresponding period ('PCP') on a Pro Forma basis, and 12.5% revenue growth on a Statutory basis (Pro Forma and Statutory basis are defined in Section 4 of the OFR). The revenue increase reflects continued growth through a combination of new business from the existing customer base through expanded service offering (share of wallet), as well as business acquisitions in the second half of FY2016 and the first half of FY2017.

IVE also achieved EBITDA growth of 8.1% over the PCP (before key restructure and acquisition costs and based on FY2016 pro forma), and 67.6% on a Statutory basis through a combination of revenue growth (outlined above), as well as continued productivity gains and cost base refinement through capital expenditure investment, focus on cost management, and the benefits arising from acquisition synergies. However, Statutory EBITDA has been impacted by restructuring and acquisition costs in H1 FY2017 as well as costs associated with IPO in H1 FY2016.

During H1 of FY2017 IVE completed the successful integration of H2 FY2016 acquisitions, and continued its acquisition program acquiring the assets of The Mailing House Pty Ltd (September 2016), Retail 25 Consulting Pty Ltd (December 2016), and Display Bay Pty Ltd (December 2016).

Further to our acquisition program, IVE strategically entered the large format web offset (LFWO) sector with the asset acquisition of Franklin Web Pty Ltd (Franklin) and share capital acquisition of Taverners No. 13 Pty Ltd (AIW). Both acquisitions completed on 13th December 2016, and are consistent with IVE's strategy to be a leading, full service marketing and print communications provider.

3. STRATEGY AND OPERATING OVERVIEW

IVE is a vertically integrated marketing and print communications provider. IVE enables its customers to communicate more effectively with their customer by creating, managing, producing and distributing content across multiple channels. IVE has an unparalleled product and service offering in Australia and holds leading positions across multiple sectors.

IVE's growth strategy is focused on the following key initiatives:

- New customer origination driven by a highly customer centric culture;
- Growing share of wallet with existing customers;
- Execution of a disciplined acquisition program;

- Expansion of the value proposition through the addition of new products and services; and
- Continuing to strengthen and leverage the existing business through targeted operational efficiency programs.

IVE has significantly grown it's diversified offer to the retail sector over the last five years, and the acquisition of both Franklin and AIW are highly complementary to the Group's existing offer.

These acquisitions will:

- Make IVE a leading player in the Large Format Web Offset sector specialising in retail catalogues
- Establish IVE as a low cost and highly efficient specialist catalogue producer by:
  - Integrating AIW operations into Franklin's market leading facility in Victoria, allowing us to unlock meaningful synergies
  - Enhancing the Groups national coverage through the establishment of a greenfield's catalogue production capability in Sydney
- Provide a significant opportunity to cross sell the broader Group offer to the combined customer base;
- Further diversify IVE's revenue base; and
- Strengthen management capabilities to support integration and growth.

Further information on IVE's strategy, operations and market is set out in our 30 June 2016 Annual Report. Other than the impact of the Franklin and AIW acquisitions, there have been no significant changes to IVE's strategy, operations and market from that as outlined in our 30 June 2016 Annual Report.

4. OVERVIEW OF RESULTS FOR H1 FY2017

IVE's Financial Report for H1 FY2017 is presented on a Statutory basis in accordance with Australian Accounting Standards which comply with International Financial Reporting Standards (IFRS).

In this OFR, certain non-IFRS financial information has also been included to allow investors to understand the underlying performance of IVE. The non-IFRS financial information relates to H1 FY2017 results presented before impacts of key restructuring and acquisition costs, primarily relating to the Franklin and AIW acquisitions, and comparing to H1 FY2016 performance on a Pro Forma basis (as outlined in Prospectus dated December 2015).

The Directors believe that the results before the key restructuring and acquisitions costs, and Pro Forma comparisons, better reflects the underlying performance and is consistent with the Prospectus, this differs from the Statutory presentation. The non statutory H1 FY2017 results are impacted by costs associated with the acquisition and restructure of Franklin and AIW and Blue Star Connect warehouse relocation. H1 FY2016 are results presented on a Pro Forma basis to reflect the effect of the operating and capital structure that was established at time of the IPO, and excludes the costs of IPO, one off tax implications arising as a result of the IPO, and other non-operating items which are not expected to occur in future periods.

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

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

4.1 STATUTORY RESULTS PER THE FINANCIAL REPORT

Table 1 outlines the Statutory results for H1 FY2017 and H1 FY2016 on a comparable basis.

Table 1: Statutory results

	Statutory			
	Actual H1 FY2017	Actual H1 FY2016	Variance $'M	Variance %
Revenue	**207.7**	**184.6**	**23.1**	**12.5%**
Gross Profit	**110.1**	**95.5**	**14.6**	**15.3%**
% of Revenue	53.0%	51.7%	0.0	2.4%
EBITDA	**12.8**	**7.6**	**5.2**	**67.6%**
% of Revenue	6.2%	4.1%	0.0	48.9%
EBIT	**7.0**	**3.4**	**3.5**	**102.5%**
% of Revenue	3.4%	1.9%	0.0	80.0%
Profit before tax	**5.2**	**1.9**	**3.3**	**171.8%**
NPAT	**3.5**	**–0.8**	**4.3**	**546.1%**
NPATA	4.4	–0.3	4.7	1567.4%

The key variances on a Statutory basis between H1 FY2017 and H1 FY2016 are as follows:

- **Revenue**

Revenue increase of $23.1M or 12.5% over PCP reflects the impacts of continued growth, increased revenue through the existing customer base through expanded service offering, and the contribution from acquisitions undertaken in FY2016 and H1 of FY2017. The revenue increase has been achieved through realising the successful execution of IVE's growth strategy initiatives. This has led to a number of new customers partnering the Group throughout the year, the continued success of cross selling to existing and acquired customers, and the ability to achieve several key contract extensions. IVE has also had secured a number new customers, the benefit of which will flow into H2 of FY2017.

- **Gross profit**

The gross profit increase of $14.6M over PCP largely driven by increased revenue. The Group achieved gross profit margin of 53.0% to revenue compared with 51.7% in PCP. Gross profit has remained stable as a result of managing of inputs, continued leveraging of supply chain and reducing outsource spend wherever possible by producing internally.

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

EBITDA of $12.8M represents an increase of $5.2M or 67.6% over PCP achieved through revenue growth, as well as efficiency gains expanding the EBITDA margin.

Production expenses of $50.8M are 24.4% to revenue compared $46.1M and 24.9% to revenue in PCP. The main driver of the increase in production expense is to service the increase in revenue. Production costs have been further refined through cost management as well continued gains from capital expenditure efficiencies.

Administration expenses of $42.0M are 20.2% to revenue compared to $39.2M and 21.2% to revenue in PCP, increase is primarily due to sales costs to service revenue growth, costs associated with being publically listed, as well as the introduction of the long term incentive plan (LTI).

Other expenses of $11.4M are 5.5% to revenue compared to PCP of $7.4M and 4.0% to revenue. H1 2017 includes restructuring costs of $6.1M and acquisition costs (transaction costs) of $5.2M predominantly relating to the Franklin and AIW acquisitions. H1 FY2016 also included one off significant items predominantly relating to IPO costs of $6.8M.

4.2 H1 FY2017 NON IFRS PRO FORMA FINANCIAL INFORMATION

The H1 FY2017 results below are presented before key restructuring and acquisition costs. Compared to H1 FY2016 on a Pro Forma basis as per December 15 interim financial report to allow investors to make a comparison on a like for like basis.

Table 2: H1 FY2017 non IFRS Pro Forma financial information, H1 FY2016 results on a Pro Forma basis, and H1 FY2017 Statutory results

	Statutory	Pro-Forma			
	Actual H1 FY2017	Actual H1 FY2017	Actual H1 FY2016	Variance $'M	Variance %
Revenue	**207.7**	**207.7**	**196.1**	**11.6**	**5.9%**
Gross Profit	**110.1**	**110.1**	**102.9**	**7.2**	**7.0%**
% of Revenue	53.0%	53.0%	52.5%	0.0	1.0%
EBITDA	**12.8**	**24.0**	**22.2**	**1.8**	**8.1%**
% of Revenue	6.2%	11.6%	11.3%	0.0	2.0%
EBIT	**7.0**	**18.2**	**17.6**	**0.6**	**3.3%**
% of Revenue	3.4%	8.8%	9.0%	0.0	-2.5%
Profit before tax	**5.2**	**16.8**	**16.5**	**0.3**	**1.7%**
NPAT	**3.5**	**11.6**	**11.4**	**0.2**	**2.2%**
NPATA	4.4	12.6	12.2	0.4	3.0%

Table 3: H1 FY2017 Pro Forma adjustments are as follows

Restructure and Acquisitions items	
Restructure – Blue Star Connect warehouse relocation – Other expense	(0.6)
Restructure – AIW redundancies and relocation costs – Other expense	(5.5)
Acquisition – Franklin/AIW transaction costs – Other expense	(5.2)
Interest expense – expense of previous facility set up costs	(0.3)
Total	**(11.6)**

4.3 BALANCE SHEET

Table 4 sets out the indebtedness of IVE on a Statutory basis comparing H1 FY2017 to FY2016 as presented in its 30 June 2016 Annual Financial Report.

Table 4: H1 FY2017 Statutory indebtedness

	Actual H1 2017 $'M	**Actual June FY2015 $'M**
Short Term Debt – Finance Leases	2.6	2.6
Long Term Debt – Finance Leases	10.5	11.7
Senior Faciltities*	127.4	36.8
Sub Total	140.5	51.1
Cash	-23.7	-14.5
Net Debt	116.8	36.6

*The senior facilities is the actual balance outstanding.

The above reflects current debt structure for IVE as at 31st December 2016.

The increase in senior facilities of $90.6M relates to the acquisitions of both Franklin and AIW on the 13th December 2016. The acquisitions were funded through a combination of new equity via issue of shares to vendors ($20.3M), a share placement and entitlement offer ($40.0M), and a new 3 year senior debt facility which resulted in the debt facility increasing from $53.0M to $145.0M. The increase in facilities was used to fund the above acquisitions, necessary ensuing restructuring costs to unlock synergies, resulting transaction costs, capital investment program and also to provide the Group further headroom for growth.

Net debt represents 1.9 times EBITDA. This is based on FY2016 IVE Pro Forma EBITDA achieved of $42.8M as per the 30 June 2016 OFR, and FY2016 reported EBITDA from Franklin of $21.2M and AIW loss of ($1.8M) (per IVE investor presentation dated 5th December 2016 – Strategic Acquisitions of Franklin Web and AIW and Capital Raising) before any acquisition synergies realised, total EBITDA for FY2016 on a pro forma basis would have been $62.2M.

IVE remains in compliance with all covenants relating to debt facilities and additional headroom is available in the facilities to meet IVE's current forecast requirements.

5. FY2017 FINANCIAL OUTLOOK

- All key components of the LFWO integration and expansion plan are on track and will be completed in less than 12 months of acquisition.
- Expected synergies validated with a minimum of $11.5m per annum (full run rate).
- EBITDA range of $54–$57m (before restructure & acquisition costs) for FY2017.
- Business very well positioned for a strong FY2018.
- Dividend policy unchanged with a payout ratio of 65–75% of NPAT.

7. ADDITIONAL INFORMATION

For further information contact:

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Executive Chairman

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Darren Dunkley
Chief Financial Officer

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Directors' report

For the six months ended 31 December 2016

The directors present their report together with the interim consolidated financial statements of the Group comprising of IVE Group Limited (the Company), and its subsidiaries (the Group) for the six months ended 31 December 2016 and the auditor's report thereon.

DIRECTORS

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

Geoff Bruce Selig
Warwick Leslie Hay
Gavin Terence Bell
Andrew Charles Harrison
Paul Stephen Selig
James Scott Charles Todd
Sandra Hook

Operating and financial review

The profit after tax of the Group for the six months ended 31 December 2016 was $3,502 thousand (for six months ended 31 December 2015 was a loss of $785 thousand). A review of operations and results of the Group for the six months ended 31 December 2016 are set out in the Operating and Financial Review, which forms part of the interim consolidated financial report.

Dividends

The directors have declared an interim dividend of 6.3 Australian cents per share, fully franked, to be paid on 20 April 2017 to shareholders on the register at 14 March 2017. The interim dividend declared by the Company to members for the six months ended 31 December 2016 was $7,540 thousand (for the six months ended 31 December 2015: nil).

Rounding off

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

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 10 and forms part of the directors' report for the six months ended 31 December 2016.

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

G Selig

Geoff Selig
Director
Dated at Sydney this 27th day of February 2017

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

To: the directors of IVE Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Chris Hollis
Partner

Sydney

27 February 2017

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2016

In thousands of AUD	*Note*	31 December 2016	31 December 2015
Revenue		207,745	184,602
Cost of sales		(97,629)	(89,081)
Gross profit		110,116	95,251
Other income		1,139	607
Production expenses		(50,815)	(46,065)
Administrative expenses		(41,996)	(39,188)
Other expenses		(11,436)	(7,425)
Results from operating activities	*4, 5*	7,008	3,450
Finance income		62	80
Finance costs		(1,834)	(1,603)
Net finance costs	*6*	(1,772)	(1,523)
Profit before tax		**5,236**	**1,927**
Income tax expense	*7*	(1,734)	(2,712)
Profit/(loss) for the year		**3,502**	**(785)**
Other comprehensive income		-	-
Total comprehensive income for the period		**3,502**	**(785)**
Profit/(loss) attributable to:			
Owners of the Company		3,502	(785)
Profit/(loss) for the period		**3,502**	**(785)**
Total comprehensive income attributable to:			
Owners of the Company		3,502	(785)
Total comprehensive income for the period		**3,502**	**(785)**
Earnings per share			
Basic earnings per share (cents per share)		3.8	(1.0)
Diluted earnings per share (cents per share)		3.8	(1.0)

The notes on pages 15 to 26 are an integral part of these interim consolidated financial statements.

Condensed consolidated statement of financial position

As at 31 December 2016

In thousands of AUD	***Note***	**31 December 2016**	**30 June 2016**
Assets			
Cash and cash equivalents	*8*	23,752	14,480
Trade and other receivables	*9*	113,892	66,747
Inventories	*10*	44,215	12,466
Prepayments		1,874	2,413
Other current assets		5,776	5,074
Total current assets		189,509	101,180
Deferred tax assets		17,416	17,209
Property, plant and equipment	*11*	93,336	41,707
Intangible assets and goodwill	*12*	128,574	70,279
Other non-current assets		-	1,021
Total non-current assets		239,326	130,216
Total assets		**428,835**	**231,396**
Liabilities			
Trade and other payables	*13*	107,064	67,673
Finance lease liabilities		2,609	2,555
Employee benefits	*15*	14,732	11,041
Current tax payable		830	3,694
Provisions	*16*	6,931	1,308
Total current liabilities		132,166	86,271
Trade and other payables	*13*	4,987	5,687
Finance lease liabilities		10,465	11,747
Loan and borrowings		125,433	36,750
Employee benefits	*15*	5,962	4,967
Provisions	*16*	13,365	4,447
Total non-current liabilities		160,212	63,598
Total liabilities		**292,378**	**149,869**
Net assets		**136,457**	**81,527**
Equity			
Share capital	*17*	98,820	39,843
Share-based payment reserve	*18*	122	-
Retained earnings		37,515	41,684
Total equity		**136,457**	**81,527**

The notes on pages 15 to 26 are an integral part of these interim consolidated financial statements.

IVE Group Limited

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2016

In thousands of AUD	***Note***	**Share capital**	**Share based payment reserve**	**Retained earnings**	**Total equity**
Balance at 1 July 2015		15,250	-	26,633	41,883
Total comprehensive income for the period					
Loss for the period		-	-	(785)	(785)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period			-	(785)	(785)
Transactions with owners of the Company					
Issue of share capital	*17*	23,943	-	-	23,943
Total transactions with owners of the Company		23,943	-	-	23,943
Balance at 31 December 2015		**39,193**	**-**	**25,848**	**65,041**
Balance at 1 July 2016		**39,843**	**-**	**41,684**	**81,527**
Total comprehensive income for the period					
Profit for the period		-	-	3,502	3,502
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	3,502	3,502
Transactions with owners of the Company					
Issue of share capital	*17*	58,977	-	-	58,977
Dividends to owners of the Company	*17*	-	-	(7,671)	(7,671)
Performance share rights	*18*	-	122	-	122
Total transactions with owners of the Company		58,977	122	(7,671)	51,428
Balance at 31 December 2016		**98,820**	**122**	**37,155**	**136,457**

The notes on pages 15 to 26 are an integral part of these consolidated financial statements.

IVE Group Limited

Condensed consolidated statement of cash

For the six months ended 31 December 2016

In thousands of AUD	***Note***	**31 December 2016**	**31 December 2015**
Cash flows from operating activities			
Cash receipts from customers		227,191	180,915
Cash paid to suppliers and employees		(217,286)	(164,805)
Cash generated from operating activities		9,905	16,110
Interest received		62	80
Interest paid		(1,402)	(1,603)
Income tax paid		(4,385)	(1,690)
Payment of costs in relation to acquisitions		(3,684)	(898)
Relocation and make good		(804)	(857)
Net cash from operating activities		**(308)**	**11,142**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		25	288
Acquisition of property, plant and equipment and intangible assets		(7,455)	(4,731)
Acquisitions of businesses, net of cash acquired	*19*	(95,542)	(12,931)
Deferred and contingent consideration paid on acquired business		(5,992)	(358)
Net cash used in investing activities		**(108,964)**	**(17,732)**
Cash flows from financing activities			
Proceeds from shares issue and sell down of existing shares		40,041	15,800
Beneficiaries contribution to share based payment settlement		-	888
Proceeds from bank loans		90,650	11,000
Payment of transaction costs for loans and issued capital		(3,248)	(9,280)
Dividends paid		(7,671)	-
Payment of finance lease liabilities		(1,228)	(1,215)
Net cash from financing activities		**118,544**	**17,193**
Net increase in cash and cash equivalents		9,272	10,603
Cash and cash equivalents at 1 July		14,480	6,667
Cash and cash equivalents at 31 December	*8*	**23,752**	**17,270**

The notes on pages 15 to 26 are an integral part of these consolidated financial statements.

Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2016

1 Reporting entity

IVE Group Limited (the ultimate parent entity or the Company) is a company domiciled in Australia. It's registered address is 350 Parramatta Road, Homebush NSW 2140.

This interim consolidated financial statements, as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (IVE or Group).

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

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

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

2 Basis of preparation

This interim consolidated financial report has been prepared in accordance with AASB 134 Interim Financial Reporting, the Corporations Act 2001 and IAS 34 Interim Financial Reporting. It does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2016.

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

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

Significant accounting policies

The accounting policies applied in this interim consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2016.

The interim consolidated financial statements were authorised for issue by the Board of Directors on 27 February 2017.

3 Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2016.

3 Use of estimates and judgements (continued)

Measurement of fair values

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

4 Personnel expenses

In thousands of AUD	**31 December 2016**	**31 December 2015**
Wages and salaries	62,084	53,379
Contributions to defined contribution plans	4,811	4,164
Share-based payment expense	122	6,221
	67,017	**63,764**

5 Expenses

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

In thousands of AUD	**31 December 2016**	**31 December 2015**
Restructuring costs	6,202	537
Acquisition expenses	5,353	806
Listing expenses	-	6,218

6 Finance income and finance costs

In thousands of AUD	**31 December 2016**	**31 December 2015**
Interest income	62	80
Finance income	**62**	**80**
Interest expense	(1,813)	(1,603)
Net foreign exchange losses	(21)	-
Finance costs	**(1,834)**	**(1,603)**
Net finance costs	**(1,772)**	**(1,523)**

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2016

7 Tax expense

In thousands of AUD	31 December 2016	31 December 2015
Current tax expense		
Current year	2,649	4,091
Deferred tax benefit		
Origination and reversal of temporary differences	(915)	(1,379)
Total tax expense	**1,734**	**2,712**

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	31 December 2016	31 December 2015
Profit before tax	5,236	1,927
Tax using the Company's domestic tax rate of 30%	1,571	578
Non-deductible expenses	163	2,134
	1,734	**2,712**

8 Cash and cash equivalents

In thousands of AUD	31 December 2016	30 June 2016
Bank balances	23,744	14,472
Petty cash	8	8
Cash and cash equivalents	**23,752**	**14,480**

9 Trade and other receivables

In thousands of AUD	31 December 2016	30 June 2016
Current		
Trade receivables	113,860	66,760
Allowance for impairment	(1,743)	(1,315)
	112,117	65,445
Other receivables	1,775	1,302
	113,892	**66,747**

10 Inventories

In thousands of AUD	31 December 2016	30 June 2016
Finished goods	2,588	2,463
Work in progress	7,121	3,070
Raw materials	35,431	7,323
Allowance for inventory obsolescence	(925)	(390)
	44,215	**12,466**

11 Property, plant and equipment

Acquisitions
During the six months ended 31 December 2016 the Group acquired property, plant and equipment with a cost of $55,950 thousand (six months ended 31 December 2015: $6,165 thousand). This amount includes assets acquired through a business combination (see note 19) of $49,410 thousand (six months ended 31 December 2015: $473 thousand).

Leased plant and machinery
The Group leases production equipment under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at a beneficial price. At 31 December 2016 the net carrying amount of leased assets was $17,253 thousand (30 June 2016: $18,465 thousand).

Security
At 31 December 2016 the carrying amount of total assets less the written down value of finance leased assets were held as security for bank facilities.

12 Intangible assets and goodwill

In thousands of AUD	Note	Goodwill	Computer software	Customer relationship	Total
Cost					
Balance at 1 July 2015		21,583	4,211	2,946	28,740
Acquisition through business combinations		16,703	97	6,736	23,536
Other additions		-	292	-	292
Other adjustments		559	-	-	559
Balance at 31 December 2015		38,845	4,600	9,682	53,127
Balance at 1 July 2016		58,777	5,764	11,376	75,917
Acquisition through business combinations	*19*	40,407	-	19,790	60,197
Other additions		-	1,607	-	1,607
Acquisition accounting measurement period adjustment		(2,000)	-	-	(2,000)
Balance at 31 December 2016		**97,184**	**7,371**	**31,166**	**135,721**
Amortisation and impairment losses					
Balance at 1 July 2015		-	2,621	842	3,463
Amortisation for the period		-	453	456	909
Balance at 31 December 2015		-	3,074	1,298	4,372
Balance at 1 July 2016		-	3,477	2,161	5,638
Amortisation for the period		-	585	924	1,509
Balance at 31 December 2016		**-**	**4,062**	**3,085**	**7,147**
Carrying amounts					
At 31 December 2015		38,845	1,526	8,384	48,755
At 31 December 2016		**97,184**	**3,309**	**28,081**	**128,574**

13 Trade and other payables

In thousands of AUD	31 December 2016	30 June 2016
Current		
Trade payables	59,409	35,991
Accrued expenses	23,130	19,275
Deferred consideration	22,013	7,720
Contingent consideration	2,512	4,687
	107,064	**67,673**
Non-current		
Contingent consideration	4,987	5,687
	4,987	**5,687**

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2016

14 Finance lease liabilities

Finance lease liabilities of the Group are as follows:

	Future minimum lease payment	
In thousands of AUD	**31 December 2016**	**30 June 2016**
Less than one year	3,232	3,215
Between one and five years	9,335	10,595
More than five years	2,304	2,646
	14,871	**16,456**

15 Employee benefits

In thousands of AUD	**31 December 2016**	**30 June 2016**
Current		
Liability for long service leave	5,869	4,134
Liability for annual leave	8,863	6,907
	14,732	**11,041**
Non-current		
Liability for long service leave	5,962	4,967
	5,962	**4,967**

16 Provisions

In thousands of AUD	**Restructuring**	**Make good**	**Acquired lease liability**	**Total**
Balance at 1 July 2016	3,418	2,337	-	5,755
Provisions made during the year	4,698	622	9,949	15,269
Provisions reversed during the year	(387)	(341)	-	(728)
Balance at 31 December 2016	**7,729**	**2,618**	**9,949**	**20,296**
Current	5,496	464	971	6,931
Non-current	2,233	2,154	8,978	13,365
	7,729	**2,618**	**9,949**	**20,296**

17 Capital and reserves

Issued and paid up capital	**31 December 2016**	**30 June 2016**
119,280,624 (June 2016: 89,180,901) ordinary shares fully paid	98,820	39,843

Movement in ordinary share capital

Date	**Details**	**Number of shares**	**Issue Price**	**Total $'000**
1-Jul-15	Opening balance	16,996,403		15,250
16-Dec-15	Share split (refer below)	59,506,924		-
16-Dec-15	Cessation of Management Equity Plan	4,452,576	$2.00	8,905
16-Dec-15	Issue of new shares on initial public offering	7,900,000	$2.00	15,800
	Transaction costs arising from issue of shares (net of tax)	-		(762)
31-Dec-15	Closing balance	**88,855,903**		**39,193**
1-Jul-16	**Opening balance**	**89,180,901**		**39,843**
13-Dec-16	Issue of new shares under the Institutional Entitlement Offer and Placement (refer below)	17,659,564	$2.00	35,319
13-Dec-16	Issue of shares as consideration for acquisitions (refer below)	9,814,729		19,771
19-Dec-16	Additional issue of shares as consideration for acquisition	264,253		529
30-Dec-16	Issue of new shares under the Retail Entitlement Offer	2,361,177	$2.00	4,722
	Transaction costs arising from issue of shares (net of tax)			(1,364)
31-Dec-16	**Closing balance**	**119,280,624**		**98,820**

On 16 December 2015 the Directors approved an increase in shares with no impact on proportional ownership of the company before IPO. There was no impact to the value of ordinary shares on issue.

On 5 December 2016, the company announced capital raising to fund the acquisitions of Franklin and AIW. The details of these acquisitions are included in note 19.

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

Dividends

The following dividends were declared by the Group:

For the six months ended 31 December 2016

In thousands of AUD	**31 December 2016**	**31 December 2015**
6.3 cents per share (31 December 2015: nil cents per share)	7,540	-

On 24 February 2017, the directors have declared a fully franked interim dividend of 6.3 cents per share to be paid on 20 April 2017 to shareholders on the register at 14 March 2017. The interim dividend payout is $7,540 thousand (for the six months ended 31 December 2015: nil). A liability has not been recognised as the interim dividend was declared after the reporting date.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2016

18 Share-based payments reserve

During the six months ended 31 December 2016, the company granted Performance Share Rights (Rights) under the Equity Incentive Plan (EIP). The Rights are an entitlement to receive fully paid ordinary IVE Group Limited Shares on a one-for-one basis. Further details on the Rights are described below.

Type of arrangement	General Management Award	Senior Leadership Team Award
Date of grant	26 August 2016	26 August 2016 and 21 November 2016*
Number granted	156,538	180,491
Contractual life	2 years	3 years and 2 months
Vesting conditions	The Rights are subject to Performance Conditions: depending on the individual, including Earnings Before Interest and Tax (EBIT) or Revenue targets. The performance period is 1 July 2016 to 30 June 2017 inclusive. The vesting date is expected to be on or soon after the approval of IVE's 2017 Annual Financial Report. Vested shares will be subject to an escrow period until 30 June 2018.	The Rights are subject to the following Performance Conditions: sixty percent of 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 2016 to 30 June 2019 inclusive. The vesting date is expected to be on or soon after the approval of IVE's 2019 Annual Financial Report.
Weighted average fair value	$2.02	$1.52
Valuation methodology	The fair value has been calculated using a risk-free neutral assumption. This is the difference between the spot price of the underlying asset minus the expected present value of the future dividend over the expected life if the holders of the underlying assets are not entitled to receive future dividends before the vesting date.	The EPS target was calculated using a risk-neutral assumption, whereas the TSR target has been valued using a Monte Carlo simulation approach.
Expected dividend	Holders of performance share rights are not entitled to receive dividends prior to vesting.	
<u>Other key valuation assumptions</u>		
Share price at valuation date	$2.19	
Expected volatility	21.4%	
Risk free interest rate	1.49%	1.42%
Dividend yield	7.88%	

*Share rights issued to Directors required shareholder approval. This occurred at the Group's 2016 Annual General Meeting.

Total expense relating to Share-based Payments has been disclosed in note 4 of this interim consolidated financial statements.

19 Acquisitions

During the six months ended 31 December 2016, the Group acquired a number of businesses, the details of which are as follows:

- On 30 September 2016, IVE Group acquired the selected assets of The Mailing House Pty Limited (“TMH”). TMH specialises in direct and digital communications. This business was integrated into IVE’s Direct business.

- On 13 December 2016, IVE Group acquired of the selected assets of The Franklin Printing Group Pty Limited (“Franklin”). Franklin is a specialist catalogue producer.

- On 13 December 2016, IVE Group also acquired the shares of Taverners No.13 Pty Limted (“Taverners”). Taverners through a trust arrangement owns the business of AIW Printing (“AIW”). AIW will be integrated with Franklin, and other existing business of IVE Group.

- On 30 December 2016, IVE Group acquired the selected assets of Display Bay Pty Limited (“Display Bay”). Display Bay is a commercial wide format digital print business, and will be integrated with IVE’s Display business.

- On 30 December 2016, IVE Group also acquired the selected assets of Retail 25 Consulting Pty Limited (“R25”). R25 is design marketing & strategy agency within the retail display sector. It will be integrated with IVE’s Display business.

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

In thousands of AUD	**TMH**	**Franklin**	**AIW**	**Display Bay**	**R25**	**Total**
Consideration transferred						
Cash	1,530	95,700	-	600	100	97,930
Deferred consideration	-	14,939	4,379	196	-	19,514
Contingent consideration	1,100	-	-	400	200	1,700
Issue of shares	-	4,300	16,000	-	-	20,300
	2,630	114,939	20,379	1,196	300	139,444
Identifiable assets acquired and liabilities assumed						
Cash and cash equivalents	-	-	2,388	-	-	2,388
Trade and other receivables	-	30,389	15,413	-	-	45,802
Inventories	21	19,259	5,784	176	-	25,240
Prepayments	-	135	120	-	-	255
Property, plant and equipment	24	43,410	5,976	-	-	49,410
Intangible assets	341	15,261	3,789	399	-	19,790
Deferred tax assets/(liabilities)	(29)	(596)	(34)	(80)	-	(739)
Trade and other payables	-	(10,532)	(15,249)	-	-	(25,781)
Employee benefits	(246)	(2,953)	(2,385)	(133)	-	(5,717)
Provisions	-	(10,321)	(1,290)	-	-	(11,611)
	111	84,052	14,512	362	-	99,037
Goodwill on acquisition	**2,519**	**30,887**	**5,867**	**834**	**300**	**40,407**

19 Acquisitions (continued)

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

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

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

The acquisition of the TMH has been fully integrated into IVE's existing business unit. Similarly, Display Bay and R25 are also currently being integrated into IVE's existing business unit. The profit before tax contribution of these acquisitions are indistinguishable from existing business unit results. On this basis a disclosure of profit before tax is impracticable. However, the revenues of these businesses have been tracked due to contingent consideration. The total revenue since acquisition is $1,526 thousand. Individually these businesses are considered immaterial.

Since acquisition, the AIW business has been integrated into Franklin. The profit before tax contribution of AIW is indistinguishable. On this basis a disclosure of profit before tax is impracticable. However, the combined Franklin and AIW businesses have contributed $8,706 thousand in revenue, and a loss before tax of ($6,618) thousand. The loss is largely due to the restructure and integration of the AIW business.

If these acquisitions had occurred from beginning of the reporting period the combined Group revenue would have been estimated at $330,458 thousand. The Group has not estimated the profit before tax for the reasons provided above.

Acquisition-related costs totaling $5,353 thousand for all acquisitions has been included in Other expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

20 Operating segments

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

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

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

In thousands of AUD	**31 December 2016**	**31 December 2015**
EBITDA	12,812	7,634
Depreciation, amortisation and impairment	(5,804)	(4,184)
Net finance costs	(1,772)	(1,523)
Profit before income tax	**5,236**	**1,927**

21 Financial instruments

Level 3 fair values

The only financial asset or liability categorised as a Level 3 in the fair value hierarchy is contingent consideration. The table below gives information on the valuation technique and unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Relationship between the fair value and unobservable inputs
Contingent consideration	The fair value is calculated based on the acquired business achieving future revenue or earnings target.	Forecast revenue and earnings growth	If the applicable performance targets for all acquisitions are lower than expected by 10%, then the contingent consideration value will be decreased by approximately $1.1 million.

Reconciliation of Level 3 fair values

The following table shows reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

In thousands of AUD	
Balance at 1 July 2016	10,374
Assumed in a business combination in current year	1,700
Contingent consideration settled during the year	(1,450)
Contingent consideration reduced	(1,125)
Acquisition accounting measurement period adjustment	(2,000)
Balance at 31 Dec 2016	**7,499**

Fair values versus carrying amounts

As at 31 December 2016, the carrying value of other financial assets and liabilities as at the end of the financial year are considered to approximate their fair value.

22 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	**31 December 2016**	**30 June 2016**
Less than one year	18,123	12,299
Between one and five years	73,886	30,976
More than five years	43,203	19,053
	135,212	**62,328**

23 Group entities

	Ownership interest %	
Ultimate parent entity	**31 December 2016**	**31 December 2015**
IVE Group Limited		
Controlled entities		
Caxton Print Group Holdings Pty Limited	100	100
Caxton Print Group Pty Limited	100	100
IVE Group Australia Pty Limited	100	100
IVE Group Victoria Pty Limited	100	100
Task 2 Pty Ltd	100	100
Pareto Fundraising Pty Ltd	100	100
Pareto Phone Pty Ltd	100	100
James Bennett & Associates Pty Limited	100	-
IVE Employment (Australia) Pty Ltd	100	100
IVE Employment (Victoria) Pty Ltd	100	100
Taverners No. 13 Pty Ltd	100	-
AIW Printing (Aust) Pty Ltd	100	-
AIW Printing Unit Trust	100	-

24 Events after the reporting period

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

Directors' declaration

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

(a) the condensed consolidated financial statements and notes, set out on pages 11 to 26, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the six months ended on that date; and

(ii) complying with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of directors.

Geoff Selig
Director

Dated at Sydney this 27th day of February 2017

Independent auditor's review report to the members of IVE Group Limited

Report on the financial report

We have reviewed the accompanying interim financial report of IVE Group Limited (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2016, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Ive Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independent auditor's review report to the members of Ive Group Limited (continued)

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Chris Hollis
Partner

Sydney

27 February 2017