ABN 62 606 252 644

APPENDIX 4D
For the Half Year Ended 31 December 2017

Company Information
Current Reporting Period: For the half year ended 31 December 2017
Previous Corresponding Period: For the half year ended 31 December 2016

This information should be read in conjunction with the 31 December 2017 Half Year Financial Report of IVE Group Limited and its controlled entities and any public announcements made in the period by IVE Group Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half year ended 31 December 2017.

This report is based on the consolidated financial statements for the half year ended 31 December 2017 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 2017.

Results for announcement to the market

In accordance with the ASX Listing Rule 4.3, the board and management of IVE Group Limited has enclosed an Appendix 4D for the half year ended 31 December 2017.

		31 Dec 2017 $'000	**31 Dec 2016 $'000**
Revenue from continuing operations	up 73% to	359,305	207,745
Profit (loss) from ordinary activities after tax attributable to members	up 356% to	15,973	3,502
Net profit (loss) for the period attributable to members	up 356% to	15,973	3,502

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

Net Tangible Assets per Security

	31 Dec 2017	31 Dec 2016
Net Tangible Asset per security (cents)	22.3	6.6

* The number of securities of the Group were significantly impacted by the capital raising during September 2017. If prepared on a 'like for like' basis using ordinary securities as at 31 December 2017, the Net Tangible Asset per security as at 31 December 2016 would be 5.3 cents.

Dividend Amount per Security

	Amount per Security cents	Franked Amount per Security cents
Interim dividend for the half year ended 31 December 2017*	8.0	8.0
Interim dividend for the half year ended 31 December 2016	6.3	6.3

*Record date for determining entitlements to the interim dividend for the half year ended 31 December 2017	*Interim dividend entitlement date: close of business 15/03/2018; and payment date: 19 April 2018.

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 2017.

Attachments

Interim Financial Report for the half year ended 31 December 2017 for IVE Group Limited.

IVE GROUP LIMITED

ABN 62 606 252 644

Interim consolidated financial report

31 December 2017

IVE Group Limited

Contents

IVE GROUP LIMITED OPERATING AND FINANCIAL REVIEW

HALF YEAR ENDED 31 DECEMBER 2017

1. INTRODUCTION

The Directors are pleased to present the half year Operating and Financial Review (OFR) for IVE Group Limited (IVE) for the period half year ended 31st December 2017.

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 H1 FY2018 of 73.0% compared to the prior corresponding period ('PCP'). The revenue increase reflects the impacts of the asset acquisition of Franklin Web Pty Ltd (Franklin) and share capital acquisitions of AIW Printing Pty Ltd (AIW) completed mid December 2016 and the SEMA entities acquisition in September 2017. Growth also continued through a combination of new business wins and expanded spend from the existing customer base through our diversified service offering (share of wallet).

IVE achieved pro forma EBITDA growth of 56.9% over the PCP (before restructure and acquisition costs), due to a combination of organic growth and the acquisitions of Franklin WEB, AIW and SEMA, as well as continued productivity gains and cost base refinement through capital expenditure investment, focus on cost management, and the benefits arising from acquisition synergies. Statutory EBITDA is 183.3% higher than PCP, reflecting restructuring and acquisition costs in H1 FY2017 mainly relating to Franklin and AIW acquisition's and costs associated with December 2017 capital raise.

During H1 FY2018 IVE acquired 100% share capital of SEMA entities in September 2017, and John W Cage & Co Pty Ltd (trading as Dominion) in mid-November 2017.

H1 2018 the Group successfully completed the integration of Franklin WEB and AIW, and opened a new greenfield production site in Huntingwood Sydney (Franklin WEB NSW), which became fully operational in November 2017. The new site has allowed for the final closure of production at the AIW site in mid-December 2017, with full synergy benefits from our large format web offset (LFWO) strategy to be realised in H2 of FY2018 and beyond. The company also successfully undertook a capital raising in August 2018 to fund the SEMA acquisition, the funding of a new printing press and ancillary equipment for recently secured revenue for Franklin WEB operations (VIC and NSW), and to provide capacity for future bolt on acquisitions and balance sheet flexibility.

3. STRATEGY AND OPERATING OVERVIEW

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

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

IVE's evolution and growth strategy has been focused on the following key initiatives:

- A cohesive, talented and stable leadership team
- A very stable, diverse and inclusive workforce
- New customer origination driven by a highly customer centric culture
- Effective cross selling to result in growing share of wallet with existing customers
- The execution of a disciplined acquisition program
- Expansion of the value proposition through the addition of new products and services
- Continuing to strengthen and leverage the existing business through targeted operational efficiency programs.

Further information on IVE's strategy, operations and markets is set out in our 30 June 2017 Annual Report.

4. OVERVIEW OF RESULTS FOR H1 FY2018

IVE's Financial Report for H1 FY2018 is presented on a Statutory basis in accordance with Australian Accounting Standards which comply with International Financial Reporting Standards (IFRS).

In this OFR, certain non-IFRS financial information has also been included to allow investors to understand the underlying performance of IVE. The non-IFRS financial information relates to H1 FY2018 results presented before the impacts of all restructuring and acquisition costs which primarily relate to the acquisitions of AIW, Franklin, SEMA and the capital raising. Comparisons to H1 FY2017 performance are on a Pro Forma basis also excluding all restructure and acquisition costs.

The Directors believe that the results before restructuring and acquisitions costs, and Pro Forma comparisons, better reflect the underlying operating performance of the business, and are consistent with full year guidance. This differs from the Statutory presentation.

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

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

4.1 STATUTORY RESULTS PER THE FINANCIAL REPORT

Table 1 outlines the Statutory results for H1 FY2018 and H1 FY2017 on a comparable basis.

Table 1: Statutory results

	Statutory			
	Actual H1 FY2018	Actual H1 FY2017	Variance $'M	Variance %
Revenue	**359.3**	**207.7**	**151.6**	**73.0%**
Gross Profit	**171.2**	**110.1**	**61.1**	**55.5%**
% of Revenue	47.7%	53.0%		
EBITDA	**36.2**	**12.8**	**23.4**	**183.3%**
% of Revenue	10.1%	6.2%		
EBIT	**27.3**	**7.0**	**20.3**	**291.2%**
% of Revenue	7.6%	3.4%		
Profit before tax	**23.3**	**5.2**	**18.0**	**344.7%**
NPAT	**16.0**	**3.5**	**12.5**	**356.2%**
NPATA	17.7	4.4	13.3	300.8%

The key variances on a Statutory basis between H1 FY2018 and H1 FY2017 are as follows:

- **Revenue**

Revenue increase of $151.6M or 73.0% over PCP, this reflects the impact of Franklin/AIW and SEMA acquisitions, as well as increased revenue through new customer wins and the existing customer base through an expanded service offering. The revenue increase has been achieved through realising the successful execution of IVE's growth strategy initiatives. This has led to a number of new customers partnering with the Group throughout the year, the continued success of cross selling to existing and acquired customers, and the ability to achieve several key contract extensions.

- **Gross profit**

The gross profit increase of $61.1M over PCP is largely driven by increased revenue. The Group achieved gross profit margin of 47.7% to revenue compared with 53.0% in PCP. Excluding Franklin/AIW revenue, and the impacts of Franklin outsourcing during the integration period gross profit remains stable to PCP. The Group continues leveraging of the supply chain and reducing outsource spend wherever possible by producing internally.

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

EBITDA of $36.2M represents an increase of $23.4M or 183.3% over PCP, achieved via a combination of acquisitions, revenue growth, and efficiency gains. H1 FY2017 impacted by acquisition and restructure costs mainly related to FW/AIW acquisitions.

Production expenses (excluding depreciation) of $79.0M are 22.0% to revenue compared to $46.9M and 22.6% to revenue in PCP. The main driver of the increase in production expense is to service additional revenue.

Administration expenses (excluding depreciation and amortisation) of $53.9M are 15.0% to revenue compared to $40.0M and 19.3% to revenue in PCP.

Other expenses of $2.3M compared to PCP of $11.4M. FY2017 includes restructuring costs predominantly relating to the Franklin and AIW acquisitions.

4.2 HALF YEAR FY2018 NON IFRS PRO FORMA FINANCIAL INFORMATION

The H1 FY2018 results below are presented before all restructuring and acquisition costs. Compared to H1 FY2017 on a Pro Forma basis also excludes all restructure and acquisitions costs to allow investors to make a comparison on a like for like basis.

Table 2: H1 FY2018 non IFRS Pro Forma financial information, H1 FY2017 results on a Pro Forma basis, and H1 FY2018 Statutory results

	Statutory	Pro Forma (ex restructure & acquistion)			
	Actual H1 FY2018	Actual H1 FY2018	Actual H1 FY2017	Variance $'M	Variance %
Revenue	**359.3**	**359.3**	**207.7**	**151.6**	**73.0%**
Gross Profit	**171.2**	**171.2**	**110.1**	**61.1**	**55.5%**
% of Revenue	47.7%	47.7%	53.0%		
EBITDA	**36.2**	**38.3**	**24.4**	**13.9**	**56.9%**
% of Revenue	10.1%	10.7%	11.8%		
EBIT	**27.3**	**29.4**	**18.6**	**10.8**	**58.0%**
% of Revenue	7.6%	8.2%	9.0%		
Profit before tax	**23.3**	**25.4**	**16.9**	**8.5**	**50.4%**
NPAT	**16.0**	**17.4**	**11.6**	**5.8**	**50.4%**
NPATA	17.7	19.1	12.5	6.7	53.4%

Table 3: H1 FY2018 Reconciliation Statutory NPAT to Pro Forma NPAT

	Actual H1 FY2018
Statutory NPAT	**16.0**
Restructure and acquisition – IVE base (inc FW/AIW)	1.5
Restructure and acquisition – SEMA/capital raise	0.6
Tax effect of adjustments	–0.7
Pro forma NPAT	**17.4**

4.3 BALANCE SHEET

Table 4 sets out the indebtedness of IVE on a Statutory basis as at 31st December 2017 as a comparison to 30th June 2017.

Table 4: H1 FY2018 Statutory indebtedness

	Actual H1 2018 $'M	Actual June FY2017 $'M
Borrowings – short term	16.0	12.8
Borrowings – long term	129.4	137.2
Borrowings* – Sub Total	**145.5**	**150.0**
Cash	–22.4	–23.8
Net Debt	**123.0**	**126.2**

*Borrowings are gross of loan establishment costs

The decrease in senior facilities is due to a facility amortisation payment of $5.0M in December 2017 as well reduced drawings due to strong cash flow generation and the August 2017 capital raising. This has been offset by the increase in equipment finance relating to new printing presses in LFWO division as previously forecast.

Net debt to FY18 guidance (mid-point) EBITDA is 1.6X and operating cash flow conversion of 79.4% to EBITDA (on a pro forma basis).

Operating cash flow was strong reflecting EBITDA achievement, although partially offset by an increase in working capital from June 2017 with December 2017 reflecting the seasonal high point.

5. FY2018 FINANCIAL OUTLOOK

- Full year FY2018 pro forma EBITDA is expected to be $72-$77M including the contribution from SEMA
- Consistent with previous guidance, restructure costs (excluding SEMA) are expected to be $2.5-$3.5M
- SEMA relocation and restructure costs of $4.5M (in line with August 2017 capital raise)

6. ADDITIONAL INFORMATION

For further information contact:

Geoff Selig
Executive Chairman

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Darren Dunkley
Chief Financial Officer

+ 61 2 8020 4400

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 2017 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 Margaret Hook

Operating and financial review

The profit after tax of the Group for the six months ended 31 December 2017 was $15,973 thousand (for six months ended 31 December 2016 was $3,502 thousand). A review of operations and results of the Group for the six months ended 31 December 2017 are set out in the Operating and Financial Review, which forms part of the interim consolidated financial report.

Dividends

The directors have declared an interim dividend of 8.0 Australian cents per share, fully franked, to be paid on 19 April 2018 to shareholders on the register at 15 March 2018. The interim dividend declared by the Company to members for the six months ended 31 December 2017 was $11,848 thousand (for the six months ended 31 December 2016: $7,514 thousand).

Rounding off

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

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 10 and forms part of the directors' report for the six months ended 31 December 2017.

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

Geoff Selig
Director
Dated at Sydney this 26th day of February 2018

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

To the Directors of IVE Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of IVE Group Limited for the half-year ended 31 December 2017 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

John Wigglesworth
Partner

Sydney

26 February 2018

IVE Group Limited

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2017

In thousands of AUD	***Note***	**31 December 2017**	**31 December 2016**
Revenue		359,305	207,745
Cost of sales		(188,061)	(97,629)
Gross profit		171,244	110,116
Other income		254	1,139
Production expenses		(84,654)	(50,815)
Administrative expenses		(57,252)	(41,996)
Other expenses		(2,261)	(11,436)
Results from operating activities	*4, 5*	27,331	7,008
Finance income		130	62
Finance costs		(4,177)	(1,834)
Net finance costs	*6*	(4,047)	(1,772)
Profit before tax		**23,284**	**5,236**
Income tax expense	*7*	(7,311)	(1,734)
Profit/(loss) for the year		**15,973**	**3,502**
Other comprehensive income			
Cash flow hedges – effective portion of changes in fair value		(512)	-
Cash flow hedges – reclassified to profit or loss		397	-
Total comprehensive income for the period		**15,858**	**3,502**
Profit/(loss) attributable to:			
Owners of the Company		15,973	3,502
Profit/(loss) for the period		**15,973**	**3,502**
Total comprehensive income attributable to:			
Owners of the Company		15,858	3,502
Total comprehensive income for the period		**15,858**	**3,502**
Earnings per share			
Basic earnings per share (cents per share)		11.7	3.8
Diluted earnings per share (cents per share)		11.6	3.8

The notes on pages 15 to 27 are an integral part of these interim consolidated financial statements.

IVE Group Limited

Condensed consolidated statement of financial position

As at 31 December 2017

In thousands of AUD	*Note*	31 December 2017	30 June 2017
Assets			
Cash and cash equivalents	*8*	22,428	23,851
Trade and other receivables	*9*	121,217	94,785
Inventories	*10*	42,000	46,563
Prepayments		2,482	1,978
Current tax receivable		2,574	3,049
Other current assets		5,519	4,490
Total current assets		196,220	174,716
Deferred tax assets		17,717	19,192
Property, plant and equipment	*11*	119,731	80,540
Intangible assets and goodwill	*12*	168,519	153,857
Total non-current assets		305,967	253,589
Total assets		**502,187**	**428,305**
Liabilities			
Trade and other payables	*13*	112,843	98,373
Loan and borrowings	*14*	15,949	12,815
Employee benefits	*15*	18,323	15,158
Provisions	*16*	3,519	5,861
Total current liabilities		150,634	132,207
Trade and other payables	*13*	673	12
Loan and borrowings	*14*	127,308	135,513
Employee benefits	*15*	6,313	5,706
Provisions	*16*	15,741	17,251
Total non-current liabilities		150,035	158,482
Total liabilities		**300,669**	**290,689**
Net assets		**201,518**	**137,616**
Equity			
Share capital	*17*	156,318	98,820
Reserves		96	188
Retained earnings		45,104	38,608
Total equity		**201,518**	**137,616**

The notes on pages 15 to 27 are an integral part of these interim consolidated financial statements.

IVE Group Limited

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2017

In thousands of AUD	***Note***	**Share capital**	**Share based payment reserve**	**Hedging reserve**	**Retained earnings**	**Total equity**
Balance at 1 July 2016		39,843	-	-	41,684	81,527
Total comprehensive income						
Profit for the period		-	-	-	3,502	3,502
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	3,502	3,502
Transactions with owners of						
Issue of share capital	*17*	58,977	-	-	-	58,977
Dividends to owners of the	*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**	**-**	**37,515**	**136,457**
Balance at 1 July 2017		**98,820**	**88**	**100**	**38,608**	**137,616**
Total comprehensive income						
Profit for the period		-	-	-	15,973	15,973
Other comprehensive income		-	-	(115)	-	(115)
Total comprehensive income		-	-	(115)	15,973	15,858
Transactions with owners of						
Issue of share capital	*17*	57,498	-	-	-	57,498
Dividends to owners of the	*17*	-	-	-	(9,477)	(9,477)
Performance share rights	*18*	-	23	-	-	23
Total transactions with owners of the Company		57,498	23	-	(9,477)	48,044
Balance at 31 December 2017		**156,318**	**111**	**(15)**	**45,104**	**201,518**

The notes on pages 15 to 27 are an integral part of these consolidated financial statements.

IVE Group Limited

Condensed consolidated statement of cash flows

For the six months ended 31 December 2017

In thousands of AUD	***Note***	**31 December 2017**	**31 December 2016**
Cash flows from operating activities			
Cash receipts from customers		376,603	227,191
Cash paid to suppliers and employees		(346,159)	(217,286)
Cash generated from operating activities		30,444	9,905
Interest received		127	62
Interest paid		(3,505)	(1,402)
Income tax paid		(4,709)	(4,385)
Payment of costs in relation to acquisitions		(676)	(3,684)
Restructure and make good		(5,147)	(804)
Net cash from operating activities		**16,534**	**(308)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		316	25
Acquisition of property, plant and equipment and intangible assets		(20,857)	(7,455)
Acquisitions of businesses, net of cash acquired	*19*	(10,588)	(95,542)
Deferred and contingent consideration paid on acquired business		(3,172)	(5,992)
Net cash used in investing activities		**(34,301)**	**(108,964)**
Cash flows from financing activities			
Proceeds from shares issue	*17*	55,576	40,041
Proceeds from bank loans		-	90,650
Repayment of bank loans		(26,000)	-
Payment of transaction costs for issued capital and loans		(2,291)	(3,248)
Dividends paid		(9,477)	(7,671)
Payment of finance lease liabilities		(1,464)	(1,228)
Net cash from financing activities		**16,344**	**118,544**
Net (decrease)/increase in cash and cash equivalents		(1,423)	9,272
Cash and cash equivalents at 1 July		23,851	14,480
Cash and cash equivalents at 31 December	*8*	**22,428**	**23,752**

The notes on pages 15 to 27 are an integral part of these consolidated financial statements.

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 2017 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 2017.

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 2017.

The interim consolidated financial statements were authorised for issue by the Board of Directors on 26 February 2018.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing this interim consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early, and is currently assessing the impact of these standards on it's accounting policies and consolidated financial statements. In particular, it has put together a team, developed a plan, and commenced analysis.

2 Basis of preparation (continued)

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

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

The Group is currently reviewing customer contracts in order to assess the impact of AASB 15.

AASB 16 *Leases*
Under this Standard, there will no longer be a distinction between operating and finance leases. Instead, there will be one treatment and a requirement to recognise an asset and a lease liability for all leases. The effective date is for annual reporting periods beginning on or after 1 January 2019.

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 2017.

Measurement of fair values

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

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

Further information about the assumptions made in measuring fair values is included in Note 21 Financial instruments.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2017

4 Personnel expenses

In thousands of AUD	31 December 2017	31 December 2016
Wages and salaries	92,209	62,084
Contributions to defined contribution plans	6,108	4,811
Share-based payment expense	150	122
	98,467	**67,017**

5 Expenses

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

In thousands of AUD	31 December 2017	31 December 2016
Depreciation and amortisation	8,902	5,804
Restructuring costs	1,422	6,202
Acquisition expenses	669	5,353

6 Finance income and finance costs

In thousands of AUD	31 December 2017	31 December 2016
Interest income	127	62
Net foreign exchange gains	3	-
Finance income	**130**	**62**
Interest expense	(4,177)	(1,813)
Net foreign exchange losses	-	(21)
Finance costs	**(4,177)**	**(1,834)**
Net finance costs	**(4,047)**	**(1,772)**

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2017

7 Tax expense

In thousands of AUD	31 December 2017	31 December 2016
Current tax expense		
Current year	6,325	2,649
Changes in estimates related to prior years	184	-
Deferred tax benefit		
Origination and reversal of temporary differences	802	(915)
Total tax expense	**7,311**	**1,734**

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	31 December 2017	31 December 2016
Profit before tax	23,284	5,236
Tax using the Company's domestic tax rate of 30%	6,985	1,571
Non-deductible expenses	142	163
Changes in estimates related to prior years	184	-
	7,311	**1,734**

8 Cash and cash equivalents

In thousands of AUD	31 December 2017	30 June 2017
Bank balances	22,416	23,843
Petty cash	12	8
Cash and cash equivalents	**22,428**	**23,851**

9 Trade and other receivables

In thousands of AUD	31 December 2017	30 June 2017
Current		
Trade receivables	117,225	92,712
Allowance for doubtful debts	(893)	(704)
	116,332	92,008
Forward exchange contracts used for hedging	509	397
Other receivables	4,376	2,380
	121,217	**94,785**

10 Inventories

In thousands of AUD	**31 December 2017**	**30 June 2017**
Finished goods	2,998	2,421
Work in progress	8,098	7,502
Raw materials	32,851	39,677
Allowance for inventory obsolescence	(1,947)	(3,037)
	42,000	**46,563**

11 Property, plant and equipment

Acquisitions
During the six months ended 31 December 2017 the Group acquired property, plant and equipment with a cost of $44,413 thousand (six months ended 31 December 2016: $55,950 thousand). This amount includes assets acquired through a business combination (see note 19) of $3,502 thousand (six months ended 31 December 2016: $49,410 thousand).

Financing of plant and machinery
The Group has production equipment under a number of finance arrangements. At 31 December 2017 the net carrying amount of financed assets was $41,839 thousand (30 June 2017: $17,253 thousand).

Security
At 31 December 2017 the carrying amount of total assets less the written down value of financed assets were held as security for bank facilities.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2017

12 Intangible assets and goodwill

In thousands of AUD	Note	Goodwill	Computer software	Customer relationship	Total
Cost					
Balance at 1 July 2016		58,777	5,764	11,376	75,917
Acquisition through business combinations		40,407	-	19,790	60,197
Other additions		-	1,607	-	1,607
Acquisition accounting measurement period		(2,000)	-	-	(2,000)
Balance at 31 December 2016		97,184	7,371	31,166	135,721
Balance at 1 July 2017		129,670	7,974	25,816	163,460
Acquisition through business combinations	*19*	14,225	-	2,800	17,025
Other additions		-	85	-	85
Balance at 31 December 2017		**143,895**	**8,059**	**28,616**	**180,570**
Amortisation and impairment losses					
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
Balance at 1 July 2017		-	4,786	4,817	9,603
Amortisation for the period		-	692	1,756	2,448
Balance at 31 December 2017		**-**	**5,478**	**6,573**	**12,051**
Carrying amounts					
At 31 December 2016		97,184	3,309	28,081	128,574
At 31 December 2017		**143,895**	**2,581**	**22,043**	**168,519**

13 Trade and other payables

In thousands of AUD	31 December 2017	30 June 2017
Current		
Trade payables	73,450	63,301
Accrued expenses	30,865	28,804
Deferred consideration	2,413	1,200
Contingent consideration	5,953	4,825
Interest rate swaps used for hedging	162	243
	112,843	98,373
Non-current		
Contingent consideration	650	-
Interest rate swaps used for hedging	23	12
	673	**12**

14 Loans and borrowings

In thousands of AUD	31 December 2017	30 June 2017
Current		
Bank loan	10,000	10,000
Finance lease liabilities	3.025	2,815
Equipment finance	2,924	-
	15,949	**12,815**
Non-current		
Bank loan	98,669	124,325
Finance lease liabilities	11,409	11,188
Equipment finance	17,230	-
	127,308	**135,513**

15 Employee benefits

In thousands of AUD	31 December 2017	30 June 2017
Current		
Liability for long service leave	7,644	6,116
Liability for annual leave	10,679	9,042
	18,323	**15,158**
Non-current		
Liability for long service leave	6,313	5,706
	6,313	**5,706**

16 Provisions

In thousands of AUD	Restructuring	Make good	Acquired lease liability	Total
Balance at 1 July 2017	6,054	2,642	14,416	23,112
Provisions made during the year	157	615	72	844
Provisions reversed and utilised during the year	(3,858)	(33)	(805)	(4,696)
Balance at 31 December 2017	**2,353**	**3,224**	**13,683**	**19,260**
Current	1,560	510	1,449	3,519
Non-current	793	2,714	12,234	15,741
	2,353	**3,224**	**13,683**	**19,260**

17 Capital and reserves

Issued and paid up capital	**31 December 2017**	**30 June 2017**
148,103,655 (June 2017: 119,280,624) ordinary shares fully paid	156,318	99,820

Movement in ordinary share capital

Date	**Details**	**Number of shares**	**Issue Price**	**Total $'000**
1-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
1-Jul-17	**Opening balance**	**119,280,624**		**98,820**
5-Sep-17	Issue of new shares under the Institutional Entitlement Offer (refer below)	18,860,264	$2.05	38,664
5-Sep-17	Issue of shares as consideration for acquisition (refer below)	1,650,165		3,399
20-Sep-17	Issue of new shares under the Retail Entitlement Offer (refer below)	8,249,730	$2.05	16,912
	Transaction costs arising from issue of shares (net of tax)			(1,604)
27-Sep-17	Issue of shares under the Equity Incentive Plan	62,872	$2.02	127
31-Dec-17	**Closing balance**	**148,103,655**		**156,318**

On 5 December 2016, the company announced capital raising to fund the acquisitions of Franklin and AIW.

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

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

Dividends

The following dividends were declared by the Group:

For the six months ended 31 December 2017

In thousands of AUD	**31 December 2017**	**31 December 2016**
8.0 cents per share (31 December 2016: 6.3 cents per share)	11,848	7,514

On 23 February 2018, the directors have declared a fully franked interim dividend of 8.0 cents per share to be paid on 19 April 2018 to shareholders on the register at 15 March 2018. The interim dividend payout is $11,848 thousand (for the six months ended 31 December 2016: $7,514 thousand). A liability has not been recognised as the interim dividend was declared after the reporting date.

18 Share-based payments reserve

During the six months ended 31 December 2017, 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	14 November 2017	16 November 2017*
Number granted	92,921	253,374
Contractual life	2 years	3 years and 2 months
Vesting conditions	The Rights are subject to Performance Conditions: depending on the individual, including Earnings Before InterestTax, Depreciation and Amortisation (EBITDA) or Revenue targets. The performance period is 1 July 2017 to 30 June 2018 inclusive. The vesting date is expected to be on or soon after the approval of IVE's 2018 Annual Financial Report. Vested shares will be subject to an escrow period until 30 June 2019.	The Rights are subject to the following Performance Conditions: sixty percent of of the Rights are referenced against achieving Earnings Per Share Target (EPS), and forty percent are referenced against achieving Relative Shareholder Return (TSR) target. The performance period is 1 July 2017 to 30 June 2020 inclusive. The vesting date is expected to be on or soon after the approval of IVE's 2020 Annual Financial Report.
Weighted average fair value	$1.98	$1.48
Valuation methodology	The fair value has been calculated using a risk-free neutral assumption. This is the difference between the spot price of the underlying asset minus the expected present value of the future dividend over the expected life if the holders of the underlying assets are not entitled to receive future dividends before the vesting date.	The EPS target was calculated using a risk-neutral assumption, whereas the TSR target has been valued using a Monte Carlo simulation approach.
Expected dividend	Holders of performance share rights are not entitled to receive dividends prior to vesting.	
Other key valuation assumptions		
Share price at valuation date	$2.17	$2.17
Expected volatility	21.4%	21.4%
Risk free interest rate	1.64%	1.96%
Dividend yield	8.04%	8.04%

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

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

19 Acquisitions

During the six months ended 31 December 2017, the Group acquired the following businesses, the details of which are as follows:

- On 6 September 2017, IVE Group acquired the shares of SEMA Holdings Pty Limited ("SEMA"). SEMA is a leading provider in personalised communication services and will be integrated into IVE's Direct business.

- On 16 November 2017, IVE Group acquired the shares of John W Gage & Co Pty Limited (trading as "Dominion"). Dominion is a provider of creative services, digital print, offset print and warehousing and logistics services. It will be integrated into IVE's Print business.

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

In thousands of AUD	**SEMA**	**Dominion**	**Total**
Consideration transferred			
Cash*	7,750	4,572	12,322
Completion adjustment**	(356)	755	399
Deferred consideration	-	1,850	1,850
Contingent consideration	3,350	650	4,000
Issue of shares	3,399	-	3,399
	14,143	7,827	21,970
Identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	657	721	1,378
Trade and other receivables	7,275	1,450	8,725
Inventories	277	322	599
Prepayments	448	22	470
Property, plant and equipment	2,874	628	3,502
Customer relationship (intangible asset)	800	2,000	2,800
Other current assets	1,221	-	1,221
Deferred tax assets/(liabilities)	662	(259)	403
Trade and other payables	(6,416)	(877)	(7,293)
Current tax payable	(350)	(188)	(538)
Employee benefits	(2,723)	(799)	(3,522)
	4,725	3,020	7,745
Goodwill on acquisition	**9,418**	**4,807**	**14,225**

*The cash payment for SEMA included the repayment of previously held debt. This facilitated the acquisition to be on a debt free basis.

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

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

19 Acquisitions (continued)

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 businesses of SEMA and Dominion are being integrated into IVE. The profit before tax contribution of these acquisitions are indistinguishable from existing business unit results. On this basis a disclosure of profit before tax is impracticable. However, the revenues of these businesses have been tracked due to contingent consideration. The total revenue since acquisition is $15,661 thousand. Individually these businesses are considered immaterial.

If these acquisitions had occurred from beginning of the reporting period the combined Group revenue would have been estimated at $27,604 thousand. The Group has not estimated the profit before tax for the reasons provided above.

Acquisition-related costs totaling $669 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 2017**	**31 December 2016**
EBITDA	36,233	12,812
Depreciation, amortisation and impairment	(8,902)	(5,804)
Net finance costs	(4,047)	(1,772)
Profit before income tax	**23,284**	**5,236**

21 Financial instruments

Measurement of fair values

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

Type	Valuation technique	Significant unobservable inputs	Relationship between the fair value and unobservable inputs
Contingent consideration	The fair value is calculated based on the acquired business achieving future revenue or earnings target.	Forecast revenue and earnings growth	If the applicable performance targets for all acquisitions are lower than expected by 10%, then the contingent consideration value will be decreased by approximately $800 thousand.
Interest rate swaps	The fair value is calculated using the present value of the estimated future cash flow based on observable yield curves.	Not applicable	Not applicable
Forward exchange contracts	The fair value is determined using quoted forward exchange rates and present value of estimated future cash flow based on observable yield curves.	Not applicable	Not applicable

Reconciliation of Level 3 Contingent consideration fair value

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

In thousands of AUD	
Balance at 1 July 2017	4,825
Assumed in a business combination in current year	4,000
Contingent consideration settled during the year	(1,972)
Contingent consideration reduced	(250)
Balance at 31 Dec 2017	**6,603**

Fair values versus carrying amounts

As at 31 December 2017, 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 2017**	**30 June 2017**
Less than one year	25,287	22,067
Between one and five years	83,906	81,304
More than five years	46,295	56,274
	155,488	**159,645**

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 31 December 2017

23 Group entities

	Ownership interest %	
Ultimate parent entity	**31 December 2017**	**31 December 2016**
IVE Group Limited		
Controlled entities		
Caxton Print Group Holdings Pty Limited	100	100
Caxton Print Group Pty Limited	100	100
IVE Group Australia Pty Limited	100	100
IVE Group Victoria Pty Limited	100	100
Task 2 Pty Ltd	100	100
Pareto Fundraising Pty Ltd	100	100
Pareto Phone Pty Ltd	100	100
James Bennett & Associates Pty Limited	100	100
IVE Employment (Australia) Pty Ltd	100	100
IVE Employment (Victoria) Pty Ltd	100	100
Taverners No. 13 Pty Ltd	100	100
AIW Printing (Aust) Pty Ltd	100	100
AIW Printing Unit Trust	100	100
IVE Group Asia Limited	100	-
Guangzhou IVE Trading Company Limited	100	-
IVE Singapore Pte Limited	100	-
SEMA Holdings Pty Ltd	100	-
SEMA Infrastructure Pty Ltd	100	-
SEMA Operations Pty Ltd	100	-
John W Gage & Co Pty Ltd	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 27, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the six months ended on that date; and

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

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

Signed in accordance with a resolution of directors.

Geoff Selig
Director

Dated at Sydney this 26th day of February 2018

Independent Auditor's Review Report

To the shareholders of IVE Group Limited

Report on the Interim Financial Report

Conclusion

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

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

- giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The Interim Financial Report comprises:

- Condensed consolidated statement of financial position as at 31 December 2017.
- 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.
- The Directors' Declaration.

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

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- 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 for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of IVE Group Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

John Wigglesworth
Partner

Sydney

26 February 2018