Isentia Group Limited
Appendix 4D
Half-year report

1. Company details

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

2. Results for announcement to the market

The Group has adopted Accounting Standard AASB 16 'Leases' ('AASB 16') for the half-year ended 31 December 2019 using the modified retrospective approach and as such the comparatives have not been restated. Refer note 1 of the financial statements for the impact of adoption of AASB 16.

	31 Dec 2019 $'000	31 Dec 2018 $'000	Change $'000	Change %
Revenues from ordinary activities*	56,541	62,208	(5,667)	(9.1%)
Profit from ordinary activities after tax attributable to the owners of Isentia Group Limited	677	(22,080)	22,757	(103.1%)
Profit for the half-year attributable to the owners of Isentia Group Limited	677	(22,080)	22,757	(103.1%)
Underlying EBITDA** before AASB 16 impact	10,552	10,997	(445)	(4.0%)
Underlying EBITDA	12,478	N/A	N/A	N/A

* All of the above comparisons are on a statutory basis unless otherwise stated.

** 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 non-operating items including restructuring costs.

AASB 16 was adopted using the modified retrospective approach on 1 July 2019. As such, the comparatives have not been restated and therefore are not directly comparable.

Reconciliation between the statutory profit/(loss) and underlying EBITDA is set-out in note 2 to the financial statements.

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

Comments
The profit for the Group after providing for income tax amounted to $677,000 (31 December 2018: loss of $22,080,000).

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(16.02)	(18.64)

The net tangible assets per ordinary security is derived by dividing the net assets less intangible assets, deferred tax assets and deferred tax liabilities by the total issued shares of 200,000,001 (31 December 2018: 200,000,001 shares). The net tangible assets per share is negative in both the current and prior period as a result of historical acquisitions. At the time of these acquisitions, a significant percentage of the purchase prices were allocated to intangible assets.

Net tangible assets per ordinary security has been calculated by including right-of-use assets of $10,494,000 (previous period: not applicable).

Net assets per ordinary security for the reporting period is 29.71 cents (31 December 2018: 35.33 cents).

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4. Audit qualification or review

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

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5. Attachments

The Half Year Financial Report of Isentia Group Limited for the half-year ended 31 December 2019 is attached.

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6. Signed

Signed ____________________________ Date: 24 February 2020

Doug Snedden
Chairman
Sydney

Isentia Group Limited

ABN 31 167 541 568

Half Year Financial Report - 31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Isentia Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

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

Doug Snedden - Chairman and Independent Non-Executive Director
Ed Harrison - Managing Director and Chief Executive Officer
Fiona Pak-Poy - Independent Non-Executive Director
Travyn Rhall - Independent Non-Executive Director
Justin Kane - Non-Executive Director
Jeffrey Strong - Alternate Director to Justin Kane
Abigail Cheadle - Independent Non-Executive Director

Principal activities

During the financial half-year the principal activities of the Group consisted of the provision of media intelligence services to public and private sector clients through media database, media release distribution, media monitoring, social media monitoring and media analysis.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations

The profit for the Group after providing for income tax amounted to $677,000 (31 December 2018: loss of $22,080,000).

The previous year's loss included impairment of assets amounting to $22,250,000.

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

	As per half-year report	AASB 16 adjustment	Comparable financial information			
	31 Dec 2019 $ '000	31 Dec 2019 $ '000	31 Dec 2019 $ '000	31 Dec 2018 $ '000	Change $ '000	Change %
Australia and New Zealand ('ANZ')	39,535	-	39,535	44,706	(5,171)	(11.6%)
Asia/Rest of the World ('Asia/RoW')	17,006	-	17,006	17,502	(496)	(2.8%)
Total revenue	56,541	-	56,541	62,208	(5,667)	(9.1%)
Operating expense	(44,063)	(1,926)	(45,989)	(51,211)	5,222	(10.2%)
Underlying EBITDA*	12,478	(1,926)	10,552	10,997	(445)	(4.0%)

* Underlying EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS which has been adjusted to eliminate the effects of tax, depreciation and amortisation, fair value adjustments, impairment expenses, loss on disposal of assets and other non-operating items including restructuring costs.

Revenue performance

The Group's Media Intelligence revenue of $56,541,000 declined by 9.1% compared to the previous period (31 December 2018: $62,208,000) mainly due to lower ANZ Software-as-a-Service ('SaaS') revenue.

ANZ revenue declined compared to the previous corresponding period due to the competitive nature of the Australian market which was marginally offset by higher New Zealand revenue

Asia revenue was marginally lower compared to the previous corresponding period. Double digit revenue growth in South East Asia was offset by a decline in Value Added Services ('VAS') revenue in North Asia.

Earnings

The Group's Underlying EBITDA before the impact of AASB 16 was $10,552,000, a decline of 4.0% compared to the previous corresponding period (31 December 2018: $10,997,000). This reflected the lower revenue outlined above which was largely offset by significant cost savings realised from a number of initiatives.

Total operating expenses amounted to $45,989,000, a 10.2% decline on the previous corresponding period. This was due to a favourable interim copyright ruling, a reduction in other cost of sales and further savings in employment costs.

Reconciliation between statutory profit and underlying EBITDA is provided below:

	Per half-year report	AASB 16 adjustment	Comparable financial information	
	31 Dec 2019 $'000	31 Dec 2019 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000
Profit/(loss) after income tax expense	677	96	773	(22,080)
Income tax expense	969	-	969	304
Profit/(loss) before income tax expense	1,646	96	1,742	(21,776)
Depreciation and amortisation	9,041	(1,805)	7,236	7,821
Interest revenue	(32)	-	(32)	(44)
Finance costs	1,205	(217)	988	1,196
EBITDA *	11,860	(1,926)	9,934	(12,803)
Restructuring costs	316	-	316	1,086
Other non-operating items	219	-	219	431
Loss on disposal of assets	83	-	83	36
Fair value adjustment on contingent consideration	-	-	-	(3)
Impairment of assets	-	-	-	22,250
Underlying EBITDA	12,478	(1,926)	10,552	10,997

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

Stable cash flow and balance sheet position

The Group delivered a stable cash flow performance in the half-year with cash flow from operations of $3,923,000 (31 December 2018: $8,082,000) and ending cash and cash equivalents of $10,877,000. The lower operating cash flow in the half-year was due to the reversal of a timing benefit in respect to payments in the previous financial year.

Net debt at 31 December 2019 was $31,373,000 (representing bank loans of $42,250,000 less cash and cash equivalents of $10,877,000), which is an increase of $3,094,000 from a net debt of $28,282,000 as at 30 June 2019 (representing bank loans of $43,000,000 less cash and cash equivalents of $14,718,000).

In the half-year, the Group renewed its bank loan facility to 31 July 2021. Total facility size is $49,000,000.

Transformation and Cost Management Actions

The Group has continued the transformation program started in FY2018 to deliver improved profitability through relocating broadcast monitoring activities to the Group's Manila Content Hub, automating press reading and Daily Briefings and other structural changes. Favourable interim orders from the Australian Copyright Tribunal delivered greater parity in copyright costs for the Group relative to its competitors.

During this period, the Group has continued to invest in the three pillars of the strategic plan that were launched in February 2019. These focus on the establishment of an efficient operating model underpinned by a single technology platform, the delivery of world-class market-centric product innovation and the leveraging of our market-leading position in the Asia Pacific to create regional scale. During the period, the Group also appointed a new CEO of our Asia business.

Significant changes in the state of affairs

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

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors

Doug Snedden
Chairman

Ed Harrison
Chief Executive Officer and Managing Director

24 February 2020
Sydney

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

24 February 2020

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 review of the financial statements of Isentia Group Limited for the financial half-year ended 31 December 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 review; and

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

David White
Partner
Chartered Accountants

General information

The financial statements cover Isentia Group Limited as a consolidated entity consisting of Isentia Group Limited (the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (the 'Group'). The financial statements are presented in Australian dollars, which is 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 24 February 2020. The directors have the power to amend and reissue the financial statements.

Isentia Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000
Revenue from contracts with customers	3	56,541	62,208
Other income		5	15
Interest revenue calculated using the effective interest method		32	44
Expenses			
Copyright, consumables and other direct purchases		(11,805)	(15,929)
Employee benefits expense		(28,619)	(29,625)
Depreciation and amortisation expense		(9,041)	(7,821)
Impairment of assets		-	(22,250)
Occupancy costs		(743)	(2,590)
Loss on disposal of assets		(83)	(36)
Other expenses		(3,436)	(4,596)
Finance costs		(1,205)	(1,196)
Profit/(loss) before income tax expense		1,646	(21,776)
Income tax expense		(969)	(304)
Profit/(loss) after income tax expense for the half-year attributable to the owners of Isentia Group Limited		677	(22,080)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges taken to equity, net of tax		83	-
Exchange differences on translating foreign operations		151	1,928
Other comprehensive income for the half-year, net of tax		234	1,928
Total comprehensive income for the half-year attributable to the owners of Isentia Group Limited		911	(20,152)
		Cents	**Cents**
Basic earnings per share	14	0.338	(11.040)
Diluted earnings per share	14	0.336	(11.040)

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

Isentia Group Limited
Statement of financial position
As at 31 December 2019

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 30 June 2019 $'000
Assets			
Current assets			
Cash and cash equivalents		10,877	14,718
Trade and other receivables	4	18,164	20,600
Income tax refund due		104	147
Prepayments		2,066	1,462
Total current assets		31,211	36,927
Non-current assets			
Property, plant and equipment	5	3,109	3,832
Right-of-use assets	6	10,494	-
Intangibles	7	95,139	97,331
Deferred tax assets		5,976	3,541
Total non-current assets		114,718	104,704
Total assets		145,929	141,631
Liabilities			
Current liabilities			
Trade and other payables	8	12,755	17,793
Contract liabilities		4,979	5,167
Borrowings	9	2,821	3,750
Lease liabilities	10	3,977	597
Current tax liabilities		415	1,621
Provisions		4,124	5,428
Contingent consideration	11	-	709
Total current liabilities		29,071	35,065
Non-current liabilities			
Borrowings	9	39,144	39,171
Lease liabilities	10	6,864	566
Derivative financial instruments		216	335
Deferred tax liabilities		9,670	7,126
Provisions		291	602
Contingent consideration	11	1,260	551
Total non-current liabilities		57,445	48,351
Total liabilities		86,516	83,416
Net assets		59,413	58,215
Equity			
Issued capital		403,662	403,662
Reserves		(249,097)	(249,681)
Accumulated losses		(95,152)	(95,766)
Total equity		59,413	58,215

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

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

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	403,662	(249,681)	(95,766)	58,215
Adjustment for the first time adoption of AASB 16 (note 1)	-	-	(63)	(63)
Balance at 1 July 2019 - restated	403,662	(249,681)	(95,829)	58,152
Profit after income tax expense for the half-year	-	-	677	677
Other comprehensive income for the half-year, net of tax	-	234	-	234
Total comprehensive income for the half-year	-	234	677	911
Transactions with owners in their capacity as owners:				
Share-based payments	-	350	-	350
Balance at 31 December 2019	403,662	(249,097)	(95,152)	59,413

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

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		63,555	69,156
Payments to suppliers and employees (inclusive of GST)		(56,118)	(58,417)
Interest received		32	44
Other revenue		5	12
Interest and other finance costs paid		(1,357)	(1,219)
Income taxes paid		(2,194)	(1,494)
Net cash from operating activities		3,923	8,082
Cash flows from investing activities			
Payments to vendors for prior year assets acquisition		-	(2,362)
Payments for property, plant and equipment	5	(626)	(664)
Payments for intangibles	7	(4,490)	(2,959)
Proceeds from disposal of property, plant and equipment		4	-
Proceeds from release of security deposits		77	25
Net cash used in investing activities		(5,035)	(5,960)
Cash flows from financing activities			
Proceeds from bank loan		5,000	-
Repayment of bank loan		(5,750)	(4,000)
Payment of lease liabilities, excluding the financing component	10	(1,979)	(162)
Net cash used in financing activities		(2,729)	(4,162)
Net (decrease)/increase in cash and cash equivalents		(3,841)	(2,040)
Cash and cash equivalents at the beginning of the financial half-year		14,718	11,927
Cash and cash equivalents at the end of the financial half-year		10,877	9,887

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

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

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 $'000
Operating lease commitments (net of options) as at 1 July 2019 (AASB 117)	11,800
Operating lease commitments discount based on the weighted average incremental borrowing rate of 3.415%	(807)
Low-value assets leases not recognised as a right-of-use asset	(601)
Lease benefit straight line lease adjustment under the previous accounting standards	(280)
Right-of-use assets	10,112
Lease liabilities - current	(3,246)
Lease liabilities - non-current	(7,209)
Derecognition of lease benefit straight line lease adjustment	280
Reduction in opening retained profits as at 1 July 2019	(63)

Note 1. Significant accounting policies (continued)

The above table excludes finance leases capitalised under the previous accounting standard (AASB 117) with net carrying value of $1,228,000 and a corresponding finance lease liability of $1,163,000 as at the transition date 1 July 2019.

Office equipment and software under finance lease arrangements previously presented within ‘Property, plant and equipment’ and 'Intangibles' of $600,000 and $628,000 respectively are now presented within ‘Right-of-use assets’. There has been no change to the net carrying value at transition date.

The lease liability on leases previously classified as finance leases under AASB 117 and previously presented within 'Borrowings' of $1,163,000 is now presented as ‘Lease liabilities’ (note 10). There has been no change in the liability recognised.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 2. Operating segments

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

The CODM reviews revenue and underlying EBITDA (earnings before interest, tax, depreciation, amortisation adjusted to also eliminate the effects of fair value adjustments, impairment expenses, loss on disposal of assets and restructuring costs). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Note 2. Operating segments (continued)

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.

Operating segment information

Consolidated - 31 Dec 2019	ANZ $'000	Asia/ROW $'000	Head Office $'000	Total $'000
Revenue				
SaaS - recognised over time	30,972	8,292	-	39,264
VAS - recognised at a point in time	8,563	8,714	-	17,277
Total segment revenue	39,535	17,006	-	56,541
Interest revenue				32
Total revenue				56,573
Underlying EBITDA before AASB 16 impact	16,165	2,119	(7,732)	10,552
AASB 16 adjustment	125	946	855	1,926
Underlying EBITDA after AASB 16 impact	16,290	3,065	(6,877)	12,478
Restructuring costs	(201)	(23)	(92)	(316)
Other	-	(27)	(192)	(219)
Loss on disposal of assets	-	(83)	-	(83)
EBITDA	16,089	2,932	(7,161)	11,860
Depreciation and amortisation				(9,041)
Interest revenue				32
Finance costs				(1,205)
Profit before income tax expense				1,646
Income tax expense				(969)
Profit after income tax expense				677

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

Underlying EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS which has been adjusted to eliminate the effects of tax, depreciation and amortisation, fair value adjustments, impairment expenses, loss on disposal of assets and other one-off items including restructuring costs.

Note 2. Operating segments (continued)

AASB 16 was adopted using the modified retrospective approach on 1 July 2019. As such, the comparatives have not been restated and therefore are not directly comparable.

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

Note 3. Revenue from contracts with customers

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Rendering of services	56,541	62,208

Disaggregation of revenue

Refer note 2 operating segments for information relating to revenue from external customers by type of service and geographic region.

Note 4. Trade and other receivables

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Current assets		
Trade receivables	17,337	19,172
Less: Allowance for expected credit losses	(560)	(533)
	16,777	18,639
Other receivables	688	1,185
Security deposits	699	776
	18,164	20,600

Note 5. Property, plant and equipment

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Non-current assets		
Leasehold improvements - at cost	3,024	3,116
Less: Accumulated depreciation	(2,037)	(1,963)
	987	1,153
Furniture and fittings - at cost	1,897	1,719
Less: Accumulated depreciation	(1,254)	(1,245)
	643	474
Office equipment - at cost	1,552	2,636
Less: Accumulated depreciation	(1,207)	(1,641)
	345	995
Computer equipment - at cost	6,216	6,015
Less: Accumulated depreciation	(5,082)	(4,805)
	1,134	1,210
	3,109	3,832

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-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 2019	1,153	474	995	1,210	3,832
Additions	24	317	41	244	626
Disposals	(12)	(46)	(6)	(24)	(88)
Reclassification	27	(27)	(16)	54	38
Exchange differences	8	4	(5)	9	16
Transfers*	-	-	(600)	-	(600)
Depreciation expense	(213)	(79)	(64)	(359)	(715)
Balance at 31 December 2019	987	643	345	1,134	3,109

* Transferred from finance lease assets to right-of-use assets.

Note 6. Right-of-use assets

	Consolidated 31 Dec 2019 $'000	Consolidated 30 June 2019 $'000
Non-current assets		
Right-of-use-assets	12,898	-
Less: Accumulated depreciation	(2,404)	-
	10,494	-

The Group leases office premises under agreements of between 1 to 4 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of between 1 to 3 years.

The Group leases office equipment under agreements of less than 1 year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

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

Consolidated	Property $'000	Equipment $'000	Software $'000	Total $'000
Balance at 1 July 2019	-	-	-	-
Adoption of AASB 16 on 1 July 2019 (refer note 1)	9,946	166	-	10,112
Transfers*	-	600	628	1,228
Additions	1,181	-	-	1,181
Exchange differences	11	-	-	11
Depreciation expense	(1,783)	(190)	(65)	(2,038)
Balance at 31 December 2019	9,355	576	563	10,494

* Transferred from finance lease assets to right-of-use assets.

Note 7. Intangibles

	Consolidated 31 Dec 2019 $'000	Consolidated 30 June 2019 $'000
Non-current assets		
Goodwill - at cost	88,472	88,243
Less: Accumulated impairment	(25,644)	(25,643)
	62,828	62,600
Customer relationships and contracts - at cost	70,407	76,676
Less: Accumulated amortisation	(59,349)	(62,021)
Less: Accumulated impairment	(1,779)	(1,779)
	9,279	12,876
Purchased software - at cost	12,866	24,937
Less: Accumulated amortisation	(11,089)	(21,860)
Less: Accumulated impairment	-	(300)
	1,777	2,777
Internally generated software - at cost	43,973	39,898
Less: Accumulated amortisation	(20,103)	(17,901)
Less: Accumulated impairment	(2,615)	(2,919)
	21,255	19,078
Brands - at cost	-	18,777
Less: Accumulated impairment	-	(18,777)
	-	-
	95,139	97,331

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

Consolidated	Goodwill $'000	Customer relationships and contracts $'000	Purchased software $'000	Internally generated software $'000	Total $'000
Balance at 1 July 2019	62,600	12,876	2,777	19,078	97,331
Additions	-	-	127	4,363	4,490
Reclassification	-	-	(38)	-	(38)
Exchange differences	228	31	13	-	272
Transfers*	-	-	(628)	-	(628)
Amortisation expense	-	(3,628)	(474)	(2,186)	(6,288)
Balance at 31 December 2019	62,828	9,279	1,777	21,255	95,139

* Transferred from finance lease assets to right-of-use assets.

Note 8. Trade and other payables

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Current liabilities		
Trade payables	3,053	2,817
Accrued expenses	9,420	14,606
Other payables	282	370
	12,755	17,793

Note 9. Borrowings

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Current liabilities		
Bank loan	3,000	3,750
Prepaid facility costs	(179)	-
	2,821	3,750
Non-current liabilities		
Bank loan	39,250	39,250
Prepaid facility costs	(106)	(79)
	39,144	39,171
	41,965	42,921

Total secured liabilities
The total secured liabilities are as follows:

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Bank loan	42,250	43,000

Assets pledged as security
On 20 December 2019, the Group entered into a fourth amendment and restatement deed with the total bank loans facility of $49,000,000. The bank loans are secured by a fixed and floating charge over the Group's assets. The renewed facility's maturity date is 31 July 2021. Under the amended facility, the Group shall repay principal of $750,000 per quarter, with the first repayment on 31 December 2019.

Note 9. Borrowings (continued)

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

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Total facilities		
Bank loan	48,250	61,000
Used at the reporting date		
Bank loan	42,250	43,000
Unused at the reporting date		
Bank loan	6,000	18,000

As at 31 December 2019, the $6,000,000 remaining facility includes a $3,000,000 multi-option credit facility, of which $431,000 has been used in the form of bank guarantee. As at 30 June 2019, of the $18,000,000 remaining facility, $1,000,000 relates to bank guarantee facility, of which $431,000 has been used.

Note 10. Lease liabilities

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Current liabilities		
Lease liability	3,977	597
Non-current liabilities		
Lease liability	6,864	566
	10,841	1,163

Reconciliation
Reconciliation of lease liabilities at the beginning and end of financial half-year are set out below:

	Consolidated 31 Dec 2019 $'000
Balance at 1 July 2019	1,163
Adoption of AASB 16 on 1 July 2019 (refer Note 1)	10,455
Additions	1,181
Interest and other adjustments	244
Repayment of lease liabilities*	(2,223)
Exchange differences	21
Balance at 31 December 2019	10,841

*In the statement of cash flows payment of interest component of $244,000 is included within operating activities and repayment of lease liabilities (excluding finance cost) of $1,979,000 is including within financing activities.

Note 11. Contingent consideration

	Consolidated	
	31 Dec 2019 $'000	30 June 2019 $'000
Current liabilities		
Contingent consideration	-	709
Non-current liabilities		
Contingent consideration	1,260	551
	1,260	1,260

No contingent consideration payout is expected within the next 12 months. As such, the contingent consideration is disclosed as non-current liabilities as at 31 December 2019.

Refer to note 13 for further information on fair value measurement.

Note 12. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 13. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swap contracts - cash flow hedges	-	216	-	216
Contingent consideration	-	-	1,260	1,260
Total liabilities	-	216	1,260	1,476

Consolidated - 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swap contracts - cash flow hedges	-	335	-	335
Contingent consideration	-	-	1,260	1,260
Total liabilities	-	335	1,260	1,595

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

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

Note 13. Fair value measurement (continued)

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

Level 3 assets and liabilities
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 14. Earnings per share

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Profit/(loss) after income tax attributable to the owners of Isentia Group Limited	677	(22,080)
	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	1,214,749	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	201,214,750	200,000,001
	Cents	**Cents**
Basic earnings per share	0.338	(11.040)
Diluted earnings per share	0.336	(11.040)

There are no adjustments in relation to the effects of dilutive potential ordinary shares due to the loss-making position of the Group for the period ended 31 December 2018.

Note 15. Events after the reporting period

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

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and

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

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

On behalf of the directors

Doug Snedden	Ed Harrison
Chairman	Chief Executive Officer and Managing Director

24 February 2020
Sydney

Deloitte.

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Independent Auditor's Review Report to the members of Isentia Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Isentia Group Limited, which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 21.

Directors Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Isentia Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants
Sydney, 24 February 2020