

## 1. Company details

Name of entity:	Isentia Group Limited
ABN:	31 167 541 568
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

## 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 year ended 30 June 2019. The Accounting Standards were adopted using the transitional rules and as such comparatives have not been restated.

	2019 \$'000	2018 \$'000	Change \$'000	Change %
Revenue from ordinary activities*	122,467	137,139	(14,672)	(10.7%)
Loss from ordinary activities after tax attributable to the owners of Isentia Group Limited	(34,341)	1,285	(35,626)	(2772.5%)
Loss for the year attributable to the owners of Isentia Group Limited	(34,341)	1,285	(35,626)	(2772.5%)
Underlying EBITDA**	23,060	33,111	(10,051)	(30.4%)

\* All of the above comparisons are on a statutory basis unless stated, with percentage variances throughout the Annual Report.

\*\* Underlying EBITDA (earnings before interest, income tax expense, depreciation and amortisation) is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit/(loss) 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 a legal settlement.

Reconciliation between the statutory profit/(loss) and underlying EBITDA is set-out in note 3 to the financial statements.

### 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 \$34,341,000 (30 June 2018: profit of \$1,285,000).

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	<u>(17.77)</u>	<u>(20.57)</u>

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 (Previous period: 200,000,001 shares). The net tangible assets per share is negative in both the current and the previous 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 29.11 cents (Previous period: 45.24 cents)

### 4. Audit qualification or review

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

### 5. Attachments

The Annual Report of Isentia Group Limited for the year ended 30 June 2019 is attached.

### 6. Signed



Signed \_\_\_\_\_

Date: 22 August 2019

Doug Snedden  
Chairman  
Sydney

# **Isentia Group Limited**

**ABN 31 167 541 568**

## **Annual Report - 30 June 2019**

Dear Shareholder

The financial year ended 30 June 2019 ('FY2019') has continued the turnaround commenced in 2018. We have appointed a new Chief Executive Officer and launched a fresh strategy. Importantly, we remain competitive in the market, rolling out new products, renewing the majority of our contracts and winning new business.

Isentia's FY2019 financial results were in line with the earnings guidance provided in August 2018, reflecting our new management's ability to deliver to plan in a highly competitive market with evolving customer requirements.

Despite the challenges, Isentia remains market leader and continues to provide the most comprehensive media intelligence solution to governments and corporations across the Asia-Pacific region. The rapidly evolving media landscape means that our services are more critical than ever to our 3,336 customers, keeping them informed about conversations on traditional and social media that affect their brand, policy or reputation.

The FY2019 result showed once again that at its core, Isentia is a subscription business with 78% recurring revenue and strong cash flow conversion from operations. The Board decided not to pay a dividend in FY2019 to conserve cash for technology investment and other strategic initiatives. Debt reduction remained a priority with net debt of \$28.3 million as at 30 June 2019, down from \$43.1 million as at 30 June 2018.

#### **New Chief Executive Officer driving fundamental change**

Since joining Isentia in August 2018, our new Chief Executive Officer Ed Harrison has driven cultural and operational change, appointed a new leadership team, improved sales productivity and stepped up innovation and investment in product development. As a client of Isentia's for over ten years, Ed brings a unique understanding of the user experience and what our customers want. During the year, we have started to see the benefits of these changes with stronger growth in new clients.

Costs have remained a focus with our transformation program realising \$7.6 million in cost-out over the past two years. An example of these initiatives is our press workflow which is now mainly automated resulting in faster delivery to our clients. These cost savings have largely been reinvested in other parts of the business including product development and technology.

#### **Interim copyright licence a positive outcome**

Isentia made progress in the Copyright Tribunal as part of our campaign to achieve a level playing field for all media intelligence providers in Australia. In April 2019, the Tribunal made orders granting Isentia an interim copyright licence to apply from 1 December 2018. The interim licence terms mean that for the first time since mid-2016, Isentia's copyright costs will include a volume-based fee component and will be more in line with our competitors. Our action in the Copyright Tribunal is ongoing and a final hearing date for our application has been set for late 2020.

#### **New strategy to transform the business**

Following a six-month review, a new strategy was launched in February 2019 that is based on the establishment of an efficient operating model underpinned by a competitive, single technology platform, the delivery of world-class, market-centric product innovation and investment in the Asian growth markets to drive scale. Over the three-year period of the plan, from FY2019 to FY2022, earnings before interest, taxation, depreciation and amortisation ('EBITDA') is expected to recover as remediation and transformational investments translate into revenue and earnings growth. The Board has outlined three-year compound annual growth rate ('CAGR') expectations of 10-20% for underlying EBITDA.

As part of this process, the Board and management undertook a thorough review of the portfolio and set performance targets and improvement plans for each geography and segment.

### **New product development investment profile**

Under Ed's leadership, there has been a fundamental shift in Isentia's product development profile which is now focused on incremental, low risk, shorter payback projects. This has resulted in a tripling of our product release velocity. During FY2019, important new releases have provided customers with real-time delivery and better analytics tools. This agile product development means we can better meet our clients' expectations for ever faster delivery of content and for products that are innovative and market leading.

### **Further Board renewal**

In last year's annual report, we reported the appointment of Travyn Rhall and Justin Kane as non-executive directors in July 2018. Renewal of our Board continued through FY2019 with the appointment of Abigail Cheadle as an Independent Non-Executive Director and Chair of the Audit and Risk Committee in January 2019. Two-thirds of our expanded six-member Board were appointed in the past 18 months bringing a fresh perspective and relevant mix of skills to Isentia.

### **Remuneration reflects strategic priorities**

An effective remuneration policy ensures that management and shareholders are aligned. As we roll out our new strategy, we have put in place management incentives that closely reflect the priorities of the strategic plan. As a result, we believe we have struck an appropriate balance between ensuring the business meets its short-term targets, but with an improving longer-term investment profile under the new leadership team.

FY2019 has been a year of acceptable progress for Isentia as the Board and leadership team worked hard to reset the business for future growth. The new strategy is crucial in providing a roadmap for responding to the challenges of the marketplace but also builds on the reputation and expertise within the organisation.

I look forward to working with the Board, Ed and his leadership team in FY2020 as we continue to transform this business.



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Doug Snedden  
Chairman

22 August 2019  
Sydney

The delivery of the FY2019 results coincides with the conclusion of my first year as Chief Executive Officer. In FY2019, we pointed the company in a different direction with the appointment of a new leadership team and the launch of a new strategy. We realised significant operational efficiencies across the organisation through increased automation and the use of our Asia-Pacific network to optimise resource allocation. This ongoing shift from investment in operations to investment in technology continues to improve productivity, reduce costs and, most importantly, deliver higher quality services to our clients.

Moving the focus of our development pipeline to one of continuous, incremental product delivery has de-risked the company's investments and generated good results. The number of product and feature releases has more than tripled to 66 in FY2019. Major product launches during the year included Live Alerts, a large suite of on-platform analytics tools and a new mobile app which is in beta testing with clients. In Asia, we established regional product and tech teams, as well as new multi-market sales capabilities.

The many actions we have taken this year are in response to a rapidly evolving media intelligence sector. The proliferation of media channels and the further acceleration of the news cycle has led customers to demand increased speed and functionality from our products and services. Real-time delivery of content has become the norm as governments and corporates navigate the complex communications landscape spanning social, online and traditional media in equal measure. This new reality creates challenges for our company, but it also presents opportunity. We are in a unique position to support organisations which, more than ever, require the types of data and services that we provide.

### **FY2019 Result in line with guidance**

Turning to our FY2019 result, we reported revenue of \$122.5 million and underlying earnings before interest, taxation and depreciation ('underlying EBITDA') of \$23.1 million, both of which were in line with the guidance provided in August 2018.

FY2019 revenue reflected ongoing competitive pressures in the Australian market which led to increased churn and some price erosion. Our investment in business development teams and technology has improved customer experience and contributed to an increase in client wins and we remain, by a significant margin, the preferred media intelligence provider for most government departments and large corporations.

We continued to transform our cost base as we streamlined and automated many of our processes and reallocated resources where possible. The objective of this program has been to fundamentally change the way we operate. In FY2019, \$5.2 million in cost savings were realised but we have chosen to reinvest these savings into technology in order to secure further efficiencies over the long-term. This transformation program is ongoing and forms a key pillar of our new strategy which I outline in more detail below.

Our action in the Australian Copyright Tribunal led to the issuing of an interim licence in April 2019 which applies from 1 December 2018. This action was important because it is a crucial step towards establishing a "level playing field" for copyright and it introduces a variable component into what had been a fixed cost.

Turning to Asia, we continue to experience strong performance in South East Asia offset by a disappointing result in North Asia. We have leading positions in most South East Asian markets and recorded year-on-year revenue growth of 17% in that region. In North Asia, we are shifting our focus to our successful Insights business in order to deliver profitable revenue. An increase in Asian costs during FY2019 was related to our investment in multi-market sales capability and sales and marketing in South East Asia in line with the double-digit revenue growth. Given the underdeveloped and fragmented nature of the media intelligence sector in many Asia markets, client acquisition remains a key priority. Further penetration of these markets is a considerable opportunity for growth.

Our strong cash flow conversion from operations, bolstered at year-end by the timing benefit related to payments, enabled Isentia to reduce net debt by \$14.8 million to \$28.3 million as at 30 June 2019. With or without the timing benefit, this is our lowest net debt position since 30 June 2015 and represents a critical milestone as we continue to improve our financial position.

In light of current trading conditions and our new strategy, we impaired the carrying value of some previously recognised intangibles resulting in an NPAT loss of \$34.3m. This does not impact cashflow or debt covenant compliance.

### **New strategy launched in February 2019**

Following extensive reviews across multiple areas of the business, we launched a new strategy in February 2019. This strategy is designed to fundamentally shift the way we work. Our strategy is simple; to take cost out of operations where we can; and invest those savings back into technology and our platforms to drive a better user experience.

The strategy is based on three key pillars:

- 1) establish an efficient operating model, underpinned by a single technology platform;
- 2) deliver world-class, market-centric product innovation; and
- 3) create regional scale to strengthen Asia-Pacific leadership.

Crucially, each of these pillars is supported by a material shift in culture and capability.

### **Optimising our operating model**

For Isentia, achieving an efficient operating model depends on automating core production and data pipeline workflows whilst using our unique Asia-Pacific footprint to gain the benefits of scale.

In the past year, significant cost-out has come from making sure we have the right investment in the right people in the right functions and locations. We have been able to leverage our regional network to move teams from high cost Australian locations to lower cost Asian markets. For example, we have relocated our administration and account support teams to our Manila office which has allowed us to free up resources in Australia and New Zealand to focus on business development.

At the same time, we have reduced labour in production. We have used natural language processing and improved search technology to automate the processing of newspaper content and the process by which data is parsed for relevance and delivered to clients. When I joined Isentia, less than a third of the press workflow was automated. A year later, that figure is over 80% and growing.

### **Making our product world-class and market-centric**

This year we have implemented a market-validated iterative product development process that allows for rapid responses to market changes. This approach has resulted in a three-fold increase in our product release velocity in FY2019 and provides us with a pipeline of new, differentiated product features while also reducing our investment risk profile. In FY2019, our major product releases included Live Alerts and expanded analytics tools. These new product features have been well-received by our existing clients and enable our sales teams to have fresh conversations with prospective clients.

### **Driving scale in Asia**

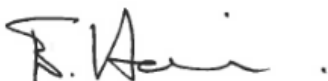
Driving scale in Asia will come from better leveraging of our core products, technology and infrastructure across the region. We have begun the process of incorporating our strong Asian social media analytics functionality into our primary platform, Mediaportal. We expect to achieve additional growth in South East Asia through investment in multi-market sales and marketing, and our focus in North Asia will be on profitable Insights revenue.

Naturally, the transformation of our business and implementation of our strategy depends on the capabilities of our people to effect change. This starts with our leadership team which was put in place in FY2019. A further, important addition is our new Chief Executive Asia, James Merritt who will join us in November 2019.

### **The year ahead**

The year ahead will be one of focused execution as we deliver our strategic plan and restore value to shareholders.

I would like to thank the Board and the Isentia team for their hard work and commitment over the past year and I look forward to updating you on our progress later this year.



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Ed Harrison  
Chief Executive Officer

22 August 2019  
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 2019.

## 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  
 Ed Harrison - Managing Director and Chief Executive Officer (appointed on 6 August 2018)  
 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)  
 Abigail Cheadle - Independent Non-Executive Director (appointed on 14 January 2019)  
 Geoff Raby - Former Non-Executive Director (retired on 20 July 2018)  
 Pat O'Sullivan - Former Independent Non-Executive Director (retired on 15 November 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 its 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:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend for the year ended 30 June 2017 of 3.08 cents per ordinary share	-	6,160
Interim dividend for the year ended 30 June 2018 of 0.647 cent per ordinary share	-	1,294
	-	7,454

## Review of operations

The loss for the Group after providing for income tax amounted to \$34,341,000 (30 June 2018: profit of \$1,285,000).

The loss included impairment of \$40,959,000 (30 June 2018: \$1,844,000). Refer to note 12 to the financial statements for further details.

The underlying EBITDA for the group amounted to \$23,060,000 (30 June 2018: \$33,111,000).

A reconciliation of underlying EBITDA to the statutory loss for the year is provided in note 3 to the financial statements.

Refer to the Chairman's letter and Chief Executive Officer's report for further commentary on the review of operations.

## Significant changes in the state of affairs

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

## Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 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 letter and Chief Executive Officer'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:

<b>Name:</b>	Doug Snedden
<b>Title:</b>	Independent Non-Executive Chairman, Executive Chairman (May 2018 to August 2018)
<b>Qualifications:</b>	Bachelor of Economics and Accounting, Australia National University
<b>Experience and expertise:</b>	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 Chair of Odyssey House NSW, McGrath Foundation and the Chris O'Brien Lifehouse and a non-executive director of OFX 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.
<b>Other current directorships:</b>	OFX Limited (ASX: OFX)
<b>Former directorships (last 3 years):</b>	None
<b>Special responsibilities:</b>	Chair of the Board and member of the Nomination and Remuneration Committee and the Audit and Risk Committee
<b>Interests in shares:</b>	358,000 ordinary shares held indirectly
<b>Interests in options:</b>	None
<b>Interests in rights:</b>	None
<b>Name:</b>	Ed Harrison
<b>Title:</b>	Chief Executive Officer and Managing Director
<b>Qualifications:</b>	Bachelor of Arts (Hons) Economic and Political Development from University of Exeter, Master of Business Administration from Australian Graduate School of Management
<b>Experience and expertise:</b>	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.
<b>Other current directorships:</b>	None
<b>Former directorships (last 3 years):</b>	None
<b>Special responsibilities:</b>	None
<b>Interests in shares:</b>	None
<b>Interests in options:</b>	None
<b>Interests in rights:</b>	934,494 Engagement Rights

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. Fiona is a director of Novotech and The Sydney School of Entrepreneurship and a member of ASIC's Director Advisory Panel. Previously, she was a member of the board of MYOB Group Limited, the Securities Industry Research Centre of South East Asia ('SIRCA'), PageUp People, StatePlus, and 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 and was a strategy consultant with The Boston Consulting Group in the US and Australia.
Other current directorships:	None
Former directorships (last 3 years):	MYOB Group Limited (ASX: MYO)
Special responsibilities:	Chair of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee
Interests in shares:	229,412 ordinary shares held indirectly
Interests in options:	None
Interests in rights:	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:	800,000 ordinary shares held indirectly
Interests in options:	None
Interests in rights:	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
Interests in rights:	None

**Name:** Abigail Cheadle  
**Title:** Independent Non-executive Director  
**Qualifications:** Bachelor of Business from Queensland University of Technology  
**Experience and expertise:** Abigail is a Chartered Accountant with experience gained in Australia, Russia, Asia and the Middle East. She has held executive directorships and senior management positions in major accounting and risk management firms including Kroll, KordaMentha, Deloitte and Ernst & Young. Abigail is a non-executive director and chair of the audit and risk committee of Qantm Intellectual Property Ltd and was formerly a non-executive director and chair of the audit and risk committee of SurfStitch Group Limited.

**Other current directorships:** Qantm Intellectual Property Limited (ASX: QIP)  
**Former directorships (last 3 years):** SurfStitch Group Limited (resigned April 2018) (ASX: SRF)  
**Special responsibilities:** Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee

**Interests in shares:** None  
**Interests in options:** None  
**Interests in rights:** 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 Computer Programs Systems, Inc. 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  
**Interests in rights:** 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 from the University of Queensland and is a member of the Law Society of New South Wales, and the Association of Corporate Counsel Australia.

### 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 2019, 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	9	9	3	3	4	4
Ed Harrison	9	9	-	-	-	-
Fiona Pak-Poy	7	9	3	3	4	4
Travyn Rhall	9	9	3	3	4	4
Justin Kane	9	9	3	3	-	-
Abigail Cheadle	5	5	1	1	2	2
Pat O'Sullivan	2	3	1	1	1	2

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
17/11/2016	30/06/2020	\$3.47	395,908

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 2019 and up to the date of this report.

### Shares under rights

At the date of this report there was a total of 2,254,837 rights over unissued ordinary shares of Isentia Group Limited. This total comprises 1,879,418 Engagement Rights and 375,419 Long-Term Performance Rights. Refer to the remuneration report below and note 39 of the financial statements for further details.

Rights holders do not have any right by virtue of the right to participate in any share issue of the Company or of any related body corporate.

### Shares issued on the exercise of rights

There were no ordinary shares of Isentia Group Limited issued on the exercise of rights during the year ended 30 June 2019 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 30 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 30 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.

### **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.

## **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 2019 ('FY2019').

In FY2019 we appointed a new Chief Executive Officer, three new Board members and a majority of new senior executive leadership team members. In its consideration of remuneration structures, the NRC considered the attraction and motivation of market leading executives to join Isentia Group Limited ('Isentia'), as well as elements to drive both short-term growth and long-term value. Sign-on awards of equity were offered to both the Chief Executive Officer and the Chief Financial Officer not only to attract and retain high-calibre and experienced talent, but importantly to align the interests of these key management personnel ('KMP') with shareholders from the start. We are pleased that Ed Harrison and Peter McClelland chose to join the Isentia team and are happy with the Executive Leadership Team that Ed has subsequently built in the past year.

With the new team we have been focused on creating a performance culture that delivers for shareholders, customers and executives alike. We have responded to the competitive landscape and the market we operate within in relation to our remuneration strategy and planned accordingly. It is the NRC's view that the current Executive Reward Plan ('ERP') is designed to motivate our executive performance to drive the Company's strategy to continue to transform the core business, accelerate growth in our markets and build innovative products to lead the market.

The ERP now comprises short-term and long-term components but before any short-term rewards can be awarded a financial gateway metric must be met. Once the gateway is open a short-term cash component is offered with the purpose to drive, motivate and reward for achievement on specific key performance indicators ('KPIs') in the previous year's performance. These short-term KPIs are aligned with the longer-term Company strategy. Alongside the cash component, a deferred equity component based on the same short-term KPIs, is provided to align our executives with shareholders. We feel it is important that all executives, but particularly our new Executive Leadership Team are given the opportunity to earn (deferred equity) as soon as possible for complete alignment and motivation. The third component of the ERP comprises a grant of equity rights intended to provide a mechanism to drive longer term growth and retain our talent. These longer-term targets are based on growth targets and are aligned with long-term Company strategy, ensuring the appropriate balance of efforts with achieving short-term targets. Executive measures using a balanced scorecard based on performance aligned to financial results, growth hurdles and achievement of key business transformation projects and personal goals.

The key improvements to the ERP in FY2019 include:

- shareholder alignment is increased by the addition of a long-term Performance Rights component, subject to a profit growth test;
- the introduction of a balanced scorecard of KPIs to assess KMP and Executive Leadership Team performance over a broader range of measures and reward contribution to transforming Isentia's business for strong future growth;
- cash and deferred equity components were reduced to accommodate the Long-Term Performance Rights;
- the deferred equity component is now split into two equal tranches, with a one-year and two-year vesting period respectively. This achieves shareholding by executives as quickly as possible, to align their interests with those of shareholders, while still maintaining a longer-term perspective; and
- the award potential for the Chief Financial Officer was aligned with other Executive Leadership team members at overall potential at 110% of total fixed remuneration ('TFR').

### Letter from the Chair of the Nomination and Remuneration Committee (continued)

The NRC will continue to review and adjust its reward mechanisms as required to ensure that it's driving the Company's strategy and shareholder outcomes, particularly in a time of transformation. The current remuneration structure is at an important interim state to address specific challenges we faced in FY2019 whilst we set up ourselves to drive further turnaround in the business. The continued review of the ERP and its elements provide an opportunity for further amendments in coming years. The Company remains open to engaging with all its stakeholders regarding all remuneration and governance-related matters.

On behalf of the Nomination and Remuneration Committee



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Fiona Pak-Poy  
Chair

22 August 2019  
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.

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

1. Key management personnel
2. Response to the 2018 remuneration report
3. Principles used to determine the remuneration framework
4. Group performance and link to remuneration
5. KMP remuneration disclosures
6. Service contracts
7. Share-based compensation
8. KMP interests in Isentia securities
9. Other information

#### 1. Key management personnel

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)".

In addition to the non-executive directors and the Chief Executive Officer, the Board determined that, in the context of the revised Company strategy and organisational structure, the only other KMP in FY2019 was the role of Chief Financial Officer.



The following table details the Group's KMP during FY2019.

Director	Role
Doug Snedden	Chairman and Non-Executive Director Executive Chairman 24 May 2018 to 6 August 2018
Fiona Pak-Poy	Independent Non-Executive Director
Travyn Rhall	Independent Non-Executive Director, appointed 20 July 2018
Justin Kane	Non-Executive Director, appointed 20 July 2018
Abigail Cheadle	Independent Non-Executive Director, appointed 14 January 2019
Pat O'Sullivan	Independent Non-Executive Director, retired 15 November 2018
Geoff Raby	Independent Non-Executive Director, retired 20 July 2018
Executive KMP	Role
Ed Harrison	Managing Director and Chief Executive Officer, appointed 6 August 2018
Peter McClelland	Chief Financial Officer, appointed 14 January 2019
James Orlando	Chief Financial Officer, ceased 6 January 2019

## 2. Response to 2018 remuneration report

Based on commentary from shareholders and proxy advisors on the 2018 remuneration report the Company has introduced changes to the executive remuneration framework intended to drive better alignment of executives and shareholders' interests in the short and long-term. These changes are reflected in the alignment rights awarded to the Chief Executive Officer and Chief Financial Officer on their appointment and in the performance measures introduced to the FY2019 Executive Reward Plan.

## 3. 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. At the conclusion of FY2019, the NRC comprised five non-executive directors and met three times throughout the financial year. 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 FY2019, the NRC continued to review the remuneration framework and Executive Reward Plan ('ERP') to ensure it is market competitive and complementary to Isentia's strategic objectives. The overall purpose of the ERP plan is to create growth and 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.



### 3.1 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.

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 FY2019 and although an additional non-executive director was appointed in FY2019 the Board did not propose any increase to the fee cap in FY2019 and does not propose any increase to the fee cap in FY2020.

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.

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, a majority of directors have interests in Isentia securities, either directly or indirectly (refer to section 8. 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.

### 3.2 Executive remuneration overview

Executive compensation includes both fixed and variable pay components. In FY2019, the NRC continued to review the ERP, to ensure both short-term growth and long-term value. The ERP allows a real opportunity for equity to get into the hands of executives in a short period of time after applied performance and service testing. There are growth and stretch targets to maximize the performance, motivation and subsequent reward. Executive measures using a balanced scorecard outline performance aligned to financial results, growth hurdles and achievement of key business transformation projects. With a turnaround strategy and a majority new executive team the Company has been focused on creating a performance culture that delivers for shareholders, customers and executives alike.

#### 3.2.1 Total fixed remuneration

Total fixed remuneration ('TFR') 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 and superannuation. Base salary is paid in cash or other business-related fringe benefits where applicable. TFR is intended to provide 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. The majority of the executive team are new members in FY2019 including the two executive KMP. Executives are not offered any guaranteed fixed remuneration increases. There were no significant fixed pay increases offered to executives in FY2019.

#### 3.2.2 Variable remuneration composition

The Executive Reward Plan ('ERP') approved by the Board for FY2019 comprises three components:

- a cash award, based on performance over FY2019 ('Cash');
- an equity award based on performance over FY2019 ('Deferred Equity'); and
- an equity award performance tested over a two year period ('Long-Term Performance Rights').

### 3.2.3 Key features of executive remuneration

Aspect	Plan rules and comments
Performance Period	<p>The performance period for the assessment of the Cash and Deferred Equity component is the twelve-month period aligned to the financial year ('Performance Period').</p> <p>Any Cash or Deferred Equity award is pro-rated based on calendar days of participation in the ERP.</p>
Award Opportunities	<p>The award maximum opportunity under the ERP is 125% of TFR for the Chief Executive Officer and 110% of TFR for all other executives including the Chief Financial Officer.</p> <p>The award opportunity is split into the following proportions:</p> <ul style="list-style-type: none"> <li>• up to 40% is available as Cash;</li> <li>• up to 20% is available as Deferred Equity; and</li> <li>• 40% is available as Long-Term Performance Rights.</li> </ul>
Award of Cash and Deferred Equity	<p>Awards of Cash and Deferred Equity are determined by the Board based on an assessment of performance against a balanced scorecard of performance measures ('KPIs') which include:</p> <ul style="list-style-type: none"> <li>• Revenue targets;</li> <li>• Earnings Before Interest, Tax, Depreciation and Amortisation targets ('EBITDA');</li> <li>• Two or three individualized key performance indicators which may include local financial results or achievement of significant initiatives for which the executive is responsible; and</li> <li>• A holistic appraisal of overall performance and behaviours.</li> </ul> <p>KPIs are weighted and combined with performance on each KPI, an overall KPI score out of 100% is obtained, directing the percentage of cash and deferred equity rights components awarded.</p> <ul style="list-style-type: none"> <li>• Achievement of the "Stretch" performance targets in all KPI's are required for the award of 100% of potential cash and deferred equity opportunity.</li> <li>• Achievement of the "Target" performance KPIs results in the award of 50% of the potential cash and deferred equity opportunity.</li> <li>• Achievement of the "Threshold" performance KPIs results in the award of 25% of the potential cash and deferred equity opportunity.</li> <li>• Less than threshold performance results in no award.</li> <li>• The awards for achievement in-between bands is calculated on a pro-rata straight-line basis.</li> </ul>
Cash and Deferred Equity Performance Gateway	<p>No cash or deferred equity is awarded unless threshold EBITDA performance is achieved or exceeded.</p>

## Deferred Equity Rights

Awards of deferred equity are delivered in the form of rights to acquire fully paid ordinary shares in the Company for nil consideration ('Deferred Equity Rights') under the Company's Long-Term Incentive Plan ('LTI Plan').

The number of Deferred Equity Rights granted are determined on a face value basis by dividing the dollar value of the Deferred Equity awarded by the volume-weighted average price of the Company's shares traded on ASX over the 5 trading days immediately prior to the release of the Company's audited financial report at the end of each financial year, rounded down to the nearest whole number.

Grants of Deferred Equity Rights are divided into two equal tranches with respective vesting periods of one year and two years from the applicable grant date. Once granted, ordinarily, no further performance conditions attach to the Deferred Equity Rights other than the executive remaining in the Group's employment at the time of vesting.

Shares allocated upon the vesting of a Deferred Equity Right are subject to a further holding or escrow period ending on the date which is two years from the original grant date of the Deferred Equity Right. During the restricted or escrow period the shares granted cannot be sold or otherwise dealt with but have no service or other condition attaching to them.

## Award of Long-Term Performance Rights

Long-Term Performance Rights are awarded following the end of a Performance Period. Other than the Board's discretion and continuity of employment with the Group, there are no specific conditions on the grant of the Long-Term Performance Rights. Long-Term Performance Rights are delivered in the form of rights to acquire fully paid ordinary shares in the Company for nil consideration under the LTI Plan if the specified long-term performance conditions ('LTIP Performance Conditions') are met.

The number of Long-Term Performance Rights to be allocated to executives are determined on a face value basis by dividing the dollar value of the Long-Term Performance Right awarded by the volume-weighted average price of the Company's shares traded on ASX over the 5 trading days immediately prior to the release of the Company's audited financial report at the end of each financial year, rounded down to the nearest whole number.

## LTIP Performance Conditions

Long-Term Performance Rights granted are subject to the following LTIP Performance Conditions:

- a two year performance period;
- a service condition (the executive's employment with the Company continues throughout the relevant performance period); and
- testing of the Company's financial performance against an adjusted EBIT growth test over the relevant performance period ('Adjusted EBIT Growth Test').

The Adjusted EBIT Growth Test will be based on the compound annual growth rate (CAGR) of the adjusted EBIT (earnings before interest and taxation), where adjusted EBIT excludes amortisation from acquired intangibles ('Adjusted EBIT').

**Vesting of Long-Term Performance Rights** If the LTIP Performance Conditions are met then, subject to the Boards determination as to how many Long-Term Performance Rights will vest, recipients of Long-Term Performance Rights are entitled to receive one share in the Company for every vested Long-Term Performance Right. Shares allocated upon the vesting of a Long-Term Performance Right are subject to a further holding or escrow period of one year following vesting during which time the shares cannot be sold or otherwise dealt with.

The percentage of Long-Term Performance Rights vesting will be determined by reference to the relevant Adjusted EBIT CAGR growth as outlined in the table below:

Adjusted EBIT* CAGR	% of Rights Vesting
Below 5%	0%
Between 5% and 7.5%	Pro-rata from 25% to 50%
Between 7.5% and 12.5%	Pro-rata from 50% to 100%
Above 12.5%	100%

\*Adjusted EBIT excludes amortisation from acquired intangibles.

**Grant of Equity Components** The grant of any Deferred Equity Rights or Long-Term Performance Rights to the Chief Executive Officer are conditional on shareholder approval.

**Dividends and Rights to Vote** Deferred Equity Rights or Long-Term Performance 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 ERP award offered; and/or
- Lapse, forfeit or require repayment of any award granted (including shares allocated on the vesting of Deferred Equity Rights or Long-Term Performance Rights issued while they remain subject to escrow).

## Cessation of Employment

In accordance with the LTI Plan Executives may cease to be entitled to receive all or part of their award and/or all or some of any the Deferred Equity Rights or Long-Term Performance Rights issued 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 ERP, 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 ERP award but will cease to be entitled to, and will forfeit, all equity components of their ERP award and any Deferred Equity Rights or Long-Term Performance Rights issued to them as part of any equity component of their ERP award will lapse. If the cessation of employment in these circumstances occurs during the escrow period, executives will, in most circumstances, be entitled to retain the entire cash component and any shares that have vested, but the shares will still be subject to the remainder of the escrow period.

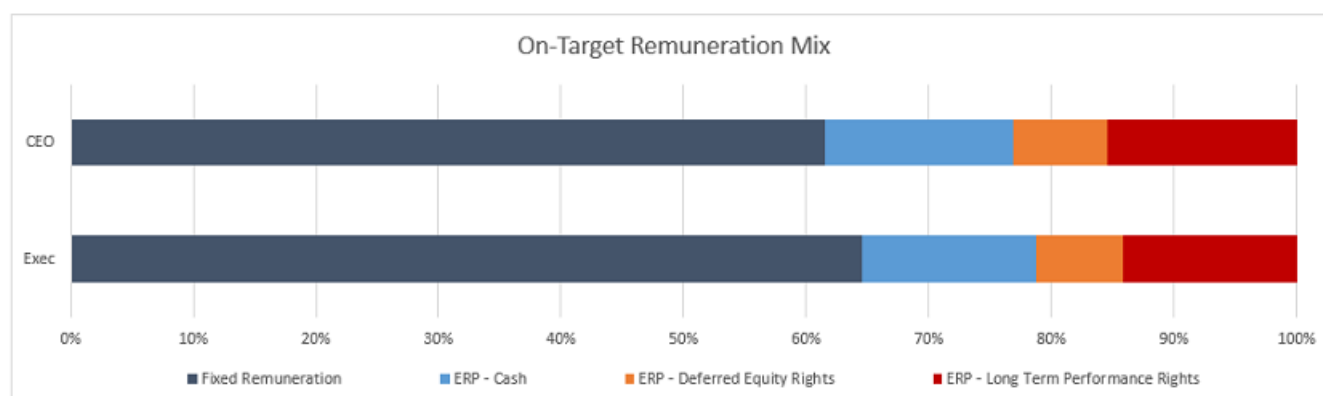
If an executive ceases to be employed for any reason other than termination for cause or resignation during the performance period, or after the end of the performance period but before the grant of a component of the ERP, in most circumstances (but subject to Board discretion) the executive will be entitled to receive a pro-rata portion of the cash component of their ERP award but will cease to be entitled to receive any of the Deferred Equity Rights or Long-Term Performance Rights components of their ERP 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 ERP award, any deferred equity rights granted, subject to the relevant vesting period and any Long-Term Performance Rights granted, subject to the vesting period and Company performance conditions. Shares allocated on the vesting of such Rights will be subject to the relevant escrow period.

## Change of Control Provisions

In a change of control event, subject to Board discretion, all unvested Deferred Equity Rights or Long-Term Performance Rights issued as a component of the ERP will immediately vest and any dealing restrictions imposed by the Board on shares allocated to executives, including escrow, will immediately cease.

### 3.2.4 Remuneration mix

The mix of fixed and on-target variable remuneration elements is shown below for the executive KMP.



#### 4. Group performance and link to remuneration

##### 4.1 Five-year Group performance

The Groups' FY2015 to FY2019 annual financial performance measures over the past five years is set out below:

	FY2015	FY2016	FY2017	FY2018	FY2019
Revenue \$m	127.3	156.0	155.1	137.1	122.5
Underlying EBITDA* \$m	42.5	51.0	41.5	31.1	23.1
Total shareholder return ('TSR') (%)	60.2	(5.5)	(35.9)	(65.5)	(68.1)
Earnings per share ('EPS') (cents/share)	9.8	12.1	(6.8)	0.6	(17.2)
Net profit after tax ('NPAT') \$m	19.6	24.3	(13.5)	1.3	(34.3)
Staff costs \$m	52.5	62.8	63.2	60.0	58.2
Staff costs to revenue ratio (%)	41.2	40.3	40.7	43.7	47.5

\* Underlying EBITDA (earnings before interest, income tax expense, depreciation and amortisation) is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit/(loss) 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

Reconciliation between the statutory profit/(loss) and underlying EBITDA is set-out in note 3 to the financial statements.

There have been no returns of capital made or proposed by the Board since the Company was listed in 2014.

##### 4.2 FY2019 Executive reward plan performance measures

Executive KMP performance is measured across a balanced scorecard of key performance indicators aligned to the individual's role. The scorecard takes a broad view of overall performance with clear criteria across a set of team and individual indicators including current financial results, regional results where applicable, achievement of key business transformation projects. An overall assessment of individual achievement, including working to Isentia's values is a part of each Executive KMP's scorecard. Key performance indicators include:

- revenue;
- EBITDA;
- NPAT;
- successful completion of initiatives to transform our products and operations; and
- personal performance to Isentia's values of client obsessed, one team and enterprising.

##### 4.3 FY2019 Executive reward plan performance outcomes

The following table shows the balanced scorecard performance outcomes for FY2019 performance for the two executive KMP as represented by the percentage of TFR awarded in the short-term components of the FY2019 ERP, that is Cash and Deferred Equity.

KMP Executive	Metric	Performance outcome	Award as % of TFR	
			Cash	Deferred Equity
Ed Harrison	Revenue EBITDA Personal Performance and KPIs	EBITDA and revenue achievement for FY2019 were within the expected ranges as per guidance. Developed and implemented turn-around strategy, built out new leadership team.	17.33% \$104,942	8.66% \$52,471
Peter McClelland	Revenue EBITDA Personal Performance and KPIs	EBITDA and revenue achievement for FY2019 were within the expected ranges as per guidance. Important impacts on cost restructuring, transformational projects and critical operational initiatives.	15.42% \$37,254	7.71% \$18,627

All awards have been calculated based on pro-rated TFR.

#### **4.4 One-off payments and awards**

The Board approved sign-on awards for Ed Harrison and Peter McClelland during FY2019.

Ed Harrison was offered deferred equity to the value of his total fixed remuneration ('TFR'). The deferred equity was in the form of rights to acquire fully paid ordinary shares in the Company (Engagement Rights). The number of Engagement Rights granted to Ed was determined by dividing the dollar value of the deferred equity by the volume-weighted average price of the Company's shares over the five trading days immediately prior to the announcement of Ed's appointment to the ASX on 6 July 2018 (0.7234 cents per share). The grant of 934,494 Engagement Rights to Ed was approved by shareholders at the November 2018 Annual General Meeting.

Peter McClelland was awarded a sign-on award to the value of his TFR and comprising 50% (\$262,500) as cash (payable post completion of probationary period; mid July 2019) and 50% (\$262,500) as deferred equity in the form of Engagement Rights. The number of Engagement Rights granted to Peter was determined by dividing the dollar value of the deferred equity by the volume-weighted average price of the Company's shares over the five trading days immediately prior to the announcement of Peter's appointment to the ASX on 26 October 2018 (0.2778 cents per share). Peter was granted 944,924 Engagement Rights after the commencement of his employment in 14 January 2019.

Engagement Rights are subject to a two year vesting period from the date of commencement of employment and Ed Harrison and Peter McClelland remaining employed with the Group throughout the two year vesting period. Shares allocated upon Engagement Rights vesting are subject to a further 12 month escrow period. During the escrow period the shares granted cannot be sold or otherwise dealt with but have no service or other condition attaching to them. Both Engagement Rights and any shares allocated are subject to the terms of the LTI Plan and the conditions relating to dividends, voting, clawback, cessation of employment and change of control are as outlined above in relation to the Deferred Equity Rights and Long-Term Incentive Rights.



## 5. KMP remuneration disclosures

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	ERP cash settled	Cash bonus <sup>9</sup>	Super-annuation	Long service benefit	Equity-settled Options	Equity-settled Rights <sup>10</sup>		Total
2019	\$	\$	\$	\$	\$	\$	\$		\$
Non-Executive Directors:									
Doug Snedden <sup>1</sup>	192,877	-	-	18,323	-	-	-		211,200
Pat O'Sullivan <sup>2</sup>	41,589	-	-	3,951	-	-	-		45,540
Fiona Pak-Poy	110,000	-	-	10,450	-	-	-		120,450
Geoff Raby <sup>3</sup>	5,479	-	-	521	-	-	-		6,000
Travyn Rhall <sup>4</sup>	94,795	-	-	9,005	-	-	-		103,800
Abigail Cheadle <sup>5</sup>	50,630	-	-	4,810	-	-	-		55,440
Justin Kane <sup>4</sup>	90,055	-	-	-	-	-	-		90,055
Executive Directors:									
Ed Harrison <sup>6</sup>	590,820	104,942	-	18,506	-	-	427,463		1,141,731
Other KMP:									
James Orlando <sup>7</sup>	255,068	-	-	10,688	-	-	-		265,756
Peter McClelland <sup>8</sup>	232,194	37,254	262,500	9,450	-	-	103,253		644,651
	1,663,507	142,196	262,500	85,704	-	-	530,716		2,684,623

<sup>1</sup> At Doug Snedden's request the NRC approved the reduction of his director's fees from \$200,000 to \$180,000 per annum effective 21 February 2019.

<sup>2</sup> Pat O'Sullivan retired on 15 November 2018.

<sup>3</sup> Geoff Raby retired on 20 July 2018.

<sup>4</sup> Travyn Rhall and Justin Kane were appointed on 20 July 2018.

<sup>5</sup> Abigail Cheadle was appointed on 14 January 2019.

<sup>6</sup> Ed Harrison commenced employment on 6 August 2018.

<sup>7</sup> James Orlando ceased employment on 6 January 2019 and received no termination benefits other than statutory entitlements.

<sup>8</sup> Peter McClelland commenced employment on 14 January 2019.

<sup>9</sup> The amount shown under 'Cash bonus' refers to the amount which was paid under a one-off cash sign-on bonus.

<sup>10</sup> The values for equity-based remuneration have been determined in accordance with AASB 2 'Share-based Payments' and represent the current year amortization of the fair value of rights over the vesting period. The Equity Settled Rights represents the value of rights granted in FY2018 and FY2019, apportioned over the period in line with the respective performance and vesting period.



	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees \$	ERP cash settled \$	Cash bonus <sup>8</sup> \$	Super-annuation \$	Long service benefit \$	Equity-settled Options <sup>7</sup> \$	Equity-settled Rights <sup>7</sup> \$	Total \$
<b>2018</b>								
<i>Non-Executive Directors:</i>								
Doug Snedden <sup>1</sup>	120,548	-	-	11,452	-	-	-	132,000
Doug Flynn <sup>2</sup>	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
<i>Executive Directors:</i>								
John Croll <sup>3</sup>	654,636	-	-	20,049	10,889	(334,269)	-	351,305
<i>Other KMP:</i>								
Sean Smith <sup>4</sup>	346,865	92,245	40,000	20,049	5,791	(29,384)	26,508	502,074
James Orlando	490,000	163,995	-	20,049	-	-	-	674,044
David Liu <sup>5</sup>	485,164	136,004	28,832	6,228	-	(39,993)	39,083	655,318
Nimesh Shah <sup>6</sup>	8,368	-	-	793	-	-	-	9,161
	<u>2,501,581</u>	<u>392,244</u>	<u>68,832</u>	<u>116,240</u>	<u>16,680</u>	<u>(403,646)</u>	<u>65,591</u>	<u>2,757,522</u>

- <sup>1</sup> Doug Snedden was Executive Chairman from 24 May 2018 to 6 August 2018 but received no additional remuneration.
- <sup>2</sup> Doug Flynn resigned on 23 November 2018.
- <sup>3</sup> John Croll resigned in February 2018 and stepped down as Managing Director and Chief Executive Officer on 24 May 2018. John served his six month notice period and his employment ceased on 24 August 2018.
- <sup>4</sup> In the context of the revised strategy and organizational structure introduced in FY2019, Sean Smith was not considered a KMP in FY2019.
- <sup>5</sup> David Liu ceased employment on 31 May 2019 and was not considered a KMP in FY2019.
- <sup>6</sup> Nimesh Shah ceased employment on 7 July 2017 and received no termination benefits other than statutory entitlements.
- <sup>7</sup> 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.
- <sup>8</sup> 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.

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

Name	Fixed remuneration		Remuneration linked to performance	
	2019	2018	2019	2018
<i>Non-Executive Directors:</i>				
Doug Snedden	100%	100%	-	-
Pat O'Sullivan	100%	100%	-	-
Fiona Pak-Poy	100%	100%	-	-
Geoff Raby	100%	100%	-	-
Travyn Rhall	100%	-	-	-
Abigail Cheadle	100%	-	-	-
Justin Kane	100%	-	-	-
<i>Executive Directors:</i>				
Ed Harrison	53%	-	47%	-
<i>Other KMP:</i>				
James Orlando	100%	76%	-	24%
Peter McClelland	78%	-	22%	-

## 6. 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:

Executive KMP	Contract term	Notice period for termination By executive	Notice period for termination By Isentia
Ed Harrison	No fixed term	6 months	6 months
Peter McClelland	No fixed term	3 months	3 months
James Orlando*	No fixed term	6 months	6 months

\* James Orlando former Chief Financial Officer resigned 20 July 2018 and ceased employment on 6 January 2019.

## 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 ERP over time, which was one of the reasons for implementing the ERP.

## 7. Share-based compensation

### a. Issue of shares

There were no shares issued to directors or other KMP as part of compensation during the year ended 30 June 2019.

### b. Issue of rights to shares

The following KMP will be entitled to the awards of Deferred Equity Rights and Long-Term Performance Rights under the ERP for performance during the year ended 30 June 2019:

Executive KMP	Plan and vesting conditions	Performance start date	Share price at grant date	Maximum monetary value of securities to be issued \$
Ed Harrison	FY2019 ERP Deferred Equity Right - Service and non-market condition	01/07/2018	\$0.30	52,471
	FY2019 ERP Long-Term Performance Right - Service and performance condition	01/07/2019	\$0.30	302,811
Peter McClelland	FY2019 ERP Deferred Equity Right - Service and non-market condition	01/07/2018	\$0.30	18,627
	FY2019 ERP Long-Term Performance Right - Service and performance condition	01/07/2019	\$0.30	106,323

Engagement Rights have been granted to the following KMP during the year ended 30 June 2019:

Executive KMP	Plan and vesting condition	Grant date*	Vesting date	Share price at grant date	Number of rights granted	Maximum monetary value of securities to be issued \$
Ed Harrison	Engagement Rights - Service	06/08/2018	06/08/2020	\$0.77	934,494	676,000
Peter McClelland	Engagement Rights - Service	14/01/2019	14/01/2021	\$0.30	944,924	262,500

\* The grant of Ed Harrison's Engagement Rights was subject to shareholders approval in November 2018.

### c. Options

There were no options granted or held by KMP during FY2019.

## 8. 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:

	Balance at the start of the year	Additions	Disposals	Balance at the end of the year
<i>Ordinary shares</i>				
Doug Snedden *	228,000	130,000	-	358,000
Fiona Jane Pak-Poy *	29,412	200,000	-	229,412
Travyn Rhall *	300,000	500,000	-	800,000
Justin Kane*	30,876,369	-	-	30,876,369
Abigail Cheadle	-	-	-	-
Ed Harrison	-	-	-	-
Peter McClelland	-	-	-	-
Pat O'Sullivan **	54,412	-	-	54,412
Geoff Raby **	29,412	-	-	29,412
James Orlando	-	-	-	-
	<u>31,517,605</u>	<u>830,000</u>	<u>-</u>	<u>32,347,605</u>

\* All are held indirectly.

\*\* Balance as at the date of retirement.

### Rights holding

The number of rights 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:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Rights</i>					
Ed Harrison	-	934,494	-	-	934,494
Peter McClelland	-	944,924	-	-	944,924
	<u>-</u>	<u>1,879,418</u>	<u>-</u>	<u>-</u>	<u>1,879,418</u>

## 9. Other information

### Use of remuneration consultants

During FY2019, the NRC engaged an independent remuneration consultant, Watkins Group Consulting who assisted in the review of the Group remuneration strategy including the ERP. Watkins Group Consulting were paid \$6,000 to facilitate discussions with the NRC. Watkins Group Consulting did not make any specific remuneration recommendations. The NRC liaised directly with Watkins Consulting Group and management was only involved to the extent of providing factual information to Watkins Consulting Group. In this regard the NRC and the Board are satisfied that the remuneration recommendations were made free from undue influence by any KMP.

***This concludes the remuneration report, which has been audited.***

This concludes the directors' report which 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



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Doug Snedden  
Chairman

22 August 2019  
Sydney



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Ed Harrison  
Chief Executive Officer and Managing Director

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

22 August 2019

Dear Board Members

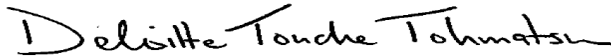
**Isentia Group Limited**

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 2019, 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



David White  
Partner  
Chartered Accountants

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## **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 2019.

**Isentia Group Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2019**



	Note	Consolidated 2019 \$'000	2018 \$'000
<b>Revenue</b>	4	122,467	137,139
Other income	5	20	2,956
Interest revenue calculated using the effective interest method		80	92
<b>Expenses</b>			
Copyright, consumables and other direct purchases		(29,440)	(35,233)
Employee benefits expense		(58,155)	(59,966)
Amortisation expense	7	(13,116)	(14,307)
Depreciation expense	7	(1,976)	(1,819)
Impairment of assets	7	(40,959)	(158)
Loss on disposal of assets		(188)	(275)
Occupancy costs		(5,214)	(5,610)
Content marketing exit expenses	6	-	(7,100)
Other expenses		(8,832)	(9,954)
Finance costs	7	(2,233)	(2,284)
<b>(Loss)/profit before income tax (expense)/benefit</b>		(37,546)	3,481
Income tax (expense)/benefit	8	3,205	(2,196)
<b>(Loss)/profit after income tax (expense)/benefit for the year attributable to the owners of Isentia Group Limited</b>		(34,341)	1,285
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax		(234)	-
Exchange differences on translating foreign operations, net of tax		1,501	2,416
Other comprehensive income for the year, net of tax		1,267	2,416
<b>Total comprehensive income for the year attributable to the owners of Isentia Group Limited</b>		<u>(33,074)</u>	<u>3,701</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	38	(17.170)	0.642
Diluted earnings per share	38	(17.170)	0.642

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



	<b>Note</b>	<b>Consolidated 2019 \$'000</b>	<b>2018 \$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	14,718	11,927
Trade and other receivables	10	20,600	23,157
Income tax refund due		147	2,273
Prepayments		1,462	1,025
Total current assets		<u>36,927</u>	<u>38,382</u>
<b>Non-current assets</b>			
Property, plant and equipment	11	3,832	4,628
Intangibles	12	97,331	142,383
Deferred tax assets	13	3,541	3,459
Other		-	40
Total non-current assets		<u>104,704</u>	<u>150,510</u>
<b>Total assets</b>		<u>141,631</u>	<u>188,892</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	17,793	12,227
Contract liabilities	15	5,167	5,717
Borrowings	16	4,347	325
Current tax liabilities		1,621	528
Provisions	17	5,428	5,487
Contingent consideration	18	709	3,172
Total current liabilities		<u>35,065</u>	<u>27,456</u>
<b>Non-current liabilities</b>			
Borrowings	19	39,737	55,502
Derivative financial instruments	20	335	-
Deferred tax liabilities	21	7,126	14,229
Provisions	22	602	684
Contingent consideration	23	551	551
Total non-current liabilities		<u>48,351</u>	<u>70,966</u>
<b>Total liabilities</b>		<u>83,416</u>	<u>98,422</u>
<b>Net assets</b>		<u>58,215</u>	<u>90,470</u>
<b>Equity</b>			
Issued capital	24	403,662	403,662
Reserves	25	(249,681)	(251,767)
Accumulated losses		(95,766)	(61,425)
<b>Total equity</b>		<u>58,215</u>	<u>90,470</u>

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

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
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
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 39)	-	(510)	-	(510)
Dividends paid (note 26)	-	-	(7,454)	(7,454)
Balance at 30 June 2018	<u>403,662</u>	<u>(251,767)</u>	<u>(61,425)</u>	<u>90,470</u>
<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2018	403,662	(251,767)	(61,425)	90,470
Loss after income tax benefit for the year	-	-	(34,341)	(34,341)
Other comprehensive income for the year, net of tax	-	1,267	-	1,267
Total comprehensive income for the year	-	1,267	(34,341)	(33,074)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 39)	-	819	-	819
Balance at 30 June 2019	<u>403,662</u>	<u>(249,681)</u>	<u>(95,766)</u>	<u>58,215</u>

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

		Consolidated	
	Note	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		135,162	158,716
Payments to suppliers and employees (inclusive of GST)		(106,917)	(125,838)
Interest received		80	92
Other revenue		17	1,106
Interest and other finance costs paid		(2,244)	(2,187)
Income taxes paid		(207)	(3,512)
Net cash from operating activities	37	25,891	28,377
<b>Cash flows from investing activities</b>			
Contingent consideration pay out	28	(2,482)	(2,386)
Payments for property, plant and equipment		(1,165)	(1,096)
Payments for intangibles		(7,094)	(8,475)
Payment for purchase of asset acquisition		-	(508)
Proceeds from disposal of intangibles		-	100
Proceeds from release of security deposits		24	225
Net cash used in investing activities		(10,717)	(12,140)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	2,000
Repayment of borrowings	37	(12,000)	(12,000)
Repayment of leases	37	(383)	(108)
Dividends paid	26	-	(7,454)
Net cash used in financing activities		(12,383)	(17,562)
Net increase/(decrease) in cash and cash equivalents		2,791	(1,325)
Cash and cash equivalents at the beginning of the financial year		11,927	13,252
Cash and cash equivalents at the end of the financial year	9	14,718	11,927

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.

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

The following Accounting Standards and Interpretations adopted during the year are most relevant to the Group:

#### AASB 9 Financial Instruments

AASB 9 is applicable for accounting periods from 1 July 2018. The standard introduced new classification and measurement models for financial assets, and simpler hedge accounting.

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.

#### Impact of adoption:

The Group has adopted AASB 9 for the year ended 30 June 2019 using the transitional rules and as such comparatives have not been restated.

The adoption of AASB 9 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.

#### AASB 15 Revenue from Contracts with Customers

AASB 15 is applicable for accounting periods 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.

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. 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 is delivered to the customer. Refer to 'Revenue recognition' policy below for further details.

#### Impact of adoption:

The Group has adopted AASB 15 for the year ended 30 June 2019 using the transitional rules and as such comparatives have not been restated.

The adoption of AASB 15 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.

## **Note 1. Significant accounting policies (continued)**

### **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 34.

### **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 2019 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.

### **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.

## Note 1. Significant accounting policies (continued)

### *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

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 recognised as a refund liability.

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.

## Note 1. Significant accounting policies (continued)

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 Group'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 or 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.

## 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.



## Note 1. Significant accounting policies (continued)

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.

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 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.



## Note 1. Significant accounting policies (continued)

### Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

#### *Cash flow hedges*

Cash flow hedges are used to cover the Group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

### 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 have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

#### *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 recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

### 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, such as Brands, 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.

### **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.

### **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 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. 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 2019. 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 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 in the range of \$3,500,000 to \$4,500,000 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 impact of adoption of this standard as at 1 July 2019, using the modified retrospective approach, will result in the recognition of a right-of-use asset of approximately \$10,748,000 with a corresponding increase in lease liability, in respect of the Group's operating leases over premises. Refer to note 32 for undiscounted commitments in relation to non-cancellable operating leases as at 30 June 2019.

### *New Conceptual Framework for Financial Reporting*

A revised Conceptual Framework for Financial Reporting is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 'Amendments to Australian Accounting Standards – References to the Conceptual Framework', also applicable from 1 January 2020, includes such amendments. Where the Group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group may need to revisit such policies. The Group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

## 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.

### *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.

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

### *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'). 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) for these segments and head office expenses. 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.

### *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

	ANZ \$'000	Asia/RoW \$'000	Head Office \$'000	Total \$'000
<b>Consolidated - 2019</b>				
<b>Revenue</b>				
SaaS - recognised over time	69,481	16,058	-	85,539
VAS - recognised at a point in time	18,157	18,771	-	36,928
Total segment revenue	87,638	34,829	-	122,467
Interest revenue				80
<b>Total revenue</b>				122,547
<b>Underlying EBITDA</b>	34,408	2,993	(14,341)	23,060
Restructuring costs	(806)	(476)	(682)	(1,964)
Other	-	394	(647)	(253)
Fair value adjustment on contingent consideration	-	-	3	3
Impairment of assets	(38,050)	(2,909)	-	(40,959)
Loss on disposal of assets	-	(77)	(111)	(188)
<b>EBITDA</b>	(4,448)	(75)	(15,778)	(20,301)
Depreciation and amortisation				(15,092)
Interest revenue				80
Finance costs				(2,233)
<b>Loss before income tax benefit</b>				(37,546)
Income tax benefit				3,205
<b>Loss after income tax benefit</b>				(34,341)

In the current year, 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, 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 adjustments 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)**

<b>Consolidated - 2018</b>	<b>ANZ \$'000</b>	<b>Asia/RoW \$'000</b>	<b>Head Office \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>				
SaaS - recognised over time	79,361	15,628	-	94,989
VAS - recognised at a point in time	18,352	19,228	-	37,580
Content marketing	2,652	1,918	-	4,570
Total segment revenue	100,365	36,774	-	137,139
Interest Revenue				92
<b>Total revenue</b>				<b>137,231</b>
<b>Underlying EBITDA</b>	40,218	4,819	(11,926)	33,111
EBITDA loss from content marketing	(3,985)	(523)	-	(4,508)
Restructuring costs	(538)	(391)	(928)	(1,857)
Other	-	-	(812)	(812)
Fair value adjustment on contingent consideration	-	-	1,850	1,850
Proceeds from legal settlement	-	-	1,100	1,100
Impairment of assets	-	(158)	(1,685)	(1,843)
Loss on disposal of assets	-	(1,050)	510	(540)
<b>EBITDA</b>	<b>35,695</b>	<b>2,697</b>	<b>(11,891)</b>	<b>26,501</b>
Depreciation and amortisation				(16,126)
Depreciation and amortisation - content marketing				(4,702)
Interest revenue				92
Finance costs				(2,284)
<b>Profit before income tax expense</b>				<b>3,481</b>
Income tax expense				(2,196)
<b>Profit after income tax expense</b>				<b>1,285</b>

**Note 4. Revenue**

	<b>Consolidated</b>	
	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Rendering of services	122,467	137,139

*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	
	2019	2018
	\$'000	\$'000
Government grants	17	6
Fair value adjustment on contingent consideration (note 28)	3	1,850
Other income - proceeds from legal settlement	-	1,100
	<hr/>	<hr/>
Other income	20	2,956
	<hr/>	<hr/>

## Note 6. Content marketing exit expenses

### *Exit content marketing and refocus on Media Intelligence business*

The Group exited content marketing in the year ended 30 June 2018.

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

	Consolidated	
	2019	2018
	\$'000	\$'000
Accelerated amortisation expense	-	4,702
Impairment of assets	-	1,685
Loss on disposal of assets	-	265
Redundancy costs	-	448
	<hr/>	<hr/>
Total content marketing exit expenses	-	7,100
	<hr/>	<hr/>

**Note 7. Expenses**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss)/profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	441	495
Furniture and fittings	143	143
Office equipment	486	155
Computer equipment	906	1,026
Total depreciation	1,976	1,819
<i>Amortisation</i>		
Customer relationships and contracts	7,623	7,807
Acquired software	1,097	1,480
Internally generated software	4,396	5,020
Total amortisation	13,116	14,307
Total depreciation and amortisation	15,092	16,126
<i>Impairment</i>		
Goodwill	18,975	158
Purchased software	301	-
Internally generated software	2,906	-
Brands	18,777	-
Total impairment	40,959	158
<i>Finance costs</i>		
Interest and finance charges paid/payable	2,093	2,194
Loan establishment fee and other facility cost	140	90
Finance costs expensed	2,233	2,284
<i>Net foreign exchange fluctuation</i>		
Net foreign exchange loss/(gain)	(19)	31
<i>Rental expense relating to operating leases</i>		
Lease payments	4,755	4,976
<i>Superannuation expense and statutory contribution</i>		
Defined contribution superannuation expense	4,690	5,182
<i>Impairment of receivables</i>		
Bad and doubtful debt expense	602	897

**Note 8. Income tax expense/(benefit)**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Income tax expense/(benefit)</i>		
Current tax expense	3,720	2,060
Deferred tax - origination and reversal of temporary differences	(6,818)	(81)
Prior year (over)/under	(107)	217
	<u>(3,205)</u>	<u>2,196</u>
Aggregate income tax expense/(benefit)		
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease in deferred tax assets (note 13)	285	2,212
Decrease in deferred tax liabilities (note 21)	(7,103)	(2,293)
	<u>(6,818)</u>	<u>(81)</u>
Deferred tax - origination and reversal of temporary differences		
	<u>(6,818)</u>	<u>(81)</u>
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
(Loss)/profit before income tax (expense)/benefit	(37,546)	3,481
Tax at the statutory tax rate of 30%	(11,264)	1,044
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	8,227	797
Effect of tax rates in overseas jurisdictions	344	45
Current year tax loss not recognised	-	353
Research and development tax offset	(405)	(260)
Prior year (over)/under	(107)	217
	<u>(3,205)</u>	<u>2,196</u>
Income tax expense/(benefit)		
	<u>(3,205)</u>	<u>2,196</u>
	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Amounts credited directly to equity</i>		
Deferred tax assets (note 13)	(108)	-

**Note 9. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash on hand	18	13
Cash at bank	14,700	11,914
	<u>14,718</u>	<u>11,927</u>

**Note 10. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	19,172	21,068
Less: Allowance for expected credit losses	(533)	(683)
	<u>18,639</u>	<u>20,385</u>
Other receivables	1,185	1,972
Security deposits	776	800
	<u>20,600</u>	<u>23,157</u>

Allowance for expected credit losses were disclosed as "Provision for impairment of receivables" in the Annual Report for the year ended 30 June 2018.

*Allowance for expected credit losses*

The Group has recognised a loss of \$602,000 in profit or loss in respect of impairment of receivables for the year ended 30 June 2019 (2018: loss of \$897,000).

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

<b>Consolidated</b>	<b>Expected credit loss rate 2019 %</b>	<b>Carrying amount 2019 \$'000</b>	<b>Allowance for expected credit losses 2019 \$'000</b>
Not overdue	0.98%	14,566	143
0 to 3 months overdue	4.27%	4,047	173
3 to 6 months overdue	17.39%	377	66
Over 6 months overdue	82.99%	182	151
		<u>19,172</u>	<u>533</u>

Movements in the allowance for expected credit losses are as follows:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	683	568
Additional provisions recognised	602	897
Receivables written off during the year as uncollectable	(752)	(782)
Closing balance	<u>533</u>	<u>683</u>

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

	Consolidated 2019 \$'000	2018 \$'000
Leasehold improvements - at cost	3,116	2,761
Less: Accumulated depreciation	(1,963)	(1,458)
	<u>1,153</u>	<u>1,303</u>
Furniture and fittings - at cost	1,719	1,668
Less: Accumulated depreciation	(1,245)	(1,111)
	<u>474</u>	<u>557</u>
Office equipment - at cost	2,636	2,423
Less: Accumulated depreciation	(1,641)	(1,104)
	<u>995</u>	<u>1,319</u>
Computer equipment - at cost	6,015	5,601
Less: Accumulated depreciation	(4,805)	(4,152)
	<u>1,210</u>	<u>1,449</u>
	<u><u>3,832</u></u>	<u><u>4,628</u></u>

*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 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
Additions	277	63	157	668	1,165
Disposals	(10)	(17)	(5)	(45)	(77)
Exchange differences	24	14	10	44	92
Depreciation expense	(441)	(143)	(486)	(906)	(1,976)
Balance at 30 June 2019	<u><u>1,153</u></u>	<u><u>474</u></u>	<u><u>995</u></u>	<u><u>1,210</u></u>	<u><u>3,832</u></u>

*Property, plant and equipment secured under finance leases*

Refer to note 32 for further information on property, plant and equipment secured under finance leases.

**Note 12. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill - at cost	88,243	117,762
Less: Accumulated impairment	(25,643)	(37,544)
	<u>62,600</u>	<u>80,218</u>
Customer relationships and contracts - at cost	76,676	81,968
Less: Accumulated amortisation	(62,021)	(57,648)
Less: Accumulated impairment	(1,779)	(3,666)
	<u>12,876</u>	<u>20,654</u>
Purchased software - at cost	24,937	32,330
Less: Accumulated amortisation	(21,860)	(28,424)
Less: Accumulated Impairment	(300)	(386)
	<u>2,777</u>	<u>3,520</u>
Internally generated software - at cost	39,898	32,722
Less: Accumulated amortisation	(17,901)	(13,362)
Less: Accumulated Impairment	(2,919)	-
	<u>19,078</u>	<u>19,360</u>
Brands - at cost	18,777	24,726
Less: Accumulated Impairment	(18,777)	(6,095)
	<u>-</u>	<u>18,631</u>
	<u><u>97,331</u></u>	<u><u>142,383</u></u>

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

### 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 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)	-	-	-	-	(158)
Impairment of assets - content marketing	-	(1,685)	-	-	-	(1,685)
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
Additions	-	-	672	7,027	45	7,744
Disposals	-	-	(111)	-	-	(111)
Reclassification	-	-	34	(34)	-	-
Exchange differences	1,357	(155)	60	27	101	1,390
Impairment of assets	(18,975)	-	(301)	(2,906)	(18,777)	(40,959)
Amortisation expense	-	(7,623)	(1,097)	(4,396)	-	(13,116)
Balance at 30 June 2019	62,600	12,876	2,777	19,078	-	97,331

### Impairment testing

During the financial year, the Group 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 and 30 June 2019. 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 an impairment charge of \$18,777,000 of brand names and \$3,207,000 of software assets. These specific assets were identified by management as both no longer being actively used in the business to generate future economic benefits and also do not form part of management's new strategy. Accordingly, these assets have been derecognised as at 30 June 2019.

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.



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

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

	Consolidated	
	2019	2018
	\$'000	\$'000
ANZ	34,359	52,297
Asia and Rest of the World ('Asia/RoW')	28,241	27,921
	<u>62,600</u>	<u>80,218</u>

Brands have been allocated to the following operating segments:

	Consolidated	
	2019	2018
	\$'000	\$'000
ANZ	-	16,421
Asia/RoW	-	2,210
	<u>-</u>	<u>18,631</u>

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 (30 June 2018: value in use model). The fair value less costs of disposal basis, 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 in line with the fair value hierarchy in accordance with AASB 13 'Fair Value Measurement'. 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 30 June 2019.

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

- Based on an approved FY2020 budget and business plan for the next four years.
- Terminal growth rates applied are ANZ 2% (2018: 2%) and Asia/RoW 4% (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.
- Weighted average cost of capital post-tax: ANZ 15.5% (2018: 11.75%) and Asia/RoW: 17.5% (2018: 15%). The increased discount rate represents the underlying cost of capital adjusted for market, country and asset specific risks.

### 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**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax assets comprise temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	-	371
Allowance for expected credit losses	66	69
Employee benefits	1,312	938
Provision for lease make good	50	50
Provision for audit fees	105	103
Accrued lease incentives	68	68
Accruals and prepayments	273	106
Unrealised foreign exchange gain/loss	316	421
Intangibles	1,199	1,253
Acquisition costs	59	95
Property, plant and equipment	(7)	(15)
	<u>3,441</u>	<u>3,459</u>
Amounts recognised in equity:		
Derivative financial instruments	100	-
Deferred tax assets	<u>3,541</u>	<u>3,459</u>
<i>Movements:</i>		
Opening balance	3,459	5,320
Charged to profit or loss (note 8)	(285)	(2,212)
Credited to equity (note 8)	108	-
Adjustments to profit or loss - prior year under/over	232	358
Exchange differences	27	(7)
Closing balance	<u>3,541</u>	<u>3,459</u>

**Note 14. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	2,817	2,344
Accrued expenses	14,606	9,367
Other payables	370	516
	<u>17,793</u>	<u>12,227</u>

Refer to note 27 for further information on financial instruments.

#### Note 15. Current liabilities - contract liabilities

	Consolidated	
	2019	2018
	\$'000	\$'000
Contract liabilities	5,167	5,717

Contract liabilities were disclosed as "Amounts received in advance" in the Annual Report for the year ended 30 June 2018.

#### Note 16. Current liabilities - borrowings

	Consolidated	
	2019	2018
	\$'000	\$'000
Bank loans	3,750	-
Lease liability	597	325
	4,347	325

Refer to note 19 for further information on assets pledged as security and financing arrangements.

Refer to note 27 for further information on financial instruments.

#### Note 17. Current liabilities - provisions

	Consolidated	
	2019	2018
	\$'000	\$'000
Employee benefits	5,428	5,487

##### *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	
	2019	2018
	\$'000	\$'000
Employee benefits obligation expected to be settled after 12 months	488	603

#### Note 18. Current liabilities - contingent consideration

	Consolidated	
	2019	2018
	\$'000	\$'000
Contingent consideration	709	3,172

Refer to note 28 for further information on fair value measurement.

**Note 19. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	39,250	55,000
Prepaid facility costs	(79)	(69)
Lease liability	566	571
	<u>39,737</u>	<u>55,502</u>

Refer to note 27 for further information on financial instruments.

*Total secured liabilities*

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

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	43,000	55,000
Lease liability	1,163	896
	<u>44,163</u>	<u>55,896</u>

*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:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Total facilities		
Bank loans	61,000	75,000
Lease liability	1,163	896
	<u>62,163</u>	<u>75,896</u>
Used at the reporting date		
Bank loans	43,000	55,000
Lease liability	1,163	896
	<u>44,163</u>	<u>55,896</u>
Unused at the reporting date		
Bank loans	18,000	20,000
Lease liability	-	-
	<u>18,000</u>	<u>20,000</u>

Of the \$18,000,000 remaining facility, \$1,000,000 relates to bank guarantee facility, of which \$431,000 has been used. (2018: \$274,000 of remaining facility has been used for bank guarantees).

## Note 20. Non-current liabilities - derivative financial instruments

	Consolidated	
	2019	2018
	\$'000	\$'000
Interest rate swap contracts - cash flow hedges	335	-

Refer to note 27 for further information on financial instruments.

Refer to note 28 for further information on fair value measurement.

## Note 21. Non-current liabilities - deferred tax liabilities

	Consolidated	
	2019	2018
	\$'000	\$'000
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Customer relationships and contracts from acquisition	2,121	3,852
Brands from acquisition	-	5,467
Internally generated software	5,005	4,910
Deferred tax liability	7,126	14,229
<i>Movements:</i>		
Opening balance	14,229	17,105
Credited to profit or loss (note 8)	(7,103)	(2,293)
Adjustments to profit or loss - prior year under/over	-	(583)
Closing balance	7,126	14,229

## Note 22. Non-current liabilities - provisions

	Consolidated	
	2019	2018
	\$'000	\$'000
Employee benefits	138	292
Deferred lease incentives	297	225
Lease make-good	167	167
	602	684

### *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.

## Note 22. Non-current liabilities - provisions (continued)

### Movements in provisions

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

	Deferred lease incentives \$'000	Lease make-good \$'000
<b>Consolidated - 2019</b>		
Carrying amount at the start of the year	225	167
Additional provisions recognised	72	-
Carrying amount at the end of the year	297	167

## Note 23. Non-current liabilities - contingent consideration

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Contingent consideration	551	551

Refer to note 28 for further information on fair value measurement.

## Note 24. Equity - issued capital

	2019 Shares	Consolidated 2018 Shares	Consolidated 2019 \$'000	Consolidated 2018 \$'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.

#### Note 24. Equity - issued capital (continued)

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 2018 Annual Report.

#### Note 25. Equity - reserves

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Foreign currency reserve	6,575	5,074
Hedging reserve - cash flow hedges	(234)	-
Share-based payments reserve	2,207	1,388
Capital reserve	(258,229)	(258,229)
	<u>(249,681)</u>	<u>(251,767)</u>

##### *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.

##### *Hedging reserve - cash flow hedges*

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

##### *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:

<b>Consolidated</b>	<b>Foreign currency \$'000</b>	<b>Hedging \$'000</b>	<b>Share-based payment \$'000</b>	<b>Capital \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 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)
Foreign currency translation	1,501	-	-	-	1,501
Net change in fair value of cash flow hedges	-	(234)	-	-	(234)
Share-based payment	-	-	819	-	819
Balance at 30 June 2019	<u>6,575</u>	<u>(234)</u>	<u>2,207</u>	<u>(258,229)</u>	<u>(249,681)</u>

## Note 26. Equity - dividends

### Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2019 \$'000	2018 \$'000
Final dividend for the year ended 30 June 2017 of 3.08 cents per ordinary share	-	6,160
Interim dividend for the year ended 30 June 2018 of 0.647 cent per ordinary share	-	1,294
	-	7,454

### Franking credits

	Consolidated	
	2019 \$'000	2018 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	541	1,759

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 27. 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.



## Note 27. Financial instruments (continued)

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

Consolidated	Assets		Liabilities	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
US dollars	1,455	980	2	5
Singapore dollars	-	61	-	-
Others	-	175	49	19
	<u>1,455</u>	<u>1,216</u>	<u>51</u>	<u>24</u>

The Group had net assets denominated in foreign currencies of \$1,404,000 (assets \$1,455,000 less liabilities \$51,000) as at 30 June 2019 (2018: \$1,192,000 (assets \$1,216,000 less liabilities \$24,000)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2018: weakened by 10%/strengthened by 10%) against these foreign currencies with all other variables held constant, the Group's loss before tax for the year and equity would have been \$140,000 higher/\$140,000 lower (2018: \$119,000 lower/\$119,000 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 gain for the year ended 30 June 2019 was \$19,000 (2018: loss of \$31,000).

### 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	2019 Balance \$'000	2018 Balance \$'000
Bank loans	43,000	55,000
Interest rate swaps contracts - cash flow hedges (notional principal amount)	(27,500)	-
Cash at bank	<u>(14,700)</u>	<u>(11,914)</u>
Net exposure to cash flow interest rate risk	<u>800</u>	<u>43,086</u>

An official increase/decrease in interest rates of 50 (2018: 50) basis points would have an adverse/favourable effect on loss before tax of \$4,000 (2018: \$215,000) per annum based on the net balance.

### Derivatives interest rate swap

The Group has entered into interest rate swap contracts with notional/principal value as at 30 June 2019 of \$27,500,000 (2018: \$nil). The interest rate swap contract hedges the Group's risk against an increase in variable interest rate. The contracts mature on 31 August 2020. Weighted average fixed rate is 2.12%. The swap was 100% effective, i.e. hedging gains or losses were recognised in other comprehensive income and \$nil ineffectiveness to profit or loss.

### 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.

## Note 27. Financial instruments (continued)

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

### 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:

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	18,000	20,000

Of the \$18,000,000 remaining facility, \$1,000,000 relates to bank guarantee facility, of which \$431,000 has been used. (2018: \$274,000 of remaining facility has been used for bank guarantees).

### 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.

	<b>Weighted average interest rate %</b>	<b>1 year or less \$'000</b>	<b>Between 1 and 2 years \$'000</b>	<b>Between 2 and 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Remaining contractual maturities \$'000</b>
<b>Consolidated - 2019</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	2,817	-	-	-	2,817
Other payables	-	370	-	-	-	370
Contingent consideration	-	709	573	-	-	1,282
<i>Interest-bearing - variable</i>						
Bank loans	4.00%	5,396	39,517	-	-	44,913
<i>Interest-bearing - fixed rate</i>						
Lease liability	4.44%	644	468	116	-	1,228
Total non-derivatives		9,936	40,558	116	-	50,610
<b>Derivatives</b>						
Interest rate swaps net settled	-	-	335	-	-	335
Total derivatives		-	335	-	-	335

## Note 27. Financial instruments (continued)

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
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	2,344	-	-	-	2,344
Other payables	-	516	-	-	-	516
Contingent consideration	-	3,172	573	-	-	3,745
<i>Interest-bearing - variable</i>						
Bank loans	3.49%	1,922	55,047	-	-	56,969
<i>Interest-bearing - fixed rate</i>						
Lease liability	3.90%	354	354	236	-	944
Total non-derivatives		8,308	55,974	236	-	64,518

## Note 28. 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 - 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Interest rate swap contracts - cash flow hedges	-	335	-	335
Contingent consideration	-	-	1,260	1,260
Total liabilities	-	335	1,260	1,595
<b>Consolidated - 2018</b>				
<i>Liabilities</i>				
Contingent consideration	-	-	3,723	3,723
Total liabilities	-	-	3,723	3,723

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 fair value less costs of disposal basis. Significant unobservable valuation inputs in relation to contingent consideration include estimated revenue and the discount rate.

## Note 28. Fair value measurement (continued)

### 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 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
Losses recognised in profit or loss	(3)
Exchange difference	22
Contingent consideration payout	(2,482)
Balance at 30 June 2019	<u>1,260</u>

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 \$2,921,000 (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.

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 \$3,000. A 0.5% decrease in the discount rate would increase fair value of contingent consideration by \$3,000.

## Note 29. 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	
	2019 \$	2018 \$
Short-term employee benefits	2,068,203	2,962,657
Post-employment benefits	85,704	116,240
Long-term benefits	-	16,680
Share-based payments	530,716	(338,055)
	<u>2,684,623</u>	<u>2,757,522</u>

### Note 30. 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	
	2019	2018
	\$	\$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	323,000	322,000
<i>Other services - Deloitte Touche Tohmatsu</i>		
Tax services	91,600	75,000
	<u>414,600</u>	<u>397,000</u>
<i>Audit services - Deloitte International Associates - Services provided to International Subsidiaries</i>		
Audit or review of the financial statements	107,397	140,718
<i>Other services - Deloitte International Associates</i>		
Tax Services	11,381	12,419
	<u>118,778</u>	<u>153,137</u>
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements	44,658	43,226
<i>Other services - unrelated firms</i>		
Tax compliance services	14,285	122,048
	<u>58,943</u>	<u>165,274</u>

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

### Note 31. Contingent liabilities

	Consolidated	
	2019	2018
	\$'000	\$'000
Bank guarantees	<u>431</u>	<u>274</u>

## Note 32. Commitments

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,633	3,539
One to five years	6,788	6,523
More than five years	46	-
	<u>10,467</u>	<u>10,062</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	644	354
One to five years	584	590
	<u>1,228</u>	<u>944</u>
Total commitment	(65)	(48)
Less: Future finance charges		
	<u>1,163</u>	<u>896</u>
Net commitment recognised as liabilities		
Representing:		
Lease liability - current (note 16)	597	325
Lease liability - non-current (note 19)	566	571
	<u>1,163</u>	<u>896</u>

Operating lease commitments includes contracted amounts for office accommodation and office equipment under non-cancellable operating leases expiring within one to six 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 \$628,000 (2018: \$935,000) and purchased software of \$639,000 (2018: \$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 33. Related party transactions

### Parent entity

Isentia Group Limited is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in note 35.

### Key management personnel

Disclosures relating to key management personnel are set out in note 29 and the remuneration report included in the directors' report.

### 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 34. Parent entity information

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

##### *Statement of profit or loss and other comprehensive income*

	Parent	
	2019 \$'000	2018 \$'000
Loss after income tax	(66)	(373)
Total comprehensive income	(66)	(373)

##### *Statement of financial position*

	Parent	
	2019 \$'000	2018 \$'000
Total current assets	-	16
Total assets	48,432	47,679
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	403,662	403,662
Share-based payments reserve	2,207	1,388
Accumulated losses	(357,437)	(357,371)
Total equity	48,432	47,679

The prior year comparison has been restated to reflect the impairment of investments in subsidiaries in periods preceding the earliest comparative period presented. The impact to accumulated losses was \$250,282,000.

##### *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 36 for further details.

##### *Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

##### *Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2019 and 30 June 2018.

##### *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 35. 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:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
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%
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%
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%	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.

\*\*\* Have been deregistered within the last 12 months.

### Note 36. 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.



### Note 36. Deed of cross guarantee (continued)

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'.

The prior year comparison has been restated to reflect the impairment of investments in subsidiaries in periods preceding the earliest comparative period presented. The impact to accumulated losses was \$7,120,000.

	2019 \$'000	2018 \$'000
<b>Statement of profit or loss and other comprehensive income</b>		
Revenue	78,266	88,298
Other income	6,953	13,149
Copyright, consumables and other direct purchases	(26,013)	(28,067)
Depreciation and amortisation expense	(11,151)	(10,951)
Employee benefits expense	(31,286)	(30,230)
Impairment of assets	(38,050)	(1,685)
Loss on disposal of assets	(111)	(481)
Occupancy costs	(2,246)	(2,443)
Other expenses	(6,660)	(5,989)
Finance costs	(1,320)	(2,420)
<b>(Loss)/profit before income tax expense</b>	(31,618)	19,181
Income tax expense	(251)	(1,838)
<b>(Loss)/profit after income tax expense</b>	(31,869)	17,343
<b>Other comprehensive income</b>		
Net change in fair value of cash flow hedges taken to equity, net of tax	(234)	-
Exchange differences on translating foreign operations, net of tax	876	736
Other comprehensive income for the year, net of tax	642	736
<b>Total comprehensive income for the year</b>	<b>(31,227)</b>	<b>18,079</b>
<b>Equity - accumulated losses</b>		
Accumulated losses at the beginning of the financial year	(57,106)	(66,995)
(Loss)/profit after income tax expense	(31,869)	17,343
Dividends paid	-	(7,454)
Accumulated losses at the end of the financial year	<b>(88,975)</b>	<b>(57,106)</b>

**Note 36. Deed of cross guarantee (continued)**

	2019 \$'000	2018 \$'000
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	8,443	5,892
Trade and other receivables	10,339	12,380
Income tax refund due	-	2,036
Prepayments	699	511
	<u>19,481</u>	<u>20,819</u>
<b>Non-current assets</b>		
Receivable from subsidiaries	19,991	19,392
Investment in subsidiaries	43,736	43,736
Property, plant and equipment	2,077	2,442
Intangibles	52,805	93,553
Deferred tax assets	3,236	2,950
Other	-	40
	<u>121,845</u>	<u>162,113</u>
<b>Total assets</b>	<u>141,326</u>	<u>182,932</u>
<b>Current liabilities</b>		
Trade and other payables	15,959	13,164
Borrowings	4,347	325
Current tax liabilities	929	-
Provisions	4,844	4,967
Contingent consideration	709	3,121
	<u>26,788</u>	<u>21,577</u>
<b>Non-current liabilities</b>		
Borrowings	39,737	55,502
Deferred tax liabilities	10,087	11,200
Provisions	602	684
Contingent consideration	551	-
	<u>50,977</u>	<u>67,386</u>
<b>Total liabilities</b>	<u>77,765</u>	<u>88,963</u>
<b>Net assets</b>	<u>63,561</u>	<u>93,969</u>
<b>Equity</b>		
Issued capital	403,662	403,662
Reserves	(251,126)	(252,587)
Accumulated losses	(88,975)	(57,106)
<b>Total equity</b>	<u>63,561</u>	<u>93,969</u>

The prior year comparison has been restated to reflect the impairment of investments in subsidiaries in periods preceding the earliest comparative period presented. The impact to accumulated losses was \$7,120,000.

## Note 37. Cash flow information

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

	Consolidated	
	2019	2018
	\$'000	\$'000
(Loss)/profit after income tax (expense)/benefit for the year	(34,341)	1,285
Adjustments for:		
Depreciation and amortisation	15,092	20,828
Impairment of intangibles	40,959	1,844
Net loss on disposal of property, plant and equipment	188	540
Share-based payments	819	(510)
Other expenses - non-cash	30	97
Net fair value movement on contingent consideration	(3)	(1,850)
Bad and doubtful debt expense	602	897
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,931	6,966
Decrease/(increase) in income tax refund due	2,126	(913)
Decrease/(increase) in deferred tax assets	(82)	1,861
Decrease/(increase) in prepayments	(437)	731
Decrease in other operating assets	40	-
Increase/(decrease) in trade and other payables	5,568	(1,397)
Decrease in contract liabilities	(550)	-
Increase in derivative liabilities	101	-
Increase in provision for income tax	1,092	619
Decrease in deferred tax liabilities	(7,103)	(2,876)
Increase/(decrease) in employee benefits	(213)	240
Increase in other provisions	72	15
Net cash from operating activities	<u>25,891</u>	<u>28,377</u>

### Non-cash investing and financing activities

	Consolidated	
	2019	2018
	\$'000	\$'000
Acquisition of assets by means of finance leases	<u>650</u>	<u>1,004</u>

## Note 37. Cash flow information (continued)

*Changes in liabilities arising from financing activities*

Consolidated	Bank loans \$'000	Lease liability \$'000	Total \$'000
Balance at 1 July 2017	64,869	-	64,869
Net cash used in financing activities	(10,000)	(108)	(10,108)
Acquisition of assets by means of finance leases	-	1,004	1,004
Other changes	62	-	62
Balance at 30 June 2018	54,931	896	55,827
Net cash used in financing activities	(12,000)	(383)	(12,383)
Acquisition of assets by means of finance leases	-	650	650
Other changes	(10)	-	(10)
Balance at 30 June 2019	42,921	1,163	44,084

## Note 38. Earnings per share

	Consolidated	
	2019 \$'000	2018 \$'000
(Loss)/profit after income tax attributable to the owners of Isentia Group Limited	(34,341)	1,285
	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	200,000,001	200,301,082
	Cents	Cents
Basic earnings per share	(17.170)	0.642
Diluted earnings per share	(17.170)	0.642

395,908 options over ordinary shares as at 30 June 2019 (2018: 1,646,425) and 2,254,837 rights as at 30 June 2019 (2018: Nil) have been excluded from the above calculations as they were anti-dilutive.

## Note 39. Share-based payments

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

During the financial year 2,604,353 rights were granted (2018: nil). The share-based payment expense for the year was \$819,000 (2018: credit of \$510,000).

### Note 39. Share-based payments (continued)

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

#### 2019

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
19/11/2015	30/06/2019	\$3.75	913,289	-	-	(913,289)	-
17/11/2016	30/06/2020	\$3.47	733,136	-	-	(337,228)	395,908
			1,646,425	-	-	(1,250,517)	395,908
Weighted average exercise price			\$3.63	\$0.00	\$0.00	\$3.67	\$3.47

#### 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

The weighted average share price during the financial year was \$0.35 (2018: \$1.29).

The weighted average remaining contractual life of options outstanding at the end of the financial year was one year (2018: one to two years).

#### Variable and Executive Reward Plan

In the previous financial year, the Group introduced a remuneration framework of a Variable Reward Plan ('VRP') which combined short-term performance measures (including a threshold gateway) and service conditions, the purpose of which was to create equity ownership for executives over time and retain the most qualified individuals while maintaining strong alignment between executive pay and shareholder outcomes.

During the year, the Group reviewed the VRP and introduced an Executive Reward Plan ('ERP'). The ERP now comprises short-term and long-term components but before any short-term rewards can be awarded a financial gateway metric must be met. The ERP comprises two short-term components of cash and deferred equity designed to drive, motivate and reward for achievement on specific key performance indicators in the previous year's performance. The third component of the ERP comprises a grant of equity rights intended to provide a mechanism to drive longer term growth and retain talent. These longer term targets are based on stretch targets and are aligned with long-term company strategy. The split between cash and equity components are predetermined at grant date.

During the year, the Group also offered deferred equity in the form of rights (Engagement Rights) to the executive key management personnel.

Set out below are summaries of rights issued under the plan:

#### 2019

Rights issue date	Vesting condition	Share price at issue date	Balance at the start of the year	Issued	Exercised	Expired/ forfeited/ other	Balance at the end of the year
17/12/2018	Service	\$0.29	-	1,659,429	-	(349,516)	1,309,913
14/02/2019	Service	\$0.31	-	944,924	-	-	944,924
			-	2,604,353	-	(349,516)	2,254,837

#### Note 39. Share-based payments (continued)

For the rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date *	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date (\$ per \$1)
06/08/2018	06/08/2020	\$0.77	\$0.00	-	-	-	\$1.00
14/01/2019	14/01/2021	\$0.30	\$0.00	-	-	-	\$1.00
16/01/2019	30/06/2020	\$0.30	\$0.00	-	-	-	\$1.00
16/01/2019	30/06/2021	\$0.30	\$0.00	-	-	-	\$1.00

\* ERP Performance Rights and Deferred Equity are subject to formal grant and in the case of the Chief Executive Officer are subject to shareholder approval. The value applied is for accounting purposes only and the grant date is considered to be the accounting grant date.

#### Note 40. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 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 2019 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 36 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



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Doug Snedden  
Chairman

22 August 2019  
Sydney



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Ed Harrison  
Chief Executive Officer and Managing Director

## 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 2019, 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 2019 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.



## 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Capitalised labour development costs</b> As at 30 June 2019, the Group's carrying value of the development costs capitalised as internally generated software totals \$19.1 million. This includes \$7.0 million attributable to capitalisation of costs in the current financial year as disclosed in Note 12.</p> <p>Judgment is involved in determining whether the labour costs are directly attributable to developing the Group's product suite, and the appropriateness of the costs to be capitalised in accordance with the relevant accounting standards. In addition, the period over which capitalised costs continue to generate economic benefit is a matter of judgment.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Inquiring of department heads involved in product development to understand the process, basis and rationale by which labour costs are capitalised and assessing the design of relevant controls designed to mitigate the identified risk;</li> <li>• Testing on a sample basis, capitalised labour costs through reviewing project budgets and timesheets and holding discussions with staff members outside the finance department;</li> <li>• Challenging management's key assumptions in the labour capitalisation calculation including the treatment and accuracy of employee on-cost percentages;</li> <li>• Testing the mathematical accuracy of management's capitalisation schedule;</li> <li>• Challenging the level of economic benefit generated by products that may be obsolete or discontinued and consequently may be impaired; and</li> <li>• Assessing the appropriateness of the disclosures in Note 12 to the financial statements.</li> </ul>
<p><b>Carrying value of goodwill and intangible assets</b> Goodwill and intangible assets (principally brand names and customer relationships) of \$97.3 million have been recognised in the consolidated statement of financial position as a consequence of acquisitions in past periods.</p> <p>Management conducts impairment tests annually (or more frequently if impairment indicators exist) to assess the recoverability of the carrying value of goodwill and indefinite useful life intangible assets. This is</p>	<p>In conjunction with our valuation specialists, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Understanding and assessing management's process for identifying and testing individual intangible assets for impairment;</li> <li>• Evaluating the principles and integrity of the models used by management to calculate the fair value less costs to sell of the CGUs</li> </ul>

<p>performed through discounted cash flow models, to determine the higher of value-in-use and fair value less costs to sell.</p> <p>In the year, an impairment charge of \$41.0 million was recorded, split between \$38.0m in the Australia/New Zealand cash generating unit ("ANZ CGU") and \$2.9m in the Asia/Rest of World cash generating unit ("Asia/RoW CGU"). Of this impairment charge, \$22.0 million was recorded against specifically identified brand names and software which have no on-going future economic value, and \$19.0 million as a reduction to the carrying value of goodwill.</p> <p>As disclosed in Note 12 to the financial statements, there are a number of key estimates made which require significant judgement in determining the inputs into these models which include:</p> <ul style="list-style-type: none"> <li>• Revenue growth;</li> <li>• Operating margins;</li> <li>• Terminal growth rates;</li> <li>• Discount rates applied to the projected future cash flows.</li> </ul> <p>These assumptions are most sensitive in relation to the ANZ CGU.</p>	<p>to ensure they comply with the applicable accounting standards;</p> <ul style="list-style-type: none"> <li>• Challenging management with respect to the revenue growth rates and operating margins underlying the cash flow forecasts to determine whether they are reasonable and supportable based on historical performance, management's strategic growth plans for the CGUs, and other known industry factors;</li> <li>• Assessing the reasonableness of the basis adopted by management in determining the other key inputs and assumptions underlying the calculations in the models including: <ul style="list-style-type: none"> <li>◦ Discount rates; and</li> <li>◦ Terminal growth rates</li> </ul> </li> <li>• Performing sensitivity analysis on the key model inputs and assumptions; and</li> <li>• Assessing the appropriateness of the disclosures in Note 12 to the financial statements.</li> </ul>
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## 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 2019, 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 12 to 25 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Isentia Group Limited, for the year ended 30 June 2019, 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



David White  
Partner  
Chartered Accountants  
Sydney, 22 August 2019

The shareholder information set out below was applicable as at 2 August 2019.

### **Distribution of equitable securities**

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

	<b>Number of holders of ordinary shares</b>
1 to 1,000	1,346
1,001 to 5,000	2,237
5,001 to 10,000	789
10,001 to 100,000	1,157
100,001 and over	178
	<b>5,707</b>
Holding less than a marketable parcel	<b>2,014</b>

### **Equity security holders**

#### *Twenty largest quoted equity security holders*

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

	<b>Number held</b>	<b>Ordinary shares % of total shares issued</b>
HSBC Custody Nominees (Australia) Limited	53,946,764	26.97
J P Morgan Nominees Australia Pty Limited	19,770,520	9.89
Citicorp Nominees Pty Limited	10,552,362	5.28
National Nominees Limited	2,514,550	1.26
Mrs Goolestan Dinshaw Katrak	2,500,000	1.25
BNP Paribas Noms Pty Ltd	2,456,931	1.23
Ecapital Nominees Pty Limited	2,009,706	1.00
Mast Financial Pty Ltd	1,950,000	0.97
BNP Paribas Nominees Pty Ltd	1,829,103	0.91
Moat Investments Pty Ltd	1,802,417	0.90
Mr Benjamin John Haan	1,400,000	0.70
JB Lemar Pty Ltd	1,220,000	0.61
Brispot Nominees Pty Ltd	1,210,706	0.61
Mrs Lisha Lei	1,208,557	0.60
Mr Anthony Hilbert	1,200,000	0.60
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	1,172,003	0.59
Mr Timothy John Eakin	1,140,000	0.57
Mr Keith Charles John Williams and Mrs Mikki Tina Williams	1,100,000	0.55
Custodial Services Limited	1,052,233	0.53
Jet Invest Pty Ltd	1,000,000	0.50
	<b>111,035,852</b>	<b>55.52</b>

#### *Unquoted equity securities*

	<b>Number on issue</b>	<b>Number of holders</b>
Options over ordinary shares issued	395,908	2
Rights over ordinary shares issued	2,254,837	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	29,311,689	14.66

### Voting rights

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

#### *Ordinary shares*

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.

Directors	Doug Snedden - Chairman and Independent Non-Executive Director Ed Harrison - Managing Director and Chief Executive Officer Fiona Pak-Poy - Independent Non-Executive Director Travyn Rhall - Independent Non-Executive Director Justin Kane - Non-Executive Director Abigail Cheadle - Independent Non-Executive Director
Company secretary	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 11.00 am on 14 November 2019
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	<a href="http://www.isentia.com">www.isentia.com</a>
Corporate Governance Statement	The Corporate governance statement which was approved at the same time as the Annual Report can be found at <a href="https://www.isentia.com/investors/">https://www.isentia.com/investors/</a>