

ANNUAL
REPORT
2017

iver



CONTENTS

Our Business	3
FY17 Highlights	4
FY17 Financial Overview	5
Executive Chairman's Report	6
Managing Director's Report	8
IVE's Divisions	
Kalido	12
Blue Star Group	14
Pareto Group	22
IVEO	26
Case Studies	30
Operating and financial review	43
Directors' report	49
Lead auditor's independence declaration	67
Financial report contents	68
Consolidated financial statements	69
Notes to the consolidated financial statements	73
Directors' declaration	106
Independent audit report	107
ASX additional information	112

ORCHESTRATING COMMUNICATIONS

Registered Office and
Principal Administrative Office
IVE Group Limited
Building B, 350 Parramatta Road
Homebush NSW 2140
Telephone: +61 2 8020 4400
ACN 606 252 644

The 2017 Annual General Meeting of
shareholders of the company will be
held at 10am on Thursday 16 November
2017 at The Mint, 10 Macquarie Street,
Sydney NSW 2000.

OUR BUSINESS

IVE is a vertically integrated marketing services and print communications provider. IVE enables its customers to communicate more effectively with their customers by creating, managing, producing and distributing content across multiple levels.

The marketing services and print communications industry is dynamic and constantly evolving. IVE's response to this evolution has been to maintain relevance with our customers through ongoing investment and expansion of our product and service offering. This has been achieved through an effective combination of both organic growth initiatives and strategic acquisitions.

IVE has a leading product and service offering in Australia and holds leading positions across multiple industry sectors. IVE delivers its products and services through four operating divisions.

ive

kalido.

A customer experience agency that helps brands prosper through creative concept development, digital services, customer analytics & marketing automation

bluestar*

Integrated print, point of sale, personalised communications, promotional products, warehouse & logistics services

paretogroup****

Fundraising strategy, data-driven solutions and telephone fundraising agency serving the not-for-profit sector

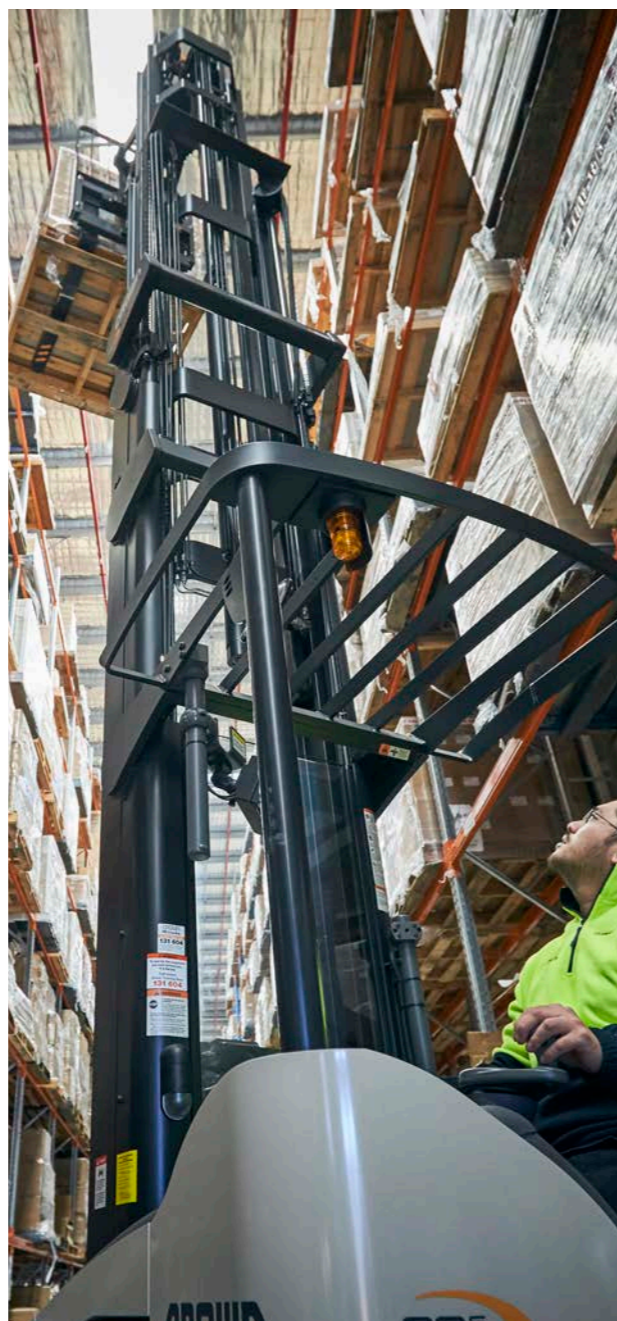
iveo

Managed solutions. Bundles the Group's broad range of products and services into multi-channel solutions for customers

HIGHLIGHTS

Highlights of the year

- Revenue growth of 30.1% over FY16 pro-forma revenue
- EBITDA of \$55.2* million (up 23.0% over PCP), before acquisition and restructure costs
- Final dividend of 6.4 cents per share (on increased shares on offer following the capital raising and issue of shares to the vendors of SEMA)
- Strategically entered the Large Format Web Offset (LFWO) sector through the acquisition of Franklin WEB and AIW Printing in December 2016
 - Incremental \$70.0 million of LFWO revenue secured since entering the sector, this has resulted in a phased shutdown of the AIW site
 - All major clients have been retained
 - Investment in NSW greenfield site and re-balancing of capacity between Sydney and Melbourne have been instrumental in achieving growth
- Successful integration of smaller acquisitions completed during the year
- New client wins across all other business units
- Strong growth in the share of wallet (SOW) for existing customers through expansion of the Group's product and service offering.



FINANCIAL OVERVIEW

PRO-FORMA RESULTS FOR THE FULL YEAR COMPARED WITH THE PREVIOUS YEAR	PRO-FORMA ^(*)		
	Actual FY2017* \$M	Actual FY2016 \$M	Variance %
Revenue	496.9	382.0	30.1%
Earnings before interest, tax, depreciation, amortisation (EBITDA)	55.2	44.9	23.0%
Earnings before interest, tax (EBIT)	41.4	34.8	18.9%
Net profit after tax (NPAT)	24.6	22.3	10.5%
Net profit after tax and before customer contracts amortisation (NPATA)	27.3	23.9	14.0%
Dividend (cents) – fully franked	6.4**	8.6	

(*) FY17 Pro-forma results exclude all restructure and acquisition costs

(**) FY17 dividend based on post capital raise SOI – pre capital raise of 7.9 cents

PRO-FORMA & STATUTORY RESULTS FOR THE FULL YEAR COMPARED WITH THE PREVIOUS YEAR	PRO-FORMA ^(*)		STATUTORY ^(*)	
	Actual FY2017* \$M	Actual FY2016 \$M	Actual FY2017* \$M	Actual FY2016 \$M
Revenue	496.9	382.0	496.9	369.2
Gross Profit	248.1	199.6	248.1	192.0
Earnings before interest, tax, depreciation, amortisation (EBITDA)	55.2	44.9	35.9	26.5
Earnings before interest, tax (EBIT)	41.4	34.8	22.2	16.9
Profit before tax	36.0	32.6	16.4	14.2
Net profit after tax (NPAT)	24.6	22.3	12.1	15.0
Net profit after tax and before customer contracts amortisation (NPATA)	27.3	23.9	14.8	16.4

(*) FY17 Pro-forma results exclude all restructure and acquisition costs

EXECUTIVE CHAIRMAN'S REPORT

It gives me great pleasure to present my report as Executive Chairman of IVE Group in our first full fiscal year as a listed entity, a year in which we consolidated our position as one of Australia's leading marketing communications providers.

We achieved strong year-on-year growth and continued to execute our strategy of expansion through diversification by entering the Large Format Web Offset (LFWO) market, acquiring Melbourne-based catalogue printers Franklin WEB (Franklin), and AIW Printing (AIW) in December 2016.

Momentum remains strong across the Group, positioning us well for a solid performance over the year ahead.

Strong Year-on-Year Result

The part year positive impact of Franklin and AIW was reflected in our FY17 result, helping drive a 30% increase in revenue over the prior year to \$496.9 million, which was also supported by new customer wins and growing our offering to existing customers.

The combination of strong revenue growth and highly efficient operations saw EBITDA grow 23% to \$55.2¹ million, consistent with guidance given to the market at the half year.

It was also pleasing to declare a final dividend for shareholders of 6.4 cents per share, fully franked² representing a payout ratio of 73% of NPAT³.

A More Diverse Customer Base

Catalogues continue to be a core part of retailers' marketing strategies due to their effectiveness and affordability, and our acquisition of Franklin and AIW represented an attractive opportunity for IVE to enter a complementary sector by acquiring two of the four operators in the sector.

The response from customers and staff has been overwhelmingly positive, with the expanded customer base now actively exploring other components of the broader IVE Group offer.

Since acquiring Franklin and AIW we have secured some \$70 million in incremental contracted revenue –

a significant achievement which requires us to expand our capacity to better service national retailers.

In January 2017 we made a commitment to replicate in NSW, Franklin's existing world class operation in Victoria. The Franklin NSW operation across a 20,000 sqm facility will house two brand new Man-Roland highly automated 80-page web offset presses, one 16-page web offset press, and ancillary equipment including a high speed perfect binding line and stitching capability. This significant investment into Franklin NSW coincides with the final close down of AIW by December 2017 and the rationalisation of capacity in Victoria as we look to more optimally rebalance production capacity between the two states.

It was also a strong year for our creative and digital services division, Kalido, which continued its growth trajectory into Asia, securing new business in Indonesia, Thailand, and China in data analytics, marketing automation, and website optimisation. The opening of Kalido Hong Kong in April was also a key milestone for the division, expanding our Asian footprint from Singapore where we opened an office in May 2016.

Talented and Committed Team

Having a talented and committed team of employees is critical to the success of any business and I am proud to say our people are core to the underlying strength of our Group.

We employ 1,800 people across the Group who deliver results for our customers on a daily basis, supported by a highly experienced and stable leadership team with average industry experience of 20 years and an average tenure of nine years.

In December 2015 we launched our 'IVE Plus' program, 'a better you, a better workplace'. This Group wide staff wellness and benefits program provides access for all our people to a range of initiatives across four key areas of Health & Wellbeing; Lifestyle Benefits; Wealth & Security; and Personal, Family, & Community.



In December 2017, we will build further on 'IVE Plus' by launching an expanded 'Diversity & Inclusion' program which will reinforce the importance of diversity in our workplace and reaffirm IVE as company where 'everyone' feels comfortable working.

Looking Ahead

The marketing communications landscape continues to evolve and our market leading positions across the sectors in which we operate place us in a very strong position to leverage and respond, with a proven track record of anticipating changing market conditions and ensuring our offering remains relevant to customers.

A key component of the successfully completed \$55.6 million capital raising in August of this year was to fund the acquisition and integration of well-established customer data management business, SEMA. This acquisition further enhances our position as one of the leaders in data-driven personalised communications. The announcement of our acquisition has been very well received with integration planning now near final for a January–March 2018 integration with our existing Blue Star DIRECT businesses in Brisbane, Sydney and Melbourne.

We anticipate another strong year for FY18 and have forecast EBITDA of approximately \$70–75 million before restructure costs, estimated to be between \$2.5–3.5 million. This forecast excludes any contribution from the SEMA acquisition or further bolt-on acquisitions should they occur in FY18.

Thank You

I would like to take this opportunity to thank our shareholders for their support as we strive to continue delivering strong returns, and our customers and supply partners whom we have worked with over many years.

On behalf of the board I would also like to acknowledge the hard work and commitment of our leadership team and all staff whose individual efforts have helped deliver a very strong result for the entire Group.



Geoff Selig

Geoff Selig
Executive Chairman

(1) Pro-forma before acquisition and restructure costs (2) FY2017 dividend based on post capital raise shares on issue – pre capital raise of 7.9 cents per share

(3) FY2017 H2 Pro forma before acquisition and restructure costs

MANAGING DIRECTOR'S REPORT



The past year has been a very successful and eventful one for IVE Group as the diversity of our offering and our increased scale helped to deliver a strong performance across all divisions.

Key Initiatives

We acquired five businesses during the year including AIW Printing (AIW) and, most significantly, Franklin WEB (Franklin) which marked our entry into the complementary Large Format Web Offset (LFWO) sector.

We secured major new contracts with blue-chip customers, explored new opportunities and grew our share of wallet (SOW) with our existing customers, and renewed key contracts, all of which drove revenue sharply higher.

Our data analytics, marketing automation and digital services division, Kalido, continued to grow strongly in Asia where we secured new business in Indonesia, Thailand, and China. As the only Salesforce Marketing Cloud Platinum Partner in Asia Pacific, Kalido's growth prospects in the region remain promising.

We consolidated and relocated our logistics operation, Blue Star CONNECT (NSW), from three premises into a new 20,000 square metre, purpose-built facility in Erskine Park to support continued growth in the Group's logistics and fulfilment offer.

Coinciding with a meaningful investment, we also relocated and expanded our retail display operation Blue Star DISPLAY, in Victoria, merging it with Franklin's retail display business into a dedicated facility adjacent to Franklin in Sunshine.

Strong Financial Performance

IVE performed strongly on a number of key financial metrics in FY17 with a 23% increase in EBITDA to \$55.2¹ million which was within guidance provided to the market at the half-year.

We reported a 30.1% increase in revenue to \$496.9 million, driven by part year contributions from Franklin and AIW, expanding our offering to existing customers, and new customer wins.

(1) Pro forma before acquisition and restructure costs

New customers were secured across every operating division and included many blue-chip organisations from L'Oréal, Diageo, BP, and Blackmores, to AXA Asia, Johnson & Johnson, Kalbe, The Mall Group, Foxtel, Coles, Pacific Magazines, Kmart, Lovatts, Globus Travel, Nestle, Suncorp, Red Cross, and Greenpeace.

Nearly 70% of our revenue was generated by customers engaged across multiple IVE products and services, underscoring the continued strength of our integrated business model.

Our revenue was also well spread across our customer base, with our largest customer accounting for a little more than 4% of Group revenue, with the top 20 comprising just over 30%.

While our gross profit margin reduced to 49.9% of revenue from 52.2% a year earlier, once normalised for the different margin mix of catalogue revenue compared to IVE's existing revenue, margin remained consistent with prior years.

Development and Investment Opportunities

During the year we embarked on a significant capital expenditure program as we targeted investment to ensure we remain highly efficient and continued to expand our product and service offering geographically.

Actual capital expenditure in the year combined with commitments for FY18 relate primarily to the expansion of Franklin into NSW through the establishment of a greenfield site in Huntingwood, press upgrade at Blue Star WEB in Sydney, and the expansion of our Blue Star DISPLAY operation in Victoria.

Replicating the world class Franklin operation in Victoria, Franklin NSW is a 20,000 sqm facility that will house two new highly automated 80-page web offset presses, one 16-page web offset press, and ancillary equipment including a perfect binding line and stitching capability.

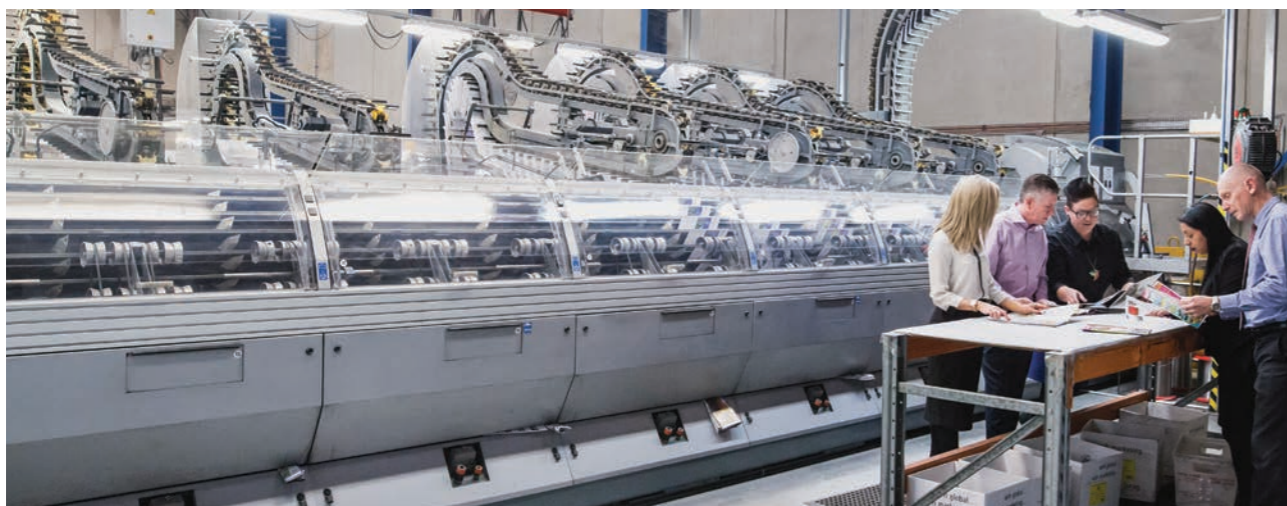
This project is particularly exciting for us as it will accommodate growth; rebalance our capacity between NSW and Victoria, where we consolidated sites and rationalised capacity during the year to enable us to better service national retailers.

Significant new revenue growth since December 2016 (as previously communicated to the market) in secured revenue effectively underwrites our investment to expand Franklin into NSW. The Franklin NSW operation will be fully operational by the end of October 2017.

Looking to FY19, we have indicated to the market that our annual capital expenditure will return to more 'normal' levels, forecasting around \$7.5 million in predominantly growth-led investments.



MANAGING DIRECTOR'S REPORT



Strong Outlook

IVE is set for another strong year, with expected EBITDA of \$70–75 million in FY18 (before restructure costs) as the positive impact of synergies post the Franklin and AIW integration take full effect from January 2018, the Franklin NSW operation ramps up and customers continue to explore and realise the value of our diversified offering.

In August 2017 we successfully completed a \$55.6 million capital raising to support a range of initiatives that will further enhance our position as one of the leaders in data-driven personalised communications. Initiatives to be funded from the raise include the acquisition and integration of well-established customer data management business, SEMA (to be integrated into Blue Star DIRECT), the second 80-page press for Franklin WEB (NSW), and potential bolt-on acquisitions we identify that meet our investment criteria.

We have a clear and well-defined growth strategy to help ensure we maintain the relevance of our value proposition to our customers, who remain keen to explore cost-effective solutions whether via a single product or across the breadth of our offering.

In reflecting on the success of FY17, I would like to acknowledge all staff across the IVE business whose commitment and talent are the drivers of this success.



Warwick Hay

Warwick Hay
Managing Director

BOARD OF DIRECTORS

GEOFF SELIG

Executive Chairman

Appointed 10 June 2015

Geoff has been a director of the Group since November 2012 and has over 25 years' experience in the marketing communications sector. He is a former CEO of Blue Star Group's Australian operations (2001–2007) after the Selig family printing business (Link Printing) was acquired by Blue Star in 1997.

Geoff re-entered the sector in 2010 leading the Selig family acquisition of CaxtonWeb, followed by partnering with Wolseley Private Equity to acquire the Australian operations of Blue Star in late 2012.

Geoff is a director of Caxton Group, Caxton Property Investments and Caxton Print Holdings.

Geoff currently sits on the board of the National Heart Foundation of Australia (N.S.W Division), The Pinnacle Foundation, and The Lysicrates Foundation. He was the State President of the NSW Liberal Party from 2005–8.

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

WARWICK HAY

Managing Director

Appointed 25 November 2015

After joining the Group in 2009 as CEO of Blue Star WEB, Warwick was appointed managing director of the Group in 2014. Having worked in senior leadership roles within the business since 2009, Warwick has been a key influence in the growth and the strategic positioning of the Company.

Warwick has 20 years of management experience across all business operations in complex business-to-business environments.

Prior to joining IVE, Warwick was General Manager of Huhtamaki Flexibles Packaging Oceania. His prior work history includes 15 years within Carter Holt Harvey's packaging division across a broad range of senior roles. Warwick completed a Graduate Diploma in Packaging Technology from Massey University in New Zealand and a Post Graduate Diploma in Business from Auckland University.

GAVIN BELL

Independent Non-executive Director

Appointed 25 November 2015

Gavin was the Chief Executive Officer of law firm Herbert Smith Freehills, a role he held from 2005 until he retired from the role in 2014.

Gavin is an experienced non-executive director. He is currently a non-executive director of Smartgroup Corporation and Insurance and Care NSW.

Gavin holds a Bachelor of Laws from the University of Sydney and a Master of Business Administration (Exec) from AGSM, University of New South Wales.

SANDRA HOOK

Independent Non-executive Director

Appointed 1 June 2016

Sandra has extensive operational, financial management and strategic experience built over 25 years in senior executive roles as a Chief Executive Office, Chief Operating Officer, Group Publisher, Marketing Director, and General Manager for some of Australia's largest media companies including Foxtel, Federal Publishing Company, Murdoch Magazines, Fairfax, ACP and News Limited. She has a track record in driving transformation and transitioning traditional businesses in rapidly evolving environments.

She currently holds a number of directorships including Non-executive director at RXP Services, MedAdvisor, auDA, and Sydney Fish Markets, and is a Trustee, Royal Botanic Gardens and Sydney Harbour Federation Trust. She is also a Member of the Australian Institute of Company Directors (GAICD).

ANDREW HARRISON

Independent Non-executive Director

Appointed 25 November 2015

Andrew is an experienced company director and corporate adviser.

Andrew has previously held senior executive positions and non-executive directorships with public, private and private equity owned companies, including as Chief Financial Officer of Seven Group Holdings, Group



(L to R) Warwick Hay Managing Director / Gavin Bell Non-Executive Director / James Todd Non-Executive Director / Paul Selig Executive Director / Sandra Hook Non-Executive Director / Andrew Harrison Non-Executive Director / Geoff Selig Executive Chairman

Finance Director of Landis and Gyr, and Chief Financial Officer and a director of Alesco. Andrew is currently a non-executive director of Burson Group, Estia Health, Xenith and WiseTech Global. Andrew was previously a Senior Manager at Ernst & Young (Sydney and London) and Gresham Partners Ltd, and an Associate at Chase Manhattan Bank (New York). Andrew holds a Bachelor of Economics from the University of Sydney and a Master of Business Administration from Wharton, and is a chartered accountant.

PAUL SELIG

Executive Director

Appointed 10 June 2015

Paul has over 25 years' experience in the industry and is currently Managing Director of Caxton Group. Paul is a former CEO of Blue Star's Australian operations (1997–2001)

In 2010, he was appointed a director of CaxtonWeb following its acquisition by Caxton Group and was appointed non-executive director of the Group following the purchase of the Australian operations of Blue Star Group in 2012. Paul is a director of Caxton Group, Caxton Property Investments and Caxton Print Holdings. Paul holds a Bachelor of Economics (Hons) from Macquarie University.

JAMES TODD

Independent Non-executive Director

Appointed 10 June 2015

James was appointed non-executive chairman of the Group in November 2012 and moved to non-executive director in 2015 when Geoff Selig was appointed executive chairman.

James is an experienced company director, corporate adviser and investor.

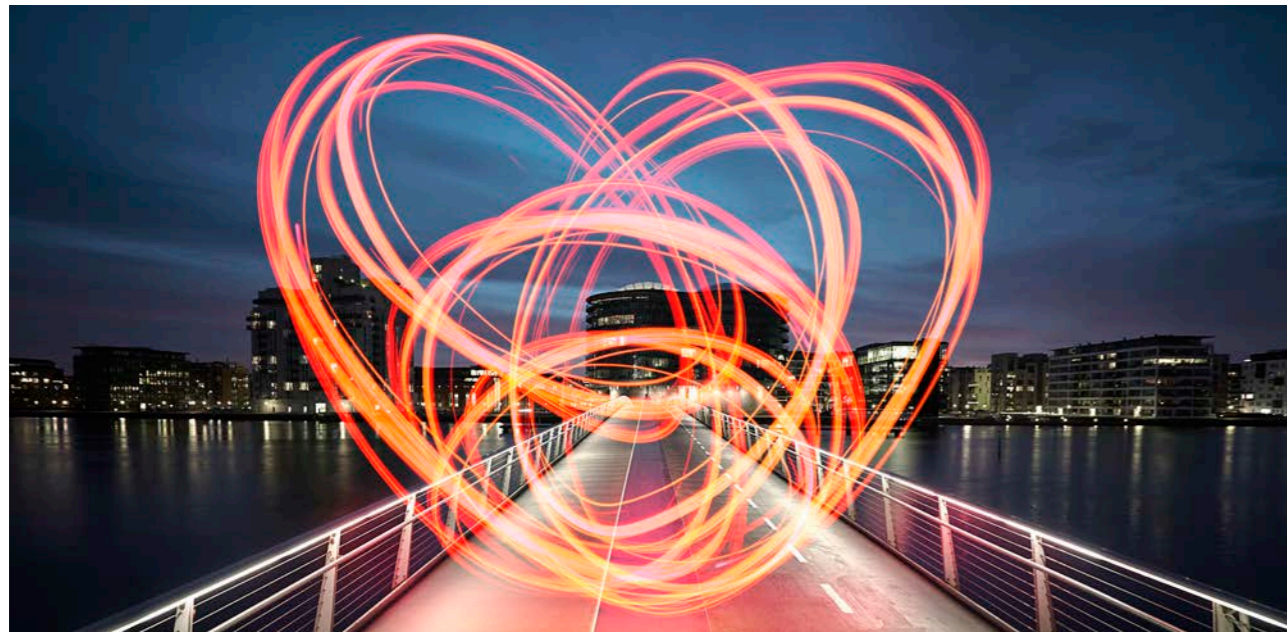
James is Managing Director of Wolseley Private Equity, an independent private equity firm which he co-founded in 1999.

He commenced his career in investment banking working with Hambros Bank, both in Sydney and London, and has taken active roles with, and invested in, a range of public and private companies.

James also served as Council Member of the Australian Private Equity and Venture Capital Association (AVCAL), where he was chair of the AVCAL Growth Funds Committee.

James holds a Bachelor of Commerce and Bachelor of Laws from the University of New South Wales, and a Graduate Diploma from the Financial Services Institute of Australia (FINSIA), where he is a Fellow. He is a member of the Australian Institute of Company Directors.

HARNESSING CUSTOMER DATA FOR BETTER BUSINESS OUTCOMES



kalido.



NSW Government SafeWork Awards Awards Submission Site

Kalido helped SafeWork NSW to develop a new platform that supports the running of their prestigious annual work safety awards. The platform managed the end-to-end process including award entries, structured work flow around the judging process and winner's announcement.

IVE Group's specialist agency, Kalido, is a new breed of customer experience firm shaping better business outcomes for clients by putting customers at the centre of every decision.

While most brands know their target audiences, we believe it's those who know their customers who will enjoy a competitive advantage and sustained business success. Our strategic consulting, implementation and ongoing managed services help businesses to plan, execute and optimise data-driven customer journeys.

By bringing together strategy, data and technology with the magic of creativity and design, Kalido provides solutions designed to optimise brand experiences, facilitate speed to market and unlock value at every touch point.

Working closely with clients, our collaborative, multi-disciplinary teams provide innovative and effective brand solutions. Our services include:

Customer analytics

Our Strategic Reporting Framework, predictive modelling and Customer Data Platform create actionable outcomes to increase customer value.

Digital experience platforms

End-to-end delivery of cross platform digital experiences, including solutions architecture, digital design, development and ongoing support.

Marketing automation

We are best in class in Salesforce and Adobe Marketing Cloud implementation and optimisation to fast track your return on investment.

Content

Leveraging customer data we create personalised customer journeys and content that is relevant to your audience across different channels.

Kalido partners with leading technology platforms to deliver comprehensive, fully integrated best of breed solutions that help brands to confidently navigate the path from traditional product-led marketing, to the rewards of being customer centric champions.



Craveable Brands Lifecycle Marketing

Craveable partnered with Kalido to transform the customer experience, leveraging Salesforce Marketing Cloud to enable a truly customer-centric, omni-channel and automated solution. Kalido implemented a series of lifecycle journeys to increase the number of loyalty members and improve the on-boarding process, drive repeat purchase and reactivate lapsed customers.



Tigerair Marketing Automation

In order to build a personalised experience for every passenger, Kalido created an analytics framework to gather, analyse and model data from multiple systems and touch points. We then created automated customer journeys to deliver timely and relevant communications via email, SMS and social.

AUSTRALIA'S MOST DIVERSIFIED BUSINESS OF ITS KIND

bluestar*

bluestar*PRINT

bluestar*WEB

franklin*WEB

bluestar*DIRECT

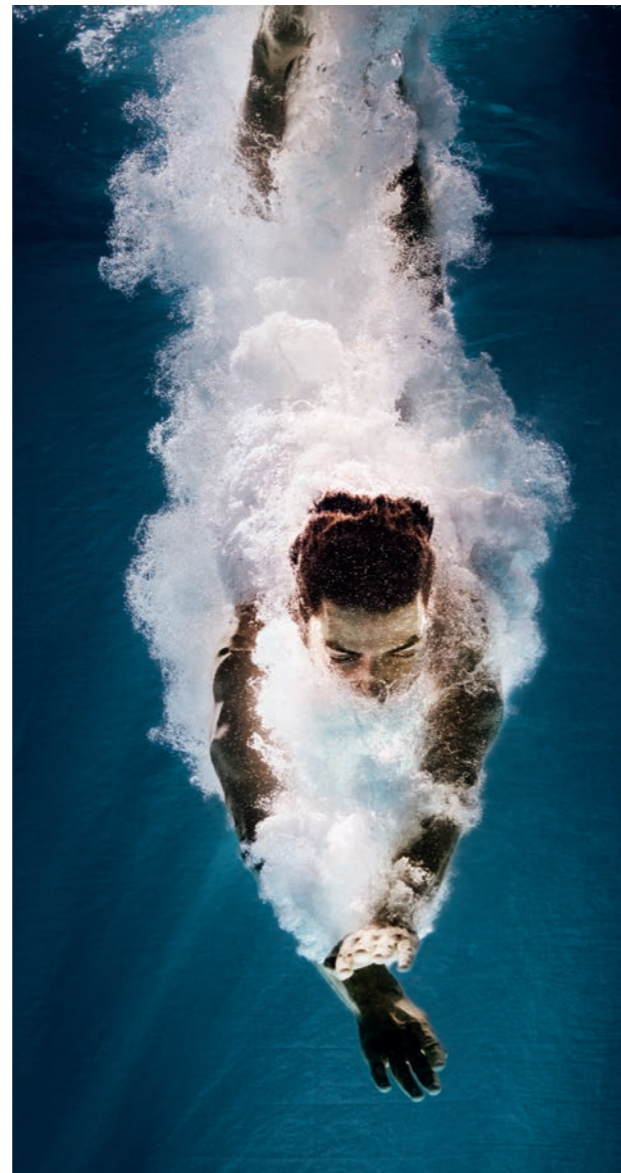
bluestar*DISPLAY

bluestar*CONNECT

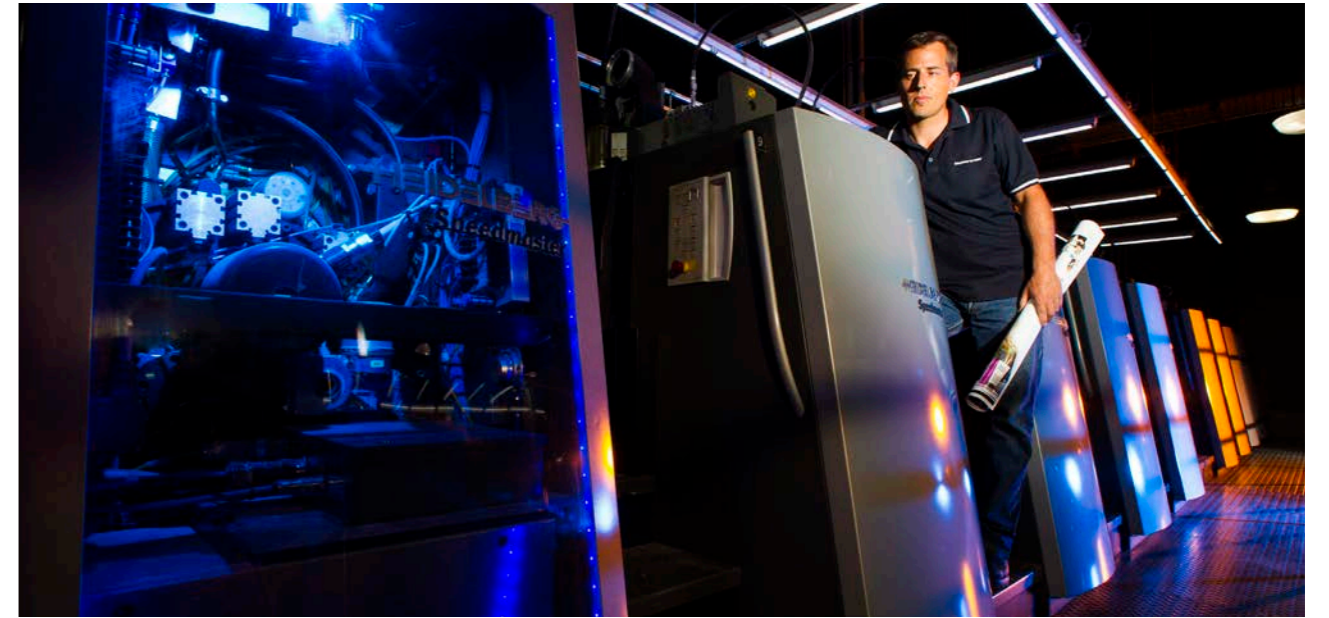
bluestar*PROMOTE

Blue Star Group is Australia's leading provider of integrated print, display, personalised communications, promotional products, warehouse and logistics services.

Operating across seven specialist businesses, the Blue Star Division is Australia's most diversified business of its kind. Continual focus on technology, innovation and efficiency, coupled with our highly experienced and passionate team, creates a nimble and flexible environment dedicated to delivering a responsive service to the market.



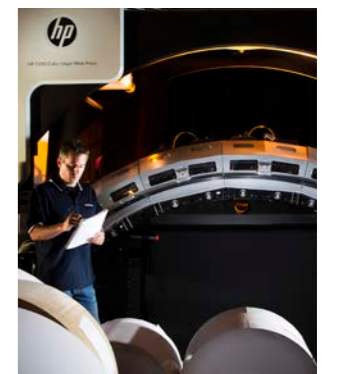
THE LARGEST COMMERCIAL OFFSET PRINTER IN AUSTRALIA



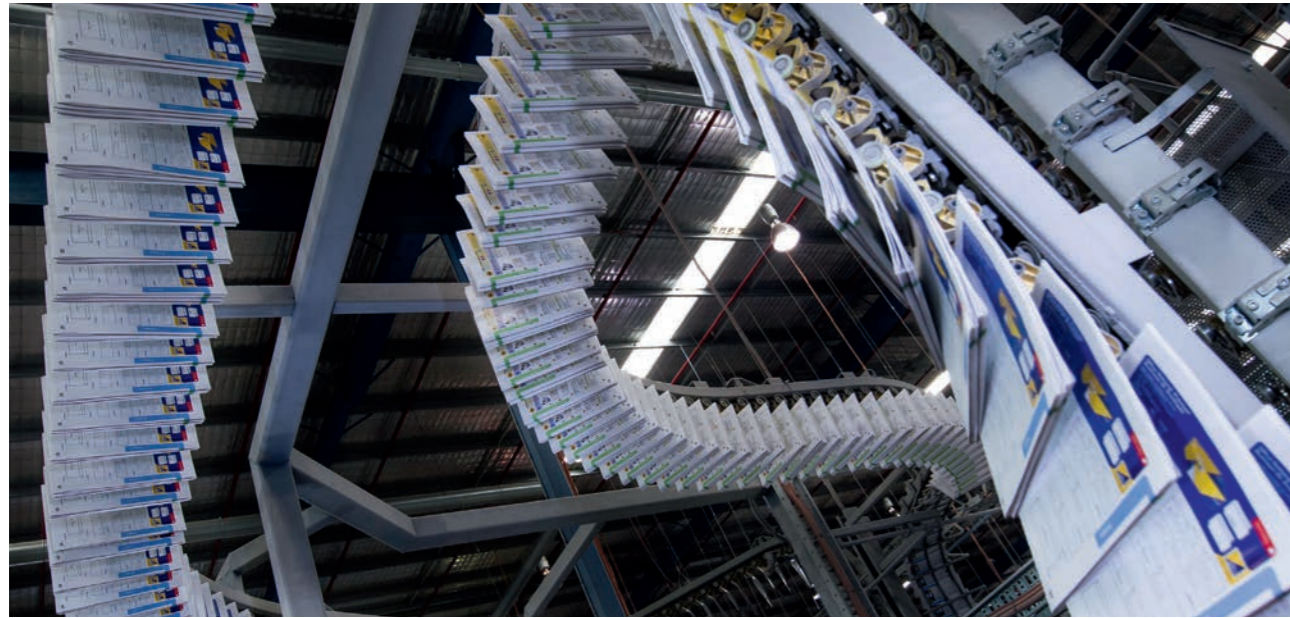
bluestar*PRINT

As the largest commercial offset printer in Australia, with state-of-the-art facilities in Sydney and Melbourne, Blue Star PRINT has an extensive offer, which is used in conjunction with the other divisions of IVE to communicate to our customers and in turn their customers, as part of the overall communications mix.

Sophisticated proofing, colour management systems and comprehensive finishing capabilities deliver consistently high quality outcomes for any size project and to the most demanding deadlines.



PASSIONATE ABOUT PRINT



bluestar **WEB**



Operating out of a purpose-built, highly automated and efficient facility in Sydney, Blue Star WEB is a leader in niche heat-set web offset printing, producing a broad range of special interest publications, custom publications, corporate livery including travel and tourism & financial services collateral, and magalogues.



FRANKLIN'S CATALOGUE POWERHOUSE



franklin **WEB**

Founded in 1936, Franklin is a specialist catalogue producer and one of the leading players in the large format web offset sector. With over 120,000 square metres of world class production facilities across Victoria and NSW, Franklin produce over 3.4 billion catalogues per annum for Australia's leading retailers.



DATA-DRIVEN PERSONALISED COMMUNICATION



bluestar DIRECT

Blue Star DIRECT is the largest data-driven direct personalised communication business in Australia. Blue Star DIRECT works with customers' data to produce highly personalised, multi-channel communications. These include both physical communications distributed through the mail as well as digital communications delivered through multiple channels, including email, SMS and social media.

Blue Star DIRECT has modern, highly efficient production facilities in Brisbane, Sydney and Melbourne, and works with many of Australia's leading brands in managing their one-to-one customer communications strategy.



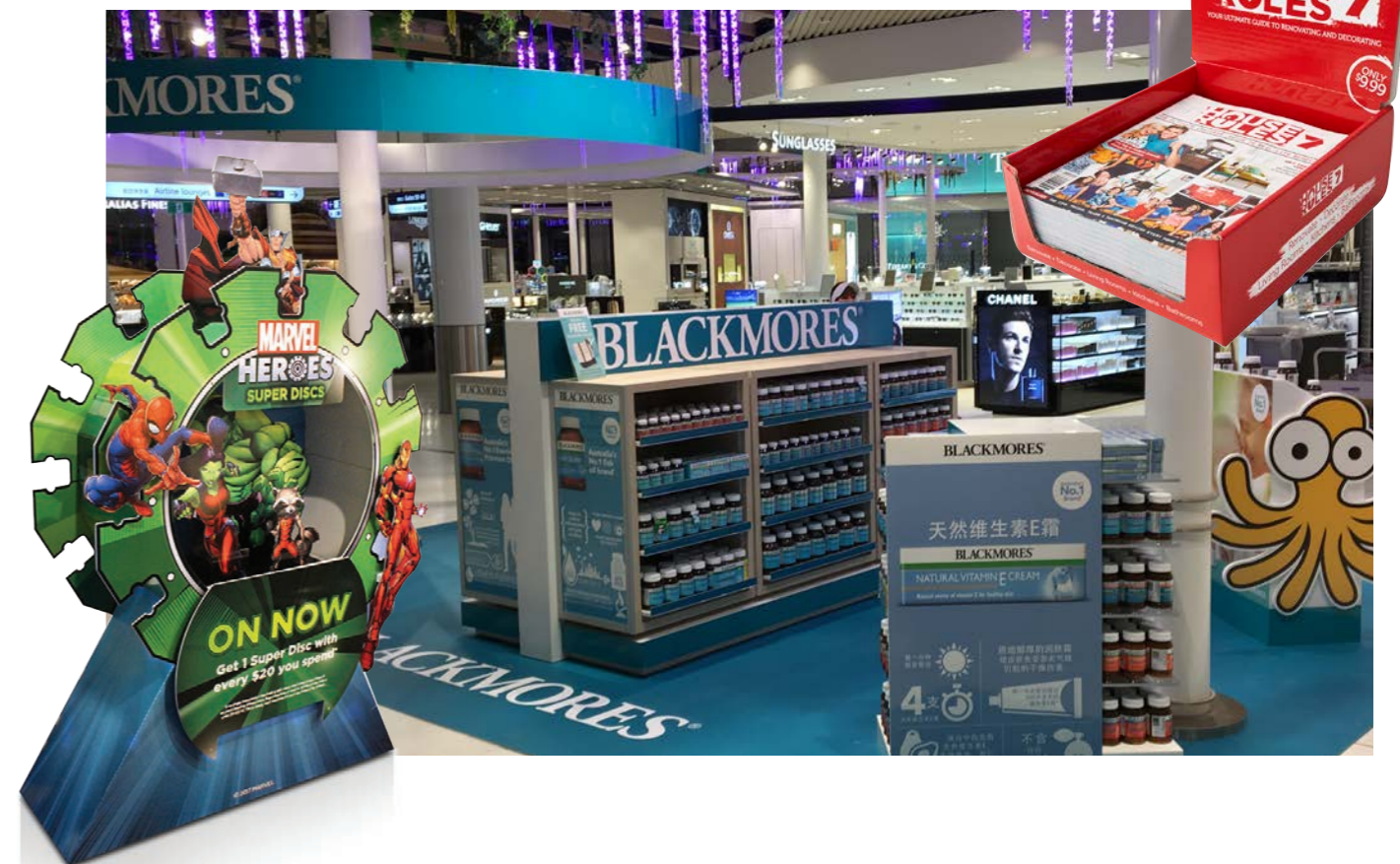
RETAIL DISPLAY SOLUTIONS



bluestar DISPLAY

With operations in both Sydney and Melbourne, Blue Star DISPLAY specialises in the production of retail display point-of-sale and point-of-purchase collateral. It is a full service, retail display business providing services from concept and design (structural & industrial), through to production and distribution. Services include offshore sourcing where appropriate through a dedicated team based in our China office.

Blue Star DISPLAY works with customers to design solutions that attract consumers into store, drive sales and deliver positive brand experiences.



LARGE SCALE LOGISTICS & FULFILMENT

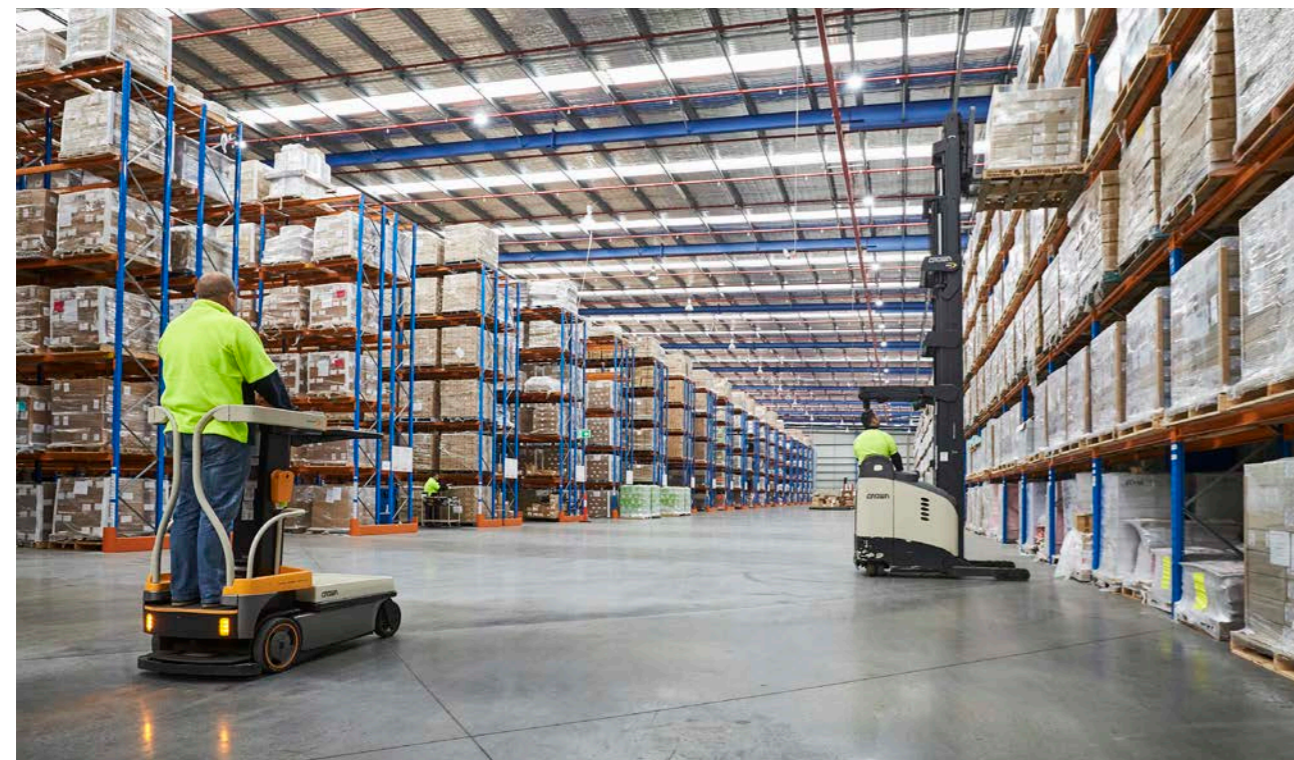
Blue Star CONNECT is a highly specialist logistics operation. An integral part of the Group's broader solutions, its core capabilities incorporate two distinct disciplines:

- Inventory management, call centre, warehousing, pick & pack, distribution
- Campaign driven, time sensitive kitting and fulfilment

Operating out of facilities in Sydney and Melbourne, Blue Star CONNECT interfaces directly into customers' enterprise resource planning systems. Customers can use CONNECT's customised online portals for the purposes of placing orders, tracking activity, inventory control and detailed reporting.

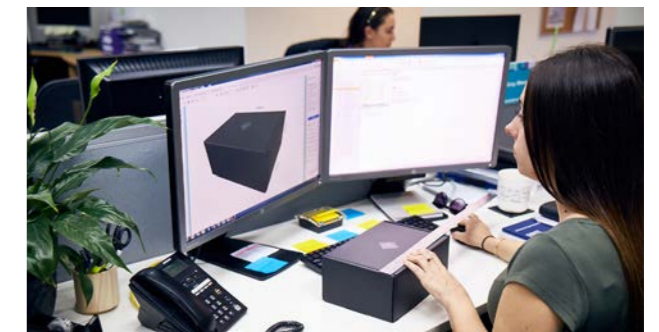


bluestar *CONNECT



DELIVERING COMPREHENSIVE & TAILORED PROMOTIONAL MERCHANDISING

With offices across Australia, New Zealand and China, Blue Star PROMOTE is a leading corporate supplier of promotional merchandise, apparel and award solutions. We work with our customers to increase brand awareness, foster good employee morale, build positive client relationships and drive sales through fully customisable promotional product solutions that creatively and effectively communicate the true essence of a brand.



bluestar *PROMOTE





**WE HELP
CHARITIES THRIVE**

MAKING A POSITIVE IMPACT

paretogroup

The Pareto Group works exclusively with non-profit organisations to help them raise funds to make the world a better place. The Pareto Group delivers globally recognised campaigns through fundraising direct mail, digital programs and telemarketing. Our expertise spans decades and has contributed to the Pareto Group being recognised as a market leader. One unique organisation – two industry-leading fundraising experts: Pareto Fundraising and Pareto Phone.

Together, Pareto helps charities raise more money than any other direct response business in Australia and New Zealand. Over half of the largest charities in Australia and New Zealand engage Pareto to provide sector intelligence, donor behavioural insight, data-led strategic guidance, world-class creative and highly targeted and unique direct response communications.

Our ability to share deeply personal and meaningful stories, vividly demonstrating the vast range of social and environmental justice needs, continues to result in record levels of financial support for charities. Founded on a passion for data analytics, to understand donors underpins our communication strategy.

Day by day, the Pareto Group is driving what is arguably the biggest fundraising revolution of the decade. The Pareto Group continues to be the only agency in Australia and New Zealand that can deliver comprehensive, end-to-end fundraising solutions. We combine analytics, insights, social media, digital, direct mail and telemarketing services to deliver highly integrated campaigns. We find new ways to engage new audiences, to grow and strengthen the supporter base of many Australian and International charities.



DATA-DRIVEN SOLUTIONS SERVING THE NFP SECTOR

paretofundraising

Pareto Fundraising works with non-profit organisations to develop targeted strategic solutions that allow them to create sustainable income streams from a wide base of supporters.

For over 15 years Pareto Fundraising has been the industry leader, delivering unprecedented and integrated services to charities, providing insights, analytics, direct mail and digital programs that raise funds. We work with local and global clients, and our experienced team is immersed in the non-profit sector, working strategically and tactically with clients on how to best engage potential donors, retain and foster existing relationships.

Benchmarking

Pareto Fundraising delivers data-rich insights through our annual globally recognized *Fundraising Benchmark Report*. The report enables clients to compare their organisation's performance against the industry as a whole. This valuable analytical tool provides unique insights to help clients identify what is working and what needs to change. Clients are empowered to make informed decisions on future directions and fundraising investment.

More than just strategic consultants, Pareto Fundraising embraces the challenge of delivering targeted annual fundraising campaigns for their clients that engage and inspire supporters. Pareto is privileged to have built a deep and diverse team who can help any charity improve its direct response fundraising results while continuing to lead the sector in innovation and evolution.



“Pareto Fundraising is an indispensable strategic partner for any organisation who wants to kick goals in the NFP market. The value starts in the data, but it’s their intelligent strategic insight and advice that takes it to another level. Strategic growth pathways suddenly become apparent and attainable.”

Tony O’Halloran, Manager, Marketing Strategy, Mission Australia



HELPING YOU CHANGE THE WORLD

paretophone



Pareto Phone is the industry leader in charity telefundraising, partnering with the most well-loved and respected not-for-profit organisations in Australia and New Zealand.

The reason we outperform the rest is because our clients know that we consistently deliver the best outcomes for them. And that helps our charity partners to help more of their beneficiaries. It is why we have such long-standing relationships across the fundraising sector.

We draw on our years of charity fundraising experience to provide strategically-led expert advice that uses a unique data-led approach to fully maximise our client’s fundraising budgets. We do this while ensuring the very best supporter journey for each donor.

Being at the forefront of the latest thinking and using the very latest telemarketing technology helps us to deliver best-in-class results on all our campaigns, including the growing area of digital fundraising.

Central to our success is our team of passionate telefundraisers who engage in meaningful conversations with charity supporters to produce great outcomes. We see ourselves as an extension to your fundraising team.

We operate to the highest standards so that you and your donors have peace of mind. Pareto Phone is PCI DSS accredited and fully compliant with government and industry regulations governing telefundraising. The best interests of our charity partners is at the heart of everything we do.

“Pareto Phone is a key part in Cancer Council NSW’s mission to beat cancer. Over many years, across a variety of programs, Pareto has consistently produced results and raised the desperately-needed funds required to beat cancer. Pareto Phone’s analytical capabilities are very strong and enable them to advise on the viability of a campaign, assure us when we are on the right track and suggest specific tactics and strategies to improve our long-term ROI.”

Joshua McNeil, Direct Marketing Manager
Cancer Council NSW





**WE DRIVE
EFFICIENCIES**

MARKETING EXECUTION SPECIALISTS



iveo

As Australia's most trusted marketing execution specialist, we take the powerful scale, innovative technology and capacity of the IVE Group and combine it with carefully selected and accredited partners to deliver the benefits of an Asia-Pacific supply chain. Our targeted solutions integrate technology and workflow to create a streamlined service model guaranteed to improve speed to market and reduce cost without compromising quality.

The IVEO team are marketing execution and supply chain experts who take a direct role in ensuring we deliver to get the best possible results for our customers' long-term objectives, whether they're located onsite or in one of our centralised city hubs. We combine in-house creative design with supply chain management and inventory control to execute a controlled workflow that takes care of collateral from creation to distribution.

IVEO helps businesses unlock opportunities for innovation, from choosing the right communication channel to re-engineering specifications for efficient production. We deliver an accountable and transparent

service that provides full visibility on spend and activity while simplifying stakeholder engagement.

We possess an unrivalled understanding of the market, applying customer insights and objectives to everyday decisions that drive positive outcomes for spend optimisation, channel diversity and improved sustainability.



2017 Kérastase Paris Brand Book Winner, Specialty Retailers, 2017 Annual ACA Awards
IVEO worked with L'Oreal Professional Products Division to refine and elevate the Kérastase brand book, which houses all of the brand, portfolio and education requirements for the year ahead.

CASE STUDY

bluestar **DIRECT**

WOOLWORTHS IS A LEADING AUSTRALIAN SUPERMARKET CHAIN WITH OVER 960 STORES NATIONWIDE.

Woolworths 

THE BRIEF

Blue Star approached Woolworths with the concept of using their loyalty data to drive more meaningful and personalised one-to-one communications with their customers via the direct mail channel. The concept was to utilise a large subset of its Everyday Rewards customer purchase data to drive the selection of relevant offers via coupons and discounts through personalising booklets for over one million of its customers. This was to be achieved within a 3-week production timeframe, from receipt of finished artwork to delivery into customer households.

Woolworths aimed to generate a noticeable increase in store traffic, ROI and shopper revenue as well as cross-sell other parts of the Woolworths Group (i.e. Big W, Ezibuy, BWS) to customers. Each program ran for a period of 6 weeks with different personalised offers available to the shopper each week.

THE APPROACH

Working with Woolworths and their analytics agency a data processing platform was created to analyse customer spend data. Based on agreed business rules, an interface between the data platform and a digital asset repository was created that housed hundreds of different products and images for the coupons.

Production of the personalised booklets for each customer were barcode matched, folded perforated and stitched to create a 28pp fully personalised

booklet via Australia's largest digital inkjet devices combined with the power of the finishing in Blue Star's print and mail production facilities. These were then finished, initially into envelopes and more recently via our promo-pop plastic wrap product that brings the creative to life, for lodgment with Australia Post.

THE RESULTS

Woolworths segmented its customer data and tested the direct mail execution against a similar creative execution via the email channel to a further 500,000 customers. The success of the direct mail concept and execution is perhaps best realised when the second production cycle of the personalised booklets increased from a quantity of 1m in the first cycle to 1.5m for the next cycle (largely at the expense of the email channel execution which was shown to be far less effective than the physical direct mail execution).

SINCE THEN...

The success of this coupon campaign and working relationship with the Blue Star DIRECT team have been the driving force behind subsequent targeted campaigns. They have since created many DM pieces to target segments from high-value to low-value consumers whilst promoting a variety of offers. Blue Star DIRECT works closely with Woolworths to advise on the best method for execution (e.g. stock, format, etc.), provide technical advice to their design

THE POWER OF PERSONALISATION & SEGMENTATION

team before artwork commences, ensure the utmost accuracy in personalisation and will coordinate the development of additional materials within the Blue Star Group to deliver upon the brief.

DELIVERABLES

- 2,000,000+ fully personalised 28-page booklets
- Delivered in full in a 3-week production timeframe
- Matching of 17 unique offers to each customer, barcoded for in store redemption.

"Unique and engaging creative with offers spanning fuel, food and liquor, meant every customer had at least one offer they found relevant. Shared investment from the three business units resulted in strong return on investment, 75% above forecast."



Woolworths
everyday rewards™

CASE STUDY

paretofundraising

LIFELINE IS A NATIONAL CHARITY PROVIDING AUSTRALIANS WITH ACCESS TO 24/7 CRISIS SUPPORT AND SUICIDE PREVENTION SERVICES. BUT WITH CALLS TO LIFELINE INCREASING, SUICIDE PREVENTION NEEDED AN ADDED BOOST.



THE BRIEF

In Australia, suicide is the leading cause of death for people aged 15 to 44. Eight people die from suicide in our country every day, and it's an issue that causes terrible heartache and pain.

Lifeline wanted to reduce the suicide toll in two ways:

1. By lobbying for an increase in Federal government funding for suicide prevention; and
2. By raising funds for Lifeline's telephone crisis line service.

Lifeline Australia's Chairman, John Brogden, had called for suicide to be declared a national emergency. The facts pointed to a paradox: suicide was killing twice as many Australians each year as road accidents – but suicide prevention received about half as much funding as road safety.



THE APPROACH

Lifeline with the help of Pareto Fundraising launched a digital two-step campaign designed to deliver on both those objectives, calling on the Australian government to increase funding for suicide prevention.

Step 1: Activism

An online petition calling on the Australian government to increase funding for suicide prevention.

People were asked to "Join a compassionate community and sign a petition asking the Australian Government to increase Australia's funding of suicide prevention programs by double to help reduce deaths by suicide."

Step 2: Funding

Petition signers who opted in were taken on an integrated fundraising conversion journey involving telephone conversion, an automated email stream and remarketed advertising.

Pareto Phone's role helped to bring the discussion of suicide to the forefront, reinforcing that positive conversation and connecting with people is the best way to address this issue. A tight working relationship and data sharing arrangements within Pareto Group meant that petition signers were called speedily (while still engaged in the campaign), call scripts aligned well with the experience, and a 7% plus phone conversion rate was maintained throughout the campaign.

To maximise results, the two-step campaign also needed to coordinate with Lifeline's extensive press campaign and any public statements from senior representatives whilst working in partnership with all the teams across the organisation.

DIGITAL & TRADITIONAL CHANNELS DELIVER LIFESAVING RESULTS



THE RESULTS

Lifeline acquired just under a thousand regular givers, at the cost of \$344 each, plus 724 cash gifts totalling almost \$50,000. The additional annual income exceeded \$215,000. Early attrition rates for this two-step campaign are lower than those from other channels such as face-to-face. Plus tens of thousands of new and engaged supporters could potentially become new donors.

The results aren't all financial. The 159,000 new signatures helped achieve Australia's first suicide prevention plan, new government-funded suicide prevention trial sites across New South Wales and \$2.5 million for a crisis SMS support service.

The campaign delivered a spike in volunteer enquiries, brand awareness, new leads for case studies and helped Lifeline gain insights about supporters via online engagement.

"We have been very happy with the two-step approach. We received an unprecedented number of emails with questions, opinions, stories and much more! We also achieved fantastic results and acquired new regular supporters at a significantly lower cost per acquisition than other channels. The retention rate of these new supporters has also been positive compared to other channels so far. The Pareto team was easy to work with and completely invested in the success of the campaign – they remained agile throughout the campaign – providing sound strategic recommendations as well as analytics and best practice fundraising skills."

*- Stephanie Chan,
Lifeline Australia*



CASE STUDY

pareto**phone**

CANTEEN IS THE NATIONAL SUPPORT ORGANISATION FOR YOUNG PEOPLE AGED 12–25 WHO ARE LIVING WITH CANCER; INCLUDING CANCER PATIENTS, THEIR BROTHERS & SISTERS, AND YOUNG PEOPLE WITH PARENTS OR PRIMARY CARERS WITH CANCER.



THE BRIEF

CanTeen first engaged Pareto Phone in 2007 to assist with their telemarketing cash program. Since then, CanTeen's reliance on its cash program has migrated towards a Regular Giving model where they attract monthly supporters primarily through face-to-face fundraising. They required a partnership that could support this multi-channel fundraising strategy.

THE APPROACH

Pareto Phone provided bespoke solutions that allowed CanTeen to fully outsource the end-to-end management of their telemarketing cash program. This included integrating CanTeen's database into Pareto Phone's predictive modelling. Through this analysis, we created an intelligent trigger-calling program that provided the best return for CanTeen while ensuring loyal supporters were not bombarded with random 'call everything' calling strategies.

As CanTeen grew their Regular Giving supporter base, Pareto Phone adapted their service model to fit with CanTeen's multi-channel fundraising goals. Pareto Phone accessed CanTeen's database monthly and provided recommendations on data selections for each Upgrade, Reactivation and Decline campaign within this program area. These selections were built through understanding historical outcomes and wider



fundraising strategies around supporter performance. This approach ensured CanTeen maximised its return on investment across each campaign and, through actively-managed calling strategies, eliminated a poor supporter journey.

THE RESULTS

Across CanTeen's cash program, Pareto Phone conducts the full end-to-end management of banking, processing, fulfilment, data selection and trigger-calling strategies. It's a fully managed solution that uses bespoke intelligent data selections coupled with a unique back-end operational solution to ensure success. This allows CanTeen to generate income from an otherwise labour intensive fundraising solution.

END-TO-END DATA-DRIVEN TELEMARKETING CAMPAIGN RAISES CASH

"We have worked with Pareto Phone for a number of years and have always been extremely happy with not only the quality of their work but the excellent client service they provide. At the moment we run a number of campaigns with the agency and the reason we do so is to not only increase our regular and cash income results, but also to ensure our supporters receive the best experience.

Pareto Phone provides detailed campaign reports which are very comprehensive, with results clearly illustrated each week. This transparency means we are always aware how a campaign is performing and it has further increased the trust between our organisation and the agency. All managers we work with from the agency are willing to go above and beyond, responding to any queries in an efficient manner.

Overall I am more than satisfied with the service provided by Pareto Phone. They are professional, knowledgeable, and an extension of your team and I feel they genuinely care about what we are trying to achieve which is to support young people facing cancer. I would happily recommend them to any organisation."

*- Yani Ferdinandus,
Head of Individual Giving, CanTeen*



Between 2007 and 2016, Pareto Phone and CanTeen have worked together to refine and improve a number of programs. CanTeen's Regular Giving programs have therefore grown substantially to deliver more than 45,000 Upgrades, 7,000 Reactivations and 10,000 new Regular Givers.

This has helped CanTeen's Regular Giving program become one of the most successful in the country. Coupled with accessibility to Pareto's unique fundraising dashboard, CanTeen has full visibility of their fundraising performance. This ensures CanTeen can continue to support and provide services to young people affected by cancer.

CASE STUDY

bluestar **PRINT**

A GLOBAL LEADER IN THE CAPITAL GOODS SECTOR THAT DESIGNS, PRODUCES AND SELLS AGRICULTURAL AND CONSTRUCTION EQUIPMENT, TRUCKS, COMMERCIAL VEHICLES, BUSES AND SPECIALITY VEHICLES, IN ADDITION TO A BROAD PORTFOLIO OF POWERTRAIN APPLICATIONS.



THE BRIEF

To promote and increase sales of CNHI product through local dealers via a more personalised printed marketing effort. By moving away from traditional generic printed materials to an on-demand personalised approach, local stores could be better supported and have the ability to promote selected CNHI product in line with their customer needs.

THE APPROACH

A series of 'discovery' sessions were held with senior CNHI stakeholders to draw out insights which led to the implementation of Blue Star PRINT's cloud-based marketing automation technology solution: Web2Print. Web2Print is an online portal that enables the creation, personalisation and ordering of CNHI brochure collateral as and when required.

TECHNOLOGY DRIVES LOCAL AREA MARKETING BEST PRACTICE

THE RESULTS

The personalisation of the product catalogues allowed dealers to take ownership and create relevance to their customers. They could now personalise the front cover with their dealer logo and store address, customise the product range to reflect their local customer needs and customise pricing to reflect local markets and competition factors.

The once 4-page generic brochure transformed to 20+ pages of highly relevant content. Over 80,000 personalised copies are being printed annually, warehousing and pulping of the unused or slow-moving product was eliminated, and ROI increased.

The Web2Print portal also opened a new avenue for dealers to leverage Blue Star's catalogue mailing and distribution services, providing additional support to get collateral quickly into dealerships.



"The progress that Blue Star has made with our quarterly local area marketing catalogue initiative has been phenomenal. Everyone here at CNHI is extremely, extremely impressed."

*- Jared Dawson
Product Manager, CNHI*

CASE STUDY



DIAGEO IS A GLOBAL LEADER IN BEVERAGE ALCOHOL WITH AN OUTSTANDING COLLECTION OF BRANDS. IN AUSTRALIA, DIAGEO OPERATES ACROSS CATEGORIES IN INTERNATIONAL SPIRITS, LOCAL SPIRITS, AND READY TO DRINK FORMATS.

DIAGEO

THE BRIEF

Diageo approached IVEO to provide a cost-effective solution to launch a new range of flagship displays for their premium partner network. The new displays had to address instore category confusion for consumers, clearly defining sections and simplifying the selection process.

Every store is unique and required a custom fit out while retaining a similar look and feel to the others. The overall display needed to reflect the premium nature of the goods to be sold, without overreaching a strict budget.

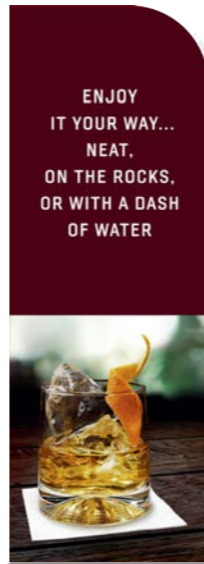


THE APPROACH

IVEO selected sturdy substrates with a premium feel, allowing the best longevity for investment.

A planogram was developed to ensure the layout was functional and served the objective to relay clear information to the consumer.

The pieces were a combination of standard and permanent Point Of Sale (POS), all with special build fixtures and electrical and carpentry based installation. Once in place, the standard POS elements are easily updated to permit reuse of the base fixtures in the event of brand or product updates. A 4-week project plan was developed in accord with timing and budget requirements.



POINT OF SALE ENHANCES SHOPPERS EXPERIENCES

THE RESULTS

The project was delivered on time and under budget, with a high rate of satisfaction demonstrated by all stakeholders.

The downturn in shopper confusion has been clear, reflected in an increased percentage of sales of products allocated to areas in the new planogram.

Store owners are thrilled with the clean-cut appearance of the new design, and the easy restock of product into designated areas.





IVE GROUP LIMITED ANNUAL FINANCIAL REPORT

ABN 62 606 252 644

YEAR ENDED 30 JUNE 2017

WE STRIVE
FOR PERFECTION

ive

CONTENTS

Operating and financial review	43
Directors' report	49
Lead auditor's independence declaration	67
Financial report contents	68
Consolidated financial statements	69
Notes to the consolidated financial statements	73
Directors' declaration	106
Independent audit report	107
ASX additional information	112

OPERATING AND FINANCIAL REVIEW

1. INTRODUCTION

The Directors are pleased to present the Operating and Financial Review (OFR) for IVE Group Limited (IVE) for the period ended 30th June 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 FY2017 of 30.1% compared to the prior corresponding period ('PCP') on a Pro Forma basis, and 34.6% revenue growth on a Statutory basis (Pro Forma and Statutory basis are defined in Section 5 of the OFR). The revenue increase reflects the impacts of the asset acquisition of Franklin Web Pty Ltd (Franklin) and share capital acquisition of AIW Printing Pty Ltd (AIW), as well as continued growth through a combination of new business wins and new business from existing customers through expanded service offering.

IVE also achieved EBITDA growth of 23.0% over the PCP (before restructure and acquisition costs and based on FY2016 pro forma before restructure and acquisition costs), impacted by the acquisition of Franklin and AIW 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. Statutory EBITDA is 35.5% higher than the PCP, reflecting revenue growth outlined above, however this has been impacted by restructuring and acquisition costs in FY2017 as well as costs associated with listing on the ASX in H1 FY2016.

During FY2017 IVE completed the successful integration of 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 through the acquisition of Franklin and 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.

OPERATING AND FINANCIAL REVIEW (CONT.)

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 customers 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 its 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 world class facility in Victoria, allowing IVE to unlock meaningful synergies
 - Enhancing the Group's national coverage through the establishment of a Franklin facility in NSW to support national retailers and the publishing sector
- 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 markets is set out in our 30 June 2017 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.

4. OVERVIEW OF RESULTS FOR FY2017

IVE's Financial Report for 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 FY2017 results presented before impacts of all restructuring and acquisition costs which primarily relate to the acquisition of AIW and Franklin. Comparisons to FY2016 performance are on a Pro Forma basis (as outlined in Prospectus dated December 2015, also excluding all restructure and acquisition costs).

The Directors believe that the results before restructuring and acquisitions costs, and Pro Forma comparisons, better reflects the underlying operating performance and is consistent with the Prospectus, this differs from the Statutory presentation. The non statutory FY2017 results are impacted by costs associated with the acquisition and restructure of Franklin and AIW, Blue Star Connect warehouse relocation as well as all other non-recurring acquisition and restructure costs. Full year FY2016 results are 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 restructure and acquisitions costs.

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 FY2017 and FY2016 on a comparable basis.

Table 1: Statutory results

	Statutory			
	Actual FY2017 \$'M	Actual FY2016 \$'M	Variance \$'M	Variance %
Revenue	496.9	369.2	127.6	34.6%
Gross Profit	248.1	192.0	56.1	29.2%
% of Revenue	49.9%	52.0%	0.0	-4.0%
EBITDA	35.9	26.5	9.4	35.5%
% of Revenue	7.2%	7.2%	0.0	0.7%
EBIT	22.2	16.9	5.3	31.3%
% of Revenue	4.5%	4.6%	0.0	-2.4%
Profit before tax	16.4	14.2	2.3	15.9%
NPAT	12.1	15.0	-2.9	-19.5%
NPATA	14.8	16.4	-1.6	-10.0%

OPERATING AND FINANCIAL REVIEW (CONT.)

4.1 STATUTORY RESULTS PER THE FINANCIAL REPORT (CONT.)

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

- **Revenue**

Revenue increase of \$127.6M or 34.6% over PCP, this reflects the impact of Franklin and AIW acquisitions, as well as increased revenue through new customer wins and the existing customer base through expanded service offering. The revenue increase has been achieved through realising the successful execution of IVE's growth strategy initiatives. This has led to a number of new customers partnering with the Group throughout the year, the continued success of cross selling to existing and acquired customers, and the ability to achieve several key contract extensions. IVE has also secured a number new customers, the benefit of which commenced in H2 of FY2017.

- **Gross profit**

The gross profit increase of \$56.1M over PCP largely driven by increased revenue. The Group achieved gross profit margin of 49.9% to revenue compared with 52.0% in PCP. Normalising for Franklin and AIW work mix, 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 \$35.9M represents an increase of \$9.4M or 35.5% over PCP, achieved via a combination of acquisitions, revenue growth, and efficiency gains.

Production expenses of \$107.9M are 21.7% to revenue compared to \$84.7M and 22.9% to revenue in PCP. The main driver of the increase in production expense is to service additional revenue.

Administration expenses of \$88.7M are 17.9% to revenue compared to \$81.3M and 22.0% to revenue in PCP, with PCP impacted by the close out of MEP and costs associated with listing.

Other expenses of \$19.1M compared to PCP of \$1.5M. FY2017 includes restructuring costs of \$13.3M and acquisition costs of \$5.9M predominantly relating to the Franklin and AIW acquisitions.

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

FY2016 statutory NPAT was impacted by a credit to tax expense of \$7.1M due to a one off uplift in tax carrying values. Normalised for this statutory NPAT increased over the period from FY2016 \$7.9M to FY2017 \$12.1M.

4.2 FULL YEAR FY2017 NON IFRS PRO FORMA FINANCIAL INFORMATION

The full year FY2017 results below are presented before all restructuring and acquisition costs. Compared to FY2016 on a Pro Forma basis also excluding all restructure and acquisitions costs to allow investors to make a comparison on a like for like basis.

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

	Statutory	Pro Forma			
	Actual FY2017 \$'M	Actual FY2017 \$'M	Actual FY2016* \$'M	Variance \$'M	Variance %
Revenue	496.9	496.9	382.0	114.8	30.1%
Gross Profit	248.1	248.1	199.6	48.5	24.3%
% of Revenue	49.9%	49.9%	52.2%	0.0	-4.4%
EBITDA	35.9	55.2	44.9	10.3	23.0%
% of Revenue	7.2%	11.1%	11.7%	0.0	-5.4%
EBIT	22.2	41.4	34.8	6.6	18.9%
% of Revenue	4.5%	8.3%	9.1%	0.0	-8.6%
Profit before tax	16.4	36.0	32.6	3.4	10.5%
NPAT	12.1	24.6	22.3	2.3	10.5%
NPATA	14.8	27.3	23.9	3.3	14.0%

* The FY2016 Pro Forma has been adjusted by \$2m to exclude restructure and acquisition costs. This is consistent with FY2017 Pro Forma adjustments below.

Table 3: FY2017 Pro Forma adjustments are as follows:

	FY17 \$'M
Pro Forma Adjustments –	
Restructure – IVE other	-1.5
Restructure – Franklin/AIW	-11.8
Acquisition – Transaction costs	-5.9
Interest expense – previous facility setup costs	-0.3
Total	-19.5

OPERATING AND FINANCIAL REVIEW (CONT.)

4.3 BALANCE SHEET

Table 4 sets out the indebtedness of IVE on a Statutory basis comparing FY2017 to FY2016 as presented in its 30 June 2017 Annual Financial Report.

Table 4: H1 FY2017 Statutory indebtedness

	Actual June FY2017 \$'M	Actual June FY2016 \$'M
Short-Term – Finance Leases	2.8	2.67
Long-Term Debt – Finance Leases	11.2	11.7
Senior Facilities (face value)	136.0	36.8
Sub Total	150.0	51.1
Cash	-23.9	-14.5
Net Debt	126.1	36.6

The above reflects current debt structure for IVE as at 30th June 2017.

The increase in drawn senior facilities \$99.2M 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 increasing from \$53.0M to \$145.0M, and as at 30 June \$140.0M. The increase in facilities was used to fund the above acquisitions, necessary ensuing restructuring costs to unlock synergies, resulting transaction costs, and the associated capital investment program.

During FY2017 IVE remained in compliance with all covenants relating to debt facilities. Operating cash flow was strong reflecting EBITDA achievement and a reduction of working capital from the seasonal high point in December 2016 to June 2017.

5. FY2018 FINANCIAL OUTLOOK

- FY18 EBITDA expected to be approximately \$70–\$75 million (before restructure costs)
 - FY18 restructure costs expected to be \$2.5–\$3.5 million.
- Key drivers of FY18 expected to be:
 - full year contribution of Franklin WEB
 - phased realisation of new contract wins in LFWO
 - phased realisation of synergies from Franklin/AIW integration
 - Franklin WEB (NSW) fully operational from October 2017
 - AIW to be closed by end of December 2017.

6. ADDITIONAL INFORMATION

For further information contact:

Geoff Selig
Executive Chairman

+ 61 2 9089 8550

Darren Dunkley
Chief Financial Officer

+ 61 2 8020 4400

DIRECTORS' REPORT

For the year ended 30 June 2017

The directors present their report together with the consolidated financial statements of the Group comprising of IVE Group Limited (the Company), and its subsidiaries (the Group) for the financial year ended 30 June 2017 and the auditor's report thereon.

Principal activities

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

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

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

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

Operating and financial review

The profit after tax of the Group for the year ended 30 June 2017 was \$12,109 thousand (2016: \$15,051 thousand). A review of operations and results of the Group for the year ended 30 June 2017 are set out in the Operating and Financial Review, which forms part of the Annual Financial Report.

Dividends

For the year ended 30 June 2017, the directors have declared a final dividend of 7.9 Australian cents per share, fully franked, to be paid on 25 October 2017 to shareholders on the register at 25 September 2017.

Total dividends of \$15,185 thousand were declared and paid by the Company to members during the 2017 financial year. Further details on dividends is included in note 20 of the Financial Report.

Significant changes in the state of affairs

During the year, the Group acquired a number of businesses, the details of which are included in note 22 of the Financial Report.

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

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2017

Information on Directors

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

Director	Experience, special responsibilities and other directorships
<p>Geoff Bruce Selig <i>Executive Chairman</i> <i>Appointed:</i> <i>10 June 2015</i></p>	<p>Geoff has been a director of the Group since November 2012 and has over 25 years' experience in the marketing communications sector. He is a former CEO of Blue Star Group's Australian operations (2001-2007) after the Selig family printing business (Link Printing) was acquired by Blue Star in 1997.</p> <p>Geoff re-entered the sector in 2010 leading the Selig family acquisition of CaxtonWeb, followed by partnering with Wolseley Private Equity to acquire the Australian operations of Blue Star in late 2012.</p> <p>Geoff is a director of Caxton Group, Caxton Property Investments and Caxton Print Holdings.</p> <p>Geoff currently sits on the board of the National Heart Foundation of Australia (N.S.W Division), The Pinnacle Foundation, and The Lysicrates Foundation. He was the State President of the NSW Liberal Party from 2005-8.</p> <p>Geoff holds a Bachelor of Economics from Macquarie University. He is a member of the Australian Institute of Company Directors.</p>
<p>Warwick Leslie Hay <i>Managing Director</i> <i>Appointed:</i> <i>25 November 2015</i></p>	<p>After joining the Group in 2009 as CEO of Blue Star WEB, Warwick was appointed managing director of the Group in 2014. Having worked in senior leadership roles within the business since 2009, Warwick has been a key influence in the growth and the strategic positioning of the Company.</p> <p>Warwick has 20 years of management experience across all business operations in complex business-to-business environments.</p> <p>Prior to joining IVE, Warwick was General Manager of Huhtamaki Flexibles Packaging Oceania. His prior work history includes 15 years within Carter Holt Harvey's packaging division across a broad range of senior roles. Warwick completed a Graduate Diploma in Packaging Technology from Massey University in New Zealand and a Post Graduate Diploma in Business from Auckland University.</p>
<p>Gavin Terence Bell <i>Independent Non-executive Director</i> <i>Appointed:</i> <i>25 November 2015</i></p>	<p>Gavin was the Chief Executive Officer of law firm Herbert Smith Freehills, a role he held from 2005 until he retired from the role in 2014.</p> <p>Gavin is an experienced non-executive director. He is currently a non-executive director of Smartgroup Corporation and Insurance and Care NSW.</p> <p>Gavin holds a Bachelor of Laws from the University of Sydney and a Master of Business Administration (Exec) from AGSM, University of New South Wales.</p>
<p>Sandra Margaret Hook <i>Independent Non-executive Director</i> <i>Appointed:</i> <i>1 June 2016</i></p>	<p>Sandra has extensive operational, financial management and strategic experience built over 25 years in senior executive roles as a Chief Executive Office, Chief Operating Officer, Group Publisher, Marketing Director, and General Manager for some of Australia's largest media companies including Foxtel, Federal Publishing Company, Murdoch Magazines, Fairfax, ACP and News Limited. She has a track record in driving transformation and transitioning traditional businesses in rapidly evolving environments.</p> <p>She currently holds a number of directorships including Non-executive director at RXP Services, MedAdvisor, auDA, and Sydney Fish Markets, and is a Trustee, Royal Botanic Gardens and Sydney Harbour Federation Trust. She is also a Member of the Australian Institute of Company Directors (AICD).</p>

Director	Experience, special responsibilities and other directorships
<p>Andrew Charles Harrison <i>Independent Non-executive Director</i> <i>Appointed:</i> <i>25 November 2015</i></p>	<p>Andrew is an experienced company director and corporate advisor.</p> <p>Andrew has previously held senior executive positions and non-executive directorships with public, private and private equity owned companies, including as Chief Financial Officer of Seven Group Holdings, Group Finance Director of Landis and Gyr, and Chief Financial Officer and a director of Alesco. Andrew is currently a non-executive director of Burson Group, Estia Health, Xenith and WiseTech Global. Andrew was previously a Senior Manager at Ernst & Young (Sydney and London) and Gresham Partners Ltd, and an Associate at Chase Manhattan Bank (New York). Andrew holds a Bachelor of Economics from the University of Sydney and a Master of Business Administration from Wharton, and is a chartered accountant.</p>
<p>Paul Stephen Selig <i>Executive Director</i> <i>Appointed:</i> <i>10 June 2015</i></p>	<p>Paul has over 25 years' experience in the industry and is currently Managing Director of Caxton Group.</p> <p>Paul is a former CEO of Blue Star's Australian operations (1997 – 2001)</p> <p>In 2010, he was appointed a director of CaxtonWeb following its acquisition by Caxton Group and was appointed non-executive director of the Group following the purchase of the Australian operations of Blue Star Group in 2012. Paul is a director of Caxton Group, Caxton Property Investments and Caxton Print Holdings.</p> <p>Paul Holds a Bachelor of Economics (Hons) from Macquarie University.</p>
<p>James Scott Charles Todd <i>Independent Non-executive Director</i> <i>Appointed:</i> <i>10 June 2015</i></p>	<p>James was appointed non-executive chairman of the Group in November 2012 and moved to non-executive director in 2015 when Geoff Selig was appointed executive chairman.</p> <p>James is an experienced company director, corporate advisor and investor.</p> <p>James is Managing Director of Wolseley Private Equity, an independent private equity firm which he co-founded in 1999.</p> <p>He commenced his career in investment banking working with Hambros Bank, both in Sydney and London, and has taken active roles with, and invested in, a range of public and private companies.</p> <p>James also served as Council Member of the Australian Private Equity and Venture Capital Association (AVCAL), where he was chair of the AVCAL Growth Funds Committee.</p> <p>James holds a Bachelor of Commerce and Bachelor of Laws from the University of New South Wales, and a Graduate Diploma from the Financial Services Institute of Australia (FINSIA), where he is a Fellow. He is a member of the Australian Institute of Company Directors.</p>

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2017

Company Secretary

Emma Lawler

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

Darren Dunkley

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

Meetings of Directors

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

	Board		Audit, Risk & Compliance Committee ("ARCC")		Nominations & Remuneration Committee ("NRC")		Other Committees	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Geoff Selig	17	17	–	–	–	–	3	3
Warwick Hay	17	16	–	–	–	–	2	2
Gavin Bell	17	16	5	5	4	4	–	–
Andrew Harrison	17	17	5	5	3	3	–	–
Sandra Hook	17	15			1	1		–
Paul Selig	17	16	3	3	–	–	1	1
James Todd	17	16	2	2	4	4	–	–

Committee membership for ARCC and NRC changed during the year.

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

Directors' interest and benefits

The relevant interests of each director in the shares of the Company as at the date of this report are disclosed in the Remuneration Report (on page 55).

Environmental regulation

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

Events subsequent to reporting date

On 28 August 2017 the Group will announce a further capital raise of \$55.6 million. The funds from the capital raise will be used towards a new acquisition, additional press and equipment, growth capital and associated costs. The Group has identified a target acquisition for an estimated consideration of \$14.5 million and completion date of 5 September 2017.

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

Likely developments

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

Indemnification and insurance of officers and auditors

Indemnification

The Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

Insurance premiums

During the financial year the Company has paid premiums in respect of directors' and officers' liability insurance contracts for the year ended 30 June 2017. In addition, since the financial year, the Company paid or agreed to pay premiums in respect of such insurance contracts for the year ending 30 June 2018. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been directors or executive officers of the Company.

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

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2017

Letter from the Chair of the Nomination and Remuneration Committee

Dear Shareholder,

As Chair of the Nomination and Remuneration Committee (NRC), on behalf of the Board I am pleased to present IVE Group's Remuneration Report for the year ended 30 June 2017 (FY17).

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

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

The remuneration framework was reviewed in 2017 and there have been no significant changes to the overall framework.

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

Gavin Bell

Chair of the Nomination and Remuneration Committee

Remuneration Report (Audited)

This Remuneration Report (**Report**), which has been audited, describes the Key Management Personnel (**KMP**) remuneration arrangements for the period ended 30 June 2017 for IVE Group, in accordance with the *Corporations Act 2001* (Cth) and its regulations.

The remuneration report contains the following sections:

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

Who this report covers

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

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

All KMP were in their roles for the full year.

Overview of IVE Group's remuneration framework for executive KMP

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

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

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

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2017

Governance

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

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

External remuneration consultants

The Terms of Reference for the NRC requires that any remuneration consultants engaged be appointed by the NRC. During 2017 IVE did not engage the services of any external remuneration consultants.

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

Structure of Remuneration

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

Fixed remuneration

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

The NRC reviews the fixed remuneration of executive KMP on an annual basis and has reviewed the fixed remuneration during 2017 which has been implemented from 1 July 2017. Fixed remuneration for executive KMP has been increased for FY18 based on a review of competitor remuneration, the substantial increase in the size of the business and also noting the length of time since the last fixed remuneration increase. Most of the executive KMP have not had a fixed remuneration increase since late 2014 or early 2015.

Paying executive KMP the right fixed remuneration is a key tool in attracting and retaining the best talent. The Board is committed to retaining key personnel this year given the significant acquisitions made during the year and the consolidation occurring in some of the Company's key markets. This is reflected in some of the increases applying from 1 July 2017. The successful completion of a number of large and significant acquisitions during the year has also significantly increased the scope of the executive KMP's roles and contributed to the significant increase in revenue and EBITDA referred to in the table on page 17.

Short term incentive (STI)

In 2017, executive KMP were eligible to receive an STI payment of between 10 and 17.5% of fixed remuneration. The STI is a cash incentive payment and full payment is conditional on achievement of the key financial performance target for the Group, specifically, Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) for the year in review.

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

In FY17, full payment of the STI was not made with each executive KMP awarded 71% of the STI target based on the company not achieving the full EBITDA target. The NRC used its discretion to award a portion of the STI despite the full EBITDA target not being achieved as the actual result still represented a strong result in the current market and due to the considerable work undertaken during the year on acquisitions and initiatives directed to the long term growth of the business.

Long term incentive (LTI)

The Board has established a LTI Plan as outlined in the 2016 Remuneration Report and outlined in the section in this Report entitled "Share based remuneration". The LTI Plan has not been amended during the year. The LTI is largely used to reward long-term sustainable performance.

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

- relative Total Shareholder Return (**TSR**); and
- compound annual Earnings Per Share growth (**EPS**) over a three-year performance period.

The LTI Plan has been designed commensurate with IVE Group's long-term strategic objectives so that executive KMP will be rewarded when there is a demonstrable increase in shareholder value.

The grant of Rights to the Executive Chairman and Managing Director was approved by shareholders at the 2016 Annual General Meeting (**AGM**) and the Rights to be granted to the Managing Director for 2017 will be submitted for approval by shareholders at the 2017 AGM.

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

The Board has made changes to the level of LTI to grant in FY18 as shown in the table under *Executive KMP Remuneration in FY17 and FY18*. The Board, following review by the NRC, has agreed not to grant equity-based LTI to Geoff Selig, Executive Chairman in FY18. Geoff Selig is a substantial shareholder in IVE Group, by being a beneficiary of the Selig Family Trust No.5, (trustee Caxton Print Holdings Pty Ltd) which already aligns his performance drivers to shareholders' interests. While each one of the executive KMP holds significant shareholding in IVE, the level is not on the scale of Geoff Selig's and the NRC's view is that an equity-based LTI will still provide an incentive to the other executive KMP. An STI will continue to be part of Geoff Selig's remuneration arrangements.

Assessment of performance

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

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

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2017

Executive KMP remuneration – paid, vested and targets

The table below presents the STI and LTI paid and vested to executive KMP during FY16 and FY17. Further detail on remuneration is included in the tables at the end of this Report.

All in \$		STI		LTI – Number of Rights	
		Maximum	Actual	Granted	Vested
Geoff Selig	FY17	70,000	50,000	32,817	Not applicable (3 year vesting)
	FY16	0	0	–	–
Warwick Hay	FY17	70,000	50,000	32,817	Not applicable (3 year vesting)
	FY16	0	0	–	–
Matt Aitken	FY17	70,000	50,000	32,817	Not applicable (3 year vesting)
	FY16	0	0	–	–
Darren Dunkley	FY17	35,000	25,000	19,690	Not applicable (3 year vesting)
	FY16	0	0	–	–

Note – IPO one off benefits have been excluded from the table above for FY16 for comparison purposes. These are shown in the tables at the end of this Report.

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

Following the assessment of performance and the annual review of fixed remuneration and STI targets, the changes to executive KMP for FY18 is outlined below.

All in \$	Fixed Remuneration*		STI		LTI	
	FY17 Actual	FY18 Agreed	FY17 Actual	FY18 Maximum	FY17 Grant**	FY18 Grant**
Geoff Selig	700,000	850,000	50,000	200,000	50,000	0
Warwick Hay	440,000	500,000	50,000	100,000	50,000	100,000***
Matt Aitken	400,000	480,000	50,000	90,000	50,000	90,000
Darren Dunkley	305,000	400,000	25,000	75,000	30,000	75,000

* Fixed remuneration includes superannuation

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

*** FY18 LTI grant is subject to shareholder approval.

Proportions of fixed and variable remuneration

The Board and NRC consider annually the fixed remuneration and proportion of variable remuneration that is dependent on performance (“at risk”) for each executive KMP. The relative proportions of fixed versus variable pay (as a percentage of total remuneration) received by executive KMP during the current financial period and proposed for the next financial period are as follows:

	Fixed Remuneration		At risk – STI (maximum)		At risk LTI	
	2018	2017	2018	2017	2018	2017
Geoff Selig	81.0%	85.4%	19.0%	8.5%	0%	6.1%
Warwick Hay	71.4%	78.6%	14.3%	12.5%	14.3%	8.9%
Matt Aitken	72.7%	76.9%	13.6%	13.5%	13.6%	9.6%
Darren Dunkley	72.7%	82.4%	13.6%	9.5%	13.6%	8.1%

How reward is linked to performance

Performance indicators and link to performance

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

- full STI payments are only made if executive KMP meet agreed financial targets for the year in review. The financial target for FY17 was an EBITDA target; and
- LTI grants only vest if IVE Group achieves the targets set for TSR and EPS over a three year period.

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

In FY17, each executive KMP was awarded 71% of the STI. The NRC used its discretion to award a portion of the STI despite the full EBITDA target (prior to acquisitions and other one off changes in the business) not being achieved as the actual result still represented a strong result in the current market and due to considerable work undertaken during the year on acquisitions and initiatives directed to the long term growth of the business.

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

	FY14	FY15	FY16	FY17
Revenue (\$m)	303.5	337.4	382.0	496.6
EBITDA (\$m)	22.9	30.9	42.8	55.2
Net profit after tax (\$m)	6.4	9.7	20.9	24.6
Dividend payment (cents per share)*	N/A	N/A	N/A	14.9
Share price change (\$)***	N/A	N/A	N/A	(0.043)

The above results are prepared on a pro forma basis.

* Only applicable post-listing on ASX.

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

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2017

Grant of Performance Share Rights

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

- In September 2016, offers were made granting 180,491 performance rights under the Senior Leadership Team Plan. These Rights vest following the release of the FY19 financial results if certain performance conditions are met during the Performance period which is 1 July 2016 to 30 June 2019. During the year 16,408 of these Rights lapsed due to employee resignations.
- In September 2016, offers were made granting 156,538 performance rights under the General Management Plan. These Rights vest after release of the FY17 financial results if certain performance conditions are met. During the year 12,384 of these Rights lapsed due to employee resignations.

In total there were 308,237 unvested Rights at 30 June 2017.

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

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

Type of security	Performance Share Rights which are an entitlement to receive fully paid ordinary IVE Group Limited shares (as traded on the ASX) on a one-for-one basis.
Valuation	The number of Performance Share Rights for each KMP is calculated by dividing the allocated value of the LTI award for that KMP by the fair value of a Performance Share Right calculated using a Black Scholes financial model. For the Managing Director, the value of the potential LTI award, as recommended by the Board, will be submitted for approval by shareholders at the relevant Annual General Meeting, as required by the ASX Listing Rules.
Performance Period	The Performance Period is the three year period 1 July to 30 June inclusive.
Performance Conditions	The number of Performance Share Rights that may vest will be determined by reference to: <ul style="list-style-type: none"> • Earnings Per Share (EPS) compound annual growth over the Performance Period. EPS growth will be calculated as IVE Group's Net Profit After Tax (NPAT) divided by the undiluted weighted average shares on issue throughout the Performance Period, using the following formula: $EPS\ CAGR = \sqrt[3]{\frac{Year\ 3\ EPS}{Year\ 0\ EPS}} - 1$ (Benchmark 1); and • Relative Total Shareholder Return (TSR) performance of the Company in comparison to similar companies in a peer group determined by the Board. The TSR of each company will be measured from the start of the Performance Period to the end of the Performance Period (Benchmark 2), (collectively the Performance Conditions). Together Benchmark 1 and Benchmark 2 comprise the total Performance Conditions but act independently relative to their specific target component of 60% and 40% of Performance Share Rights, respectively.
Re-testing	There is no re-testing. Any unvested LTI after the test at the end of the Performance Period will lapse immediately.

Feature	Terms of the IVE Group Equity Incentive Plan
Forfeiture	<p>All Rights will lapse if the participant elects to cease employment with IVE Group prior to the Conversion Date (being the date that Performance Share Rights convert to shares).</p> <p>Rights will immediately lapse if the participant is dismissed or removed from office as an employee for any reason which entitles IVE Group to dismiss the participant without notice or if the participant acts fraudulently, dishonestly or in breach of their obligations to the Company.</p> <p>The only exception to the lapse of rights is for a Good Leaver reason detailed below:</p> <ul style="list-style-type: none"> • Any unvested Rights will not lapse if the participant's employment with IVE Group ceases due to death, ill-health, total permanent disability or sale of the business in which they are employed. • Rights for employees who cease employment due to death will vest in full upon cessation. • Rights for other good leavers will remain on foot and will be tested against the Performance Conditions as at the Vesting Date, vesting on a pro-rata basis. <p>The Board has discretion to allow vesting for other reasons, such as retirement or redundancy.</p>
Clawback	The Board has broad "clawback" powers if, amongst other things, the participant has acted fraudulently or dishonestly, engaged in gross misconduct or has acted in a manner that has brought the Company into disrepute, or there is a material financial mis-statement, or the Company is required or entitled under law or company policy to reclaim remuneration from the participant, or the participant's entitlements vest as a result of the fraud, dishonesty or breach of obligations of any other person and the Board is of the opinion that the incentives would not have otherwise vested.

Non-executive Director Remuneration

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

Directors receive fees for their role as members of the Board and, where applicable, for additional responsibilities. Non-executive Directors do not receive additional fees for being a Chair or member of a Board Committee. Non-executive Directors do not receive any variable or performance-based remuneration. Where Directors are required to provide additional services, these are paid on a fixed fee basis or determined on an hourly basis depending on the nature of the service. The current annual fees provided to Non-executive Directors are shown below (inclusive of superannuation but exclusive of fees for additional services)

Role	Chair fee	Member fee
Board	N/A as Executive Chairman	\$90,000

The total Non-executive Director fee pool has a maximum value of \$1 million per annum. The total amount paid to non-executive directors in FY17 was \$584,004 per annum, being 58% of the approved cap.

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

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2017

The Executive Chairman and Managing Director are not remunerated separately for acting as Directors.

In FY17, the Board, on the recommendation of the NRC, resolved to pay Paul Selig additional remuneration from the fee pool for additional services provided. During FY17, the Board recognised that Paul Selig spent an extensive amount of time, well above the usual time spent by a Non-executive Director, providing advice on financing and property arrangements and assisting with strategic opportunities and acquisitions. The payments for this are included in the Remuneration tables at the end of this report. The Board's view is that Paul Selig, due to his in depth knowledge of the Company and the industry and professional skills, was best placed to provide these services.

There is no intent to seek to increase the Non-executive Director fee pool at the 2017 AGM and there were no increases to Non-executive Directors' fees during FY17 (other than the fee for additional services referred to in the preceding paragraph).

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

The remuneration paid to Non-executive Directors and the level of directors is detailed in the tables later in this Report.

Contractual arrangements with executive KMPs

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

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

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

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2017

Details of Remuneration

The table below provides actual remuneration for directors and executive KMPs year ended 30 June 2017 (except as noted below).

Name		Fixed Remuneration				Variable Remuneration		IPO one – off benefits			Total
		Cash salary and fees	Super-annuation	Non-monetary benefits	Long service leave and annual leave	Short term incentive	Fair value of LTI award	One-off IPO bonus benefits	MEP cash settled	MEP equity settled	
Executive Directors											
Geoff Selig ³ Executive Chairman	2017	622,813	19,616		57,571	50,000	5,284				755,284
	2016	243,351	9,653		39,271						292,275
Warwick Hay ⁶ Managing Director	2017	389,664	19,616		30,720	50,000	5,284				495,284
	2016	375,387	29,827		45,305			468,000	820,816	1,001,362	2,740,697
Non-executive Directors											
Gavin Bell ⁵	2017	82,192	7,808								90,000
	2016	49,315	4,684								53,999
Andrew Harrison ⁵	2017	82,192	7,808								90,000
	2016	49,315	4,684								53,999
Sandra Hook ¹	2017	82,192	7,808								90,000
	2016	6,849	651								7,500
Paul Selig ^{3,4}	2017	51,142	4,859								56,001
	2016	93,335									93,335
James Todd ⁵	2017	82,192	7,808								90,000
	2016	49,315	4,684								53,999
Angus Stuart (Alternate Director) ²	2017										0
	2016										0
Other Executive KMP											
Darren Dunkley ⁶ CFO and Company Secretary	2017	262,334	19,616		27,084	25,000	3,171				337,205
	2016	245,878	19,307		22,791		0	364,000	656,653	801,090	2,109,719
Matt Aitken ⁶ Chief Operating Officer	2017	375,995	19,616		5,157	50,000	5,284				456,052
	2016	345,551	19,307		41,290			468,000	820,816	1,001,362	2,696,326

Amounts paid to Non-executive Directors for 2016 in the table above related to the period commencing on 16 December 2015 and ending on 30 June 2016 except where noted.

1 Sandra Hook was appointed a Director on 1 June 2016.

2 Angus Stuart resigned as an Alternate Director on 1 June 2016.

3 Prior to 31st January 2016 Geoff Selig and Paul Selig were not paid directly by IVE Group. Payments were made to Caxton Property Investments Pty Ltd (which is not an entity in the IVE Group) as disclosed in Note 27 to Financial Statements Total payments made to Caxton Property Investments Pty Ltd from 1st July 2015 to 31st January 2016 for Geoff and Paul Selig's services were \$539,000. Geoff Selig and Paul Selig reported remuneration in the table above represents payments after 31st January 2016.

4 Paul Selig provided additional services to IVE Group well beyond those usually provided by a Non-executive Director including advice on financing and property arrangements and assisting with strategic opportunities and acquisitions. This is disclosed under the section of this Report titled "Non-executive Director Remuneration". Payment relating to these additional services in 2017 was \$134,004. In 2017, payments were made to Paul Selig via Caxton Property Investments Pty Ltd from 1 July 2016 to 31 March 2017 (\$168,003) and from 1 April 2017 to 30 June 2017 payments were made directly to Paul Selig (\$56,001).

5 Gavin Bell and Andrew Harrison were appointed on 25 November 2015 and the 2016 fees cover from this date to 30 June 2016. James Todd was only paid as a Non-executive Director from this date also

6 Some members of management including Warwick Hay, Darren Dunkley and Matt Aitken were participants of the MEP established in July 2013. As part of the IPO, the MEP was closed, and a total of 4,452,576 ordinary shares (\$8.9 million) were issued to settle the share based payment liability from the MEP. Settlement of the MEP also required the beneficiaries to contribute \$0.9 million by way of loan repayment. Further details of the pre-IPO MEP were set out in the Prospectus dated 4 December 2015 and in note 19 of the 30 June 2016 Annual Financial Report.

Rights granted to executive KMP

KMP	Number of rights granted in FY17	Vesting conditions	Grant Date	Fair value at grant date	Expiry date
Geoff Selig	32,817	Relative TSR and Compound annual EPS growth over 3 years	22 November 2016	\$50,000	After vesting following release of FY 19 financial results. Any unvested Rights expire.
Warwick Hay	32,817	Relative TSR and Compound annual EPS growth over 3 years	22 November 2016	\$50,000	After vesting following release of FY 19 financial results. Any unvested Rights expire.
Matt Aitken	32,817	Relative TSR and Compound annual EPS growth over 3 years	16 September 2016	\$50,000	After vesting following release of FY 19 financial results. Any unvested Rights expire.
Darren Dunkley	19,690	Relative TSR and Compound annual EPS growth over 3 years	16 September 2016	\$30,000	After vesting following release of FY 19 financial results. Any unvested Rights expire.

Note there were no Rights or options granted in FY16.

Director and Executive KMP Shareholding

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

	Balance at 1 July 2016	Shares received during the period exercise of Performance Share Rights	Shares acquired	Shares disposed	Balance at 30 June 2017
Executive Directors					
Geoff Selig, Executive Chairman ¹	13,316,329	–	750,000	4,000,000	10,066,329
Warwick Hay, Managing Director	500,681	–	20,000	–	520,681
Non-executive Directors					
Gavin Bell	75,002	–	18,427	–	93,429
Andrew Harrison	30,000	–	23,371	–	53,371
Sandra Hook	0	–	10,526	–	10,526
Paul Selig ¹	13,316,329	–	750,000	4,000,000	10,066,329
James Todd	50,000	–	36,236	–	86,236
Executive KMP					
Darren Dunkley, CFO and Company Secretary	400,545	–	–	200,272	200,273
Matt Aitken, Chief Operating Officer	500,681	–	–	–	500,681

¹ Geoff Selig and Paul Selig are each beneficiaries of the Selig Family Trust No. 5, the trustee of which holds 10,066,329 shares.

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT (CONT.)

For the year ended 30 June 2017

Loans to directors and executives

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

Shares under option

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

Shares under performance rights

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

In total there were 308,237 unvested Rights at 30 June 2017.

Shares issued on the exercise of options

There were no ordinary shares of IVE Group Limited issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

Shares issued on the exercise of Performance Share Rights

No Rights vested during the year and no shares were issued on exercise of Rights during the year.

Non-audit services

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

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

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

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 67 and forms part of the directors' report for the financial year ended 30 June 2017.

Rounding off

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

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



Geoff Selig
Director

Dated at Sydney this 28th day of August 2017



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

To the Directors of IVE Group Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



Chris Hollis
Partner

Sydney

28 August 2017

FINANCIAL REPORT

CONTENTS

Consolidated Financial Statements

Consolidated statement of profit or loss and other comprehensive income	69
Consolidated statement of financial position	70
Consolidated statement of changes in equity	71
Consolidated statement of cash flows	72

Notes to the Consolidated Financial Statements

1. Reporting entity	73
2. Basis of preparation	73
3. Significant accounting policies	74
4. Other income	83
5. Personnel expenses	83
6. Expenses	83
7. Finance income and finance costs	83
8. Taxes	84
9. Cash and cash equivalents	85
10. Trade and other receivables	86
11. Inventories	87
12. Property, plant and equipment	87
13. Intangible assets and goodwill	88
14. Trade and other payables	89
15. Finance lease liability	89
16. Loans and borrowings	90
17. Employee benefits	90
18. Provisions	90
19. Share-based payments	91
20. Capital and reserves	92
21. Earnings per share	94
22. Acquisitions	94
23. Operating segments	97
24. Financial risk management and financial instruments	97
25. Operating leases	102
26. Capital commitments	102
27. Related parties	103
28. Group entities	104
29. Parent entity disclosure	104
30. Subsequent events	105
31. Auditor's remuneration	105
32. Deed of cross guarantee	105
Directors' declaration	106
Independent audit report to the members of IVE Group Limited	107

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

<i>In thousands of AUD</i>	Note	2017	2016
Revenue		496,873	369,231
Cost of sales		(248,769)	(177,239)
Gross profit		248,104	191,992
Other income	4	3,496	1,980
Production expenses		(116,380)	(91,174)
Administrative expenses		(93,906)	(77,737)
Other expenses		(19,124)	(8,170)
Results from operating activities	5, 6	22,190	16,891
Finance income		237	135
Finance costs		(6,009)	(2,847)
Net finance costs	7	(5,772)	(2,712)
Profit before tax		16,418	14,179
Income tax benefit/(expense)	8	(4,309)	872
Profit for the year		12,109	15,051
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Cash flow hedges – effective portion of changes in fair value		100	–
Cash flow hedges – reclassified to profit or loss		–	–
Total comprehensive income for the year		12,209	15,051
Profit attributable to:			
Owners of the Company		12,109	15,051
Profit for the year		12,109	15,051
Total comprehensive income attributable to:			
Owners of the Company		12,209	15,051
Total comprehensive income for the year		12,209	15,051
Earnings per share			
Basic earnings per share (dollars)		0.11	0.18
Diluted earnings per share (dollars)		0.11	0.18

The notes on pages 73 to 105 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

<i>In thousands of AUD</i>	Note	2017	2016
Assets			
Cash and cash equivalents	9	23,851	14,480
Trade and other receivables	10	94,785	66,747
Inventories	11	46,563	12,466
Prepayments		1,978	2,413
Current tax receivable		3,049	–
Other current assets		4,490	5,074
Total current assets		174,716	101,180
Deferred tax assets	8	19,192	17,209
Property, plant and equipment	12	80,540	41,707
Intangible assets and goodwill	13	153,857	70,279
Other non-current assets		–	1,021
Total non-current assets		253,589	130,216
Total assets		428,305	231,396
Liabilities			
Trade and other payables	14	98,373	67,673
Finance lease liabilities	15	2,815	2,555
Loan and borrowings	16	10,000	–
Employee benefits	17	15,158	11,041
Current tax payable		–	3,694
Provisions	18	5,861	1,308
Total current liabilities		132,207	86,271
Trade and other payables	14	12	5,687
Finance lease liabilities	15	11,188	11,747
Loan and borrowings	16	124,325	36,750
Employee benefits	17	5,706	4,967
Provisions	18	17,251	4,447
Total non-current liabilities		158,482	63,598
Total liabilities		290,689	149,869
Net assets		137,616	81,527
Equity			
Share capital	20	98,820	39,843
Reserves		188	–
Retained earnings		38,608	41,684
Total equity		137,616	81,527

The notes on pages 73 to 105 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

<i>In thousands of AUD</i>	Note	Share capital	Share-based payment reserve	Hedging reserve	Retained earnings	Total equity
Balance at 1 July 2015		15,250	–	–	26,633	41,883
Total comprehensive income for the year						
Profit for the year		–	–	–	15,051	15,051
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the year		–	–	–	15,051	15,051
Transactions with owners of the Company						
Issue of share capital		24,593	–	–	–	24,593
Total transactions with owners of the Company		24,593	–	–	–	24,593
Balance at 30 June 2016		39,843	–	–	41,684	81,527
Balance at 1 July 2016		39,843	–	–	41,684	81,527
Total comprehensive income for the year						
Profit for the year		–	–	–	12,109	12,109
Other comprehensive income		–	–	100	–	100
Total comprehensive income for the year		–	–	100	12,109	12,209
Transactions with owners of the Company						
Performance share rights	19	–	88	–	–	88
Issue of share capital	20	58,977	–	–	–	58,977
Dividends to owners of the Company	20	–	–	–	(15,185)	(15,185)
Total transactions with owners of the Company		58,977	88	–	(15,185)	43,880
Balance at 30 June 2017		98,820	88	100	38,608	137,616

The notes on pages 73 to 105 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

<i>In thousands of AUD</i>	Note	2017	2016
Cash flows from operating activities			
Cash receipts from customers		564,767	399,122
Cash paid to suppliers and employees		(499,344)	(365,067)
Cash generated from operating activities		65,423	34,055
Interest received		237	135
Interest paid		(5,111)	(2,173)
Income tax paid		(9,985)	(7,638)
Payment of acquisition costs		(5,153)	(2,628)
Payment of restructure costs		(11,386)	(1,176)
Net cash from operating activities	9	34,025	20,575
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		81	1,710
Acquisition of property, plant and equipment and intangible assets		(20,139)	(8,642)
Acquisitions of businesses, net of cash acquired	22	(115,152)	(22,309)
Deferred and contingent consideration paid on acquired business		(7,642)	(1,948)
Net cash used in investing activities		(142,852)	(31,189)
Cash flows from financing activities			
Proceeds from shares issue and sell down of existing		40,041	15,800
Beneficiaries contribution to share based payment settlement		–	888
Proceeds from bank loans		104,295	14,750
Repayment of bank loans		(5,000)	–
Payment of listing costs		–	(10,362)
Payment of transaction costs for loans and issued capital		(3,345)	(501)
Dividends paid		(15,185)	–
Payment of finance lease liabilities		(2,608)	(2,148)
Net cash from financing activities		118,198	18,427
Net increase in cash and cash equivalents		9,371	7,813
Cash and cash equivalents at beginning of year		14,480	6,667
Cash and cash equivalents at end of year		23,851	14,480

The notes on pages 73 to 105 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 consolidated financial report as at and for the year ended 30 June 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;
- Catalogues, printing of magazines, marketing and corporate communications materials and stationery;
- Printing of point of sale display material and large format banners for retail applications;
- Personalised communications including marketing mail, publication mail, eCommunications and multi-channel solutions; and
- Outsourced communications solutions for large organisations including development of customised multi-channel management models covering creative and digital services, supply chain optimisation, inventory management, warehousing and logistics.

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

2. Basis of preparation

(a) Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on 28 August 2017. Details of the Group's accounting policies is included in Note 3.

(b) Functional and presentation currency

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

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

(c) Use of estimates and judgements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

2. Basis of preparation (cont.)

(d) Use of estimates and judgements

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

(i) Judgements

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

- Note 3(d) & (e) – estimation of useful lives of assets;
- Note 3(j) – provisions; and
- Note 24 – Level 3 fair value of contingent consideration, interest rate swaps and forward exchange contracts.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2017 is included in the following notes:

- Note 3(h)(ii) & 13 – impairment testing for cash generating units containing goodwill; and
- Note 22 – acquisitions: fair value measured on a provisional basis.

Measurement of fair values

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

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

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

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

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

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

(ii) Subsidiaries

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

3. Significant accounting policies (cont.)

(a) Basis of consolidation (cont.)

(ii) Subsidiaries (cont.)

Transactions eliminated on consolidation

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

(b) Foreign currency

Foreign currency transactions

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

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

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

(ii) Non-derivative financial liabilities

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

3. Significant accounting policies (cont.)

(c) Financial instruments (cont.)

(iii) Share capital

Ordinary shares

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

(iv) Derivative financial instruments and hedge accounting

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

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

Cash flow hedges

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

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

3. Significant accounting policies (cont.)

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

(iii) Depreciation (cont.)

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

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

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

(e) Intangible assets and goodwill

(i) Goodwill

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

The estimated useful lives are as follows:

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

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

(f) Leased assets

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

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

(g) Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

3. Significant accounting policies (cont.)

(h) Impairment

(i) Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

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

(ii) Non-financial assets

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

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

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

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

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

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

3. Significant accounting policies (cont.)

(i) Employee benefits

(i) Defined contribution plans

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

(ii) Other long-term employee benefits

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

(iii) Short-term employee benefits

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

(iv) Share-based payment transactions

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

The fair value of the amount payable to employees in respect of share appreciation rights (SARs), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognised in profit or loss.

(j) Provisions

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

(i) Restructuring

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

(ii) Make good provision

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

3. Significant accounting policies (cont.)

(k) Revenue

(i) Sales

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

(ii) Rendering of services

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

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

(l) Lease payments

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

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

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

(m) Finance income and finance costs

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

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

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

(n) Income tax

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

(i) Current tax

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

3. Significant accounting policies (cont.)

(n) Income tax (cont.)

(ii) Deferred tax

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

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

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

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

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

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

(iii) Tax exposures

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

(iv) Tax consolidation

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

The entities have also entered into a Tax Sharing and Tax Funding Agreement. The Tax Sharing Agreement provides for the allocation of income tax liability between the entities should the head entity default on its obligation. The Tax Funding Agreement provides for the allocation of current tax assets and liabilities between the entities.

(o) Good and services tax (GST)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

3. Significant accounting policies (cont.)

(p) Earnings per share

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

(q) Segment reporting

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

(r) New standards and interpretations not yet adopted

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

AASB 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.

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.

4. Other income

<i>In thousands of AUD</i>	2017	2016
Other income*	3,496	1,980
	3,496	1,980

* Refer to note 24.

5. Personnel expenses

<i>In thousands of AUD</i>	2017	2016
Wages and salaries	138,432	107,960
Contributions to defined contribution plans	10,353	8,900
Share-based payment expense	88	6,871
	148,873	123,731

6. Expenses

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

<i>In thousands of AUD</i>	2017	2016
Depreciation and amortisation	13,777	9,614
Acquisition costs	5,911	2,272
Restructuring costs	13,350	875
Net gain on disposal of property, plant and equipment	–	(1,060)
Listing expenses	–	6,680
Make good expenses	(216)	(597)

7. Finance income and finance costs

<i>In thousands of AUD</i>	2017	2016
Interest income	237	135
Finance income	237	135
Interest expense	(5,978)	(2,840)
Net foreign exchange losses	(31)	(7)
Finance costs	(6,009)	(2,847)
Net finance costs	(5,772)	(2,712)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

8. Taxes

<i>In thousands of AUD</i>	2017	2016
Current tax expense		
Current year	3,023	7,251
Changes in estimates related to prior years	434	113
	3,457	7,364
Deferred tax expense/(recovery)		
Origination and reversal of temporary differences	852	(8,236)
Total tax expense/(benefit)	4,309	(872)
Numerical reconciliation between tax expense and pre-tax accounting profit		
<i>In thousands of AUD</i>	2017	2016
Profit before tax	16,418	14,179
Tax using the Company's domestic tax rate of 30%	4,925	4,254
(Non-assessable income)/non-deductible expenses (net)	(545)	1,834
Change in recognised deductible temporary differences*	(495)	(7,126)
Changes in estimates related to prior years	434	113
Other items (net)	(10)	53
	4,309	(872)

*As part of the IPO in 2016, IVE formed a consolidated group for taxation purposes. Part of this process involved reassessing carrying values for IVE's tax asset base and resulted in a one-off uplift in tax carrying values of \$7,126 thousand (tax effected). The impact is a non-recurring credit to tax expense in the 2016 financial year, and an increase to deferred tax assets representing future deductions available.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Property, plant and equipment	6,630	9,404	–	–	6,630	9,404
Inventories	–	–	(19)	(506)	(19)	(506)
Intangible assets	–	–	(6,275)	(2,739)	(6,275)	(2,739)
Employee benefits	6,906	5,519	–	–	6,906	5,519
Provisions	7,775	2,516	–	–	7,775	2,516
Other items	4,204	3,015	(29)	–	4,175	3,015
Tax assets/(liabilities)	25,515	20,454	(6,323)	(3,245)	19,192	17,209
Set off of tax	(6,323)	(3,245)	6,323	3,245	–	–
Net deferred tax assets	19,192	17,209	–	–	19,192	17,209

8. Taxes (cont.)

Movement in temporary differences during the year

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

2016 <i>In thousands of AUD</i>	Balance 1 July 2015	Acquisition through business combination*	Recognised in equity	Recognised in profit or loss	Balance 30 June 2016
Property, plant and equipment	3,399	–	–	6,005	9,404
Inventories	(270)	–	–	(236)	(506)
Intangible assets	–	(3,088)	–	349	(2,739)
Employee benefits	4,624	–	–	895	5,519
Provisions	2,743	–	–	(227)	2,516
Other items	1,238	–	327	1,450	3,015
	11,734	(3,088)	327	8,236	17,209

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

9. Cash and cash equivalents

<i>In thousands of AUD</i>	2017	2016
Bank balances	23,843	14,472
Petty cash	8	8
Cash and cash equivalents in the statement of cash flows	23,851	14,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

9. Cash and cash equivalents (cont.)

Reconciliation of cash flows from operating activities

<i>In thousands of AUD</i>	2017	2016
Profit for the year	12,109	15,051
Non-cash items		
Depreciation, amortisation and impairment	13,777	9,614
Share based payment expense	88	6,871
Contingent consideration reduced	(2,949)	(1,910)
Other income	(501)	–
(Reversal of)/provision for impairment loss on trade receivables	–	982
Interest expense	867	667
Acquisition costs	758	324
Restructuring costs	3,992	163
Income tax expense	4,309	(872)
Cash items		
Net gain on disposal of property, plant and equipment	–	(1,060)
Listing expenses	–	6,680
	32,450	36,510
Change in trade and other receivables	18,161	(7,102)
Change in inventories	(10,801)	3,265
Change in current assets	584	(4,597)
Change in prepayment	690	(254)
Change in trade and other payables	7,980	343
Change in provisions and employee benefits	(5,054)	48
Cash generated from operating activities	44,010	28,213
Income tax paid	(9,985)	(7,638)
Net cash from operating activities	34,025	20,575
Non-cash investing and financing activities		
Acquisition of property, plant and equipment through finance lease	(2,309)	(6,674)

10. Trade and other receivables

<i>In thousands of AUD</i>	Note	2017	2016
Current			
Trade receivables		92,712	66,760
Allowance for impairment	24	(704)	(1,315)
		92,008	65,445
Forward exchange contracts used for hedging		397	–
Other receivables		2,380	1,302
		94,785	66,747

11. Inventories

<i>In thousands of AUD</i>	2017	2016
Finished goods	2,421	2,463
Work in progress	7,502	3,070
Raw materials	39,677	7,323
	49,600	12,856
Allowance for inventory obsolescence*	(3,037)	(390)
	46,563	12,466

* The increase in allowance for inventory obsolescence during the 2017 financial year mainly relates to fair value adjustments made on inventory acquired through business combination.

During the year, raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to \$248,769 thousand (2016: \$177,239 thousand).

12. Property, plant and equipment

<i>In thousands of AUD</i>	Leasehold improvements	Plant and equipment	Fixtures and fittings	Total
Cost				
Balance at 1 July 2015	4,999	52,402	944	58,345
Acquisitions through business combinations	79	970	79	1,128
Additions	1,229	11,962	44	13,235
Disposals	(15)	(3,471)	(23)	(3,509)
Balance at 30 June 2016	6,292	61,863	1,044	69,199
Balance at 1 July 2016	6,292	61,863	1,044	69,199
Acquisitions through business combinations	372	26,812	–	27,184
Additions	1,910	19,087	547	21,544
Disposals	(1,084)	(1,875)	(236)	(3,195)
Balance at 30 June 2017	7,490	105,887	1,355	114,732
Depreciation and impairment losses				
Balance at 1 July 2015	1,854	20,697	361	22,912
Depreciation for the year	630	6,652	157	7,439
Disposals	(10)	(2,841)	(8)	(2,859)
Balance at 30 June 2016	2,474	24,508	510	27,492
Balance at 1 July 2016	2,474	24,508	510	27,492
Depreciation for the year	858	8,804	150	9,812
Disposals	(1,084)	(1,801)	(227)	(3,112)
Balance at 30 June 2017	2,248	31,511	433	34,192
Carrying amounts				
At 1 July 2016	3,818	37,355	534	41,707
At 30 June 2017	5,242	74,376	922	80,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

12. Property, plant and equipment (cont.)

Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at a beneficial price. At 30 June 2017 the net carrying amount of leased assets was \$18,338 thousand (2016: \$18,465 thousand).

Security

At 30 June 2017 the carrying amount of total assets less the written down value of finance leased assets were held as security for bank facilities.

13. Intangible assets and goodwill

<i>In thousands of AUD</i>	Note	Goodwill	Computer software	Customer relationships	Total
Cost					
Balance at 1 July 2015		21,583	4,211	2,946	28,740
Acquisition through business combinations		36,512	97	8,430	45,039
Other additions		–	1,456	–	1,456
Other adjustments		682	–	–	682
Balance at 30 June 2016		58,777	5,764	11,376	75,917
Balance at 1 July 2016		58,777	5,764	11,376	75,917
Acquisition through business combinations	22	72,893	–	14,440	87,333
Other additions		–	2,210	–	2,210
Acquisition accounting measurement period adjustment*		(2,000)	–	–	(2,000)
Balance at 30 June 2017		129,670	7,974	25,816	163,460
Amortisation and impairment losses					
Balance at 1 July 2015		–	2,621	842	3,463
Amortisation for the year		–	856	1,319	2,175
Balance at 30 June 2016		–	3,477	2,161	5,638
Balance at 1 July 2016		–	3,477	2,161	5,638
Amortisation for the year		–	1,309	2,656	3,965
Balance at 30 June 2017		–	4,786	4,817	9,603
Carrying amounts					
At 1 July 2016		58,777	2,287	9,215	70,279
At 30 June 2017		129,670	3,188	20,999	153,857

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

No impairment losses in relation to goodwill have been recognised in the year ended 30 June 2017 (2016 nil).

13. Intangible assets and goodwill (cont.)

Impairment testing for cash-generating units containing goodwill

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

<i>In thousands of AUD</i>	2017	2016
Franklin Web	69,233	–
Print communication and marketing services (group of CGUs)	32,941	29,281
Creative services (group of CGUs)	11,614	13,614
Pareto	15,882	15,882
	129,670	58,777

The recoverable value for goodwill relating to the acquisitions have been determined by value in use calculations. The calculations use cash flow projections based on budgeted EBITDA approved by the Board. A post-tax rate of 8.65% WACC (and 9.05% for smaller CGU's) has been used with 2% growth allowance in the 5 year cash flow projections and terminal growth. In management's assessment, there are no reasonable possible changes in assumptions that would give rise to impairment.

14. Trade and other payables

<i>In thousands of AUD</i>	2017	2016
Current		
Trade payables	63,301	35,991
Accrued expenses	28,804	19,275
Deferred consideration	1,200	7,720
Contingent consideration	4,825	4,687
Interest rate swaps used for hedging	243	–
	98,373	67,673
Non-current		
Contingent consideration	–	5,687
Interest rate swaps used for hedging	12	–
	12	5,687

15. Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

<i>In thousands of AUD</i>	Future minimum lease payment		Interest		Present value of minimum lease payments	
	2017	2016	2017	2016	2017	2016
Less than one year	3,462	3,215	647	660	2,815	2,555
Between one and five years	10,027	10,595	1,260	1,352	8,767	9,243
More than five years	2,530	2,646	109	142	2,421	2,504
	16,019	16,456	2,016	2,154	14,003	14,302

At 30 June 2017, the finance lease liabilities include \$1,196 thousand lease liability for leased properties (2016: \$1,441 thousand) and \$12,807 thousand lease liability for leased plant and equipment (2016: \$12,861 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

16. Loans and borrowings

<i>In thousands of AUD</i>	2017	2016
Bank loan		
Current	10,000	–
Non-current	124,325	36,750
	134,325	36,750

Bank loans

In funding the acquisition of Franklin Web, the Group entered into a new Syndicated Facilities Agreement with a carrying amount of \$134,325 thousand and face value of \$136,000 thousand at 30 June 2017 (2016: carrying amount and face value of \$36,750 thousand). These facilities have an interest rate of BBSY plus a margin, and is repayable partly during the term with the remaining balance maturing on 30 November 2019. The Company was in compliance with all loan covenants as at 30 June 2017.

17. Employee benefits

<i>In thousands of AUD</i>	2017	2016
Current		
Liability for long service leave	6,116	4,134
Liability for annual leave	9,042	6,907
	15,158	11,041
Non-current		
Liability for long service leave	5,706	4,967
	5,706	4,967

18. Provisions

<i>In thousands of AUD</i>	Restructuring	Make good	Acquired lease liability	Total
Balance at 1 July 2016	3,418	2,337	–	5,755
Provisions made during the year	5,088	886	15,215	21,189
Provisions reversed during the year	(2,452)	(581)	(799)	(3,832)
Balance at 30 June 2017	6,054	2,642	14,416	23,112
Current	4,122	260	1,479	5,861
Non-current	1,932	2,382	12,937	17,251
	6,054	2,642	14,416	23,112

Note 3(j) provides a description on the nature of the restructuring and make good provisions.

Note 22 provides further comment on the acquired lease liability provision.

19. Share-based payments

During the year ended 30 June 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	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: 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 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.	
Other key valuation assumptions		
Share price at valuation date	\$2.19	\$2.19
Expected volatility	21.4%	21.4%
Dividend yield	7.88%	7.88%
Risk free interest rate	1.49%	1.42%

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

20. Capital and reserves

IVE Group Limited was incorporated on 10 June 2015. Contemporaneously with the listing of the consolidated group on the Australian Securities Exchange on 16 December 2015, IVE Group Limited acquired all of the issued share capital of Caxton Print Group Holdings Pty Ltd (CPGH), such that on that date CPGH has been a subsidiary of IVE Group Limited.

The Directors elected to account for the restructure as a capital re-organisation rather than a business combination. In the Directors' judgement, the continuation of the existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to IPO and most appropriately reflects the substance of the internal restructure.

Issued and paid up capital

	2017	2016
119,280,624 (June 2016: 89,180,901) ordinary shares fully paid	99,820	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)	59,506,922		
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)
30-Jun-16	Issue of new shares under Equity Incentive Plan	325,000	\$2.00	650
30-Jun-16	Closing balance	89,180,901		39,843
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)
30-Jun-17	Closing balance	119,280,624		98,820

20. Capital and reserves (cont.)

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 22.

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

Dividends

On 28th August 2017, the directors have declared a fully franked dividend of 7.9 cents per share to be paid on 25 October 2017 to shareholders on the register at 25 September 2017. The final dividend payout is \$9.5m (2016: \$7.7m). A liability has not been recognised as the dividend was declared after the reporting date.

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

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

On 20 October 2016 date a dividend of 8.6 cents per share (100% franked) was declared and paid by the directors. The dividend was paid out of opening retained profits and profits earned up to that date.

On 20 April 2017 date a further dividend of 6.3 cents per share (100% franked) was declared and paid by the directors. The dividend was paid out of profits earned up to that date.

Dividend franking account

<i>In thousands of AUD</i>	2017	2016
Amount of franking credits available to shareholders of IVE Group Limited for subsequent financial years	12,080	8,583

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

21. Earnings per share

<i>In dollars</i>	2017	2016
Basic earnings per share	0.11	0.18
Diluted earnings per share	0.11	0.18

<i>In thousands</i>	2017	2016
Earnings		
Profit after income tax attributable to owners of the company used in calculating basic and diluted earnings per share	12,109	15,051
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	105,560	83,171
Weighted average number of ordinary shares used in calculating diluted earnings per share	105,656	83,171

22. Acquisitions

During the year, 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 Limited ("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.

22. Acquisitions (cont.)

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

<i>In thousands of AUD</i>	TMH	Franklin	AIW	Display Bay	R25	Total
Consideration transferred						
Cash	1,530	95,700	–	600	100	97,930
Deferred consideration*	–	15,034	4,379	196	–	19,609
Contingent consideration	1,100	–	–	400	200	1,700
Issue of shares	–	4,300	16,000	–	–	20,300
	2,630	115,034	20,379	1,196	300	139,539
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	17,389	5,710	176	–	23,296
Prepayments	–	135	120	–	–	255
Property, plant and equipment	24	24,013	3,147	–	–	27,184
Customer relationship (intangible asset)	341	12,800	900	399	–	14,440
Deferred tax assets/(liabilities)	(29)	2,462	(67)	(74)	–	2,293
Trade and other payables	–	(10,532)	(15,516)	–	–	(26,048)
Employee benefits	(246)	(2,953)	(2,385)	(133)	–	(5,717)
Current tax payable	–	–	(356)	–	–	(356)
Acquired lease liability (provision)	–	(15,215)	–	–	–	(15,215)
Other provisions	–	(372)	(1,290)	(13)	–	(1,675)
	111	58,116	8,065	355	–	66,646
Goodwill on acquisition	2,519	56,918	12,315	841	300	72,893

*The deferred consideration for the Franklin and AIW acquisitions 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

22. Acquisitions (cont.)

Management have measured the assets and liabilities acquired at fair value with the remainder of the purchase consideration being allocated to goodwill. The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. The Group engaged an independent valuation expert to provide market prices.
Intangible assets	Multi-period excess earnings method: This method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
Acquired lease liability	Market comparison technique: The value is based on a market rental assessment by an independent valuation expert.

The Group is completing an assessment of the assets acquired and liabilities assumed from the R25 acquisition. If the assessment identifies assets or liabilities at the date of acquisition and within a year from it, 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, Display Bay and R25 have been fully 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 \$7,393 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 separately indistinguishable from the combined Franklin and AIW results. On this basis a disclosure of profit before tax is impracticable. However, the combined Franklin and AIW businesses have contributed \$102,365 thousand in revenue, and a loss before tax of (\$3,104) 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 \$619,586 thousand. The Group has not estimated the profit before tax for the reasons provided above.

Acquisition-related costs totalling \$5,911 thousand for all acquisitions has been included in Other expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

23. 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 financial report.

<i>In thousands of AUD</i>	2017	2016
EBITDA	35,967	26,505
Depreciation, amortisation and impairment	(13,777)	(9,614)
Net finance costs	(5,772)	(2,712)
Profit before income tax	16,418	14,179

24. Financial risk management and financial instruments

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

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

Credit risk

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

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

Exposure to credit risk

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

<i>In thousands of AUD</i>	Note	Carrying amounts	
		2017	2016
Cash and cash equivalents	9	23,851	14,480
Trade and other receivables	10	94,785	66,747
		118,636	81,227

Impairment

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

<i>In thousands of AUD</i>	Carrying amounts	
	2017	2016
Neither past due nor impaired	58,578	40,781
Past due 1-30 days	21,327	16,338
Past due 31-90 days	9,172	8,002
Past due 91 days and over	6,015	2,941
	95,092	68,062

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

<i>In thousands of AUD</i>	2017	2016
Balance at beginning of the year	1,315	333
Assumed in a business combination in current year	424	–
Impairment loss recognised	217	1,187
Amounts written off	(1,252)	(205)
Balance at end of year	704	1,315

Liquidity risk

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

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

Liquidity risk (cont.)

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

<i>In thousands of AUD</i>	Contractual cash flows				
	Carrying amount	Total	12 months or less	1-5 years	More than 5 years
30 June 2017					
Non-derivative financial liabilities					
Trade and other payable	92,105	92,105	92,105	–	–
Deferred consideration	1,200	1,200	1,200	–	–
Contingent consideration	4,825	4,825	4,825	–	–
Finance lease liabilities	14,003	16,019	3,462	10,027	2,530
Bank loans	134,325	145,700	13,934	131,766	–
	246,458	259,849	115,526	141,793	2,530
Derivative financial liabilities					
Interest rate swaps used for hedging	255	255	243	12	–
	255	255	243	12	–

<i>In thousands of AUD</i>	Contractual cash flows				
	Carrying amount	Total	12 months or less	1-5 years	More than 5 years
30 June 2016					
Non-derivative financial liabilities					
Trade and other payable	55,266	55,266	55,266	–	–
Deferred consideration	7,720	7,720	7,720	–	–
Contingent consideration	10,374	10,374	4,687	5,687	–
Finance lease liabilities	14,302	16,456	3,215	10,595	2,646
Bank loans	36,750	36,750	–	36,750	–
	124,412	126,566	70,888	53,032	2,646

Market risk

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

Currency risk

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

During the year, less than 10% of total group purchases were made in foreign currencies. The Group has used forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. These forward exchange contracts has been designated as a cash flow hedge, and have a fair value of \$397 thousand at the reporting date. The Group has performed effectiveness testing and recognised the full fair value amount net of deferred tax of \$278 thousand in other comprehensive income. Based on the results of the test no in-effectiveness has been recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

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

Currency risk (cont.)

Exposure to currency risk

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

In thousands of AUD	As at 30 June 2017			As at 30 June 2016	
	Euro	USD	NZD	Euro	USD
Next three months forecast purchases	5,258	567	26	2,612	514
Forward exchange contracts	(5,258)	(567)	(26)	(2,612)	(514)
Net exposure	–	–	–	–	–

Sensitivity analysis

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

Interest rate risk

The Group has entered into interest rate swap contracts to minimise its variable interest exposure on bank loans. As at 30 June 2017, after taking into account the effect of the interest rate swaps, 50% of the carrying amount of Facility A and B of the bank loan is exposed to variable rates (2016: nil). The interest rate swap has been designated as a cash flow hedge. Its fair value at reporting date is \$255 thousand. The Group has performed effectiveness testing and recognised the full fair value amount net of deferred tax of \$178 thousand in other comprehensive income. Based on the results of the test no in-effectiveness has been recognised in the profit or loss. These interest rate swaps closely match the terms of the bank loan and will mature during December 2019.

Exposure to interest risk

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

In thousands of AUD	Carrying amount	
	2017	2015
Fixed rate instruments		
Financial liabilities – finance lease liabilities	(14,003)	(14,302)
Effect of interest rate swaps – notional amount	(60,000)	–
	(74,003)	(14,302)
Variable rate instruments		
Financial assets – bank balances	23,843	14,472
Financial liabilities – bank loans (face value)	(136,000)	(36,750)
Effect of interest rate swaps – notional amount	60,000	–
	(52,157)	(22,278)

Fair value sensitivity analysis for fixed rate instruments

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

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

Interest rate risk (cont.)

Cash flow sensitivity analysis for variable rate instruments

A change of 10 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by \$52 thousand (2016: \$22 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as 2016.

Level 3 fair values

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

Type	Valuation technique	Significant unobservable inputs	Relationship between the fair value and unobservable inputs
Contingent consideration	The fair value is calculated based on the acquired business achieving future revenue or earning's target.	Forecast revenue and earnings growth	The Group continuously reassess the contingent consideration payable based on revised expectations of achieving revenue and earnings growth targets over the defined measurement period (between 2017 and 2018 financial years). As a result, contingent consideration continues to be recognised. If the applicable performance targets for all acquisitions are lower than expected by 10%, then the contingent consideration value will be decreased by approximately \$503 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	2017	2016
Balance at 1 July	10,374	4,750
Assumed in a business combination in current year	1,700	7,874
Contingent consideration settled during the year	(2,300)	(340)
Contingent consideration reduced	(2,949)	(1,910)
Acquisition accounting measurement period adjustment	(2,000)	–
Balance at 30 June	4,825	10,374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

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

Fair values versus carrying amounts

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

Capital management

The primary objective of the Group's capital management is to maintain a strong capital base through cash flow management in order to sustain future development of the business and maximise shareholder value. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

25. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	2017	2016
Less than one year	22,067	12,299
Between one and five years	81,304	30,976
More than five years	56,274	19,053
	159,645	62,328

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

During the year an amount of \$19,680 thousand (2016: \$17,559 thousand) was recognised as an expense in profit or loss in respect of operating leases.

26. Capital commitments

As at 30 June 2017, the Group has committed to purchase plant and equipment of \$23,188 thousand (2016: EUR1,850 thousand).

27. Related parties

Key management personnel compensation

Key management personnel compensation comprised the following:

<i>In AUD</i>	2017	2016
Short-term employee benefits	2,494,251	3,445,953
Post-employee benefits	114,555	92,797
Share-based payments	19,023	3,958,617
	2,627,829	7,497,367

Related party transactions and outstanding balances

<i>In AUD</i>	Transaction value year ended 30 June 2017	Transaction value year ended 30 June 2016
Perpetual Corporate Trust Limited (Wolseley) – purchases	–	51,921
CPGH Employee Pty Ltd – issuance of shares	–	8,905,152
Caxton Property Investments Pty Ltd – purchases	224,004	632,336

Caxton Print Holdings Pty Limited

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

Perpetual Corporate Trust Limited (Wolseley)

Perpetual Corporate Trust Limited (Wolseley) was the parent entity of the Company's subsidiary Caxton Print Group Holdings Pty Limited. It held shares of the Company.

Caxton Property Investments Pty Limited

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

For the year ended 30 June 2017

28. Group entities

As part of the IPO, an internal restructure took place resulting in IVE Group Limited becoming the holding company of Caxton Print Group Holdings Pty Limited.

	Ownership interest	
	2017 %	2016 %
Ultimate parent entity		
IVE Group Limited		
Controlled entities		
Caxton Print Group Holdings Pty Limited	100	100
Caxton Print Group Pty Limited	100	100
IVE Group Australia Pty Limited	100	100
IVE Group Victoria Pty Limited	100	100
Task 2 Pty Limited	100	100
Pareto Fundraising Pty Limited	100	100
Pareto Phone Pty Limited	100	100
James Bennett & Associates Pty Limited	100	100
IVE Employment (Australia) Pty Limited	100	100
IVE Employment (Victoria) Pty Limited	100	100
Taverners No. 13 Pty Limited	100	–
AIW Printing (Aust) Pty Limited	100	–
IVE Group Asia Limited	100	–
Guangzhou IVE Trading Company Limited	100	–
IVE Singapore Pte Limited	100	–

29. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2017 the parent entity of the Group was IVE Group Limited.

<i>In thousands of AUD</i>	2017	2016
Result of parent entity		
Profit/(loss) for the year	1,004	(11,949)
Other comprehensive income	–	–
Total comprehensive income for the year	1,004	(11,949)
Financial position of parent entity at year/period end		
Current assets	80	439
Total assets	64,491	12,644
Current liabilities	18	–
Total liabilities	18	–
Total equity of the parent entity comprising of:		
Share capital	230,267	171,255
Other equity reserve	(146,662)	(146,662)
Accumulated losses	(19,132)	(11,949)
Total equity	64,473	12,644

30. Subsequent events

On 28 August 2017 the Group will announce a further capital raise of \$55.6 million. The funds from the capital raise will be used towards a new acquisition, additional press and equipment, growth capital and associated costs. The Group has identified a target acquisition for an estimated consideration of \$14.5 million and completion date of 5 September 2017.

Aside from the above, there have been no other events subsequent to balance date which would have a material effect on the Group's consolidated financial statements at 30 June 2017.

31. Auditors' remuneration

<i>In AUD</i>	2017	2016
Audit services		
Auditors of the Company – KPMG		
Audit and review of financial reports	413,470	247,750
Other assurance services	5,000	–
	418,470	247,750
Other services		
Auditors of the Company – KPMG		
Tax and statutory account preparation	86,818	49,305
Transaction services	653,000	704,771
	739,818	754,076

32. Deed of cross guarantee

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

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

The Company and its subsidiaries entered into a new Deed of Cross Guarantee on 28 April 2017. The subsidiaries subject to the Deed are:

- Caxton Print Group Holdings Pty Limited
- IVE Group Australia Pty Limited
- IVE Group Victoria Pty Limited
- Caxton Print Group Pty Limited
- Task 2 Pty Limited
- Pareto Fundraising Pty Limited
- Pareto Phone Pty Limited
- James Bennett & Associates Pty Limited
- IVE Employment (Australia) Pty Limited
- IVE Employment (Victoria) Pty Limited
- Taverners No. 13 Pty Limited
- AIW Printing (Aust) Pty Limited

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2017 is set out on pages 69 and 70 of this financial report.

DIRECTORS' DECLARATION

1. In the opinion of the directors of IVE Group Limited (the Company):
 - (a) the consolidated financial statements and notes, set out on pages 69 to 105, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.
3. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors.



Geoff Selig
Director

Dated at Sydney this 28th day of August 2017



Independent Auditor's Report

To the shareholders of IVE Group Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2017;
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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



Key Audit Matters

The **Key Audit Matters** we identified are:

- Acquisition accounting for The Franklin Printing Group Pty Limited and Taverners No. 13 Pty Limited; and
- Assessment of the carrying value of goodwill.

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

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisitions accounting for The Franklin Printing Group Pty Limited ("Franklin") and Taverners No. 13 Pty Limited ("AIW")

Refer to Note 22 'Acquisitions' to the Financial Report (Franklin:\$115m, AIW:\$20m)

The key audit matter

The identification and measurement of assets acquired and liabilities assumed under the acquisition accounting for The Franklin Printing Group Pty Limited ("Franklin") and Taverners No. 13 Pty Limited ("AIW") is a key audit matter due to:

- the size of the acquisitions (\$135m); and
- the level of judgement required in evaluating the purchase price allocation (PPA) against accounting standards.

Under the PPA for these acquisitions, the Group identified customer relationships as intangible assets acquired and recorded these at their fair value. These valuations required the Group to apply significant forward-looking assumptions in their valuation models, including:

- projection of future earnings and growth rates;
- customer attrition rates; and
- discount rates.

These judgements are impacted by the limited knowledge of these acquired customer portfolios and, therefore, increase the complexity of the audit.

These acquisitions also included the purchase of highly specialised printing plant. In order to determine the fair value of these assets the Group engaged an independent valuation specialist.

How the matter was addressed in our audit

Our procedures included:

- working with our valuation specialists, we challenged the valuation assumptions used in the PPA. This included:
 - evaluating Group's assessment of identifiable intangible assets acquired using due diligence information and information from similar business combinations;
 - evaluating Group's earnings forecasts, including customer attrition rates by comparing the forecasted data to the Board approved budget, the past performance of the acquired businesses made accessible to us, due diligence information and the published data relating the Group's industry;
 - evaluating the appropriateness of the discount rates and growth rates based on our knowledge of the Group, its industry and published data for comparable entities.
- we assessed the scope, objectivity and competency of the Group's independent valuation specialists and challenged their conclusions. We visually inspected the acquired printing plant and leased factory premises and compared these to assumptions in their reporting. We also



The purchase of Franklin included the lease of factory premises from the vendor. In order to determine the fair value of these lease obligations the Group engaged an independent valuation specialist.

compared these to the acquisition due diligence information, and our knowledge of similar transactions;

- we assessed the adequacy of the Group's disclosures in respect of the acquisitions against the requirements of the accounting standards.

Assessment of carrying value of goodwill

Refer to Note 13 'Intangible assets and goodwill' to the Financial Report (Goodwill: \$130m)

The key audit matter

The Group's annual testing of goodwill for impairment is a key audit matter due to:

- the size of the goodwill balance (being 30% of the total assets);
- the level of judgment required by us in evaluating Group's assessment of recoverability as determined by their value in use models.

These judgments included:

- assessment of the Cash Generating Units (CGUs). The Group has several operating businesses and product lines and has made significant acquisitions during the year, necessitating our consideration of the Group's determination of CGUs, based on the smallest group of assets to generate largely independent cash inflows;
- forecasting of future cash flows, including capital expenditure, and the determination of discount rates and future growth rates. These judgements are impacted by the highly competitive market conditions and the pace of technological change and digital disruption in the printing industry;
- determining the appropriate level of disclosure of the key assumptions used in the Group's valuation models.

Given the nature of these judgements, we involved our valuations specialists and senior staff with experience in the industry and the Group's business.

How the matter was addressed in our audit

Our procedures included:

- we assessed the determination of the Group's CGUs based on our understanding of the nature of the Group's business. We analysed the impact of acquisitions and the Group's internal reporting to assess how results are monitored and reported and the implications to CGU identification against the requirements of the accounting standards;
- working with our valuation specialists, we:
 - assessed the integrity of the value in use models used, including the accuracy of the underlying calculations and formulas;
 - evaluated the Group's cash flow forecasts, including the capital expenditure, by comparing the forecasted data to the Board approved budget, the past performance of the CGUs and against the published data relating the outlook for the Group's industry;
 - evaluated the appropriateness of the discount rates and future growth rates based on our knowledge of the Group, its industry, current market forces, and comparable entities.
- we assessed the adequacy of the related disclosures against the requirements of the accounting standards.



Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Appendix 4E, Operating and Financial Review, Director's Report, Remuneration Report and the FY17 Results & Capital Raising Report. The Chairman's Report and Managing Director's Report are expected to be made available to us after the date of the Auditor's Report.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the



Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of IVE Group Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 13 to 23 of the Directors' report for the year ended 30 June 2017.

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

KPMG

Chris Hollis

Partner

Sydney

28 August 2017

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange (ASX) and not disclosed elsewhere in the Annual Report is set out below. The shareholder information below is as at 1 August 2017.

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

Share registry	Registered office
Link Market Services	Building B, 350 Parramatta Road
Level 12, 680 George Street	Homebush NSW 2140
Sydney NSW 2000	Phone: +61 2 8020 4400
Phone: +61 1300 554 474	

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

Name	Number held	%
Ellerston Capital and its associates	12,304,237	10.32%
Caxton Print Holdings Pty Ltd as trustee for the Selig Family Trust	10,066,329	8.4%
IVE Group Limited and its subsidiaries	8,648,991	9.7%
Hume Partners Pty Ltd	8,421,747	7.2%
COPIA Investment Partners Ltd	6,565,000	5.5%
CBA and its related bodies corporate	5,601,258	6.28%

Distribution of shareholders and shareholdings – ordinary shares

Range	Number of shareholders	%	Number of shares	%
1 – 1,000	129	8.70	74,858	0.06
1,001 – 5,000	381	25.69	1,169,131	0.98
5,001 – 10,000	303	20.43	2,463,248	2.07
10,001 – 100,000	596	40.19	16,342,590	13.70
100,001 and over	74	4.99	99,230,797	83.19
Total	1,483	100.00	119,280,624	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares is 26.

Twenty largest shareholders

Name	Number of Ordinary Shares held	%
JP Morgan Nominees Australia Limited	13,728,417	11.51
Citicorp Nominees Pty Limited	12,901,172	10.82
National Nominees Limited	12,165,955	10.20
HSBC Custody Nominees (Australia) Limited	10,638,756	8.92
Caxton Print Holdings Pty Ltd	10,066,329	8.44
HSBC Custody Nominees (Australia) Limited – A/C 2	8,718,066	7.31
Taverners N Pty Ltd	7,324,000	6.14
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	3,547,612	2.97
BNP Paribas Noms Pty Ltd <DRP>	1,925,653	1.61
UBS Nominees Pty Ltd	1,629,285	1.37
RBC Investor Services Australia Nominees Pty Limited	1,057,781	0.89
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd DRP	1,047,881	0.88
CS Third Nominees Pty Limited	1,016,873	0.85
Shansley Pty Ltd	931,450	0.78
Brispot Nominees Pty Ltd	925,768	0.78
Taverners J Pty Ltd	924,274	0.77
Wihalh Holdings Pty Ltd	520,681	0.44
Mvel Aitken Pty Ltd	500,681	0.42
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	434,479	0.36
R.E.D Investment Holdings Pty Ltd	425,545	0.36
	90,430,658	75.81
Other shareholders	28,849,966	24.19
	119,280,624	100.00

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

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

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

There are no other classes of equity securities.

ASX ADDITIONAL INFORMATION (CONT.)

Voluntary escrow

The number of ordinary shares held in a voluntary escrow arrangement as at 1 August 2017 was 12,516,865.

Period escrow ends	Number of securities subject to escrow
The first day after the day on which IVE Group's audited results for the period ending 30 June 2017 are released to ASX	8,648,991
13 December 2017	3,867,874
Total of Escrowed Shares	12,516,865

Stock Exchange Listing

IVE Group securities are only listed on the ASX.

Use of Cash and Assets

IVE Group has used the cash and assets in a form readily convertible to cash at the time of admission to the ASX in a way consistent with its business objectives as stated in its Prospectus.

CORPORATE GOVERNANCE STATEMENT

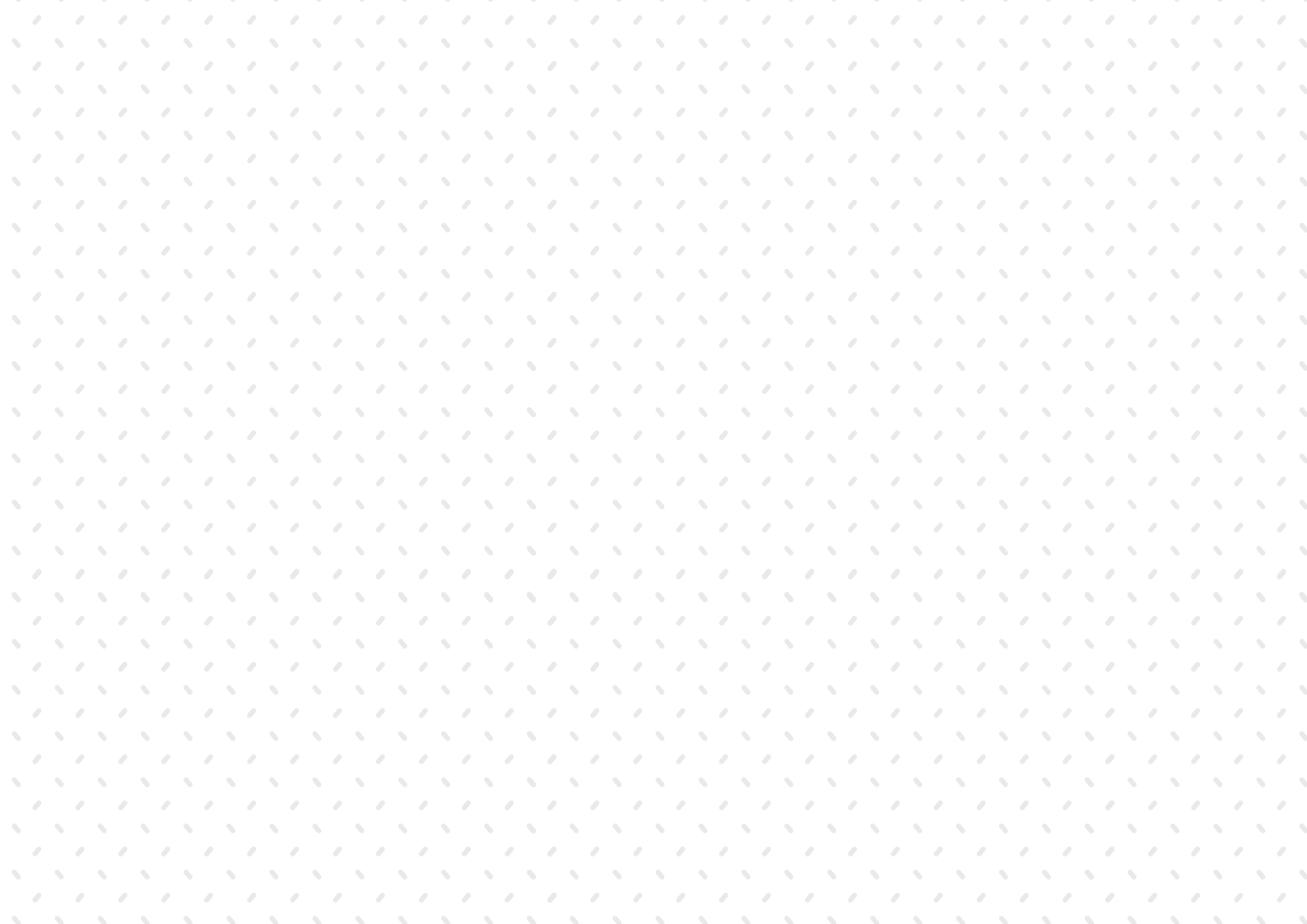
The Board is responsible for the overall corporate governance of IVE Group Limited, including adopting appropriate policies and procedures designed to ensure that the IVE Group is properly managed to protect and enhance Shareholder interests.

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

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

Details of IVE's key governance policies and the charters for the Board and each of its committees are available on IVE's website at www.ivegroup.com.au

The Corporate Governance Statement reports against the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles) and the practices detailed in the Corporate Governance Statement are current as at 31 July 2017. It has been approved by the Board and is available on the IVE website under Investors at <http://investors.ivegroup.com.au/home/>.



ive

ivegroup.com.au | orchestrating communications