Isentia Group Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Isentia Group Limited
ABN:	31 167 541 568
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	down	11.6%	to	137,139
Profit from ordinary activities after tax attributable to the owners of Isentia Group Limited	up	109.5%	to	1,285
Profit for the year attributable to the owners of Isentia Group Limited	up	109.5%	to	1,285

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2017, declared on 23 August 2017. The final dividend was paid on 20 September 2017 to shareholders registered on 6 September 2017.	3.080	1.540
Interim dividend for the year ended 30 June 2018, declared on 26 February 2018. The interim dividend was paid on 22 March 2018 to shareholders registered on 8 March 2018.	0.647	0.647

Comments
The profit for the group after providing for income tax amounted to $1,285,000 (30 June 2017: loss of $13,523,000).

Further information on the review of operations, financial position and future strategies are detailed in the Chairman's report attached as part of the Annual Report.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(20.57)	(23.25)

4. Audit qualification or review

The financial statements have been audited and an unqualified opinion has been issued.

5. Attachments

The Annual Report of Isentia Group Limited for the year ended 30 June 2018 is attached.

6. Signed

Signed ___________________________ Date: 22 August 2018

Doug Snedden
Chairman
Sydney

Isentia Group Limited

ABN 31 167 541 568

Annual Report - 30 June 2018

Dear Shareholder

2018 has been an important year for Isentia Group Limited with many changes occurring including the departure of our Managing Director and Chief Executive Officer. As a result, I was Executive Chairman for several months and this report will reflect the dual role and replace the usual Chief Executive Officer's Report.

During the year, we implemented numerous measures to respond to a market shift in Australia and take advantage of the growing demand for media intelligence services across the Asia Pacific region. In October 2017, we exited Content Marketing and refocused on our core media intelligence business. Since then, the group has streamlined its cost structure and operations, strengthened product development and reorganised its sales force resulting in improved customer engagement. In Asia, the establishment of regional hubs in Singapore and Shanghai has enhanced operational integration while the rollout of an updated multi-lingual Mediaportal means that we have introduced a single client facing platform for the first time.

Isentia remains a competitive and profitable business with a leading position in many markets despite increased competition and declining print media volumes. Our value proposition which is based on breadth of content, technology and service remains strong with our premium customers and we are able to service small business through our self-service option.

Isentia's position as an innovative industry leader was once again recognised with a series of awards including AMEC's Company of the Year and its Grand Prix for the most effective media intelligence, research and insights company campaign.

The group is now leaner and more responsive to market change than it was a year ago, but it will be at least another twelve months before the benefits of these measures are fully realised. The long-term growth opportunities are significant and will come from capturing a greater share of expanding addressable markets for media intelligence across the APAC region.

Board and management renewal

As mentioned above, there was also significant renewal at Board and Executive level. John Croll announced his resignation as Managing Director and Chief Executive Officer at the Half Year and stepped down in May 2018. John has been a central figure in the development of the Australian media intelligence industry and in consolidating Isentia's position as market leader.

In July, the company announced the appointment of Ed Harrison as his replacement. A former CEO of Yahoo 7, Ed brings a strong track record in sales, digital media and product development, as well as leadership of businesses in disrupted markets. Ed joined the company and Board on 6 August 2018, at which time, I reverted to Chairman.

Isentia further strengthened its Board with the addition of Justin Kane and Travyn Rhall who bring a fresh perspective and compelling mix of skills to their roles as Non-Executive Directors. At the same time, Geoff Raby who has served as Non-Executive Director since May 2014 stepped down and we would like to acknowledge his important contribution to the company over the past four years.

FY2018 earnings target achieved

I am pleased to report that the group achieved the earnings guidance set in October 2017 for FY2018 EBITDA. Reported revenue was slightly below the guidance range due to price compression, lower traditional media volumes and customer churn. A focus on cost and operational efficiencies enabled us to deliver a solid earnings result on reduced revenues. The highly recurring revenue base of the group was highlighted once again as strong operating cash flow reduced net debt to $43.1 million at 30 June 2018 from $51.7 million at 30 June 2017.

Capital Management & Dividend

At the FY2018 result, Isentia's Board decided not to pay a final dividend. The capital management decision was taken to conserve cash and provide greater investment flexibility for future growth with priorities including product development and debt reduction. An interim dividend of 0.647 cents per share was paid in March 2018.

Continued investment in technology

The group has continued to invest in technology throughout the period. Product development has focused on enhancing the client-facing features and functions of Mediaportal and its mobile application. At the back end, the cost out program has prioritised the automation of several labour-intensive activities to streamline operations and improve service delivery. In addition, as highlighted above, the group is operating on a single platform for the first time following the rollout of Mediaportal across Asia.

Despite this activity, capital expenditure was lower in 2018 than the prior year reflecting the shift from investment in bespoke solutions to the enhancement and integration of available solutions, reducing the cost and time to delivery. The current level of technology investment is expected to continue, reflecting the ongoing shift to online and social media and increasing customer demand for product innovation.

Cost reduction programs are underway

The group initiated a cost out program in 2018 that could yield up to $11 million in cost savings by the end of FY2020. The cost reduction program has delivered significant savings to date through the shifting of functions to lower cost locations, streamlining of operations, outsourcing, and rationalisation of property and other costs. Further cost reductions will be realised in 2019 through the automation of processes, rationalisation of technology and procurement.

Asia Business reorganisation

Our Asian businesses have been reorganised into hub operating models in South East and North Asia. This model has provided greater efficiency in operations and production and better coordination of sales to pan-Asian customers.

Isentia has a strong position in a number of South East Asian markets where revenue is underpinned by a stable subscription business. In North Asia and Greater China, in particular, business performance has been sound. The consolidation of the North Asian business under one management and operational structure is expected to drive sales and facilitate the reduction of content and other costs.

Copyright costs remain high

As a provider of media intelligence, Isentia ensures that copyright agreements are in place and that all copyright obligations are met. Copyright, particularly for Australian print media, represents the highest non-labour cost for the group. Despite falling print media volumes, copyright costs remain high.

In addition, there are inconsistencies in the application of copyright charges to the different media intelligence providers in the Australian market. As a result, Isentia has commenced proceedings in the Copyright Tribunal to seek a more equitable and reasonable agreement. This process will take time and may be costly, but we firmly believe it is in the long-term interests of our shareholders and customers.

The competitive landscape

The number and type of competitors has increased across all markets as technology and the shift to digital media lowers the barriers to entry for the provision and reporting of media intelligence. As a result, price compression and customer churn has increased, especially in the Australian market. This is expected to remain a factor in the medium term. The strategy to return the group to growth is based on achieving new client sales and a significant reduction in customer churn.

FY2019 priorities

Our customers value our data, expertise in media intelligence and the services we offer from analysis to crisis management. With the move to an almost instantaneous news cycle and the advent of social media, our responsiveness and advice must continue to improve. Our investments in technology are aimed at improving speed and the productivity of our staff and operations.

FY2019 will be another important year as we continue to transform the cost base of the group, drive revenue growth and pursue agile product development via the implementation of aggressive improvement goals. Our action in the Copyright Tribunal will also be essential to ensuring that there is a level playing field going forward for all industry players.

I look forward to working with Ed and the Board as we restructure the company to meet the competitive challenges and market realities of the eleven markets in which we operate.

Doug Snedden

22 August 2018
Sydney

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Isentia Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

The following persons were directors of Isentia Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Doug Snedden - Chairman and Independent Non-Executive Director (appointed on 23 November 2017) (Executive Chairman from 24 May 2017 to 6 August 2018)
Ed Harrison - Managing Director and Chief Executive Officer (appointed on 6 August 2018)
Pat O'Sullivan - Independent Non-Executive Director
Fiona Pak-Poy - Independent Non-Executive Director
Travyn Rhall - Independent Non-Executive Director (appointed on 20 July 2018)
Justin Kane - Non-Executive Director (appointed on 20 July 2018)
Jeffrey Strong - Alternate Director to Justin Kane (appointed on 20 July 2018)
Doug Flynn - Former Chairman and Independent Non-Executive Director (resigned on 23 November 2017)
John Croll - Former Managing Director and Chief Executive Officer (resigned on 24 May 2018)
Dr Geoff Raby - Former Non–Executive Director (resigned on 20 July 2018)

A profile of each director holding office at the date of this report is included in the 'Information on directors' section of this report.

Principal activities

During the financial year the principal continuing activities of the group consisted of the provision of media intelligence services to public and private sector clients through media database, media release distribution, media monitoring, social media monitoring, media analysis and content marketing.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated 2018 $'000	Consolidated 2017 $'000
Final dividend for the year ended 30 June 2017 (2017: 30 June 2016) of 3.08 cents (2017: 4.43 cents) per ordinary share	6,160	8,860
Interim dividend for the year ended 30 June 2018 (2017: 30 June 2017) of 0.647 cent (2017: 3.7 cents) per ordinary share	1,294	6,200
	7,454	15,060

Review of operations

The profit for the group after providing for income tax amounted to $1,285,000 (30 June 2017: loss of $13,523,000).

Refer to Chairman's report for further commentary on the review of operations.

Significant changes in the state of affairs

The changes in the state of affairs of the group during the financial year are outlined in the Chairman's Report and include:

- In October 2017 the group announced the exit from the Content Marketing business.
- On 26 February 2018 the company announced the resignation of John Croll, Managing Director and Chief Executive Officer.
- On 24 May 2018 John Croll stepped down as Managing Director and Chief Executive Officer and on the same date Doug Snedden became Executive Chairman.
- On 20 June 2018 proceedings were commenced in the Copyright Tribunal of Australia (Tribunal) in relation to the company's copyright licence agreement with Copyright Agency Limited (CAL) (CAL Licence)

There were no other significant changes in the state of affairs of the group during the financial year.

Matters subsequent to the end of the financial year

On 6 July 2018 the appointment of Ed Harrison as Managing Director and Chief Executive Officer was announced with an effective date of 6 August 2018.

On 6 July 2018 the resignation of Chief Financial Officer, James Orlando was also announced.

The CAL Licence expired on 30 June 2018 and was extended by CAL pending the determination of proceedings commenced in the Tribunal or an agreement being reached with CAL. The hearing of the application for an interim CAL Licence to apply pending the determination of the main CAL Licence application was held on 10 August 2018. The Tribunal's decision on that application (which at the date of this report has not been handed down) will set the terms and licence fees payable to CAL on an interim basis pending the further final determination of the Tribunal on a long-term agreement or any agreement being reached with CAL.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the group and the expected results of those operations are contained in the Chairman's report.

Environmental regulation

The group is not subject to any significant environmental regulation under International, Australian Commonwealth or State law.

Information on directors

Information on the directors as at the date of this report is set out below:

Name:	Doug Snedden
Title:	Independent Non-Executive Chairman, Executive Chairman (May 2018 to August 2018)
Qualifications:	Bachelor of Economics and Accounting, Australia National University
Experience and expertise:	Doug has over 30 years' experience in finance, consulting, strategic management and outsourcing. Doug has previously worked as Country Managing Director of Accenture Australia. Doug is Chairman of Odyssey House NSW, McGrath Foundation and the Chris O'Brien Lifehouse and a director of Securities Industry Research Centre of Asia-Pacific (Sirca) Limited. He is also a member of the National Library of Australia Council, a director of Frisk Pty Ltd and a member of the Australian Institute of Company Directors.
Other current directorships:	OFX Limited (ASX:OFX)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee and the Audit and Risk Committee
Interests in shares:	228,000 ordinary shares held indirectly
Interests in options:	None

Name:	Ed Harrison
Title:	Chief Executive Officer and Managing Director
Qualifications:	Bachelor of Arts (Hons) Economic and Political Development from University of Exeter, Master of Business Administration from Australian Graduate School of Management
Experience and expertise:	Ed has over 25 years' experience across many types of media including print, outdoor and digital in Australia, New Zealand and the United Kingdom. Ed came to Australia in 2001 to set up JC Decaux's business in Victoria and South Australia. From 2003 to 2008, he was General Manager (Australia) of JC Decaux, the world's largest out-of-home advertising company, as it established a dominant position in Australian street furniture. Ed then joined Fairfax Digital, a leading provider of online news, information and classified websites. As Group Sales Director at Fairfax Media, Ed was responsible for sales operations across 300 newspaper, magazine and digital brands with a diverse customer base and combined revenue of $500 million. From 2014 to June 2018, Ed was the CEO of Yahoo7, a joint venture between Seven West Media and Verizon, which delivered digital media products and original content to over nine million monthly users.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

Name:	Pat O'Sullivan
Title:	Independent Non-Executive Director
Qualifications:	Graduate of the Harvard Business School's Advanced Management Program, member of Chartered Accountant Australia and New Zealand and member of the Institute of Chartered Accountants Ireland
Experience and expertise:	Pat has over 35 years of international commercial and business management experience, including holding various senior management and board positions. He is currently a non-executive Director of Carsales.com Limited, APN Outdoor Group Limited and Marley Spoon. Pat was formerly Chief Operating Officer and Finance Director of Nine Entertainment Co, as well as serving as Chairman of NineMSN. Prior to his role at Nine Entertainment Co, Pat was the CFO of Optus, and held a number of positions at Goodman Fielder, Burns, Philp & Company, and PwC.
Other current directorships:	Carsales.com Limited (ASX: CAR), APN Outdoor Group Limited (ASX: APO) and Marley Spoon (ASX:MMM)
Former directorships (last 3 years):	iSelect Limited and iiNet Limited
Special responsibilities:	Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.
Interests in shares:	54,412 ordinary shares
Interests in options:	None

Name:	Fiona Pak-Poy
Title:	Independent Non-Executive Director
Qualifications:	Honours degree in Civil Engineering from The University of Adelaide and a MBA from Harvard Business School
Experience and expertise:	Fiona brings significant experience gained particularly with technology companies. She is currently a non-executive director of MYOB Group Limited, The Sydney School of Entrepreneurship and the Securities Industry Research Centre of South East Asia (SIRCA). Fiona is a member of ASIC's Director Advisory Panel. Previously, she was a member of the board of StatePlus, the Federal Government's National Precincts Board and Innovation Australia Board where she Chaired or was a member of a number of the innovation committees. Fiona was a General Partner of an Australian venture capital fund that invested in Australian technology companies. She also served as a Councillor of the Australian Venture Capital and Private Equity Association (AVCAL). Prior to this, Fiona co-founded a catalogue and e-commerce business, was a strategy consultant with The Boston Consulting Group, an R&D engineer at Stratco and worked with consulting engineering firm Pak-Poy and Kneebone.
Other current directorships:	MYOB Group Limited (ASX: MYO)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee
Interests in shares:	29,412 ordinary shares held indirectly
Interests in options:	None

Name:	Travyn Rhall
Title:	Independent Non-Executive Director
Qualifications:	Bachelor of Arts (Hons) in Statistics from Macquarie University and a Graduate Diploma in Economics from the Australian National University(ANU)
Experience and expertise:	Travyn has over 30 years experience leading businesses operating across Europe, Asia Pacific, North and South America, Africa, and the Middle East. Most recently, he was Global CEO of Kantar Insights, a division of Kantar, the data investment management arm of WPP plc, an FTSE100 media, marketing and communications group. From 2006 to 2015, Travyn was Regional CEO of Millward Brown for Africa, Middle East and Asia Pacific, and then Global CEO. Travyn is a Fellow of the Institute of Company Directors and the Market and Social Research Society of Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee and the Audit and Risk Committee
Interests in shares:	300,000 ordinary shares of which 100,000 are held indirectly
Interests in options:	None

Name:	Justin Kane
Title:	Non-Executive Director
Qualifications:	Master of Business Administration from University of Chicago Booth School of Business and a Bachelor of Arts in Philosophy (High Honors) from Swarthmore College, (McCabe Scholar and Phi Beta Kappa)
Experience and expertise:	Justin is Director of Research and a Founding Partner of Gilead Capital LP, an investment management firm located in New York. Gilead Capital is the company's largest shareholder and at the date of this report owns 15.4% of issued capital. Justin has extensive experience in the investment management and technology industries.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee
Interests in shares:	30,876,369 Ordinary shares held indirectly by Gilead Capital LP interests
Interests in options:	None

Name:	Jeffrey Strong
Title:	Alternate Director to Justin Kane
Qualifications:	Chartered Financial Analyst with a Master of Business Administration from College of William & Mary, Bachelor of Science from University of Missouri
Experience and expertise:	Jeffrey is the Chief Investment Officer, Managing Partner and a Founding Partner of Gilead Capital LP. He has a long career in investment management and broad experience as a director on company boards across Europe and North America. Jeffrey is a Director of MCS Holdings Ltd and was previously a Director of Landauer Inc, TPC Group and Treveria plc.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	30,876,369 Ordinary shares held indirectly by Gilead Capital LP interests
Interests in options:	None

'Other current directorships' quoted above are current directorships for ASX listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for ASX listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Jacquie Shanahan, General Counsel and Company Secretary, joined the group in August 2015. Jacquie brings many years of company secretarial, corporate governance and commercial law experience to the group. She has held company secretarial and legal roles with subsidiaries of United Parcel Service of America, ASX listed Roc Oil Company Limited and RGA Reinsurance Company of Australia Limited (continuing). In addition to these roles, Jacquie has been involved in the regulation of corporate governance reporting at the ASX and was a senior associate in corporate commercial practice at Corrs Chambers Westgarth. Jacquie holds Bachelor of Arts and Bachelor of Laws for the University of Queensland and is a member of the Law Society of New South Wales, the Association of Corporate Counsel Australia.

Nimesh Shah, former CFO and Company Secretary ceased employment with the group on 7 July 2017.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Doug Snedden	5	5	1	1	2	2
Pat O'Sullivan	12	12	3	3	5	5
Fiona Pak-Poy	12	12	3	3	5	5
Geoff Raby	11	12	3	3	5	5
Doug Flynn	6	7	2	2	3	3
John Croll	11	11	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Shares under option
Unissued ordinary shares of Isentia Group Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
19/11/2015	30/06/2019	$3.75	913,289
17/11/2016	30/06/2020	$3.47	733,136
			1,646,425

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

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

Shares under performance rights
There were no unissued ordinary shares of Isentia Group Limited under performance rights outstanding at the date of this report.

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

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of Deloitte Touche Tohmatsu
There are no officers of the company who are former audit partners of Deloitte Touche Tohmatsu.

Rounding of amounts
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Letter from the Chair of the Nomination and Remuneration Committee

Dear Shareholder,

I am pleased to present to you the remuneration report on behalf of the Nomination and Remuneration Committee ('NRC') for the financial year ended 30 June 2018 ('FY2018').

In 2017, Isentia received a "first strike" on its 2017 remuneration report more than 25% of votes cast against the approval of the remuneration report resolution. From talking with shareholders and proxy advisors we understand that the significant vote against the remuneration report was a "protest" vote against the group's performance in 2017 and dissatisfaction with the outcome of the King Content acquisition, as opposed to the remuneration report *per se*. Nevertheless, the NRC has carefully considered the feedback provided by our investors on a broad range of topics, and faced with considerable challenges during the year, the group has introduced important changes to its executive remuneration framework which we believe will drive better alignment of executives and shareholders' interests in the short and long term. This new plan is not the end of our review of the remuneration structure but an important interim state to address specific challenges we faced in FY2018 when the group commenced a turnaround, and also provides an opportunity for further amendments in coming years. The details of this new framework are outlined in this remuneration report with some suggestions of further amendments we would like to make.

Changes in the executive remuneration framework

For FY2018, the NRC determined that significant improvements in Isentia's remuneration policy were needed in order to drive performance. The NRC conducted a comprehensive review of the Isentia's remuneration policy to determine how we could further motivate executives and enhance alignment between compensation outcomes and shareholder interests while focusing on long term value creation and sustainability.

It is the NRC's view that the introduction of a Variable Reward Plan ('VRP') that focuses on creating equity ownership over time is best suited to attract and retain the most qualified individuals while maintaining strong alignment between executive pay and shareholder outcomes.

The previous short and long-term incentive plans were designed for the company to transition from a private company to a publicly listed company. After significant upheaval over the last few years with changing market conditions and a significantly more dynamic competitive market since the company's ASX listing in 2014, the NRC felt that a new plan with short-term targets was in the best interests of the company. Importantly as global market consolidation in this industry was, and remains, an ongoing issue, the NRC felt strongly that we needed a plan to be introduced during FY2018 that provided more opportunity for executives to have a genuine short-medium term possibility of earning equity, so they had meaningful "skin in the game". The deferral of equity has been designed to become an important retention mechanism, which is especially critical during turnaround. As considered prudent, the Board retains discretion for a claw back in the event of significant adverse events occurring during the deferral period.

Under the VRP, which replaced the previous short and long-term incentive plans in FY2018, a single allocation is made each year based on performance tied directly to the annual business plan that includes both financial and non-financial measures of strategic importance to the group. Awards are offered in cash and deferred rights to ordinary shares. There is a financial gateway metric which needs to be met for any award to be paid. The amount of cash that an executive can earn is generally less than was possible in the former plans. Also, executives are entitled to elect to increase the portion of their award that will be paid in the form of rights instead of cash. Additionally, awards offered in the form of rights are subject to a two-year vesting period, with an additional 12 month holding lock in place.

FY2018 has been a challenging year for the group but the Board believes the group is in a turnaround and has brought on new executives and refreshed the Board to help drive required change. As such the new VRP has been designed to be an important transition vehicle to encourage retention and be attractive for our existing and new executives, providing them the opportunity to earn rights that will vest with continued employment (subject to Board discretion). Having the VRP tied to annual targets that are set with current business conditions in mind provides a much clearer line of sight over outcomes than the former incentive plans. The media intelligence industry is changing quickly both in the Australian and international market, with increased competition, fragmented digital competitors and a rapidly changing media landscape. For this reason, having annual targets but still with significant lock-in for earned equity was seen as the best way to align executives with shareholders and provide a real retention mechanism.

The performance thresholds are based on the October 2017 downgrade. Following the exit of King Content, thresholds were aligned to the restructured business, allowing for relevant KPIs for the appropriate business excluding content marketing.

The NRC notes that the first round of offers under the new VRP during this turnaround phase are not subject to further performance tests for vesting, but they are locked up for an additional three years in total and in that way the executives are fully aligned with shareholders. However, we have taken advice from the market and understand and agree that a second test of equity or retention guidelines may be appropriate on an ongoing basis. We recognise that all companies are different and that our market conditions are unique to Isentia, so the NRC will carefully consider exactly what that optimal test should be to ensure that it best drives performance for all Isentia stakeholders. As designed, the VRP should allow the opportunity for executives to earn considerable equity over time as long as they meet their performance targets, set annually, which the Board believes is the correct timeframe for a company in this fast-changing media intelligence market. With the one year performance period, two year vesting period and further one year holding period, there are four years from VRP grant to when an executive could sell any shares and as the amount of equity will ideally increase on an annual basis, the level of ownership of executives should naturally build over time.

Further details regarding the terms of the new VRP are outlined in the remuneration report.

FY2018 Executive remuneration outcomes

Two executives received threshold awards for their performance in FY2018. Departing Managing Director and Chief Executive Officer John Croll did not receive an award under the FY2018 VRP. In addition, any options granted to John Croll in 2015 and 2016 under the previous long-term incentive plans lapsed upon his resignation. Chief Financial Officer James Orlando received a partial award based on his performance in FY2018 but was not awarded any deferred equity under the VRP on account of his resignation.

In FY2018, the Board approved one-off cash retention payments for two executives which are further detailed in the remuneration report. This was deemed appropriate because of the significant market speculation about industry consolidation during FY2018 and the imperative to maintain stability with key executives during that phase. The NRC is disciplined (it has not paid bonuses to the executive key management personnel in the past two years) and recognise that cash payments were not ideal in this situation, so gave great consideration as to whether these bonuses were appropriate. However, given the limitations of our previous long-term incentive plan where we were not able to easily offer deferred equity, the Board felt these retention payments were not excessive, but a necessary step to ensure our key executives were fully aligned with shareholders in these circumstances. This dilemma was one of the rationales for developing the new VRP as the opportunity to earn deferred equity which alleviates the need to provide cash retention incentives while the chance of ongoing industry consolidation remains.

Changes in senior management personnel

Managing Director and Chief Executive Officer John Croll's resignation was announced in February 2018. Subsequently, John stepped down as Chief Executive Officer and member of the Board in May 2018. This resulted in Doug Snedden assuming the role of Executive Chairman effective May 2018 while the search for a new Chief Executive Officer continued. Doug was not entitled to participate in the company's VRP or receive any other form of performance-based remuneration during his term as Executive Chairman. In addition, Doug did not receive any additional fees for his increased responsibilities. In July 2018, Isentia announced the appointment of Ed Harrison as Managing Director and Chief Executive Officer, effective 6 August 2018. Ed brings over 25 years of experience across print, digital and outdoor media in Australia, New Zealand and the United Kingdom and has a strong track record in sales, digital media and product development, and experience in business transformation. The details of his remuneration were set out in the ASX announcement made at the time of his appointment. The engagement rights included in his offer of employment will be subject to shareholder approval in November 2018. The Chief Financial Officer, James Orlando also announced his resignation on 6 July 2018 and has provided the company with the requisite six months' notice.

The company remains open to engaging with all its stakeholders regarding all remuneration and governance-related matters and is committed to refining our remuneration policy to continue to build alignment between executives and shareholders.

On behalf of the Nomination and Remuneration Committee

Fiona Pak-Poy
Chair

22 August 2018
Sydney

Remuneration report (audited)

The primary objective of the remuneration report, which has been audited, is to set out the remuneration for Key Management Personnel ('KMP') and the underlying philosophy and principles that underpin the structure and design of remuneration arrangements for the group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

In developing remuneration arrangements for KMP, the Board and its Nomination and Remuneration Committee ('NRC') continues to welcome feedback from external parties including legal counsel, institutional shareholders and their advisors.

KMP are defined as "those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise)" and are listed in section '4. KMP remuneration disclosures' below.

In addition to the directors, the other KMPs in FY2018 included the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer and the Chief Executive Asia. John Croll was the Managing Director and Chief Executive Officer until he stepped down from this position in May 2018. Ed Harrison was appointed Managing Director and Chief Executive Officer effective 6 August 2018. Since Ed was appointed a KMP after the reporting period, his details have not been included in this report for the year ended 30 June 2018.

The remuneration report is set out under the following main headings:

1. Response to the vote against the 2017 remuneration report
2. Principles used to determine the remuneration framework
   - 2.1 Non-executive directors' remuneration
   - 2.2 Executive remuneration overview
     - 2.2.1 Fixed remuneration
     - 2.2.2 Variable remuneration
3. Group performance and link to remuneration
   - 3.1 FY2018 Variable reward plan performance measures
   - 3.2 FY2018 Variable reward plan performance outcomes
   - 3.3 One-off payments and awards
4. KMP remuneration disclosures
5. Service contracts
6. Share-based compensation
7. KMP interests in Isentia securities
8. Other information

1. Response to the vote against the 2017 remuneration report

At the 2017 Annual General Meeting, the company received votes against its remuneration report representing greater than 25% of the votes cast by persons entitled to vote. As such, the company received what is known as a "First Strike" under the Corporations Act 2001. Based on commentary from shareholders and proxy advisors on the 2017 remuneration report it is apparent that the vote against the remuneration report was not so much based on a criticism of the company's remuneration practices but instead a "protest" vote against the group's performance in 2017.

In response to the 'First Strike" the company has taken the following action:

- carefully considered the feedback provided by investors on a broad range of topics; and
- introduced changes to the executive remuneration framework intended to drive better alignment of executives and shareholders' interests in the short and long term.

In addition, the Chairman and the Chair of the NRC have initiated engagement with proxy advisers to discuss how the NRC will address issues that have been raised with the Variable Reward Plan ('VRP') since its introduction in FY2018.

2. Principles used to determine the remuneration framework

The group's remuneration philosophy is to provide a clear link between the group's strategy, shareholder returns and remuneration awarded. The remuneration structure and policies are designed to help build, retain and motivate Isentia's talented leadership team to deliver growing and sustainable returns for shareholders. The NRC recognises that the performance of the group depends on the quality of its directors, executives and other KMP.

The objective of the group's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework seeks to align remuneration with the achievement of strategic objectives and the creation of long term, sustainable value for shareholders. The NRC ensures remuneration satisfies the following criteria of Australian corporate governance best practice:

- Competitiveness and reasonableness;
- Acceptability and alignment to shareholders' interests;
- Alignment between pay outcomes and both group and individual performance; and
- Transparency.

The NRC is responsible for determining and reviewing remuneration arrangements for directors and other KMP. In FY2018, the NRC comprised four independent non-executive directors and met as required. This financial year the NRC met three times. The chief executive officer attends committee meetings by invitation and when management input is required. To ensure there are no conflicts of interest, the chief executive officer is not present during any discussions related to his own remuneration arrangements.

In FY2018, the NRC introduced a new remuneration framework that is market competitive and complementary to Isentia's strategic objectives. The purpose of the new plan is to also create equity ownership for executives over time.

In accordance with corporate governance best practice, the remuneration structure for non-executive directors and executives are dealt with separately.

2.1 Non-executive directors' remuneration

Fees provided to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors, as well as the need to attract and retain non-executive directors of suitable calibre. Non-executive directors' fees and payments are reviewed annually by the NRC. The NRC may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and consistent with comparable ASX-listed companies. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present during any discussions concerning his own remuneration.

There was no change to the fees paid to non-executive directors in FY2018. Under the company's constitution the total aggregate remuneration available to non-executive directors remains set at a maximum annual aggregate amount of $900,000. ASX Listing Rules require that any proposed increase to the aggregate non-executive director remuneration cap is subject to shareholder approval. Non-executive director fees were within this approved limit for FY2018 and although an additional non-executive director has been appointed in FY2019 the Board does not propose any increase to the fee cap for FY2019.

Non-executive director remuneration consists of directors' fees and committee fees only and therefore does not include any link to group performance. Consistent with good governance principles, the absence of performance-linked remuneration to non-executive directors serves to protect the independence of the directors and ensures that their interests remain properly aligned with those of Isentia's shareholders and not with senior management.

On 24 May 2018, John Croll stepped down as Chief Executive Officer and member of the Board following the announcement of his resignation in February 2018. This resulted in Doug Snedden assuming the role of Executive Chairman effective 24 May 2018 while the search for a new Chief Executive Officer continued. Doug was not entitled to participate in the company's VRP or receive any other form of performance-based remuneration during his term as Executive Chairman. Furthermore, he did not receive any additional fees for his significant increased responsibilities.

The non-executive directors are reimbursed for expenses incurred in performing their duties as directors of Isentia. The Chairman of the Board attends all committee meetings but does not receive committee fees in respect of his role as member of any committee. Non-executive directors do not receive retirement benefits other than superannuation and they do not participate in any incentive programs.

Whilst non-executive directors are not required under the company's constitution to hold any shares, all have interests in Isentia securities, either directly or indirectly (refer to section '7. KMP interests in Isentia securities'), holding such securities demonstrates support for the company and facilitates alignment between directors and long-term shareholder wealth outcomes. In the context of the current shareholdings of the non-executive directors, the NRC does not regard a formal shareholding guideline to be necessary at this time.

If non-executive directors are required to perform services outside of the scope of ordinary duties of a director, the company may compensate the director for additional responsibilities or workload incurred during the reporting period. Other than Doug Snedden as detailed above, no directors provided any services outside of the normal course of duty in FY2018 and no additional director fees have been paid.

2.2 Executive remuneration overview

Executive compensation includes both fixed and variable pay components. In FY2018, the NRC decided to introduce a new VRP, which has replaced the existing short and long-term incentive plans.

Prior to FY2018 the executive remuneration framework consisted of fixed and short and long-term incentives. The short-term incentives ('STI') were paid in cash to reward eligible executives on delivering against annual key performance indicators that were linked to the group's strategy and were expected to deliver benefits to shareholders. The long-term incentive plan ('LTIP') previously in place was introduced in June 2014 to provide a focus on long-term growth opportunities. Offers made under the LTIP represented 50% of the Total Fixed Remuneration ('TFR') of the recipient and was provided in the form of performance-based options. All performance options granted applied relative total shareholder return ('TSR') and earnings per share ('EPS') hurdles measured over a three-year performance period. Details of the number and value of LTIPs granted in prior years are set out in the option table in the section of this remuneration report headed '6. Share-based compensation' below.

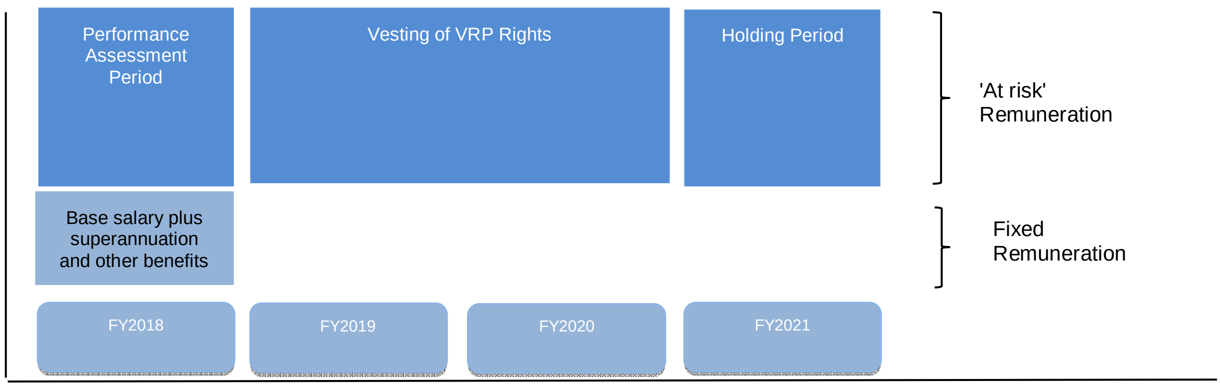
2.2.1 Fixed remuneration

Fixed remuneration is set with regard to the skills and responsibilities associated with each executive's role and within the context of external market levels and includes base salary, allowances, superannuation and salary sacrificed benefits. Base salary is paid in cash or other business-related fringe benefits where applicable. Fixed remuneration is intended to provide cash benefits which are competitive with equivalent roles in peer companies and are designed to attract and retain high calibre employees. Superannuation is paid up to the maximum superannuation contribution base.

The NRC reviews executives fixed pay on an annual basis. Executives are not offered any guaranteed fixed remuneration increases. There were no significant fixed pay increases offered to executives in FY2018.

2.2.2 Variable remuneration

Under the new VRP, executives are entitled to a cash and equity award, based on their performance over a 12-month period. Performance is assessed against a scorecard linked to financial and non-financial measures. Equity awards are deferred for a two year period with an additional one year holding lock in place.



The key components of the VRP are outlined in the table below:

Aspect	Plan rules and comments
Performance Period	Financial year (1 July 2017 to 30 June 2018)
Award Opportunities	Under the VRP, the chief executive officer and chief financial officer have a target award opportunity of 80% of their total fixed remuneration and a maximum opportunity of 125% of their total fixed remuneration. For other executives, the target award opportunity is 75% of total fixed remuneration with the maximum opportunity set at 110% of total fixed remuneration.
Performance Measures	For target performance, the performance measures adopted are financial and non-financial targets and include Earnings Before Interest, Tax and Amortisation ('EBITA') / Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA'); Revenue and underlying Net Profit After Tax ('NPAT') targets for the chief executive officer and chief financial officer and EBITA / EBITDA and Revenue targets for other executives. Only the EBITDA measure was applied in FY2018. EBITA was not applied. Non-financial performance measures include individual objectives and are only paid when target financial performance is achieved or exceeded.
Performance Gateway	No VRP awards will be payable unless threshold EBITDA performance is achieved or exceeded.
Form of Award	• 50% of awards are offered in the form of cash; and • 50% of awards are offered in the form of rights to ordinary shares ('Rights') in line with current market practice. Executives may also elect to increase the portion of the award that will be offered in the form of rights instead of cash.
Vesting of Rights	Awards offered in the form of Rights will be subject to a two-year vesting period from the date of issue.
Grant of Deferred Equity Component	The number of Rights to be granted and allocated to executives will be determined on a face value basis by dividing the dollar value of the deferred equity component of the award by the volume-weighted average price of the company's shares traded on ASX over the 5 trading days immediately following the release of the company's audited financial report at the end of each financial year, rounded down to the nearest whole number. The grant of any Rights to the Managing Director and Chief Executive Officer will be conditional on shareholder approval.
Holding Period	Shares allocated to Executive KMP upon Rights vesting will be subject to a 12-month holding or escrow period, during which time they will be restricted from disposing of, granting a security interest over, or otherwise dealing with the shares.
Dividends and Rights to Vote	Rights do not carry any rights to dividends, vote or participate in any new issue of capital.
Clawback Provisions	The Board retains discretion to: • Reduce or extinguish executives' entitlements to any award offered; and/or • Lapse, forfeit or require repayment of any award granted (including shares allocated on the vesting of Rights issued as the deferred equity component of the plan while they remain subject to escrow).
Cessation of employment	Executives may cease to be entitled to receive all or part of their award and/or all or some of the Rights issued as part of the deferred equity component of the VRP may lapse if they cease to be employed within the group depending on the circumstances and timing of the cessation of their employment. If an executive ceases to be employed within the group due to termination for cause, resignation (or other circumstances determined by the Board) during the performance period, or after the end of the performance period but before the grant of a component of the VRP, they will not be entitled to receive any

	awards, unless the Board determines otherwise. If the cessation of employment in these circumstances occurs during the vesting period, unless the Board determines otherwise, executives will, in most circumstances, be entitled to retain the entire cash component of their VRP award but will cease to be entitled to, and will forfeit, the deferred equity component of their VRP award and any Rights issued to them as part of the deferred equity component of their VRP award will lapse. If an executive ceases to be employed for any reason other than termination for cause or resignation during the performance period, or after the end of the performance period but before the grant of a component of the VRP, in most circumstances (but subject to Board discretion) the executive will be entitled to receive a pro-rata portion of the cash component of their VRP award but will cease to be entitled to receive any of the deferred equity component of their VRP award. If the cessation of employment in these circumstances occurs during the vesting period, unless the Board determines otherwise, ordinarily, the executive will be entitled to retain the entire cash component of the VRP award and any Rights granted, subject to the relevant vesting period. Shares allocated on the vesting of such Rights will be subject to the relevant holding period.
Change of Control Provisions	In a change of control event, subject to Board discretion, all unvested Rights issued as the deferred equity component of awards will immediately vest and any dealing restrictions imposed by the Board on shares allocated to executives, including escrow, will immediately cease.

Award opportunities

The table below offers a comparison between the maximum award opportunity under Isentia's new VRP and the maximum award opportunity that the executives were entitled to under last year's short and long-term incentive plans.

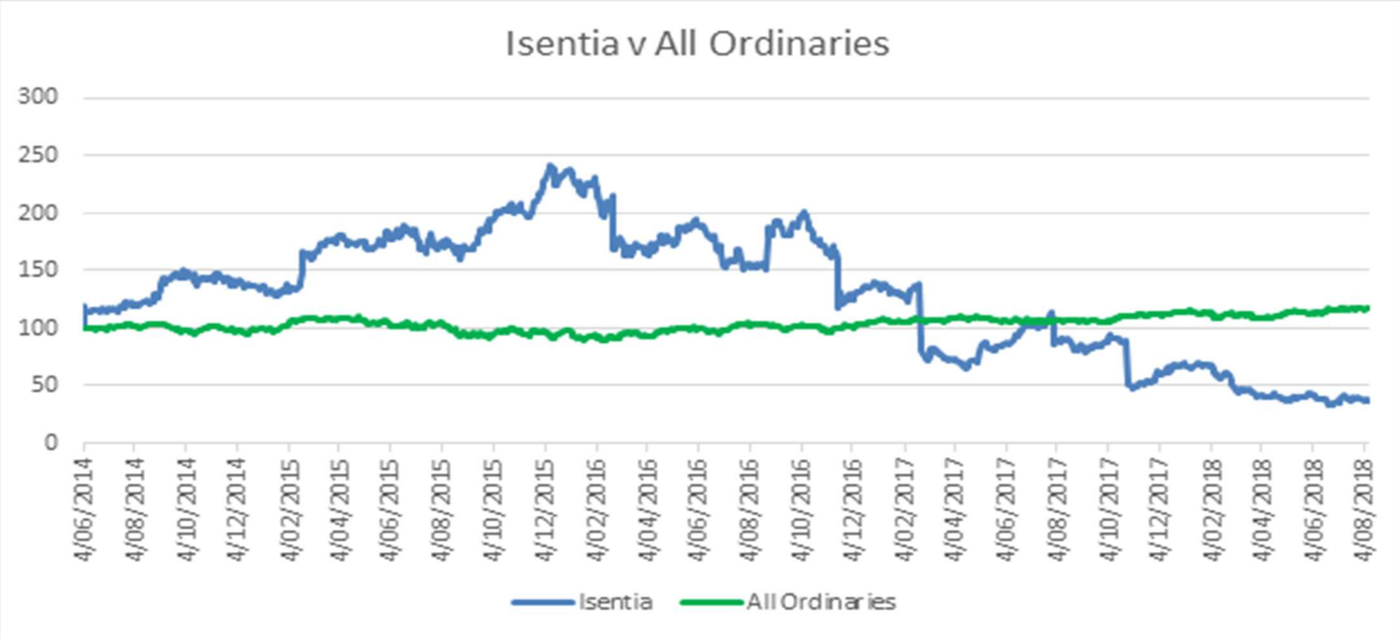
Role	Maximum VRP opportunity as a percentage of fixed remuneration (FY2018)	Maximum STI opportunity as a percentage of fixed remuneration (FY2017)	Maximum LTI opportunity as a percentage of fixed remuneration (FY2017)
Chief Executive Officer	125%	75%	50%
Chief Financial Officer	125%	60%	50%
Other KMP	110%	60%	50%

As seen above, the maximum opportunity for the chief executive officer and other executives remains unchanged. For the chief financial officer, it was deemed that a larger portion of his remuneration ought to be 'at risk', in line with market practice. As such, the chief financial officer's maximum VRP opportunity was set at 125% of fixed remuneration versus 110% in previous years.

The cash component under the new VRP for the majority of the executives is lower than the cash opportunity in previous years.

3. Group performance and link to remuneration

Isentia's relative share price performance since listing in June 2014 is depicted against the ASX All Ordinaries Accumulation index ('All Ords').



The table below shows earnings and other information considered to affect TSR over the past five years:

	Unaudited Pro-forma Actual FY2014	FY2015	FY2016	FY2017	FY2018
Revenue $m	110.6	127.3	156.0	155.1	137.1
EBITDA $m	30.9	41.9	48.7	35.6	25.9
TSR	15.7%	60.2%	(5.5%)	(35.9%)	(65.5%)
EPS (cents per share)	6.4	9.8	12.1	(6.8)	0.6
NPAT $m	12.8	19.6	24.3	(13.5)	1.3
Staff costs $m	50.3	52.5	62.8	63.2	60.0
Staff costs to revenue ratio	45.5%	41.2%	40.3%	40.7%	43.7%
Interim dividend (cents per share)	N/A	3.1	3.7	3.1	0.647
Final dividend (cents per share)	N/A	3.8	4.43	3.08	-

FY2014 Actual Pro-forma is presented as per the FY2014 Financial Results Presentation dated August 2014. Pro-forma amounts have been included in the table above as the Board is of the opinion that these figures most appropriately represent the group's underlying current and historical performance for that year.

There have been no returns of capital made or proposed by the Board since the listing.

3.1 FY2018 Variable reward plan performance measures

The performance measures under the VRP comprise financial and non-financial measures. The financial measures included EBITDA, Revenue and underlying NPAT targets for the chief executive officer and chief financial officer and EBITDA and Revenue targets for other executives.

Non-financial measures include achieving a range of strategic, leadership and behavioural objectives and standards as well as continual improvements to business operations, culture and development of strong client relationships. Non-financial measures provide an opportunity up to 10% of total fixed remuneration ('TFR').

3.2 FY2018 Variable reward plan performance outcomes

	Financial performance			Non –financial performance	Total
Executive	**Metric**	**Weighting (% of target opportunity)**	**Performance outcome**	**Performance outcome**	**VRP awarded (%) of TFR**
John Croll	Revenue	33%	Met threshold	N/A*	Nil*
	EBITDA	34%	Met threshold		
	Underlying NPAT	33%	Met threshold		
James Orlando	Revenue	33%	Met threshold	Implemented best practice processes and strategies around financial and budget planning. Strengthened finance team and reporting metrics across the group. Enhanced investor relations support.	64.31%**
	EBITDA	34%	Met threshold		
	Underlying NPAT	33%	Met threshold		
Sean Smith	Revenue	50%	Met threshold	Delivered cost and operational efficiencies. Reorganised sales teams to better service client needs. Strong commercial driver of business against budget and targets in challenging environment.	50.2%***
	EBITDA	50%	Met threshold		
David Liu	Revenue	50%	Met threshold	Established regional hubs in Singapore and Shanghai. Commenced roll out of multilingual Mediaportal. Transitioning Asia business from project to subscription business.	55.2%***
	EBITDA	50%	Met threshold		

Revenue and EBITDA in the above table is a reference to the core business revenue and EBITDA and does not include the revenue and EBITDA from the content marketing business.

* John Croll resigned on 25 February 2018 and stepped down as Managing Director and Chief Executive Officer on 24 May 2018 and was not eligible to receive any awards under the VRP.

** Based on his performance during FY2018 and his ongoing employment with the company pending the appointment of a new Chief Financial Officer, the NRC determined that the Chief Financial Officer, James Orlando was entitled to receive an amount equal to the cash component of what would have been his entitlement under the VRP. The NRC determined that James was not entitled to the Rights component of the VRP following his resignation on 6 July 2018. Based on a total award calculation representing 64.31% of TFR James' cash award equates to 32.15% of TFR (which represents 50% of the total amount of the VRP that could have otherwise been awarded).

*** Sean Smith and David Liu will receive their award in the form of cash (50%) and Rights (50%) as per the terms of the VRP.

3.3 One-off payments and awards

The Board approved a one-off cash retention payment for Sean Smith and David Liu in FY2018. Sean received the amount of $40,000 and David received the amount of SGD $30,000. The offer for these payments was put in place during a period of significant market speculation about industry consolidation during FY2018 and were effective in maintaining stability with key executives during that phase. Neither Sean Smith nor David Liu had received a cash incentive of any kind in the two previous financial years. In his role as Chief Commercial Officer, Sean is responsible for sales and operations across Australia and New Zealand. In his role as Chief Executive Asia, David is responsible for sales and operations across Asia.

4. KMP remuneration disclosures

All directors and executives listed below were considered KMP for the year ended 30 June 2018. During FY2018, all non-executive directors were considered to be independent. The Chief Financial Officer and Company Secretary Nimesh Shah ceased employment on 7 July 2017. Managing Director and Chief Executive Officer John Croll stepped down as Chief Executive Officer and member of the Board on 24 May 2018. This resulted in Doug Snedden assuming the role of Executive Chairman effective 24 May 2018 while the search for a new Chief Executive Officer continued. Ed Harrison commenced in the role of Managing Director and Chief Executive Officer effective 6 August 2018. James Orlando resigned as Chief Financial Officer on 20 July 2018. James was employed throughout FY2018 and will remain in his position until a suitable candidate is found.

The KMP of the group in FY2018 consists of the following directors:

- Doug Snedden – Executive Chairman
- Pat O'Sullivan – Independent Non-Executive Director
- Fiona Pak-Poy – Independent Non-Executive Director
- Geoff Raby – Former Independent Non-Executive Director (resigned 20 July 2018, after the end of the FY2018 reporting period)

The KMP of the group in FY2018 consists of the following senior executives:

- John Croll – Former Managing Director and Chief Executive Officer
- James Orlando – Chief Financial Officer
- Sean Smith – Chief Commercial Officer
- David Liu – Chief Executive Asia

The following KMP left the company in FY2018:

- Doug Flynn – Former Chairman of the Board and Independent Non-Executive Director (resigned 23 November 2017)
- Nimesh Shah – Former Chief Financial Officer and Company Secretary (resigned 7 July 2017)

Details of the remuneration for KMP of the group paid or accrued are set out in the tables below:

	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	VRP cash settled	Cash bonus****	Non-monetary	Super-annuation	Employee benefit	Equity- settled*** Options	Rights	Total
2018	$	$	$	$	$	$	$	$	$
Non-Executive Directors:									
Doug Snedden*	120,548	-		-	11,452	-	-	-	132,000
Doug Flynn	76,000	-		-	7,220	-	-	-	83,220
Pat O'Sullivan	110,000	-		-	10,450	-	-	-	120,450
Fiona Pak-Poy	110,000	-		-	10,450	-	-	-	120,450
Geoff Raby	100,000	-		-	9,500	-	-	-	109,500
Executive directors:									
John Croll	654,636	-		-	20,049	10,889	(334,269)	-	351,305
Other KMP:									
Nimesh Shah**	8,368	-		-	793	-	-	-	9,161
Sean Smith	346,865	92,245	40,000	-	20,049	5,791	(29,384)	26,508	502,074
David Liu	485,164	136,004	28,832	-	6,228	-	(39,993)	39,083	655,318
James Orlando	490,000	163,995	-	-	20,049	-	-	-	674,044
	2,501,581	392,244	68,832	-	116,240	16,680	(403,646)	65,591	2,757,522

* Doug Snedden was Executive Chairman from 24 May 2018 to 6 August 2018 but received no additional remuneration.

** Nimesh Shah ceased employment on 7 July 2017 and received no termination benefits other than statutory entitlements.

*** The values for equity-based remuneration have been determined in accordance with AASB2 'Share-based Payments' and represent the current year amortisation of the fair value of rights and options over the vesting period adjusted for service and non-market vesting conditions. The share-based payments are made up of rights and options. Furthermore, the equity-based remuneration represents one third of the value of options granted in FY2016 and FY2017. As for the rights, they are apportioned over thirty-eight months in line with the performance and vesting period.

**** The amount shown under 'Cash bonus' refers to the amount which was paid under a one-off cash retention payment for Sean Smith and David Liu.

2017	Short-term benefits: Cash salary and fees $	Short-term benefits: STI $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Long-term benefits: Employee benefit $	Share-based payments: Equity-settled $	Total $
Non-Executive Directors:							
Doug Flynn	190,000	-	-	18,050	-	-	208,050
Pat O'Sullivan	110,000	-	-	10,450	-	-	120,450
Fiona Pak-Poy	110,000	-	-	10,450	-	-	120,450
Geoff Raby	100,000	-	-	9,500	-	-	109,500
Executive directors:							
John Croll	654,636	-	-	19,616	10,889	331,885	1,017,026
Other KMP:							
Nimesh Shah*	434,926	-	-	19,616	-	70,000	524,542
Sean Smith	332,828	-	-	19,616	5,667	155,795	513,906
David Liu	464,523	-	-	6,172	-	150,981	621,676
James Orlando**	4,027	-	-	383	-	-	4,410
	2,400,940	-	-	113,853	16,556	708,661	3,240,010

* Nimesh Shah ceased employment on 7 July 2017 and received no termination benefits other than statutory entitlements.
** James Orlando commenced employment on 28 June 2017.

Equity settled remuneration represents one third of the value of options granted in FY2015, FY2016 and FY2017. Total value of options granted is apportioned over three years in line with the performance period of the options granted.

The relative percentage of remuneration of KMP's that are linked to performance is set out in the following table:

Name	Fixed remuneration 2018	Fixed remuneration 2017	Remuneration linked to performance 2018	Remuneration linked to performance 2017
Non- Executive Directors:				
Doug Snedden*	100%	n/a	-	-
Doug Flynn	100%	100%	-	-
Pat O'Sullivan	100%	100%	-	-
Fiona Pak-Poy	100%	100%	-	-
Geoff Raby	100%	100%	-	-
Executive Directors:				
John Croll**	100%	67%	-	33%
Other KMP:				
James Orlando***	76%	100%	24%	-
Sean Smith	71%	70%	29%	30%
David Liu	68%	76%	32%	24%
Nimesh Shah****	100%	87%	-	13%

* Doug Snedden was appointed to the Board on 23 November 2017.
** John Croll resigned in February 2018 and stepped down as Managing Director and Chief Executive Officer in May 2018. He was not awarded any performance linked remuneration in FY2018.

*** James Orlando commenced employment on 28 June 2017.
**** Nimesh Shah ceased employment on 7 July 2017.

5. Service contracts

Remuneration and other terms of employment for KMP are formalised in service contracts. All executive service contracts provide for immediate termination in the event of serious misconduct. Details of other key terms are summarised below:

		Notice period for termination	
Executive KMP	Contract term	By executive	By Isentia
John Croll	No fixed term	6 months	6 months
Sean Smith	No fixed term	3 months	3 months
David Liu	No fixed term	3 months	3 months
James Orlando	No fixed term	6 months	6 months

Minimum shareholding requirement

There is currently no minimum shareholding requirement for KMP under the company's constitution. The company seeks to satisfy equity exposure for KMP through the vesting of incentives under the VRP over time, which was one of the reasons for implementing the VRP.

6. Share-based compensation

Issue of shares

There were no shares issued to directors or other KMP as part of compensation during the year ended 30 June 2018.

Rights

The following KMP will be entitled to the awards of Rights under the VRP for performance during the year ended 30 June 2018:

Type and eligibility	Vesting conditions	Share price at grant date	Performance period start date	Maximum monetary value of securities to be issued	Fair value at grant date
Sean Smith	Service and non-market condition	$1.40	01 July 2017	$92,245	$0.89 per $1.00
David Liu	Service and non-market condition	$1.40	01 July 2017	$136,004	$0.89 per $1.00

Options

There were no options that were granted to KMP during the year ended 30 June 2018.

The terms of each grant of options over ordinary shares affecting remuneration of KMP in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date (TSR Tranche)	Fair value per option at grant date (EPS Tranche)
16 June 2014*	1 July 2017	30 June 2018	$2.04	$0.55	$0.55
10 December 2014*	1 July 2017	30 June 2018	$2.04	$1.06	$1.06
19 November 2015	1 July 2018	30 June 2019	$3.75	$0.59	$0.62
17 November 2016	1 July 2019	30 June 2020	$3.47	$0.69	$0.71

* Options lapsed on 30 June 2018.

The performance period, to which vesting of the options is subject, is in all cases, 3 years commencing on 1 July of the calendar year of the grant. Further vesting conditions relating to the performance period include relative TSR and EPS growth hurdles. These conditions are detailed earlier in this report. Options granted carry no dividend or voting rights.

The number and value of options over ordinary shares granted vested and lapsed by KMP as part of compensation during the year ended 30 June 2018 are set out below:

	Value of options granted during the year		Number of options granted during the year		Number of options lapsed during the year	
	2018	2017	2018	2017	2018	2017
	$	$	Number	Number	Number	Number
Executive Directors:						
John Croll*	-	348,970	-	498,627	1,622,021	-
Other KMP:						
Nimesh Shah**	-	227,913	-	325,656	382,653	688,625
Sean Smith***	-	163,340	-	233,390	135,643	-
David Liu	-	236,011	-	337,228	-	-

* Options granted to John Croll in 2015 and 2016 lapsed upon his resignation. Options granted in 2014 lapsed due to the vesting condition not being met.

** Options granted to Nimesh Shah in 2015 and 2016 lapsed upon his resignation. The terms of the options granted in 2014 provided that the options survive resignation. Options granted in 2014 lapsed due to the vesting condition not being met.

*** Options granted to Sean Smith in 2014 lapsed as vesting conditions were not satisfied.

7. KMP Interests in Isentia securities

Shareholding
The number of shares in the company held during the financial year by each director and other KMP of the group during the financial year, including related parties, is set out below:

	Ordinary shares			
	Balance at the start of the year	Additions	Disposals	Balance at the end of the year
Doug Flynn *	73,530	204,000	-	277,530
Doug Sneddon*	-	228,000	-	228,000
John Croll **	6,260,056	121,000	-	6,381,056
Pat O'Sullivan	29,412	25,000	-	54,412
Fiona Pak-Poy *	29,412	-	-	29,412
David Liu	-	30,000	(30,000)	-
Geoff Raby	29,412	-	-	29,412
	6,421,822	608,000	(30,000)	6,999,822

* All are held indirectly
** Of which 335,398 are held indirectly

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of KMP of the group, including related parties, is set out below:

	Options				
	Balance at the start of the year	Granted	Exercised	Lapsed	Balance at the end of the year
Executive directors:					
John Croll	1,622,021	-	-	(1,622,021)	-
Other KMP:					
Nimesh Shah	382,653	-	-	(382,653)	-
Sean Smith	633,086	-	-	(135,643)	497,443
David Liu	696,015	-	-	-	696,015
	3,333,775	-	-	(2,140,317)	1,193,458

None of the options have vested or are exercisable.

8. Other information

Use of remuneration consultants
During FY2018, the NRC engaged an independent remuneration consultant KPMG Australia ('KPMG') to review the group's remuneration practices including the executive incentive programs. KPMG made recommendations in relation to a range of remuneration matters including recommendations for KMP. KPMG were paid $48,000 for review and advice on the remuneration and incentive programs. The NRC liaised directly with KPMG and management was only involved to the extent of providing factual information to KPMG. In this regard the NRC and the Board are satisfied that the remuneration recommendations made by KPMG were made free from undue influence by any KMP to whom the recommendations related.

Loans or transactions with KMP
There were no loans or other transactions with the KMP during the year.

This concludes the remuneration report, which has been audited.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 follows this Directors' report.

Auditor
Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Doug Snedden
Chairman

22 August 2018
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7021
www.deloitte.com.au

The Board of Directors
Isentia Group Limited
219-241 Cleveland Street
Strawberry Hills
SYDNEY NSW 2012

22 August 2018

Dear Board Members

Isentia Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Isentia Group Limited.

As lead audit partner for the audit of the financial statements of Isentia Group Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants

Statement of profit or loss and other comprehensive income	27
Statement of financial position	28
Statement of changes in equity	29
Statement of cash flows	30
Notes to the financial statements	31
Directors' declaration	69
Independent auditor's report to the members of Isentia Group Limited	70
Shareholder information	74
Corporate directory	76

General information

The financial statements cover Isentia Group Limited as a group consisting of Isentia Group Limited (the 'company' or 'parent entity') and its subsidiaries (collectively referred to as the 'group'). The financial statements are presented in Australian dollars, which is Isentia Group Limited's functional and presentation currency.

Isentia Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 3
219-241 Cleveland Street
Strawberry Hills NSW 2012

A description of the nature of the group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 August 2018.

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Revenue	4	137,139	155,129
Other income	5	3,048	13,863
Expenses			
Copyright, consumables and other direct purchases		(35,233)	(38,558)
Employee benefits expense		(59,966)	(63,234)
Amortisation expenses	7	(14,307)	(14,561)
Depreciation expense	7	(1,819)	(1,685)
Impairment of assets	7	(158)	(39,399)
Loss on disposal of assets		(275)	(254)
Occupancy costs		(5,610)	(5,650)
Content marketing exit expenses	6	(7,100)	-
Other expenses		(9,954)	(12,092)
Finance costs	7	(2,284)	(2,855)
Profit/(loss) before income tax expense		3,481	(9,296)
Income tax expense	8	(2,196)	(4,227)
Profit/(loss) after income tax expense for the year attributable to the owners of Isentia Group Limited		1,285	(13,523)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges taken to equity, net of tax		-	302
Exchange differences on translating foreign operations, net of tax		2,416	(3,538)
Other comprehensive income for the year, net of tax		2,416	(3,236)
Total comprehensive income for the year attributable to the owners of Isentia Group Limited		3,701	(16,759)
		Cents	**Cents**
Basic earnings per share	36	0.642	(6.761)
Diluted earnings per share	36	0.642	(6.761)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Assets			
Current assets			
Cash and cash equivalents	9	11,927	13,252
Trade and other receivables	10	23,157	31,245
Income tax refund due		2,273	1,360
Prepayments		1,025	1,756
Total current assets		38,382	47,613
Non-current assets			
Property, plant and equipment	11	4,628	4,712
Intangibles	12	142,383	153,027
Deferred tax assets	13	3,459	5,320
Other		40	40
Total non-current assets		150,510	163,099
Total assets		188,892	210,712
Liabilities			
Current liabilities			
Trade and other payables	14	17,944	19,315
Borrowings	15	325	-
Current tax liabilities		528	822
Provisions	16	5,487	5,132
Contingent consideration	17	3,172	2,989
Total current liabilities		27,456	28,258
Non-current liabilities			
Borrowings	18	55,502	64,869
Deferred tax liabilities	19	14,229	17,105
Provisions	20	684	784
Contingent consideration	21	551	4,963
Total non-current liabilities		70,966	87,721
Total liabilities		98,422	115,979
Net assets		90,470	94,733
Equity			
Issued capital	22	403,662	403,662
Reserves	23	(251,767)	(253,673)
Accumulated losses		(61,425)	(55,256)
Total equity		90,470	94,733

The above statement of financial position should be read in conjunction with the accompanying notes

Isentia Group Limited
Statement of changes in equity
For the year ended 30 June 2018

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2016	403,662	(251,287)	(26,673)	125,702
Loss after income tax expense for the year	-	-	(13,523)	(13,523)
Other comprehensive income for the year, net of tax	-	(3,236)	-	(3,236)
Total comprehensive income for the year	-	(3,236)	(13,523)	(16,759)
Transactions with owners in their capacity as owners:				
Share-based payments (note 37)	-	850	-	850
Dividends paid (note 24)	-	-	(15,060)	(15,060)
Balance at 30 June 2017	403,662	(253,673)	(55,256)	94,733

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017	403,662	(253,673)	(55,256)	94,733
Profit after income tax expense for the year	-	-	1,285	1,285
Other comprehensive income for the year, net of tax	-	2,416	-	2,416
Total comprehensive income for the year	-	2,416	1,285	3,701
Transactions with owners in their capacity as owners:				
Share-based payments (note 37)	-	(510)	-	(510)
Dividends paid (note 24)	-	-	(7,454)	(7,454)
Balance at 30 June 2018	403,662	(251,767)	(61,425)	90,470

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		158,716	179,631
Payments to suppliers and employees (inclusive of GST)		(125,838)	(136,071)
Interest received		92	62
Other revenue		1,106	-
Interest and other finance costs paid		(2,187)	(2,933)
Income taxes paid		(3,512)	(6,940)
Net cash from operating activities	35	28,377	33,749
Cash flows from investing activities			
Payments to vendors for prior year assets acquisition	26	(2,386)	(7,033)
Payments for property, plant and equipment		(1,096)	(2,846)
Payments for intangibles		(8,475)	(11,458)
Payment for purchase of asset acquisition		(508)	(1,239)
Proceeds from disposal of intangibles		100	-
Proceeds from release of security deposits		225	-
Net cash used in investing activities		(12,140)	(22,576)
Cash flows from financing activities			
Proceeds from borrowings		2,000	15,000
Repayment of borrowings		(12,000)	(6,000)
Repayments of leases		(108)	-
Dividends paid	24	(7,454)	(15,060)
Net cash used in financing activities		(17,562)	(6,060)
Net increase/(decrease) in cash and cash equivalents		(1,325)	5,113
Cash and cash equivalents at the beginning of the financial year		13,252	8,139
Cash and cash equivalents at the end of the financial year	9	11,927	13,252

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention except for contingent consideration payable on business combinations and certain financial instruments that are measured at revalued amounts or fair values, as detailed in the accounting policies in this note.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Isentia Group Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Isentia Group Limited and its subsidiaries together are referred to in these financial statements as the 'group'.

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The acquisition of common control subsidiaries is accounted for at book value. The acquisition of other subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 1. Significant accounting policies (continued)

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Isentia Group Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the group and the revenue can be reliably measured.

Revenue is measured at the fair value of consideration received or receivable. The group recognises revenue when the amount of the revenue can be reliably measured, it is probable that future economic benefits will flow to the group and specific criteria have been met for each of the group’s operations as described below.

Revenue is recognised for the major business operation as follows:

Rendering of services
Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

(i) Software as a service:
Revenue from providing customers access to group platforms is recognised in accordance with the terms of the contracts provided in the subscription agreement. The ‘software as a service’ and related support revenue (if any) is recognised over the service period.

(ii) Value added service:
For social media monitoring, revenue is recognised according to terms of engagement and when service has been rendered. For insights reports, revenue is recognised at a point in time when the report is completed and the report is delivered to the customer.

(iii) Content marketing:
Revenue from content creation and marketing services is recognised according to the terms of the engagement and when service has been rendered. Such revenue is recognised in proportion to their stage of completion of the contracts which is measured by reference to labour hours incurred to date as percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 1. Significant accounting policies (continued)

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Isentia Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement between 30 and 90 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 1. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	3-5 years
Furniture and fittings	3-13 years
Office equipment	3-7 years
Computer equipment	2-3 years

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer relationships and contracts

Customer contracts purchased or acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of between five and ten years.

Note 1. Significant accounting policies (continued)

Software, research and capitalised development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the group is able to use or sell the asset; the group has sufficient resources; and intent to complete the internal development and their costs can be measured reliably. These capitalised costs and other software costs, purchased from third parties, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of between two and five years.

Brands
Brands acquired in a business combination are not amortised, on the basis of indefinite life, which is reassessed every year. Instead, brands are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and are carried at cost less accumulated impairment losses.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the group has a present (legal or constructive) obligation as a result of a past event, it is probable the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 1. Significant accounting policies (continued)

Other long-term employee benefits
Employee benefits not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, or rights that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Black-Scholes option pricing model or Monte Carlo Simulation where applicable that takes into account the exercise price, the term of the option, the impact of dilution or rights, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Note 1. Significant accounting policies (continued)

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Isentia Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other 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 are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2018. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

Note 1. Significant accounting policies (continued)

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group will adopt this standard from 1 July 2018, and the adoption of this standard is not expected to significantly impact the financial statements on the basis that the main financial assets recognised represent cash and cash equivalent and trade receivables that do not carry a significant financing component and involve a single cash flow representing the repayment of principal, which in the case of trade receivables is the transaction price. Both asset classes will continue to be measured at face value. Other financial asset classes are not material to the group. Financial liabilities of the group are not impacted as the group does not carry them at fair value.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Commonly referred to as the 5-step approach, the standard requires:

(i) identification of contracts (either written, verbal or implied) with a customer;
(ii) identification of the separate performance obligations within the contract;
(iii) determination of the transaction price, adjusted for the time value of money excluding credit risk;
(iv) allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and
(v) recognition of revenue when each performance obligation is satisfied.

Credit risk will be presented separately as an expense rather than adjusted to revenue. Under AASB15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The group derives its revenue primarily from ‘software-as-a-service’ subscriptions, where customers subscribe to access the platform, content, database and associated support services. Under the current revenue recognition standard AASB 118 'Revenue', software-as-a-service and related support revenue (if any) is recognised over the service period.

The remaining revenue is generated from ‘valued added services’, where customers purchase customised insights reports. Revenue is recognised at a point in time when the report is completed and the report is delivered to the customer.

The group will adopt this standard from 1 July 2018 and management's assessment of the new standard is as follows:

Note 1. Significant accounting policies (continued)

Revenue stream	Assessment
Software-as-a-Service	The focus of management's assessment was to first to evaluate its standard subscription and support services against each of the 5-steps noted above, with regards to any other specific guidance in the standard. Secondly, management has additionally assessed any unique performance obligations and/or pricing arrangements within its material contracts to determine the appropriate treatment for these.
Valued added services	Management's assessment was to evaluate the revenue stream against the 5-steps noted above, with a focus on the specific performance obligations to determine the appropriate treatment under the standard.

Management have completed their evaluation of the group's material contracts against the 5-step approach noted above, and based on this evaluation have determined that, other than additional disclosures required, the implementation of AASB 15 from 1 July 2018 is not expected to have a significant financial impact on the group.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a lease liability will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A 'right of use' asset corresponding to the lease liability will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019. Information on the undiscounted amount of the group's operating lease commitments under AASB 117, the current leasing standard, is disclosed in note 30. The group is considering the available options for transition. To date, work has focused on the identification of the provisions of the standard which will most impact the group. Management will subsequently carry out a detailed review of the contracts to assess the financial reporting impacts.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets
The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Goodwill and other indefinite life intangible assets
The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on the group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Such deferred tax assets are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of the deferred tax assets is reviewed at the end of each period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Note 3. Operating segments

Identification of reportable operating segments
The group has two geographical segments being Australia and New Zealand ('ANZ') and Asia/Rest of the World ('Asia/RoW') and a head office segment. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews revenue and EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

The CODM does not regularly review segment assets and segment liabilities. Refer to statement of financial position for assets and liabilities.

Types of revenue
The principal revenues are as follows:

Software-as-a-Service ('SaaS')	The group has developed and hosted a number of SaaS platforms, such as its flagship Mediaportal that provide customers access to time critical and highly relevant information as well as tools to analyse and report on media intelligence.
Value Added Services ('VAS')	The group provides social media insights and monitoring, customised quantitative and qualitative analysis, and in depth analysis required by customers.
Content Marketing	The group provided comprehensive content marketing strategies and engaging digital content that empowers brands to increase profitability by communicating effectively with target audiences.

Major customers
There are no major customers that contributed more than 10% of revenue to the group.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 2018	ANZ $'000	Asia/RoW $'000	Head Office $'000	Total $'000
Revenue				
SaaS	79,361	15,628	-	94,989
VAS	18,352	19,228	-	37,580
Content marketing	2,652	1,918	-	4,570
Total revenue	100,365	36,774	-	137,139
Adjusted EBITDA*	34,618	3,775	(12,459)	25,934
Fair value adjustment on contingent consideration				1,850
Depreciation and amortisation*				(20,828)
Impairment of assets*				(1,843)
Interest revenue				92
Finance costs				(2,284)
Proceeds from legal settlement				1,100
Loss on disposal of assets*				(540)
Profit before income tax expense				3,481
Income tax expense				(2,196)
Profit after income tax expense				1,285

* Including Content marketing exit expenses, disclosed under note 6.

Consolidated - 2017	ANZ $'000	Asia/RoW $'000	Head Office $'000	Total $'000
Revenue				
SaaS	87,498	15,833	-	103,331
VAS	20,361	17,063	-	37,424
Content marketing	8,684	5,690	-	14,374
Total revenue	116,543	38,586	-	155,129
Adjusted EBITDA	41,876	2,872	(9,151)	35,597
Fair value adjustment on contingent consideration				13,799
Depreciation and amortisation				(16,246)
Impairment of assets				(39,399)
Interest revenue				62
Finance costs				(2,855)
Loss on disposal of assets				(254)
Loss before income tax expense				(9,296)
Income tax expense				(4,227)
Loss after income tax expense				(13,523)

Note 4. Revenue

	Consolidated 2018 $'000	Consolidated 2017 $'000
Rendering of services	137,139	155,129

Note 5. Other income

	Consolidated 2018 $'000	Consolidated 2017 $'000
Government grants	6	2
Interest income	92	62
Fair value adjustment on contingent consideration (note 26)	1,850	13,799
Other income - proceeds from legal settlement	1,100	-
Other income	3,048	13,863

Note 6. Content marketing exit expenses

Exit content marketing and refocus on Media Intelligence business
Following the Board's decision to write down the value of King Content, management has continued to closely monitor and review the performance of the content marketing business. In view of its continued underperformance, the group has exited content marketing.

Loss before income tax included the following specific costs relating to the exit of the content marketing business:

	Consolidated 2018 $'000	Consolidated 2017 $'000
Accelerated amortisation expenses	4,702	-
Impairment of assets	1,685	-
Loss on disposal of assets	265	-
Redundancy costs	448	-
Total content marketing exit expenses	7,100	-

Note 7. Expenses

	Consolidated 2018 $'000	2017 $'000
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	495	431
Furniture and fittings	143	184
Office equipment	155	106
Computer equipment	1,026	964
Total depreciation	1,819	1,685
Amortisation		
Customer relationships and contracts	7,807	8,341
Acquired software	1,480	2,722
Internally generated software	5,020	3,498
Total amortisation	14,307	14,561
Total depreciation and amortisation	16,126	16,246
Impairment		
Goodwill	158	32,717
Customer relationships and contracts	-	201
Software and capitalised development	-	386
Brands	-	6,095
Total impairment	158	39,399
Finance costs		
Interest and finance charges paid/payable	2,194	2,647
Loan establishment fee and other facility cost	90	208
Finance costs expensed	2,284	2,855
Net foreign exchange fluctuation		
Net foreign exchange loss/(gain)	31	(536)
Rental expense relating to operating leases		
Lease payments	4,976	4,816
Superannuation expense and statutory contribution		
Defined contribution superannuation expense	5,182	6,081
Impairment of receivables		
Bad and doubtful debt expense	897	1,026

Note 8. Income tax expense

	Consolidated 2018 $'000	Consolidated 2017 $'000
Income tax expense		
Current tax expense	2,060	3,557
Deferred tax - origination and reversal of temporary differences	(81)	(18)
Prior year unders/overs	217	688
Aggregate income tax expense	2,196	4,227
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 13)	2,212	2,099
Decrease in deferred tax liabilities (note 19)	(2,293)	(2,117)
Deferred tax - origination and reversal of temporary differences	(81)	(18)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	3,481	(9,296)
Tax at the statutory tax rate of 30%	1,044	(2,789)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	797	7,247
Effect of tax rates in overseas jurisdictions	45	120
Current year tax loss not recognised	353	562
Research and development tax offset	(260)	(1,533)
Utilisation of tax loss not recognised previously	-	(68)
Prior year overs/unders	217	688
Income tax expense	2,196	4,227

	Consolidated 2018 $'000	Consolidated 2017 $'000
Amounts charged directly to equity		
Deferred tax assets (note 13)	-	130

Note 9. Current assets - cash and cash equivalents

	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash on hand	13	12
Cash at bank	11,914	13,240
	11,927	13,252

Note 10. Current assets - trade and other receivables

	Consolidated	
	2018	2017
	$'000	$'000
Trade receivables	21,068	27,578
Less: Provision for impairment of receivables	(683)	(568)
	20,385	27,010
Other receivables	1,972	3,210
Security deposits	800	1,025
	23,157	31,245

Impairment of receivables
The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2018	2017
	$'000	$'000
Over 6 months overdue	683	568

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2018	2017
	$'000	$'000
Opening balance	568	426
Additional provisions recognised	897	1,026
Receivables written off during the year as uncollectable	(782)	(884)
Closing balance	683	568

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $2,322,000 as at 30 June 2018 ($5,019,000 as at 30 June 2017).

The group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2018	2017
	$'000	$'000
0 to 3 months overdue	1,560	3,389
3 to 6 months overdue	437	741
Over 6 months overdue	325	889
	2,322	5,019

Note 11. Non-current assets - property, plant and equipment

	Consolidated 2018 $'000	Consolidated 2017 $'000
Leasehold improvements - at cost	2,761	4,557
Less: Accumulated depreciation	(1,458)	(2,704)
	1,303	1,853
Furniture and fittings - at cost	1,668	2,337
Less: Accumulated depreciation	(1,111)	(1,661)
	557	676
Office equipment - at cost	2,423	2,502
Less: Accumulated depreciation	(1,104)	(2,210)
	1,319	292
Computer equipment - at cost	5,601	11,383
Less: Accumulated depreciation	(4,152)	(9,492)
	1,449	1,891
	4,628	4,712

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $'000	Furniture and fittings $'000	Office equipment $'000	Computer equipment $'000	Total $'000
Balance at 1 July 2016	1,279	592	270	1,774	3,915
Additions	1,271	289	152	1,134	2,846
Disposals	(210)	(13)	(15)	(16)	(254)
Exchange differences	(56)	(8)	(9)	(37)	(110)
Depreciation expense	(431)	(184)	(106)	(964)	(1,685)
Balance at 30 June 2017	1,853	676	292	1,891	4,712
Additions	211	58	1,188	643	2,100
Disposals	(219)	(40)	(8)	(11)	(278)
Reclassification	(75)	-	-	(128)	(203)
Exchange differences	28	6	2	80	116
Depreciation expense	(495)	(143)	(155)	(1,026)	(1,819)
Balance at 30 June 2018	1,303	557	1,319	1,449	4,628

Property, plant and equipment secured under finance leases

Refer to note 30 for further information on property, plant and equipment secured under finance leases.

Note 12. Non-current assets - intangibles

	Consolidated 2018 $'000	Consolidated 2017 $'000
Goodwill - at cost	117,762	116,446
Less: Accumulated impairment	(37,544)	(37,555)
	80,218	78,891
Customer relationships and contracts - at cost	81,968	82,774
Less: Accumulated amortisation	(57,648)	(50,151)
Less: Accumulated impairment	(3,666)	(1,980)
	20,654	30,643
Purchased software - at cost	32,330	32,442
Less: Accumulated amortisation	(28,424)	(24,892)
Less: Impairment	(386)	(386)
	3,520	7,164
Internally generated software - at cost	32,722	27,184
Less: Accumulated amortisation	(13,362)	(9,320)
	19,360	17,864
Brands - at cost	24,726	24,560
Less: Impairment	(6,095)	(6,095)
	18,631	18,465
	142,383	153,027

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Customer relationships and contracts $'000	Purchased software $'000	Internally generated software $'000	Brands $'000	Total $'000
Balance at 1 July 2016	113,292	38,922	8,012	11,371	24,719	196,316
Additions	-	424	2,252	10,016	5	12,697
Exchange differences	(1,684)	(161)	8	(25)	(164)	(2,026)
Impairment of assets	(32,717)	(201)	(386)	-	(6,095)	(39,399)
Amortisation expense	-	(8,341)	(2,722)	(3,498)	-	(14,561)
Balance at 30 June 2017	78,891	30,643	7,164	17,864	18,465	153,027
Additions	-	207	1,463	6,951	8	8,629
Disposals	-	(334)	-	(29)	-	(363)
Reclassification	-	(416)	203	416	-	203
Exchange differences	1,485	46	49	1	158	1,739
Impairment of assets	(158)	(1,685)	-	-	-	(1,843)
Accelerated amortisation expense - content marketing	-	-	(3,879)	(823)	-	(4,702)
Amortisation expense	-	(7,807)	(1,480)	(5,020)	-	(14,307)
Balance at 30 June 2018	80,218	20,654	3,520	19,360	18,631	142,383

Note 12. Non-current assets - intangibles (continued)

The remaining goodwill acquired through business combinations has been allocated to the following operating segments:

	Consolidated	
	2018 $'000	2017 $'000
ANZ	52,297	52,356
Asia and Rest of the World ('Asia/RoW')	27,921	26,535
	80,218	78,891

Brands have been allocated to the following operating segments:

	Consolidated	
	2018 $'000	2017 $'000
ANZ	16,421	16,413
Asia/RoW	2,210	2,052
	18,631	18,465

Key assumptions are those to which the recoverable amount of operating segments is most sensitive.

The recoverable amount of the group's goodwill and indefinite life intangibles have been determined by value-in-use calculations. The following key assumptions were used in the discounted cash flow model for the different operating segments:

1. Discounted cash flow model based on approved FY2019 budget and business plan for the next 4 years. Terminal growth rates applied are ANZ 2% (2017: 4%) and Asia/RoW 9% (2017: 9%).

2. Weighted average cost of capital: ANZ 11.75% (2017: 11.75%) and Asia/RoW: 15% (2017: 15%)

Sensitivity
Any reasonable change in the key assumptions on which the recoverable amount is based would not cause the operating segments carrying amount to exceed its recoverable amount.

Note 13. Non-current assets - deferred tax assets

	Consolidated 2018 $'000	Consolidated 2017 $'000
Deferred tax assets comprise temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	371	-
Impairment of receivables	69	70
Employee benefits	938	1,066
Provision for lease make good	50	58
Provision for audit fees	103	98
Accrued lease incentives	68	55
Accruals and prepayments	106	220
Unrealised foreign exchange gain/loss	421	318
Intangibles	1,253	2,682
IPO transaction costs	-	486
Acquisition costs	95	-
Property, plant and equipment	(15)	(51)
	3,459	5,002
Amounts recognised in equity:		
IPO transaction costs	-	318
Deferred tax assets	3,459	5,320
Movements:		
Opening balance	5,320	8,057
Charged to profit or loss (note 8)	(2,212)	(2,099)
Charged to equity (note 8)	-	(130)
Adjustments to profit or loss - Prior year unders/overs	358	(487)
Exchange differences	(7)	(21)
Closing balance	3,459	5,320

Note 14. Current liabilities - trade and other payables

	Consolidated 2018 $'000	Consolidated 2017 $'000
Trade payables	2,344	3,142
Amounts received in advance	5,717	5,256
Accrued expenses	9,367	9,416
Other payables	516	1,501
	17,944	19,315

Refer to note 25 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	Consolidated	
	2018	2017
	$'000	$'000
Lease liability	325	-

Refer to note 18 for further information on assets pledged as security and financing arrangements.

Refer to note 25 for further information on financial instruments.

Note 16. Current liabilities - provisions

	Consolidated	
	2018	2017
	$'000	$'000
Employee benefits	5,487	5,132

Amounts not expected to be settled within the next 12 months
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2018	2017
	$'000	$'000
Employee benefits obligation expected to be settled after 12 months	603	636

Note 17. Current liabilities - contingent consideration

	Consolidated	
	2018	2017
	$'000	$'000
Contingent consideration	3,172	2,989

Refer to note 26 for further information on fair value measurement.

Note 18. Non-current liabilities - borrowings

	Consolidated	
	2018	2017
	$'000	$'000
Bank loans	55,000	65,000
Prepaid facility costs	(69)	(131)
Lease liability	571	-
	55,502	64,869

Refer to note 25 for further information on financial instruments.

Note 18. Non-current liabilities - borrowings (continued)

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated 2018 $'000	Consolidated 2017 $'000
Bank loans	55,000	65,000
Lease liability	896	-
	55,896	65,000

Assets pledged as security
Borrowings comprise of bank loans with facilities totalling $75,000,000. The bank loans are secured by fixed and floating charges over the group's assets. The facility is for 3 years with a maturity date of 7 July 2019.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2018 $'000	Consolidated 2017 $'000
Total facilities		
Bank loans	75,000	75,000
Lease liability	896	-
	75,896	75,000
Used at the reporting date		
Bank loans	55,000	65,000
Lease liability	896	-
	55,896	65,000
Unused at the reporting date		
Bank loans	20,000	10,000
Lease liability	-	-
	20,000	10,000

Of the $20,000,000 (2017: $10,000,000) remaining facility, $274,000 (2017: $515,000) has been used for bank guarantees.

Note 19. Non-current liabilities - deferred tax liabilities

	Consolidated 2018 $'000	Consolidated 2017 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer relationships and contracts from acquisition	3,852	6,614
Brands from acquisition	5,467	5,467
Internally generated software	4,910	4,699
Accrued revenue	-	325
Deferred tax liability	14,229	17,105
Movements:		
Opening balance	17,105	19,083
Credited to profit or loss (note 8)	(2,293)	(2,117)
Adjustments to profit or loss - prior year unders/overs	(583)	139
Closing balance	14,229	17,105

Note 20. Non-current liabilities - provisions

	Consolidated 2018 $'000	Consolidated 2017 $'000
Employee benefits	292	407
Deferred lease incentives	225	182
Lease make-good	167	195
	684	784

Deferred lease incentives
The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

Lease make-good
The provision represents the present value of the estimated costs to make good the premises leased by the group at the end of the respective lease terms.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2018	Deferred lease incentives $'000	Lease make-good $'000
Carrying amount at the start of the year	182	195
Additional provisions recognised	43	-
Unused amounts reversed	-	(28)
Carrying amount at the end of the year	225	167

Note 21. Non-current liabilities - contingent consideration

	Consolidated 2018 $'000	Consolidated 2017 $'000
Contingent consideration	551	4,963

Refer to note 26 for further information on fair value measurement.

Note 22. Equity - issued capital

	Consolidated 2018 Shares	Consolidated 2017 Shares	Consolidated 2018 $'000	Consolidated 2017 $'000
Ordinary shares - fully paid	200,000,001	200,000,001	403,662	403,662

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

Share buy-back
There were no on-market buy-back of Isentia Group Limited shares.

Capital risk management
The group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2017 Annual Report.

Note 23. Equity - reserves

	Consolidated 2018 $'000	Consolidated 2017 $'000
Foreign currency reserve	5,074	2,658
Share-based payments reserve	1,388	1,898
Capital reserve	(258,229)	(258,229)
	(251,767)	(253,673)

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Capital reserve
The reserve is used to recognise contributions from or to Isentia Group Limited and its controlled subsidiaries by shareholders and to recognise the acquisition of non-controlling interest.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency $'000	Hedging $'000	Share-based payment $'000	Capital $'000	Total $'000
Balance at 1 July 2016	6,196	(302)	1,048	(258,229)	(251,287)
Foreign currency translation	(3,538)	-	-	-	(3,538)
Net change in fair value of cash flow hedges	-	302	-	-	302
Share buy-back	-	-	850	-	850
Balance at 30 June 2017	2,658	-	1,898	(258,229)	(253,673)
Foreign currency translation	2,416	-	-	-	2,416
Share-based payment	-	-	(510)	-	(510)
Balance at 30 June 2018	5,074	-	1,388	(258,229)	(251,767)

Note 24. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2018 $'000	Consolidated 2017 $'000
Final dividend for the year ended 30 June 2017 (2017: 30 June 2016) of 3.08 cents (2017: 4.43 cents) per ordinary share	6,160	8,860
Interim dividend for the year ended 30 June 2018 (2017: 30 June 2017) of 0.647 cent (2017: 3.7 cents) per ordinary share	1,294	6,200
	7,454	15,060

Note 24. Equity - dividends (continued)

Franking credits

	Consolidated 2018 $'000	Consolidated 2017 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	1,759	2,048

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 25. Financial instruments

Financial risk management objectives
The group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments such as interest rate contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk.

Market risk

Foreign currency risk
The group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets 2018 $'000	Assets 2017 $'000	Liabilities 2018 $'000	Liabilities 2017 $'000
US dollars	980	2,066	5	84
Singapore dollars	61	11	-	-
Others	175	75	19	7
	1,216	2,152	24	91

The group had net assets denominated in foreign currencies of $1,192,000 (assets $1,216,000 less liabilities $24,000) as at 30 June 2018 (2017: $2,061,000 (assets $2,152,000 less liabilities $91,000). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2017: weakened by 10%/strengthened by 10%) against these foreign currencies with all other variables held constant, the group's profit before tax for the year and equity would have been $119,000 higher/$119,000 lower (2017: loss before tax would have been $206,000 lower/$206,000 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last six months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2018 was $31,000 (2017: gain of $536,000).

Note 25. Financial instruments (continued)

Price risk
The group is not exposed to any significant price risk.

Interest rate risk
The group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

As at the reporting date, the group had the following variable rate cash balances and borrowings:

Consolidated	2018 Balance $'000	2017 Balance $'000
Bank loans	55,000	65,000
Cash at bank	(11,914)	(13,240)
Net exposure to cash flow interest rate risk	43,086	51,760

An official increase/decrease in interest rates of 50 (2017: 50) basis points would have an adverse/favourable effect on profit before tax of $215,000 (2017: loss before tax $259,000) per annum based on the net balance.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The group does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2018 $'000	2017 $'000
Bank loans	20,000	10,000

Of the $20,000,000 (2017: $10,000,000) remaining facility, $274,000 (2017: $515,000) has been used for bank guarantees.

Note 25. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2018	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,344	-	-	-	2,344
Other payables	-	516	-	-	-	516
Contingent consideration	-	3,172	573	-	-	3,745
Interest-bearing - variable						
Bank loans	3.49%	1,922	55,047	-	-	56,969
Interest-bearing - fixed rate						
Lease liability	3.90%	354	354	236	-	944
Total non-derivatives		8,308	55,974	236	-	64,518

Consolidated - 2017	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	3,142	-	-	-	3,142
Other payables	-	1,501	-	-	-	1,501
Contingent consideration	-	2,989	5,122	-	-	8,111
Interest-bearing - variable						
Bank loans	4.01%	2,607	2,607	65,050	-	70,264
Total non-derivatives		10,239	7,729	65,050	-	83,018

Note 26. Fair value measurement

Fair value hierarchy

The following tables detail the group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	3,723	3,723
Total liabilities	-	-	3,723	3,723

Note 26. Fair value measurement (continued)

Consolidated - 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	7,952	7,952
Total liabilities	-	-	7,952	7,952

There were no transfers between levels during the financial year.

The carrying values of financial assets and financial liabilities presented represent a reasonable approximation of fair value. The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Contingent consideration is valued at each reporting date based on the likely settlement amount, discounted to present value. The fair value is determined using the discounted cash flow method. Significant unobservable valuation inputs in relation to contingent consideration include estimated revenue and the discount rate.

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Contingent consideration $'000
Balance at 1 July 2016	28,743
Losses recognised in profit or loss	(13,799)
Exchange difference	41
Contingent consideration payout	(7,033)
Balance at 30 June 2017	7,952
Losses recognised in profit or loss	(1,850)
Exchange difference	7
Contingent consideration payout	(2,386)
Balance at 30 June 2018	3,723

The level 3 liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Contingent consideration - SNC Korea acquisition	Revenue	Range of $2,093,000 to $2,558,000 (average $2,325,000)	10% increase in Revenue would result in increase in fair value by $186,000 and 10% decrease in Revenue would result in decrease in fair value by $186,000.
Contingent consideration - Beyond Korea	Revenue	Range of $2,390,000 to $2,921,000 (average $2,656,000)	10% increase in Revenue would result in increase in fair value by $126,000 and 10% decrease in Revenue would result in decrease in fair value by $126,000.
Contingent consideration - New Point Marketing Limited	Revenue	Range of $786,000 to $961,000 (average $847,000)	10% increase in Revenue would result in increase in fair value by $87,000 and 10% decrease in Revenue would result in decrease in fair value by $87,000.

Note 26. Fair value measurement (continued)

A discount rate of 4% was applied in calculating the discounted cash flow model. A 0.5% increase in the discount rate would decrease fair value by $18,000. A 0.5% decrease in the discount rate would increase fair value of contingent consideration by $18,000.

Note 27. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the group is set out below:

	Consolidated	
	2018	2017
	$	$
Short-term employee benefits	2,962,657	2,400,940
Post-employment benefits	116,240	113,853
Long-term benefits	16,680	16,556
Share-based payments	(338,055)	708,661
	2,757,522	3,240,010

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company, its network firms and unrelated firms:

	Consolidated	
	2018	2017
	$	$
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	322,000	315,000
Other services - Deloitte Touche Tohmatsu		
Tax services	75,000	55,000
	397,000	370,000
Audit services - Deloitte International Associates - Services provided to International Subsidiaries		
Audit or review of the financial statements	140,718	163,620
Other services - Deloitte International Associates		
Tax Services	12,419	28,890
	153,137	192,510
Audit services - unrelated firms		
Audit or review of the financial statements	43,226	48,116
Other services - unrelated firms		
Tax compliance services	122,048	110,330
	165,274	158,446

Unrelated firms are for audit firms not related to Deloitte Touche Tohmatsu.

Note 29. Contingent liabilities

	Consolidated 2018 $'000	Consolidated 2017 $'000
Bank guarantees	274	515

Note 30. Commitments

	Consolidated 2018 $'000	Consolidated 2017 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,539	3,975
One to five years	6,523	9,088
More than five years	-	640
	10,062	13,703
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	354	-
One to five years	590	-
Total commitment	944	-
Less: Future finance charges	(48)	-
Net commitment recognised as liabilities	896	-
Representing:		
Lease liability - current (note 15)	325	-
Lease liability - non-current (note 18)	571	-
	896	-

Operating lease commitments includes contracted amounts for office accommodation and office equipment under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. Contractual escalation clauses have been factored into the commitments disclosed above. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for office equipment with a written down value of $935,000 (2017: $nil) secured under finance leases expiring within one to three years. Under the terms of the leases, the group has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 31. Related party transactions

Parent entity
Isentia Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 33.

Key management personnel
Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Note 31. Related party transactions (continued)

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2018 $'000	2017 $'000
Loss after income tax	(373)	(52,825)
Total comprehensive income	(373)	(52,825)

Statement of financial position

	Parent	
	2018 $'000	2017 $'000
Total current assets	16	1
Total assets	297,961	306,300
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	403,662	403,662
Share-based payments reserve	1,388	1,898
Accumulated losses	(107,089)	(99,260)
Total equity	297,961	306,300

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity and its Australian subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries. Refer to note 34 for further details.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2018 and 30 June 2017.

Note 32. Parent entity information (continued)

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the group, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 33. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
	Principal place of business /	2018	2017
Name	Country of incorporation	%	%
Isentia Holdings Pty Limited	Australia	100%	100%
Isentia Finance Pty Limited	Australia	100%	100%
Isentia Pty Limited	Australia	100%	100%
Slice Media Pty Limited	Australia	100%	100%
Media Monitors Pty Limited	Australia	100%	100%
BuzzNumbers Pty Limited	Australia	100%	100%
King Content Pty Ltd	Australia	100%	100%
Isentia Limited	New Zealand	100%	100%
Isentia Operations Sdn. Bhd.	Malaysia	100%	100%
Isentia Group Sdn. Bhd.	Malaysia	100%	100%
Isentia Library Group Sdn. Bhd.	Malaysia	100%	100%
Isentia (M) Sdn. Bhd.	Malaysia	100%	100%
Isentia (Johor Bahru) Sdn. Bhd.	Malaysia	100%	100%
Isentia Pte Limited	Singapore	100%	100%
Isentia Brandtology Pte Limited	Singapore	100%	100%
King Content (SG) Pte Ltd	Singapore	100%	100%
PT Isentia Jakarta	Indonesia	100%	100%
Isentia Vietnam Co. Investment	Vietnam	100%	100%
Isentia Manila Inc.	Philippines	100%	100%
Isentia Monitoring Services (Thailand) Ltd	Thailand	100%	100%
Isentia Bangkok Company Limited	Thailand	100%	100%
Brandtology, Inc.	USA	100%	100%
King Content (USA), Inc	USA	100%	100%
Isentia Limited	Hong Kong	100%	100%
King Content Limited	Hong Kong	100%	100%
Brandtology Co., Ltd	China	100%	100%
Beijing Isentia Information Consulting Co. Limited	China	100%	100%
Shanghai Isentia Consulting Ltd	China	100%	100%
Brandtology Shanghai Co. Ltd	China	100%	100%
King Content Ltd	UK	100%	100%
Isentia SNC Korea Co. Ltd*	South Korea	100%	100%
The Beyond Co., Ltd.**	South Korea	51%	51%
Isentia Taiwan Limited	Taiwan	100%	-

* Name of the entity changed to Isentia Korea Co. Ltd on 5 July 2018.

** The group is party to an arrangement involving options over the issued shares of this entity not held by the group which gives it effective control of such shares and therefore there is no minority interest in relation to this entity recognised in these financial statements.

Note 34. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Isentia Group Limited	Isentia Finance Pty Limited
Isentia Holdings Pty Limited	Isentia Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Isentia Group Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	2018 $'000	2017 $'000
Revenue	88,298	96,800
Other income	13,149	17,224
Copyright, consumables and other direct purchases	(28,067)	(30,747)
Depreciation and amortisation expense	(10,951)	(9,615)
Employee benefits expense	(30,230)	(28,377)
Impairment of assets	(1,685)	(37,571)
Loss on disposal of assets	(481)	-
Occupancy costs	(2,443)	(2,295)
Other expenses	(5,989)	(4,676)
Finance costs	(2,420)	(3,109)
Profit/(loss) before income tax expense	19,181	(2,366)
Income tax expense	(1,838)	(4,685)
Profit/(loss) after income tax expense	17,343	(7,051)
Other comprehensive income		
Net change in fair value of cash flow hedges taken to equity, net of tax	-	302
Exchange differences on translating foreign operations, net of tax	736	(800)
Other comprehensive income for the year, net of tax	736	(498)
Total comprehensive income for the year	18,079	(7,549)

Equity - accumulated losses	2018 $'000	2017 $'000
Accumulated losses at the beginning of the financial year	(59,875)	(37,764)
Profit/(loss) after income tax expense	17,343	(7,051)
Dividends paid	(7,454)	(15,060)
Accumulated losses at the end of the financial year	(49,986)	(59,875)

Note 34. Deed of cross guarantee (continued)

Statement of financial position	2018 $'000	2017 $'000
Current assets		
Cash and cash equivalents	5,892	5,945
Trade and other receivables	12,380	16,671
Income tax refund due	2,036	1,360
Prepayments	511	782
	20,819	24,758
Non-current assets		
Receivable from subsidiaries	19,392	10,858
Investment in subsidiaries	50,856	52,570
Property, plant and equipment	2,442	2,204
Intangibles	93,553	96,505
Deferred tax assets	2,950	5,284
Other	40	40
	169,233	167,461
Total assets	190,052	192,219
Current liabilities		
Trade and other payables	13,164	12,704
Borrowings	325	-
Provisions	4,967	3,658
Contingent consideration	3,121	2,989
	21,577	19,351
Non-current liabilities		
Borrowings	55,502	64,869
Deferred tax liabilities	11,200	12,747
Provisions	684	783
Contingent consideration	-	3,494
	67,386	81,893
Total liabilities	88,963	101,244
Net assets	101,089	90,975
Equity		
Issued capital	403,662	403,662
Reserves	(252,587)	(252,812)
Accumulated losses	(49,986)	(59,875)
Total equity	101,089	90,975

Note 35. Cash flow information

Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated 2018 $'000	Consolidated 2017 $'000
Profit/(loss) after income tax expense for the year	1,285	(13,523)
Adjustments for:		
Depreciation and amortisation	20,828	16,246
Impairment of intangibles	1,844	39,399
Write off of property, plant and equipment	-	254
Net loss on disposal of property, plant and equipment	540	-
Share-based payments	(510)	850
Other expenses - non-cash	97	50
Net fair value movement on contingent consideration	(1,850)	(13,799)
Bad and doubtful debt expense	897	1,026
Change in operating assets and liabilities:		
Decrease in trade and other receivables	6,966	7,755
Increase in income tax refund due	(913)	(1,360)
Decrease in deferred tax assets	1,861	2,737
Decrease in prepayments	731	384
Decrease in other operating assets	-	93
Decrease in trade and other payables	(1,397)	(1,347)
Decrease in derivative liabilities	-	(230)
Increase/(decrease) in provision for income tax	619	(1,952)
Decrease in deferred tax liabilities	(2,876)	(1,978)
Increase/(decrease) in employee benefits	240	(851)
Increase/(decrease) in other provisions	15	(5)
Net cash from operating activities	28,377	33,749

Changes in liabilities arising from financing activities

Consolidated	Bank loans $'000	Lease liability $'000
Balance at 1 July 2016	55,875	-
Net cash from financing activities	9,000	-
Other changes	(6)	-
Balance at 30 June 2017	64,869	-
Net cash used in financing activities	(10,000)	(108)
Acquisition of plant and equipment by means of finance leases	-	1,004
Other changes	62	-
Balance at 30 June 2018	54,931	896

Note 36. Earnings per share

	Consolidated 2018 $'000	Consolidated 2017 $'000
Profit/(loss) after income tax attributable to the owners of Isentia Group Limited	1,285	(13,523)

Note 36. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	200,000,001	200,000,001
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	301,081	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	200,301,082	200,000,001

	Cents	Cents
Basic earnings per share	0.642	(6.761)
Diluted earnings per share	0.642	(6.761)

1,646,425 options over ordinary shares have been excluded from the above calculations as they were anti-dilutive.

Note 37. Share-based payments

The group has a long term incentive plan ('LTIP') which provides eligible employees with an additional incentive to work to improve the performance of the group by granting options or rights to acquire shares.

During the financial year nil options were granted (2017: 1,794,238). The share-based payment expense for the year was credit of $510,000 (2017: $850,000).

Set out below are summaries of options granted under the plan:

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
16/06/2014	30/06/2018	$2.04	965,743	-	-	(965,743)	-
10/12/2014	30/06/2018	$2.04	310,518	-	-	(310,518)	-
19/11/2015	30/06/2019	$3.75	1,717,646	-	-	(804,357)	913,289
17/11/2016	30/06/2020	$3.47	1,468,582	-	-	(735,446)	733,136
			4,462,489	-	-	(2,816,064)	1,646,425
Weighted average exercise price			$3.17	$0.00	$0.00	$2.90	$3.63

There were no options vested and exercisable as at 30 June 2018 and 30 June 2017.

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
16/06/2014	30/06/2018	$2.04	965,743	-	-	-	965,743
10/12/2014	30/06/2018	$2.04	341,348	-	-	(30,830)	310,518
19/11/2015	30/06/2019	$3.75	2,228,643	-	-	(510,997)	1,717,646
17/11/2016	30/06/2020	$3.47	-	1,794,238	-	(325,656)	1,468,582
			3,535,734	1,794,238	-	(867,483)	4,462,489
Weighted average exercise price			$3.12	$3.47	$0.00	$3.58	$3.17

The weighted average share price during the financial year was $1.29 (2017: $2.30).

The weighted average remaining contractual life of options outstanding at the end of the financial year was one to two years (2017: one to three years).

Note 37. Share-based payments (continued)

Variable Reward Plan
During the year, the group introduced a new remuneration framework of a Variable Reward Plan ('VRP') that is market competitive and complementary to the group's strategic objectives. The purpose of the new plan is also to create equity ownership for executives over time and retain the most qualified individuals while maintaining strong alignment between executive pay and shareholder outcomes.

Under the VRP, a single allocation is made each year based on performance against an annual scorecard that includes both financial and non-financial measures of strategic importance to the group. Awards are offered in cash and deferred rights to ordinary shares. Executives are entitled to elect to increase the portion of their award that will be paid in the form of rights instead of cash. Additionally, awards offered in the form of rights are subject to a one year performance period, a two-year vesting period, with an additional 12 month holding lock in place.

These rights have a nil exercise price and awards are subject to meeting performance criteria. Where the performance criteria are met, details of the securities that may be issued are below. The rights nor options outlined above carry neither rights to dividends nor voting rights. Non-market vesting conditions are determined with reference to the underlying financial or non-financial performance measures to which they relate. The group recognises the fair value at the grant date of equity settled securities above as an employee benefit expense proportionally over the performance and vesting period with a corresponding increase in equity.

The valuation model inputs used to determine the fair value of the performance rights at the grant date, are as follows:

2018 Grant date	Securities to be issued and fair value	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate
24/01/2018	Maximum value of securities to be issued is $281,000. Fair value at grant date $0.89 per $1.00	$1.40	62.10%	4.40%	2.11%

Vesting of the above performance rights are subject to service and non-market conditions.

Note 38. Events after the reporting period

On 6 July 2018 the appointment of Ed Harrison as Managing Director and Chief Executive Officer was announced with an effective date of 6 August 2018.

On 6 July 2018 the resignation of Chief Financial Officer, James Orlando was also announced.

The CAL Licence expired on 30 June 2018 and was extended by CAL pending the determination of proceedings commenced in the Tribunal or an agreement being reached with CAL. The hearing of the application for an interim CAL Licence to apply pending the determination of the main CAL Licence application was held on 10 August 2018. The Tribunal's decision on that application (which at the date of this report has not been handed down) will set the terms and licence fees payable to CAL on an interim basis pending the further final determination of the Tribunal on a long-term agreement or any agreement being reached with CAL.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 34 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Doug Snedden
Chairman

22 August 2018
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7021
www.deloitte.com.au

Independent Auditor's Report to the Members of Isentia Group Limited

Report on the Audit of the Financial Report

We have audited the financial report of Isentia Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for 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.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Capitalisation of development costs

As at 30 June 2018, the Group's carrying value of the development costs capitalised as intangibles totals $19.4 million of which $7.0m is attributable to capitalisation in the current financial year as disclosed in Note 12.

Judgement is involved in determining whether the labour costs are directly attributable to develop the Group's product suite and the appropriateness of the costs to be capitalised.</td><td>Our procedures included, but were not limited to:
Making enquiries of department heads involved in product development to understand the basis and rationale for capitalising labour costs,
Testing on a sample basis, capitalised labour costs through reviewing project budgets and/or timesheets and holding discussions with staff members outside the finance department,
Challenging management's key assumptions in the labour capitalisation calculation including the treatment of employee on-costs and percentages applied to labour costs,
Testing the mathematical accuracy of management's capitalisation schedule, and
Assessing the appropriateness of the disclosures in Note 12 to the financial report.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 23 of the Directors' Report for the year ended 30 June 2018.

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

Responsibilities

The directors of Isentia Group Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 22 August 2018

The shareholder information set out below was applicable as at 3 August 2018.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	1,615
1,001 to 5,000	2,865
5,001 to 10,000	984
10,001 to 100,000	905
100,001 and over	65
	6,434
Holding less than a marketable parcel	958

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	63,308,021	31.65
J P MORGAN NOMINEES AUSTRALIA LIMITED	38,639,312	19.32
CITICORP NOMINEES PTY LIMITED	17,410,012	8.71
UBS NOMINEES PTY LTD	11,402,217	5.70
JOHN ANDREW CROLL	6,045,658	3.02
NATIONAL NOMINEES LIMITED	3,939,812	1.97
BNP PARIBAS NOMS PTY LTD	2,793,328	1.40
UBS NOMINEES PTY LTD	1,635,755	0.82
CS FOURTH NOMINEES PTY LIMITED	1,280,792	0.64
BNP PARIBAS NOMINEES PTY LTD	992,620	0.50
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	848,921	0.42
JB LEMAR PTY LTD	700,000	0.35
IOOF INVESTMENT MANAGEMENT LIMITED	692,027	0.35
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	626,990	0.31
MR JONATHON EDWARD PARKS	600,000	0.30
MRS LISHA LEI	550,488	0.28
MR JOSEPH DE BATTISTA	492,681	0.25
CS THIRD NOMINEES PTY LIMITED	464,062	0.23
NEWECONOMY COM AU NOMINEES PTY LIMITED	442,522	0.22
SLO CONCEPTS PTY LTD	341,943	0.17
	153,207,161	76.61

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	1,646,425	4

Substantial holders

The names of substantial shareholders who have notified the company in accordance with section 671B of the Corporations Act 2001 are:

	Ordinary shares	
	Number held	% of total shares issued
Gilead Capital	30,876,369	15.44
Spheria Asset Mgt	22,311,016	11.16
JCP Investment Partners	16,383,458	8.19
Adam Smith Asset Mgt	14,037,037	7.02
Yarra Capital Mgt	11,856,560	5.93

Directors	Doug Snedden - Executive Chairman Ed Harrison - Managing Director and Chief Executive Officer Pat O'Sullivan - Independent Non-Executive Director Fiona Pak-Poy - Independent Non-Executive Director Travyn Rhall - Independent Non-Executive Director Justin Kane - Independent Non-Executive Director
Company secretary	Ms Jacquie Shanahan - Company Secretary
Notice of annual general meeting	The details of the annual general meeting of Isentia Group Limited are: Isaac Nichols Auditorium 219-241 Cleveland Street Strawberry Hills, NSW 2012 11 am on Thursday 15 November 2018
Registered office	Level 3, 219-241 Cleveland Street Strawberry Hills, NSW 2012 Head office telephone: +61 2 9318 4036
Share register	Link Market Services Limited Level 12, 680 George Street Sydney, NSW 2000 Share registry telephone: 1300 554 474
Auditor	Deloitte Touche Tohmatsu Level 9, Grosvenor Place 225 George Street Sydney, NSW 2000
Bankers	Westpac Banking Corporation Westpac Place, 275 Kent Street Sydney, NSW 2000
Stock exchange listing	Isentia Group Limited shares are listed on the Australian Securities Exchange (ASX code: ISD)
Website	www.isentia.com
Corporate Governance Statement	Corporate governance statement which was approved on at the same time as the Annual Report can be found at http://www.isentia.com/investor-centre/corporate-governance