



I SYNERGY GROUP LIMITED
ACN: 613 927 361

CONSOLIDATED INTERIM REPORT
for the half-year ended 30 June 2018





APPENDIX 4D HALF-YEAR REPORT

1. Company details

Name of entity:	I Synergy Group Limited
ABN:	51 613 927 361
Reporting period:	For the half-year ended 30 June 2018
Previous period:	For the half-year ended 30 June 2017

2. Results for announcement to the market

			AUD\$'000
Revenue from ordinary activities	down	26.96% to	5,291
Profit from ordinary activities after tax attributable to the owners of I Synergy Group Limited	down	70.78% to	64
Profit for the year attributable to the owners of I Synergy Group Limited	down	28.78% to	146

Dividend

No dividend was recommended by the directors for the half-year ended 30 June 2018.

Share buy-back

In September 2017, the Directors announced an on-market share buy-back of up to 18,559,364 of ordinary shares.

During the half-year ended 30 June 2018, the Group have bought back approximately AUD\$44,000 worth of the Company's securities from on-market, representing 299,302 ordinary shares on issue at a weighted average share price of AUD\$0.1464. A further 17,386,364 shares remain to be bought back.

Comments

For the half-year ended 30 June 2018, the revenue experienced a decline of 27% compared to the previous half-year to AUD\$5.291 million from AUD\$7.244 million. This also resulted in the 71% decline of the Company's profit after taxation to AUD\$64,000 from AUD\$219,000.

The decline in revenue is primarily due to lower transaction from the Group's core business stream which is the software activation, license right, and program fee from new affiliates sign up. The decrease in new affiliates sign up also affected the generation of income from other connected sources such as the training and affiliate event fees.

The revenue decline has been ongoing since the beginning of the second half-year ended 31 December 2017 where the decline was recorded at 54% in comparison to the year's first-half from AUD\$7.244 million to AUD\$3.359 million. However, if a comparison is made between the second half-year ended 31 December 2017 to the first-half year ended 30 June 2018, there is a revenue growth of 58%.



APPENDIX 4D HALF-YEAR REPORT

Comments (Cont'd)

From this comparison we could identify that the Group's revenue performance is recovering. A primary factor that pushes for the recovery is the Group's achievement in obtaining MS1900:2014 Shariah Based Quality Management Systems certification which authenticates that the Group is in compliance with internationally recognised Shariah requirements for their primary business activities in Jan 2018. Operating in Malaysia and Indonesia where the majority of the population are Muslims, the Shariah compliance certification has strengthened the acceptance of the Group's products and services. This resulted in the improvement of the Group's core revenue stream in comparison to the second half-year ended 31 December 2017.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary share	<u>2.44</u>	<u>2.48</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Foreign entities to disclose which accounting standards are used in compiling the report

The financial statements of the Group have been prepared in accordance with Australian Accounting Standards issued by Australian Accounting Standards Board, which is also comply with International Financial Reporting Standards.



APPENDIX 4D
HALF-YEAR REPORT

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been reviewed by the auditors and are not subject to any audit dispute or qualification.

9. Attachments

Details of attachments (if any):

The Interim Report of I Synergy Group Limited for the half-year ended 30 June 2018 is attached.

10. Signed

Signed  _____

Date: 31 August 2018

Dato' Teo Chee Hong
Director



I SYNERGY GROUP LIMITED

ACN: 613 927 361

CONSOLIDATED INTERIM REPORT for the half-year ended 30 June 2018

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I SYNERGY GROUP LIMITED

ACN: 613 927 361

CORPORATE DIRECTORY

Directors	Ilmars Draudins Dato' Teo Chee Hong Morgan Barron
Company Secretary	Harry Miller
Registered office	Ground Floor 16 Ord Street West Perth WA 6005 Phone: +618 9482 0500
Principal place of business	Malaysia Unit 20-10, Tower A The Vertical Business Suite Avenue 3, Bangsar South No. 8 Jalan Kerinchi 59200 Kuala Lumpur Malaysia Phone: +603 2242 1333 Indonesia THE EAST Tower Unit 17-03 Jl. Dr. Ide Anak Agung Gde Agung Kav. E3.2 No.1 Kuningan Timur, Setiabudi Jakarta Selatan 12950 Indonesia Phone: +62 21 2952 7135
Share register	Boardroom Pty Limited Level 12, George Street Sydney NSW 2000
Auditor	Crowe Horwath Perth Level 5, 45 St Georges Terrace Perth WA 6000
Stock exchange listing	I Synergy Group Limited shares are listed on the Australian Securities Exchange (ASX code: IS3)
Website	www.i-synergygroup.com



DIRECTORS' REPORT

HALF-YEAR ENDED 30 JUNE 2018

The directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Consolidated entity'), for the half-year ended 30 June 2018.

Directors

The following persons were directors of I Synergy Group Limited ('the Company') during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Ilmars Draudins (Non-executive Chairman)
Dato' Teo Chee Hong (Managing Director)
Morgan Barron (Non-executive Director) (appointed on 18 April 2018)
Bruce Richard Sydney Symon (retired on 25 May 2018)

Company Secretaries

Harry Miller (appointed on 31 July 2018)
Chris Huish (resigned on 31 July 2018)

Principal activities

The Group's principal activities are providing affiliate marketing solutions to advertisers and affiliates. There was no significant change in the nature of activities of the Group during the financial year.

Share buy-back

In September 2017, the Directors announced an on-market share buy-back of up to 18,559,364 of ordinary shares.

During the half-year ended 30 June 2018, the Group have bought back approximately AUD\$44,000 worth of the Company's securities from on-market, representing 299,302 ordinary shares on issue at a weighted average share price of AUD\$0.1464. A further 17,386,364 shares remain to be bought back.

Review of operations

For the half-year ended 30 June 2018, the revenue experienced a decline of 27% compared to the previous half-year to AUD\$5.291 million from AUD\$7.244 million. This also resulted in the 71% decline of the Company's profit after taxation to AUD\$64,000 from AUD\$219,000.

The decline in revenue is primarily due to lower transaction from the Group's core business stream which is the software activation, license right, and program fee from new affiliates sign up. The decrease in new affiliates sign up also affected the generation of income from other connected sources such as the training and affiliate event fees.

The revenue decline has been ongoing since the beginning of the second half-year ended 31 December 2017 where the decline was recorded at 54% in comparison to the year's first-half from AUD\$7.244 million to AUD\$3.359 million. However, if a comparison is made between the second half-year ended 31 December 2017 to the first-half year ended 30 June 2018, there is a revenue growth of 58%.



DIRECTORS' REPORT

HALF-YEAR ENDED 30 JUNE 2018

Review of operations (Cont'd)

From this comparison we could identify that the Group's revenue performance is recovering. A primary factor that pushes for the recovery is the Group's achievement in obtaining MS1900:2014 Shariah Based Quality Management Systems certification which authenticates that the Group is in compliance with internationally recognised Shariah requirements for their primary business activities in Jan 2018. Operating in Malaysia and Indonesia where the majority of the population are Muslims, the Shariah compliance certification has strengthened the acceptance of the Group's products and services. This resulted in the improvement of the Group's core revenue stream in comparison to the second half-year ended 31 December 2017.

Significant changes in the state of affairs

No other matter or circumstances has arisen since the end of the half-year ended 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

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

Auditor's independence declaration

The lead auditor's independence declaration for the half-year ended 30 June 2018 has been received and can be found on page 4 of the Interim Report.

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

On behalf of the directors

Dato' Teo Chee Hong
Director

31 August 2018

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of I Synergy Group Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

**CROWE HORWATH PERTH****SEAN MCGURK**

Partner

Signed at Perth, 31 August 2018



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

	Note	The Group	
		30 Jun 2018 AUD\$'000	30 Jun 2017 AUD\$'000
Revenue	5	5,291	7,244
Cost of sales		(3,623)	(4,824)
Gross profit		1,668	2,420
Other income		286	211
Selling and distribution expenses		(65)	(91)
Administrative expenses		(1,402)	(1,688)
Finance cost		(6)	(4)
Profit before taxation	6	481	848
Income tax expense	7	(1)	-
Profit after taxation		480	848
Other comprehensive income/(expenses) <u>Items that may be reclassified subsequently to profit or loss</u>			
Foreign currency translation differences		208	(52)
Total comprehensive income for the period		688	796
Profit after taxation attributable to:			
Non-controlling interest		416	629
Owners of the Company		64	219
		480	848
Total comprehensive income for the period attributable to:			
Non-controlling interest		542	591
Owners of the Company		146	205
		688	796
		Cents	Cents
Basic earnings per share	8	0.03	0.12
Diluted earnings per share	8	0.03	0.12

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

		The Group	
	Note	30 Jun 2018 AUD\$'000	31 Dec 2017 AUD\$'000
ASSETS			
<u>Current Assets</u>			
Inventories	9	18	17
Trade receivables	10	358	230
Other receivables, deposits and prepayments	11	821	829
Current tax asset		9	3
Cash and cash equivalents	12	11,774	12,893
		12,980	13,972
<u>Non-Current Assets</u>			
Equipment	13	1,242	1,251
Deferred tax asset	14	918	865
		2,160	2,116
		15,140	16,088
TOTAL ASSETS			
LIABILITIES			
<u>Current Liabilities</u>			
Trade payables	15	6	29
Other payables and accruals	16	1,247	1,743
Amount owing to a related party	17	-	3
Hire purchase payables	18	96	64
Current tax liability		94	632
Deferred revenue	19	1,192	1,151
		2,635	3,622
<u>Non-Current Liabilities</u>			
Hire purchase payables	18	151	202
Deferred revenue	19	6,940	6,584
		7,091	6,786
		9,726	10,408
TOTAL LIABILITIES			
NET ASSETS			
EQUITY			
Share capital	20	2,621	2,665
Merger deficit	21	(1,042)	(1,042)
Foreign exchange translation reserve	22	51	(31)
Option reserve	23	77	-
Retained earnings		1,945	1,881
		3,652	3,473
Equity attributable to owners of the Company		3,652	3,473
Non-controlling interest		1,762	2,207
		5,414	5,680
TOTAL EQUITY			

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2018

The Group	Share Capital AUD\$'000	Merger Deficit * AUD\$'000	Foreign Exchange Translation Reserve AUD\$'000	Option Reserve AUD\$'000	Retained Earnings AUD\$'000	Attributable To Owners Of The Company AUD\$'000	Non-Controlling Interest AUD\$'000	Total Equity AUD\$'000
Balance at 1.1.2018	2,665	(1,042)	(31)	-	1,881	3,473	2,207	5,680
Profit after taxation for the financial period	-	-	-	-	64	64	416	480
Other comprehensive income for the financial period, net of tax:								
- Foreign currency translation differences	-	-	82	-	-	82	126	208
Total comprehensive income for the financial period	-	-	82	-	64	146	542	688
Contributions by and distributions to owners of the Company:								
- Shares buy-back	(44)	-	-	-	-	(44)	-	(44)
- Share options to employees	-	-	-	77	-	77	-	77
- Dividend by a subsidiary to non-controlling interest	-	-	-	-	-	-	(987)	(987)
Total transactions with owners	(44)	-	-	77	-	33	(987)	(954)
Balance at 30.6.2018	2,621	(1,042)	51	77	1,945	3,652	1,762	5,414

Note:

* - arising from merger accounting.

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2018 (CONT'D)

The Group	Share Capital AUD\$'000	Merger Deficit * AUD\$'000	Foreign Exchange Translation Reserve AUD\$'000	Retained Earnings AUD\$'000	Attributable To Owners Of The Company AUD\$'000	Non-Controlling Interest AUD\$'000	Total Equity AUD\$'000
Balance at 1.1.2017	70	(1,042)	(80)	2,720	1,668	2,202	3,870
Profit after taxation for the financial period	-	-	-	219	219	629	848
Other comprehensive income for the financial period, net of tax:							
- Foreign currency translation differences	-	-	(14)	-	(14)	(38)	(52)
Total comprehensive income/(expenses) for the financial period	-	-	(14)	219	205	591	796
Contributions by and distributions to owners of the Company:							
- Issuance of shares under initial public offering (net of expenses)	2,732	-	-	-	2,732	-	2,732
- Dividend by a subsidiary to non-controlling interest	-	-	-	-	-	(907)	(907)
Total transactions with owners	2,732	-	-	-	2,732	(907)	1,825
Balance at 30.6.2017	2,802	(1,042)	(94)	2,939	4,605	1,886	6,491

Note:

* - arising from merger accounting.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2018

	The Group	
	30 Jun 2018 AUD\$'000	30 Jun 2017 AUD\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Sale from customers	5,811	9,024
Payments to suppliers and employees	(5,409)	(8,368)
Cash generated from operations	402	656
Interest paid	(6)	(4)
Income tax paid	(545)	-
Net cash (used in)/from operating activities	(149)	652
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	43	108
Proceeds from disposal of equipment	-	60
Purchase of equipment	(40)	(217)
Net cash from/(used in) investing activities	3	(49)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	-
Dividend paid by a subsidiary to non-controlling interest	(987)	(907)
Proceeds from issuance of shares, net of expenses	-	2,732
Purchase of own shares, net of expenses	(44)	-
(Repayment)/Drawdown of hire purchase obligations	(19)	68
Repayment to a related party	(3)	-
Net cash (used in)/from financing activities	(1,053)	1,893
Net (decrease)/increase in cash and cash equivalents	(1,199)	2,496
Effects of exchange rate changes on cash and cash equivalents	80	58
Cash and cash equivalents at the beginning of the financial period	12,893	11,119
Cash and cash equivalents at the end of the financial period	11,774	13,673

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



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 30 JUNE 2018

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Corporation Act 2001. The domicile of the Company is Australia. The registered office and principal place of business are as follows:-

Registered office	:	Ground Floor, 16 Ord Street, West Perth, WA 6005.
Principal place of business	:	Unit 20-10, Tower A, The Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 30 August 2018.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries were involved in providing affiliate marketing solutions to advertisers and affiliates. There was no significant change in the nature of activities of the Company during the financial period.

3. BASIS OF PREPARATION

The financial statements cover I Synergy Group Limited as a consolidated entity ("the Group") consisting of I Synergy Group Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2018.

These general purpose financial statements for the interim half-year reporting period ended 30 June 2018 ("Consolidated Interim Financial Report") have been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards (AASB) adopted by the Australian Accounting Standards Board ('AASB'). The Consolidated Interim Financial Report also comply with International Accounting Standards IAS 34: Interim Financial Reporting.

The Consolidated Interim Financial Report does not include all of the information required for an annual financial report and should be read in conjunction with the Consolidated Annual Financial Report of the I Synergy Group Limited for the financial year ended 31 December 2017. This report should also be read in conjunction with any public announcements made by the Company in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency. For the purposes of the Consolidated Interim Financial Report, the presentation currency used is Australian Dollars ("AUD\$") and has been rounded to the nearest thousand, unless otherwise stated.



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in this Consolidated Interim Financial Report are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

Specifically, the Group has adopted AASB 9 Financial Instruments from 1 January 2018 which has resulted in no additional disclosure changes and has had a nil impact on the Group. Under AASB 9, new impairment requirements use an "expected credit loss" (ECL) model to recognise an allowance for bad or doubtful debts. For trade receivables a simplified approach to measuring credit losses using a lifetime expected loss allowance is available. This has not resulted in any change to the provision for impairment

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

5. REVENUE

Revenue of the Group represents software activation, training, licence right to access and affiliate program fees earned and invoiced value of seminar and event, and merchandise sales.

6. PROFIT BEFORE TAXATION

	The Group	
	30 Jun 2018 AUD\$'000	30 Jun 2017 AUD\$'000
Profit before taxation is arrived at after charging/(crediting):-		
Allowance for impairment losses on trade receivables	-	-
Audit fee	15	14
Depreciation of equipment	124	106
Directors' remuneration:		
- salaries, bonuses, commissions and allowances	225	122
- defined contribution plan	10	6
Interest expense on financial liability not at Fair Value Through Profit of Loss ("FVTPL"):		
- hire purchase	6	4
Loss on disposal of equipment	-	7
Rental of equipment	25	8
Rental of premises	292	141
Staff costs:		
- salaries, bonuses, commissions and allowances	351	551
- defined contribution plan	37	31
- others	53	24



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

6. PROFIT BEFORE TAXATION (CONT'D)

	The Group	
	30 Jun 2018 AUD\$'000	30 Jun 2017 AUD\$'000
Profit before taxation is arrived at after charging/(crediting)(cont'd):-		
Interest income on financial assets that are:		
- at FVTPL	(25)	(5)
- not at FVTPL	(18)	(13)
Fair value gain on short-term investments	(126)	(91)
Rental income	(117)	(102)
	1	1

7. INCOME TAX EXPENSE

	The Group	
	30 Jun 2018 AUD\$'000	30 Jun 2017 AUD\$'000
Income tax expense:		
- for the financial period	3	-
- overprovision in previous financial years	(2)	-
	1	-

A reconciliation of the income tax expense applicable to the profit before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:-

	The Group	
	30 Jun 2018 AUD\$'000	30 Jun 2017 AUD\$'000
Profit before taxation	481	848
Tax at the statutory tax rates	108	173
Tax effects of:-		
Tax incentive for pioneer products	(312)	(504)
Non-deductible expenses	177	89
Non-taxable income	(32)	-
Deferred tax assets not recognised	74	242
Utilisation of deferred tax assets previously not recognised	(12)	-
Overprovision in previous financial years:		
- current tax	(2)	-
Income tax expense for the financial period	1	-



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

8. EARNINGS PER SHARE

	The Group	
	30 Jun 2018 AUD\$'000	30 Jun 2017 AUD\$'000
Profit after taxation	480	848
Non-controlling interest	(416)	(629)
Profit after taxation attributable to the owners of the parent	64	219

	The Group	
	30 Jun 2018 Number	30 Jun 2017 Number
<u>Basic earnings per share</u>		
Weighted average number of ordinary shares used in calculating basic earnings per share	184,487,896	176,074,968
	Cents	Cents
Basic earnings per share	0.03	0.12
<u>Diluted earnings per share</u>		
Weighted average number of ordinary shares used in calculating basic earnings per share	184,851,432	176,074,968
	Cents	Cents
Diluted earnings per share	0.03	0.12

9. INVENTORIES

	The Group	
	30 Jun 2018 AUD\$'000	31 Dec 2017 AUD\$'000
At cost:-		
Merchandise held for sale	18	17
Recognised in profit or loss:		
Inventories recognised as cost of sales	12	53

None of the inventories are stated at net realisable value.



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

10. TRADE RECEIVABLES

	The Group	
	30 Jun 2018 AUD\$'000	31 Dec 2017 AUD\$'000
Trade receivables	576	435
Allowance for impairment losses	(218)	(205)
	358	230
Allowances for impairment losses:		
At 1.1.2018/2017	(205)	(143)
Addition during the financial period/year	-	(78)
Written off during the financial period/year	-	21
Foreign exchange translation differences	(13)	(5)
At 30.6.2018/31.12.2017	(218)	(205)

The Group's normal trade credit terms range from 30 to 60 (31.12.2017 - 30 to 60) days.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group	
	30 Jun 2018 AUD\$'000	31 Dec 2017 AUD\$'000
Other receivables	160	262
Deposits	252	309
Prepayments	409	258
	821	829

12. CASH AND CASH EQUIVALENTS

	The Group	
	30 Jun 2018 AUD\$'000	31 Dec 2017 AUD\$'000
Short-term investments with licensed financial institutions, at fair value	5,705	8,933
Cash and bank balances	6,069	3,960
	11,774	12,893
Market value of short-term investments	5,705	8,933

The short-term investments are highly liquid investments in fixed income securities, Islamic money market fund and money market instruments that are readily convertible to known amounts of cash.



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

13. EQUIPMENT

	At 1.1.2018 AUD\$'000	Additions AUD\$'000	Depreciation Charges AUD\$'000	Foreign Currency Translation Difference AUD\$'000	At 30.6.2018 AUD\$'000
The Group					
Computers, handphone and printer	115	2	(23)	7	101
Furniture and fittings	48	2	(3)	3	50
Merchant equipment	124	-	(7)	8	125
Motor vehicles	266	-	(46)	15	235
Office equipment	99	11	(6)	6	110
Renovation	580	23	(38)	35	600
Signboard	19	2	(1)	1	21
	1,251	40	(124)	75	1,242

	At 1.1.2017 AUD\$'000	Additions AUD\$'000	Disposals AUD\$'000	Depreciation Charges AUD\$'000	Foreign Currency Translation Differences AUD\$'000	At 31.12.2017 AUD\$'000
The Group						
Computers, handphone and printer	104	44	-	(36)	3	115
Furniture and fittings	48	6	-	(7)	1	48
Merchant equipment	122	14	-	(14)	2	124
Motor vehicles	300	106	(62)	(82)	4	266
Office equipment	98	16	(4)	(12)	1	99
Renovation	545	88	-	(65)	12	580
Signboard	14	6	-	(2)	1	19
	1,231	280	(66)	(218)	24	1,251

The Group	At Cost AUD\$'000	Accumulated Depreciation AUD\$'000	Net Book Value AUD\$'000
30.6.2018			
Computers, handphone and printer	257	(156)	101
Furniture and fittings	77	(27)	50
Merchant equipment	167	(42)	125
Motor vehicles	457	(222)	235
Office equipment	144	(34)	110
Renovation	764	(164)	600
Signboard	25	(4)	21
	1,891	(649)	1,242



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

13. EQUIPMENT (CONT'D)

The Group	At Cost AUD\$'000	Accumulated Depreciation AUD\$'000	Net Book Value AUD\$'000
31.12.2017			
Computers, handphone and printer	241	(126)	115
Furniture and fittings	70	(22)	48
Merchant equipment	159	(35)	124
Motor vehicles	438	(172)	266
Office equipment	124	(25)	99
Renovation	700	(120)	580
Signboard	22	(3)	19
	1,754	(503)	1,251

Included in the net book value of equipment of the Group at the end of the reporting period were motor vehicles with a total net book value of AUD\$228,000 (31.12.2017 – AUD\$254,000), which was acquired under hire purchases terms.

The motor vehicles with a total net book value of AUD\$228,000 (31.12.2017 – AUD\$254,000) are held in trust by a director of the Company.

14. DEFERRED TAX ASSETS

	The Group	
	30 Jun 2018 AUD\$'000	31 Dec 2017 AUD\$'000
At 1.1.2018/2017	865	-
Recognised in profit or loss	-	831
Foreign currency translation differences	53	34
At 30.6.2018/31.12.2017	918	865

The deferred tax assets represented by:-

	The Group	
	30 Jun 2018 AUD\$'000	31 Dec 2017 AUD\$'000
Deductible temporary differences arising from tax paid in advance on the software platform license fees received in advance from affiliates	930	876
Accelerated capital allowance over depreciation	(12)	(11)
	918	865



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

15. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 (31.12.2017 - 30 to 60) days.

16. OTHER PAYABLES AND ACCRUALS

	The Group	
	30 Jun 2018 AUD\$'000	31 Dec 2017 AUD\$'000
Other payables	1,034	1,115
Deposits received	130	133
Accruals	83	495
	<u>1,247</u>	<u>1,743</u>

Included in other payables of the Group is commission payable to affiliates amounting to approximately AUD\$288,000 (31.12.2017 - AUD\$458,000).

17. AMOUNT OWING TO A RELATED PARTY

	The Group	
	30 Jun 2018 AUD\$'000	31 Dec 2017 AUD\$'000
Amount owing to a related party	-	<u>3</u>

The amount in the previous financial year was owing to a related party, I Synergy Holdings Berhad (the former holding company of the Group). The amount was non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing was settled in cash.



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

18. HIRE PURCHASE PAYABLES

	The Group	
	30 Jun 2018 AUD\$'000	31 Dec 2017 AUD\$'000
Minimum hire purchase payments:		
- not later than one year	77	76
- later than one year and not later than five years	195	219
	272	295
Less: Future finance charges	(25)	(29)
Present value of hire purchase payables	247	266
<u>Current</u>		
Not later than one year	96	64
<u>Non-Current</u>		
Later than one year and not later than five years	151	202
	247	266

- (a) The hire purchase payables of the Group are secured by the Group's motor vehicles under finance leases as disclosed in Note 13 to the financial statements.
- (b) The hire purchase payable bore effective interest rates ranging from 4.37% to 8.24% (31.12.2017 - 4.29% to 8.24%) as at the end of the reporting period. The interest rates are fixed at the inception of the hire purchase arrangements.

19. DEFERRED REVENUE

	The Group	
	30 Jun 2018 AUD\$'000	31 Dec 2017 AUD\$'000
Current liabilities	1,192	1,151
Non-current liabilities	6,940	6,584
	8,132	7,735

Deferred revenue represents the amount of transaction price received upfront and allocated to performance obligation in respect of software platform licences that are unsatisfied as at the end of the reporting period. The software platform license provides for the rights to access the Group's affiliate marketing system as it exists throughout the licensed period. Licences that provide access are performance obligations satisfied over a certain period of time (between 3 years to 10 years) and, therefore, deferred revenue is recognised over that licensed period.



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

20. SHARE CAPITAL

	The Group/The Company			
	30 June 2018 Number Of Shares	31 Dec 2017	30 June 2018 AUD\$'000	31 Dec 2017 AUD\$'000
Fully Paid-Up Ordinary Shares	184,420,643	184,719,945	2,621	2,665

The detailed movements in fully paid-up ordinary shares during the financial period are as follows:-

Details	Date	Shares	Issue price AUD\$	AUD\$'000
At 1.1.2018		184,719,945		2,665
Share buy-back and subsequently cancelled	10.1.2018	(802)	0.15	*
Share buy-back and subsequently cancelled	25.2.2018	(78,703)	0.15	(11)
Share buy-back and subsequently cancelled	6.2.2018	(45,126)	0.15	(7)
Share buy-back and subsequently cancelled	8.2.2018	(41,021)	0.15	(6)
Share buy-back and subsequently cancelled	12.2.2018	(68,650)	0.15	(10)
Share buy-back and subsequently cancelled	27.2.2018	(5,000)	0.15	(1)
Share buy-back and subsequently cancelled	5.3.2018	(10,000)	0.15	(1)
Share buy-back and subsequently cancelled	6.3.2018	(5,000)	0.15	(1)
Share buy-back and subsequently cancelled	7.3.2018	(20,000)	0.15	(3)
Share buy-back and subsequently cancelled	9.3.2018	(25,000)	0.15	(4)
At 30.6.2018		184,420,643		2,621

Note:

* - Amount less than AUD\$1,000.

During the financial period, the Company has purchased 299,302 (31.12.2017 - 873,698) of its issued ordinary shares from the open market and total consideration paid for the purchases was AUD\$44,000 (31.12.2017 - AUD\$137,000) including transaction costs. The entire ordinary shares purchased were cancelled during the financial period.

21. MERGER DEFICIT

The merger deficit relates to the subsidiaries which were consolidated under the merger method of accounting.

The merger deficit arose from the difference between the nominal value of shares issued for the acquisition of subsidiaries and the nominal value of the shares acquired.

22. FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

23. OPTION RESERVE

The option reserve represents the equity-settled share-based payment granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share based payment, and is reduced by the expiry or exercise of the share options and performance rights.

The Group provides benefits to employees of the Group in the form of share-based payments, whereby the employees render services in exchange for share options and performance rights over shares. The total equity-settled share-based payment expense for the financial period was AUD\$77,000 (31.12.2017 - Nil).

The option prices and the details in the movement of the share options granted are as follows:-

Date of Offer	Exercise Price	Remaining Contractual Life of Options	< ----- Number of Options over Ordinary Shares ----- >		
			At 1 January 2018	Granted/Vested	At 30 June 2018
30 March 2017	AUD\$0.30	4 years	-	500,000	500,000

The details in the movement of the performance rights granted are as follows:-

Date of Offer	Exercise Price	< -- Number of Performance rights over Ordinary Shares - >		
		At 1 January 2018	Granted/Vested	At 30 June 2018
30 March 2017	Nil	-	200,000	200,000

The fair values of the share options and performance rights granted were estimated using a Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options and performance rights measured at grant date and the assumptions used are as follows:-

	The Group/ The Company 30 Jun 2018
Fair value of share options and performance rights at the grant date (AUD\$)	0.11
Weighted average ordinary share price (AUD\$)	
Exercise price of share option (AUD\$)	0.30
Expected volatility (%)	95
Expected life (years)	5
Risk free rate (%)	2.36
Expected dividend yield (%)	1.76

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2018****24. CAPITAL COMMITMENT**

	The Group	
	30 Jun 2018 AUD\$'000	30 Jun 2017 AUD\$'000
Purchase of equipment	61	-

25. OPERATING LEASE COMMITMENT

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

	The Group	
	30 Jun 2018 AUD\$'000	30 Jun 2017 AUD\$'000
Not more than one year	393	-
Later than one year but not later than one year	178	-
	571	-

26. OPERATING SEGMENTS**26.1 BUSINESS SEGMENT**

The Group operates predominantly in one business segment (affiliate marketing solutions). Accordingly, the information by business segment is not presented.

26.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments (but including deferred tax assets).

	Revenue		Non-current Assets	
	30 Jun 2018 AUD\$'000	30 Jun 2017 AUD\$'000	30 Jun 2018 AUD\$'000	31 Dec 2017 AUD\$'000
Group				
Indonesia	168	19	12	13
Malaysia	5,123	7,225	2,148	2,103
	5,291	7,244	2,160	2,116

26.3 MAJOR CUSTOMERS

There is no single customer that contributed 10% or more to the Group's revenue.

**I SYNERGY GROUP LIMITED**

ACN: 613 927 361

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2018****27. SIGNIFICANT RELATED PARTY DISCLOSURE**

The Group carried out the following transactions with the related parties during the financial period:-

	The Group	
	30 Jun 2018 AUD\$'000	30 Jun 2017 AUD\$'000
Triple Gem Sdn Bhd (Director-related entity of Dato' Teo Chee Hong) - Office rental	87	61

28. CONTROLLED ENTITIES

Details of the subsidiaries are as follows:-

	Country of Incorporation	Effective Equity Interest		Principal Activities
		30.6.2018 %	31.12.2017 %	
I Synergy (Singapore) Pte Ltd ("ISS")	Singapore	100	100	Investment holding.
<i>Held by ISS</i>				
I Synergy Consolidated Sdn Bhd ("ISC")	Malaysia	100	100	Investment holding and provision of management services to its subsidiaries.
PT Inovatif Sinergi Internasional ("PTISI")	Indonesia	100	100	Business of affiliate marketing and related affiliate management services for commercial industry.
<i>Held by ISC</i>				
I Synergy International (M) Sdn Bhd ("ISI")	Malaysia	100	100	Business of affiliate marketing and related affiliate management services for commercial industry.
I Synergy Universal Sdn Bhd ("ISU")	Malaysia	70	70	Research, development, maintenance and commercialisation of proprietary affiliate marketing platform.



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

28. CONTROLLED ENTITIES (CONT'D)

Details of the subsidiaries are as follows (cont'd):-

	Country of Incorporation	Effective Equity Interest		Principal Activities
		30.6.2018	31.12.2017	
		%	%	
<i>Held by ISC (Cont'd)</i>				
I Synergy Edutech Sdn Bhd ("ISE")	Malaysia	100	100	Research, development, maintenance and commercialisation of proprietary learning management system.
I Synergy Rewards Sdn Bhd ("ISR")	Malaysia	100	100	Business of retail affiliate marketing and related affiliate services for commercial industry.
I Synergy Connect Sdn Bhd ("ISN")	Malaysia	100	100	Business of affiliate marketing and related affiliate services for commercial industry.



DIRECTORS' DECLARATION

In the directors' opinion:

1. the Consolidated Interim Financial Report and notes are in accordance with the Corporations Act 2001, including:
 - (a) comply with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2018 and of its performance for the half-year ended on that date.
2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Dato' Teo Chee Hong
Director

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF I SYNERGY GROUP LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of I Synergy Group Limited statement of financial position as at 30 June 2018, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration.

Directors' Responsibility for the Half- Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of I Synergy Group Limited and its controlled entities' financial position as at 30 June 2018 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of I Synergy Group Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of I Synergy Group Limited and its controlled entities is not 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 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.



CROWE HORWATH PERTH



SEAN MCGURK
Partner

Signed at Perth, 31 August 2018