ASX Release

FOR IMMEDIATE RELEASE **22 February 2019**

Correction to Half Year Financial Report

Isentia Group Limited (ASX: ISD) earlier today released an Appendix 4D Half Year Financial Report which contained incorrect signatures. Attached is the Appendix 4D Half Year Financial Report with the correct signatures.

For more information:

Investors	**Media**
Françoise Dixon	Peter Brookes
Citadel-MAGNUS	Citadel-MAGNUS
+61 412 292 977	**+ 61 407 911 389**

About Isentia

Isentia (ASX:ISD) is APAC's leading integrated Media Intelligence and Insights business with operations in 11 markets. Isentia blends market-leading monitoring experience with analytics to help the world's biggest brands uncover the whole picture – and act on it. Powered by cutting-edge technology and a team of world class experts, our mission is to help businesses leap-forward where only genuine insight can take them. To find out more about how we inform better decisions, please visit **www.isentia.com**

1. Company details

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

2. Results for announcement to the market

The group has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the half-year ended 31 December 2018. The Accounting Standards were adopted using the modified retrospective approach and as such comparatives have not been restated.

	31 Dec 2018 $'000	31 Dec 2017 $'000	Change $'000	Change %
Revenues from ordinary activities*	62,252	70,880	(8,628)	(12.2%)
Loss from ordinary activities after tax attributable to the owners of Isentia Group Limited	(22,080)	(4,005)	(18,075)	451.3%
Loss for the half-year attributable to the owners of Isentia Group Limited	(22,080)	(4,005)	(18,075)	451.3%
EBITDA**	(12,803)	11,464	(24,267)	(211.7%)
Underlying EBITDA***	10,997	15,656	(4,659)	(29.8%)

* All of the above comparisons are on a statutory basis unless stated, with percentage variances throughout the Half Year Financial Report.
** EBITDA represents earnings before interest, income tax expense, depreciation and amortisation.
*** Underlying EBITDA is a financial measure which is not prescribed by Australian Accounting Standards (‘AAS’) and represents the profit under AAS which has been adjusted to eliminate the effects of tax, depreciation and amortisation, fair value adjustments, impairment expenses, loss on disposal of assets and other one-off items including restructuring costs. In the prior year, underlying EBITDA has also been adjusted to exclude the impact of exited business and proceeds from legal settlement.

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the group after providing for income tax amounted to $22,080,000 (31 December 2017: $4,005,000).

Refer to 'Review of operations' in the Directors' Report for further commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(18.64)	(23.64)

The net tangible assets per ordinary security is derived by dividing the net assets less intangible assets, deferred tax assets and deferred tax liabilities by the total issued shares of 200,000,001 (31 December 2017: 200,000,001 shares). The net tangible assets per share is negative in both the current and prior period as a result of historical acquisitions. At the time of these acquisitions, a significant percentage of the purchase prices were allocated to intangible assets.

Net assets per ordinary security for the reporting period is 35.33 cents (Previous period: 42.82 cents)

4. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Financial Report.

---

5. Attachments

The Half Year Financial Report of Isentia Group Limited for the half-year ended 31 December 2018 is attached.

---

6. Signed

Signed ______________________________ Date: 21 February 2019

Doug Snedden
Chairman
Sydney

Isentia Group Limited

ABN 31 167 541 568

Half Year Financial Report - 31 December 2018

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 half-year ended 31 December 2018.

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

Doug Snedden - Chairman and Independent Non-Executive Director
Ed Harrison (appointed on 6 August 2018)
Fiona Pak-Poy
Travyn Rhall (appointed on 20 July 2018)
Justin Kane (appointed on 20 July 2018)
Jeffrey Strong - Alternate Director to Justin Kane (appointed on 20 July 2018)
Abigail Cheadle - Chairman of the Audit and Risk Committee and Non-Executive Director (appointed on 14 January 2019)
Geoff Raby (retired on 20 July 2018)
Pat O'Sullivan (retired on 15 November 2018)

Principal activities
During the financial half-year the principal 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 and media analysis.

Dividends
Dividends paid during the financial half-year were as follows:

	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Final dividend for the year ended 30 June 2017 of 3.08 cents per ordinary share	-	6,160

There were no dividends paid, recommended or declared for the year ended 30 June 2018.

Review of operations
The loss for the group after providing for income tax amounted to $22,080,000 (31 December 2017: $4,005,000).

The group's revenue and Underlying EBITDA performance is listed in the table below:

	31 Dec 2018 $'000	31 Dec 2017 $'000	Change $'000	Change %
Australia and New Zealand ('ANZ')	44,706	49,649	(4,943)	(10.0%)
Asia/Rest of the World ('Asia/RoW')	17,502	17,378	124	0.7%
Total revenue	62,208	67,027	(4,819)	(7.2%)
Operating expenses	(51,211)	(51,371)	160	(0.3%)
Underlying EBITDA*	10,997	15,656	(4,659)	(29.8%)

* Underlying EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS which has been adjusted to eliminate the effects of tax, depreciation and amortisation, fair value adjustments, impairment expenses, loss on disposal of assets and other one-off items including restructuring costs. In the prior year, underlying EBITDA has also been adjusted to exclude the impact of exited business and proceeds from legal settlement.

Revenue Performance
The group's Media Intelligence revenue of $62,208,000 declined by 7.2% compared to the previous period (31 December 2017: $67,027,000) driven by lower ANZ Software-as-a-Service ('SaaS') revenue.

ANZ revenue declined compared to previous period due to lower SaaS sales reflecting macro media trends (lower press and broadcast volumes) and increased competition (price erosion and customer churn). However, ANZ Value Added Services (‘VAS’) revenue proved resilient despite a reduction in the SaaS base of ANZ.

Asia revenue was marginally higher compared to the previous period due to growth in SaaS revenue. Mid to high single digit revenue growth in South East Asia was offset by a disappointing performance in North Asia.

Earnings
The group's Underlying EBITDA amounted to $10,997,000, declining by 29.8% compared to the previous period (31 December 2017: $15,656,000) driven by the challenging operating environment in ANZ as referenced above.

Total operating expenses amounted to $51,211,000, which is slightly lower compared to the previous period. Despite revenue declining, total operating expenses remained flat due to high fixed costs. Cost management remains an ongoing focus. In the current period, the cost out program has delivered the forecasted savings of circa five million dollars. This was offset by lower labour capitalisation following the implementation of an agile development and continuous delivery approach, as well as investment in key roles such as infrastructure support, product and project management capabilities and the leadership team.

Reconciliation between statutory loss and underlying EBITDA is provided below:

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Loss after income tax expense	(22,080)	(4,005)
Income tax expense	(304)	(1,106)
Loss before income tax expense	(21,776)	(2,899)
Less: Depreciation and amortisation	7,821	13,266
Less: Interest revenue	(44)	(37)
Less: Finance costs	1,196	1,134
EBITDA*	(12,803)	11,464
EBITDA loss from content marketing	-	3,745
Restructuring costs	1,086	903
Non-operating items	431	338
Fair value adjustment on contingent consideration	(3)	(1,452)
Proceeds from legal settlement	-	(1,100)
Impairment of assets	22,250	1,725
Loss on disposal of assets	36	33
Underlying EBITDA**	10,997	15,656

* EBITDA represents earnings before interest, income tax expense, depreciation and amortisation.
** The group has also referred to this line as 'Media Intelligence EBITDA' to distinguish the Content Marketing business that was exited in FY2018. Note that Underlying EBITDA and Media Intelligence EBITDA are not AAS definitions.

Impairment of previously recognised intangible assets
During the period the business impaired $22,250,000 of previously recognised intangible assets, this impairment is a non-cash expense and does not impact on any banking covenants. The impairment related to goodwill ($18,975,000), purchased software ($301,000), brands ($75,000) and internally generated software ($2,899,000).

Stable cash flow and balance sheet position
The group delivered stable cash flow performance in the half-year with cash flow from operations of $8,082,000 (31 December 2017: $15,449,000) and ending cash and cash equivalents of $9,887,000. Net debt at 31 December 2018 was $41,113,000 (representing bank loans of $51,000,000 less cash and cash equivalents of $9,887,000), which is a reduction of $1,960,000 from a net debt of $43,073,000 as at 30 June 2018 (representing bank loans of $55,000,000 less cash and cash equivalents of $11,927,000).

Transformation and Cost Management Actions
The group has continued the transformation program started in FY2018 to deliver improved profitability through relocating broadcast monitoring activities to the group's Manila Content Hub, and automating press reading and Daily Briefings.

During this period new leadership has been added to the group, with new non-executive directors appointed to strengthen the Board's skill set, along with the construction of a new executive leadership team. In addition, a fresh strategic plan has been outlined with growth pillars focusing on a single technology platform; world leading market centric product innovation; and leveraging our position as the Asia Pacific market leader.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the group during the financial half-year.

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.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Doug Snedden
Chairman

Ed Harrison
Chief Executive Officer and Managing Director

21 February 2019
Sydney

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

21 February 2019

Dear Board Members

Auditor's Independence Declaration to 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 review of the half-year financial report of Isentia Group Limited for the half year ended 31 December 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 review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants

Isentia Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Revenue from contracts with customers	4	62,208	70,843
Other income	5	15	2,557
Interest revenue calculated using the effective interest method		44	37
Expenses			
Copyright, consumables and other direct purchases		(15,929)	(19,648)
Employee benefits expense		(29,625)	(32,842)
Amortisation expenses		(6,828)	(7,694)
Depreciation expense		(993)	(870)
Impairment of assets	8	(22,250)	(40)
Occupancy costs		(2,590)	(2,914)
Loss on disposal of assets		(36)	(2)
Content marketing exit expenses	6	-	(6,811)
Other expenses		(4,596)	(4,381)
Finance costs		(1,196)	(1,134)
Loss before income tax expense		(21,776)	(2,899)
Income tax expense		(304)	(1,106)
Loss after income tax expense for the half-year attributable to the owners of Isentia Group Limited		(22,080)	(4,005)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		1,928	464
Other comprehensive income for the half-year, net of tax		1,928	464
Total comprehensive income for the half-year attributable to the owners of Isentia Group Limited		(20,152)	(3,541)
		Cents	**Cents**
Basic earnings per share	14	(11.040)	(2.002)
Diluted earnings per share	14	(11.040)	(2.002)

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

Isentia Group Limited
Statement of financial position
As at 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		9,887	11,927
Trade and other receivables	7	21,829	23,157
Income tax refund due		2,181	2,273
Prepayments		1,523	1,025
Total current assets		35,420	38,382
Non-current assets			
Property, plant and equipment		4,357	4,628
Intangibles	8	117,579	142,383
Deferred tax assets		3,402	3,459
Other		40	40
Total non-current assets		125,378	150,510
Total assets		160,798	188,892
Liabilities			
Current liabilities			
Trade and other payables	9	12,719	12,227
Contract liabilities		5,141	5,717
Borrowings	10	4,081	325
Current tax liabilities		299	528
Provisions		5,337	5,487
Contingent consideration		825	3,172
Total current liabilities		28,402	27,456
Non-current liabilities			
Borrowings	11	47,542	55,502
Deferred tax liabilities		13,033	14,229
Provisions		602	684
Contingent consideration		551	551
Total non-current liabilities		61,728	70,966
Total liabilities		90,130	98,422
Net assets		70,668	90,470
Equity			
Issued capital		403,662	403,662
Reserves		(249,489)	(251,767)
Accumulated losses		(83,505)	(61,425)
Total equity		70,668	90,470

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

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
Loss after income tax expense for the half-year	-	-	(4,005)	(4,005)
Other comprehensive income for the half-year, net of tax	-	464	-	464
Total comprehensive income for the half-year	-	464	(4,005)	(3,541)
Transactions with owners in their capacity as owners:				
Share-based payments	-	605	-	605
Dividends paid (note 12)	-	-	(6,160)	(6,160)
Balance at 31 December 2017	403,662	(252,604)	(65,421)	85,637

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2018	403,662	(251,767)	(61,425)	90,470
Loss after income tax expense for the half-year	-	-	(22,080)	(22,080)
Other comprehensive income for the half-year, net of tax	-	1,928	-	1,928
Total comprehensive income for the half-year	-	1,928	(22,080)	(20,152)
Transactions with owners in their capacity as owners:				
Share-based payments	-	350	-	350
Balance at 31 December 2018	403,662	(249,489)	(83,505)	70,668

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

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		69,156	82,462
Payments to suppliers and employees (inclusive of GST)		(58,417)	(64,353)
Interest received		44	37
Other revenue		12	1,105
Interest and other finance costs paid		(1,219)	(1,071)
Income taxes paid		(1,494)	(2,731)
Net cash from operating activities		8,082	15,449
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(207)
Payments to vendors for prior year assets acquisition	13	(2,362)	(2,386)
Payments for property, plant and equipment		(664)	(581)
Payments for intangibles	8	(2,959)	(4,473)
Payments to vendors for purchase of intangible asset acquisition		-	(508)
Proceeds from release of security deposits		25	154
Net cash used in investing activities		(5,960)	(8,001)
Cash flows from financing activities			
Repayment of bank loans		(4,000)	(1,000)
Repayments of leases		(162)	-
Dividends paid	12	-	(6,160)
Net cash used in financing activities		(4,162)	(7,160)
Net (decrease)/increase in cash and cash equivalents		(2,040)	288
Cash and cash equivalents at the beginning of the financial half-year		11,927	13,252
Cash and cash equivalents at the end of the financial half-year		9,887	13,540

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

Note 1. General information

The financial statements cover Isentia Group Limited as a group consisting of Isentia Group Limited (the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (the 'group'). The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

The company 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 21 February 2019. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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.

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

The following Accounting Standards and Interpretations are most relevant to the group:

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments
The group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets, and hedge accounting. As at 31 December 2018, the group has no complex financial instruments and does not apply hedge accounting. As a result, these changes have not impacted the group.

The calculation of impairment losses in accordance with AASB 9 impacts the way in which the group calculates the provision for impairment of receivables, now termed the 'credit loss allowance'. The group applies the AASB 9 simplified approach to measure expected credit losses ('ECL'), which uses a lifetime expected loss allowance for all trade receivables.

To measure ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics, such as geographic location, and the ageing of the assets and an assessment is made on each group of customers to adjust for expected changes in future credit risk. On this basis, no material change was identified between AASB 139 and AASB 9, and therefore, the group has elected to apply the exemption available under AASB 9 to not restate comparatives.

AASB 15 Revenue from Contracts with Customers
The group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are 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. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption
The group has adopted Accounting Standards AASB 9 and AASB 15 for the half-year ended 31 December 2018. The Accounting Standards were adopted using the modified retrospective approach and as such comparatives have not been restated.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group and therefore there was no impact on opening retained earnings.

Revenue recognition
The group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Note 2. Significant accounting policies (continued)

The group's principal revenue-generating activities involve 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, across Australia, New Zealand and Asia.

From these activities, the group generates the following streams of revenue:

Software-as-a-service ('SaaS')	The group has developed and hosts 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. This revenue stream was discontinued in the year ended 30 June 2018.

The above services delivered to customers are considered separate performance obligations, even though for practical expedience may be governed by a single legal contract with the customer.

Under AASB 15, revenue from the rendering of services within each of the above revenue streams is recognised as follows.

(i) SaaS:
Revenue is derived from providing customers access to group platforms and is recognised in accordance with the terms of the contracts provided in the subscription agreement. The SaaS and related support revenue (if any) is recognised over time, being the subscription period, as the customer simultaneously receives and consumes the benefit of accessing the platform.

Access to the platforms is not considered distinct from other performance obligations, such as set-up and support, as access to any platform alone does not allow the customer to obtain substantially all the benefits of the access, and is therefore accounted for as a single performance obligation.

Consideration received can be variable in nature, based upon customer usage in excess of contractually agreed units. The variable consideration is included in the transaction price at the company's best estimate, using either an expected value or most likely outcome, whichever provides the best estimate and is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any pricing uncertainty is resolved.

(ii) VAS:
Revenue is recognised upon delivery of customised reports to customers, which represents the point in time where control of the performance obligation is transferred to the customer. The transaction price is fixed for each performance obligation, with no variable revenue associated with this revenue stream.

(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 over time in proportion to the stage of completion of the contracts. This is measured by reference to labour hours incurred to date as a 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. This revenue stream was discontinued in the year ended 30 June 2018

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.

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

Note 2. Significant accounting policies (continued)

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 20 and 90 days.

The group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract liabilities
Contract liabilities represent the group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the group has transferred the goods or services to the customer.

New Accounting Standards and Interpretations not yet mandatory or early adopted

AASB 16 Leases
AASB 16 is effective for financial years commencing 1 January 2019. AASB 16 eliminates the classification of leases as either operating leases or finance leases as required by AASB 17 and instead, introduces a single lessee accounting model. Applying the model a lessee is required to recognise:
- assets and liabilities with a term of more than 12 months, unless the underlying asset is a low value; and
- amortisation of lease assets separately from interest on lease liabilities in the income statement.

The majority of the group’s leases with terms greater than 12 months relate to office lease facilities. The adoption of AASB 16 is expected to result in revised accounting for any office facilities operating leases that have a lease end date of 30 June 2020 or later, as per the transition periods. The standard must be implemented retrospectively, either with a restatement of comparatives or with the cumulative impact of application recognised on the date of adoption (which for the group is 1 July 2019) under a modified retrospective approach. Management is in the process of completing their assessment of the impact of this standard on the group.

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 underlying EBITDA (earnings before interest, tax, depreciation, amortisation and non-operating costs). 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.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2018	ANZ $'000	Asia/ROW $'000	Head Office $'000	Total $'000
Revenue				
SaaS	35,841	8,038	-	43,879
VAS	8,865	9,464	-	18,329
Total segment revenue	44,706	17,502	-	62,208
Interest revenue				44
Total revenue				62,252
Underlying EBITDA	15,810	1,935	(6,748)	10,997
Restructuring costs	(414)	(239)	(433)	(1,086)
Other	-	-	(431)	(431)
Fair value adjustment on contingent consideration	-	-	3	3
Impairment of assets	(21,659)	(591)	-	(22,250)
Loss on disposal of assets	-	(36)	-	(36)
EBITDA	(6,263)	1,069	(7,609)	(12,803)
Depreciation and amortisation				(7,821)
Interest revenue				44
Finance costs				(1,196)
Loss before income tax expense				(21,776)
Income tax expense				(304)
Loss after income tax expense				(22,080)

In the current period, EBITDA and Underlying EBITDA are disclosed to align with the revised internal reports the CODM uses to review the group's operations.

EBITDA represents earnings before interest, income tax expenses, depreciation and amortisation.

Underlying EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS which has been adjusted to eliminate the effects of tax, depreciation and amortisation, fair value adjustments, impairment expenses, loss on disposal of assets and other one-off items including restructuring costs. In the prior year, underlying EBITDA has also been adjusted to exclude the impact of exited business and proceeds from legal settlement.

Prior year - restated
The comparative segment note has been restated accordingly to reflect the revised internal reports used by the CODM. In prior year, Adjusted EBITDA was disclosed which excluded fair value adjustment on contingent considerations, proceeds from legal settlement, impairment of assets and loss on disposal of assets. This view of business performance is no longer used by the CODM.

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2017	ANZ $'000	Asia/ROW $'000	Head Office $'000	Total $'000
Revenue				
SaaS	40,519	7,807	-	48,326
VAS	9,130	9,571	-	18,701
Content Marketing	2,158	1,658	-	3,816
Total segment revenue	51,807	19,036	-	70,843
Interest revenue				37
Total revenue				70,880
Underlying EBITDA	19,520	2,306	(6,170)	15,656
EBITDA loss from content marketing	(2,545)	(1,200)	-	(3,745)
Restructuring costs	(725)	(93)	(85)	(903)
Other	-	-	(338)	(338)
Fair value adjustment on contingent consideration	-	-	1,452	1,452
Proceeds from legal settlement	-	-	1,100	1,100
Impairment of assets	(1,406)	(319)	-	(1,725)
Loss on disposal of assets	-	-	(33)	(33)
EBITDA	14,844	694	(4,074)	11,464
Depreciation and amortisation				(13,266)
Interest revenue				37
Finance costs				(1,134)
Loss before income tax expense				(2,899)
Income tax expense				(1,106)
Loss after income tax expense				(4,005)

Note 4. Revenue from contracts with customers

	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Rendering of services	62,208	70,843

Disaggregation of revenue

Refer note 3 operating segments for information relating to revenue from external customers by type of service and geographic region.

Note 5. Other income

	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Government grants	12	5
Fair value adjustment on contingent consideration	3	1,452
Other income - proceeds from legal settlement	-	1,100
Other income	15	2,557

Note 6. Content marketing exit expenses

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

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Accelerated amortisation expenses	-	4,702
Impairment of assets	-	1,685
Loss on disposal of assets	-	31
Redundancy costs	-	393
Total content marketing exit expenses	-	6,811

Note 7. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Trade receivables	20,219	21,068
Less: Allowance for expected credit losses	(420)	(683)
	19,799	20,385
Other receivables	1,255	1,972
Security deposits	775	800
	21,829	23,157

Note 8. Non-current assets - intangibles

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Goodwill - at cost	87,970	117,762
Less: Accumulated impairment	(25,642)	(37,544)
	62,328	80,218
Customer relationships and contracts - at cost	78,928	81,968
Less: Accumulated amortisation	(60,235)	(57,648)
Less: Accumulated impairment	(1,779)	(3,666)
	16,914	20,654
Purchased software - at cost	24,497	32,330
Less: Accumulated amortisation	(21,373)	(28,424)
Less: Accumulated impairment	(301)	(386)
	2,823	3,520
Internally generated software - at cost	35,671	32,722
Less: Accumulated amortisation	(15,880)	(13,362)
Less: Accumulated impairment	(2,915)	-
	16,876	19,360
Brands - at cost	18,713	24,726
Less: Accumulated impairment	(75)	(6,095)
	18,638	18,631
	117,579	142,383

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-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 2018	80,218	20,654	3,520	19,360	18,631	142,383
Additions	-	-	39	2,847	2	2,888
Reclassification	-	-	92	(101)	-	(9)
Exchange differences	1,085	156	56	18	80	1,395
Impairment of assets	(18,975)	-	(301)	(2,899)	(75)	(22,250)
Amortisation expense	-	(3,896)	(583)	(2,349)	-	(6,828)
Balance at 31 December 2018	62,328	16,914	2,823	16,876	18,638	117,579

Impairment testing
During the half year period, the group has identified the following indicators of impairment:
- declining asset utilisation for certain identifiable intangibles;
- increased competition in the Australia market; and
- the group's market capitalisation becoming lower than the carrying value of its net assets.

Impairment testing of the group’s goodwill and intangible assets was performed as at 31 December 2018. As part of this process, management reviewed the recoverability of the carrying value of intangible assets including software, brands and customer relationships. The review of specific asset utilisation has resulted in a write-down of software and brands of $3,275,000 and $75,000 respectively, which were identified as no longer supporting the future cash flows of the business.

Note 8. Non-current assets - intangibles (continued)

Goodwill is tested for impairment at the cash generating unit ('CGU') level, which consists of ANZ and Asia. This has resulted in an impairment charge of $18,975,000 in respect of goodwill within the ANZ operating segment, reflecting the challenging operating environment in ANZ.

Allocation of indefinite life intangible assets
The group's indefinite life intangible assets are allocated to group's segments as follows:

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Goodwill		
ANZ	33,380	52,297
Asia and Rest of the World ('Asia/RoW')	28,948	27,921
	62,328	80,218

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Brands		
ANZ	16,349	16,421
Asia/RoW	2,290	2,210
	18,639	18,631

The recoverable amount of the group's assets has taken into account CGU for each operating segment and uses the fair value less costs of disposal basis. As at 30 June 2018, a value in use model was used in this determination. However, as at the half-year ended 31 December 2018, the fair value less costs of disposal method, which includes future uncommitted restructurings and related benefits, was considered to be more appropriate. In the absence of comparable transactions, fair value has been assessed using a discounted cash flow methodology with cross checks performed to external indicators, such as EBITDA multiples. This represents a level 3 model (refer to note 13) in line with the fair value hierarchy in accordance with AASB 13. The group believes that this methodology provides the best indication of the price that would be received to sell the business in an orderly transaction between market participants as at 31 December 2018.

The following key assumptions were used in the discounted cash flow model for the different operating segments:

(i) Based on an approved business plan for the next five years from financial years 2019 to 2024.
(ii) Terminal growth rates applied are ANZ 2% (30 June 2018: 2%) and Asia/RoW 4% (30 June 2018: 9%). The terminal value growth rate represents the forecast consumer price index for each segment, combined with Gross Domestic Product growth rate expectations in the geographical segments in which the group operates.
(iii) Weighted average cost of capital post-tax: ANZ 15.5% (30 June 2018: 11.75%) and Asia/RoW: 17.5% (30 June 2018: 15%). The increased discount rate represents the underlying cost of capital adjusted for market, country and asset specific risks.

Sensitivity
Each of the sensitivities below assumes that a specific assumptions moves in isolation, while other assumptions are held constant. A change in one of the aforementioned assumption could be accompanied by a change in another assumption, which may increase or decrease the net impact.

	WACC +0.5% $'000	Terminal growth -0.5% $'000	Cash flows FY2019-FY2024 -5% $'000
ANZ - Impairment of goodwill	21,522	20,662	25,327

Note 8. Non-current assets - intangibles (continued)

Any reasonable change in the key assumptions on which the recoverable amount is based would not cause the Asia operating segment's carrying value to exceed its recoverable amount.

Note 9. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Trade payables	2,228	2,344
Accrued expenses	10,295	9,367
Other payables	196	516
	12,719	12,227

Note 10. Current liabilities - borrowings

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Bank loans	3,750	-
Lease liability	331	325
	4,081	325

Refer to note 11 for further information on assets pledged as security and financing arrangements.

Note 11. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Bank loans	47,250	55,000
Prepaid facility costs	(111)	(69)
Lease liability	403	571
	47,542	55,502

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

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Bank loans	51,000	55,000
Lease liability	734	896
	51,734	55,896

Note 11. Non-current liabilities - borrowings (continued)

Assets pledged as security
On 9 October 2018, the group entered into a third amendment and restatement deed with the total bank loans facility of $61,000,000. The bank loans are secured by a fixed and floating charge over the group's assets. The renewed facility's maturity date is 31 August 2020.

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	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Total facilities		
Bank loans	61,000	75,000
Lease liability	734	896
	61,734	75,896
Used at the reporting date		
Bank loans	51,000	55,000
Lease liability	734	896
	51,734	55,896
Unused at the reporting date		
Bank loans	10,000	20,000
Lease liability	-	-
	10,000	20,000

As at 31 December 2018, the $10,000,000 remaining facility includes a $1,000,000 bank guarantee facility, of which $369,000 has been used. As at 30 June 2018, of the $20,000,000 remaining facility, $274,000 was used for bank guarantees.

Note 12. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Final dividend for the year ended 30 June 2017 of 3.08 cents per ordinary share	-	6,160

There were no dividends paid, recommended or declared for the year ended 30 June 2018.

Note 13. 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 group 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 - 31 Dec 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	1,376	1,376
Total liabilities	-	-	1,376	1,376

Consolidated - 30 Jun 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

There were no transfers between levels during the financial half-year.

The carrying values of financial assets and financial liabilities 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 financial half-year are set out below:

Consolidated	Contingent consideration $'000
Balance at 1 July 2018	3,723
Losses recognised in profit or loss	(3)
Exchange differences	18
Contingent consideration payout	(2,362)
Balance at 31 December 2018	1,376

Note 13. Fair value measurement (continued)

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

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Contingent consideration - Beyond Korea	Revenue	Range of $2,390,000 to $2,922,000 (average $2,656,000)	10% increase in revenue would increase the fair value by $126,000. 10% decrease in revenue would decrease the fair value by $126,000.

A discount rate of 4% was applied in the discounted cash flow model. A 0.50% change in the discount rate would increase/(decrease) the fair value of the contingent consideration liability by $3,000/($3,000).

Note 14. Earnings per share

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Loss after income tax attributable to the owners of Isentia Group Limited	(22,080)	(4,005)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	200,000,001	200,000,001
Weighted average number of ordinary shares used in calculating diluted earnings per share	200,000,001	200,000,001
	Cents	**Cents**
Basic earnings per share	(11.040)	(2.002)
Diluted earnings per share	(11.040)	(2.002)

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

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 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, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the group's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Doug Snedden
Chairman

Ed Harrison
Chief Executive Officer and Managing Director

21 February 2019
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 Review Report to the members of Isentia Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Isentia Group Ltd, which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 23.

Directors Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Isentia Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Isentia Group Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants
Sydney, 21 February 2019