

ISENTRIC LIMITED
ABN 11 091 192 871
APPENDIX 4E
FINAL REPORT
FINANCIAL YEAR ENDED 30 JUNE 2016

1. Details of the reporting period

| Reporting period | Previous corresponding period |
|------------------|-------------------------------|
| 30 June 2016 | 30 June 2015 |

2. Results for announcement to the market

| | Key Information | Current period \$ | Previous corresponding period \$ | Change % |
|-----|--|----------------------|-------------------------------------|----------|
| 2.1 | Revenues from ordinary activities | 9,832,773 | 8,632,969 | 13.90 |
| 2.2 | Profit from ordinary activities after tax attributable to member | 1,942,192 | 22,120 | 8,680.25 |
| 2.3 | The total comprehensive profit for the period attributable to member | 1,968,530 | 162,949 | 1,108.07 |

2.4 Dividends/Distributions

No dividends declared in current or prior year.

2.5 Record date for determining entitlements to dividends

N/A.

2.6 Refer to the Review of Operations in the Director's Report on Page 1.

3. Statement of Profit or Loss and Other Comprehensive Income

Refer attached Financial Statement on Page 10.

4. Statement of Financial Position

Refer attached Financial Statement on Page 11.

5. Statement of Cash Flows

Refer attached Financial Statement on Page 13.

6. Details of dividends or distributions

N/A

7. Details of dividend reinvestment plan

N/A

8. Statement of Changes in Equity

Refer attached Financial Statement on Page 12.

9. Net tangible assets per share

| | 2016 | 2015 |
|--|----------|----------|
| Net tangible assets per ordinary share | \$0.0230 | \$0.0089 |

10. Control gained or lost over entities during the period

N/A

11. Investment in associates and joint ventures

N/A

12. Other significant information

Refer to Director's Report on Page 1.

13. Commentary on the results and explanatory information

Refer to the Director's Report on Page 1.

14. Audit

The Appendix 4E is based on the financial report which has been audited.

ISENTRIC LIMITED (ASX:ICU)

(ACN 091 192 871)

And Controlled Entities

Annual Report

30 June 2016

ISENTRIC LIMITED
ABN 11 091 192 871
APPENDIX 4E
FINAL REPORT
FINANCIAL YEAR ENDED 30 JUNE 2016

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iSentric LIMITED AND CONTROLLED ENTITIES
ACN 091 192 871

DIRECTORS' REPORT

The Directors present their report together with the financial report of iSentric Limited and its controlled entities (ASX:ICU) for the financial year ended 30 June 2016.

Directors

The names of Directors in office at any time during or since the end of the financial year are:

| | |
|-------------------|--|
| Lim Keong Yew | Non-Executive Chairman |
| Kwong Yang Chong | Non-Executive Director |
| Lee Chin Wee | Executive Director |
| Terry Cuthbertson | Non-Executive Director |
| Raymond Hor | Non-Executive Director |
| Tim Monger | Non-Executive Director (appointed 25 September 2015) |

Company Secretary

Gary Stewart

Principal Activities

The principal operations and activities of the Consolidated Entity were the provision of software-based mobile telecommunications and technology business in the Asia-Pacific market.

Results for the Year

For the year ended 30 June 2016, the consolidated entity generated an after tax profit of \$1,942,192 (2015: loss \$127,881), had net cash inflows from operating activities of \$1,925,742 (2015: inflow \$153,531) and had net assets of \$20,401,456 (2015: net assets \$18,441,286).

The Company's performance during the financial year ended 30 June 2016 is a significant improvement on the prior, which was impacted by costs associated with the reverse takeover and acquisition costs. The current year's result includes:

- (a) A strong performance from Arte Mobile Technology Pte. Ltd. with a profit contribution of \$2,839,591 which includes a deferred tax asset of \$444,915 and an over provision on tax in prior reporting period of \$109,094;
- (b) One off expenses in relation to potential acquisitions of \$164,700 during the year; and
- (c) A loss from our Malaysian operation of \$272,376. Despite the successful expansion into Thailand, the business in Malaysia was impacted when a key telecommunications partner Celcom suspended Datamorph Services Sdn Bhd's content mobile platform which resulted in a significant loss of revenue.

iSentric LIMITED AND CONTROLLED ENTITIES
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Directors' Report (Continued)

Financial Performance

As noted above the underlying business performance was boosted by the strong performance of Arte Mobile Technology Pte. Ltd.

| | |
|---|------------------|
| Underlying business performance ¹ | |
| EBITDA | 1,998,798 |
| Underlying earnings adjustments | |
| Costs associated with potential acquisitions | 164,700 |
| Discontinued operations - impairment | - |
| Underlying earnings | 2,163,498 |
| Finance costs | 42,542 |
| Depreciation & amortisation | 475,472 |
| Underlying earnings before taxation | 1,645,484 |

1. *Non-underlying income/expense are considered to be outside of the normal activities of the group and have been separately identified. The methodology of identifying these items is consistently applied from year to year. Underlying profit is a non-IFRS measure used by management of the company to assess the operating performance of the business. The non-IFRS measures have not been subject to audit.*

Dividends

No interim dividend was declared or paid during the current financial year. The directors are recommending that no final dividend to be paid in respect of the year ended 30 June 2016 (2015: \$nil).

Review of Operations

The consolidated profit for the 12 months ended 30 June 2016 was \$1,942,192 compared to a loss of \$127,881 for the previous 12 months ended 30 June 2015. Some of the key features of the year ended 30 June 2016 include:

- iSentric Sdn Bhd secured its first contract in Cambodia with Campu Bank, which is a wholly owned subsidiary of Public Bank Group, Malaysia's third largest bank by total assets.
- Arte Mobile Technology Pte. Ltd.'s strong performance in digital media services including successful new product launches for HUSH as well as collaboration with VONVON to grow the business in Indonesia. Arte Mobile also recently entered the Myanmar market and will commence distributing digital media services in conjunction with Myanmar's largest telecommunications business MPT.

Financial Position

The net assets of the consolidated group have increased by \$1,960,170 from 30 June 2015 to \$20,401,456 as at 30 June 2016.

As at 30 June 2016, the consolidated group has a working capital surplus, being current assets less current liabilities, of \$2,374,944 (2015: \$914,682).

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the consolidated group for the year ended 30 June 2016.

iSentric LIMITED AND CONTROLLED ENTITIES
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Directors' Report (Continued)

Meetings of Directors

The number of director's meetings attended by each of the directors of the Company during the financial year were:

| Director | Directors' Meetings | | Audit, Risk & Remuneration | |
|-------------------|---------------------|---------------------------|----------------------------|---------------------------|
| | Number Attended | Number eligible to attend | Number Attended | Number eligible to attend |
| Lim Keong Yew | 3 | 7 | 1 | 1 |
| Terry Cuthbertson | 7 | 7 | 1 | 1 |
| Lee Chin Wee | 7 | 7 | - | - |
| Kwong Yang Chong | 7 | 7 | 1 | 1 |
| Tim Monger | 6 | 6 | - | - |
| Raymond Hor | 7 | 7 | - | - |

Remuneration Report (Audited)

Remuneration levels for Directors and executives are determined as part of an annual performance review, having regard to market factors, a performance evaluation process and independent remuneration advice. Remuneration packages comprise only a fixed salary component. The remuneration structures in place are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account the following:

- The capability and experience of the Directors and executives; and
- The Directors and executive's ability to control the financial performance of the Company's operations.

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT payable related to employee benefits), as well as employer contributions to superannuation funds. In addition, external consultants provide analysis, and when requested, advice to ensure the Directors' and senior executives' remuneration is competitive in the market place.

Service agreements

Executives have service agreements that are capable of termination within three months. In the event of termination or resignation, employees are entitled to their statutory entitlements to annual leave and long service leave, if applicable. There are no service agreements with any of the Directors.

Non-executive Directors

Total aggregate remuneration for all non-executive Directors approved by shareholders at an annual general meeting totalled \$500,000 (plus statutory superannuation). Director fees paid or payable to non-executive Directors total \$143,006 which is inclusive of superannuation, where applicable, at the current rate of 9.50%. Fees for non-executive directors are not linked to the performance of the consolidated group. Currently, the remuneration for a non-executive director is \$30,000 per annum.

Directors' fees cover all main Board activities. Directors who perform additional duties (e.g. extended business related travel overseas, special projects relating to preparation of half year and annual reports) over and above that of normal Director's duties are remunerated on commercial terms and conditions. Details of the nature and amount of each major element of remuneration for each Director of the Consolidated Entity and each of the most highly remunerated officers are as follows:

iSentric LIMITED AND CONTROLLED ENTITIES
ACN 091 192 871

Directors' Report (Continued)

Details of remuneration

Total remuneration paid or payable to the Key Management & Personnel for the year ended 30 June 2016 is set out below:

| Key Management | Short term employee benefits | | Total |
|-------------------|------------------------------|-------------------------|---------|
| | Director's Fees | Director's Remuneration | |
| | \$ | \$ | \$ |
| Lim Keong Yew | 30,000 | - | 30,000 |
| Lee Chin Wee | - | 67,113 | 67,113 |
| Terry Cuthbertson | 30,000 | - | 30,000 |
| Kwong Yang Chong | 30,000 | - | 30,000 |
| Raymond Hor | 30,006 | - | 30,006 |
| Tim Monger | 23,000 | - | 23,000 |
| Tham Jee Yeung | - | 179,614 | 176,614 |
| Total | 143,006 | 246,727 | 389,733 |

Total remuneration paid or payable to the Directors for the year ended 30 June 2015 is set out below:

| Key Management | Directors' Fees | Short term employee benefits | | Total |
|--------------------------|-----------------|------------------------------|------------------------|---------|
| | | Director's Remuneration | Company Secretary Fees | |
| | \$ | \$ | \$ | \$ |
| Lim Keong Yew | 25,000 | - | - | 25,000 |
| Lee Chin Wee | - | 203,025 | - | 203,025 |
| Terry Cuthbertson | 28,000 | - | - | 28,000 |
| Kwong Yang Chong | 25,000 | - | - | 25,000 |
| Ng Chin Kong (resigned) | - | 203,025 | - | 203,025 |
| Michael Doery (resigned) | 3,000 | - | - | 3,000 |
| Gary Stewart (resigned) | 3,000 | - | 18,000 | 21,000 |
| Total | 84,000 | 406,050 | 18,000 | 508,050 |

Options issued as part of remuneration for the year ended 30 June 2016

No option has been granted as part of remuneration to any Director or other key management personnel of the group. (2015: Nil)

This is the end of the Remuneration Report.

Audit Committee

The Audit Committee consists of Mr Lim Keong Yew, Mr Terry Cuthbertson and Mr. Kwong Yang Chong, who are all in charge of fulfilling the functions of the Audit Committee. This involves maintaining a Code of Corporate Conduct for the consolidated group, and to ensure additional assurance with respect to the quality and reliability of the information provided is prepared or approved by third party providers. The board is responsible for the appointment of the external auditor. The Board is responsible for reviewing the effectiveness of the organisation's internal control environment covering:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations.

In fulfilling its responsibilities, the Board receives monthly management accounts which are tabled at monthly board meetings.

iSentric LIMITED AND CONTROLLED ENTITIES
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Directors' Report (Continued)

Shares Issued

There are no shares issued during the year.

Environmental Issues

The consolidated group's operations are not subject to significant environmental regulation under a law of the Commonwealth or of a state or territory of Australia.

Directors' and Executive Officers' Indemnification

The Consolidated Entity has not, during the financial year, in respect of any person who is or has been an officer or auditor of the Consolidated Entity or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

During the financial year, the Consolidated Entity paid insurance premiums of \$11,673 (excluding of GST) to insure the Directors and officers of the consolidated entity for costs and expenses which may be incurred in defending civil or criminal proceedings that may be brought against the Directors and officers in their capacity as Directors and officers of entities in the group.

There is no indemnification in relation to the auditors.

Non-audit Services

During the year, MNSA Pty Ltd, the Company's Auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the Auditor and is satisfied that the provision of those non-audit services during the year by the Auditor is compatible with, and did not compromise, the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the Auditor;
- the non-audit services do not undermine the general principles relating to auditor independence;
- as set out in APES110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the Auditor's own work, acting in management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The following amounts were paid or are payable by the Consolidated Entity for non-audit services provided during the year:

| | 2016 | 2015 |
|---------------------------|-------------|-------------|
| | \$ | \$ |
| Non audit services | | |
| Tax compliance services | 750 | 1,455 |
| Others | - | 5,523 |

Directors' Report (Continued)

Options

No options were issued during the year.

Proceeding on Behalf of 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.

Matters Subsequent to the End of the Financial Year

There were no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of the affairs of the consolidated group, in subsequent financial years.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 9 of this financial report.

Signed in accordance with a resolution of directors.



Lee Chin Wee
Executive Director

Sydney
30 August 2016



**ISENTRIC LIMITED ACN 091 192 871
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE
CORPORATIONS ACT 2001
TO THE DIRECTORS OF ISENTRIC LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

MNSA Pty Ltd

Phillip Miller

Sydney

Dated this 30th day of August 2016

iSentric LIMITED AND CONTROLLED ENTITIES
ACN 091 192 871

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

| | Note | Consolidated Group 2016 \$ | 2015 \$ |
|--|------|----------------------------------|-----------------|
| Revenue | 2 | 9,832,773 | 8,632,969 |
| Sales direct costs | | (3,856,236) | (4,314,348) |
| Amortisation and depreciation | | (475,472) | (217,358) |
| Compliance and professional fees | | (603,419) | (1,420,300) |
| Employee benefits expenses | | (1,854,287) | (1,124,122) |
| Administration expenses | | (486,210) | (420,358) |
| Marketing expenses | | (513,774) | (456,406) |
| Travel expenses | | (277,420) | (175,681) |
| Insurance expenses | | (10,747) | (13,333) |
| Finance costs | | (42,542) | (48,085) |
| Other expenses | | (231,882) | (50,312) |
| Profit before income tax | | 1,480,784 | 392,666 |
| Income tax (expense) / credit | 3 | 461,408 | (370,546) |
| Net Profit for continuing operations | | 1,942,192 | 22,120 |
| Discontinued operations | | | |
| Loss from discontinued operations | | - | (150,001) |
| Net Profit/(Loss) for the year | | 1,942,192 | (127,881) |
| Other comprehensive income | | | |
| Items that will be reclassified subsequently to profit or loss when specific conditions are met: | | | |
| Exchange difference on translating foreign operations, net of tax | | 26,338 | 140,829 |
| Total comprehensive income for the year attributable to members of the parent entity | | 1,968,530 | 12,948 |
| Earnings per share: | | Cents per share | Cents per share |
| From continuing operations (cents per share) | 6 | 1.43 | 0.02 |
| From discontinued operations (cents per share) | 6 | - | (0.15) |

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

iSentric LIMITED AND CONTROLLED ENTITIES
ACN 091 192 871

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

| | Note | Consolidated Group 2016 \$ | 2015 \$ |
|---|------|----------------------------------|--------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | 691,051 | 1,188,051 |
| Trade and other receivables | 8 | 3,508,709 | 3,961,088 |
| Total Current Assets | | <u>4,199,760</u> | <u>5,149,139</u> |
| Non-Current Assets | | | |
| Plant and equipment | 9 | 241,488 | 289,678 |
| Intangible assets | 10 | 17,336,239 | 17,236,926 |
| Deferred Tax Asset | | 448,785 | - |
| Total Non-Current Assets | | <u>18,026,512</u> | <u>17,526,604</u> |
| Total Assets | | <u>22,226,272</u> | <u>22,675,743</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 11 | 1,824,816 | 2,734,457 |
| Other financial liabilities | | - | - |
| Vendor finance | 16 | - | 1,500,000 |
| Total Current Liabilities | | <u>1,824,816</u> | <u>4,234,457</u> |
| Total Liabilities | | <u>1,824,816</u> | <u>4,234,457</u> |
| Net Assets | | <u>20,401,456</u> | <u>18,441,286</u> |
| Equity | | | |
| Issued capital | 12 | 18,001,394 | 18,009,754 |
| Foreign currency translation reserve/(losses) | 23 | 125,834 | 99,496 |
| Retained earnings | | 2,274,228 | 332,036 |
| Total Equity | | <u>20,401,456</u> | <u>18,441,286</u> |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

iSentric LIMITED AND CONTROLLED ENTITIES
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

| Consolidated Group | Issued Capital | Foreign- Currency Translation Reserve | Retained Earnings | Total |
|----------------------------------|-------------------|--|----------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2014 | 66,040 | (41,333) | 2,723,181 | 2,747,888 |
| Foreign currency translation | - | 140,829 | - | 140,829 |
| Shares issued | 18,646,138 | - | - | 18,646,138 |
| Cost related to share issues | (702,424) | - | - | (702,424) |
| Acquisition valuation adjustment | - | - | (2,263,264) | (2,263,264) |
| Profit/(Loss) for the year | - | - | (127,881) | (127,881) |
| Balance at 30 June 2015 | 18,009,754 | 99,496 | 332,036 | 18,441,286 |
| Foreign currency translation | - | 26,338 | - | 26,338 |
| Shares issued | - | - | - | - |
| Cost related to share issues | (8,360) | - | - | (8,360) |
| Acquisition valuation adjustment | - | - | - | - |
| Profit/(Loss) for the year | - | - | 1,942,192 | 1,942,192 |
| Balance at 30 June 2016 | 18,001,394 | 125,834 | 2,274,228 | 20,401,456 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

iSentric LIMITED AND CONTROLLED ENTITIES
ACN 091 192 871

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

| | | Consolidated Group | |
|---|-------------|---------------------------|--------------------|
| | | 2016 | 2015 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | Note | | |
| Receipts from customers | | 10,327,517 | 8,162,571 |
| Payments to suppliers and employees | | (8,169,278) | (7,806,001) |
| Finance costs paid | | (42,542) | (28,159) |
| Interest received | | 4,095 | 41,383 |
| Income tax paid | | (194,050) | (216,263) |
| Net cash inflow from operating activities | 17 | 1,925,742 | 153,531 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash outflow on acquisition | 16 | - | (7,349,073) |
| Loan to other entities | | - | 39,185 |
| Loans repaid by other entities | | - | 45,219 |
| Payments for plant and equipment | | (241,825) | (285,703) |
| Payments for intangible assets | | (224,047) | (128,368) |
| Others | | (260,187) | 3,443 |
| Net cash outflow from investing activities | | (726,059) | (7,675,297) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | (124,860) | 6,403,064 |
| Proceeds from borrowings/other liabilities | | - | 1,505,000 |
| Repayment of borrowings | | (1,500,000) | (720,000) |
| Net cash inflow from financing activities | | (1,624,860) | 7,188,064 |
| Net increase/(decrease) in cash held | | (425,177) | (333,702) |
| Cash at the beginning of the financial period | | 1,188,051 | 1,452,851 |
| Effect of exchange rate changes | | (71,823) | 68,902 |
| NET CASH AT THE END OF THE YEAR | 7 | 691,051 | 1,188,051 |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

iSentric LIMITED AND CONTROLLED ENTITIES
ACN091 192 871

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Note 1: Summary of Significant Accounting Policies

iSentric Limited is a company incorporated and domiciled in Australia and is a listed public company whose shares are publicly traded on the Australian Securities Exchange (“ASX”).

iSentric Limited is the legal parent of iSentric Sdn Bhd. The consolidated financial statements are issued under the name of iSentric Limited but are deemed to be a continuation of the legal subsidiary iSentric Sdn Bhd (refer Note 1(a)). The consolidated financial statements are for the Consolidated Entity consisting of iSentric Limited and its subsidiaries and iSentric Sdn Bhd and its subsidiaries, combined, as defined on page 42.

The consolidated financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial report complies with International Financial Reporting Standards and the interpretations adopted by the International Accounting Standards Board.

The financial report covers iSentric Limited and its controlled entities as a consolidated entity (“Group”). iSentric Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report was approved by the Directors on 29 August 2016.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Significant Accounting Policies

(a) Principles of Consolidation

In 2014 iSentric Limited acquired all of the issued shares of iSentric Sdn Bhd, resulting in iSentric Sdn Bhd becoming a wholly owned subsidiary of iSentric Limited. The acquisition resulted in the original shareholders of iSentric Sdn Bhd holding a majority share in iSentric Limited. Pursuant to Australian Accounting Standards this transaction represented a reverse acquisition with the result that iSentric Sdn Bhd was identified as the acquirer, for accounting purposes, of iSentric Limited (the “acquiree” and “legal parent”).

The consolidated financial report includes the financial statements of iSentric Limited (“Legal Parent Entity”) and its consolidated entities. iSentric Limited and its consolidated entities are together referred to in the financial report as the “Consolidated Entity” or “The Group”.

A controlled entity is any entity the Legal Parent Entity has the power to control the financial and operating policies so as to obtain benefits from its activities. A list of controlled entities is contained in Note 22 to the financial statements. All controlled entities have a June financial year-end.

The effects of all transactions between entities in the Group have been eliminated in full and the consolidated financial report has been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

iSentric LIMITED AND CONTROLLED ENTITIES
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NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

Business Combination

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis. Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

iSentric LIMITED AND CONTROLLED ENTITIES
ACN091 192 871

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(b) Financial Instruments

Initial Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to purchase or sale of asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Other Financial Assets

Other financial assets, including investments in controlled entities, are recognised at cost, less where applicable any impairment losses.

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Available-for-sale Investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amount normally paid within 30 days of recognition of the liability.

Fair value estimations

The fair values of financial assets and financial liabilities must be estimated for recognition and disclosure purposes. The nominal value less estimated credit adjustment of trade receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates that is available for similar financial instruments.

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Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Plant and Equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate cost of assets, net of their residual values, over their estimated useful lives, as follows:

| <i>Class</i> | <i>Rate</i> |
|---------------------|-------------|
| Plant and equipment | 8-40% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

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(c) Fair value measurements

Fair value is 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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(d) Intangibles

Intellectual Property

Intellectual property is recognised at cost of acquisition and is amortised over the period in which its benefits are expected to be realised. The balances are reviewed annually for impairment and any balance representing future benefits for which the realisation is considered to be no longer probable are recognised in the statement of profit or loss and other comprehensive income as impairment losses.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. In relation to the amortisation of intangibles with finite useful lives, management judgements are used to determine the estimated useful lives. The estimated useful lives are as follows:

| | Number of years |
|-----------------------------|-----------------|
| Mobile content and services | 10 |
| Software platform | 5 |

Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires estimation of the recoverable amount of the cash generating units to which goodwill have been allocated. The assumption used in this estimation of recoverable amount and the amount of goodwill are discussed in Note 10.

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Development Expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following: -

- (a) its ability to measure reliably the expenditure attributable to the asset under development;
- (b) the product or process is technically and commercially feasible;
- (c) its future economic benefits are probable;
- (d) its intention to complete and the ability to use or sell the developed asset; and
- (e) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 3 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

Impairment of Non-Financial Assets

The carrying values of assets, other than those to which AASB136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(e) Income Tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(f) Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less.

(g) Revenue and other income

(i) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of sales tax, returns and trade discounts.

(ii) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(iii) Revenue from Support Maintenance Services

Revenue from support maintenance services is recognised on the provision of software licensing maintenance and product enhancement services.

(iv) Licensing Software

Revenue is recognised when the right to use the software is granted to the buyers.

(v) Interest Income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

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(h) Goods and Services Tax (GST) or Value Added Tax (VAT)

Revenues, expenses and assets (other than receivables) are recognised net of the amount of GST in Malaysia and Singapore or net of the amount of VAT in Indonesia, except where the amount of GST or VAT incurred is not recoverable from the Tax Offices of the respective jurisdictions. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST or VAT included. The net amount of GST or VAT recoverable from, or payable to, the Tax Offices of the respective jurisdictions is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST or VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Tax Offices of the respective jurisdictions are presented as operating cash flows included in receipts from customers or payments to suppliers.

(i) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency. The consolidated financial statements are presented in Australian dollar, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) Foreign Operations

Assets and liabilities of foreign operations are translated to Australian dollars at the rates of exchange ruling at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

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In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

(j) Employee Benefits

The following liabilities arising in respect of employee entitlements are measured at their nominal amounts. Wages and salaries and annual leave regardless of whether they are expected to be settled within twelve months of balance date and other employee benefits which are expected to be settled within twelve months of balance date.

All other employee entitlements, including long service leave, are measured at the present value of estimated future cash outflows in respect of services provided up to balance date. Liabilities are determined after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures. Related on costs are included.

(k) Going Concern

The financial report has been prepared on a going concern basis. This presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities will occur in the normal course of business.

For the year ended 30 June 2016 the Group generated profit after tax of \$1,942,192 (2015: loss \$127,881), as at the balance date the Group's total assets exceeded total liabilities by \$20,401,456 (2015: net assets \$18,441,286).

The Directors believe that the going concern basis of accounting is appropriate due to the expected cash flows to be generated by the Group over the next twelve months. The Directors will closely monitor cash flows as the Group grows and if revenues do not increase as expected, the Directors will look to contain costs. The Directors believe that these actions, if required, will be sufficient to ensure that the company will be able to pay its debts as and when they fall due for the next twelve months.

Notwithstanding the above, the directors acknowledge that there are a number of risk factors that could materially affect the Group's future profitability and cash flows, which include, but are not limited to:

(i) Competition

There can be no assurance given in respect of the Group's ability to continue to compete profitably in the competitive markets in which the Group operates. The potential exists for change in the competitive environment in which the Group operates.

(ii) Reliance on key management

The responsibility of overseeing the day-to-day operations and strategic management of the Group is substantially dependent upon its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Group if one, or a number of, these employees cease their employment.

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(I) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applicable to annual reporting periods beginning on or after 1 January 2016).

This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 30 June 2016, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of AASB 2014-3.

AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128).

This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

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The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(m) Key Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below: -

(i) Depreciation of Property and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Amortisation of Development Costs

Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges could be revised.

(v) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment loss. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

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(vi) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

(vii) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exists. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

Note 2: Revenue

| | Consolidated Group | |
|--------------------------------------|---------------------------|------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Revenue | 9,803,091 | 8,550,742 |
| Interest received | 4,334 | 41,383 |
| Gain on foreign exchange translation | 25,348 | 40,844 |
| | <u>9,832,773</u> | <u>8,632,969</u> |

Note 3: Income tax expense

| | | |
|---|------------------|----------------|
| Prima facie tax expense/(income) on profit/(loss) before tax calculated at 30% (Malaysia: 24% / Singapore: 17%) | 150,058 | (77,208) |
| Tax effects of: | | |
| Differential in tax rates | (309) | (5,970) |
| Non-taxable income | (102,327) | (10,739) |
| Non-deductible expenses | 84,873 | 61,744 |
| Effect of partial tax exemption and tax relief | (207,714) | - |
| Changes in unrecognised temporary difference | (77,492) | - |
| Deferred tax asset recognised | (444,915) | - |
| Deferred tax asset not brought to account | 282,610 | 402,289 |
| Under-provision of current tax in the previous financial year | (146,192) | 430 |
| Income tax expense / (credit) | <u>(461,408)</u> | <u>370,546</u> |

Where applicable, grants and tax concessions are accrued in the year in which they are receivable.

Potential deferred tax assets at 30% (2015: 30%) attributable to unused tax losses, amounting to \$282,610 (2015: \$402,289) have not been brought to account because Directors do not believe it is appropriate to regard realisation of the deferred tax as probable. These benefits will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction of the loss to be realised;
- the Company continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deduction for the loss.

Dividend imputation

The balance of the franking account of the Company at the end of the year was nil. No dividends were paid during the year.

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Note 4: Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | Consolidated Group | |
|--|---------------------------|-------------|
| | 2016 | 2015 |
| | \$ | \$ |
| (a) Audit Services | | |
| Auditor's remuneration, auditing or reviewing the financial reports: | | |
| - Group auditor | 54,500 | 72,688 |
| - Other auditors | 34,121 | 23,927 |
| | <hr/> | <hr/> |
| (b) Non Audit Services | | |
| - Group auditor | | |
| - Tax compliance services | 750 | 1,455 |
| - Others | - | 5,523 |
| | <hr/> | <hr/> |

Note 5: Dividends

No dividends were paid or proposed during the financial year.

Note 6: Earnings per share

Overall Operations

| | | |
|---|-----------|-----------|
| Profit/(loss) per share (cents per share) | 1.43 | (0.13) |
| - Basic | 1.43 | (0.13) |
| - Diluted | 1.40 | (0.13) |
| | <hr/> | <hr/> |
| Profit/(Loss) used in the calculation of basic EPS (\$) | 1,942,192 | (127,881) |
| | <hr/> | <hr/> |

Continuing Operations

| | | |
|---|-----------|--------|
| Profit/(loss) per share (cents per share) | | |
| - Basic | 1.43 | 0.02 |
| - Diluted | 1.40 | 0.02 |
| | <hr/> | <hr/> |
| Profit/(Loss) used in the calculation of basic EPS (\$) | 1,942,192 | 22,120 |
| | <hr/> | <hr/> |

Discontinued Operations

| | | |
|---|-------|-----------|
| Basic and diluted profit/(loss) per share (cents per share) | - | (0.15) |
| | <hr/> | <hr/> |
| Profit/(Loss) used in the calculation of basic EPS (\$) | - | (150,001) |
| | <hr/> | <hr/> |

| | | |
|--|-------------|-------------|
| Weighted average number of shares outstanding during the year used in calculations of basic earnings per share | 135,703,703 | 99,337,956 |
| Dilutive effect of options outstanding | 3,000,000 | 2,416,438 |
| | <hr/> | <hr/> |
| Weighted average number of shares outstanding during the year used in calculations of diluted earnings per share | 138,703,703 | 101,754,394 |
| | <hr/> | <hr/> |

Information on options outstanding at the balance sheet date can be found in Note 12.

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Note 7: Cash and cash equivalents

| | Consolidated Group | |
|--------------|---------------------------|-----------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Cash at bank | 676,254 | 1,183,129 |
| Cash in hand | 14,797 | 4,922 |
| | <hr/> 691,051 | <hr/> 1,188,051 |

Reconciliation to cash at year end

| | | |
|--|---------------|-----------------|
| Cash at bank | 691,051 | 1,188,051 |
| Cash and cash equivalents as per Statement of Cash Flows | <hr/> 691,051 | <hr/> 1,188,051 |

Note 8: Trade and other receivables

| | | |
|-------------------|-----------------|-----------------|
| Trade receivables | 2,647,680 | 3,767,710 |
| Other receivables | 131,315 | 37,381 |
| Prepayments | 47,597 | 80,184 |
| Deposits | 230,462 | 43,854 |
| Tax refundable | 451,655 | 31,959 |
| | <hr/> 3,508,709 | <hr/> 3,961,088 |

Note 9: Plant and Equipment

Cost

| | | |
|-------------------------------------|---------------|---------------|
| Opening Balance | 379,347 | 89,835 |
| Additions/Written off | 58,450 | 285,703 |
| Effect of movement in exchange rate | (10,472) | 3,809 |
| Closing Balance | <hr/> 427,325 | <hr/> 379,347 |

Accumulated depreciation

| | | |
|-------------------------------------|---------------|--------------|
| Opening Balance | 89,669 | 64,821 |
| Depreciation for the year | 98,430 | 22,365 |
| Effect of movement in exchange rate | (2,262) | 2,483 |
| Closing Balance | <hr/> 185,837 | <hr/> 89,669 |

Total plant and equipment

| | | |
|--|---------------|---------------|
| | <hr/> 241,488 | <hr/> 289,678 |
|--|---------------|---------------|

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Note 10: Intangible assets

2016 Consolidated Group

| | Product Development Expenditure | Intellectual Properties | Goodwill | Total |
|---|------------------------------------|----------------------------|------------|------------|
| | \$ | \$ | \$ | \$ |
| At 30 June 2016 | | | | |
| Cost | 608,326 | 2,202,047 | 15,480,640 | 18,291,013 |
| Accumulated amortisation and impairment | (566,266) | (388,508) | - | (954,774) |
| Net book amount | 42,060 | 1,813,539 | 15,480,640 | 17,336,239 |

Movement

| | | | | |
|-------------------------------------|----------|-----------|------------|------------|
| Opening balance 1 July 2015 | 130,579 | 1,623,876 | 15,482,471 | 17,236,926 |
| Additions | - | 434,157 | - | 434,157 |
| Amortisation charge | (84,384) | (292,658) | - | (377,042) |
| Impairment | - | - | - | - |
| Effect of movement in exchange rate | (4,135) | 48,164 | (1,831) | 42,198 |
| Closing balance 30 June 2016 | 42,060 | 1,813,539 | 15,480,640 | 17,336,239 |

2015 Consolidated Group

At 30 June 2015

| | | | | |
|---|-----------|-----------|------------|------------|
| Cost | 626,336 | 1,714,355 | 15,482,471 | 17,823,162 |
| Accumulated amortisation and impairment | (495,757) | (90,479) | - | (586,236) |
| Net book amount | 130,579 | 1,623,876 | 15,482,471 | 17,236,926 |

Movement

| | | | | |
|-------------------------------------|-----------|-----------|------------|------------|
| Opening balance 1 July 2014 | 195,556 | - | - | 195,556 |
| Additions | 31,004 | 1,714,355 | 15,482,471 | 17,227,830 |
| Amortisation charge | (105,572) | (89,422) | - | (194,994) |
| Impairment | - | - | - | - |
| Effect of movement in exchange rate | 9,591 | (1,057) | - | 8,534 |
| Closing balance 30 June 2015 | 130,579 | 1,623,876 | 15,482,471 | 17,236,926 |

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Goodwill impairment tests

Description of the cash generating units and other information

Goodwill acquired through business combinations has been allocated to two cash generating units (CGUs) for impairment testing.

The aggregate carrying amounts of goodwill allocated to CGUs are as follows:

| | Consolidated Group | |
|------------------------|---------------------------|-------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Arte Mobile Technology | 15,418,789 | 15,418,789 |
| Datamorph | 61,851 | 63,682 |
| | <u>15,480,640</u> | <u>15,482,471</u> |

The annual impairment test undertaken at 30 June 2016 involved determining the recoverable amount of each CGU based on their fair value less cost to sell and comparing it to the CGU's carrying amount. Fair value reflects the best estimate of the amount that an independent third party would pay to purchase the CGUs, less related selling costs. Carrying value reflects goodwill and the other identifiable assets and liabilities that can be allocated to each CGU and that generate the CGU's cash flows.

Fair value has been calculated using discounted future cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used. Discounted cash flows includes a terminal value calculated in accordance with the Gordon Growth model using a long term perpetuity growth rate of 5%. The usage of the growth rate was based on Indonesia's robust mobile market where SIM subscription's penetration rate is 126%. In addition, the annual growth rate (CAGR 2016-2020) for Video-on-Demand in Indonesia is 11.60%.

The valuation is based on cash flow projections over a five year period using assumptions that represent management's best estimate of the range of business and economic conditions at this time. The valuations have been reviewed and approved by the Board of iSentric.

Discount rates are calculated using a weighted average cost of capital method which is based on market data, reflects the time value of money and includes a risk premium to account for current economic conditions.

The pre-tax discount rates applied to the undiscounted cash flows were 14.84% for all CGUs. Management consider that, as all CGUs operate in the Digital Media Industry in Malaysia and Indonesia and provide equivalent products and services in the same markets, the risk specific to each unit are comparable and therefore a discount rate of 14.84% is applicable to all CGUs.

Based on the results of the tests undertaken no impairment losses have been recognised in relation to goodwill in the 2016 financial year.

Note 11: Trade and other payables

| | Consolidated Group | |
|----------------------------|---------------------------|------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Current | | |
| Trade payables | 700,970 | 1,518,102 |
| Other payables | 864,626 | 582,219 |
| Amount owing to a director | 55,001 | 24,101 |
| Accruals | 197,735 | 363,138 |
| Tax payable | 6,484 | 246,897 |
| | <u>1,824,816</u> | <u>2,734,457</u> |

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Note 12: Contributed equity

| | Consolidated Group | |
|--|---------------------------|-------------|
| | 2016 | 2015 |
| | \$ | \$ |
| 135,703,703 (2015: 135,703,703) fully paid ordinary shares | 18,001,394 | 18,009,754 |

(a) Ordinary shares - value

| | | |
|--|------------|------------|
| At the beginning of the reporting period | 18,009,754 | 66,040 |
| Add: Share issued | - | 18,646,138 |
| Less: Cost related to share issue | (8,360) | (702,424) |
| Balance at end of reporting period | 18,001,394 | 18,009,754 |

(b) Ordinary shares - number

| | No. | No. |
|---|-------------|-----------------------------|
| At the beginning of the reporting period | 135,703,703 | 14,287,774 |
| Share consolidation on a 1 for approx 3.769 basis | - | (10,537,849) ⁽¹⁾ |
| Share issue | - | 60,000,000 ⁽²⁾ |
| Share issue | - | 3,000,000 ⁽³⁾ |
| Share issue | - | 9,997,037 ⁽⁴⁾ |
| Share issue | - | 616,000 ⁽⁵⁾ |
| Share issue | - | 19,340,741 ⁽⁶⁾ |
| Share issue | - | 38,000,000 ⁽⁷⁾ |
| Share issue | - | 1,000,000 ⁽⁸⁾ |
| Balance at end of reporting period | 135,703,703 | 135,703,703 |

Notes

(1) Share consolidation on 2 September 2014 was on a 1 for 3.769268266502 for 1 basis

(2) Issued on 9 September 2014 to Donaco

(3) Issued on 8 September 2014 for convertible notes

(4) Issued on 8 September 2014 for the capital raising

(5) Issued on 28 November 2014 to Odyssey Capital

(6) Issued on 28 January 2015 as part of the capital raising

(7) Issued on 9 February 2015 to Arte Mobile

(8) Issued on 28 April 2015 to YQ Global

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Consolidated Entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options

The balance of options at 30 June 2016 is 3,000,000.

Note 13: Segment Reporting

Identification of reportable segments

iSentric Limited has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

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NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Note 13: Segment Reporting (continued)

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Inter segment transactions

Segment revenues, expenses and results include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the consolidated group at an arm's length. These transfers are eliminated on consolidation.

(c) Segment assets

Assets include all assets used by a segment and consist principally of cash, receivables, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis.

(d) Segment liabilities

Liabilities consist principally of accounts payable, employee entitlements, accrued expenses and provisions.

| | Malaysia \$ | Singapore \$ | Australia \$ | Indonesia \$ | Consolidation Adjustment \$ | Consolidated Group \$ |
|--|-----------------|-----------------|-----------------|-----------------|-----------------------------------|-----------------------------|
| 2016 | | | | | | |
| REVENUE | | | | | | |
| External sales | 5,746,541 | 3,130,377 | - | 1,021,281 | (95,108) | 9,803,091 |
| Interest revenue | 4,004 | 126 | 73 | 131 | - | 4,334 |
| Gain on foreign exchange translation | 27,941 | 300 | - | 511 | (3,404) | 25,348 |
| Total revenue | 5,778,486 | 3,130,803 | 73 | 1,021,923 | (98,512) | 9,832,773 |
| Expenses | (6,053,900) | (718,668) | (621,692) | (1,052,837) | 95,108 | (8,351,989) |
| Profit / (loss) before income tax expense | (275,414) | 2,412,135 | (621,619) | (30,914) | (3,404) | 1,480,784 |
| Income tax expense | | | | | | 461,408 |
| Profit / (loss) after income tax expense | | | | | | 1,942,192 |
| ASSETS | | | | | | |
| Total assets | 828,835 | 492,454 | 29,029,348 | 481,311 | (16,605,676) | 22,226,272 |
| LIABILITIES | | | | | | |
| Total liabilities | 171,493 | 219,949 | 3,319,741 | 138,334 | (3,024,701) | 1,824,816 |

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NOTES TO AND FORMING PART OF THE
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| | Malaysia \$ | Singapore \$ | Australia \$ | Indonesia \$ | Consolidation Adjustment \$ | Consolidated Group \$ |
|---|----------------|-----------------|--------------------|-----------------|-----------------------------------|-----------------------------|
| 2015 | | | | | | |
| REVENUE | | | | | | |
| External sales | 7,360,987 | 1,038,786 | - | 420,711 | (269,742) | 8,550,742 |
| Interest revenue | 21,172 | 4 | 20,113 | 94 | - | 41,383 |
| Gain on foreign exchange translation | 13,482 | - | 23,622 | - | 3,740 | 40,844 |
| Total revenue | 7,395,641 | 1,038,790 | 43,735 | 420,805 | (266,002) | 8,632,969 |
| Expenses | (6,640,568) | (165,139) | (1,384,699) | (258,994) | 209,097 | (8,240,303) |
| Profit before income tax expense | 755,073 | 873,651 | (1,340,964) | 161,811 | (56,905) | 392,666 |
| Income tax expense | | | | | | (370,546) |
| Loss from discontinued operations | | | | | | (150,001) |
| Profit / (loss) after income tax expense | | | | | | (127,881) |
| ASSETS | | | | | | |
| Total assets | 4,611,309 | 3,002,254 | 29,130,219 | 382,859 | (14,450,898) | 22,675,743 |
| LIABILITIES | | | | | | |
| Total liabilities | 1,634,251 | 666,964 | 2,790,733 | 15,935 | (873,426) | 4,234,457 |

Note 14: Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, accounts and other receivables, trade and other payables, loans to and from related parties.

The maximum exposure to credit risk at the balance sheet date is as follows:

| | Consolidated Group | |
|------------------------------|---------------------------|------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Financial Assets | | |
| Cash and cash equivalents | 691,015 | 1,188,051 |
| Trade receivables | 2,647,680 | 3,767,710 |
| Other receivables | 131,315 | 37,381 |
| Deposits | 230,462 | 43,854 |
| Tax refundable | 451,655 | 31,959 |
| Total | 4,152,127 | 5,068,955 |
| Financial Liabilities | | |
| Trade payables | 700,970 | 1,518,102 |
| Other payables | 864,626 | 2,082,219 |
| Amount owing to a director | 55,001 | 24,101 |
| Accruals | 197,735 | 363,138 |
| Tax payable | 6,484 | 246,897 |
| Total | 1,824,816 | 4,234,457 |

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NOTES TO AND FORMING PART OF THE
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(a) General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Group where such impacts may be material. The board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

(b) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when the debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables as appropriate. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior year experience and the current economic environment.

(i) Credit risk concentration profile

As at the end of the financial year, the Group has significant concentration of credit risk related to the amount owing by four customers (2015 – three customers) which constituted approximately 74% (2015 – 52%) of total trade receivables.

(ii) Exposure to credit risk

At the end of the financial year, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group after deducting any allowance for impairment (where applicable).

(iii) Ageing analysis

The ageing of trade receivables at the reporting date is as follows:

| | 2016 | 2015 |
|-----------------------|------------------|------------------|
| | \$ | \$ |
| Not past due | 1,681,240 | 3,185,709 |
| Past due 0 – 30 days | 85,786 | 241,069 |
| Past due 31 – 60 days | 13,441 | 48,699 |
| Over 60 days | 867,213 | 292,233 |
| Total: | 2,647,680 | 3,767,710 |

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At the end of the financial year, trade receivables that are individually impaired were those with significant financial difficulties and have defaulted on payments. The receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(c) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. The Board of Directors manage liquidity risk by continually monitoring forecast cash flows and generating when required additional capital funding as necessary. It is noted that the Group does not have any borrowing facilities.

The following maturity analysis is done on a contractual undiscounted cash flow basis:

Maturity Analysis -Consolidated Group

| Financial liabilities | Carrying Amount \$ | Contractual Cash flows \$ | < 6 months \$ | 6 – 12 months \$ | 1-3 years \$ | > 3 years \$ |
|---------------------------------------|--------------------------|---------------------------------|------------------|------------------------|-----------------|-----------------|
| 2016 | | | | | | |
| Trade and other payables and accruals | 1,769,815 | 1,796,815 | 1,702,551 | 67,264 | - | - |
| Amount payable to a director | 55,001 | 55,001 | 55,001 | 15,000 | 25,001 | - |
| 2015 | | | | | | |
| Trade and other payables and accruals | 4,210,356 | 4,210,356 | 3,919,486 | 266,769 | - | - |
| Amount payable to a director | 24,101 | 24,101 | 14,461 | 9,640 | - | - |

The fair value of the current trade and other payables approximates their carrying values.

(d) Market rate risk

Market rate risk arises from the use of interest bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk). The Company and Group are not subject to other price risk on its financial instruments.

(i) Interest rate risk

Interest rate risk arises on cash and cash equivalents, and receivables from related parties. The Group does not enter into any derivative instruments to mitigate this risk. As this is not considered a significant risk for the Group, no policies are in place to formally mitigate this risk.

Sensitivity to changes in interest rates:

If interest rates were to move 100 bps up or down in the next 12 months, the following effect on reported profits or losses from all interest bearing financial assets and financial liabilities, is expected:

- The profit effect on the consolidated group of an interest rate increase of 1% is \$1,020(2015: \$414) and the profit effect of an interest rate decrease of 1% is \$1,020 (2015:-\$414).
- There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

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(ii) Currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in foreign currencies for the financial year ended 30 June 2016. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Australian Dollar ("AUD"), Euro ("Euro"), Malaysian Ringgit ("MYR"), Indonesian Rupiah ("IDR") and Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level.

Foreign currency exposure:

| 2016 | USD AUD | EUR AUD | SGD AUD | IDR AUD | Total AUD |
|------------------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| Financial asset | | | | | |
| Trade receivables | 61,976 | - | - | 1,335,399 | 1,397,375 |
| Financial liability | | | | | |
| Trade and other payables | - | - | - | (152,368) | (152,368) |
| Net currency exposure | <u>61,976</u> | <u>-</u> | <u>-</u> | <u>1,183,031</u> | <u>1,245,007</u> |
| 2015 | USD AUD | EUR AUD | SGD AUD | IDR AUD | Total AUD |
| Financial asset | | | | | |
| Trade receivables | 117,301 | 4,720 | 41,987 | 1,212,250 | 1,376,258 |
| Financial liability | | | | | |
| Trade and other payables | - | - | - | (97,364) | (97,364) |
| Net currency exposure | <u>117,301</u> | <u>4,720</u> | <u>41,987</u> | <u>1,114,886</u> | <u>1,278,894</u> |

Foreign currency sensitivity analysis:

The following table details the sensitivity analysis to a reasonable possible change in the foreign currencies at the end of the financial year, with all other variables held constant:

| 2016 | 2016 Increase/(Decrease) AUD | 2015 Increase/(Decrease) AUD |
|---------------------|---|---|
| USD: | | |
| -strengthen by 10% | 6,198 | 11,730 |
| -weakened by 10% | (6,198) | (11,730) |
| EUR: | | |
| - strengthen by 10% | - | 472 |
| -weakened by 10% | - | (472) |
| SGD: | | |
| - strengthen by 10% | - | 4,199 |
| -weakened by 10% | - | (4,199) |
| IDR: | | |
| - strengthen by 10% | 118,303 | 111,489 |
| -weakened by 10% | (118,303) | (111,489) |

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(e) Fair values of financial assets and liabilities

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

The fair values of the financial assets and liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

(f) Capital Management

The Board endeavours to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Note 15: Related Party Transactions

| | Consolidated Group | |
|--|---------------------------|-------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Office rental expenses paid/payable to a related party | - | 39,427 |
| Purchases paid/payable to a related party | - | 207 |
| Sales received/receivable from related parties | - | 1,335 |

No director has entered into contracts with the Company since the end of the previous financial year.

Office rental expenses and purchases are paid to a company controlled by a close member of the family of a director.

Sales received from related parties were from an entity controlled by a director.

Note 16: Business Combination

Acquisition of Datamorph Services Sdn Bhd and Arte Mobile Technology Pte. Ltd and controlled entities

There were no acquisition in the financial year ended 30 June 2016.

During the financial year ended 30 June 2015, iSentric Limited acquired Arte Mobile Technology Pte. Ltd. and Datamorph Services Sdn Bhd.

iSentric Limited provisionally recognised the fair values of the identifiable assets and liabilities of Arte Mobile Technology Pte. Ltd. and Datamorph Services Sdn Bhd in 2015 based upon the best information available as of the reporting date. The business combination accounting was completed in 2016:

| | | Fair Value 2015 /2016 \$ |
|---|------------------|---|
| | Datamorph | Arte Mobile |
| Purchase consideration: | | |
| - Shares / units issued | - | 9,500,000 |
| - Cash, consideration, net of cash received | 86,075 | 6,000,000 |
| - Vendor finance | - | 1,500,000 |
| | <hr/> 86,075 | <hr/> 17,000,000 |

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The final fair value of the identifiable assets and liabilities of Arte Mobile Technology Pte. Ltd. and Datamorph Services Sdn Bhd are as follows:

| | Datamorph | Fair Value Arte Mobile \$ |
|---|------------------|--|
| Intangible assets - IP | - | 1,813,539 |
| Trade and other debtors | 403,175 | 1,609,253 |
| Cash and cash equivalent | 228,532 | 42,049 |
| Trade and other creditors | (114,769) | (220,045) |
| Provision for taxation | - | (127,654) |
| Provisional fair value of identifiable net assets | 516,938 | 3,117,142 |
| Goodwill on acquisition | 63,682 | 15,418,789 |
| | 580,620 | 18,535,931 |

The acquired subsidiaries has contributed the following results to the Group: -

| | Consolidated Group 2016 \$ | 2015 \$ |
|-----------------------|---|--------------------|
| Revenue | 5,605,974 | 1,226,540 |
| Profit after taxation | 2,918,104 | 743,131 |

Note 17: Notes to the statements of cash flows

(a) Reconciliation of Cash Flow from Operations with profit/(loss) after income tax

| | Consolidated Group 2016 \$ | 2015 \$ |
|--|---|--------------------|
| Profit/(Loss) after income tax | 1,942,192 | (127,881) |
| Non cash flows in profit/(loss) for the year: | | |
| Depreciation and amortisation | 475,472 | 217,359 |
| Allowance for impairment losses on trade receivables | - | 41,483 |
| Impairment loss on investment | - | 150,001 |
| Bad debts written off | 132,474 | 8,121 |
| Property and equipment written off | 32,793 | - |
| Unrealised gain on foreign exchange | (7,951) | (35,465) |
| Sub total | 2,574,980 | 253,618 |
| Change in operating assets and liabilities: | | |
| (Increase)/decrease in trade and other receivables | 346,673 | (157,143) |
| Increase/(decrease) in trade and other payables | (1,023,319) | 59,899 |
| Effect of exchange rate changes | 27,408 | (2,843) |
| Net cash inflow from operating activities | 1,925,742 | 153,531 |

(b) Non-cash Financing and Investing Activities

Securities issued on acquisition

No securities was being issued during the financial year.

iSentric LIMITED AND CONTROLLED ENTITIES
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NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Note 18: Key Management Personnel

(i) Details of Key Management Personnel

| Name | Title |
|-------------------|--|
| Lim Keong Yew | Non-Executive Chairman |
| Kwong Yang Chong | Non-Executive Director |
| Lee Chin Wee | Executive Director |
| Terry Cuthbertson | Non-Executive Director |
| Raymond Hor | Non-Executive Director |
| Tim Monger | Non-Executive Director (appointed 25 September 2015) |
| Tham Jee Yeung | Group Chief Executive Officer |

(ii) Compensation of Key Management Personnel

These remuneration disclosures are provided in the Directors' Report under Remuneration Report and designated as audited.

| | Consolidated Group | |
|------------------------------|---------------------------|-------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Short term employees benefit | 210,119 | 508,050 |

(iii) Shareholdings of Key Management Personnel

Shares held directly and indirectly in the Company:

| 2016 | Balance at the start of the year | Granted as remuneration | Other changes during the year | Balance at the end of the period |
|-------------------------------|---|--------------------------------|--------------------------------------|---|
| <i>Direct Interest</i> | | | | |
| Lim Keong Yew | 5,367,724 | - | 1,311,262 | 6,678,986 |
| Lee Chin Wee | 4,692,844 | - | - | 4,692,844 |
| Raymond Hor | 1,790,309 | - | - | 1,790,309 |
| Terry Cuthbertson | 189,795 | - | - | 189,795 |
| Tim Monger | 600,000 | - | - | 600,000 |
| Tham Jee Yeung | 400,000 | - | - | 400,000 |
| Kwong Yang Chong | - | - | - | - |

Indirect Interest

| | | | | |
|----------------|------------|---|---|------------|
| Lim Keong Yew* | 21,808,380 | - | - | 21,808,380 |
|----------------|------------|---|---|------------|

* By virtue of his shareholdings in Jox Holdings.

| 2015 | Balance at the start of the year | Granted as remuneration | Other changes during the year | Balance at the end of the period |
|-------------------------------|---|--------------------------------|--------------------------------------|---|
| <i>Direct Interest</i> | | | | |
| Lim Keong Yew | - | - | 5,367,724 | 5,367,724 |
| Lee Chin Wee | - | - | 4,692,844 | 4,692,844 |
| Ng Chin Kong | - | - | 4,692,844 | 4,692,844 |
| Raymond Hor | - | - | 1,790,309 | 1,790,309 |
| Terry Cuthbertson | - | - | 150,000 | 150,000 |
| Gary Stewart | - | - | 100,000 | 100,000 |

Indirect Interest

| | | | | |
|----------------|---|---|------------|------------|
| Lim Keong Yew* | - | - | 21,808,380 | 21,808,380 |
|----------------|---|---|------------|------------|

* By virtue of his shareholdings in Jox Holdings.

All equity transactions with key management personnel, which relate to the Company's listed ordinary shares, have been entered into on an arms length basis.

iSentric LIMITED AND CONTROLLED ENTITIES
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NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(iv) Option holdings of Key Management Personnel

100,000 options held by Terry Cuthbertson. (2015: 100,000)

Note 19: Company Details

The registered office of the Company is:

iSentric Limited
Level 10, 50 Pitt Street
Sydney NSW 2000

Note 20: Subsequent Events

There were no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of the affairs of the consolidated group, in subsequent financial years.

Note 21: Operating Lease Commitment

The future minimum lease payments under the non-cancellable operating lease are as follows: -

| | Consolidated Group | |
|---|---------------------------|----------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Not more than one year | 52,434 | 64,783 |
| Later than one year and not later than five years | - | 53,986 |
| | <u>52,434</u> | <u>118,769</u> |

iSentric LIMITED AND CONTROLLED ENTITIES
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NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Note 22: iSentric Limited Parent Company Information

iSentric Sdn. Bhd. was acquired by iSentric Limited on 8 September 2014. As required by Australian Accounting Standard AASB3: Business Combinations, iSentric Limited is deemed to have been acquired by iSentric Sdn. Bhd. as at 8 September 2014 under reverse acquisition rules. Accordingly, iSentric Sdn. Bhd. is the Parent Entity for accounting purposes. iSentric Limited is the legal parent.

The following information has been extracted from the books and records of the legal parent, iSentric Limited and has been prepared in accordance with Australian Accounting Standards. Accordingly, the information presented below does not relate to "the Parent Entity" as defined on page 14.

| | Parent Entity | |
|---|----------------------|--------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| STATEMENT OF FINANCIAL POSITION | | |
| ASSETS | | |
| Current Assets | 29,148 | 130,219 |
| Non-current assets | 29,000,100 | 29,000,000 |
| TOTAL ASSETS | 29,029,248 | 29,130,219 |
| LIABILITIES | | |
| Current liabilities | 2,874,310 | 2,790,733 |
| Non-current liabilities | - | - |
| TOTAL LIABILITIES | 2,874,310 | 2,790,733 |
| EQUITY | | |
| Contributed equity | 69,205,534 | 69,213,894 |
| Accumulated losses | (43,496,027) | (42,874,408) |
| TOTAL EQUITY | 25,709,507 | 26,339,486 |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | |
| Net profit/(loss) for the year | (621,619) | (1,340,964) |
| Other comprehensive income | - | - |
| TOTAL COMPREHENSIVE INCOME | (621,619) | (1,340,964) |

Parent Entity Contingencies

The directors are of the opinion that no provisions are required in respect of the Company's contingencies.

Guarantees

The Company has not entered into any guarantees, in the current or previous financial year in relation to the debts of its subsidiaries.

Contractual Commitments

At 30 Jun 2016, the Company has not entered into any contractual commitments for the acquisition of property, plant and equipment (2015: Nil).

iSentric LIMITED AND CONTROLLED ENTITIES
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NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Controlled Entities

| Controlled Entity | Country of Incorporation | Percentage of Shares Held | |
|----------------------------------|--------------------------|---------------------------|------|
| | | 2016 | 2015 |
| iSentric Wireless Sdn Bhd | Malaysia | 100% | 100% |
| Datamorph Services Sdn Bhd | Malaysia | 100% | 100% |
| PT Isentric Technology Indonesia | Indonesia | 100% | 100% |
| Arte Mobile Technology Pte Ltd | Singapore | 100% | 100% |

Note 23: Foreign Currency Translation Reserves

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

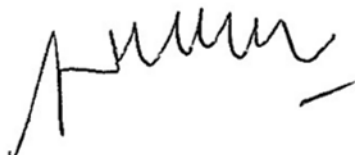
| | Consolidated Group | |
|---|--------------------|---------|
| | 2016 | 2015 |
| | \$ | \$ |
| Foreign currency translation reserve | | |
| Exchange differences on translation of foreign operations | 125,834 | 99,496 |
| Movement in foreign currency translation reserve | 26,338 | 140,829 |

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 10 to 42, are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the company and consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. the Directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

This declaration is made in accordance with a resolution of the Board of Directors.



Lee Chin Wee
Executive Director
30 August 2016

**ISENTRIC LIMITED ACN 091 192 871
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ISENTRIC LIMITED ACN 091 192 871
AND CONTROLLED ENTITIES**

Report on the Financial Report

We have audited the accompanying financial report of iSentric Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.



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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a) the financial report of iSentric Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b.) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion the remuneration report of iSentric Limited for the year ended 30 June 2016 complies with s 300A of the *Corporations Act 2001*.

MNSA Pty Ltd

Phillip Miller

Sydney

Dated this 30th day of August 2016

Corporate Governance Statement

The Board is committed to operating the Company's business ethically and in a manner consistent with high standards of corporate governance.

In accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations: 2nd Edition (Revised Principles) (*the Principles*), the Corporate Governance Statement must contain specific information and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company and why. The Company's corporate governance principles and policies are therefore structured with reference to the Principles, which are as follows:

- 1: Lay solid foundations for management and oversight.
- 2: Structure the board to add value.
- 3: Promote ethical and responsible decision making.
- 4: Safeguard integrity in financial reporting.
- 5: Make timely and balanced disclosure.
- 6: Respect the rights of shareholders.
- 7: Recognise and manage risk.
- 8: Remunerate fairly and responsibly.

A number of the Recommendations under the Principles recommend that certain governance documents should be made publicly available, ideally by posting such information on the company's website. All corporate governance principles and policies, regarding the Company as required by the Principles are set out in this Corporate Governance Statement.

1. Lay Solid Foundations for Management and Oversight

Board members

Since 1 July 2015 there has been the following changes to the Company's Board:

- Mr Lim Keong Yew, Mr Kwong Yang Chong, Mr Lee Chin Wee, Mr Terry Cuthbertson and Mr. Raymond Hor have continued as Directors.
- Mr Tim Monger was appointed as Director on 25 September 2015.

Roles and responsibilities of the Board and Management

The Board has adopted a formal Board charter which outlines the main corporate governance practices in place for the Company and to which both the Board and each Director are committed. The conduct of the Board is also governed by the Constitution, and where there is inconsistency with that document, the Constitution prevails to the extent of the inconsistency.

The Board has an overriding responsibility to act honestly, conscientiously and fairly, in accordance with the law, in the interests of shareholders (with a view to building sustainable value for them); employees of the Group; and other people or entities with whom the Group deals.

The Board's broad function is to chart strategy and set financial targets for the Group; monitor the implementation and execution of strategy and performance against financial targets; and appoint and oversee the performance of executive management, and generally to take an effective leadership role in relation to the Group.

Each Director is aware of both actual and potential conflicts of interest and observes that the law requires that a Director with a conflict of interest should refrain from voting, or entering into any discussion, at, or even being present during relevant Board discussions. A Director who has any material personal interest in a matter must not be present at a meeting while the matter is being considered and must not vote on the matter. A personal interest may be either direct or indirect and either pecuniary or otherwise. Papers relevant to any matter on which there is a known conflict of interest, or in relation to which there is a material personal interest, will not be provided to any Director concerned.

iSentric LIMITED AND CONTROLLED ENTITIES
ACN 091 192 871

Guide to Reporting on Principle 1

In accordance with the ‘Guide to Reporting on Principle 1’, the Company provides the following information:

- (a) as at the date of this statement, the Company is of the view that it has complied with Recommendation 1.1; and
- (b) the Company did not undertake a performance evaluation for its executives and Directors during the financial year in accordance with the process set out in Recommendation 1.2. As a consequence of the level of the Company’s operations the Company did not undertake a formal evaluation of the performance of the Board, individual Directors and key executives.

2. Structure the Board to Add Value

Board composition – independence, experience and expertise

During the 2016 financial year, while the policy of the Company is that the majority of the Board should be independent Directors, due to the scale of operations and only a four member Board, there was not at all times a majority of independent Directors.

During the 2016 financial year, the independent Non-Executive Chairman, Mr Lim Keong Yew, was responsible for leadership of the Board and for the efficient organisation and conduct of the Board. He facilitated the contribution by all Directors and promoted constructive and respectful relations between Directors.

The current Chairman, Mr Lim Keong Yew, is considered by the Board to be an independent Non-Executive Director. From his appointment on 8 September 2014, he has been responsible for those duties set out above.

The Board has other responsibilities imposed by law. These include responsibility for the composition of the Board including appointment and retirement or removal of Directors; oversight of the Group including control and accountability systems; appointing and removing the Chief Executive Officer or equivalent; where appropriate, ratifying the appointment and the removal of Senior Executives; reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance; monitoring Senior Executive’s implementation of strategy, and ensuring appropriate resources are available; approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and sales; approving and monitoring financial and other reporting; performance of investment and treasury functions; monitoring industry developments relevant to the Group and its business; developing suitable key indicators of financial performance for the Group and its business; having input in and granting final approval of corporate strategy and performance objectives developed by management; the overall corporate governance of the Group including its strategic direction and goals for management, and monitoring the achievement of these goals; and oversight of Committees.

Access to information and independent professional advice

Each Director may seek independent legal or other professional advice at the Company’s expense. Prior approval from the Chairman is required but may not be unreasonably withheld or delayed.

Committees of the Board

The Board has the authority to establish and delegate powers to committees to assist the Board on audit matters, finance and business risks, remuneration, and nominations, and to establish a framework for the effective and efficient management of the Company and the Group.

During the 2016 financial year, the only Board committee established was that for Audit, Risk & Remuneration and in respect of other committees, the Board as a whole attended to the usual functions of such committees. Given the size and operations of the Company it has been determined that issues falling ordinarily within the scope of a Nominations Committee are considered by the full Board and there is no Nominations Committee. The Company has however, established charter rules for the Nominations Committee as a guide for the Board in its deliberations, and in the event that a Committee is established at some time in the future if and when considered appropriate by the Board.

iSentric LIMITED AND CONTROLLED ENTITIES
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Board Assessments

The performance of the Directors was not formally reviewed and assessed by the Board during the 2016 financial year.

Guide to Reporting on Principle 2

In accordance with the 'Guide to Reporting on Principle 2, the Company provides the following information:

- (a) The skills, experience, expertise relevant to the position of Director and the term of office held by each Director as at 30 June 2016 and as at the date of this statement is detailed in the Director's Report;
- (b) In assessing whether a Director is independent, the Board has regard to the standards it has adopted that reflect the independence requirements of applicable laws, rules and regulations, including the Principles;
- (c) All three Directors as at the date of this statement constitute independent Directors;
- (d) The Company currently does not have a chief executive officer;
- (e) From 1 July 2015 to the date of this statement, the role of chair and chief executive officer have not been exercised by the same person;
- (f) Whenever necessary, individual members of the Board may seek independent professional advice at the expense of the Company in relation to fulfilling their duties as Directors. All Directors are encouraged to actively participate in all decision making processes and are given every opportunity to have their opinion heard and respected on all matters;
- (g) Due to the small size of the Board and the level of the Company's operations, during the 2016 financial year the Company did not have a separate nomination committee;
- (h) The performance of the Board, individual Directors and the executives has not taken place during the reporting period due to the level of the Company's operations;
- (i) As at the date of this statement, the Company is of the view that it has complied with Recommendations 2.1, 2.2 and 2.3, but has not complied with Recommendations 2.4 and 2.5. An explanation for the departures from these Recommendations is set out above.

3. Promote Ethical and Responsible Decision-making

Ethical standards and values

The Board has adopted a Code of Conduct that provides a framework in which the Company and its representatives conduct their business and activities in a fiscally efficient and socially responsible manner whilst seeking to maximize shareholder returns. All Directors and all officers of the Company and each other company in the Group are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and the Group and, where possible, act in accordance with the interests of shareholders, staff, clients and all other stakeholders in the Company.

Share trading policy

The Constitution permits Directors to acquire securities. Company policy prohibits any dealing in, or procuring the dealing in securities, except where the trading is permitted. Trading is permitted in securities during a four week period starting immediately after the announcement to the ASX and ASIC of the half yearly and annual results and after the conclusion of the AGM if:

- (a) the trader is not in possession of price sensitive information; and
- (b) the trading is not for short term or speculative gain.

No trader can sell more than \$100,000 worth of securities to any party unless, before entering into discussions for the potential sale of those securities, approval from the Chairman is obtained, covering the form of and timing of the sale, and the management of its public disclosure.

Guide to Reporting on Principle 3

The 'Guide to Reporting on Principle 3' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. The Company notes that it has not made the Code of Conduct or Trading Policy publicly available as the Company currently does not have a website.

4. Safeguard Integrity in Financial Reporting

Audit & Risk Committee

The Company has previously established an Audit & Risk Management (ARM) Committee to assist and to report to the Board. The role of the ARM Committee was to:

- (a) advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Group;
- (b) assist the Board with policy on the quality and reliability of financial information prepared for use by the Board; and
- (c) review the risk management framework and policies within the Company and monitor their implementation.

During the 2016 financial year the ARM Committee comprised of three independent Directors, being Mr Terry Cuthbertson (as Chairman), Mr Lim Keong Yew and Mr Kwong Yang Chong. The Audit Committee meet once during the financial year.

Accordingly, it is the Board's responsibility to establish and maintain an effective internal control framework to examine the effectiveness and efficiency of the management of the Company and significant business processes such as the safeguarding of assets, the maintenance of proper accounting records and the integrity of financial information, the implementation of quality assurance practices and procedures and ensuring compliance with environmental regulations. During this period audit and compliance matters were considered by the Board as appropriate.

Guide to Reporting on Principle 4

The 'Guide to Reporting on Principle 4' provides that certain information should be included in the corporate governance section of the Company's Annual Report. In accordance with the 'Guide to Reporting on Principle 4, the Company provides the following information:

- (a) The qualifications of the ARM Committee members during the 2015 financial year, were Mr Terry Cuthbertson (as Chairman) Mr Lim Keong Yew and Mr Kwong Yang Chong are detailed in the Directors report; and
- (b) One meeting of the ARM Committee took place during the 2016 financial year. During the 2016 financial year, audit and compliance matters were considered during Board meetings as appropriate.

5. Make Timely and Balanced Disclosure

Continuous disclosure

The Company's continuous disclosure obligations are reviewed as a standing item on the agenda for each regular meeting of the Board. Directors are required at every meeting to provide details of any matter within their knowledge that might require disclosure to the market.

The Chairman is primarily responsible for making decisions about whether a matter must be disclosed under the Company's continuous disclosure obligations; ensuring that the Company complies with those obligations; notifying the Board of such matters; monitoring and promoting an understanding within the Company of compliance; acting as the contact for media and comment, including analyst briefings and responses to shareholder questions; and keeping the Board informed of other relevant matters.

Guide to Reporting on Principle 5

The 'Guide to Reporting on Principle 5' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. The Company notes that it has not made the Code of Conduct publicly available as the Company currently does not have a website.

6. Respect the Rights of Shareholders

Communication policy

The Board must inform Shareholders of all major developments affecting the Group's state of affairs. The annual report is distributed to all Shareholders (where requested to do so) and will include all relevant information about the operations of the Group during the year, changes in the state of affairs of the Group, and details of future developments in addition to the other disclosures required by the Corporations Act.

Company announcements are made in a factual, timely, clear, and objective manner, and include any information material to decisions of Shareholders and potential investors in the Company. Information concerning the Company and the Group, including copies of announcements made through the ASX, ASIC and the annual report and half yearly report, is made available to Shareholders and prospective investors by the Company. The Company has a continuing commitment to electronic communication with Shareholders and stakeholders generally including through the ASX website.

Directors must recognise that their primary responsibility is to Shareholders as a whole however, the Company must function within, and operate with a sense of responsibility to, the wider community as well as to Shareholders. It is the Company's belief that this sense of responsibility to stakeholders generally is an essential part of its role within the broad community and represents not only sound ethics but also good business sense and commercial practice.

General Meetings

The Shareholders in General Meeting vote on proposed major changes in the Group which may impact on share ownership rights and the removal and appointment of Directors.

The Board encourages the full participation of Shareholders at General Meetings to ensure a high level of accountability and identification with the Group's strategy and goals. As part of this broad responsibility the Company welcomes constructive feedback on its contribution to and role within the community at General Meetings and through the ASX website.

Guide to Reporting on Principle 6

The 'Guide to Reporting on Principle 6' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. The Company notes that it has not made the Code of Conduct publicly available as the Company currently does not have a website.

7. Recognise and Manage Risk

Board Audit, Risk and Compliance Committee

The Board Audit, Risk and Compliance Committee has a documented charter, approved by the board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the group.

The managing director and the chief financial officer are invited to Risk and Compliance Committee meetings and the external auditors are invited to the Audit Committee at the discretion of the committee.

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The responsibilities of the Board, Audit, Risk and Compliance Committee include reporting to the board on:

- reviewing the annual and half-year financial reports and other financial information distributed externally; this includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- assessing management processes supporting external reporting;
- assessing corporate risk assessment processes;
- establishing procedures for selecting, appointing and, if necessary, removing the external auditor;
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Taxation Office, Australian Securities and Investment Commission, ASX and financial institutions.

The Board Audit reviews the performance of the external auditors on an annual basis and meets with them during the year to:

- discuss the external audit plan, identifying any significant changes in structure, operations, internal controls or accounting policies likely to affect the financial statements, and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents prior to announcement of results;
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and monitor the implementation of any recommendations made; and
- as required, organize, review and report on any special reviews or investigations deemed necessary by the board.

The Board Audit, Risk and Compliance Committee's charter is available on the Company's website.

Risk Management

Material business risks arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements on the price of raw materials and sales, difficulties in sourcing raw materials, occupational health and safety, financial reporting and the purchase, development and use of information systems.

Oversight of the risk management system

The board has in place a number of arrangements and internal controls intended to identify and manage areas of significant business risk. These include the establishment of committees, regular budget, financial and management reporting, established organizational structures, procedures, manuals and policies, external financial audits, insurance programmes and the retention of specialized staff and external advisers.

The Board Audit, Risk and Compliance Committee considers risk management in order to ensure risks are identified, assessed and appropriately managed. The committee reports to the board on these matters on an ongoing basis. During the year ended 30 June 2016, the committee reviewed the company's risk management framework in order to ensure the effective management of the group's material business risks.

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Risk management and compliance and control

The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior board approval;
- financial exposures are controlled, including the use of derivatives;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorized and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

Code of conduct

The group has advised each director, manager and employee that they must comply with the company's code of conduct. The code of conduct is available on the company's website and covers the following:

- aligning the behavior of the board and management with the code of conduct by maintaining appropriate core company values and objectives.
- fulfilling responsibilities to shareholders by delivering shareholder value; and
- fulfilling responsibilities to clients, customers and consumers by maintaining high standards of professionalism, product quality and service.

8. Remunerate Fairly and Responsibly

Remuneration

During the 2016 financial year, given the size and operations of the Company it was determined that issues falling ordinarily within the scope of a Remuneration Committee are considered by the full Board and there is no Remuneration Committee. The Company has however, established charter rules for the Remuneration Committee as a guide for the Board in its deliberations, and in the event that a Committee is established at some time in the future if and when considered appropriate by the Board.

The Board considers issues relevant to remuneration policies and practices, including those for senior executives and non-executive Directors. The Board clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives and in doing so, reviews and evaluates market practices and trends for all remuneration relevant to the Group.

Remuneration for the Executive Director and senior executives includes not only monetary payments (salary and wages) but all other monetary and non-monetary compensation for services and benefits including fringe benefits; directors' and officers' and other insurance arrangements; retirement benefits; superannuation; and equity participation, and other incentive programs. Non – executive Directors remuneration is determined in accordance with the aggregate fees determined from time to time by shareholders.

Guide to Reporting on Principle 8

In accordance with the 'Guide to Reporting on Principle 8', the Company provides the following information:

- (a) there are no schemes for retirement benefits, other than statutory superannuation, in existence for the Non-Executive Directors;
- (b) due to size of the Company and its current level of operations, during the 2016 financial year the Company did not have a separate Remuneration Committee; and
- (c) as at the date of this statement, the Company is of the view that it has complied with each of the Recommendations under Principle 8, except for Recommendation 8.1. An explanation for the departure from Recommendation 8.1 is set out above.

iSentric LIMITED AND CONTROLLED ENTITIES
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ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

1. Shareholding

- a. Distribution of Shareholders Number as at 25 August 2016

| | Number of ordinary shares | Number of holders |
|------------------|--------------------------------------|------------------------------|
| 1-1,000 | 28,237 | 61 |
| 1,001-5,000 | 578,414 | 192 |
| 5,001-10,000 | 572,318 | 77 |
| 10,001-100,000 | 4,872,821 | 131 |
| 100,000 and over | 129,651,913 | 55 |
| | <hr/> | |
| | 135,703,703 | 516 |

- b. The number of shareholdings held in less than marketable parcels is 307.
- c. The names of the substantial shareholders listed in the Company's register as at 25 August 2016 are:

| | Shareholder | Number of shares | % Holding |
|----|--------------------|-------------------------|------------------|
| 1. | LIM KEONG YEW | 27,176,104 | 20.00 |
| 2. | NA CHUN WEE | 16,528,121 | 12.24 |

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d. 20 Largest Shareholders as at 25 August 2016 – Ordinary Shares

| | SHAREHOLDER | Number of shares | Percentage Holding |
|----|-------------------------------|-------------------------|---------------------------|
| 1 | UOB KAY HIAN PRIVATE LIMITED | 36,159,810 | 26.7% |
| 2 | JOX HOLDINGS LIMITED | 21,808,380 | 16.1% |
| 3 | CHUN WEE NA | 17,010,568 | 12.5% |
| 4 | HSBC CUSTODY NOMINEES | 13,288,121 | 9.8% |
| 5 | CITICORP NOMINEES PTY LIMITED | 7,254,292 | 5.4% |
| 6 | RBC INVESTOR SERVICES | 5,178,986 | 3.8% |
| 7 | KEONG YEW LIM | 3,720,884 | 2.7% |
| 8 | LEE CHIN WEE | 3,240,000 | 2.4% |
| 9 | N2 GLOBAL (HK) LIMITED | 1,500,000 | 1.1% |
| 10 | MADAM BENG CHOO TAN | 1,500,000 | 1.1% |
| 11 | MR JARRAD ROBERT STUART | 1,454,240 | 1.1% |
| 12 | MALAHON SECURITIES LIMITED | 1,240,000 | 0.9% |
| 13 | MR SING CHOU CHEW | 1,163,003 | 0.9% |
| 14 | MR GERALD NICHOLAS ENG | 1,005,493 | 0.7% |
| 15 | RHB SECURITIES SINGAPORE PTE | 1,000,000 | 0.7% |
| 16 | ENG KONG YEOH | 1,000,000 | 0.7% |
| 17 | MR MICHAEL STEWART BUNKER | 943,521 | 0.7% |
| 18 | YQ GLOBAL LIMITED | 729,370 | 0.5% |
| 19 | SAM EQUITY PTY LTD | 675,000 | 0.5% |
| 20 | NATIONAL NOMINEES LIMITED | 650,343 | 0.5% |
| | | <hr/> | |
| | | 120,522,011 | 88.8% |
| | | <hr/> | |

e. Voting Rights

The voting rights attached to each ordinary share is one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

2. The name of the Company Secretary is Mr Gary Stewart. Mr Stewart's qualifications are:

LLB

Mr Stewart has a practice in Corporate Law and advises and works in a number of public listed companies in Australia. In addition, he holds the position of Company Secretary in both public listed companies and private companies.

3. The address of the registered and principle office is:

Level 10, 50 Pitt Street
Sydney NSW 2000

4. Registers of securities are held at the following address

Link Market Services
Level 12, 680 George Street
Sydney NSW 2000

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5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.

6. Restricted Securities

Ordinary Shares

Of the 135,703,703 ordinary shares on issue as at 30 June 2016, all were quoted on the Australian Stock Exchange. No ordinary shares are subject to escrow restrictions.

Options

No options are subject to escrow restrictions.

iSentric LIMITED AND CONTROLLED ENTITIES
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CORPORATE DIRECTORY

DIRECTORS

Lim Keong Yew
Non Executive Chairman

Lee Chin Wee
Executive Director

Kwong Yang Chong
Non Executive Director

Terry Cuthbertson
Non Executive Director

Raymond Hor
Non Executive Director

Tim Monger
Non Executive Director

COMPANY SECRETARY

Gary Stewart

AUDITORS

MNSA Pty Ltd

BANKERS

National Australia Bank

SHARE REGISTRY

Link Market Services
Level 12, 680 George Street
Sydney NSW 2000 Australia

REGISTERED AND PRINCIPAL OFFICE

Level 10, 50 Pitt Street
Sydney NSW 2000
Ph : (02) 8296 1110