

2017

Annual Report

An annual perspective of real media intelligence



united



empowered



Real data intelligence is centred around our clients – creating value for their organisation by informing their decision making with data.

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Chairman's Letter



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“Our firm focus in FY2018 is to build on our core strengths and pursue growth opportunities, while cementing our position as a leader in data intelligence.”

Dear Shareholder,

While 2017 Financial Year (‘FY2017’) has been a challenging and formative year for ISENTIA, we are confident that the decisions we made to achieve our long-term strategy have been the right ones for both clients and shareholders.

Our firm focus in FY2018 is to build on our core strengths and pursue growth opportunities, while cementing our position as a leader in data intelligence.

Throughout this formative year, we encountered challenges in the transition of our content business, met copyright adjustments for the Australian business, and thus reported a lower profit than expected, a disappointing overall result. However, I am pleased to report that through FY2017 the fundamentals of the business remained strong – including a strong balance sheet and solid cash conversion.

In FY2017, we have worked on building the foundations for future growth. With our enhanced integrated service offer, backed by leading technology, which is detailed further in CEO John Croll’s report, we have improved our competitive position in the Australian and New Zealand markets, where we are well established and enjoy excellent client relationships. In addition, we now have excellent presence across Asia, with a strong team in place to deliver across these high potential markets.

Asia provides strong growth opportunities for ISENTIA

A significant driver to ISENTIA’s future growth will be in Asia, which is a key lever in ISENTIA’s medium to long-term growth strategy. Our goal is to strengthen our Asian business and become the clear market leader in this region.

I am passionate about the Asian opportunity for ISENTIA. This region, with enormous consumption of traditional and social media, rich economic centres and corporate hubs, shows a real market appetite for our integrated service model.

In FY2017 we opened in Korea – a marketplace with an equivalent GDP to Australia, the 12th-largest economy in the world, one of the most socially connected through its platforms and mobile devices, combined with some of the world’s largest brands. We also opened in Taiwan in July 2017, and are exploring future opportunities in Asia.

Our Sydney and Singapore IT development hubs have been built to set in place strong foundations for our platform, ensuring we have the best people in the world building powerful technology that will help our clients gain strategic advantage.

Our technology enables us to connect our market-leading Software as a Service (SaaS) platform directly into Asia, ensuring a consistent global

customer experience. This agility demonstrates the real potential of this platform for our future growth across the region.

Asia market performance and potential

The Asian business is growing revenue with mid-teens growth for FY2017, and while EBITDA is lower than FY2016 due to market entries, it remains a solid performance.

Our expectations are that Asia has the potential to grow strongly via acquired and organic growth. Current market penetration is around 10% to 15%, with long-term market penetration potential equivalent to Australian levels, which are currently 60% to 70%. This is unquestionably a strong potential growth runway for ISENTIA.

With few Australian domiciled organisations expanding into and operating in Asia, we have a unique opportunity to establish a firm footprint on Asian soil and cement a dominant region-focused market position.

Advantage of scale and efficiency

Building scale and efficiency is a core strategy of the business, in particular so that any investments in launching our platform and model in new markets are highly competitive

against local, smaller operators. The investments made by ISENTIA over the last three to five years have all been based on being agile and adaptable, to reach new markets with ease and efficiency.

Entering new markets as a technology-led business enables a much smaller cost of entry. Our investment in back-end infrastructure, for example, allows us lighter touch market entry as the content ingest into Mediaportal has been designed to scale and absorb high volumes.

Continuing momentum for FY2018

We see FY2018 as a year of cementing our transition from a media-led to a data- and technology-led organisation, and we’re anticipating increased client take-up of our fully integrated service model.

Doug Flynn
Chairman

22 August 2017
Sydney

CEO's Report

“We have continued to invest in technology as a fundamental platform for business growth and service enhancement, and to provide us with a vital springboard into key new markets.”

The 2017 financial year was evolutionary for Isentia. Our challenge was to respond to dynamic shifts in the way consumers use media, and offer clients clear insights from complex data to inform better decision making.

Building on our core strengths, we set in place new building blocks to help our clients address online social media disruption with near real-time data intelligence – shifting our value proposition from data collection alone, to a fully integrated data intelligence business including insights, strategy and content functions.

We launched our new business model, for the first time offering three fully integrated streams: Media & Intelligence, Research & Insights as well as Strategy & Content services to clients across the Asia-Pacific.

Technology investments as a platform for growth

We have continued to invest in technology as a fundamental platform for business growth and service enhancement, and to provide us with a vital springboard into key new markets.

We have made several decisive enhancements to our technology platforms this financial year. These include transforming our back-end systems to manage high-scale content volumes in multiple languages for key growth markets.

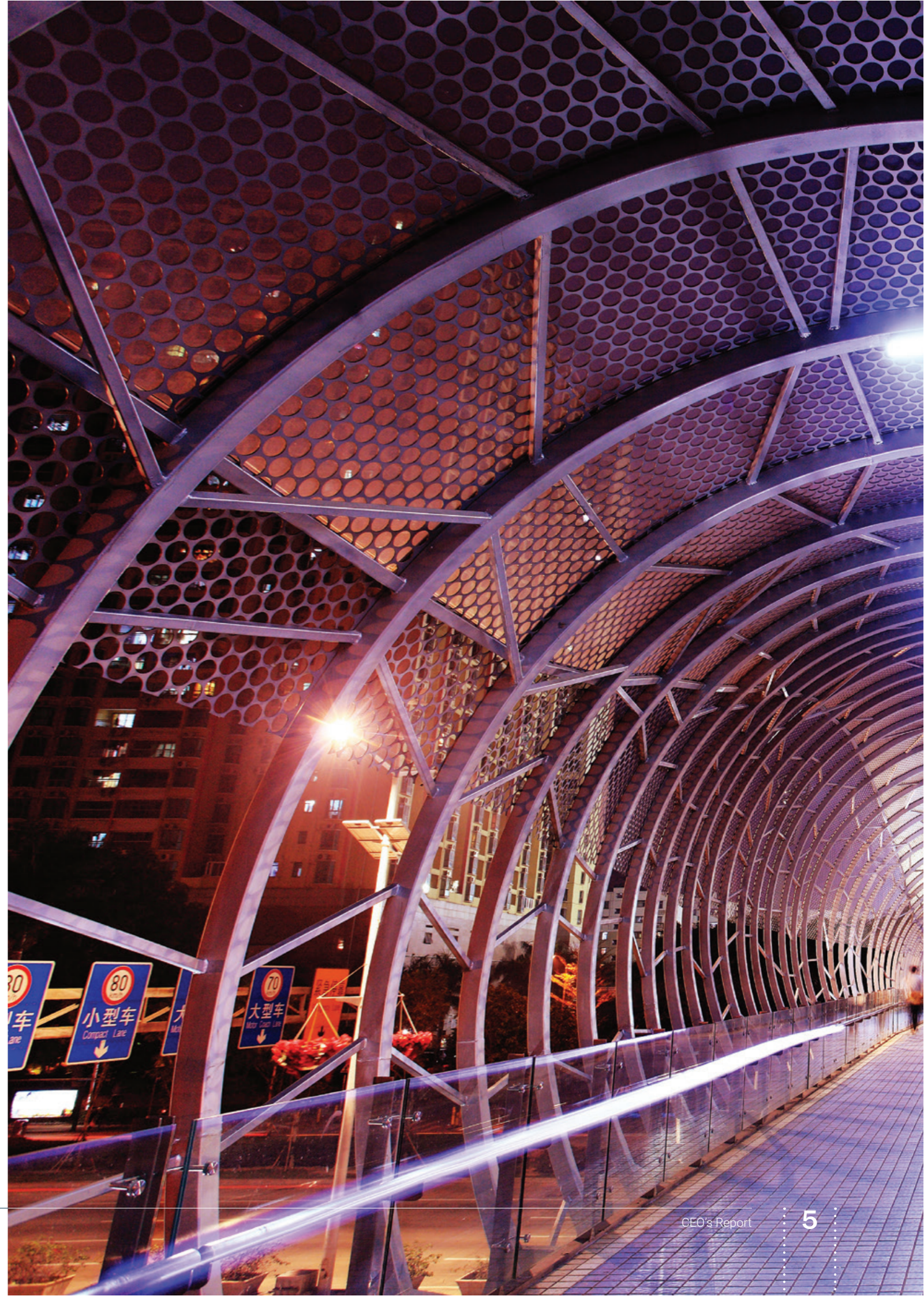
Approximately seven million pieces of information are ingested on a daily basis, combined with significant metadata to add tangible value for our clients.

The business has also delivered a new version of Mediaportal, built entirely in the cloud, which thousands of communications professionals across the Asia-Pacific log into, around the clock. This has provided us with an excellent platform for delivering a range of enhancements to be released throughout FY2018.

In recognition of our clients needing to be informed, wherever they are, and our strategy to be agile, accessible and always by our clients' sides, we've delivered a new mobile application to enable near real-time access to our rich data intelligence.

Late in the financial year, we delivered Stories, a global media intelligence industry first – a product that brings social and mainstream media together in a single system to analyse relative influence over an issue or campaign at any given time. Stories helps unlock the complexity for clients, providing them with a clear opportunity to see where they should interact with media to position their brand, or limit a crisis in the best possible way.

With these robust technology foundations in place, we are firmly ahead of our competitors in supplying real data intelligence to clients.



CEO's Report (continued)



Launch of our new integrated service model

Increased media complexity has been a significant disruption for clients, creating a new marketplace for our insights, reporting and analysis services, which have been significant drivers of business growth for us this financial year.

Our business now has three fully integrated streams:

- Media & Intelligence, to provide real-time and relevant information,
- Research & Insights, providing smart systems and people to add depth of analysis, and
- Strategy & Content, to take insights into action and content creation.

Backed by our leading technology and people, the model is a strong differentiator for ISENTIA.

Investments in people to power our technology

Our talented people bring our rich data to life, and this is where the real value lies for our clients. This financial year we have shifted our people strategy to reduce numbers in specific areas, while seeking an evolved skill set in advanced technology, insights and data intelligence capabilities.

We have re-equipped our IT team and engaged specialist consultancies to power our technology developments

and change management, and have invested in information hubs in Australia and Singapore to ensure we have the right skills for the future.

We were again awarded AMEC Measurement Company of the Year, judged by both peer companies from around the world and academics, for the third time in a row this year. We attribute this to ISENTIA's talented people, whose rich information and insights are so valued by our clients.

12 countries
20 offices
1,211 people
1 team
1 focus



CEO's Report (continued)

Dynamic client engagement continues as core strength

An amazing core strength of our business is that we have touch points with our clients, every day, as part of a dynamic client engagement culture. We thrive on receiving client feedback and information daily, and responding to that dynamically to build an even better business. This will continue as part of a long-term focus on Isentia's strengths.

With some of the deepest data sets across the Asia-Pacific region, enabling powerful strategic insights, in some areas we are ahead of where the client is thinking, and in other areas we are working with clients to unravel complex data.

Our clients are telling us we have more data than competitors, and we can deliver more answers, better insights and more informed content strategy, all through a region-wide lens – and this is of real value to them.

Key challenges this financial year

It was a challenging year for the Australian business in that the copyright fees increased; however, I feel confident in our position going forward.

For the content business, there was transitional difficulty, not in the quality of the services it delivered to clients, but as it transitioned from founder management into an integrated business within Isentia. The performance also fell short of expectations, with a decline in both top-line revenue growth and margin.

Integrating the content business into our new model, creating content from the Media & Intelligence as well as Research & Insights streams, remains a component of our long-term strategy. We are confident that the coordinated streams are a powerful client service engine in the new world of digital communications, and can already see clients embracing the value proposition and extracting real benefit from the service.

Forecasts and financials

Overall our financial results this year did not meet our expectations or those of our shareholders. As such, we are very focused on elevating the financial performance in FY2018, right across the business.

Content Marketing, as noted, was a drag on the results as it transitioned into the business and service model, taking the result back this year with a 30% decline and \$4.4m EBITDA loss. We expect this to begin to make positive contribution as part of the integrated model this year. In Australia, despite copyright renegotiation impacts, the Media Intelligence business still grew 1% and we have maintained our competitive advantage.

Our Asian business continues to perform well, and we have opened in two new markets over the past 12 months.

As we move into FY2018, we have strength in our core business, with solid areas of growth and good future growth prospects.

Our evolution is a response to market transformation: We're all on the journey together

There is a transformation occurring in the communications industry, for Isentia and our clients, and we are all on this journey together.

Isentia has evolved significantly this year in our strategic position, service offer and value to clients. We are now a technology-led business with incredible capability to unlock real data insights, brought to life by highly talented people. Our technology is smarter, our people are smarter, and we're answering more questions for our clients. We're not just providing data – but informing their decision-making.

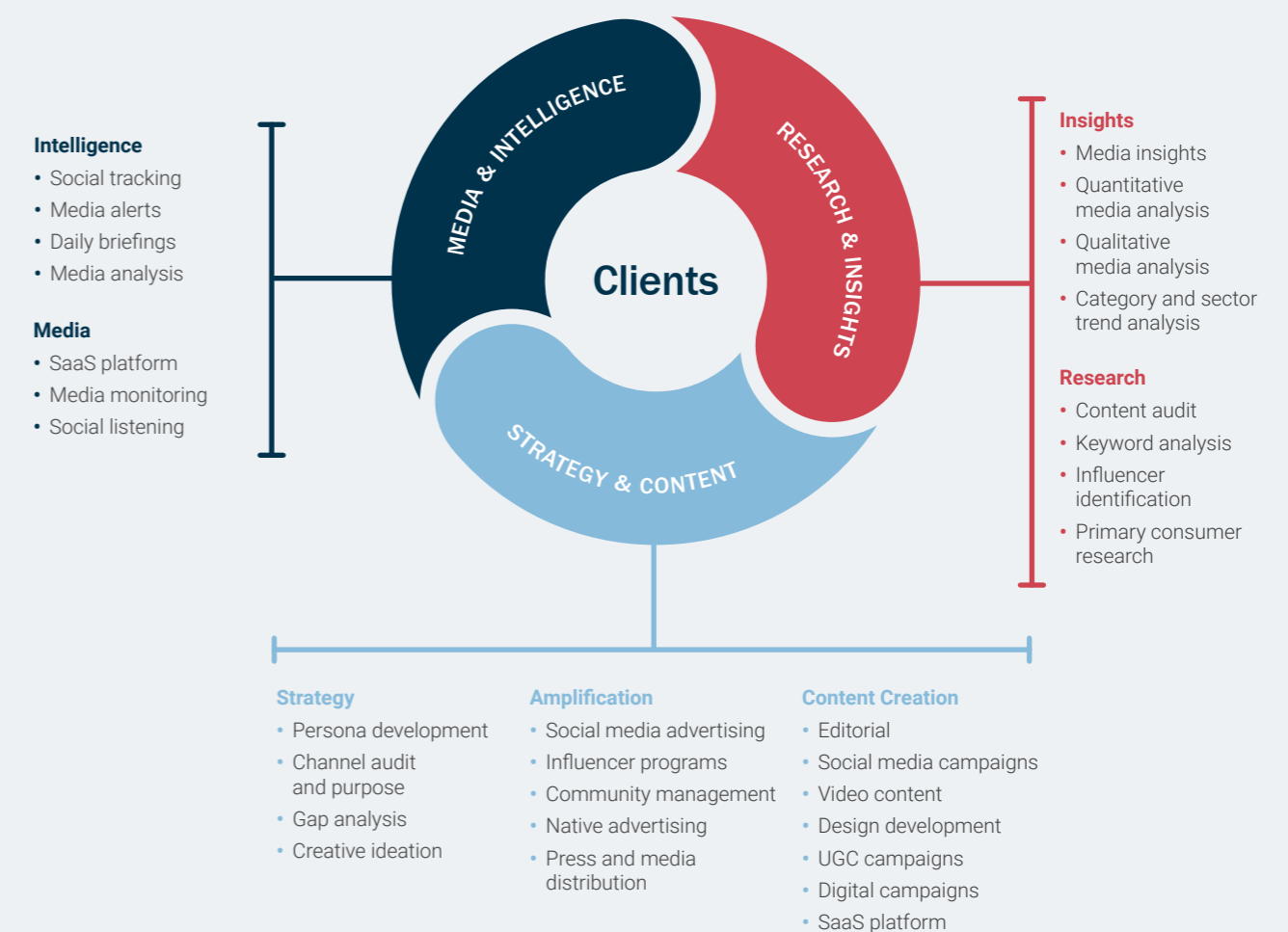
The integrated brand proposition, product pipeline and strength in our Asian businesses provide us with momentum as we move into FY2018.



John Croll
Chief Executive Officer

22 August 2017
Sydney

Our business now has three fully integrated streams:



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 2017.

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	
	2017 \$'000	2016 \$'000
Final dividend for the year ended 30 June 2016 (2016: 30 June 2015) of 4.43 cents (2016: 3.8 cents) per ordinary share	8,860	7,600
Interim dividend for the year ended 30 June 2017 (2016: 30 June 2016) of 3.1 cents (2016: 3.7 cents) per ordinary share	6,200	7,400
	15,060	15,000

On 22 August 2017, the directors declared a 50% franked final dividend for the year ended 30 June 2017 of 3.08 cents per ordinary share, to be paid on 20 September 2017 to eligible shareholders on the register as at 6 September 2017. This equates to a total estimated distribution of \$6,160,000, based on the number of ordinary shares on issue as at 30 June 2017. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2017 financial statements and will be recognised in subsequent financial reports.



Review of operations

The loss for the group after providing for income tax amounted to \$13,523,000 (30 June 2016: profit of \$24,252,000).

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

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

Matters subsequent to the end of the financial year

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the group and the expected results of those operations are contained in the Chairman's letter and Chief Executive Officer's report.

Environmental regulation

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

Information on directors

Doug Flynn

Independent Non-Executive Chairman

Qualifications:

Degree in Chemical Engineering from the University of Newcastle and 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. After leaving News International in 1998, Doug joined Aegis Group Plc and was appointed 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 private television company in China.

Other current directorships:

NEXTDC Limited (ASX: NXT) (Chairman), Konekt Limited (ASX: KKT) (Chairman) and APN Outdoor Group Limited (ASX: APO) (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

Directors' Report (continued)

Information on directors (continued)

John Croll

Chief Executive Officer, Managing Director

Qualifications:

Life Fellow of the Public Relations Institute of Australia, Fellow of the International Association for the Measurement and Evaluation of Communications (AMEC) and a member of the Institute of Company Directors.

Experience and expertise:

John has been active in the media industry since 1982 and was appointed Chief Executive Officer and Managing Director of Isentia (then Media Monitors) in 1999. Prior to his appointment, John held sales and operational roles with Croll Communications and Media Monitors. John is a former Executive Vice President of FIBEP, the International Federation of Press Clipping Bureaus. In addition to his Industry appointments, he is Chairman of Disability Sports Australia.

Other current directorships:

None

Former directorships (last 3 years):

None

Special responsibilities:

CEO

Interests in shares:

6,260,056 ordinary shares of which 214,398 are held indirectly

Interests in options:

1,622,021 options

Pat O'Sullivan

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 Local Agent Finder and 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 and as an independent director of inet Limited. 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 PwC.

Other current directorships:

Carsales.com Limited (ASX: CAR) and APN Outdoor Group Limited (ASX: APO)

Former directorships (last 3 years):

iSelect Limited and iiNet Limited

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

Fiona Pak-Poy

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 MYOB Group Limited, The Sydney School of Entrepreneurship and the Securities Industry Research Centre of South East Asia (SIRCA). Fiona is a member of ASIC's Director Advisory Panel. Previously, she was a member of the board of StatePlus, the Federal Government's National Precincts Board and Innovation Australia Board where she Chaired or was a member of a number of the innovation committees. Fiona was a General Partner of an Australian venture capital fund that invested in Australian technology companies. 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:

MYOB Group Limited (ASX: MYO)

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

Dr Geoff Raby

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 OceanaGold and Yancoal Australia. Geoff was formerly a director of ASX-listed Fortescue Metals Group Limited (retired 5 December 2016), SmartTrans Holdings Ltd and 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:

OceanaGold Corporation (ASX: OGC) and Yancoal Australia Limited (ASX: YAL)

Former directorships (last 3 years):

SmartTrans Holdings Limited (Chairman), YPB Group Limited and Fortescue Metals Group Limited

Special responsibilities:

Member of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee

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 secretary

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 held 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 Bachelor of 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.

Nimesh Shah, former CFO and Company Secretary ceased employment with the company on 7 July 2017.

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 2017, 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	14	15	1	2	3	3
John Croll	15	15	–	–	–	–
Pat O'Sullivan	15	15	2	2	3	3
Fiona Pak-Poy	15	15	2	2	3	3
Dr Geoff Raby	12	15	2	2	3	3

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

All directors attended all scheduled Board meetings. Not all directors were able to attend unscheduled Board meetings held on short notice.

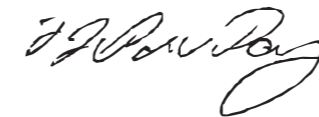
Letter from the Chair of the Nomination and Remuneration Committee

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 2017 ('FY2017'). The remuneration structure for directors and senior executives has remained relatively unchanged since ISENTIA Group Limited ('Isentia' or 'group') listed on the Australian Securities Exchange ('ASX') in June 2014 and again, there were no major changes to the levels of executive and director remuneration in FY2017. It was encouraging to note that over 99% of votes were cast in favour of the resolution to adopt the financial year ended 30 June 2016 remuneration report at the 2016 Annual General Meeting. The Board will continue to engage with shareholders and other company stakeholders around any changes to the design of the remuneration and incentives framework.

Financial performance was below the internal targets set by the Board for FY2017 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 FY2017 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

22 August 2017
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 continues 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:

1. 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
2. KMP remuneration disclosures
3. Service contracts
4. Share-based compensation
5. 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.

There was no change to the fees paid to non-executive directors in FY2017. 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 FY2017 and the Board does not propose any increase to the fee cap for FY2018.

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 FY2017 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 all scheduled Board and Committee meetings. Refer to 'Meetings of directors' above for details of meetings attended. Not all directors were able to attend unscheduled Board meetings 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 FY2017, the executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined below.

FY2017 target pay mix

	FIXED REMUNERATION	STI	LTI
CEO	50%	25%	25%
CFO*	53%	21%	26%
CEO ANZ	53%	21%	26%
CEO Asia	53%	21%	26%

*references to the CFO in this report refer to Nimesh Shah unless otherwise stated.

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)

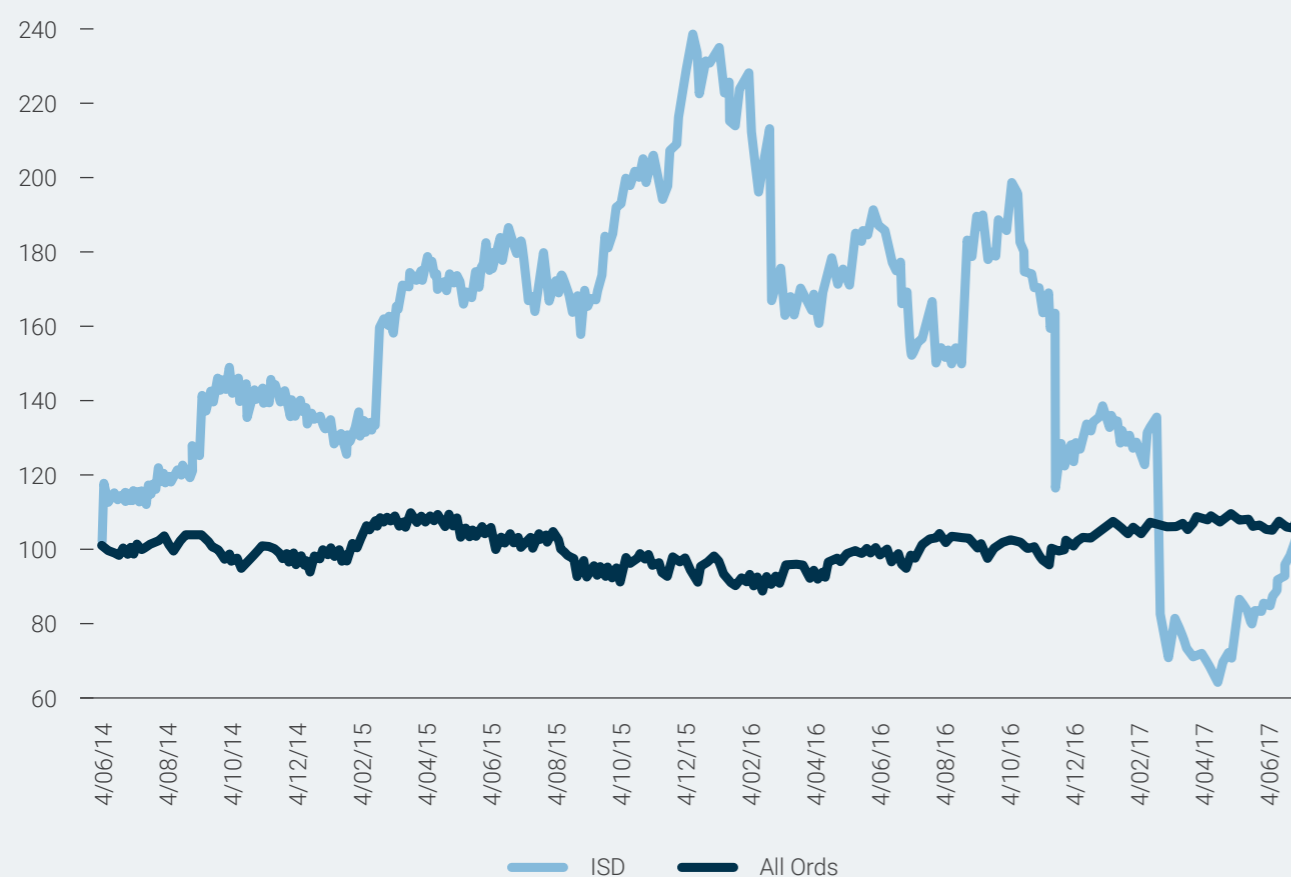
COMPONENT OF REMUNERATION	HOW THIS OPERATES IN PRACTICE	TARGET AND MAXIMUM (STRETCH) OPPORTUNITY	PURPOSE AND LINK TO ISENTIA STRATEGY	CHANGE
FIXED				
Base salary, allowances, superannuation and salary sacrificed benefits.	<p>Base salary is paid in cash or fringe benefits (such as motor vehicle).</p> <p>Superannuation is paid at the statutory rate.</p> <p>Fixed remuneration is reviewed annually.</p>	n/a	<p>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.</p> <p>To reward performance relative to expectations based on individual role and responsibility.</p>	<p>John Croll received no increase in base salary in FY2017. Nimesh Shah and David Liu each received an increase in base salary of less than 5%. Following his appointment as Chief Executive Media Intelligence Sean Smith received an increase in base salary over the FY2017 year of approximately 13%. Over this period Sean transitioned from his previous role of CEO of the Australian and New Zealand operations to leading the media intelligence business globally including sales and clients services, across ANZ, global monitoring production (across all ISENTIA markets) and product development in the media intelligence business with commensurate increase in responsibilities and workload.</p>
VARIABLE				
Short Term Incentive ('STI') Plan ('STIP')	<p>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.</p> <p>The Board retains its discretion to reward for outstanding performance.</p>	<p>CEO target 50% of Total Fixed Remuneration ('TFR'), with a maximum of 75% of TFR.</p> <p>CFO target 40% of TFR, with a maximum of 60% of TFR.</p> <p>No portion of STIP will be payable to the CEO and CFO unless all financial targets are equalled or exceeded.</p> <p>Other executive KMP targets are 40% of base salary, with a maximum 60% of base salary.</p> <p>For other executive KMP no portion of STIP will be payable unless at least one of the financial targets are equalled or exceeded.</p>	<p>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.</p> <p>Financial KPIs account for 68% - 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.</p> <p>Non-financial KPIs that comprise the remaining 25% - 32% of available STI opportunity include strategic business objectives such as Net Promoter Score ('NPS'), product penetration targets and subscription based revenue metrics and personal performance.</p>	<p>As financial KPIs comprise 68% to 75% of available STI and include revenue EBITA, EBITDA and NPATA and Net Promoter Score 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.</p> <p>As financial KPIs were not met in FY2017, no STI payments were awarded to eligible participants in FY2017.</p>

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')	<p>The LTIP was introduced in June 2014 to provide a focus on long term growth opportunities.</p> <p>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.</p> <p>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.</p> <p>Any future offer of equity incentives to the CEO/MD will be put forward for shareholder approval.</p>	<p>50% of TFR per annum.</p> <p>All performance options apply relative total shareholder return ('TSR') and earnings per share ('EPS') hurdles measured over a three year performance period.</p> <p>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.</p> <p>Other than the June 2014 offers, which were specific to the IPO, all unvested options lapse on resignation of the participant.</p>	<p>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').</p>	<p>LTIs were offered to all executive KMP in FY2017.</p> <p>Details of the number and value of LTI granted are set out in the option table in section 4. Share-based compensation' below.</p>

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 FY2013	UNAUDITED PRO-FORMA ACTUAL FY2014	FY2015	FY2016	FY2017
Revenue \$m	103.0	110.6	127.3	156.0	155.1
EBITDA \$m (d)	22.9	30.9	41.9	48.7	35.6
TSR (b)	–	15.7%	60.2%	(5.5%)	(35.9%)
EPS (cents/share) (c)	–	6.4	9.8	12.1	(6.8)
NPAT \$m (e)	7.0	12.8	19.6	24.3	(13.5)
Staff costs \$m (a)	51.2	50.3	52.5	62.8	63.2
Staff costs to revenue ratio	49.7%	45.5%	41.2%	40.3%	40.7%

The company listed on the ASX on the 5 June 2014. Dividends paid and/or declared in FY2015, FY2016 and FY2017 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.

- Proforma staff costs for FY2013 to FY2014 have been adjusted for a reclassification between other expenses and employee benefit expense to conform with the presentation adopted from FY2015 onwards.
- 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.
- 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.
- 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). EBITDA for FY2017 is calculated by adjusting statutory EBITDA of \$4.0 million loss for impairment of assets (\$39.4 million) and disposal of assets (\$0.2 million).
- 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. 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

FY2017 STI performance measures

The KPIs driving STI for FY2017 comprised a mix of revenue, EBITDA or NPATA, and Net Promoter Score targets as well as a personal performance rating measured through the formal year-end performance review process.

Personal performance KPIs in FY2017 focussed on developing longer term strategies and building on strong client relationships, the geographic strength of the business and the integration of acquired businesses into the group with a view to building on shareholder wealth and returns over the longer term. 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.

Further detail around executive KMP performance is provided below:

FY2017 STI – financial performance achieved

EXECUTIVE	METRIC	WEIGHTING (% OF TARGET 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	34.0%	Below target*
	EBITDA	34.0%	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)

FY2017 STI – Non-financial performance achieved

EXECUTIVE	WEIGHTING (% OF TARGET STI OPPORTUNITY)	PERFORMANCE ACHIEVED
John Croll	25%	Delivered a Board approved 5-year strategic plan for the Isentia business to leverage the strong client relationships, the geographic strength of the business and the unique data sets. Delivery of strategic objectives against the 2020 Strategy including integrated IT production platforms and new cloud based product platforms. Aligned skills of the management team focussed on the delivery of the 2020 Strategy.
Nimesh Shah	25%	Aligned company reporting with the 5-year plan to improve company performance. Implemented financial reporting platforms to enhance the quality and timing of the financial reporting. Integrated acquisitions onto the Isentia financial platforms.
Sean Smith	32%	Delivered consistent client service across the Australian and New Zealand business as measured by NPS and client retention. Established the Isentia product team to manage media intelligence products on cloud based platforms and mobile devices as outlined in the Isentia strategic plan.
David Liu	32%	Consolidated an Isentia presence in Asian offices in the context of the local environment and local relationships. Implemented a strong sales culture across Asian businesses. Integrated acquisitions in Asia onto the Isentia platform and provided clients with a service across all Isentia business streams.

The non-financial performance metrics applied for FY2017 were designed to drive both the group's growth strategy and consolidate the integration of acquired business across the various locations in which the group operates.

Whilst all executives either met or exceeded their individual performance targets in FY2017 which drove significant value for the company, no STI payment was awarded to eligible KMP for FY2017 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 2017. All non-executive directors are considered to be independent. The Chief Financial Officer and Company Secretary Nimesh Shah announced his resignation from the Company on 23 March 2017 and ceased employment on 7 July 2017. On 6 June 2017 the Company announced the appointment of James Orlando as new Chief Financial Officer and James commenced employment with the Company on 28 June 2017. Mr Orlando received no remuneration from the Company in FY2017. There were no other changes to KMP after 30 June 2017 and before the date of this report.

The KMP of the group in FY2017 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

Directors' Report (continued)

The KMP of the group in FY2017 consists of the following senior executives:

- Nimesh Shah – Chief Financial Officer and Company Secretary (ceased 7 July 2017)
- Sean Smith – Chief Executive, Media & Intelligence (formerly 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.

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

2017	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 \$	
<i>Non-Executive Directors:</i>							
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
<i>Executive Directors:</i>							
John Croll	654,636	–	–	19,616	10,889	331,885	1,017,026
<i>Other Key Management Personnel:</i>							
Nimesh Shah*	434,926	–	–	19,616	–	70,000	524,542
Sean Smith	332,828	–	–	19,616	5,667	155,795	513,906
David Liu	464,523	–	–	6,172	–	150,981	621,676
James Orlando**	4,027	–	–	383	–	–	4,410
	2,400,940	–	–	113,853	16,556	708,661	3,240,010

*Nimesh Shah ceased employment on 7 July 2017 and received no termination benefits other than statutory entitlements.

**James Orlando commenced employment on 28 June 2017.

Equity settled remuneration represents one third of the value of options granted in FY2015, FY2016 and FY2017. Total value of options granted is apportioned over three years in line with the performance period of the options granted.

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 \$	
<i>Non-Executive Directors:</i>							
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
<i>Executive Directors:</i>							
John Croll	654,636	–	–	19,308	10,904	215,561	900,409
<i>Other Key Management Personnel:</i>							
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

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 FY2017. 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	
	2017	2016	2017	2016	2017	2016
<i>Executive Directors:</i>						
John Croll	67%	76%	–%	–%	33%	24%
<i>Other Key Management Personnel:</i>						
Nimesh Shah	87%	76%	–%	–%	13%	24%
Sean Smith	70%	76%	–%	–%	30%	24%
David Liu	76%	87%	–%	–%	24%	13%
James Orlando*	100%	–%	–%	–%	–%	–%

*James Orlando commenced employment on 28 June 2017.

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:

EXECUTIVE KMP	CONTRACT TERM	NOTICE PERIOD FOR TERMINATION	
		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
James Orlando**	No fixed term	6 months	6 months

*Nimesh Shah ceased employment on 7 July 2017.

**James Orlando commenced employment on 28 June 2017.

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 2017.

Options

Options were granted to the following KMP during the year ended 30 June 2017.

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
17 November 2016	1 July 2019	30 June 2020	\$3.47	\$0.69	\$0.71

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 2017 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	
	2017 \$	2016 \$	2017 NUMBER	2016 NUMBER	2017 NUMBER	2016 NUMBER
<i>Executive Directors:</i>						
John Croll	348,970	326,684	498,627	540,304	–	–
<i>Other Key Management Personnel:</i>						
Nimesh Shah	227,913	219,461	325,656	362,969	688,625*	–
Sean Smith	163,340	159,654	233,390	264,053	–	–
David Liu	236,011	216,933	337,228	358,787	–	–

*Options granted to Nimesh Shah in 2015 and 2016 lapsed upon his resignation. The terms of the Options granted in 2014 provided that the Options survive resignation.

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**	6,560,056	–	(300,000)	6,260,056
Pat O'Sullivan	29,412	–	–	29,412
Fiona Pak-Poy*	29,412	–	–	29,412
Dr Geoff Raby	29,412	–	–	29,412
Nimesh Shah*	410,569	–	(410,569)	–
Sean Smith	–	–	–	–
David Liu	–	–	–	–
James Orlando	–	–	–	–
	7,132,391	–	(710,569)	6,421,822

*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 END OF THE YEAR
	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	LAPSED	
<i>Executive Directors:</i>					
John Croll	1,123,394	498,627	–	–	1,622,021
<i>Other Key Management Personnel:</i>					
Nimesh Shah	745,622	325,656	–	(688,625)	382,653
Sean Smith	399,696	233,390	–	–	633,086
David Liu	358,787	337,228	–	–	696,015
	2,627,499	1,394,901	–	(688,625)	3,333,775

None of the options have vested or are exercisable.

Other information

During the financial year ended 30 June 2017, no fees were paid to external remuneration consultants and there were no loans or other transactions with the KMP during the year.

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	310,518
19/11/2015	30/06/2019	\$3.75	1,717,646
17/11/2016	30/06/2020	\$3.47	1,468,582
			4,462,489

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 2017 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 29 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 29 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 Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

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

Auditor

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

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

22 August 2017
Sydney



John Croll
Chief Executive Officer and Managing Director



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

22 August 2017

Dear Board Members,

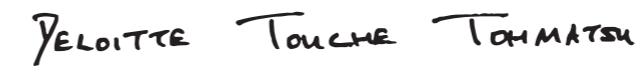
Isentia Group Limited

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.

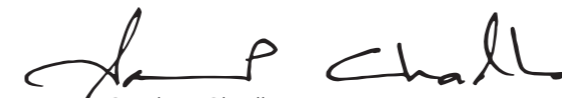
As lead audit partner for the audit of the financial statements of Isentia Group Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited



FY17 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 22 August 2017.

FY17 Financial Statements (continued)

Statement of profit or loss and other comprehensive income For the year ended 30 June 2017

	NOTE	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Revenue	5	155,129	155,996
Other income	6	13,863	70
Expenses			
Copyright, consumables and other direct purchases		(38,558)	(32,088)
Employee benefits expense		(63,234)	(62,809)
Amortisation expenses	7	(14,561)	(12,389)
Depreciation expense	7	(1,685)	(1,315)
Impairment of assets	7	(39,399)	-
Loss on disposal of assets		(254)	-
Occupancy costs		(5,650)	(5,364)
Other expenses		(12,092)	(7,029)
Finance costs	7	(2,855)	(2,898)
(Loss)/profit before income tax expense		(9,296)	32,174
Income tax expense	8	(4,227)	(7,922)
(Loss)/profit after income tax expense for the year attributable to the owners of ISENTIA Group Limited		(13,523)	24,252
Other comprehensive income			
<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		302	197
Exchange differences on translating foreign operations, net of tax		(3,538)	(453)
Other comprehensive income for the year, net of tax		(3,236)	(256)
Total comprehensive income for the year attributable to the owners of ISENTIA Group Limited		(16,759)	23,996
		CENTS	CENTS
Basic earnings per share	38	(6.761)	12.126
Diluted earnings per share	38	(6.761)	12.098

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 2017

	NOTE	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	9	13,252	8,139
Trade and other receivables	10	31,245	40,042
Income tax refund due		1,360	-
Prepayments		1,756	2,140
Total current assets		47,613	50,321
Non-current assets			
Property, plant and equipment	11	4,712	3,915
Intangibles	12	153,027	196,316
Deferred tax assets	13	5,320	8,057
Other		40	133
Total non-current assets		163,099	208,421
Total assets		210,712	258,742
Liabilities			
Current liabilities			
Trade and other payables	14	19,315	19,261
Borrowings	15	-	55,875
Derivative financial instruments	16	-	532
Current tax liabilities		822	2,774
Provisions	17	5,132	5,959
Contingent consideration	18	2,989	6,995
Total current liabilities		28,258	91,396
Non-current liabilities			
Borrowings	19	64,869	-
Deferred tax liabilities	20	17,105	19,083
Provisions	21	784	813
Contingent consideration	22	4,963	21,748
Total non-current liabilities		87,721	41,644
Total liabilities		115,979	133,040
Net assets		94,733	125,702
Equity			
Issued capital	23	403,662	403,662
Reserves	24	(253,673)	(251,287)
Accumulated losses		(55,256)	(26,673)
Total equity		94,733	125,702

Refer to note 3 for detailed information on Restatement of comparatives.

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

FY17 Financial Statements (continued)

Statement of changes in equity For the year ended 30 June 2017

CONSOLIDATED	ISSUED CAPITAL \$'000	RESERVES \$'000	ACCUMULATED LOSSES \$'000	TOTAL EQUITY \$'000
Balance at 1 July 2015	403,662	(251,781)	(35,925)	115,956
Profit after income tax expense 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 39)	-	750	-	750
Dividends paid (note 25)	-	-	(15,000)	(15,000)
Balance at 30 June 2016	403,662	(251,287)	(26,673)	125,702

CONSOLIDATED	ISSUED CAPITAL \$'000	RESERVES \$'000	ACCUMULATED LOSSES \$'000	TOTAL EQUITY \$'000
Balance at 1 July 2016	403,662	(251,287)	(26,673)	125,702
Loss after income tax expense for the year	-	-	(13,523)	(13,523)
Other comprehensive income for the year, net of tax	-	(3,236)	-	(3,236)
Total comprehensive income for the year	-	(3,236)	(13,523)	(16,759)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 39)	-	850	-	850
Dividends paid (note 25)	-	-	(15,060)	(15,060)
Balance at 30 June 2017	403,662	(253,673)	(55,256)	94,733

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 2017

	NOTE	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		179,631	167,536
Payments to suppliers and employees (inclusive of GST)		(136,071)	(127,548)
Interest received		62	70
Interest and other finance costs paid		(2,933)	(2,667)
Income taxes paid		(6,940)	(6,620)
Net cash from operating activities	37	33,749	30,771
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(29,216)
Payments to vendors for prior year assets acquisition	27	(7,033)	(303)
Payments for security deposits		-	(448)
Payments for property, plant and equipment		(2,846)	(2,446)
Payments for intangibles		(11,458)	(6,716)
Payment for purchase of asset acquisition		(1,239)	(1,219)
Proceeds from disposal of property, plant and equipment		-	3
Net cash used in investing activities		(22,576)	(40,345)
Cash flows from financing activities			
Proceeds from borrowings		15,000	38,500
Repayment of borrowings		(6,000)	(11,500)
Dividends paid	25	(15,060)	(15,000)
Net cash (used in)/from financing activities		(6,060)	12,000
Net increase in cash and cash equivalents		5,113	2,426
Cash and cash equivalents at the beginning of the financial year		8,139	5,713
Cash and cash equivalents at the end of the financial year	9	13,252	8,139

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

FY17 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 or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 33.

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 2017 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.

FY17 Financial Statements (continued)

Income tax

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

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

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

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.

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.

FY17 Financial Statements (continued)

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.

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.

FY17 Financial Statements (continued)

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 is measured at fair value on grant date. Fair value is independently determined using either the Black-Scholes option pricing model or Monte Carlo Simulation 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.

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

The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

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

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

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

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

Fair value measurement

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

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

FY17 Financial Statements (continued)

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

Rounding of amounts

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

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.

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 2017.

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, designated at fair value through profit or loss, 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 significantly impact the financial statements on the basis that the main financial assets recognised represent cash and cash equivalent and trade receivables that do not carry a significant financing component and involve a single cash flow representing the repayment of principal, which in the case of trade receivables is the transaction price. Both asset classes will continue to be measured at face value. Other financial asset classes are not material to the group. Financial liabilities of the group are not impacted as the group does not carry them at fair value.

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. The group is currently undertaking a comprehensive review of the implementation

impacts of IFRS 15. The group has not yet reached a determination as to the impacts of these accounting standards.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a lease liability will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A 'right of use' asset corresponding to the lease liability will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved 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. Information on the undiscounted amount of the group's operating lease commitments under AASB 117, the current leasing standard, is disclosed in note 31. The Group is considering the available options for transition. To date, work has focused on the identification of the provisions of the standard which will most impact the group. In the next financial year, work on the detailed review of the contracts and financial reporting impacts will commence.

FY17 Financial Statements (continued)

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.

Note 3. Restatement of comparatives

Change in accounting policy

In November 2016, the IFRS Interpretations Committee (IFRIC) clarified that an intangible asset with an indefinite useful life is not a non-depreciable asset (unlike land) and that non-amortisation did not necessarily mean that an entity will recover the carrying amount of that asset only through sale and not through use. The tax accounting standard requires deferred tax to be recognised based on management's expected manner of recovery. Management have reconsidered the expected recovery of its indefinite life brands as being recovered through use. Therefore, in accordance with the standards a deferred tax liability of \$5,467,000 has been recognised on the brands acquired in previous business combinations with a corresponding increase in goodwill, in the earliest period presented on 1 July 2015. In addition, a deferred tax liability of \$1,829,000 has been recognised in relation to the acquisition of 'King Content Pty Limited' brand, in the comparison year ended 30 June 2016.

Finalisation of business combination

As detailed in note 34, the group finalised its business combinations during the year. The effect of the adjustments resulted in an increase in intangible assets by \$1,296,000 and an increase in deferred tax liability of \$1,296,000.

Statement of profit or loss and other comprehensive income

When there is a restatement of comparatives, it is mandatory to provide a statement of profit or loss and other comprehensive income for the year ended 30 June 2016. However, as there were no adjustments made, the group has elected not to show the statement of profit or loss and other comprehensive income.

Statement of financial position at the beginning of the earliest comparative period

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2015. However, as there were no adjustments made as at 1 July 2015, the group has elected not to show the 1 July 2015 statement of financial position.

Statement of financial position at the end of the earliest comparative period

EXTRACT	CONSOLIDATED		
	2016 \$'000 REPORTED	\$'000 ADJUSTMENT	2016 \$'000 RESTATED
Assets			
Non-current assets			
Intangibles	187,724	8,592	196,316
Total non-current assets	199,829	8,592	208,421
Total assets	250,150	8,592	258,742
Liabilities			
Non-current liabilities			
Deferred tax liabilities	10,491	8,592	19,083
Total non-current liabilities	33,052	8,592	41,644
Total liabilities	124,448	8,592	133,040
Net assets	125,702	–	125,702

FY17 Financial Statements (continued)

Note 4. Operating segments

Identification of reportable operating segments

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

The CODM reviews 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

CONSOLIDATED - 2017				
	ANZ \$'000	ASIA/ROW \$'000	HEAD OFFICE \$'000	TOTAL \$'000
Revenue				
SaaS	87,498	15,833	–	103,331
VAS	20,361	17,063	–	37,424
Content marketing	8,684	5,690	–	14,374
Total revenue	116,543	38,586	–	155,129
Adjusted EBITDA				
Fair value adjustment on contingent consideration			(9,151)	35,597
Depreciation and amortisation				13,799
Impairment of assets				(16,246)
Interest revenue				(39,399)
Finance costs				62
Loss on disposal of assets				(2,855)
Loss before income tax expense				(9,296)
Income tax expense				(4,227)
Loss after income tax expense				(13,523)

CONSOLIDATED - 2016				
	ANZ \$'000	ASIA/ROW \$'000	HEAD OFFICE \$'000	TOTAL \$'000
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			(10,995)	48,706
Interest revenue				(13,704)
Finance costs				70
Profit before income tax expense				32,174
Income tax expense				(7,922)
Profit after income tax expense				24,252

FY17 Financial Statements (continued)

Note 5. Revenue

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Rendering of services	155,129	155,996

Note 6. Other income

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Government grants	2	–
Interest income	62	70
Net gain recognised on reversal of contingent consideration (note 27)	13,799	–
Other income	13,863	70

Other income includes fair value adjustment on the contingent consideration that may have been payable on previous acquisitions. Specifically, longer than expected lead times to convert certain key projects and customers have resulted in lower estimated FY2017 EBITDA (earnings before interest, tax, depreciation and amortisation) and revenue used to determine the earn-out payment. As a result, the fair value of contingent consideration has been adjusted.

Note 7. Expenses

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
(Loss)/profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	431	315
Furniture and fittings	184	115
Office equipment	106	87
Computer equipment	964	798
Total depreciation	1,685	1,315
<i>Amortisation</i>		
Customer relationships and contracts	8,341	7,144
Acquired software	1,787	1,899
Internally generated software	4,433	3,346
Total amortisation	14,561	12,389
Total depreciation and amortisation	16,246	13,704
<i>Impairment</i>		
Goodwill	32,717	–
Customer relationships and contracts	201	–
Software and capitalised development	386	–
Brands	6,095	–
Total impairment	39,399	–
<i>Finance costs</i>		
Interest and finance charges paid/payable	2,647	2,742
Loan establishment fee	208	156
Finance costs expensed	2,855	2,898
<i>Net foreign exchange fluctuation</i>		
Net foreign exchange loss/(gain)	(536)	(118)
<i>Rental expense relating to operating leases</i>		
Lease payments	4,816	4,394
<i>Superannuation expense and statutory contribution</i>		
Defined contribution superannuation expense	6,081	5,181
<i>Impairment of receivables</i>		
Bad and doubtful debt expense	1,026	244

FY17 Financial Statements (continued)

Note 8. Income tax expense

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
<i>Income tax expense</i>		
Current tax expense	3,557	7,096
Deferred tax – origination and reversal of temporary differences	(18)	1,083
Prior year unders/overs	688	(257)
Aggregate income tax expense	4,227	7,922
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 13)	2,099	1,354
Decrease in deferred tax liabilities (note 20)	(2,117)	(271)
Deferred tax – origination and reversal of temporary differences	(18)	1,083
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
(Loss)/profit before income tax expense	(9,296)	32,174
Tax at the statutory tax rate of 30%	(2,789)	9,652
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	7,247	550
Effect of tax rates in overseas jurisdictions	120	(348)
Current year tax loss not recognised	562	61
Research and development tax offset	(1,533)	(1,587)
Utilisation of tax loss not recognised previously	(68)	–
Tax exempt income	–	(32)
Prior year overs/unders	688	(257)
Current year temporary differences not recognised	–	(117)
Income tax expense	4,227	7,922

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
<i>Amounts charged directly to equity</i>		
Deferred tax assets (note 13)	130	84

Note 9. Current assets – cash and cash equivalents

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Cash on hand	12	25
Cash at bank	13,240	8,114
	13,252	8,139

Note 10. Current assets – trade and other receivables

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Trade receivables	27,578	34,759
Less: Provision for impairment of receivables	(568)	(426)
	27,010	34,333
Other receivables	3,210	4,668
Security deposits	1,025	1,041
	31,245	40,042

Impairment of receivables

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Over 6 months overdue	568	426

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Opening balance	426	196
Additional provisions recognised	1,026	244
Receivables written off during the year as uncollectable	(884)	(14)
Closing balance	568	426

FY17 Financial Statements (continued)

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$5,019,000 as at 30 June 2017 (\$6,029,000 as at 30 June 2016).

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	
	2017 \$'000	2016 \$'000
0 to 3 months overdue	3,389	5,602
3 to 6 months overdue	741	116
Over 6 months overdue	889	311
	5,019	6,029

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Leasehold improvements – at cost	4,557	4,576
Less: Accumulated depreciation	(2,704)	(3,297)
	1,853	1,279
Furniture and fittings – at cost	2,337	2,145
Less: Accumulated depreciation	(1,661)	(1,553)
	676	592
Office equipment – at cost	2,502	2,486
Less: Accumulated depreciation	(2,210)	(2,216)
	292	270
Computer equipment – at cost	11,383	11,406
Less: Accumulated depreciation	(9,492)	(9,632)
	1,891	1,774
	4,712	3,915

Reconciliations

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

CONSOLIDATED	LEASEHOLD IMPROVEMENTS \$'000	FURNITURE AND FITTINGS \$'000	OFFICE EQUIPMENT \$'000	COMPUTER EQUIPMENT \$'000	TOTAL \$'000
Balance at 1 July 2015	622	537	172	1,182	2,513
Additions	890	114	127	1,315	2,446
Additions through business combinations (note 34)	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
Additions	1,271	289	152	1,134	2,846
Disposals	(210)	(13)	(15)	(16)	(254)
Exchange differences	(56)	(8)	(9)	(37)	(110)
Depreciation expense	(431)	(184)	(106)	(964)	(1,685)
Balance at 30 June 2017	1,853	676	292	1,891	4,712

Note 12. Non-current assets – intangibles

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Goodwill – at cost	116,446	119,960
Less: Accumulated impairment	(37,555)	(6,668)
	78,891	113,292
Customer relationships and contracts – at cost	82,774	82,642
Less: Accumulated amortisation	(50,151)	(41,941)
Less: Accumulated impairment	(1,980)	(1,779)
	30,643	38,922
Software and capitalised development – at cost	59,626	47,403
Less: Accumulated amortisation	(34,212)	(28,020)
Less: Impairment	(386)	–
	25,028	19,383
Brands – at cost	24,560	24,719
Less: Impairment	(6,095)	–
	18,465	24,719
	153,027	196,316

FY17 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	GOODWILL* \$'000	CUSTOMER RELATIONSHIPS AND CONTRACTS* \$'000	SOFTWARE AND CAPITALISED DEVELOPMENT \$'000	BRANDS \$'000	TOTAL \$'000
Balance at 1 July 2015	72,352	35,066	9,992	18,590	136,000
Additions	–	–	6,677	39	6,716
Additions through business combinations (note 34)	40,620	8,166	7,970	6,095	62,851
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	113,292	38,922	19,383	24,719	196,316
Additions	–	424	12,268	5	12,697
Exchange differences	(1,684)	(161)	(17)	(164)	(2,026)
Impairment of assets	(32,717)	(201)	(386)	(6,095)	(39,399)
Amortisation expense	–	(8,341)	(6,220)	–	(14,561)
Balance at 30 June 2017	78,891	30,643	25,028	18,465	153,027

*Refer to note 34 for the finalisation of prior year business combinations which has resulted in comparatives being adjusted. Also refer to note 3 for details of restatement of comparatives.

During the year, management has undergone an internal reorganisation of its reporting structure. This has resulted in the King Content goodwill of \$32,717,000 and brand \$6,095,000 being separated from the ANZ and Asia cash-generating units ('CGUs') and monitored as a separate cash-generating unit, resulting in an impairment of the King Content CGU.

As at the reporting date, an impairment charge of \$38,812,000 has been applied as the carrying amount of goodwill and brands exceeded its recoverable amount within the King Content CGU. The impairment was a result of the financial under performance of King Content Pty Limited and its subsidiaries during FY2017. This impairment expense is partially offset by the net gain recognised on reversal of contingent consideration from the King Content acquisition of \$11,819,000 refer to note 27.

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
ANZ	52,356	75,470
Asia and Rest of the World ('Asia/RoW')	26,535	37,822
	78,891	113,292

Brands have been allocated to the following CGUs:

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
ANZ	16,413	21,254
Asia and Rest of the World ('Asia/RoW')	2,052	3,465
	18,465	24,719

The King Content CGU is fully impaired (2016: nil).

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 FY2018 budget and business plan for the next 4 years. Terminal growth rates applied are ANZ 4%, Asia/RoW 9% and King Content 4%. (2016: ANZ (7%) and Asia/RoW (9%)).
2. Weighted average cost of capital: ANZ 11.75% (2016: 11.75%), Asia/RoW: 15% (2016: 15%) and King Content 11.75%.

Sensitivity

For the ANZ and Asia CGU, 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.

Refer to note 34 for the finalisation of prior year business combinations which has resulted in comparatives being adjusted. Also refer to note 3 for details of restatement of comparatives.

FY17 Financial Statements (continued)

Note 13. Non-current assets – deferred tax assets

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
<i>Deferred tax assets comprise temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	–	562
Impairment of receivables	70	57
Employee benefits	1,066	969
Provision for lease make good	58	42
Provision for audit fees	98	94
Accrued lease incentives	55	47
Accruals and prepayments	220	71
Unrealised foreign exchange gain/loss	318	312
Intangibles	2,682	3,823
IPO transaction costs	486	971
Derivative financial instruments	–	30
Property, plant and equipment	(51)	–
	5,002	6,978
Amounts recognised in equity:		
Derivative financial instruments	–	130
IPO transaction costs	318	635
Share based payment	–	314
	318	1,079
Deferred tax assets	5,320	8,057
Movements:		
Opening balance	8,057	9,455
Charged to profit or loss (note 8)	(2,099)	(1,354)
Charged to equity (note 8)	(130)	(84)
Adjustments to profit or loss – Prior year unders/overs	(487)	40
Exchange differences	(21)	–
Closing balance	5,320	8,057

Note 14. Current liabilities – trade and other payables

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Trade payables	3,142	5,884
Amounts received in advance	5,256	4,206
Accrued expenses	9,416	8,187
Other payables	1,501	984
	19,315	19,261

Refer to note 26 for further information on financial instruments.

Note 15. Current liabilities – borrowings

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Bank loans	–	56,000
Prepaid facility costs	–	(125)
	–	55,875

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

Refer to note 26 for further information on financial instruments.

Note 16. Current liabilities – derivative financial instruments

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Interest rate swap contracts – cash flow hedges	–	532

Refer to note 26 for further information on financial instruments.

Refer to note 27 for further information on fair value measurement.

FY17 Financial Statements (continued)

Note 17. Current liabilities – provisions

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Employee benefits	5,132	5,959

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Employee benefits obligation expected to be settled after 12 months	636	613

Note 18. Current liabilities – contingent consideration

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Contingent consideration	2,989	6,995

Refer to note 27 for further information on fair value measurement.

Note 19. Non-current liabilities – borrowings

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Bank loans	65,000	-
Prepaid facility costs	(131)	-
	64,869	-

Refer to note 26 for further information on financial instruments.

Total secured liabilities

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Bank loans	65,000	56,000

Assets pledged as security

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.

Financing arrangements

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Total facilities		
Bank loans	75,000	65,000
Used at the reporting date		
Bank loans	65,000	56,000
Unused at the reporting date		
Bank loans	10,000	9,000

Of the \$10,000,000 (2016: \$9,000,000) remaining facility, \$515,000 (2016: \$316,000) has been used for bank guarantees.

FY17 Financial Statements (continued)

Note 20. Non-current liabilities – deferred tax liabilities

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
<i>Deferred tax assets comprise temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Property, plant and equipment	–	(15)
Customer relationships and contracts from acquisition	6,614	8,893
Brands from acquisition	5,467	7,296
Internally generated software	4,699	2,327
Deferred revenue and unpaid rent	325	582
Deferred tax liability	17,105	19,083
<i>Movements:</i>		
Opening balance	19,083	14,069
Credited to profit or loss (note 8)	(2,117)	(271)
Additions through business combinations (note 34)	–	5,086
Adjustments to profit or loss – prior year unders/overs	139	199
Closing balance	17,105	19,083

Refer to note 34 for the finalisation of prior year business combinations which has resulted in comparatives being adjusted. Also refer to note 3 for details of restatement of comparatives.

Note 21. Non-current liabilities – provisions

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Employee benefits	407	431
Deferred lease incentives	182	243
Lease make good	195	139
	784	813

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:

CONSOLIDATED – 2017	DEFERRED LEASE INCENTIVES \$'000	LEASE MAKE GOOD \$'000
Carrying amount at the start of the year	243	139
Additional provisions recognised	25	56
Unused amounts reversed	(86)	–
Carrying amount at the end of the year	182	195

Note 22. Non-current liabilities – contingent consideration

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Contingent consideration	4,963	21,748

Refer to note 27 for further information on fair value measurement.

Note 23. Equity – issued capital

	CONSOLIDATED			
	2017 SHARES	2016 SHARES	2017 \$'000	2016 \$'000
Ordinary shares – fully paid	200,000,001	200,000,001	403,662	403,662

Ordinary shares

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

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

Share buy-back

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

FY17 Financial Statements (continued)

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 2016 Annual Report.

Note 24. Equity – reserves

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Foreign currency reserve	2,658	6,196
Hedging reserve – cash flow hedges	–	(302)
Share-based payments reserve	1,898	1,048
Capital reserve	(258,229)	(258,229)
	(253,673)	(251,287)

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 CURRENCY \$'000	HEDGING \$'000	SHARE-BASED PAYMENT \$'000	CAPITAL \$'000	TOTAL \$'000
Balance at 1 July 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)
Foreign currency translation	(3,538)	–	–	–	(3,538)
Net change in fair value of cash flow hedges	–	302	–	–	302
Share buy-back	–	–	850	–	850
Balance at 30 June 2017	2,658	–	1,898	(258,229)	(253,673)

Note 25. Equity – dividends

Dividends

Dividends paid during the financial year were as follows:

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Final dividend for the year ended 30 June 2016 (2016: 30 June 2015) of 4.43 cents (2016: 3.8 cents) per ordinary share	8,860	7,600
Interim dividend for the year ended 30 June 2017 (2016: 30 June 2016) of 3.1 cents (2016: 3.7 cents) per ordinary share	6,200	7,400
	15,060	15,000

On 22 August 2017, the directors declared a 50% franked final dividend for the year ended 30 June 2017 of 3.08 cents per ordinary share, to be paid on 20 September 2017 to eligible shareholders on the register as at 6 September 2017. This equates to a total estimated distribution of \$6,160,000, based on the number of ordinary shares on issue as at 30 June 2017. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2017 financial statements and will be recognised in subsequent financial reports.

FY17 Financial Statements (continued)

Franking credits

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	2,048	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

Note 26. 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
US dollars	5,316	3,852	94	390
Singapore dollars	11	200	44	-
Others	58	374	439	115
	5,385	4,426	577	505

The group had net assets denominated in foreign currencies of \$4,808,000 (assets \$5,385,000 less liabilities \$577,000) as at 30 June 2017 (2016: \$3,921,000 (assets \$4,426,000 less liabilities \$505,000)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2016: weakened by 10%/strengthened by 10%) against these foreign currencies with all other variables held constant, the group's loss before tax for the year and equity would have been \$481,000 lower/\$481,000 higher (2016: profit before tax would have been \$392,000 higher/\$392,000 lower). 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 2017 was \$536,000 (2016: gain of \$118,000).

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. During the year, the group discontinued its hedging policy. Actual hedge at 30 June 2017 was 0% (2016: 74%) of the principal outstanding.

As at the reporting date, the group had the following variable rate cash balances, borrowings and interest rate swap contracts:

CONSOLIDATED	2017 BALANCE \$'000	2016 BALANCE \$'000
Bank loans	65,000	56,000
Interest rate swaps contracts - cash flow hedges (notional principal amount)	-	(41,250)
Cash at bank	(13,240)	(8,114)
Net exposure to cash flow interest rate risk	51,760	6,636

An official increase/decrease in interest rates of 50 (2016: 50) basis points would have an adverse/favourable effect on loss before tax of \$259,000 (2016: \$33,000) per annum based on the net balance.

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.

FY17 Financial Statements (continued)

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	
	2017 \$'000	2016 \$'000
Bank loans	10,000	9,000

Of the \$10,000,000 (2016: \$9,000,000) remaining facility, \$515,000 (2016: \$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.

CONSOLIDATED – 2017	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	REMAINING CONTRACTUAL MATURITIES \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	–	3,142	–	–	–	3,142
Other payables	–	1,501	–	–	–	1,501
Contingent consideration	–	2,989	5,122	–	–	8,111
<i>Interest-bearing - variable</i>						
Bank loans	4.01%	2,607	2,607	65,050	–	70,264
Total non-derivatives		10,239	7,729	65,050	–	83,018

CONSOLIDATED – 2016	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	REMAINING CONTRACTUAL MATURITIES \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	–	5,884	–	–	–	5,884
Other payables	–	984	–	–	–	984
Contingent consideration	–	6,995	16,731	6,054	–	29,780
<i>Interest-bearing – variable</i>						
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

Note 27. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

CONSOLIDATED – 2017	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
Liabilities				
Contingent consideration	–	–	7,952	7,952
Total liabilities	–	–	7,952	7,952

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CONSOLIDATED – 2016	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
<i>Liabilities</i>				
Interest rate swap contracts – cash flow hedges	–	532	–	532
Contingent consideration	–	–	28,743	28,743
Total liabilities	–	532	28,743	29,275

There were no transfers between levels during the financial year.

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

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

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 include estimated 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 \$'000
Balance at 1 July 2015	(384)
Contingent consideration recognised on business combinations (note 34)	(27,897)
Contingent consideration recognised on purchase of intangibles	(1,426)
Net (loss)/gain recognised in other expenses in profit or loss	661
Contingent consideration payout	303
Balance at 30 June 2016	(28,743)
Gains recognised in profit or loss	13,799
Exchange difference	(41)
Contingent consideration payout	7,033
Balance at 30 June 2017	(7,952)

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

DESCRIPTION	UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVERAGE)	SENSITIVITY
Contingent consideration – SNC Korea acquisition	Revenue	Range of \$5,879,000 to \$7,186,000 (average \$6,533,000)	10% increase in Revenue would result in increase in fair value by \$490,000 and 10% decrease in Revenue would result in decrease in fair value by \$490,000.
Contingent consideration – Beyond Korea	Revenue	Range of \$2,729,000 to \$3,336,000 (average \$3,033,000)	10% increase in Revenue would result in increase in fair value by \$133,000 and 10% decrease in Revenue would result in decrease in fair value by \$133,000.
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 \$40,000. 0.5% decrease in discount rate would increase fair value of contingent consideration by \$40,000.

Note 28. 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	
	2017 \$'000	2016 \$'000
Short-term employee benefits	2,400,940	2,350,728
Post-employment benefits	113,853	111,413
Long-term benefits	16,556	22,892
Share-based payments	708,661	532,375
	3,240,010	3,017,408

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Note 29. 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	
	2017 \$'000	2016 \$'000
<i>Audit services – Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	315,000	299,500
<i>Other services – Deloitte Touche Tohmatsu</i>		
Tax services	55,000	55,000
Other services	–	45,000
	55,000	100,000
	370,000	399,500
<i>Audit services – Deloitte International Associates – Services provided to International Subsidiaries</i>		
Audit or review of the financial statements	163,620	126,169
<i>Other services – Deloitte International Associates</i>		
Tax Services	28,890	18,114
	192,510	144,283
<i>Audit services – unrelated firms</i>		
Audit or review of the financial statements	48,116	43,901
<i>Other services – unrelated firms</i>		
Tax compliance services	110,330	110,336
	158,446	154,237

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

Note 30. Contingent liabilities

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Bank guarantees	515	316

Note 31. Commitments

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
<i>Lease commitments – operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,975	3,939
One to five years	9,088	5,523
More than five years	640	–
	13,703	9,462

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

Note 32. Related party transactions

Parent entity

Isentia Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties

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

Receivable from and payable to related parties

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

Loans to/from related parties

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

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Note 33. Parent entity information

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

Statement of profit or loss and other comprehensive income

	PARENT	
	2017 \$'000	2016 \$'000
Loss after income tax	(52,825)	(387)
Total comprehensive income	(52,825)	(387)

Statement of financial position

	PARENT	
	2017 \$'000	2016 \$'000
Total current assets	1	–
Total assets	306,300	373,335
Total current liabilities	–	–
Total liabilities	–	–
Equity		
Issued capital	403,662	403,662
Share-based payments reserve	1,898	1,048
Accumulated losses	(99,260)	(31,375)
Total equity	306,300	373,335

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

The parent entity and its Australian subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries. Refer to note 36 for further details.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2017 and 30 June 2016.

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 34. Business combinations

Acquisition of Isentia SNC Korea Co., Ltd & The Beyond Co., Ltd. (comparative year)

In the prior year, the group acquired 100% of the ordinary shares of Isentia SNC Korea Co. Ltd ('SNC') and 51% of the ordinary shares of The Beyond Co. Ltd. ('Beyond') for a total consideration of \$11,305,000.

These business combinations were finalised in the current financial year and this has resulted in the recognition of customer relationships and contracts intangible asset of \$4,321,000, deferred tax liability of \$1,296,000 and a decrease in goodwill of \$3,025,000. These balances were recognised as adjustments to the balance sheet as at 30 June 2016.

Finalisation of provisional accounting did not impact the comparative year statement of profit or loss and other comprehensive income or opening accumulated losses.

Details of the acquisitions are summarised as follows, and have been updated accordingly:

	FAIR VALUE \$'000
Cash and cash equivalents	73
Trade receivables	436
Prepayments	11
Property, plant and equipment	52
Customer relationships and contracts	4,321
Other non-current assets	93
Trade and other payables	(288)
Deferred tax liability	(1,296)
Net assets acquired	3,402
Goodwill	7,903
Acquisition-date fair value of the total consideration transferred	11,305

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King Content Pty Limited (comparative year)

In the prior year, 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.

The business combination was adjusted in the current financial year for the change in accounting policy disclosed in note 3 and this has resulted in the recognition of deferred tax liability of \$1,829,000 and an increase in goodwill of \$1,829,000. These balances were recognised as adjustments to the balance sheet as at 30 June 2016.

The above adjustment did not impact the comparative year statement of profit or loss and other comprehensive income or opening accumulated losses.

Details of the acquisitions are summarised as follows, and have been updated accordingly:

	FAIR VALUE \$'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	(3,789)
Net assets acquired	14,081
Goodwill	32,717
Acquisition-date fair value of the total consideration transferred	46,798

Note 35. Interests in subsidiaries

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

NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2017 %	2016 %
ISENTIA Holdings Pty Limited	Australia	100%	100%
ISENTIA Finance Pty Limited	Australia	100%	100%
ISENTIA Pty Limited	Australia	100%	100%
Slice Media Pty Limited	Australia	100%	100%
Media Monitors Pty Limited	Australia	100%	100%
BuzzNumbers Pty Limited	Australia	100%	100%
King Content Pty Ltd	Australia	100%	100%
ISENTIA Limited	New Zealand	100%	100%
ISENTIA Operations Sdn. Bhd.	Malaysia	100%	100%
ISENTIA Group Sdn. Bhd.	Malaysia	100%	100%
ISENTIA Library Group Sdn. Bhd.	Malaysia	100%	100%
ISENTIA (M) Sdn. Bhd.	Malaysia	100%	100%
ISENTIA (Johor Bahru) Sdn. Bhd.	Malaysia	100%	100%
Brandtology Sdn. Bhd.(Malaysia) Company*	Malaysia	–	100%
ISENTIA Pte Limited	Singapore	100%	100%
ISENTIA Brandtology Pte Limited	Singapore	100%	100%
PT ISENTIA Jakarta	Indonesia	100%	100%
ISENTIA Vietnam Co. Investment	Vietnam	100%	100%
ISENTIA Manila Inc.	Philippines	100%	100%
ISENTIA Monitoring Services (Thailand) Ltd	Thailand	100%	100%
ISENTIA Bangkok Company Limited	Thailand	100%	100%
Brandtology, Inc.	USA	100%	100%
King Content (USA), Inc	USA	100%	100%
ISENTIA Limited	Hong Kong	100%	100%
King Content Limited	Hong Kong	100%	100%
King Content (SG) Pte Ltd	Singapore	100%	100%
Brandtology Co., Ltd	China	100%	100%
Beijing ISENTIA Information Consulting Co., Limited	China	100%	100%
Shanghai ISENTIA Consulting Ltd	China	100%	–
King Content Ltd	UK	100%	100%
ISENTIA SNC Korea Co., Ltd	South Korea	100%	100%
The Beyond Co., Ltd.**	South Korea	51%	51%

*Denotes entities deregistered during the year.

**The group holds options on the remaining issued shares, which are deemed to have been acquired, and therefore no non-controlling interest is recognised.

FY17 Financial Statements (continued)

Note 36. Deed of cross guarantee

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

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

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

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

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2017 \$'000	2016 \$'000
Revenue	96,800	100,742
Other income	17,224	51
Copyright, consumables and other direct purchases	(30,747)	(25,808)
Depreciation and amortisation expense	(9,615)	(8,759)
Employee benefits expense	(28,377)	(31,312)
Impairment of assets	(37,571)	-
Occupancy costs	(2,295)	(2,259)
Other expenses	(4,676)	(4,733)
Finance costs	(3,109)	(3,176)
(Loss)/profit before income tax expense	(2,366)	24,746
Income tax expense	(4,685)	(6,312)
(Loss)/profit after income tax expense	(7,051)	18,434
Other comprehensive income		
Net change in fair value of cash flow hedges taken to equity, net of tax	302	197
Exchange differences on translating foreign operations, net of tax	(800)	84
Other comprehensive income for the year, net of tax	(498)	281
Total comprehensive income for the year	(7,549)	18,715

EQUITY – RETAINED PROFITS	2017 \$'000	2016 \$'000
Accumulated losses at the beginning of the financial year	(37,764)	(41,198)
(Loss)/profit after income tax expense	(7,051)	18,434
Dividends paid	(15,060)	(15,000)
Accumulated losses at the end of the financial year	(59,875)	(37,764)

STATEMENT OF FINANCIAL POSITION	2017 \$'000	2016 \$'000
Current assets		
Cash and cash equivalents	5,945	2,750
Trade and other receivables	16,671	19,018
Income tax refund due	1,360	-
Prepayments	782	828
	24,758	22,596
Non-current assets		
Receivable from subsidiaries	10,858	9,360
Investment in subsidiaries	52,570	90,141
Property, plant and equipment	2,204	1,337
Intangibles	96,505	95,696
Deferred tax assets	5,284	7,285
Other	40	40
	167,461	203,859
Total assets	192,219	226,455
Current liabilities		
Trade and other payables	12,704	12,150
Borrowings	-	55,875
Derivative financial instruments	-	532
Current tax liabilities	-	1,605
Provisions	3,658	4,029
Contingent consideration	2,989	6,995
	19,351	81,186
Non-current liabilities		
Borrowings	64,869	-
Deferred tax liabilities	12,747	11,487
Provisions	783	727
Contingent consideration	3,494	20,321
	81,893	32,535
Total liabilities	101,244	113,721
Net assets	90,975	112,734
Equity		
Issued capital	403,662	403,662
Reserves	(252,812)	(253,164)
Accumulated losses	(59,875)	(37,764)
Total equity	90,975	112,734

FY17 Financial Statements (continued)

Note 37. Reconciliation of (loss)/profit after income tax to net cash from operating activities

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
(Loss)/profit after income tax expense for the year	(13,523)	24,252
Adjustments for:		
Depreciation and amortisation	16,246	13,704
Impairment of intangibles	39,399	-
Write off of property, plant and equipment	254	53
Share-based payments	850	750
Finance costs – non-cash	-	231
Other expenses – non-cash	50	-
Net fair value movement on contingent consideration	(13,799)	(661)
Bad and doubtful debt expense	1,026	244
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	7,755	(7,756)
Increase in income tax refund due	(1,360)	-
Decrease in deferred tax assets	2,737	1,398
Decrease/(increase) in prepayments	384	(662)
Decrease in other operating assets	93	-
Decrease in trade and other payables	(1,347)	(510)
Decrease in derivative liabilities	(230)	-
Decrease in provision for income tax	(1,952)	(24)
Decrease in deferred tax liabilities	(1,978)	(72)
Decrease in employee benefits	(851)	(276)
Increase/(decrease) in other provisions	(5)	100
Net cash from operating activities	33,749	30,771

Note 38. Earnings per share

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
(Loss)/profit after income tax attributable to the owners of ISENTIA Group Limited	(13,523)	24,252

	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
Weighted average number of ordinary shares used in calculating diluted earnings per share	200,000,001	200,462,888

	CENTS	CENTS
Basic earnings per share	(6.761)	12.126
Diluted earnings per share	(6.761)	12.098

Note 39. 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 1,794,238 (2016: 2,228,643) options were granted. The share-based payment expense for the year was \$850,000 (2016: \$750,000).

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

2017								
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	-	-	(30,830)	310,518	
19/11/2015	30/06/2019	\$3.75	2,228,643	-	-	(510,997)	1,717,646	
17/11/2016	30/06/2020	\$3.47	-	1,794,238	-	(325,656)	1,468,582	
			3,535,734	1,794,238	-	(867,483)	4,462,489	
			Weighted average exercise price	\$3.12	\$3.47	\$0.00	\$3.58	\$3.17

None of the options outstanding as at 30 June 2017 are vested and exercisable (30 June 2016: Nil).

FY17 Financial Statements (continued)

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

The weighted average share price during the financial year was \$2.30 (2016: \$3.74).

The weighted average remaining contractual life of options outstanding at the end of the financial year was one to three years (2016: two to 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
17/11/2016	30/06/2020	\$2.60	\$3.47	31.00%	2.20%	1.60%	\$0.69

Options issued under EPS Tranche: Key assumptions are the same as the TSR Tranche disclosed above, fair value at grant date amounted to \$0.71.

Note 40. Events after the reporting period

Apart from the dividend declared as disclosed in note 25, no other matter or circumstance has arisen since 30 June 2017 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 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36 to the financial statements.

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

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

On behalf of the directors



Doug Flynn
Chairman

22 August 2017
Sydney



John Croll
Chief Executive Officer and Managing Director

Independent Auditor's Report to the Members of Isentia Group Limited

Report on the Financial Report

We have audited the financial report of Isentia Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER
<p>Revenue recognition</p> <p>For the year ended 30 June 2017, the Group's revenue recognised from content marketing totals \$14.4 million as disclosed in note 4.</p> <p>Content marketing is a revenue stream that requires management to exercise judgement to determine how revenue should be recognised, based on work in progress.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Assessing the content marketing revenue stream, and challenging the identification of the key performance deliverables, the allocation of revenue to such deliverables and the timing of recognition of revenue, • Assessing the accrued income recognised in the statement of financial position through supporting documentation such as timesheets, costs incurred and enquiries of project managers on the delivery timeframes for specific projects, • Evaluating supporting evidence for the delivery of content marketing services, through agreeing to contractual arrangements and evidence of cash receipts from customers, and • Assessing the appropriateness of the disclosures in Note 1 to the financial statements.
<p>Assessment of impairment of assets</p> <p>As at 30 June 2017, the Group impaired \$39.3 million of assets associated with King Content of which \$32.7 million and \$6.1 million is attributable to King Content goodwill and brand respectively as disclosed in note 12.</p> <p>Assessing the quantum of the impairment is an area of judgement as it is reliant on future forecasts of the King Content business.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Testing the mathematical accuracy of management's calculations, • Challenging management's key assumptions including forecasts for King Content, and • Assessing the appropriateness of the disclosures in note 12 to the financial statements.
<p>Capitalisation of development costs</p> <p>As at 30 June 2017, the Group's carrying value of the software and development costs capitalised as intangibles totals \$25 million of which \$12.3 million is attributable to capitalisation in the current financial year as disclosed in note 12.</p> <p>Judgement is involved in determining whether the labour costs are directly attributable to develop the Group's product suite and new software, and the appropriateness of the costs to be capitalised.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Making enquiries of department heads involved in product development to understand the basis and rationale for capitalising labour costs, • Testing on a sample basis, capitalised labour costs through reviewing project budgets and/or timesheets and holding discussions with staff members outside the finance department, • Challenging management's key assumptions in the labour capitalisation calculation including the treatment of employee on-costs, percentages applied to labour costs, • Testing the mathematical accuracy of management's capitalisation schedule, and • Assessing the appropriateness of the disclosures in note 12 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 32 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of ISENTIA Group Limited, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of ISENTIA Group Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Yours sincerely

Deloitte Touche Tohmatsu

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 22 August 2017

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Member of Deloitte Touche Tohmatsu

Shareholder Information

The shareholder information set out below was applicable as at 4 August 2017.

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	2,328	–
1,001 to 5,000	4,662	–
5,001 to 10,000	1,531	–
10,001 to 100,000	1,112	–
100,001 and over	50	8
	9,683	8
Holding less than a marketable parcel	463	–

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
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,169,504	17.08
J P MORGAN NOMINEES AUSTRALIA LIMITED	20,598,312	10.30
CITICORP NOMINEES PTY LIMITED	15,351,210	7.68
UBS NOMINEES PTY LTD	10,823,875	5.41
NATIONAL NOMINEES LIMITED	10,273,168	5.14
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	6,812,603	3.41
JOHN ANDREW CROLL	6,045,658	3.02
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD (VFA A/C)	5,238,777	2.62
CITICORP NOMINEES PTY LIMITED (COLONIAL FIRST STATE INV A/C)	5,065,882	2.53
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED (MBA A/C)	4,650,000	2.32
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	3,800,000	1.90
BNP PARIBAS NOMS (NZ) LTD (DRP)	3,098,160	1.55
MIRRABOOKA INVESTMENTS LIMITED	2,853,816	1.43
UBS NOMINEES PTY LTD	2,294,869	1.15
BNP PARIBAS NOMINEES PTY LTD (AGENCY LENDING DRP A/C)	2,255,703	1.13
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD (BKMINI A/C)	1,945,377	0.97
AMCIL LIMITED	1,775,000	0.89
WARBONT NOMINEES PTY LTD (UNPAID ENTREPOT A/C)	1,697,310	0.85
DJERRIWARRH INVESTMENTS LIMITED	1,500,000	0.75
BNP PARIBAS NOMS PTY LTD (DRP)	1,273,550	0.64
	141,522,774	70.77

Shareholder Information (continued)

Unquoted equity securities

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Options over ordinary shares issued	4,462,489	8

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
Commonwealth Bank of Australia	19,058,562	9.53
JCP Investment Partners Ltd	15,978,735	7.99
Australian Super Pty Ltd	11,296,003	5.65
Yarra Funds Management Ltd	17,090,178	8.55

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 secretary

Ms Jacque 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 am on Thursday 23 November 2017

Registered office

Level 3
219-241 Cleveland Street
Strawberry Hills, NSW 2012
Head office telephone: +61 2 9318 4000

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

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>

Powered by
technology.

Inspired by
people.

Isentia Group Limited
Level 3, 219-241 Cleveland Street,
Strawberry Hills NSW Australia 2012

www.isentia.com