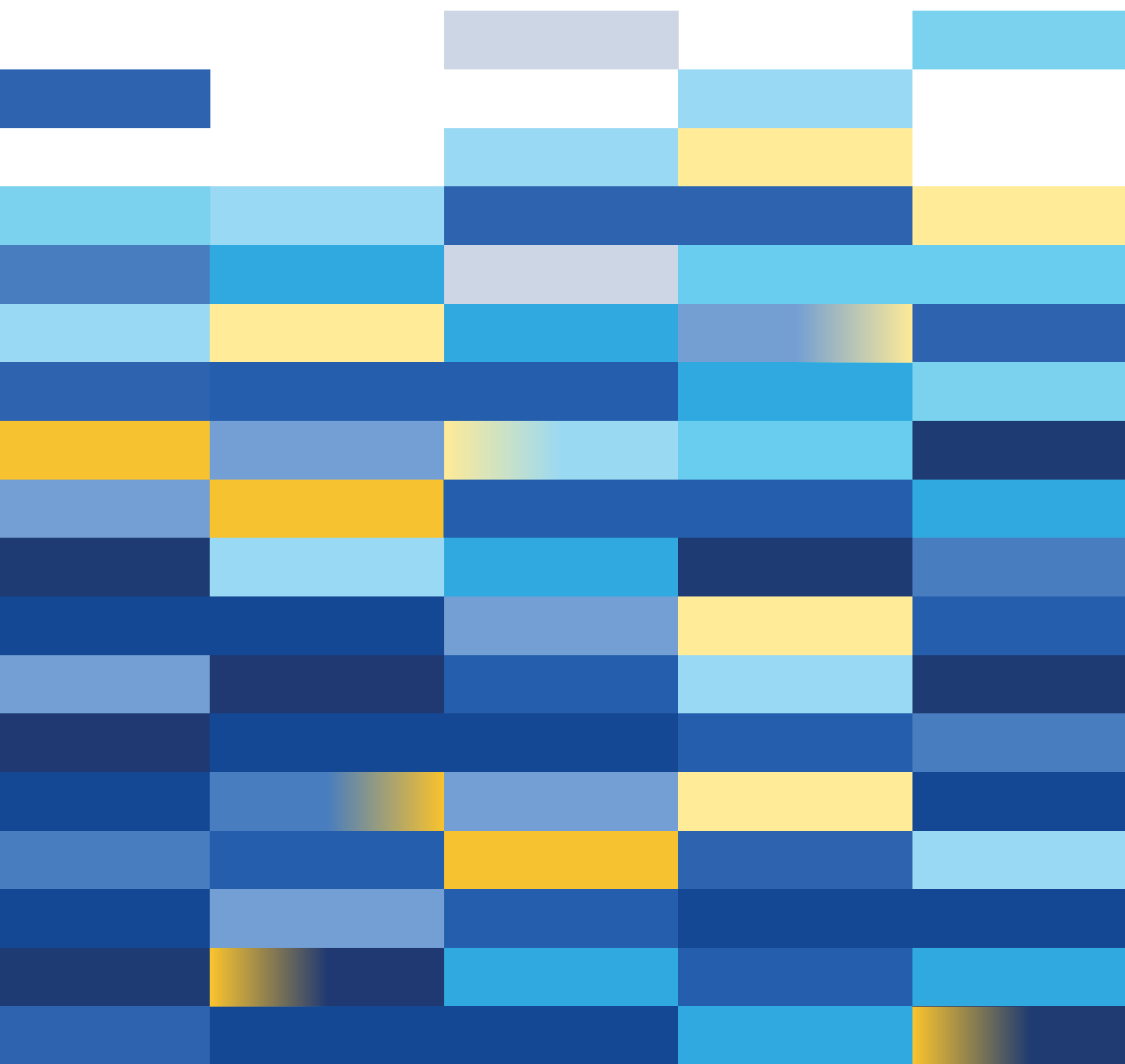




# 2016 Annual Report





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# Chairman's Letter



OUR CONTINUING INCREASE IN PROFIT HAS BEEN MAINTAINED THROUGH A PERIOD OF TECHNOLOGY INVESTMENT AND ACQUISITION IN CONTENT MARKETING AND ASIA.

Dear Shareholder

Isentia continued its outstanding financial performance in the 2016 Financial Year, with a 23% year on year revenue increase to \$156m and growth in underlying NPATA of 19% to \$33m. Since FY2013 Isentia has delivered an impressive profit compound annual growth rate of 37%. Our diversified portfolio delivered particularly strong growth in value-added services (VAS) and Content Marketing, with organic VAS growth of 19% and newly acquired King Content delivering an excellent 68% growth in pro forma full year revenue.

Our newer geographical markets also continued their impressive growth, with a 51% increase in revenue to \$37m outside Australia and New Zealand. Key drivers were the contribution from King Content together with an 11% jump in average revenue per client (ARPC), underpinned by our VAS ARPC for these markets increasing to \$34,926. Our Asia and Rest of World markets (US and UK) now account for more than 24% of group revenue, well on the way to our 2020 target of 40%.

Our continuing increase in profit has been maintained through a period of technology investment and acquisition in Content Marketing and Asia. Isentia expanded into the key North Asian market of South Korea, along with bolt-on acquisitions in three other Asian markets, which combined are expected to contribute a 15% increase to Isentia's FY2017 Asian revenue.

In Australia and New Zealand, 78% of Software as a Service revenue is now fixed fee, well ahead of our timetable, and

we expect our technology investments in FY2016 to consolidate our already impressive churn rate in Australia and New Zealand of less than 5% of client numbers and less than 1% of client revenue.

FY2016 has also been an important year of systems innovation and product development for Isentia, which is driving proprietary systems that continue to be world's best practice, while maintaining solid cost control and continuing strong revenue growth.

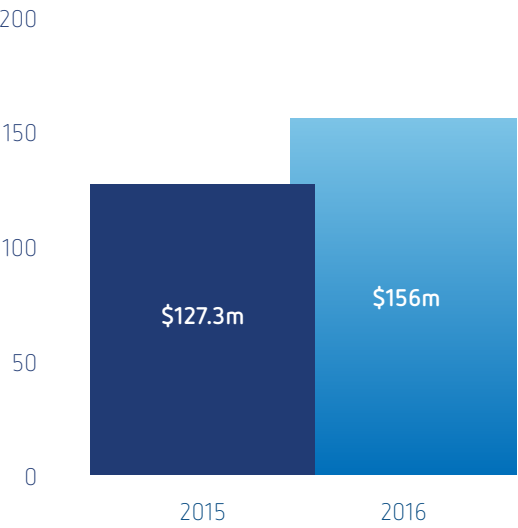
The technology and product advances made in FY2016 and excellent growth in new revenue streams have placed Isentia in a very strong position to take full advantage of growth opportunities across our core region of Asia-Pacific and through our content marketing services across the world.

On behalf of the Board I would like to congratulate the Isentia executive team and all of our 1,300 team members across 14 countries for their continued dedication, expertise and client focus, which has been displayed through numerous industry awards as well as these strong results. We are all looking forward to an exciting Financial Year 2017.

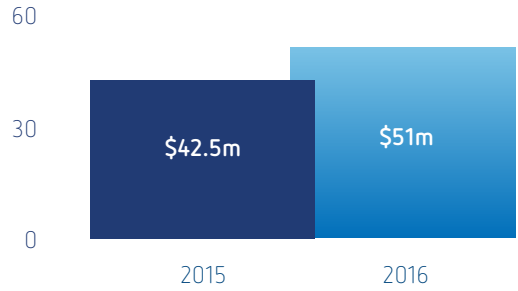
Yours sincerely

Doug Flynn  
Chairman  
23 August 2016  
Sydney

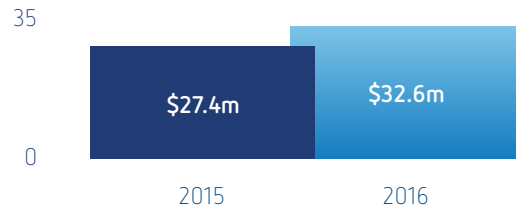
Revenue **\$156M** **↑ 23%**



EBDITA **\$51M** **↑ 20%**



NPATA **\$32.6M** **↑ 19%**







# CEO's Report

## Driven by intelligence

 **↑ 135,000**

Increase in online news sources to more than 135,000 from 50,000 available to Isentia's clients

 **> 220 million**

Increased content retention with more than 220 million media items stored on AWS

 **500,000**

Massive expansion in Isentia search technology managing 500,000 Boolean search queries at a rate of 300 documents per second

The 2016 Financial Year ('FY2016') was another landmark year of growth and diversification for Isentia, with exciting developments across our Asian, Australian and New Zealand markets and a major new revenue stream performing well above forecast.

We entered the content marketing industry with the acquisition of the Australian market leader, King Content, in August 2015. We are successfully leveraging our client relationships, with King Content significantly outperforming our initial forecasts - pro forma revenues increased 68% year on year at an improved EBITDA margin of 18%.

Isentia's Asian business has seen client growth across South East Asia on our software as a service platform Mediaportal, while North Asia continues to see strong growth in social media listening and Insights services. We have built considerable depth in our management team and with the acquisitions that were completed in late FY2016, Asia is set up for excellent revenue momentum into the future.

Our value-added services and the investment made in technology and monitoring products during FY2016 have set Isentia up for diverse and long-lasting growth across all markets, as well as enabling further development of both internal and client-facing platforms.

I am very proud of the professionalism and expertise shown by our people with yet another record haul of awards from our industry peers. The international Association for Measurement and Evaluation of Communications (AMEC)

recognised us for the second year running as the Communications Research and Measurement Company of the Year, along with seven other awards.

King Content was also recognised by AMEC for the second time as the Content Marketing Company of the Year, providing further recognition of our vision of providing the world's best media intelligence platforms and services to our clients across the Asia-Pacific. Additionally, Isentia's social media business again picked up a string of awards in FY2016. This regular and extensive recognition across all of our services shows our industry leadership position and the unrivalled expertise we are bringing to our clients.



# CEO's Report

ISENTIA CONTINUES TO INNOVATE ACROSS ALL OF OUR PLATFORMS AND SERVICES; ONE OF OUR FUNDAMENTAL GOALS IS TO NOT JUST MEET THE NEEDS OF COMMUNICATIONS PROFESSIONALS, BUT TO ANTICIPATE THEM.



## Innovation

Isentia continues to innovate across all of our platforms and services; one of our fundamental goals is to not just meet the needs of communications professionals, but to anticipate them. Clients' needs in an always changing media landscape drives our purpose to provide intelligence and advice that drive informed business decisions.

FY2016 saw extensive work on further customising our Insights services for clients, through tighter integration of all media types in our reports, including Facebook Topic Data, and increased integration of relevant non-media comparative data to provide deeper insights.

Systems innovation continues, with content processing speeds increasing rapidly and custom developments to our search technology keeping us at the forefront of the media intelligence industry. Our investment in technology reinforces our unique value proposition and the scalability of our offering across multiple markets and all types of media. Our move to data as a service internally is facilitating much faster development of new platforms and services, as well as improving the speed and scalability of our current services.

King Content's flagship platform, Communiqué, also underwent significant development, with a new tiering structure supporting

commercialisation including through a white label product and faster turnaround, as well as YouTube integration to export videos directly to a client's channel and an API that allows clients to retrieve content, metadata and performance metrics.

## Acquisitions

Along with our entry into Content Marketing through the key acquisition of King Content, FY2016 was another important year for strengthening our media intelligence market leadership across Asia Pacific through bolt-on acquisitions in both new and existing markets. Isentia's acquisitions strengthened our social media offering in a number of markets, as well as significantly increasing our client base across software as a service and value added services.

Our major new geographic acquisition was our first step into the important and fast growing market of South Korea. The acquisition of Social Net Creator, Korea's leading social listening and strategy agency, provides a complementary platform for Isentia's strengths across all media types, allowing for growth in the social media space as well as the introduction of Mediaportal and Insights services to the Korean market.

Isentia acquired media intelligence companies in Vietnam, Thailand and Hong Kong, which with the South Korean acquisition are expected to contribute a 15% increase to Isentia's

annual Asian revenue in FY2017. These integrated companies will provide a strong base for more rapid growth in each of those markets.

These important moves reinforce Isentia's commitment to growth in the dynamic Asia Pacific region and further supports the strong revenue momentum being delivered by our Asian business.

## Financial Year 2017 and beyond

Isentia's 2020 Strategy has identified a broad range of initiatives that will drive revenue growth, increase market share and continue our EBITDA margin expansion.

On the technology front, our single data intelligence platform merges all existing databases and significantly simplifies connections to third party data, improves scalability and speed of service. New technologies and increased automation will also continue to drive cost efficiencies.

Our client-facing teams will focus on cross-selling through dedicated resources and incentive structures, while our channel strategy will deepen penetration of industry verticals.

King Content will leverage Isentia's data to enhance its unique value proposition, also accessing Isentia sales teams to drive client introductions and cross-sell opportunities and monetise

Communiqué as a stand-alone SaaS platform.

Our Insights service will continue to develop greater customisation for high-value clients, along with leveraging Isentia data and continuing to build strategic alliances with third party providers.

Finally, and most importantly, I would like to join the Chairman in thanking the whole Isentia team, who every day rise to the exciting challenge of continuing our growth with existing and new clients across all our markets and services in FY2017 and into the future.

**John Croll**  
Chief Executive Officer

23 August 2016  
Sydney





# Directors' Report

THE DIRECTORS PRESENT THEIR REPORT, TOGETHER WITH THE FINANCIAL STATEMENTS, ON THE CONSOLIDATED ENTITY (REFERRED TO HEREAFTER AS THE 'GROUP') CONSISTING OF ISENTIA GROUP LIMITED (REFERRED TO HEREAFTER AS THE 'COMPANY' OR 'PARENT ENTITY') AND THE ENTITIES IT CONTROLLED AT THE END OF, OR DURING, THE YEAR ENDED 30 JUNE 2016.

## Directors

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

|                |   |
|----------------|---|
| Doug Flynn     | Chairman and Independent Non-Executive Director |
| John Croll     | CEO and Managing Director                       |
| Pat O'Sullivan | Independent Non-Executive Director              |
| Fiona Pak-Poy  | Independent Non-Executive Director              |
| Dr Geoff Raby  | Independent Non-Executive Director              |

## Principal activities

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

## Dividends

Dividends paid during the financial year were as follows:

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| Final dividend for the year ended 30 June 2015 (2015: 30 June 2014) of 3.8 cents (2015: nil) per ordinary share         | 7,600          | -              |
| Interim dividend for the year ended 30 June 2016 (2015: 30 June 2015) of 3.7 cents (2015: 3.1 cents) per ordinary share | 7,400          | 6,200          |
|   | 15,000         | 6,200          |

On 23 August 2016, the directors declared a fully franked final dividend for the year ended 30 June 2016 of 4.430 cents per ordinary shares, to be paid on 20 September 2016 to eligible shareholders on the register as at 6 September 2016. This equates to a total estimated distribution of \$8,860,000, based on the number of ordinary shares on issue as at 30 June 2016. The financial effect of dividends declared after the reporting date are not reflected in the 30 June 2016 financial statements and will be recognised in subsequent financial reports.



# Directors' Report

## Review of operations

The profit for the group after providing for income tax amounted to \$24,252,000 (30 June 2015: \$19,616,000).

The group operates a market-leading Software-as-a-Service ('SaaS') business that provides many of the world's leading brands, companies, agencies, industry bodies and governments with time-critical and highly relevant media intelligence to assist them to make more informed and timely business and communications decisions, including strategies to protect, cultivate or enhance brand reputation and image.

The group also offers a suite of market-leading Value Added Services ('VAS') including social media monitoring and analysis services, quantitative and qualitative insight media reports and bespoke media contact databases.

This service is underpinned by the group's proprietary software and systems that capture, enrich and interpret data from mainstream, online and social media sources, to alert its clients to what is being said about their organisations, competitors and industry "as the news breaks".

In addition, the group develops comprehensive content marketing strategies and engaging digital content that empowers brands to increase profitability by communicating effectively with target audiences. The group uses Communiqué, a proprietary workflow management platform, to handle the production process from end-to-end and offer clients a transparent way to oversee briefing, delivery, publication and measurement of content in granular detail.

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

## Significant changes in the state of affairs

On 21 August 2015, the group acquired 100% of the ordinary shares of King Content Pty Limited and its subsidiaries for a total consideration of \$46,798,000, including cash paid to vendors of \$27,403,000.

On 9 June 2016, the group acquired 100% of the ordinary shares of ISENTIA SNC Korea Co., Ltd. ('SNC') for a total consideration of \$7,846,000. On 16 June 2016, SNC completed a business combination by acquiring 51% of the ordinary shares of The Beyond Co., Ltd. ('Beyond') for a total consideration of \$3,459,000. SNC has an option to purchase an additional 29%

of the ordinary shares of Beyond from 9 June 2017 to 9 June 2022 and another option to purchase an additional 20% of the ordinary shares from 9 June 2018 to 9 June 2022, effectively giving the group 100% control of Beyond.

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

## Matters subsequent to the end of the financial year

### Bank loans refinance

On 7 July 2016, the group entered into a second amendment and restatement deed and increased the total bank loans facility from \$65,000,000 to \$75,000,000. The bank loans are secured by fixed and floating charge over the group's assets. The renewed facility is for 3 years with a maturity date of 7 July 2019.

The existing bank loan facility has been classified as current at 30 June 2016.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

## Likely developments and expected results of operations

In the next financial year ('FY2017'), the group expects to deliver revenue and Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA') growth in the low to mid-teens. For the three years beyond FY2017, the group's 2020 strategy is expected to deliver strong revenue and earnings per share growth.

## Environmental regulation

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

## Information on directors

| Name:                                | Doug Flynn   |
|--------------------------------------|--|
| Title:                               | Independent Non-Executive Chairman   |
| Qualifications:                      | Degree in Chemical Engineering from the University of Newcastle and received a MBA with distinction from the University of Melbourne   |
| Experience and expertise:            | Doug has over 30 years of international experience in the media and information and communication technology industries, including holding various senior management and Board positions. Doug is a previous Director of Seven West Media Ltd and current Director and Chairman of APN Outdoor Group Limited, NEXTDC Limited and Konekt Limited. Previously, Doug was Chief Executive of newspaper publisher Davies Brothers Limited, which was acquired by News Corporation in 1989, and in 1995 was appointed the Managing Director of News International Plc., Doug left News International to head Aegis Group Plc as CEO in 1999, where he was instrumental in doubling the size of the company and established a global market research business Synovate and internet services business Isobar. From 2005 to 2008 Doug served as the Chief Executive of facilities management provider Rentokil Initial Plc. Doug returned to Australia in 2008 and from April 2008 to April 2012 was a consultant to and a Director of Qin Jia Yuan Media Services Ltd, a television company in China. |
| Other current directorships:         | NEXTDC Limited (Chairman), Konekt Limited (Chairman) and APN Outdoor Group Limited (Chairman)  |
| Former directorships (last 3 years): | Seven West Media Limited   |
| Special responsibilities:            | Member of the Audit and Risk Committee and the Nomination and Remuneration Committee   |
| Interests in shares:                 | 73,530 ordinary shares held indirectly   |
| Interests in options:                | None   |
| Name:                                | John Croll   |
| Title:                               | Chief Executive Officer, Managing Director   |
| Qualifications:                      | Life Fellow of the Public Relations Institute of Australia and the Institute of Company Directors  |
| Experience and expertise:            | John Croll has worked in the media industry for more than 30 years and was appointed Chief Executive Officer of ISENTIA in 1999 and has led the company through private ownership, private equity with Quadrant Private Equity and finally an IPO on the Australian Stock Exchange in 2014. John is a Life Fellow of the International Association for the Measurement and Evaluation of Communications (AMEC). John was also the Vice President of the Australian Paralympic Committee.   |
| Other current directorships:         | None   |
| Former directorships (last 3 years): | None   |
| Special responsibilities:            | CEO  |
| Interests in shares:                 | 6,560,056 ordinary shares of which 214,398 are held indirectly   |
| Interests in options:                | 1,123,394 options  |



# Directors’ Report (continued)

| Name: Pat O’Sullivan                 |   |
|--------------------------------------|---|
| Title:                               | Independent Non-Executive Director  |
| Qualifications:                      | Graduate of the Harvard Business School’s Advanced Management Program, member of Chartered Accountant Australia and New Zealand and member of the Institute of Chartered Accountants Ireland  |
| Experience and expertise:            | Pat has over 30 years of international commercial and business management experience, including holding various senior management and board positions. He is currently Chairman of HealthEngine.com.au and Lux Group Limited as well as serving as a non-executive Director of Carsales.com Limited, APN Outdoor Group Limited and Little Company of Mary Healthcare. Pat was formerly Chief Operating Officer and Finance Director of Nine Entertainment Co. as well as serving as Chairman of NineMSN. Prior to his role at Nine Entertainment Co Pat was the CFO of Optus, and held a number of positions at Goodman Fielder, Burns, Philp & Company, and PricewaterhouseCoopers.  |
| Other current directorships:         | Carsales.com Limited and APN Outdoor Group Limited  |
| Former directorships (last 3 years): | iSelect Limited and iiNet Limited (retired September 2015)  |
| Special responsibilities:            | Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.  |
| Interests in shares:                 | 29,412 ordinary shares  |
| Interests in options:                | None  |
| Name: Fiona Pak-Poy                  |   |
| Title:                               | Independent Non-Executive Director  |
| Qualifications:                      | Honours degree in Civil Engineering from The University of Adelaide and a MBA from Harvard Business School  |
| Experience and expertise:            | Fiona brings significant experience gained particularly with technology companies. She is currently a non-executive director of the Securities Industry Research Centre of Asia Pacific (SIRCA). Previously, she was a non-executive director of StatePlus, Adelaide Research & Innovation and a member of the Federal Government’s National Precincts Board and Innovation Australia Board where she Chaired Australia’s Clean Technology Investment Committee. Fiona was a General Partner of an Australian venture capital fund that invested in Australian technology companies, including Audinate, Call Journey and Opto Globo. She also served as a Councillor of the Australian Venture Capital and Private Equity Association (AVCAL). Prior to this, Fiona co-founded a catalogue and e-commerce business, was a strategy consultant with The Boston Consulting Group, an R&D engineer at Stratco and worked with consulting engineering firm Pak-Poy and Kneebone. |
| Other current directorships:         | None  |
| Former directorships (last 3 years): | None  |
| Special responsibilities:            | Chair of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee   |
| Interests in shares:                 | 29,412 ordinary shares held indirectly  |
| Interests in options:                | None  |

| Name: Dr Geoff Raby                  |   |
|--------------------------------------|---|
| Title:                               | Independent Non-Executive Director  |
| Qualifications:                      | Bachelor of Economics (Hons), Master of Economics and PhD degrees from La Trobe University  |
| Experience and expertise:            | Geoff is an Independent Director on the boards of Fortescue Metals Group, OceanaGold and Yancoal Australia. Geoff was formerly Chairman of ASX-listed SmartTrans Holdings Ltd and an independent director of YPB Group Limited. Geoff was the Australian Ambassador to China from February 2007 to August 2011 and Deputy Secretary of the Department of Foreign Affairs and Trade from November 2002 to November 2006. Between 1993 and 1995, Geoff was head of the Trade Policy Issues Division of the OECD, Paris. |
| Other current directorships:         | Fortescue Metals Group Limited, OceanaGold Corporation and Yancoal Australia Limited  |
| Former directorships (last 3 years): | SmartTrans Holdings Limited (Chairman) and YPB Group Limited  |
| Special responsibilities:            | Member of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee (appointed 9 July 2015)  |
| Interests in shares:                 | 29,412 ordinary shares  |
| Interests in options:                | None  |

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

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



# Directors’ Report (continued)

## Company secretaries

Nimesh Shah, CFO and Company Secretary, has over 15 years’ experience as an executive in the media and online industries, utilising experience gained working across Australia, the UK and many parts of Asia. Much of Nimesh’s experience has been gained in growing companies. Before working for Isentia, Nimesh was Global CFO for pioneering social networking site, Friendster. Nimesh was also Finance Director at Fairfax Digital for seven years, playing an instrumental role in navigating the company into the world of online publishing and transaction businesses. Prior to his appointment at Fairfax Digital, Nimesh worked at Dell Computers in the UK, Arthur Andersen and Ernst & Young. Nimesh holds a MBA from the Australian Graduate School of Management and a Bachelor of Commerce with Merit from the University of New South Wales. Nimesh is also a member of Chartered Accountants Australia and New Zealand. Nimesh was recently appointed to the Rugby League Players Association Advisory Board.

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

## Meetings of directors

The number of meetings of the company’s Board of Directors (‘the Board’) and of each Board committee held during the year ended 30 June 2016, and the number of meetings attended by each director were:

|                | Full Board |      | Nomination And remuneration committee |      | Audit and risk committee |      |
|----------------|------------|------|---------------------------------------|------|--------------------------|------|
|                | Attended   | Held | Attended                              | Held | Attended                 | Held |
| Doug Flynn     | 10         | 10   | 2                                     | 2    | 4                        | 4    |
| John Croll     | 10         | 10   | -                                     | -    | -                        | -    |
| Pat O’Sullivan | 10         | 10   | 2                                     | 2    | 4                        | 4    |
| Fiona Pak-Poy  | 10         | 10   | 2                                     | 2    | 4                        | 4    |
| Dr Geoff Raby  | 9          | 10   | 2                                     | 2    | 4                        | 4    |

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

## Letter from the Chair of the Nomination and Remuneration Committee

Dear Shareholder,

I am pleased to present to you the remuneration report on behalf of the Nomination and Remuneration Committee for the financial year ended 30 June 2016 (‘FY2016’), which marks the second full reporting period since Isentia Group Limited (‘Isentia or ‘group’) listed on the Australian Securities Exchange (‘ASX’) in June 2014. The remuneration structure for directors and senior executives has remained relatively unchanged since the Initial Public Offering (‘IPO’), however the Board continues to engage with shareholders and other company stakeholders around the design of Isentia’s remuneration and incentives framework. There were no major changes to executive and director remuneration in FY2016 and it was pleasing that 99.9% of votes were cast in favour of the resolution to adopt financial year ended 30 June 2015 (‘FY2015’) remuneration report at the 2015 Annual General Meeting.

As Isentia continues to grow as a publicly listed company consideration will be given to increasing the emphasis towards the ‘at risk’ components of executive remuneration as a proportion of the overall pay mix, with a corresponding decreasing emphasis upon the fixed pay component over time. The focus towards performance-based remuneration is intended to ensure that those senior executives that are responsible for executing the group’s strategy and delivering superior growth and investor returns remain aligned with the shareholder experience. It is expected that this alignment will primarily be facilitated through senior executive long term incentive entitlements. The specific performance metrics applied to both the short term and long term incentive plans are intended to drive the group’s strategy, which is currently focussed upon sustainable financial performance and delivering against the three year strategic plan.

Financial performance was below the internal targets set by the Board for FY2016 and as a result no annual bonus payment was awarded to any executive KMP given that the financial component of the short term incentive gateway was not satisfied. The Nomination and Remuneration Committee considers that short term incentive outcomes for FY2016 illustrate a strict alignment between financial performance, annual bonus payments and shareholders’ interests. The Nomination and Remuneration Committee will continue to ensure that remuneration outcomes to key management personnel reflect Australian corporate governance best practice, and therefore welcome feedback and continued engagement with our shareholders around any component to Isentia’s remuneration policy.

On behalf of the Nomination and Remuneration Committee



**Fiona Pak-Poy**  
Chair

23 August 2016  
Sydney



# Directors’ Report (continued)

## Remuneration report (audited)

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

In developing remuneration arrangements for KMP, the Board has and will continue to welcome feedback from external parties including legal counsel, institutional shareholders and their advisors.

KMP are defined in AASB124 ‘Related Party Disclosures’ as *“those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise)”* and are listed in section ‘2. KMP remuneration disclosures’ below.

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

- a. Principles used to determine the remuneration framework
  - Non-executive directors’ remuneration
  - Executive remuneration
  - Group performance and link to remuneration
  - Short term incentives
  - Long term incentives
- b. KMP remuneration disclosures
- c. Service contracts
- d. Share-based compensation
- e. KMP interests in Isentia securities and other information

### 1. Principles used to determine the remuneration framework

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

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

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

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

The Nomination and Remuneration Committee has structured a remuneration framework that is market competitive and complementary to Isentia’s strategic objectives.

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

#### Non-executive directors’ remuneration

Fees provided to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors, as well as the need to attract and retain non-executive directors of suitable calibre. Non-executive directors’ fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors’ fees and payments are appropriate and consistent with comparable ASX200 companies. The chairman’s fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not

present during any discussions concerning his own remuneration.

Fees paid to non-executive directors in FY2016 were increased by \$10,000 per annum in recognition of each of the non-executive directors’ additional committee duties and the increased compliance and governance responsibilities and obligations inherent with those committees.

Under the company Constitution and as set out in the 2014 Prospectus, total aggregate remuneration available to non-executive directors is set at a maximum annual aggregate amount of \$900,000. ASX Listing Rules require that any proposed increase to the aggregate non-executive director remuneration cap is subject to shareholder approval. Non-executive director fees were within this approved limit for FY2016 and the Board does not propose any increase to the fee cap for FY2017.

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

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

Whilst directors are not required under the company’s Constitution to hold any shares, all have interests in Isentia securities, either directly or indirectly (refer to section ‘5. KMP interests in Isentia securities and other information’ below), holding such securities demonstrates support for the company and facilitates alignment between directors and long term shareholder wealth outcomes. In context of the current shareholdings of the non-executive directors, the Nomination and Remuneration Committee does not regard a formal shareholding guideline to be necessary at this time.

If non-executive directors are required to perform services outside of the scope of ordinary duties of a director, the company may compensate the director for additional responsibilities or workload incurred during the reporting period. No directors

provided any services outside of the normal course of duty in FY2016 and hence no additional director fees have been paid.

All directors have adequate time to devote to group activities and have in the past year attended 100% of all scheduled Board and Committee meetings. Refer to ‘Meetings of directors’ above for details of meetings attended. Not all directors were able to attend one unscheduled Board meeting held on short notice.

#### Executive remuneration

The group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components, whilst ensuring alignment with an ASX listed peer group.

For FY2016, the executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined below.

#### FY2016 target pay mix

|          | Fixed Remuneration | STI | LTi |
|----------|--------------------|-----|-----|
| CEO      | 50%                | 25% | 25% |
| CFO      | 53%                | 21% | 26% |
| CEO ANZ  | 55%                | 17% | 28% |
| CEO Asia | 53%                | 21% | 26% |

The long term incentive plan (‘LTIP’) was introduced in 2014 to focus KMP on long term growth opportunities that are expected to deliver shareholder wealth benefits over time. Since its inception, the Nomination and Remuneration Committee has extended participation in the LTIP to broaden engagement throughout the senior executive team. The Nomination and Remuneration Committee monitors the effectiveness of this scheme and will continue to do so in order to drive long term strategic goals.



Directors’ Report (continued)

| Component of remuneration   | How this operates in practice  | Target and maximum (stretch) opportunity  | Purpose and link to Isentia strategy   | Change   |
|---|--|---|--|--|
| Fixed   |  |   |  |  |
| Base salary, allowances, superannuation and salary sacrificed benefits. | Base salary is paid in cash or fringe benefits (such as motor vehicle).<br><br>Superannuation is paid at the statutory rate.<br><br>Fixed remuneration is reviewed annually.   | n/a   | To provide cash benefits which are competitive with equivalent roles in peer companies and offer base packages that are designed to attract and retain high calibre employees.<br><br>To reward performance relative to expectations based on individual role and responsibility.  | John Croll and Nimesh Shah each received an increase in base salary of approximately 5% in FY2016 in recognition of increased responsibilities in their roles as a consequence of the growth in size and complexity of the business through the acquisition process and increased obligations inherent in the listed company environment. The only other executive KMP completing a full year of service, Sean Smith, received an increase of 11% in recognition of the larger workload and increase in responsibilities across the Australian and New Zealand business and the increasing complexity in those operations. |
| Variable  |  |   |  |  |
| Short Term Incentive ('STI') Plan ('STIP')                              | STIs are paid in cash to reward eligible executives on delivering against annual key performance indicators that are linked to the group's strategy and are expected to deliver benefits to shareholders.<br><br>The Board retains its discretion to reward for outstanding performance. | CEO target 50% of Total Fixed Remuneration ('TFR'), with a maximum of 75% of TFR.<br><br>CFO target 40% of TFR, with a maximum of 60% of TFR.<br><br>No portion of STIP will be payable to the CEO and CFO unless all financial targets are equalled or exceeded. Other executive KMP targets are between 30% and 40% of base salary, with a maximum 60% of base salary.<br><br>For other executive KMP no portion of STIP will be payable unless at least one of the financial targets are equalled or exceeded. | STI awards are only awarded where executives meet or exceed Key Performance Indicators ('KPIs'), which are set annually and are components of the group's annual budget and business plan.<br><br>Financial KPIs account for 55% - 75% of available STI and include revenue, EBITA, EBITDA and NPATA targets. No STI will be paid if these targets are not met or exceeded.<br><br>Non-financial KPIs that comprise the remaining 25% - 45% of available STI opportunity include strategic business objectives such as Net Promotor Score ('NPS'), product penetration targets and subscription based revenue metrics. | As financial KPIs comprise 55% to 75% of available STI and include revenue EBITA, EBITDA and NPATA targets relevant to each individual's role, it is a condition of the STI that no STI is paid if relevant financial KPIs are not met.<br><br>As financial KPIs were not met in FY2016, no STI payments were awarded to eligible participants in FY2016.  |

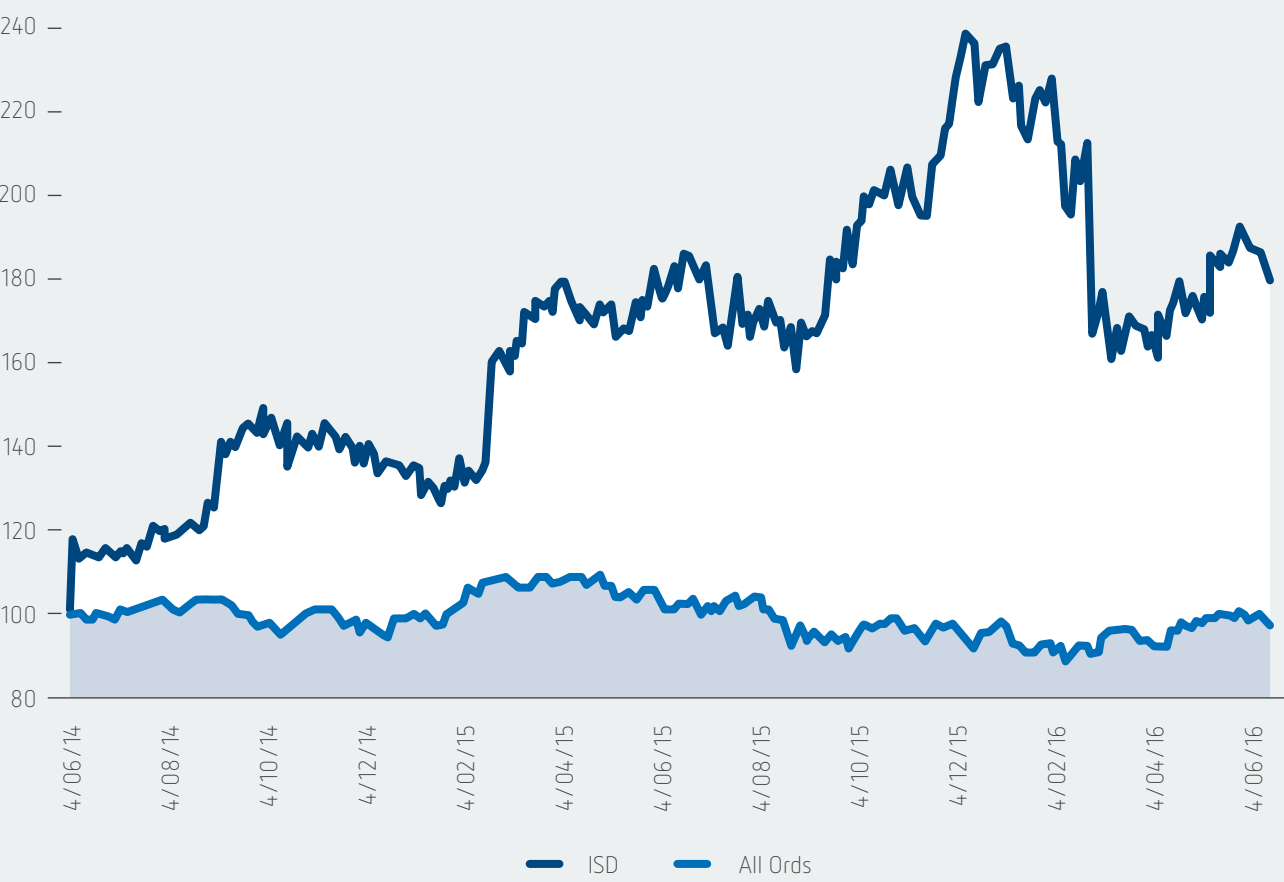
| Component of remuneration         | How this operates in practice   | Target and maximum (stretch) opportunity   | Purpose and link to Isentia strategy   | Change  |
|-----------------------------------|---|--|--|---|
| Variable                          |   |  |  |   |
| Long Term Incentive Plan ('LTIP') | The LTIP was introduced in June 2014 to provide a focus on long term growth opportunities.<br><br>Each offer made under the LTIP to date represents 50% of the TFR of the recipient and is provided in the form of performance-based options.<br><br>The Nomination and Remuneration Committee will extend participation in the LTIP where it is determined to be an effective tool in engaging the executive and driving the long term goals of the group.<br><br>Any future offer of equity incentives to the CEO/ MD will be put forward for shareholder approval. | 50% of TFR per annum.<br><br>All performance options apply relative total shareholder return ('TSR') and earnings per share ('EPS') hurdles measured over a three year performance period.<br><br>All incentive options granted are issued for nil consideration and vest subject to the satisfaction of predetermined performance conditions, with no opportunity for re-testing.<br><br>Other than the June 2014 offers, which were specific to the IPO, all unvested options lapse on resignation of the participant. | LTI awards are designed to motivate participants to achieve long term strategic goals and provide reward where Isentia delivers better shareholder value than its comparator group (with reference to the TSR condition) and/or delivers the requisite EPS growth ('EPS condition'). | LTI's were offered to all executive KMP in FY2016. Details of the number and value of LTI granted are set out in the option table in section '4. Share-based compensation' below. |



# Directors’ Report (continued)

### Group performance and link to remuneration

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



The table below shows the revenue and EBITDA growth over the past five years:

|                              | Unaudited Pro-forma FY2012 | Unaudited Pro-forma FY2013 | Unaudited Pro-forma Actual FY2014 | FY2015 | FY2016 |
|------------------------------|----------------------------|----------------------------|-----------------------------------|--------|--------|
| Revenue \$m                  | 103.9                      | 103.0                      | 110.6                             | 127.3  | 156.0  |
| EBITDA \$m (d)               | 22.8                       | 22.9                       | 30.9                              | 41.9   | 48.7   |
| TSR (b)                      | -                          | -                          | 15.7%                             | 60.2%  | (5.5%) |
| EPS (cents/share) (c)        | -                          | -                          | 6.4                               | 9.8    | 12.1   |
| NPAT \$m (e)                 | 7.8                        | 7.0                        | 12.8                              | 19.6   | 24.3   |
| Staff costs \$m (a)          | 51.4                       | 51.2                       | 50.3                              | 52.5   | 62.8   |
| Staff costs to revenue ratio | 49.4%                      | 49.7%                      | 45.5%                             | 41.2%  | 40.3%  |

The company listed on the ASX on the 5 June 2014. Dividends paid and/or declared in FY2014, FY2015 and FY2016 are disclosed in the notes to the financial statements. There have been no returns of capital made or proposed by the Board since the listing.

- a. Proforma staff costs for FY2012 to FY2014 have been adjusted for a reclassification between other expenses and employee benefit expense to conform with the presentation adopted in FY2015 and FY2016.
- b. The group listed on the ASX on 5 June 2014, therefore TSR for FY2014 is for the period 5 June 2014 to 30 June 2014.
- c. Actual Proforma EPS number for 2014 is calculated based on pro forma NPAT of \$12.8 million and 200,000,001 ordinary shares on issue as at 30 June 2014.
- d. Actual Proforma EBITDA for FY2014 is calculated by adjusting statutory EBITDA of \$18.5 million for restructuring and acquisition costs (\$3.9 million), listed company costs (\$1.2 million), offer costs (\$9.1 million) and foreign exchange (gains)/losses (\$0.7 million).
- e. Actual Proforma NPAT for FY2014 is calculated by adjusting statutory NPAT of (\$18.4 million) for net finance cost (\$12.2 million), offer costs (\$9.1 million), restructuring and acquisitions costs (\$3.9 million), listed company costs (\$1.2 million) and other adjustments (\$7.2 million).

Pro-forma amounts have been included in the table above as the Board is of the opinion that these figures most appropriately represent the group’s underlying current and historical performance. FY2012 and FY2013 figures are presented as per the IPO Prospectus dated May 2014 and the FY2014 Actual Pro-forma is presented as per the FY2014 Financial Results Presentation dated August 2014.

### Short term incentives

#### FY2016 STI performance measures

The KPIs driving STI for FY2016 were revenue, EBITDA, NPATA and a personal performance rating measured though the formal year-end performance review process.

Personal performance KPIs in FY2016 focussed on delivering against stated strategies with a view to building on shareholder wealth and returns. This included a focus on longer term strategic planning, the integration and governance of acquisitions, building on relationships in Asia and international networks, as well as team and leadership development. In addition to personal performance KPIs, financial metrics are emphasised as they are regarded to be the most appropriate indicators of Isentia’s communicated growth strategy, which includes increasing the average revenue per customer.

Further detail around executive KMP performance is provided below:

#### FY2016 STI - financial performance achieved

| Executive   | Metric  | Weighting (% of total STI opportunity) | Performance outcome |
|-------------|---------|--|---------------------|
| John Croll  | Revenue | 37.5%                                  | Below target*       |
|             | NPATA   | 37.5%                                  | Below target*       |
| Nimesh Shah | Revenue | 37.5%                                  | Below target*       |
|             | NPATA   | 37.5%                                  | Below target*       |
| Sean Smith  | Revenue | 32.0%                                  | Below target*       |
|             | EBITDA  | 32.0%                                  | Below target*       |
| David Liu   | Revenue | 34.0%                                  | Below target*       |
|             | EBITDA  | 34.0%                                  | Below target*       |

\*Targets vary between individuals based on their roles.



# Directors' Report (continued)

FY2016 STI - Non-financial performance achieved

| Executive   | Weighting<br>(% of total STI opportunity) | Performance achieved   |
|-------------|---|--|
| John Croll  | 25%                                       | Isentia Business Plan agreed by the Board that details the growth strategies for the business over the next three years. Development of the management structure and skills to lead and deliver the three year strategic plan. Integration of the Content Marketing business into the group. |
| Nimesh Shah | 25%                                       | Integration and governance framework for any acquisitions. Implementation of integrated financial systems across all Isentia's businesses. Multi-year financial reporting aligned to the Strategic Plan.   |
| Sean Smith  | 36%                                       | Leads the integration of the Two Social and King Content's business with the retention of key talent and clients. Delivers an agreed business plan for FY2016 and FY2017. Delivers excellent client service that exceeds NPS benchmarks across Australia and New Zealand.                    |
| David Liu   | 32%                                       | Leads the integration of acquired Asian businesses with the retention of key talent and clients. Delivers an agreed business plan for FY2016 and FY2017 years. Delivers excellent client service that exceeds NPS benchmarks across Asia.  |

The non-financial performance metrics applied for FY2016 were designed to drive both the group's growth strategy and consolidate on the efforts and tasks from the previous year in establishing Isentia as a newly listed ASX constituent.

The Nomination and Remuneration Committee are pleased that these executives either met or exceeded their individual performance targets in FY2016 which drove significant value for the company. However, as noted above, despite meeting or exceeding these performance targets, no STI payment was awarded to eligible KMP for FY2016 as gateway financial performance fell short of targets.

Long term incentives

The performance conditions must be satisfied in order for the options to vest and become exercisable. The performance conditions are based upon the group's relative total shareholder return ('TSR') and its earnings per share ('EPS') compound annual growth rate ('CAGR') over the performance period (equally-weighted), which provides appropriate alignment with long term shareholder interests. As described in the table below, there is a pro-rata vesting scale applied for options to vest, which the Board believes provides the appropriate incentive to achieve suitable and sustainable growth.

The group's TSR over the performance period will be assessed against the TSRs of a 'Comparator Group' defined at the date of grant, which relate to companies in the S&P/ASX200 Index (excluding those in the Financials, Materials and Energy sectors).

The percentage of options that vest and become exercisable, if any, will be determined by reference to the TSR and EPS vesting schedules. The Board considered the specific vesting hurdles and agreed that the targets set for the previous year were still appropriate, despite increasingly tough market conditions. It is also the Board's view that these hurdles fully align executives with shareholders. They are summarised as follows:

| TSR performance relative to TSR comparator group           | % of TSR options that become exercisable            |
|--|---|
| Less than the 50th percentile                              | Nil   |
| 50th percentile (threshold performance)                    | 50%   |
| Greater than 50th percentile but less than 75th percentile | Straight-line pro-rata vesting between 50% and 100% |
| Greater than or equal to 75th percentile (stretch)         | 100%  |
|  |   |
| CAGR of EPS over the performance period                    | % of EPS options that become exercisable            |
| Less than 7%   | Nil   |
| 7% (threshold performance)                                 | 50%   |
| Between 7% and 17%   | Straight-line pro-rata vesting between 50% and 100% |
| Above 17% (stretch performance)                            | 100%  |

Any options that remain unvested at the end of the performance period lapse immediately. The option holder ('Participant') must exercise any vested options within 12 months of vesting. After 12 months, any unexercised options lapse. The Participant will be entitled to receive one share for each option that vests and is exercised. The Board retains discretion to make an equivalent cash payment in lieu of providing shares to the Participant.

The options do not carry dividend or voting rights prior to vesting and exercise. Participants must not sell, transfer, encumber, hedge or otherwise deal with the options.

The performance period and applicable performance conditions for any future LTI offers will be determined by the Board and specified in the relevant offer document.

## 2. KMP remuneration disclosures

All directors and executives listed below were considered KMP for the year ended 30 June 2016. All non-executive directors are considered to be independent. There were no changes to KMP after 30 June 2016 and before the date of this report.

The KMP of the group consists of the following directors:

- Doug Flynn - Chairman and Independent Non-Executive Director
- John Croll - CEO and Managing Director
- Pat O'Sullivan - Independent Non-Executive Director
- Fiona Pak-Poy - Independent Non-Executive Director
- Dr Geoff Raby - Independent Non-Executive Director

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

- Nimesh Shah - Chief Financial Officer and Company Secretary
- Sean Smith - Chief Executive, Australia and New Zealand
- David Liu – Chief Executive Asia

For the purposes of this report a reference to an executive KMP is a reference to the senior executives listed above and the CEO and Managing Director, John Croll.



# Directors’ Report (continued)

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

| 2016                            | Short-term benefits  |     |              | Post-employment benefits | Long-term benefits | Share-based payments | Total     |
|---------------------------------|----------------------|-----|--------------|--------------------------|--------------------|----------------------|-----------|
|                                 | Cash salary and fees | STI | Non-monetary | Super-annuation          | Employee benefit   | Equity-settled       |           |
|                                 | \$                   | \$  | \$           | \$                       | \$                 | \$                   | \$        |
| Non-Executive Directors:        |                      |     |              |                          |                    |                      |           |
| Doug Flynn                      | 190,000              | -   | -            | 18,050                   | -                  | -                    | 208,050   |
| Pat O’Sullivan                  | 110,000              | -   | -            | 10,450                   | -                  | -                    | 120,450   |
| Fiona Pak-Poy                   | 110,000              | -   | -            | 10,450                   | -                  | -                    | 120,450   |
| Dr Geoff Raby                   | 100,000              | -   | -            | 9,500                    | -                  | -                    | 109,500   |
| Executive Directors:            |                      |     |              |                          |                    |                      |           |
| John Croll                      | 654,636              | -   | -            | 19,308                   | 10,904             | 215,561              | 900,409   |
| Other Key Management Personnel: |                      |     |              |                          |                    |                      |           |
| Nimesh Shah                     | 419,614              | -   | -            | 19,308                   | 6,981              | 143,154              | 589,057   |
| Sean Smith                      | 300,000              | -   | -            | 19,308                   | 5,007              | 101,349              | 425,664   |
| David Liu                       | 466,478              | -   | -            | 5,039                    | -                  | 72,311               | 543,828   |
|                                 | 2,350,728            | -   | -            | 111,413                  | 22,892             | 532,375              | 3,017,408 |

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

| 2015                            | Short-term benefits  |         |              | Post-employment benefits | Long-term benefits | Share-based payments | Total     |
|---------------------------------|----------------------|---------|--------------|--------------------------|--------------------|----------------------|-----------|
|                                 | Cash salary and fees | STI     | Non-monetary | Super-annuation          | Employee benefit   | Equity-settled       |           |
|                                 | \$                   | \$      | \$           | \$                       | \$                 | \$                   | \$        |
| Non-Executive Directors:        |                      |         |              |                          |                    |                      |           |
| Doug Flynn                      | 180,000              | -       | -            | 17,100                   | -                  | -                    | 197,100   |
| Pat O’Sullivan                  | 100,000              | -       | -            | 9,500                    | -                  | -                    | 109,500   |
| Fiona Pak-Poy                   | 100,000              | -       | -            | 9,500                    | -                  | -                    | 109,500   |
| Dr Geoff Raby                   | 90,000               | -       | -            | 8,550                    | -                  | -                    | 98,550    |
| Executive Directors:            |                      |         |              |                          |                    |                      |           |
| John Croll                      | 623,525              | 390,000 | -            | 18,783                   | 10,357             | 106,667              | 1,149,332 |
| Other Key Management Personnel: |                      |         |              |                          |                    |                      |           |
| Nimesh Shah                     | 403,525              | 205,000 | -            | 18,783                   | 6,697              | 70,000               | 704,005   |
| Sean Smith                      | 270,000              | 127,440 | -            | 18,783                   | 4,494              | 48,131               | 468,848   |
| Cameron Buckley*                | 235,363              | -       | -            | 18,783                   | 3,923              | -                    | 258,069   |
| David Liu**                     | 35,939               | -       | -            | 388                      | -                  | -                    | 36,327    |
|                                 | 2,038,352            | 722,440 | -            | 120,170                  | 25,471             | 224,798              | 3,131,231 |

\* Cameron Buckley resigned 15 May 2015. He was not provided with any form of termination payment upon cessation of employment with Isentia.

\*\* David Liu appointed 1 June 2015, therefore remuneration figures reported are for 1 month only.

Non-executive directors do not receive incentive payments and do not participate in the company’s incentive programs.

For executive directors and other KMP, the proportion of remuneration linked to performance and the fixed proportion are as set out in the following table. The LTI proportion of remuneration noted in the table below equates to one third of the value of options granted in FY2016. Based on Australian accounting standards, the total value of options granted is apportioned over three years in line with the performance period of the options granted. As such, shareholders should note that the LTI proportions will grow as new offers are made.

| Name                            | Fixed remuneration |      | At risk - STI |      | At risk - LTI |      |
|---------------------------------|--------------------|------|---------------|------|---------------|------|
|                                 | 2016               | 2015 | 2016          | 2015 | 2016          | 2015 |
| Executive Directors:            |                    |      |               |      |               |      |
| John Croll                      | 76%                | 57%  | -%            | 34%  | 24%           | 9%   |
| Other Key Management Personnel: |                    |      |               |      |               |      |
| Nimesh Shah                     | 76%                | 61%  | -%            | 29%  | 24%           | 10%  |
| Sean Smith                      | 76%                | 63%  | -%            | 27%  | 24%           | 10%  |
| Cameron Buckley                 | -%                 | 100% | -%            | -%   | -%            | -%   |
| David Liu*                      | 87%                | 100% | -%            | -%   | 13%           | -%   |

\* David Liu was appointed 1 June 2015, therefore only 1 month of remuneration is included for 2015 all of which was fixed.



# Directors’ Report (continued)

## 3. Service contracts

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

| Notice period for termination |               |              |            |
|-------------------------------|---------------|--------------|------------|
| Executive KMP                 | Contract term | By executive | By Isentia |
| John Croll                    | No fixed term | 6 months     | 6 months   |
| Nimesh Shah                   | No fixed term | 3 months     | 3 months   |
| Sean Smith                    | No fixed term | 3 months     | 3 months   |
| David Liu                     | No fixed term | 3 months     | 3 months   |

No payments under the STIP or LTIP will be made in the event of an executive being terminated for cause.

STI payments are not paid if the executive has ceased employment before the payment is approved. The Board retains discretion to lapse or pro-rate unvested entitlements under the LTIP on the resignation of the executive.

### Minimum shareholding requirement

There is no minimum shareholding requirement for executives under the company’s Constitution. The company seeks to satisfy equity exposure for executives through the vesting of incentives under the LTIP over time.

## 4. Share-based compensation

### Issue of shares

There were no shares issued to directors or other KMP as part of compensation during the year ended 30 June 2016.

### Options

Options were granted to the following KMP during the year ended 30 June 2016.

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

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

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

The number and value of options over ordinary shares granted vested and lapsed by KMP as part of compensation during the year ended 30 June 2016 are set out below:

|  | Value of options granted during the year |            | Number of options granted during the year |                | Number of options lapsed during the year |                |
|--|--|------------|---|----------------|--|----------------|
|  | 2016<br>\$                               | 2015<br>\$ | 2016<br>Number                            | 2015<br>Number | 2016<br>Number                           | 2015<br>Number |
| <i>Executive Directors:</i>            |  |            |   |                |  |                |
| John Croll                             | 326,684                                  | -          | 540,304                                   | -              | -  | -              |
| <i>Other Key Management Personnel:</i> |  |            |   |                |  |                |
| Nimesh Shah                            | 219,461                                  | -          | 362,969                                   | -              | -  | -              |
| Sean Smith                             | 159,654                                  | 144,392    | 264,053                                   | 135,643        | -  | -              |
| Cameron Buckley*                       | -  | 143,581    | -   | 134,881        | -  | 134,881        |
| David Liu                              | 216,933                                  | -          | 358,787                                   | -              | -  | -              |

\* All options held by Cameron Buckley lapsed on his resignation on 15 May 2015

## 5. KMP interests in Isentia securities and other information

### Shareholding

There were no shares received as part of KMP remuneration during the year. The number of shares in the company held during the financial year by each director and other KMP of the group, including related parties, is set out below:

|                | Ordinary shares                  |           |             |                                |
|----------------|----------------------------------|-----------|-------------|--------------------------------|
|                | Balance at the start of the year | Additions | Disposals   | Balance at the end of the year |
| Doug Flynn*    | 73,530                           | -         | -           | 73,530                         |
| John Croll**   | 8,006,056                        | -         | (1,446,000) | 6,560,056                      |
| Pat O’Sullivan | 29,412                           | -         | -           | 29,412                         |
| Fiona Pak-Poy* | 29,412                           | -         | -           | 29,412                         |
| Dr Geoff Raby  | 29,412                           | -         | -           | 29,412                         |
| Nimesh Shah*   | 821,137                          | -         | (410,468)   | 410,569                        |
| Sean Smith     | 109,882                          | -         | (109,882)   | -                              |
| David Liu      | -                                | -         | -           | -                              |
|                | 9,098,841                        | -         | (1,966,450) | 7,132,391                      |

\* All are held indirectly

\*\* Of which 214,398 are held indirectly

# Directors’ Report (continued)

## Option holding

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

|  |                                  | Options   |           |        |                                |
|--|----------------------------------|-----------|-----------|--------|--------------------------------|
|  | Balance at the start of the year | Granted   | Exercised | Lapsed | Balance at the end of the year |
| <i>Executive Directors:</i>            |                                  |           |           |        |                                |
| John Croll                             | 583,090                          | 540,304   | -         | -      | 1,123,394                      |
| <i>Other Key Management Personnel:</i> |                                  |           |           |        |                                |
| Nimesh Shah                            | 382,653                          | 362,969   | -         | -      | 745,622                        |
| Sean Smith                             | 135,643                          | 264,053   | -         | -      | 399,696                        |
| David Liu                              | -                                | 358,787   | -         | -      | 358,787                        |
|  | 1,101,386                        | 1,526,113 | -         | -      | 2,627,499                      |

None of the options have vested or are exercisable.

## Other information

During the financial year ended 30 June 2016, no fees were paid to external remuneration consultants.

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

## Shares under option

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

| Grant date | Expiry date | Exercise price | Number under option |
|------------|-------------|----------------|---------------------|
| 16/06/2014 | 30/06/2018  | \$2.04         | 965,743             |
| 10/12/2014 | 30/06/2018  | \$2.04         | 341,348             |
| 19/11/2015 | 30/06/2019  | \$3.75         | 2,228,648           |
|            |             |                | 3,535,734           |

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

## Shares issued on the exercise of options

There were no ordinary shares of Isentia Group Limited issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

## Indemnity and insurance of officers

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

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

## Indemnity and insurance of auditor

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

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

## Proceedings on behalf of the company

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

## Non-audit services

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

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

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.



# Directors’ Report (continued)

## Officers of the company who are former audit partners of Deloitte Touche Tohmatsu

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

## Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to ‘rounding-off’. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## Auditor’s independence declaration

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

## Auditor

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

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

On behalf of the directors



Doug Flynn  
Chairman

23 August 2016  
Sydney



John Croll  
Chief Executive Officer and Managing Director



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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

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

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

23 August 2016

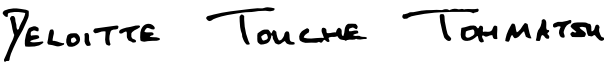
Dear Board Members,  
**Isentia Group Limited**

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


As lead audit partner for the audit of the financial statements of Isentia Group Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



Deloitte Touche Tohmatsu



Sandeep Chadha  
Partner  
Chartered Accountants



# FY16 Financial Statements

## General information

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

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

Level 3  
219-241 Cleveland Street  
Strawberry Hills NSW 2012

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 August 2016.





# Financial Statements

## Statement of profit or loss and other comprehensive income For the year ended 30 June 2016

|   | Note | Consolidated   |                |
|---|------|----------------|----------------|
|   |      | 2016<br>\$'000 | 2015<br>\$'000 |
| <b>Revenue</b>  | 4    | 155,996        | 127,272        |
| Other income  |      | 70             | 47             |
| <b>Expenses</b>   |      |                |                |
| Copyright, consumables and other direct purchases   |      | (32,088)       | (23,876)       |
| Employee benefits expense   |      | (62,809)       | (52,503)       |
| Amortisation expenses   | 5    | (12,389)       | (12,500)       |
| Depreciation expense  | 5    | (1,315)        | (1,092)        |
| Occupancy costs   |      | (5,364)        | (4,700)        |
| Other expenses  |      | (7,029)        | (4,282)        |
| Finance costs   | 5    | (2,898)        | (2,405)        |
| <b>Profit before income tax expense</b>   |      | 32,174         | 25,961         |
| Income tax expense  | 6    | (7,922)        | (6,345)        |
| <b>Profit after income tax expense for the year attributable to the owners of Isentia Group Limited</b> |      | 24,252         | 19,616         |
| <b>Other comprehensive income</b>   |      |                |                |
| <i>Items that may be reclassified subsequently to profit or loss</i>                                    |      |                |                |
| Net change in fair value of cash flow hedges taken to equity, net of tax                                |      | 197            | (388)          |
| Exchange differences on translating foreign operations, net of tax                                      |      | (453)          | 3,712          |
| Other comprehensive income for the year, net of tax   |      | (256)          | 3,324          |
| <b>Total comprehensive income for the year attributable to the owners of Isentia Group Limited</b>      |      | 23,996         | 22,940         |
|   |      | <b>Cents</b>   | <b>Cents</b>   |
| Basic earnings per share  | 37   | 12.126         | 9.808          |
| Diluted earnings per share  | 37   | 12.098         | 9.798          |

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

## Statement of financial position As at 30 June 2016

|                                  | Note | Consolidated   |                |
|----------------------------------|------|----------------|----------------|
|                                  |      | 2016<br>\$'000 | 2015<br>\$'000 |
| <b>Assets</b>                    |      |                |                |
| <b>Current assets</b>            |      |                |                |
| Cash and cash equivalents        | 7    | 8,139          | 5,713          |
| Trade and other receivables      | 8    | 40,042         | 27,022         |
| Prepayments                      |      | 2,140          | 1,467          |
| Total current assets             |      | 50,321         | 34,202         |
| <b>Non-current assets</b>        |      |                |                |
| Property, plant and equipment    | 9    | 3,915          | 2,513          |
| Intangibles                      | 10   | 187,724        | 130,533        |
| Deferred tax assets              | 11   | 8,057          | 9,455          |
| Other                            |      | 133            | 40             |
| Total non-current assets         |      | 199,829        | 142,541        |
| <b>Total assets</b>              |      | 250,150        | 176,743        |
| <b>Liabilities</b>               |      |                |                |
| <b>Current liabilities</b>       |      |                |                |
| Trade and other payables         | 12   | 19,261         | 12,897         |
| Borrowings                       | 13   | 55,875         | -              |
| Derivative financial instruments | 14   | 532            | 367            |
| Current tax liabilities          |      | 2,774          | 2,498          |
| Provisions                       | 15   | 5,959          | 6,315          |
| Contingent consideration         | 16   | 6,995          | 260            |
| Total current liabilities        |      | 91,396         | 22,337         |
| <b>Non-current liabilities</b>   |      |                |                |
| Borrowings                       | 17   | -              | 28,744         |
| Derivative financial instruments | 18   | -              | 346            |
| Deferred tax liabilities         | 19   | 10,491         | 8,603          |
| Provisions                       | 20   | 813            | 633            |
| Contingent consideration         | 21   | 21,748         | 124            |
| Total non-current liabilities    |      | 33,052         | 38,450         |
| <b>Total liabilities</b>         |      | 124,448        | 60,787         |
| <b>Net assets</b>                |      | 125,702        | 115,956        |
| <b>Equity</b>                    |      |                |                |
| Issued capital                   | 22   | 403,662        | 403,662        |
| Reserves                         | 23   | (251,287)      | (251,781)      |
| Accumulated losses               |      | (26,673)       | (35,925)       |
| <b>Total equity</b>              |      | 125,702        | 115,956        |

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

# Financial Statements (continued)

## Statement of changes in equity For the year ended 30 June 2016

|  | Issued<br>capital<br>\$'000 | Reserves<br>\$'000 | Accumulated<br>losses<br>\$'000 | Total<br>equity<br>\$'000 |
|--|-----------------------------|--------------------|---------------------------------|---------------------------|
| <b>Consolidated</b>  |                             |                    |                                 |                           |
| Balance at 1 July 2014                                       | 403,852                     | (255,403)          | (49,341)                        | 99,108                    |
| Profit after income tax expense for the year                 | -                           | -                  | 19,616                          | 19,616                    |
| Other comprehensive income for the year, net of tax          | -                           | 3,324              | -                               | 3,324                     |
| Total comprehensive income for the year                      | -                           | 3,324              | 19,616                          | 22,940                    |
| <i>Transactions with owners in their capacity as owners:</i> |                             |                    |                                 |                           |
| Contributions of equity, net of transaction costs (note 22)  | (190)                       | -                  | -                               | (190)                     |
| Share-based payments (note 38)                               | -                           | 298                | -                               | 298                       |
| Dividends paid (note 24)                                     | -                           | -                  | (6,200)                         | (6,200)                   |
| Balance at 30 June 2015                                      | 403,662                     | (251,781)          | (35,925)                        | 115,956                   |

|  | Issued<br>capital<br>\$'000 | Reserves<br>\$'000 | Accumulated<br>losses<br>\$'000 | Total<br>equity<br>\$'000 |
|--|-----------------------------|--------------------|---------------------------------|---------------------------|
| <b>Consolidated</b>  |                             |                    |                                 |                           |
| Balance at 1 July 2015                                       | 403,662                     | (251,781)          | (35,925)                        | 115,956                   |
| Profit after income tax (expense)/benefit for the year       | -                           | -                  | 24,252                          | 24,252                    |
| Other comprehensive income for the year, net of tax          | -                           | (256)              | -                               | (256)                     |
| Total comprehensive income for the year                      | -                           | (256)              | 24,252                          | 23,996                    |
| <i>Transactions with owners in their capacity as owners:</i> |                             |                    |                                 |                           |
| Share-based payments (note 38)                               | -                           | 750                | -                               | 750                       |
| Dividends paid (note 24)                                     | -                           | -                  | (15,000)                        | (15,000)                  |
| Balance at 30 June 2016                                      | 403,662                     | (251,287)          | (26,673)                        | 125,702                   |

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

## Statement of cash flows For the year ended 30 June 2016

| Consolidated   |      |                |                |
|--|------|----------------|----------------|
|  | Note | 2016<br>\$'000 | 2015<br>\$'000 |
| <b>Cash flows from operating activities</b>                      |      |                |                |
| Receipts from customers (inclusive of GST)                       |      | 167,536        | 136,835        |
| Payments to suppliers and employees (inclusive of GST)           |      | (127,548)      | (96,696)       |
| Interest received  |      | 70             | 47             |
| Interest and other finance costs paid                            |      | (2,667)        | (2,268)        |
| Income taxes paid  |      | (6,620)        | (1,996)        |
| Net cash from operating activities                               | 36   | 30,771         | 35,922         |
| <b>Cash flows from investing activities</b>                      |      |                |                |
| Payment for purchase of business, net of cash acquired           | 33   | (29,216)       | -              |
| Payments to vendors for prior assets acquisitions                |      | (303)          | (222)          |
| Payments for security deposits                                   |      | (448)          | (42)           |
| Payments for property, plant and equipment                       |      | (2,446)        | (1,003)        |
| Payments for intangibles   |      | (6,716)        | (4,153)        |
| Payment for purchase of asset acquisition                        |      | (1,219)        | (1,690)        |
| Proceeds from disposal of property, plant and equipment          |      | 3              | -              |
| Net cash used in investing activities                            |      | (40,345)       | (7,110)        |
| <b>Cash flows from financing activities</b>                      |      |                |                |
| Proceeds from issue of shares                                    |      | 38,500         | -              |
| Repayment of borrowings  |      | (11,500)       | (22,000)       |
| Dividends paid   | 24   | (15,000)       | (6,200)        |
| Net cash from/(used in) financing activities                     |      | 12,000         | (28,200)       |
| Net increase/(decrease) in cash and cash equivalents             |      | 2,426          | 612            |
| Cash and cash equivalents at the beginning of the financial year |      | 5,713          | 5,101          |
| Cash and cash equivalents at the end of the financial year       | 7    | 8,139          | 5,713          |

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



# Financial Statements (continued)

## Note 1. Significant accounting policies

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

### New, revised or amending Accounting Standards and Interpretations adopted

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

### Basis of preparation

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

#### Historical cost convention

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

#### Critical accounting estimates

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

### Parent entity information

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

## Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Isentia Group Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Isentia Group Limited and its subsidiaries together are referred to in these financial statements as the 'group'.

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

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

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

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

### Operating segments

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

## Foreign currency translation

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

#### Foreign currency transactions

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

#### Foreign operations

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

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

### Revenue recognition

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

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

Revenue is recognised for the major business operation as follows:

#### Rendering of services

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

- i. *Software as a service:*  
Revenue from providing customers access to group platforms is recognised in accordance with the terms of the contracts provided in the subscription agreement.

- ii. *Value added service:*  
For social media monitoring, revenue is recognised according to terms of engagement and when service has been rendered. For analysis reports, revenue is recognised in proportion to their stage of completion, typically in accordance with the achievement of contract milestones.
- iii. *Content marketing:*  
Revenue from content creation and marketing services is recognised according to the terms of the engagement and when service has been rendered. Revenue is recognised in proportion to their stage of completion of the contracts. Stage of completion is measured by reference to labour hours incurred to date as percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

#### Interest

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

#### Other revenue

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

### Income tax

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

# Financial Statements (continued)

## Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and

unused tax credits assumed from each subsidiary in the tax consolidated group.

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

## Current and non-current classification

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

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

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

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

## Cash and cash equivalents

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

## Trade and other receivables

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

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

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

## Derivative financial instruments

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

Derivatives are classified as current or non-current depending on the expected period of realisation.

### Cash flow hedges

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

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

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts

previously recognised in equity remain in equity until the forecast transaction occurs.

## Investments and other financial assets

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

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

### Loans and receivables

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

### Impairment of financial assets

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

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



# Financial Statements (continued)

## Note 1. Significant accounting policies (continued)

### Property, plant and equipment

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

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

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

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

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

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

### Leases

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

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

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

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty

that the group will obtain ownership at the end of the lease term.

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

### Intangible assets

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

#### Goodwill

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

#### Customer relationships and contracts

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

#### Software, research and capitalised development

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

#### Brands

Brands acquired in a business combination are not amortised, on the basis of indefinite life, which is reassessed every year.

Instead, brands are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and are carried at cost less accumulated impairment losses.

### Impairment of non-financial assets

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

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

### Trade and other payables

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

### Borrowings

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

### Finance costs

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

### Provisions

Provisions are recognised when the group has a present (legal or constructive) obligation as a result of a past event, it is probable the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The

amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### Employee benefits

#### Short-term employee benefits

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

#### Other long-term employee benefits

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

#### Defined contribution superannuation expense

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

#### Share-based payments

Equity-settled compensation benefits are provided to employees.

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

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

# Financial Statements (continued)

## Note 1. Significant accounting policies (continued)

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

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

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

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

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

## Fair value measurement

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

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-

financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

## Issued capital

Ordinary shares are classified as equity.

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

## Dividends

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

## Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the group assesses the

financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

## Earnings per share

### *Basic earnings per share*

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

### *Diluted earnings per share*

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

## Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

## Rounding of amounts

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

## Comparatives

Comparatives in the statement of profit or loss and other comprehensive income and notes to the financial statements have been realigned to current year presentation. There has been no effect on the profit for the year.



# Financial Statements (continued)

## Note 1. Significant accounting policies (continued)

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2016. The group's assessment of the impact of these new or amended Accounting Standards and

Interpretations, most relevant to the group, are set out below.

#### *AASB 9 Financial Instruments*

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

#### *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in

an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The group expects to adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

#### *AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance

costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the group.

## Note 2. Critical accounting judgements, estimates and assumptions

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

#### *Estimation of useful lives of assets*

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

#### *Goodwill and other indefinite life intangible assets*

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

discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

#### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

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

#### *Income tax*

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

#### *Recovery of deferred tax assets*

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

#### *Business combinations*

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

# Financial Statements (continued)

## Note 3. Operating segments

Identification of reportable operating segments

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

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

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

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

Types of revenue

The principal revenues are as follows:

|                                |   |
|--------------------------------|---|
| Software-as-a-Service ('SaaS') | The group has developed and hosted a number of SaaS platforms, such as its flagship Mediaportal that provide customers access to time critical and highly relevant information as well as tools to analyse and report on media intelligence.  |
| Value Added Services ('VAS')   | The group provides social media insights and monitoring, customised quantitative and qualitative analysis, and in depth analysis required by customers.   |
| Content Marketing              | The group develops comprehensive content marketing strategies and engaging digital content that empowers brands to increase profitability by communicating effectively with target audiences. The group uses Communiqué, a proprietary workflow management platform, to handle the production process from end-to-end and offer clients a transparent way to oversee briefing, delivery, publication and measurement of content in granular detail. |

Major customers

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

Operating segment information

|                                  | ANZ<br>\$'000 | Asia /RoW*<br>\$'000 | Head<br>Office<br>\$'000 | Total<br>\$'000 |
|----------------------------------|---------------|----------------------|--------------------------|-----------------|
| Consolidated - 2016              |               |                      |                          |                 |
| Revenue                          |               |                      |                          |                 |
| SaaS                             | 86,652        | 15,258               | -                        | 101,910         |
| VAS                              | 20,308        | 13,218               | -                        | 33,526          |
| Content marketing                | 12,351        | 8,209                | -                        | 20,560          |
| Total revenue                    | 119,311       | 36,685               | -                        | 155,996         |
| EBITDA                           |               |                      |                          |                 |
| Depreciation and amortisation    |               |                      |                          | (13,704)        |
| Interest revenue                 |               |                      |                          | 70              |
| Finance costs                    |               |                      |                          | (2,898)         |
| Profit before income tax expense |               |                      |                          | 32,174          |
| Income tax expense               |               |                      |                          | (7,922)         |
| Profit after income tax expense  |               |                      |                          | 24,252          |

\* RoW represents less than 5% of total revenue.

|                                  | ANZ<br>\$'000 | Asia /RoW*<br>\$'000 | Head<br>Office<br>\$'000 | Total<br>\$'000 |
|----------------------------------|---------------|----------------------|--------------------------|-----------------|
| Consolidated - 2015              |               |                      |                          |                 |
| Revenue                          |               |                      |                          |                 |
| SaaS                             | 85,997        | 13,092               | -                        | 99,089          |
| VAS                              | 16,985        | 11,198               | -                        | 28,183          |
| Total sales revenue              | 102,982       | 24,290               | -                        | 127,272         |
| Total revenue                    | 102,982       | 24,290               | -                        | 127,272         |
| EBITDA                           |               |                      |                          |                 |
| Depreciation and amortisation    |               |                      |                          | (13,592)        |
| Interest revenue                 |               |                      |                          | 47              |
| Finance costs                    |               |                      |                          | (2,405)         |
| Profit before income tax expense |               |                      |                          | 25,961          |
| Income tax expense               |               |                      |                          | (6,345)         |
| Profit after income tax expense  |               |                      |                          | 19,616          |

## Note 4. Revenue

| Consolidated          |                |                |
|-----------------------|----------------|----------------|
|                       | 2016<br>\$'000 | 2015<br>\$'000 |
| Rendering of services | 155,996        | 127,272        |



Financial Statements (continued)

Note 5. Expenses

| Consolidated   |                |                |
|--|----------------|----------------|
|  | 2016<br>\$'000 | 2015<br>\$'000 |
| Profit before income tax includes the following specific expenses: |                |                |
| <i>Depreciation</i>  |                |                |
| Leasehold improvements   | 315            | 263            |
| Furniture and fittings   | 115            | 111            |
| Office equipment   | 87             | 84             |
| Computer equipment   | 798            | 634            |
| Total depreciation   | 1,315          | 1,092          |
| <i>Amortisation</i>  |                |                |
| Customer relationships and contracts                               | 7,144          | 6,183          |
| Acquired software  | 1,899          | 3,200          |
| Internally generated software                                      | 3,346          | 3,117          |
| Total amortisation   | 12,389         | 12,500         |
| Total depreciation and amortisation                                | 13,704         | 13,592         |
| <i>Finance costs</i>   |                |                |
| Interest and finance charges paid/payable                          | 2,742          | 2,249          |
| Loan establishment fee   | 156            | 156            |
| Finance costs expensed   | 2,898          | 2,405          |
| <i>Net foreign exchange gain</i>                                   |                |                |
| Net foreign exchange gain  | (39)           | (89)           |
| <i>Rental expense relating to operating leases</i>                 |                |                |
| Minimum lease payments   | 4,394          | 3,692          |
| <i>Superannuation expense</i>                                      |                |                |
| Defined contribution superannuation expense                        | 3,392          | 2,726          |
| <i>Impairment of receivables</i>                                   |                |                |
| Bad and doubtful debt expense                                      | 244            | 58             |

Note 6. Income tax expense

| Consolidated  |                |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| <i>Income tax expense</i>   |                |                |
| Current tax expense   | 7,096          | 3,917          |
| Deferred tax - origination and reversal of temporary differences                                | 1,083          | 1,853          |
| Prior year unders / overs   | (257)          | 575            |
| Aggregate income tax expense / (benefit)  | 7,922          | 6,345          |
| Deferred tax included in income tax expense / (benefit) comprises:                              |                |                |
| Decrease in deferred tax assets (note 11)   | 1,354          | 3,478          |
| Decrease in deferred tax liabilities (note 19)  | (271)          | (1,625)        |
| Deferred tax - origination and reversal of temporary differences                                | 1,083          | 1,853          |
| <i>Numerical reconciliation of income tax expense / (benefit) and tax at the statutory rate</i> |                |                |
| Profit before income tax expense  | 32,174         | 25,961         |
| Tax at the statutory tax rate of 30%  | 9,652          | 7,788          |
| Tax effect amounts which are not deductible / (taxable) in calculating taxable income:          |                |                |
| Non-deductible expenses   | 550            | 396            |
| Effect of tax rates in overseas jurisdictions   | (348)          | (360)          |
| Current year tax loss not recognised  | 61             | 129            |
| Research and development tax offset   | (1,587)        | (1,849)        |
| Tax exempt income   | (32)           | (334)          |
| Prior year overs / unders   | (257)          | 575            |
| Current year temporary differences not recognised   | (117)          | -              |
| Income tax expense / (benefit)  | 7,922          | 6,345          |

| Consolidated                       |                |                |
|------------------------------------|----------------|----------------|
|                                    | 2016<br>\$'000 | 2015<br>\$'000 |
| Amounts charged directly to equity |                |                |
| Deferred tax assets (note 11)      | 84             | 24             |

Note 7. Current assets - cash and cash equivalents

| Consolidated |                |                |
|--------------|----------------|----------------|
|              | 2016<br>\$'000 | 2015<br>\$'000 |
| Cash on hand | 25             | 16             |
| Cash at bank | 8,114          | 5,697          |
|              | 8,139          | 5,713          |

Financial Statements (continued)

Note 8. Current assets - trade and other receivables

| Consolidated                                  |                |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| Trade receivables                             | 34,759         | 24,724         |
| Less: Provision for impairment of receivables | (426)          | (196)          |
|   | 34,333         | 24,528         |
| Other receivables                             | 4,668          | 1,901          |
| Security deposits                             | 1,041          | 593            |
|   | 40,042         | 27,022         |

Impairment of receivables

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

| Consolidated          |                |                |
|-----------------------|----------------|----------------|
|                       | 2016<br>\$'000 | 2015<br>\$'000 |
| 3 to 6 months overdue | -              | 97             |
| Over 6 months overdue | 426            | 99             |
|                       | 426            | 196            |

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

| Consolidated   |                |                |
|--|----------------|----------------|
|  | 2016<br>\$'000 | 2015<br>\$'000 |
| Opening balance  | 196            | 232            |
| Additional provisions recognised                         | 244            | 58             |
| Receivables written off during the year as uncollectable | (14)           | (29)           |
| Unused amounts reversed                                  | -              | (65)           |
| Closing balance  | 426            | 196            |

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$6,029,000 as at 30 June 2016 (\$3,744,000 as at 30 June 2015).

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

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

| Consolidated          |                |                |
|-----------------------|----------------|----------------|
|                       | 2016<br>\$'000 | 2015<br>\$'000 |
| 0 to 3 months overdue | 5,602          | 3,595          |
| 3 to 6 months overdue | 116            | 149            |
| Over 6 months overdue | 311            | -              |
|                       | 6,029          | 3,744          |

Note 9. Non-current assets - property, plant and equipment

| Consolidated                     |                |                |
|----------------------------------|----------------|----------------|
|                                  | 2016<br>\$'000 | 2015<br>\$'000 |
| Leasehold improvements - at cost | 4,576          | 3,979          |
| Less: Accumulated depreciation   | (3,297)        | (3,357)        |
|                                  | 1,279          | 622            |
| Furniture and fittings - at cost | 2,145          | 2,086          |
| Less: Accumulated depreciation   | (1,553)        | (1,549)        |
|                                  | 592            | 537            |
| Office equipment - at cost       | 2,486          | 2,417          |
| Less: Accumulated depreciation   | (2,216)        | (2,245)        |
|                                  | 270            | 172            |
| Computer equipment - at cost     | 11,406         | 11,718         |
| Less: Accumulated depreciation   | (9,632)        | (10,536)       |
|                                  | 1,774          | 1,182          |
|                                  | 3,915          | 2,513          |



Financial Statements (continued)

Reconciliations

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

| Consolidated                                      | Leasehold improvements<br>\$'000 | Furniture and fittings<br>\$'000 | Office equipment<br>\$'000 | Computer equipment<br>\$'000 | Total<br>\$'000 |
|---|----------------------------------|----------------------------------|----------------------------|------------------------------|-----------------|
| Balance at 1 July 2014                            | 626                              | 532                              | 197                        | 1,118                        | 2,473           |
| Additions   | 223                              | 102                              | 34                         | 644                          | 1,003           |
| Disposals   | (3)                              | (8)                              | (2)                        | (55)                         | (68)            |
| Exchange differences                              | 43                               | 23                               | 29                         | 110                          | 205             |
| Write off of assets                               | (4)                              | (1)                              | (2)                        | (1)                          | (8)             |
| Depreciation expense                              | (263)                            | (111)                            | (84)                       | (634)                        | (1,092)         |
| Balance at 30 June 2015                           | 622                              | 537                              | 172                        | 1,182                        | 2,513           |
| Additions   | 890                              | 114                              | 127                        | 1,315                        | 2,446           |
| Additions through business combinations (note 33) | 162                              | 25                               | 70                         | 104                          | 361             |
| Disposals   | (21)                             | (2)                              | (1)                        | -                            | (24)            |
| Exchange differences                              | (5)                              | 3                                | (3)                        | (29)                         | (34)            |
| Write off of assets                               | (14)                             | (10)                             | (8)                        | -                            | (32)            |
| Transfers in/(out)                                | (40)                             | 40                               | -                          | -                            | -               |
| Depreciation expense                              | (315)                            | (115)                            | (87)                       | (798)                        | (1,315)         |
| Balance at 30 June 2016                           | 1,279                            | 592                              | 270                        | 1,774                        | 3,915           |

Note 10. Non-current assets - intangibles

| Consolidated                                   |                |                |
|--|----------------|----------------|
|  | 2016<br>\$'000 | 2015<br>\$'000 |
| Goodwill - at cost                             | 115,689        | 73,534         |
| Less: Accumulated impairment                   | (6,668)        | (6,649)        |
|  | 109,021        | 66,885         |
| Customer relationships and contracts - at cost | 78,321         | 71,323         |
| Less: Accumulated amortisation                 | (41,941)       | (34,478)       |
| Less: Accumulated impairment                   | (1,779)        | (1,779)        |
|  | 34,601         | 35,066         |
| Software and capitalised development - at cost | 47,403         | 33,295         |
| Less: Accumulated amortisation                 | (28,020)       | (23,303)       |
|  | 19,383         | 9,992          |
| Brands - at cost                               | 24,719         | 18,590         |
|  | 187,724        | 130,533        |

Reconciliations

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

| Consolidated                                      | Goodwill<br>\$'000 | Customer relationships and contracts<br>\$'000 | Software and capitalised development<br>\$'000 | Brands<br>\$'000 | Total<br>\$'000 |
|---|--------------------|--|--|------------------|-----------------|
| Balance at 1 June 2014                            | 64,681             | 39,496   | 12,112   | 18,292           | 134,581         |
| Additions   | -                  | -  | 4,111  | 42               | 4,153           |
| Additions through asset acquisition               | -                  | 1,878  | -  | -                | 1,878           |
| Exchange differences                              | 2,204              | (125)  | 86   | 256              | 2,421           |
| Amortisation expense                              | -                  | (6,183)  | (6,317)  | -                | (12,500)        |
| Balance at 30 June 2015                           | 66,885             | 35,066   | 9,992  | 18,590           | 130,533         |
| Additions   | -                  | -  | 6,677  | 39               | 6,716           |
| Additions through business combinations (note 33) | 41,816             | 3,845  | 7,970  | 6,095            | 59,726          |
| Additions through asset acquisition               | -                  | 2,645  | -  | -                | 2,645           |
| Exchange differences                              | 320                | 226  | (48)   | (5)              | 493             |
| Transfers in/(out)                                | -                  | (37)   | 37   | -                | -               |
| Amortisation expense                              | -                  | (7,144)  | (5,245)  | -                | (12,389)        |
| Balance at 30 June 2016                           | 109,021            | 34,601   | 19,383   | 24,719           | 187,724         |

Goodwill acquired through business combinations has been allocated to the following cash-generating units ('CGUs'):

| Consolidated                            |                |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| ANZ                                     | 70,035         | 48,414         |
| Asia and Rest of the World ('Asia/RoW') | 38,986         | 18,471         |
|   | 109,021        | 66,885         |

Brands have been allocated to the following CGUs:

ANZ: \$21,254,000 (2015: \$16,369,000)  
Asia/RoW: \$3,465,000 (2015: \$2,221,000)

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

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

- 1. Discounted cash flow model based on approved FY2017 budget and business plan for the next 4 years. Terminal growth rates applied are ANZ 7% and Asia/RoW 9%. (2015: Cash flow model based on a 2 year approved budget, 3 years and terminal growth projection using growth rate of ANZ (7%) and Asia/RoW (9%)).
- 2. Weighted average cost of capital: ANZ 11.75% (2015: 11.75%) and Asia/RoW: 15% (2015:15%).

For the financial year ended 30 June 2016, the recoverable amount of net assets of the group is greater than the carrying value of the assets and therefore, the goodwill and other indefinite life intangible assets is not considered to be impaired.

Sensitivity

For all CGUs, any reasonable change in the key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

# Financial Statements (continued)

## Note 11. Non-current assets - deferred tax assets

| Consolidated   |                |                |
|--|----------------|----------------|
|  | 2016<br>\$'000 | 2015<br>\$'000 |
| <i>Deferred tax asset comprises temporary differences attributable to:</i> |                |                |
| Amounts recognised in profit or loss:                                      |                |                |
| Tax losses   | 562            | 557            |
| Impairment of receivables  | 57             | 41             |
| Employee benefits  | 969            | 944            |
| Provision for lease make good  | 42             | 39             |
| Provision for audit fees   | 94             | 107            |
| Accrued lease incentives   | 47             | 45             |
| Accruals and prepayments   | 71             | 50             |
| Unrealised foreign exchange gain/loss                                      | 312            | 312            |
| Intangibles  | 3,823          | 4,647          |
| IPO transaction costs  | 971            | 1,457          |
| Derivative financial instruments   | 30             | -              |
|  | 6,978          | 8,199          |
| Amounts recognised in equity:  |                |                |
| Derivative financial instruments   | 130            | 214            |
| IPO transaction costs  | 635            | 953            |
| Share based payment  | 314            | 89             |
|  | 1,079          | 1,256          |
| Deferred tax asset   | 8,057          | 9,455          |
| <i>Movements:</i>  |                |                |
| Opening balance  | 9,455          | 12,529         |
| Charged to profit or loss (note 6)   | (1,354)        | (3,478)        |
| Charged to equity (note 6)   | (84)           | (24)           |
| Adjustments to profit or loss - Prior year unders / overs                  | 40             | 428            |
| Closing balance  | 8,057          | 9,455          |

## Note 12. Current liabilities - trade and other payables

| Consolidated                |                |                |
|-----------------------------|----------------|----------------|
|                             | 2016<br>\$'000 | 2015<br>\$'000 |
| Trade payables              | 5,884          | 3,205          |
| Amounts received in advance | 4,206          | 2,430          |
| Accrued expenses            | 8,187          | 8,418          |
| Other payables              | 984            | 249            |
|                             | 19,261         | 14,302         |

Refer to note 25 for further information on financial instruments.

## Note 13. Current liabilities - borrowings

| Consolidated           |                |                |
|------------------------|----------------|----------------|
|                        | 2016<br>\$'000 | 2015<br>\$'000 |
| Bank loans             | 56,000         | -              |
| Prepaid facility costs | (125)          | -              |
|                        | 55,875         | -              |

Refer to note 17 for further information on assets pledged as security and financing arrangements.

Refer to note 25 for further information on financial instruments.

### *Bank loans refinance*

On 7 July 2016, the group entered into a second amendment and restatement deed and increase the total bank loans facility from \$65,000,000 to \$75,000,000. The bank loans are secured by fixed and floating charge over the group's assets. The renewed facility is for 3 years with a maturity date on 7 July 2019.

## Note 14. Current liabilities - derivative financial instruments

| Consolidated                                    |                |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| Interest rate swap contracts - cash flow hedges | 532            | 367            |

Refer to note 25 for further information on financial instruments.  
Refer to note 26 for further information on fair value measurement.

## Note 15. Current liabilities - provisions

| Consolidated      |                |                |
|-------------------|----------------|----------------|
|                   | 2016<br>\$'000 | 2015<br>\$'000 |
| Employee benefits | 5,959          | 6,315          |

### *Amounts not expected to be settled within the next 12 months*

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The

entire amount is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees

to take the full amount of accrued long service leave or require payment within the next 12 months.

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

| Consolidated  |                |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| Employee benefits obligation expected to be settled after 12 months | 613            | 589            |

## Note 16. Current liabilities - Contingent consideration

| Consolidated             |                |                |
|--------------------------|----------------|----------------|
|                          | 2016<br>\$'000 | 2015<br>\$'000 |
| Contingent consideration | 6,995          | 260            |

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

## Note 17. Non-current liabilities - borrowings

| Consolidated           |                |                |
|------------------------|----------------|----------------|
|                        | 2016<br>\$'000 | 2015<br>\$'000 |
| Bank loans             | -              | 29,000         |
| Prepaid facility costs | -              | (256)          |
|                        | -              | 28,744         |

Refer to note 25 for further information on financial instruments.

### *Total secured liabilities*

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

| Consolidated |                |                |
|--------------|----------------|----------------|
|              | 2016<br>\$'000 | 2015<br>\$'000 |
| Bank loans   | 56,000         | 29,000         |



Financial Statements (continued)

Assets pledged as security

The bank loans are secured by fixed and floating charge over the group's assets. The loan matures on 5 June 2017.

Financing arrangements

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

| Consolidated                 |                |                |
|------------------------------|----------------|----------------|
|                              | 2016<br>\$'000 | 2015<br>\$'000 |
| Total facilities             |                |                |
| Bank loans                   | 65,000         | 65,000         |
| Used at the reporting date   |                |                |
| Bank loans                   | 56,000         | 29,000         |
| Unused at the reporting date |                |                |
| Bank loans                   | 9,000          | 36,000         |

Of the \$9,000,000 (2015: \$36,000,000) remaining facility, \$316,000 (2015: \$316,000) has been used for bank guarantees.

Note 18. Non-current liabilities - derivative financial instruments

| Consolidated                                    |                |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| Interest rate swap contracts - cash flow hedges | -              | 346            |

Refer to note 25 for further information on financial instruments.  
Refer to note 26 for further information on fair value measurement.

Note 19. Non-current liabilities - deferred tax liabilities

| Consolidated   |                |                |
|--|----------------|----------------|
|  | 2016<br>\$'000 | 2015<br>\$'000 |
| <i>Deferred tax liability comprises temporary differences attributable to:</i> |                |                |
| Amounts recognised in profit or loss:  |                |                |
| Property, plant and equipment  | (15)           | 23             |
| Customer relationships and contracts from acquisition                          | 7,597          | 7,645          |
| Internally generated software  | 2,327          | 935            |
| Deferred revenue and unpaid rent   | 582            | -              |
| Deferred tax liability   | 10,491         | 8,603          |
| <i>Movements:</i>  |                |                |
| Opening balance  | 8,603          | 9,225          |
| Charged to profit or loss (note 6)   | (271)          | (1,625)        |
| Additions through business combinations (note 33)                              | 1,960          | -              |
| Adjustments to profit or loss - prior year unders/overs                        | 199            | 1,003          |
| Closing balance  | 10,491         | 8,603          |

Note 20. Non-current liabilities - provisions

| Consolidated              |                |                |
|---------------------------|----------------|----------------|
|                           | 2016<br>\$'000 | 2015<br>\$'000 |
| Employee benefits         | 431            | 351            |
| Deferred lease incentives | 243            | 151            |
| Lease make good           | 139            | 131            |
|                           | 831            | 633            |

Deferred lease incentives

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

Lease make good

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

Movements in provisions

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

|  | Deferred lease<br>incentives<br>\$'000 | Lease<br>make good<br>\$'000 |
|--|--|------------------------------|
| Consolidated - 2016                      |  |                              |
| Carrying amount at the start of the year | 151                                    | 131                          |
| Additional provisions recognised         | 92                                     | 8                            |
| Carrying amount at the end of the year   | 243                                    | 139                          |

Note 21. Non-current liabilities - Contingent consideration

| Consolidated             |                |                |
|--------------------------|----------------|----------------|
|                          | 2016<br>\$'000 | 2015<br>\$'000 |
| Contingent consideration | 21,748         | 124            |

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

Financial Statements (continued)

Note 22. Equity - issued capital

|                              | Consolidated   |                |                |                |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | 2016<br>Shares | 2015<br>Shares | 2016<br>\$'000 | 2015<br>\$'000 |
| Ordinary shares - fully paid | 200,000,001    | 200,000,001    | 403,662        | 403,442        |

Movements in ordinary share capital

| Details                                   | Date         | Shares      | \$'000  |
|---|--------------|-------------|---------|
| Balance                                   | 1 July 2014  | 200,000,001 | 403,852 |
| Share issue transaction costs, net of tax |              | -           | (190)   |
| Balance                                   | 30 June 2015 | 200,000,001 | 403,662 |
| Balance                                   | 30 June 2016 | 200,000,001 | 403,662 |

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

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

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

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

The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

Note 23. Equity - reserves

|                                    | Consolidated   |                |
|------------------------------------|----------------|----------------|
|                                    | 2016<br>\$'000 | 2015<br>\$'000 |
| Foreign currency reserve           | 6,196          | 6,649          |
| Hedging reserve - cash flow hedges | (302)          | (499)          |
| Share-based payments reserve       | 1,048          | 298            |
| Capital reserve                    | (258,229)      | (258,229)      |
|                                    | (251,287)      | (251,781)      |

Foreign currency reserve

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

Hedging reserve - cash flow hedges

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

Share-based payments reserve

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

Capital reserve

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

Movements in reserves

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

| Consolidated                                 | Foreign<br>currency<br>\$'000 | Hedging<br>\$'000 | Share-based<br>payment<br>\$'000 | Capital<br>\$'000 | Total<br>\$'000 |
|--|-------------------------------|-------------------|----------------------------------|-------------------|-----------------|
| Balance at 1 July 2014                       | 2,937                         | (111)             | -                                | (258,229)         | (255,403)       |
| Foreign currency translation                 | 3,712                         | -                 | -                                | -                 | 3,712           |
| Net change in fair value of cash flow hedges | -                             | (388)             | -                                | -                 | (388)           |
| Share-based payment                          | -                             | -                 | 298                              | -                 | 298             |
| Balance at 30 June 2015                      | 6,649                         | (499)             | 298                              | (258,229)         | (251,781)       |
| Foreign currency translation                 | (453)                         | -                 | -                                | -                 | (453)           |
| Net change in fair value of cash flow hedges | -                             | 197               | -                                | -                 | 197             |
| Share-based payment                          | -                             | -                 | 750                              | -                 | 750             |
| Balance at 30 June 2016                      | 6,196                         | (302)             | 1,048                            | (258,229)         | (251,287)       |



# Financial Statements (continued)

## Note 24. Equity - dividends

Dividends

Dividends paid during the financial year were as follows:

| Consolidated  |                |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| Final dividend for the year ended 30 June 2015 (2015: 30 June 2014) of 3.8 cents (2015: nil) per ordinary share         | 7,600          | -              |
| Interim dividend for the year ended 30 June 2016 (2015: 30 June 2015) of 3.7 cents (2015: 3.1 cents) per ordinary share | 7,400          | 6,200          |
|   | 15,000         | 6,200          |

On 23 August 2016, the directors declared a fully franked final dividend for the year ended 30 June 2016 of 4.430 cents per ordinary shares, to be paid on 20 September 2016 to eligible shareholders on the register as at 6 September 2016. This equates to a total estimated distribution of \$8,860,000, based on the number of ordinary shares on issue as at 30 June 2016. The financial effect of dividends declared after the reporting date are not reflected in the 30 June 2016 financial statements and will be recognised in subsequent financial reports.

Franking credits

| Consolidated   |                |                |
|--|----------------|----------------|
|  | 2016<br>\$'000 | 2015<br>\$'000 |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 2,720          | -              |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

There was no franking credit balance as at 30 June 2015.

## Note 25. Financial instruments

### Financial risk management objectives

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

## Market risk

Foreign currency risk

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

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

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

| Consolidated      | Assets         |                | Liabilities    |                |
|-------------------|----------------|----------------|----------------|----------------|
|                   | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| US dollars        | 3,852          | 1,379          | 390            | 125            |
| Singapore dollars | 200            | 448            | -              | -              |
| Others            | 374            | 180            | 115            | 2              |
|                   | 4,426          | 2,007          | 505            | 127            |

The group had net assets denominated in foreign currencies of \$3,921,000 (assets \$4,426,000 less liabilities \$505,000) as at 30 June 2016 (2015: \$1,880,000 (assets \$2,007,000 less liabilities \$127,000)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2015: weakened by 10%/strengthened by 10%) against these foreign currencies with all other variables held constant, the group's profit before tax for the year and equity would have been \$392,000 higher/\$392,000 lower (2015: \$188,000 lower/\$188,000 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last six months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2016 was \$39,000 (2015: gain of \$89,000).

Price risk

The group is not exposed to any significant price risk.

Interest rate risk

The group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The policy is to maintain 50% to 75% of borrowing facility at fixed rate using interest rate swaps to achieve this when necessary. Actual hedge at 30 June 2016 was 74% (2015: 100%) of the principal outstanding.

As a result of the interest rate swaps and available cash balances, the group is not exposed to any significant interest rate risk arising from changes to official interest rates.

Derivatives interest rate swap

The group has entered into interest rate swap contracts with notional/principal value as at 30 June 2016 of \$41,250,000 (2015: \$41,250,000). The interest rate swap contract hedge the group's risk against increases in variable interest rates. The contract matures on 5 June 2017. The weighted average fixed rate is 2.98% (2015: 2.98%).

# Financial Statements (continued)

## Note 25. Financial instruments (continued)

### Credit risk

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

### Liquidity risk

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

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

#### Financing arrangements

Unused borrowing facilities at the reporting date:

|            | Consolidated   |                |
|------------|----------------|----------------|
|            | 2016<br>\$'000 | 2015<br>\$'000 |
| Bank loans | 9,000          | 36,000         |

Of the \$9,000,000 (2015: \$36,000,000) remaining facility, \$316,000 (2015: \$316,000) has been used for bank guarantees.

#### Remaining contractual maturities

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

|                                 | Weighted<br>average<br>interest rate<br>% | 1 year or less<br>\$'000 | Between 1<br>and 2 years<br>\$'000 | Between 2<br>and 5 years<br>\$'000 | Over 5 years<br>\$'000 | Remaining<br>contractual<br>maturities<br>\$'000 |
|---------------------------------|---|--------------------------|------------------------------------|------------------------------------|------------------------|--|
| Consolidated - 2016             |   |                          |                                    |                                    |                        |  |
| Non-derivatives                 |   |                          |                                    |                                    |                        |  |
| Non-interest bearing            |   |                          |                                    |                                    |                        |  |
| Trade payables                  | -   | 5,884                    | -                                  | -                                  | -                      | 5,884  |
| Other payables                  | -   | 984                      | -                                  | -                                  | -                      | 984  |
| Contingent consideration        | -   | 6,995                    | 16,731                             | 6,054                              | -                      | 29,780   |
| Interest-bearing - variable     |   |                          |                                    |                                    |                        |  |
| Bank loans                      | 5.19%                                     | 58,153                   | -                                  | -                                  | -                      | 58,153   |
| Total non-derivatives           |   | 72,016                   | 16,731                             | 6,054                              | -                      | 94,801   |
| Derivatives                     |   |                          |                                    |                                    |                        |  |
| Interest rate swaps net settled | -   | 532                      | -                                  | -                                  | -                      | 532  |
| Total derivatives               |   | 532                      | -                                  | -                                  | -                      | 532  |

|                                 | Weighted<br>average<br>interest rate<br>% | 1 year or less<br>\$'000 | Between 1<br>and 2 years<br>\$'000 | Between 2<br>and 5 years<br>\$'000 | Over 5 years<br>\$'000 | Remaining<br>contractual<br>maturities<br>\$'000 |
|---------------------------------|---|--------------------------|------------------------------------|------------------------------------|------------------------|--|
| Consolidated - 2015             |   |                          |                                    |                                    |                        |  |
| Non-derivatives                 |   |                          |                                    |                                    |                        |  |
| Non-interest bearing            |   |                          |                                    |                                    |                        |  |
| Trade payables                  | -   | 3,205                    | -                                  | -                                  | -                      | 3,205  |
| Other payables                  | -   | 249                      | -                                  | -                                  | -                      | 249  |
| Earn-out provision              | -   | 260                      | 124                                | -                                  | -                      | 384  |
| Interest-bearing - variable     |   |                          |                                    |                                    |                        |  |
| Bank loans                      | 4.04%                                     | 1,172                    | 30,074                             | -                                  | -                      | 31,246   |
| Total non-derivatives           |   | 4,886                    | 30,198                             | -                                  | -                      | 35,084   |
| Derivatives                     |   |                          |                                    |                                    |                        |  |
| Interest rate swaps net settled | -   | 367                      | 346                                | -                                  | -                      | 713  |
| Total derivatives               |   | 367                      | 346                                | -                                  | -                      | 713  |



# Financial Statements (continued)

## Note 26. Fair value measurement

### Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

|   | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| Consolidated - 2016                             |                   |                   |                   |                 |
| Liabilities                                     |                   |                   |                   |                 |
| Interest rate swap contracts - cash flow hedges | -                 | 532               | -                 | 532             |
| Contingent consideration                        | -                 | -                 | 28,743            | 28,743          |
| Total liabilities                               | -                 | 532               | 28,743            | 29,275          |

|   | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| Consolidated - 2015                             |                   |                   |                   |                 |
| Liabilities                                     |                   |                   |                   |                 |
| Interest rate swap contracts - cash flow hedges | -                 | 713               | -                 | 713             |
| Earn-out provision                              | -                 | -                 | 384               | 384             |
| Total liabilities                               | -                 | 713               | 384               | 1,097           |

There were no transfers between levels during the financial year.

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

### Valuation techniques for fair value measurements categorised within level 2 and level 3

Interest rate swap contracts have been valued at each reporting date using quoted market rates. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counter parties. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Contingent consideration is valued at each reporting date based on the likely settlement amount, discounted to present value. The fair value is determined using the discounted cash flow method. Significant unobservable valuation inputs in relation to contingent consideration includes, estimated earnings before interest, tax, depreciation and amortisation ('EBITDA'), Revenue and the discount rate.

### Level 3 assets and liabilities

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

| Consolidated   | Contingent consideration<br>\$'000 | Total<br>\$'000 |
|--|------------------------------------|-----------------|
| Balance at 1 July 2014   | (512)                              | (512)           |
| Net (loss)/gain recognised in other expenses in profit or loss         | (94)                               | (94)            |
| Contingent consideration payout  | 222                                | 222             |
| Balance at 30 June 2015  | (384)                              | (384)           |
| Contingent consideration recognised on business combinations (note 33) | (27,897)                           | (27,897)        |
| Contingent consideration recognised on purchase of intangibles         | (1,426)                            | (1,426)         |
| Net (loss)/gain recognised in other expenses in profit or loss         | 661                                | 661             |
| Contingent consideration payout  | 303                                | 303             |
| Balance at 30 June 2016  | (28,743)                           | (28,743)        |

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

| Description  | Unobservable inputs | Range (weighted average)                                  | Sensitivity  |
|--|---------------------|---|--|
| Contingent consideration - King Content 2016           | EBITDA              | Range of \$3,061,000 to \$3,742,000 (average \$3,402,000) | 10% increase in EBITDA would result in increase in fair value by \$680,000 10% decrease in EBITDA would result in decrease in fair value by \$680,000.       |
| Contingent consideration - King Content 2017           | EBITDA              | Range of \$5,532,000 to \$6,761,000 (average \$6,146,000) | 10% increase in EBITDA would result in increase in fair value by \$1,182,000 10% decrease in EBITDA would result in decrease in fair value by \$1,182,000.   |
| Contingent consideration - SNC Korea acquisition       | Revenue             | Range of \$8,075,000 to \$9,869,000 (average \$8,972,000) | 10% increase in Revenue would result in increase in fair value by \$673,000 and 10% decrease in Revenue would result in decrease in fair value by \$673,000. |
| Contingent consideration - Beyond acquisition          | Revenue             | Range of \$3,560,000 to \$4,351,000 (average \$3,956,000) | 10% increase in Revenue would result in increase in fair value by \$178,000 and 10% decrease in Revenue would result in decrease in fair value by \$178,000. |
| Contingent consideration - New Point Marketing Limited | Revenue             | Range of \$1,689,000 to \$2,064,000 (average \$1,877,000) | 10% increase in Revenue would result in increase in fair value by \$142,000 and 10% decrease in Revenue would result in decrease in fair value by \$142,000. |

Discount rate of 4% was applied in calculating the discounted cash flow model. 0.5% increase in discount rate would decrease fair value by \$122,000. 0.5% decrease in discount rate would increase fair value of contingent consideration by \$122,000.

# Financial Statements (continued)

## Note 27. Key management personnel disclosures

Compensation

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

|                              | Consolidated |            |
|------------------------------|--------------|------------|
|                              | 2016<br>\$   | 2015<br>\$ |
| Short-term employee benefits | 2,350,728    | 2,760,792  |
| Post-employment benefits     | 111,413      | 120,170    |
| Long-term benefits           | 22,892       | 25,471     |
| Share-based payments         | 532,375      | 224,798    |
|                              | 3,017,408    | 3,131,231  |

## Note 28. Remuneration of auditors

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

|   | Consolidated |            |
|---|--------------|------------|
|   | 2016<br>\$   | 2015<br>\$ |
| <i>Audit services - Deloitte Touche Tohmatsu</i>  |              |            |
| Audit or review of the financial statements   | 285,000      | 285,000    |
| <i>Other services - Deloitte Touche Tohmatsu</i>  |              |            |
| Tax services  | 55,000       | 99,750     |
| Other services  | 45,000       | -          |
|   | 100,000      | 99,750     |
|   | 385,000      | 384,750    |
| <i>Audit services - Deloitte International Associates - Services provided to International Subsidiaries</i> |              |            |
| Audit or review of the financial statements   | 126,169      | 110,841    |
| <i>Other services - Deloitte International Associates</i>   |              |            |
| Tax Services  | 18,114       | 41,027     |
| Other   | -            | 47,368     |
|   | 18,114       | 88,395     |
|   | 144,283      | 199,236    |
| <i>Audit services - unrelated firms</i>   |              |            |
| Audit or review of the financial statements   | 43,901       | 44,124     |
| <i>Other services - unrelated firms</i>   |              |            |
| Tax compliance services   | 110,336      | 11,703     |
|   | 154,237      | 55,827     |

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

## Note 29. Contingent liabilities

|                 | Consolidated   |                |
|-----------------|----------------|----------------|
|                 | 2016<br>\$'000 | 2015<br>\$'000 |
| Bank guarantees | 316            | 316            |

## Note 30. Commitments

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| <i>Lease commitments - operating</i>  |                |                |
| Committed at the reporting date but not recognised as liabilities, payable: |                |                |
| Within one year   | 3,939          | 3,311          |
| One to five years   | 5,523          | 4,360          |
|   | 9,462          | 7,671          |

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

## Note 31. Related party transactions

Parent entity

Isentia Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

Key management personnel

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

Transactions with related parties

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

Receivable from and payable to related parties

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

Loans to/from related parties

As at 30 June 2016, the group has provided a loan to a senior management personnel in the amount of \$101,040 (2015:\$nil). The loan was fully repaid after year end. There were no further loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

## Note 32. Parent entity information

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

Statement of profit or loss and other comprehensive income

|                            | Parent         |                |
|----------------------------|----------------|----------------|
|                            | 2016<br>\$'000 | 2015<br>\$'000 |
| Loss after income tax      | (387)          | (703)          |
| Total comprehensive income | (387)          | (703)          |

Statement of financial position

|                              | Parent         |                |
|------------------------------|----------------|----------------|
|                              | 2016<br>\$'000 | 2015<br>\$'000 |
| Total current assets         | -              | -              |
| Total assets                 | 373,335        | 387,971        |
| Total current liabilities    | -              | -              |
| Total liabilities            | -              | -              |
| Equity                       |                |                |
| Issued capital               | 403,662        | 403,662        |
| Share-based payments reserve | 1,048          | 298            |
| Accumulated losses           | (31,375)       | (15,989)       |
| Total equity                 | 373,335        | 387,971        |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and its Australian subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries. Refer to note 35 for further details.

# Financial Statements (continued)

## Note 32. Parent entity information (continued)

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## Note 33. Business combinations

*King Content Pty Limited*

On 21 August 2015, the group acquired 100% of the ordinary shares of King Content Pty Limited and its subsidiaries ('King Content') for the total consideration transferred of \$46,798,000.

King Content is involved in content marketing services with the parent entity domiciled in Australia. The acquisition further diversifies the group's services across owned and earned media in one of the fastest growing segments of the communications and marketing industries.

The goodwill of \$30,888,000 represents the expected future growth of King Content. The acquired business contributed revenues of \$20,560,000 and profit after tax of \$3,106,000 to the group for the period from 21 August 2015 to 30 June 2016. If the acquisition occurred on 1 July 2015, the contributions for the period 1 July 2015 to 30 June 2016 would have been revenues of \$23,490,000 and profit after tax of \$3,276,000. The values identified in relation to the acquisition of King Content are final as at 30 June 2016.

Details of the acquisition are as follows:

|  | Fair value<br>\$'000 |
|--|----------------------|
| Cash and cash equivalents  | 917                  |
| Trade and other receivables  | 4,511                |
| Other current assets   | 113                  |
| Plant and equipment  | 309                  |
| Intangibles other than goodwill                                    | 17,910               |
| Trade and other payables   | (5,136)              |
| Provision for income tax   | (754)                |
| Deferred tax liability   | (1,960)              |
| Net assets acquired  | 15,910               |
| Goodwill   | 30,888               |
| Acquisition-date fair value of the total consideration transferred | 46,798               |
| Representing:  |                      |
| Cash paid or payable to vendor                                     | 27,403               |
| Contingent consideration   | 19,395               |
|  | 46,798               |
| Acquisition costs expensed to profit or loss                       | 656                  |
| Cash used to acquire business, net of cash acquired:               |                      |
| Cash paid to vendor  | 27,403               |
| Less: cash and cash equivalents acquired                           | (917)                |
| Net cash used  | 26,486               |



Financial Statements (continued)

Note 33. Business combinations (continued)

Acquisition of Isentia SNC Korea Co., Ltd & The Beyond Co., Ltd.

On 9 June 2016, the group acquired 100% of the ordinary shares of Isentia SNC Korea Co., Ltd (‘SNC’) for a total consideration of \$7,846,000. On 16 June 2016, SNC completed a business combination by acquiring 51% of the ordinary shares of The Beyond Co., Ltd. (‘Beyond’) for a total consideration of \$3,459,000.

SNC has an option to purchase an additional 29% of the ordinary shares of Beyond from 9 June 2017 to 9 June 2022 and another option to purchase an additional 20% of the ordinary shares from 9 June 2018 to 9 June 2022, effectively giving the group 100% control of Beyond.

SNC and Beyond are involved in media intelligence in South Korean market. The acquisitions provide the group with a strategic entry into this key growth market with a strong client base and experienced local management team.

The goodwill of \$10,928,000 represents the expected future growth of SNC and Beyond. The initial accounting for the acquisition of SNC and Beyond has only been provisionally determined at the end of the reporting period.

Details of the acquisition are as follows:

|  | Fair value<br>\$’000 |
|--|----------------------|
| Cash and cash equivalents  | 73                   |
| Trade receivables  | 436                  |
| Prepayments  | 11                   |
| Property, plant and equipment                                      | 52                   |
| Other non-current assets   | 93                   |
| Trade and other payables   | (288)                |
| Net assets acquired  | 377                  |
| Goodwill   | 10,928               |
| Acquisition-date fair value of the total consideration transferred | 11,305               |
| Representing:  |                      |
| Cash paid or payable to vendor                                     | 2,803                |
| Contingent consideration   | 8,502                |
|  | 11,305               |
| Acquisition costs expensed to profit or loss                       | 237                  |
| Cash used to acquire business, net of cash acquired:               |                      |
| Cash paid to vendor  | 2,803                |
| Less: cash and cash equivalents acquired                           | (73)                 |
| Net cash used  | 2,730                |

Note 34. Interests in subsidiaries

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

|   |   | Ownership interest |           |
|---|---|--------------------|-----------|
| Name  | Principal place of business /<br>Country of incorporation | 2016<br>%          | 2015<br>% |
| Isentia Holdings Pty Limited                        | Australia   | 100.00%            | 100.00%   |
| Isentia Finance Pty Limited                         | Australia   | 100.00%            | 100.00%   |
| Isentia Pty Limited                                 | Australia   | 100.00%            | 100.00%   |
| Slice Media Pty Limited                             | Australia   | 100.00%            | 100.00%   |
| Media Monitors Pty Limited                          | Australia   | 100.00%            | 100.00%   |
| BuzzNumbers Pty Limited                             | Australia   | 100.00%            | 100.00%   |
| Brandtology Pty Ltd*                                | Australia   | -                  | 100.00%   |
| King Content Pty Ltd                                | Australia   | 100.00%            | -         |
| Isentia Limited                                     | New Zealand   | 100.00%            | 100.00%   |
| Slice Media Limited*                                | New Zealand   | -                  | 100.00%   |
| Mediapeople Limited*                                | New Zealand   | -                  | 100.00%   |
| Isentia Operations Sdn. Bhd.                        | Malaysia  | 100.00%            | 100.00%   |
| Isentia Group Sdn. Bhd.                             | Malaysia  | 100.00%            | 100.00%   |
| Isentia Library Group Sdn. Bhd.                     | Malaysia  | 100.00%            | 100.00%   |
| Isentia (M) Sdn. Bhd.                               | Malaysia  | 100.00%            | 100.00%   |
| Isentia (Johor Bahru) Sdn. Bhd.                     | Malaysia  | 100.00%            | 100.00%   |
| Brandtology Sdn. Bhd. (Malaysia) Company            | Malaysia  | 100.00%            | 100.00%   |
| Isentia Pte Limited                                 | Singapore   | 100.00%            | 100.00%   |
| Isentia Brandtology Pte Limited                     | Singapore   | 100.00%            | 100.00%   |
| PT Isentia Jakarta                                  | Indonesia   | 100.00%            | 100.00%   |
| Isentia Vietnam Co. Investment                      | Vietnam   | 100.00%            | 100.00%   |
| Isentia Manila Inc.                                 | Philippines   | 100.00%            | 100.00%   |
| Isentia Monitoring Services (Thailand) Ltd          | Thailand  | 100.00%            | 100.00%   |
| Isentia Bangkok Company Limited                     | Thailand  | 100.00%            | 100.00%   |
| Brandtology, Inc.                                   | USA   | 100.00%            | 100.00%   |
| King Content (USA), Inc                             | USA   | 100.00%            | -         |
| Isentia Limited                                     | Hong Kong   | 100.00%            | 100.00%   |
| King Content Limited Hong Kong                      | Hong Kong   | 100.00%            | -         |
| King Content (SG) Pte Ltd                           | Singapore   | 100.00%            | -         |
| Brandtology Co., Ltd                                | China   | 100.00%            | 100.00%   |
| Beijing Isentia Information Consulting Co., Limited | China   | 100.00%            | 100.00%   |
| King Content Ltd                                    | UK  | 100.00%            | -         |
| Isentia SNC Korea Co., Ltd                          | South Korea   | 100.00%            | -         |
| The Beyond Co., Ltd.**                              | South Korea   | 51.00%             | -         |

\* Denotes entities deregistered during the year.  
\*\* The group has applied provisional accounting on the acquisition of the Beyond Co., Ltd where the group holds options on the remaining issued shares, which are deemed to have been acquired, and therefore no non-controlling interest is recognised.

# Financial Statements (continued)

## Note 35. Deed of cross guarantee

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

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

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

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

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

| Statement of profit or loss and other comprehensive income               | 2016<br>\$'000 | 2015<br>\$'000 |
|--|----------------|----------------|
| Revenue  | 100,742        | 93,253         |
| Other income   | 51             | 47             |
| Copyright, consumables and other direct purchases                        | (25,808)       | (25,793)       |
| Depreciation and amortisation expense                                    | (8,759)        | (11,148)       |
| Employee benefits expense  | (31,312)       | (31,524)       |
| Occupancy costs  | (2,259)        | (2,181)        |
| Other expenses   | (4,733)        | (1,823)        |
| Finance costs  | (3,176)        | (2,535)        |
| Profit before income tax expense   | 24,746         | 18,296         |
| Income tax expense   | (6,312)        | (5,006)        |
| Profit after income tax expense  | 18,434         | 13,290         |
| Other comprehensive income   |                |                |
| Net change in fair value of cash flow hedges taken to equity, net of tax | 197            | (388)          |
| Exchange differences on translating foreign operations, net of tax       | 84             | 3,517          |
| Other comprehensive income for the year, net of tax                      | 281            | 3,129          |
| Total comprehensive income for the year                                  | 18,715         | 16,419         |

| Equity - retained profits                                 | 2016<br>\$'000 | 2015<br>\$'000 |
|---|----------------|----------------|
| Accumulated losses at the beginning of the financial year | (41,198)       | (48,288)       |
| Profit after income tax expense                           | 18,434         | 13,290         |
| Dividends paid  | (15,000)       | (6,200)        |
| Accumulated losses at the end of the financial year       | (37,764)       | (41,198)       |

| Statement of financial position  | 2016<br>\$'000 | 2015<br>\$'000 |
|----------------------------------|----------------|----------------|
| Current assets                   |                |                |
| Cash and cash equivalents        | 2,750          | 2,431          |
| Trade and other receivables      | 19,018         | 16,055         |
| Prepayments                      | 828            | 1,115          |
|                                  | 22,596         | 19,601         |
| Non-current assets               |                |                |
| Receivable from subsidiaries     | 9,360          | 7,150          |
| Investment in subsidiaries       | 90,141         | 32,200         |
| Property, plant and equipment    | 1,337          | 957            |
| Intangibles                      | 90,867         | 93,352         |
| Deferred tax assets              | 7,285          | 8,806          |
| Other                            | 40             | 40             |
|                                  | 199,030        | 142,505        |
| Total assets                     | 221,626        | 162,106        |
| Current liabilities              |                |                |
| Trade and other payables         | 12,150         | 10,412         |
| Borrowings                       | 55,875         | -              |
| Derivative financial instruments | 532            | 367            |
| Current tax liabilities          | 1,605          | 1,940          |
| Provisions                       | 4,029          | 4,315          |
| Contingent consideration         | 6,995          | -              |
|                                  | 81,186         | 17,034         |
| Non-current liabilities          |                |                |
| Borrowings                       | -              | 28,744         |
| Derivative financial instruments | -              | 346            |
| Deferred tax liabilities         | 6,658          | 6,697          |
| Provisions                       | 727            | 1,017          |
| Contingent consideration         | 20,321         | -              |
|                                  | 27,706         | 36,804         |
| Total liabilities                | 108,892        | 53,838         |
| Net assets                       | 112,734        | 108,268        |
| Equity                           |                |                |
| Issued capital                   | 403,662        | 403,662        |
| Reserves                         | (253,164)      | (254,196)      |
| Accumulated losses               | (37,764)       | (41,198)       |
| Total equity                     | 112,734        | 108,268        |

Financial Statements (continued)

Note 36. Reconciliation of profit after income tax to net cash from operating activities

| Consolidated  |                |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| Profit after income tax expense for the year        | 24,252         | 19,616         |
| Adjustments for:                                    |                |                |
| Depreciation and amortisation                       | 13,704         | 13,592         |
| Write off of property, plant and equipment          | 53             | 8              |
| Share-based payments                                | 750            | 298            |
| Finance costs - non-cash                            | 231            | 137            |
| Net fair value movement on contingent consideration | (661)          | -              |
| Bad and doubtful debt expense                       | 244            | -              |
| Change in operating assets and liabilities:         |                |                |
| Increase in trade and other receivables             | (7,756)        | (4,865)        |
| Decrease in deferred tax assets                     | 1,398          | 2,884          |
| Increase in prepayments                             | (662)          | (237)          |
| Increase/(decrease) in trade and other payables     | (510)          | 2,833          |
| Increase/(decrease) in provision for income tax     | (24)           | 1,921          |
| Decrease in deferred tax liabilities                | (72)           | (456)          |
| Increase/(decrease) in employee benefits            | (276)          | 57             |
| Increase in other provisions                        | 100            | 134            |
| Net cash from operating activities                  | 30,771         | 35,922         |

Note 37. Earnings per share

| Consolidated  |                |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| Profit after income tax attributable to the owners of Isentia Group Limited | 24,252         | 19,616         |

|   | Number      | Number      |
|---|-------------|-------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share   | 200,000,001 | 200,000,001 |
| Adjustments for calculation of diluted earnings per share:                                |             |             |
| Options over ordinary shares  | 462,887     | 203,917     |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 200,462,888 | 200,203,918 |

|                            | Cents  | Cents |
|----------------------------|--------|-------|
| Basic earnings per share   | 12.126 | 9.808 |
| Diluted earnings per share | 12.098 | 9.798 |

Note 38. Share-based payments

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

During the financial year 2,228,643 (2015: 476,743) options were granted. The share-based payment expense for the year was \$750,000 (2015: \$298,000).

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

| 2016                            |             |                |                                  |           |           |                             |                                |
|---------------------------------|-------------|----------------|----------------------------------|-----------|-----------|-----------------------------|--------------------------------|
| Grant date                      | Expiry date | Exercise price | Balance at the start of the year | Granted   | Exercised | Expired / forfeited / other | Balance at the end of the year |
| 16/06/2014                      | 30/06/2018  | \$2.04         | 965,743                          | -         | -         | -                           | 965,743                        |
| 10/12/2014                      | 30/06/2018  | \$2.04         | 341,348                          | -         | -         | -                           | 341,348                        |
| 19/11/2015                      | 30/06/2019  | \$3.75         | -                                | 2,228,643 | -         | -                           | 2,228,643                      |
|                                 |             |                | 1,307,091                        | 2,228,643 | -         | -                           | 3,535,734                      |
| Weighted average exercise price |             |                | \$2.04                           | \$3.75    | \$0.00    | \$0.00                      | \$3.12                         |

| 2015                            |             |                |                                  |         |           |                             |                                |
|---------------------------------|-------------|----------------|----------------------------------|---------|-----------|-----------------------------|--------------------------------|
| Grant date                      | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired / forfeited / other | Balance at the end of the year |
| 16/06/2014                      | 30/06/2018  | \$2.04         | 965,743                          | -       | -         | -                           | 965,743                        |
| 10/12/2014                      | 30/06/2018  | \$2.04         | -                                | 476,229 | -         | (134,881)                   | 341,348                        |
|                                 |             |                | 965,743                          | 476,229 | -         | (134,881)                   | 1,307,091                      |
| Weighted average exercise price |             |                | \$2.04                           | \$2.04  | \$0.00    | \$2.04                      | \$2.04                         |

The weighted average share price during the financial year was \$3.74 (2015: \$3.05).

The weighted average remaining contractual life of options outstanding at the end of the financial year was two to three years (2015: three years).

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

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 19/11/2015 | 30/06/2019  | \$4.11                    | \$3.75         | 27.00%              | 3.35%          | 2.00%                   | \$0.59                   |

Options issued under EPS Tranche: Key assumptions are the same as the TSR Tranche disclosed above, fair value at grant date amounted to \$0.62.



# Financial Statements (continued)

## Note 39. Events after the reporting period

*Bank loans refinance*

On 7 July 2016, the group entered into a second amendment and restatement deed and increased the total bank loans facility from \$65,000,000 to \$75,000,000. The bank loans are secured by fixed and floating charge over the group's assets. The renewed facility is for 3 years with a maturity date of 7 July 2019.

The existing bank loan facility has been classified as current at 30 June 2016.

Apart from the dividend declared as disclosed in note 24, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

# Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 35 to the financial statements.

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

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

On behalf of the directors



**Doug Flynn**  
Chairman

23 August 2016  
Sydney



**John Croll**  
Chief Executive Officer and Managing Director



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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

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

INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ISENTIA GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of ISENTIA Group Limited (the "Company"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 34 to 79.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 judgement, 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 company's preparation of the financial report that gives a true and fair view, 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 company'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.

Auditor's Independence Declaration

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

Opinion

In our opinion:

(a) the financial report of ISENTIA Group 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 statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 28 of 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 section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of ISENTIA Group Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Deloitte Touche Tohmatsu

Sandeep Chadha  
Partner  
Chartered Accountants  
Sydney, 23 August 2016

# Shareholder Information

The shareholder information set out below was applicable as at 10 August 2016.

## Distribution of equitable securities

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

|                                       | Number of holders of ordinary shares | Number of holders of options over ordinary shares |
|---------------------------------------|--------------------------------------|---|
| 1 to 1,000                            | 2,600                                | -   |
| 1,001 to 5,000                        | 3,828                                | -   |
| 5,001 to 10,000                       | 1,191                                | -   |
| 10,001 to 100,000                     | 668                                  | -   |
| 100,001 and over                      | 54                                   | 7   |
|                                       | 8,341                                | 7   |
| Holding less than a marketable parcel | 218                                  | -   |

## Equity security holders

Twenty largest quoted equity security holders

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

| Ordinary shares  |             |                          |
|--|-------------|--------------------------|
|  | Number held | % of total shares issued |
| J P Morgan Nominees Australia Limited                                      | 54,941,870  | 27.47                    |
| HSBC Custody Nominees (Australia) Limited                                  | 35,188,195  | 17.59                    |
| National Nominees Limited  | 23,285,712  | 11.64                    |
| Citicorp Nominees Pty Limited  | 16,260,062  | 8.13                     |
| John Andrew Croll  | 6,345,658   | 3.17                     |
| BNP Paribas Noms Pty Ltd   | 5,670,782   | 2.84                     |
| UBS Nominees Pty Ltd   | 3,967,775   | 1.98                     |
| BNP Paribas Noms (NZ) Ltd  | 2,104,174   | 1.05                     |
| Citicorp Nominees Pty Limited (Colonial First State Inv A/C)               | 2,007,411   | 1.00                     |
| RBC Investor Services Australia Nominees Pty Limited (Bkmini A/c)          | 1,815,767   | 0.91                     |
| Taverners No11 Pty Ltd (Brencorp No11 Unit A/C)                            | 1,358,157   | 0.68                     |
| CS Fourth Nominees Pty Limited (HSBC Cust Nom AU Ltd 11 A/C)               | 1,171,619   | 0.59                     |
| HSBC Custody Nominees (Australia) Limited (NT-Commonwealth Super Corp A/C) | 844,373     | 0.42                     |
| Taverners No11 Pty Ltd (Stoneyville Invest Unit A/C)                       | 744,255     | 0.37                     |
| Taverners No11 Pty Ltd (Scanlon Foundation RC A/C)                         | 639,967     | 0.32                     |
| Mirrabooka Investments Limited   | 582,149     | 0.29                     |
| Sandhurst Trustees Ltd (DMP Asset Management A/C)                          | 563,478     | 0.28                     |
| Joseph De Battista   | 492,681     | 0.25                     |
| MJC Pty Ltd  | 490,197     | 0.25                     |
| HSBC Custody Nominees (Australia) Limited - A/C 2                          | 484,927     | 0.24                     |
|  | 158,959,209 | 79.47                    |

Unquoted equity securities

|                                     | Number on issue | Number of holders |
|-------------------------------------|-----------------|-------------------|
| Options over ordinary shares issued | 3,535,734       | 7                 |

## Substantial holders

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

| Ordinary shares             |             |                          |
|-----------------------------|-------------|--------------------------|
|                             | Number held | % of total shares issued |
| National Australia Bank Ltd | 16,637,082  | 8.32                     |
| UBS Group AG                | 15,254,641  | 7.63                     |
| Goldman Sachs Group         | 13,737,159  | 6.87                     |
| Smallco Investment Manager  | 10,337,993  | 5.17                     |
| Blackrock Group             | 10,028,255  | 5.01                     |

## Securities subject to voluntary escrow

| Class           | Expiry date   | Number of shares |
|-----------------|---|------------------|
| Ordinary shares | The Escrow deeds prevent Mr Croll and Mr Shah (and their associated entities) from disposing these shares until the company's results for FY2016 are released to ASX. | 4,413,596        |



# Isentia’s Global Presence



# Corporate Directory

## Directors

- Doug Flynn**  
Chairman and Independent Non-Executive Director
- John Croll**  
Chief Executive Officer and Executive Director
- Pat O'Sullivan**  
Independent Non-Executive Director
- Fiona Pak-Poy**  
Independent Non-Executive Director
- Dr Geoff Raby**  
Independent Non-Executive Director

## Company secretaries

- Nimesh Shah**  
CFO and Company Secretary
- Ms Jacquie Shanahan**  
Company Secretary

## Notice of annual general meeting

The details of the annual general meeting of Isentia Group Limited are:  
  
Isaac Nichols Auditorium  
219-241 Cleveland Street  
Strawberry Hills, NSW 2012  
11:00am on Thursday 17 November 2016

## Registered office

Level 3  
219-241 Cleveland Street  
Strawberry Hills, NSW 2012  
Head office telephone: +61 2 9318 4036

## Share register

Link Market Services Limited  
Level 12  
680 George Street  
Sydney, NSW 2000  
Share registry telephone: 1300 554 474

## Auditor

Deloitte Touche Tohmatsu  
Level 9, Grosvenor Place  
225 George Street  
Sydney, NSW 2000

## Bankers

Westpac Banking Corporation  
Westpac Place, 275 Kent Street,  
Sydney, NSW 2000

## Stock exchange listing

Isentia Group Limited shares are listed on the Australian Securities Exchange (ASX code: ISD)

## Website

[www.isentia.com](http://www.isentia.com)

## Corporate governance statement

Corporate governance statement which was approved at the same time as the Annual Report can be found at <http://www.isentia.com/investor-centre/corporate-governance>

Isentia Holdings Pty Limited  
Level 3, 219-241 Cleveland St,  
Strawberry Hills NSW Australia 2012

[isentia.com](http://isentia.com)

