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ANNUAL REPORT 2018



I SYNERGY GROUP LIMITED
ACN: 613 927 361

FINANCIAL REPORT
for the financial year ended 31 December 2018

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CORPORATE DIRECTORY

CORPORATE DIRECTORY

31 DECEMBER 2018

DIRECTORS

Ilmars Draudins
Dato' Teo Chee Hong
Morgan Barron

COMPANY SECRETARY

Harry Miller

REGISTERED OFFICE

Ground Floor
16 Ord Street
West Perth
WA 6005
Phone: +618 9482 0500

PRINCIPAL PLACE OF BUSINESS

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Malaysia
Phone: +603 2242 1333

Indonesia

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Jl. Dr. Ide Anak Agung Gde
Agung Lot 8.6-8.7 / E3.3
Kawasan Mega Kuningan,
Kel Kuningan Timur, Kec. Setiabudi
Jakarta Selatan 12950
Indonesia
Phone: +62 21 5794 2020

SHARE REGISTER

Automatic Registry Service
Level 12, 267 St Georges Terrace
Perth WA 6000

AUDITOR

Crowe Horwath Perth
Level 5, 45 St Georges Terrace
Perth WA 6000

STOCK EXCHANGE LISTING

I Synergy Group Limited shares are listed on the
Australian Securities Exchange (ASX code: IS3)

WEBSITE

www.i-synergygroup.com

CORPORATE GOVERNANCE STATEMENT

www.i-synergygroup.com

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CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

Welcome to the Annual Report for I Synergy Group Limited.

It is sufficient to say that 2018 has been a challenging year. There have been a number of structural changes which have affected the operations of the company and the economic environment has not been conducive to extended growth.

Financials.

The company as a reporting entity uses the calendar year and reports on the year ending 31st December 2018. Revenue was disappointing as it was down 9.9% to a figure of \$9.55M. This has resulted in a loss of \$276K.

Despite the poor trading conditions, the company paid a dividend to shareholders of 0.4 cents per ordinary share, which was unfranked.

The company has maintained a good cash position which will enable it to revitalise the operations and enable the company to get back to a profitable trading position. Expenses have been kept under control during this period.

Trading Conditions.

The company has experienced a significant change in its trading conditions. The broader economy has declined which has affected revenue and consequently profit. The exchange rate has also worked against the company and there has also been additional competition that has entered the market. The growth of the business in Indonesia has been slower than expected but progress is now being made and sign up of Affiliates should accelerate. Based on the experience gained with the growth of the business in Malaysia it will take approximately 3 years to generate momentum where growth can be at a critical mass level.

However, as a result of the changing market place, the most significant issue facing the company is the embracement of the digital e-commerce economy. The market has experienced a significant number of people using e-commerce platforms to facilitate their purchasing activities. iSYNERGY is studying this market place closely and looking to further embrace the digital market place to accelerate its growth.

Recognising this changing environment, iSYNERGY is regarding this as an opportunity rather than a threat. The company is working with skilled resources to assess the best way that it can add value to the existing base of Affiliates and Members. The significant community that iSynergy has established over the years presents a great opportunity to bring products and services to market. By embracing existing platform technologies, we can empower Affiliates so that they have a better engagement with their members through social media and promote special products and services. The outcome of this should be increasing margins on an expanding revenue base.

Closing

On behalf of the Board I would like to thank all the staff and management for their contribution over the last year. There have been challenges which are being addressed and we look forward to expanding the markets that the company addresses through the intelligent use of platforms that engage with the larger community of Affiliates and Members. May I wish you all the very best for the remainder of the year.

Ilmars Draudins
Non-Executive Chairman

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**MANAGING
DIRECTOR'S
STATEMENT**

MANAGING DIRECTOR'S STATEMENT

Dear Shareholders,

The financial year 2018 has proven to be a challenging year as we faced hurdles in both the local as well as international economic arena. We are aggressively working towards the recovery of the Group's business performance with the understanding that the financial standings of the Group is at a less than favourable stage. Learning and seeking key opportunities in our market place is a key strategy that the Group is focussing on.

Affiliate Marketing Suite

Our offerings in our affiliate marketing platform, Affiliate Junction ("AJ"), are being enhanced and developed towards a more digital approach. Going from a license-based participation, to our current affiliate marketing digital suites, the Group is geared towards becoming an innovation-based player in the affiliate marketing sphere of Southeast Asia. We aspire to ensure that in the long run, all of our stakeholders will benefit greatly from leveraging on our platform that is fully digitally integrated and future-proof.

Partnerships in Retail

For the growth of our retail segment offerings, iSYNERGY placed emphasis on building partnerships with big brand organisations to further extend our reach to users of various products and services. It is an essential growth strategy for us to provide our mobile-optimised solution with the MY Smart Shopper ("MSS") program for businesses which delivers an advanced user experience in tracking and verifying transactions of both cash and cashless payment method.

Corporate Governance

At iSYNERGY, we place a great importance on corporate governance where a high standards of compliance, accountability and transparency are deeply integrated into our corporate culture. Everyone in the Group understands that the sustenance of good governance is a key factor that will allow the Group to thrive in building the trust of all our stakeholders and the success of all our endeavours.

In accordance to our emphasis on good corporate governance as well as the need of the market we are in, iSYNERGY has obtained the MS 1900:2014 Shariah-Based Quality Management Systems certification from SIRIM QAS International Sdn Bhd, Malaysia's leading certification, inspection and testing body under SIRIM Berhad.

Moving Forward

We have a robust plan for sustainable growth in place and we are confident that our digitalisation strategy will enable us to meet the challenges ahead. With the current economic condition that is not conducive with a weakening currency in our main market, it is a priority for the Group to be attentive towards cost-efficiency, low complexity and profitability in the overall business operations.

Acknowledgements

I would like to take this opportunity to express my appreciation to all of our shareholders for your confidence and trust in iSYNERGY. Your belief in us is a driving force for the Group to aim better and higher to ensure it is sustainable and able to provide great returns for your investments in the Group. I also would like to give my thanks to the board of directors, the management team and all of our employees. Their talent, skill and unwavering commitment are the cornerstones that have ensured the Group's continuous growth.

Working in partnership with everyone, iSYNERGY looks forward to what 2019 has in store for us.

Thank you.

Dato' Lawrence Teo
Managing Director

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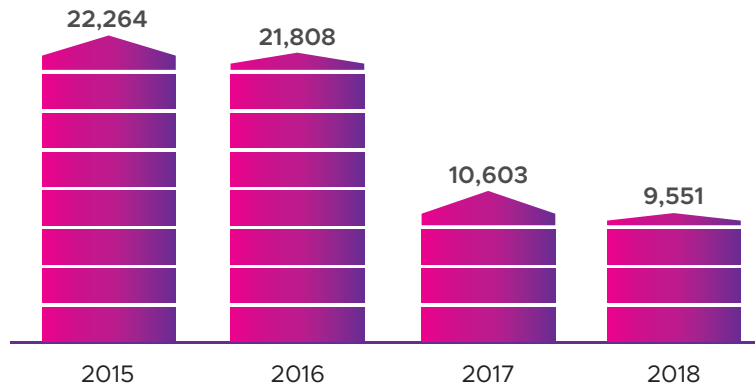
FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

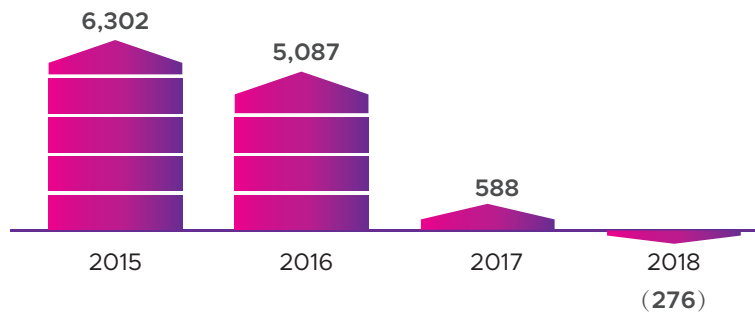
	2015 AUD'000	2016 AUD'000	2017 AUD'000	2018 AUD'000
Revenue	22,264	21,808	10,603	9,551
Profit/(loss) Before Taxation	6,302	5,095	367	(188)
Profit/(loss) After Taxation	6,302	5,087	588	(276)
Total Assets	6,795	14,705	16,088	13,704
Shareholders' Equity	(992)	1,668	3,473	1,869
Net Tangible (Liabilities)/Assets Per Share (Cents)	(0.40)	2.32	2.61	1.52
Net Earnings/(Loss) Per Share (Cents)	2.47	1.80	(0.16)	(0.43)

FINANCIAL HIGHLIGHTS

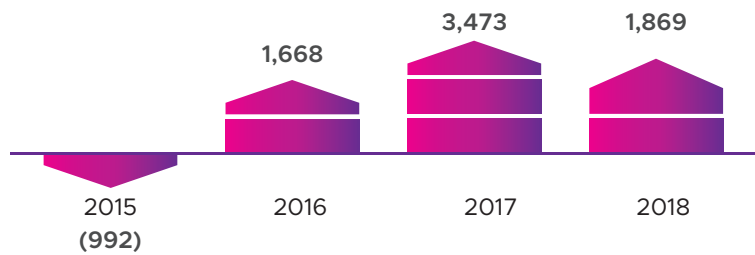
Revenue (AUD'000)



Profit/(Loss) After Taxation (AUD'000)



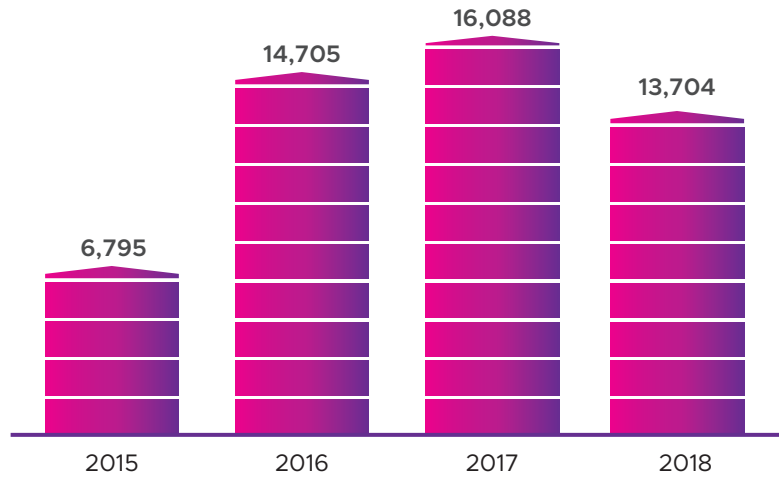
Shareholders' Equity (AUD'000)



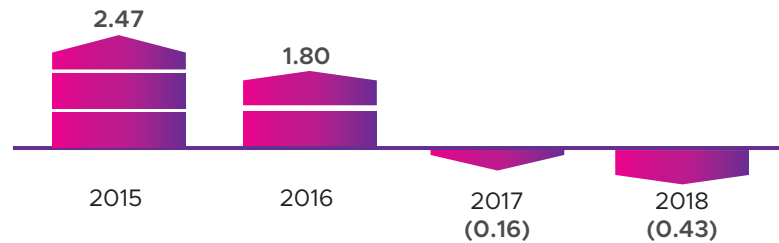
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FINANCIAL HIGHLIGHTS

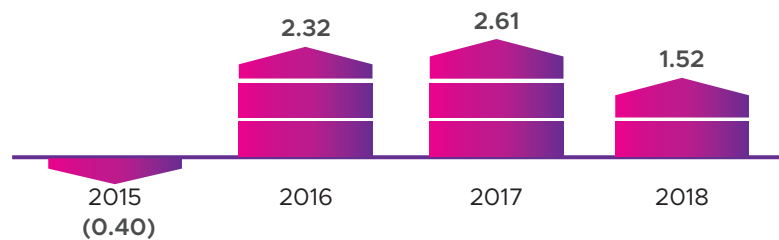
Total Assets (AUD'000)



Net Earnings/(Loss) Per Share (Cents)



Net Tangible (Liabilities)/Assets Per Share (Cents)



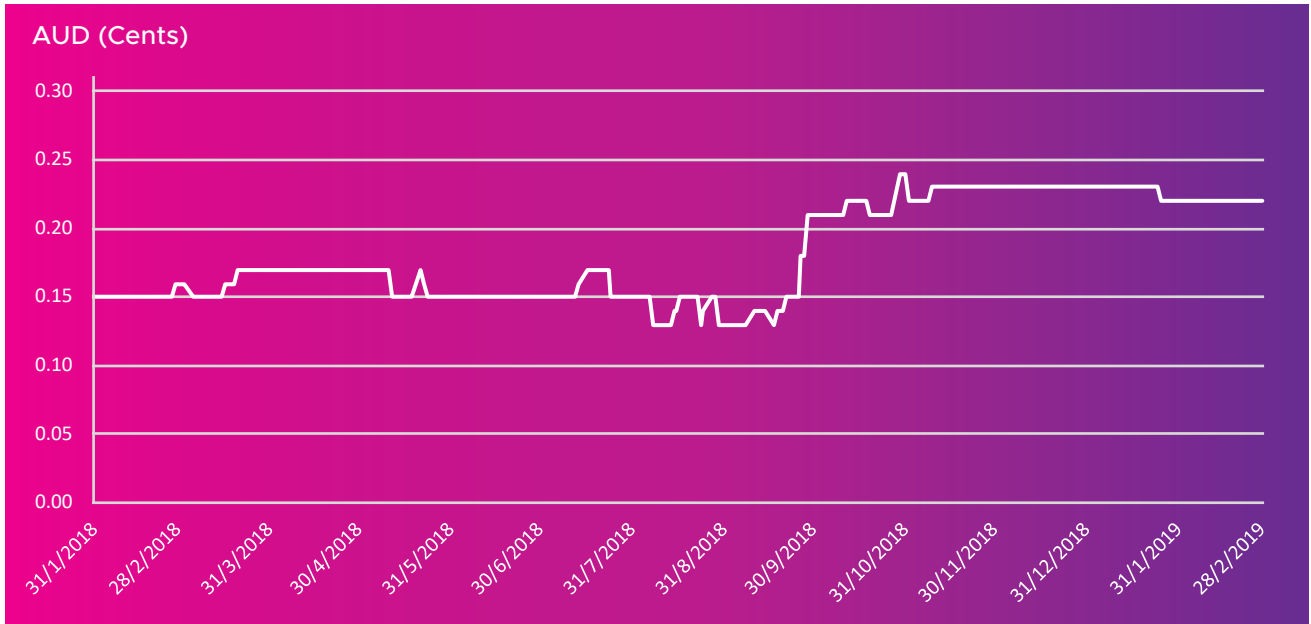
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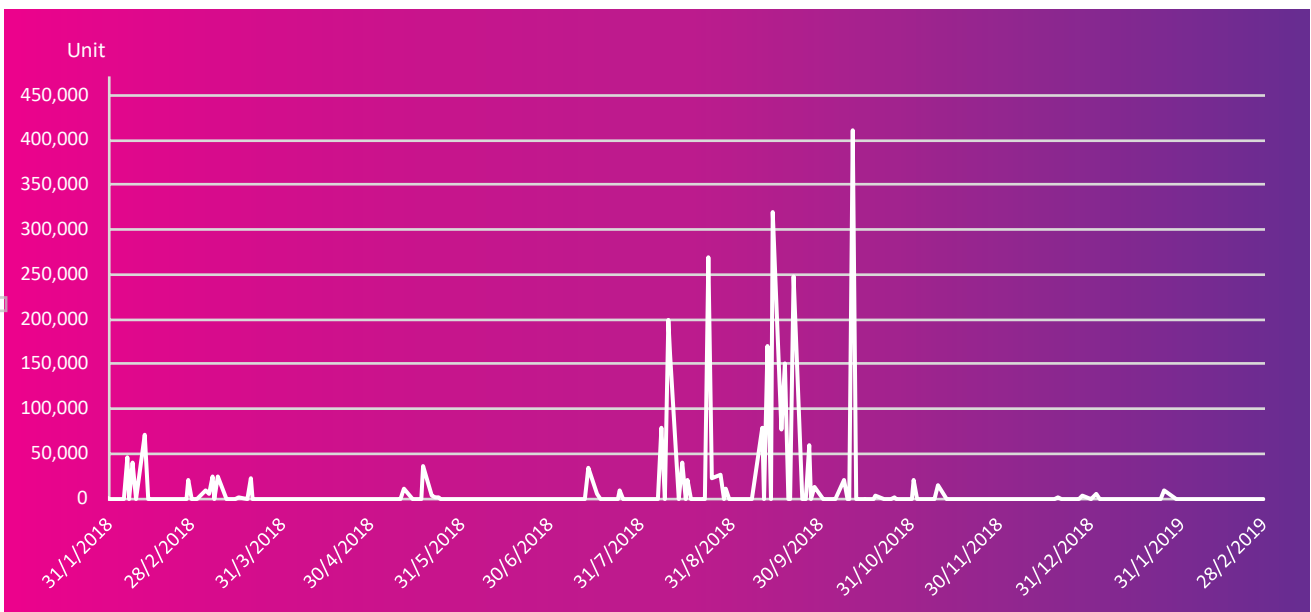
SHARE PRICE PERFORMANCE

SHARE PRICE PERFORMANCE

Share Price



Volume



Record High: AUD0.20 (31 October 2018)

Closing Price as at 28 February 2019: AUD0.16

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FINANCIAL ANALYSIS

FINANCIAL ANALYSIS

CORPORATE OVERVIEW

iSynergy Group Limited and its subsidiaries (“iSYNERGY” or “the Group”) is one of the leading affiliate marketing solutions provider in Southeast Asia. iSYNERGY was officially listed on the Australian Securities Exchange (“ASX”) on 30 March 2017.

iSYNERGY’s primary business activities is to connect advertisers with affiliates via its affiliate marketing platform, to deliver performance-based affiliate marketing solutions that enhance product/brand awareness and drive business leads. The affiliate marketing platform is called Affiliate Junction (“AJ”). Under the platform, there is a variety of affiliate programs available which cater to various industry verticals and markets.

Financial Results Analysis

For the financial year ended 31 December 2018, the revenue experienced a decline of 10% compared to the previous financial year to AUD\$9.551 million from AUD\$10.603 million. This also resulted in the 147% decline of the Group’s profit after taxation which translates to a net loss of AUD\$276,000 from net profit of AUD\$588,000.

The lower reported revenue is predominantly due to the decrease in affiliate sign-up as compared to the previous financial year. This subsequently adversely affected the income generated from software activation, training, license right and the program fee.

The Group’s financial performance should be viewed in the context of the extensive investment made in its anchor retail affiliate program MY Smart Shopper (“MSS”). During the financial period, a high direct cost is borne by the Group for the development of an all new system for the affiliate program, significant enhancements of its mobile application, enhanced system portal, database restructuring, research & development and advertising & promotions campaigns.

There are no significant fluctuations relating to the Group’s overhead costs. The Group is able to maintain and managed its administrative expenses in tandem with its business plans and strategies. However, the Group’s financial position is lower in comparison to the previous financial year due to lower cash on hand as a result of lower operating cash flow generated and significant cash outflows for dividend payments.

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DIRECTORS' REPORT

DIRECTORS' REPORT

31 DECEMBER 2018

The directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Consolidated entity').

DIRECTORS

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

Ilmars Draudins (Non-executive Chairman)

Dato Teo Chee Hong (Managing Director)

Morgan Barron (Non-executive Director)
(appointed on 18 April 2018)

Bruce Richard Sydney Symon (retired on 25 May 2018)

JOINT COMPANY SECRETARIES

Harry Miller (appointed on 31 July 2018)

Chris Huish (appointed on 2 February and resigned on 31 July 2018)

Joel Ives (resigned on 28 February 2018)

PRINCIPAL ACTIVITIES

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

SHARE BUY-BACK

During the financial year ended 31 December 2018, the Group have bought back approximately AUD\$223,000 worth of the Company's securities from on-market, representing 1,651,857 ordinary shares on issue at a weighted average share price of A\$0.1349. The share buy-back exercise was ended on 12 September 2018.

DIVIDENDS

On 8 October 2018, the Directors declared an unfranked interim dividend of 0.40 cents per ordinary share for a total of AUD\$734,864 in respect of the financial year ended 31 December 2018. The record date for determining entitlements to the interim dividend was 25 October 2018. The interim dividend paid on 10 November 2018.

REVIEW OF OPERATIONS

The lower reported revenue is predominantly due to the decrease in affiliate sign-up as compared to the previous financial year. This subsequently adversely affected the income generated from software activation, training, license right and the program fee.

Accordingly, the Group reported a net loss attributable to the owners of I Synergy Group Limited of AUD\$791,000 (2017 – AUD\$282,000).

The Group's financial performance should be viewed in the context of the extensive investment made in its anchor retail affiliate program MY Smart Shopper (MSS). During the financial year, a high direct cost is borne by the Group such as deployment costs, research and development, advertising and promotions campaigns

There are no significant fluctuation relating to the Group's overhead costs. The Group is able to maintain and manage its administrative expenses in tandem with its business plans and strategies. However, the Group's financial position is lower in comparison to the previous financial year due to lower cash on hand as a result of lower operating cashflow generated and significant cash outflows for dividend payments.

DIRECTORS' REPORT

31 DECEMBER 2018

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 12 January 2018, the Company is officially a Shariah-compliant organisation. The Company has obtained the MS 1900:2014 Shariah-Based Quality Management Systems certification from SIRIM QAS International Sdn Bhd Malaysia's leading certification, inspection and testing body under SIRIM Berhad.

This certification officially authenticates that the Company is in compliance with internationally recognised Shariah requirements for the scope of the group's primary business activities in Malaysia, specifically the training and services for the affiliates in Affiliate Junction's agency program and its retail affiliate program's operations, rewards and incentives.

Apart from the above, no other matter or circumstances have arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 34 to the financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Despite the challenging business environment, management are confident that the prospects of the Group will improve in the foreseeable future.

ENVIRONMENTAL REGULATION

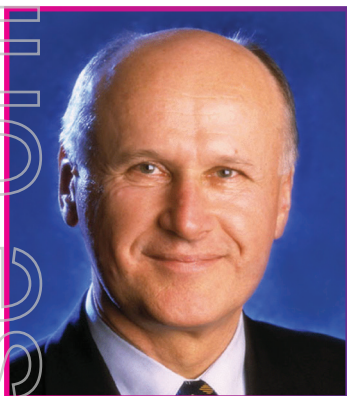
The Group is not subject to any significant environmental regulation under the Australian Commonwealth or State law.

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DIRECTORS' REPORT

31 DECEMBER 2018

INFORMATION ON DIRECTORS



ILMARS DRAUDINS
Non-Executive Chairman

Qualifications

Bachelor of Engineering, Master of Business Administration, Certificate III in Financial Markets (Securities Institute) and Certificate in Direct Marketing (ADMA)

Experience and expertise

Ilmars has over 20 years' experience in Corporate Advisory, Investment Banking and Consulting

Other current directorships

N/A

Former directorships (last 3 years)

Venture Axess Group Limited

Interests in shares

100,000 in the Company (1)

Interests in options

300,000 in the Company

Contractual rights to shares

None



DATO' TEO CHEE HONG
Managing Director

Qualifications

Bachelor of Engineering

Experience and expertise

Teo is the founder of I Synergy. He has over 13 years of experience in creative and strategic planning where he specialises in the integration of affiliate marketing solutions to businesses.

Other current directorships

None

Former directorships (last 3 years)

None

Interests in shares

145,283,592 ordinary shares in the Company (2)

Interests in options

600,000 incentive options in the Company

Contractual rights to shares

600,000 performance rights



MORGAN BARRON
Non-Executive Director

Qualifications

Bachelor of Commerce

Experience and expertise

Mr Barron has over 20 years of experience performing corporate finance, director and corporate advisor roles for ASX listed companies across a broad range of sectors. He has been involved in numerous capital raisings, corporate restructures, IPOs, mergers, acquisitions, divestments and recapitalisations. Corporate skills include broker and stakeholder engagement, commercial negotiations, acquisitions and divestitures.

Other current directorships

Latitude Consolidated Limited (ASX:LCD)

Former directorships (last 3 years)

Indiana Resources Limited (ASX:IDA) and Eneabba Gas Limited (ASX:ENB)

Interests in shares

25,000 ordinary shares in the Company(3)

Interests in options

300,000 options at \$0.30c which are yet to be issued. Options are to be issued at the Company's AGM.

Contractual rights to shares

N/A

DIRECTORS' REPORT

31 DECEMBER 2018

- (1) - including indirect interest through spouse's shareholding of 10,000 shares in the Company.
 (2) - including indirect interest through spouse's shareholding of 300,000 shares in the Company.
 (3) - including indirect interest via company/trust that control of 25,000 shares via shareholding and directorship.

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

COMPANY SECRETARIES

Joel Ives (Resigned on 28 February 2018)

Mr Joel Ives holds a Bachelor of Commerce from the University of Western Australia and is an associate of the Institute of Chartered Accountants. Mr Ives has extensive mining, resources and technology experience from working with a number of junior to medium sized companies and involved in a number of ASX-listed junior transactions since 2015. Mr Ives is also company secretary of Orinoco Gold Limited and a joint company of Latitude Consolidated Limited.

Chris Huish (Resigned on 31 July 2018)

Mr Huish is an employee of Ventnor Capital Pty Ltd and has 14 years' experience from both the UK and Australian corporate sectors. Mr Huish has extensive experience in the areas of corporate finance, equity capital markets, corporate governance, statutory and regulatory reporting and compliance, dealing with the ASX, ASIC and other authorities for both listed and private corporations. Mr Huish is also a member of the Governance Institute of Australia

Harry Miller (Appointed on 31 July 2018)

Mr Miller has an audit and compliance background across a number of sectors and is an employee of Ventnor Capital Pty Ltd. He acts as company secretary for various listed and private companies. Mr Miller holds a Bachelor of Commerce in Finance and Economics and a Master of Professional Accounting.

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 31 December 2018, 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
ILMARS DRAUDINS	6	6	-	-	1	1
DATO' TEO CHEE HONG	6	6	-	-	1	1
MORGAN BARRON	3	6	-	-	-	1
BRUCE RICHARD SYDNEY SYMON (Resigned)	3	6	-	-	1	1

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

DIRECTORS' REPORT

31 DECEMBER 2018

REMUNERATION REPORT (AUDITED)

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") for the consolidated entity for the financial year ended 31 December 2018. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

Due to the size of the Board, the Company does not have a separate remuneration committee. The roles and responsibilities of a remuneration committee are currently undertaken by the Board. The duties of the full board in its capacity as a remuneration committee are set out in the Company's Remuneration and Nomination Committee Charter.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- Having economic profit as a core component of plan design
- Focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- Attracting and retaining high calibre executives

DIRECTORS' REPORT

31 DECEMBER 2018

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

NON-EXECUTIVE DIRECTORS REMUNERATION

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. 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 in line with the market. 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 at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. Due to the incorporation a determination is yet to be made by shareholders and will be proposed at the upcoming Annual General Meeting.

EXECUTIVE REMUNERATION

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

DIRECTORS' REPORT

31 DECEMBER 2018

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

CONSOLIDATED ENTITY PERFORMANCE AND LINK TO REMUNERATION

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on sale revenue targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

USE OF CONSULTANTS

There is no use of consultant during the financial year ended 31 December 2018.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2017 ANNUAL GENERAL MEETING ('AGM')

At the 2017 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2017. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

DETAILS OF REMUNERATION

AMOUNTS OF REMUNERATION

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of I Synergy Group Limited:

- **Ilmars Draudins** - Non-Executive Chairman
- **Bruce Richard Sydney Symon** – Non-Executive Chairman (Retired on 25 May 2018)
- **Dato Teo Chee Hong** - Managing Director
- **Morgan Barron**- Non-Executive Director (Appointed on 18 April 2018)
- **Will Ong Han Keong** – Director of International Business Operation Division and subsequently repositioned to Chief Executive Officer of PTISI
- **Lennon Chu Chung Piow** - Chief Executive Officer of ISI
- **Carlson Yow Kao Tsen** - Chief Executive Officer of ISR (Resigned on 22 August 2018)
- **Sam Kuan Ying Tung** - Chief Financial Officer (Resigned on 14 December 2018)

DIRECTORS' REPORT

31 DECEMBER 2018

DETAILS OF REMUNERATION (CONT'D)

Amounts of remuneration (cont'd)

2018	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total AUD\$
	Cash salary and fees AUD\$	Cash bonus AUD\$	Non-monetary* AUD\$	Super-annuation AUD\$	Long service leave AUD\$	Equity-settled shares AUD\$	Equity-settled options AUD\$	
Non-Executive Directors:								
Ilmars Draudins (Chairman)	43,000	-	-	-	-	-	11,052	54,052
Bruce Richard Sydney Symon ⁽¹⁾ (Retired)	20,000	-	-	-	-	-	22,104	42,104
Morgan Barron ⁽²⁾	25,800	-	-	1,596	-	-	-	27,396
Executive Directors:								
Dato Teo Chee Hong	162,130	24,868	37,800	18,031	-	22,104	22,104	287,037
Key Management Personnel:								
Will Ong Han Keong	118,446	4,297	-	9,677	-	-	-	132,420
Lennon Chu Chung Piow	47,594	2,951	-	6,224	-	-	-	56,769
Carlson Yow Kao Tsen ⁽³⁾ (Resigned)	35,940	166	-	3,904	-	-	-	40,010
Sam Kuan Ying Tung ⁽⁴⁾ (Resigned)	51,199	166	-	6,489	-	-	-	57,854
	504,109	32,448	37,800	45,921	-	22,104	55,260	697,642

*Non monetary short-term benefits comprises of company car for personal use, accommodation and household.

- (1) Mr Bruce Richard Sydney Symon retired effective on 25 May 2018.
 (2) Mr Morgan Barron was appointed effective on 18 April 2018.
 (3) Mr Carlson Yow Kao Tsen resigned effective on 22 August 2018.
 (4) Mr Sam Kuan Ying Tung resigned effective on 14 December 2018

DIRECTORS' REPORT

31 DECEMBER 2018

DETAILS OF REMUNERATION (CONT'D)

Amounts of remuneration (cont'd)

2017	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total AUD\$
	Cash salary and fees AUD\$	Cash bonus AUD\$	Non-monetary* AUD\$	Super-annuation AUD\$	Long service leave AUD\$	Equity-settled shares AUD\$	Equity-settled options AUD\$	
Non-Executive Directors:								
Bruce Richard Sydney								
Symon (Chairman)	36,000	-	-	-	-	-	-	36,000
Ilmars Draudins	27,000	-	-	-	-	-	-	27,000
Executive Directors:								
Dato Teo Chee Hong	137,699	18,167	34,518	14,049	-	-	-	204,433
Eng Guo Miao ⁽¹⁾ (Resigned)	27,447	-	-	2,126	-	-	-	29,573
Key Management Personnel:								
Terance Chan Kok Yue ⁽²⁾ (Resigned)	17,972	-	-	2,075	-	-	-	20,047
Will Ong Han Keong	48,386	2,301	-	5,118	-	-	-	55,805
Lennon Chu Chung Piow	30,763	3,088	-	3,665	-	-	-	37,516
Carlson Yow Kao Tsen	18,031	-	-	2,267	-	-	-	20,298
Sam Kuan Ying Tung	15,351	-	-	1,819	-	-	-	17,170
	358,649	23,556	34,518	31,119	-	-	-	447,842

*Non monetary short-term benefits comprises of company car for personal use.

(1) Mr Eng Gou Miao resigned effective on 30 June 2017.

(2) Mr Terance Chan Kok Yue was appointed on 1 August 2017 and resigned effective on 8 November 2017.

DIRECTORS' REPORT

31 DECEMBER 2018

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk – STI		At risk – STI	
	2018	2017	2018	2017	2018	2017
Non-Executive Directors:						
Ilmars Draudins	100%	100%	-	-	-	-
Bruce Richard Sydney Symon (Retired)	100%	100%	-	-	-	-
Morgan Barron	100%	-	-	-	-	-
Executive Directors:						
Dato Teo Chee Hong	100%	100%	-	-	-	-
Eng Guo Miao (Resigned)	-	100%	-	-	-	-
Key Management Personnel:						
Terance Chan Kok Yue	-	100%	-	-	-	-
Will Ong Han Keong	100%	100%	-	-	-	-
Lennon Chu Chung Piow	100%	100%	-	-	-	-
Carlson Yow Kao Tsen	100%	100%	-	-	-	-
Sam Kuan Ying Tung (Resigned)	100%	100%	-	-	-	-

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Nomination and Remuneration Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
	2018	2017	2018	2017
Executive Directors:				
Dato Teo Chee Hong	100%	100%	-	-
Key Management Personnel				
Will Ong Han Keong	100%	100%	-	-
Lennon Chu Chung Piow	100%	100%	-	-
Carlson Yow Kao Tsen (Resigned)	-	-	-	-
Sam Kuan Ying Tung (Resigned)	-	-	-	-

DIRECTORS' REPORT

31 DECEMBER 2018

SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Ilmars Draudins
Title: Non-executive Director and Chairman
Date of agreement signed: 4 August 2016
Commencing date: From date of listing
Term of agreement: From the Commencing Date until it is terminated
Details: Director fees of AUD\$48,000 per annum to be reviewed annually by the Nomination and Remuneration Committee. 90,000 ordinary shares in the Company upon successful listing of the Company and 300,000 options granted on listing date to be vested equally over 3 years. Termination by giving notice by either party with immediate effect.

Name: Dato Teo Chee Hong
Title: Managing Director
Date of agreement signed: 25 August 2016
Commencing date: From date of listing
Term of agreement: From the Commencing Date until it is terminated
Details: Director fees of AUD\$36,000 per annum and base annual salary of RM360,000 per annum (approximately AUD109,003) plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 600,000 options granted on listing date to be vested equally over 3 years. 6 month termination notice by either party, cash bonus as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses.

Name: Bruce Richard Sydney Symon (Retired on 25 May 2018)
Title: Non-executive Director and Chairman
Date of agreement signed: 9 August 2016
Commencing date: From date of listing
Term of agreement: From the Commencing Date until it is terminated
Details: Director fees of AUD\$48,000 per annum to be reviewed annually by the Nomination and Remuneration Committee. 120,000 ordinary shares in the Company upon successful listing of the Company and 600,000 options granted on listing date to be vested equally over 3 years. Termination by giving notice by either party with immediate effect.

Name: Morgan Barron (Appointment on 18 April 2018)
Title: Non-Executive Director
Date of agreement signed: 13 April 2018
Commencing date: 18 April 2018
Term of agreement: From the Commencing Date until it is terminated
Details: Director fees of AUD\$36,000 per annum to be reviewed annually by the Nomination and Remuneration Committee. 300,000 options have not yet been issued and will be under resolution at the next AGM. Termination by giving notice by either party with immediate effect.

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DIRECTORS' REPORT

31 DECEMBER 2018

SERVICE AGREEMENTS (CONT'D)

Name: **Will Ong Han Keong**
 Title: **Director of International Business Operation Division and subsequently repositioned to Chief Executive Officer of PTISI**
 Date of agreement signed: 17 May 2017
 Commencing date: 1 July 2017
 Term of agreement: From the Commencing Date until it is terminated
 Details: Salary base of RM222,480 per annum (approximately AUD\$73,769 plus superannuation. 3 month termination notice by either party.

Name: **Lennon Chu Chung Piow**
 Title: **Chief Executive Officer of ISI**
 Date of agreement signed: 26 July 2017
 Commencing date: 1 August 2017
 Term of agreement: From the Commencing Date until it is terminated
 Details: Salary base of RM148,320 per annum (approximately AUD\$49,179) plus superannuation. 3 month termination notice by either party.

Name: **Carlson Yow Kao Tsen (Resigned on 22 August 2018)**
 Title: **Chief Executive Officer of ISR**
 Date of agreement signed: 10 July 2017
 Commencing date: 14 August 2017
 Term of agreement: From the Commencing Date until it is terminated
 Details: Salary base of RM156,600 per annum (approximately AUD\$47,416) plus superannuation. 1 month termination notice by either party.

Name: **Sam Kuan Ying Tung (Resigned on 14 December 2018)**
 Title: **Chief Financial Officer**
 Date of agreement signed: 4 September 2017
 Commencing date: 4 September 2017
 Term of agreement: From the Commencing Date until it is terminated
 Details: Salary base of RM163,800 per annum (approximately AUD\$54,312) plus superannuation. 3 month termination notice by either party.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

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DIRECTORS' REPORT

31 DECEMBER 2018

SHARE-BASED COMPENSATION

Issue of shares

There were no shares issued to any of directors and other key management personnel in the 2018 financial year.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercise date	Expiry date	Exercise price	Fair value per option at grant date
ILMARS DRAUDINS	300,000	30 March 2017	Over 3 years	5 years	AUD\$0.30	N/A
DATO TEO CHEE HONG	600,000	30 March 2017	Over 3 years	5 years	AUD\$0.30	N/A
BRUCE RICHARD SYDNEY SYMON (RETIRED)	200,000	30 March 2017	Vested	5 years	AUD\$0.30	N/A

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. These options were issued on 30 March 2017, subsequent to listing on the ASX in accordance with the terms of the options. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
ILMARS DRAUDINS	90,000	-	-	-	90,000
DATO TEO CHEE HONG	145,083,592	-	-	(300,000)	144,783,592
MORGAN BARRON	25,000 ⁽²⁾	-	-	-	25,000
BRUCE RICHARD SYDNEY SYMON (RESIGNED)	120,000	-	-	-	120,000 ⁽¹⁾
	145,318,592	-	-	(300,000)	145,018,592

(1) Holding as at balance date reflects Mr Bruce Richard Sydney Symon holding on the date of resignation.

(2) Holding as at appointment of Mr Morgan Barron on 18 April 2018.

Option holding

On 31 December 2018, options were issued to Directors and other key management personnel, as stated above.

DIRECTORS' REPORT

31 DECEMBER 2018

Other transactions with key management personnel and their related parties

There are no other transactions with key management personnel and the transactions with related parties are disclosed in the Note 26(b) to the financial statements.

Changes in Directors and Executives subsequent to year-end

There were no changes in Directors and Executive subsequent to year-end.

Additional Information

The earnings of the consolidated entity for the five years to 31 December 2018 are summarised below:

	2018 AUD\$'000	2017 AUD\$'000	2016 AUD\$'000	2015 AUD\$'000
Sales revenue	9,551	10,603	21,808	22,264
(LBITDA)/EBITDA	(205)	251	5,034	6,301
(LBIT)/EBIT	(468)	33	4,857	6,205
(Loss)/Profit after income tax	(276)	588	5,087	6,302

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2018	2017	2016	2015
Share price at financial year end (AUD\$)	0.225	0.15	N/A	N/A
Total dividends declared (cents per share)	0.4	0.3	N/A	N/A
Basic earnings per share (cents per share)	(0.43)	(0.16)	1.80	2.47

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT

31 DECEMBER 2018

SHARES UNDER OPTION

There are no unissued ordinary shares of I Synergy Group Limited under option at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no shares issued on the exercise of options during the financial year ended 31 December 2018.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has made an agreement indemnifying all the Directors and officers of the Company against losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporations Act. The indemnification specifically excludes willful acts of negligence.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of 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 27 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 27 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.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF CROWE HORWATH PERTH

There are no officers of the Company who are former partners of Crowe Horwath Perth.

ROUNDING OF AMOUNTS

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

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 31 December 2018 has been received and can be found on page 32 of the Annual Report.

DIRECTORS' REPORT

31 DECEMBER 2018

CORPORATE GOVERNANCE STATEMENT

The Company's directors and management are committed to conducting the business of the Group in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website (www.isynergy.my) (the Website), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX. The Appendix 4G will identify each Recommendation that needs to be reported against by the Company, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters and policies are all available on the Website.

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



Dato Teo Chee Hong
Director
29th day of March 2019

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**AUDITOR'S
INDEPENDENCE
DECLARATION**

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of I Synergy Group Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Partner

Signed at Perth, 29 March 2019

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**CONSOLIDATED
STATEMENT OF
PROFIT OR LOSS
AND OTHER
COMPREHENSIVE
INCOME**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 AUD\$'000	2017 AUD\$'000
Revenue	5	9,551	10,603
Cost of sales		(6,961)	(7,119)
Gross profit		2,590	3,484
Other income		433	552
Selling and distribution expenses		(167)	(120)
Administrative expenses		(3,031)	(3,539)
Finance cost		(13)	(10)
(Loss)/Profit before taxation	6	(188)	367
Income tax (expense)/benefit	7	(88)	221
(Loss)/Profit after taxation for the year		(276)	588
Other comprehensive (expenses)/income			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Foreign currency translation differences		244	92
Total comprehensive (expenses)/income for the year		(32)	680
(Loss)/Profit after taxation attributable to:			
Non-controlling interest		515	870
Owners of the Company		(791)	(282)
		(276)	588
Total comprehensive (expenses)/income for the year attributable to:			
Non-controlling interest		691	913
Owners of the Company		(723)	(233)
		(32)	680
		Cents	Cents
Basic loss per share	8	(0.43)	(0.16)
Diluted earnings per share	8	(0.43)	(0.16)

The annexed notes form an integral part of these financial statements.

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**CONSOLIDATED
STATEMENT
OF FINANCIAL
POSITION**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Note	The Group	
		2018 AUD\$'000	2017 AUD\$'000
ASSETS			
<u>Current Assests</u>			
Inventories	9	19	17
Trade receivables	10	375	230
Other receivables, deposits and prepayments	11	960	829
Current tax asset		27	3
Cash and cash equivalents	12	9,953	12,893
		<u>11,334</u>	<u>13,972</u>
<u>Non-Current Assests</u>			
Equipment	14	1,374	1,251
Deferred tax asset	15	996	865
		<u>2,370</u>	<u>2,116</u>
TOTAL ASSETS		<u>13,704</u>	<u>16,088</u>
LIABILITIES			
<u>Current Liabilities</u>			
Trade payables	16	106	29
Other payables and accruals	17	1,436	1,743
Amount owing to a related party	18	-	3
Hire purchase payables	19	177	64
Current tax liability		43	632
Deferred revenue	20	1,316	1,151
		<u>3,078</u>	<u>3,622</u>
<u>Non-Current Liabilities</u>			
Hire purchase payables	19	189	202
Deferred revenue	20	6,664	6,584
		<u>6,853</u>	<u>6,786</u>
TOTAL LIABILITIES		<u>9,931</u>	<u>10,408</u>
NET ASSETS		<u>3,773</u>	<u>5,680</u>
EQUITY			
Share capital	21	2,442	2,665
Merger deficit	22	(1,042)	(1,042)
Foreign exchange translation reserve	23	37	(31)
Option reserve	24	77	-
Retained earnings		355	1,881
		<u>1,869</u>	<u>3,473</u>
Equity attributable to owners of the Company		1,869	3,473
Non-controlling interest		1,904	2,207
		<u>3,773</u>	<u>5,680</u>
TOTAL EQUITY		<u>3,773</u>	<u>5,680</u>

The annexed notes form an integral part of these financial statements.

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**CONSOLIDATED
STATEMENT
OF CHANGES
IN EQUITY**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Group	Note	Share Capital AUD\$'000	Merger Deficit * AUD\$'000	Foreign Exchange Translation Reserve AUD\$'000	Option Reserve AUD\$'000	Retained Earnings AUD\$'000	Attributable To Owners Of The Company AUD\$'000	Non- Controlling Interest AUD\$'000	Total Equity AUD\$'000
Balance at 1.1.2018		2,665	(1,042)	(31)	-	1,881	3,473	2,207	5,680
(Loss)/Profit after taxation for the financial year									
Other comprehensive income for the financial year, net of tax:									
- Foreign currency translation differences		-	-	68	-	-	68	176	244
Total comprehensive income/(expenses) for the financial year		-	-	68	-	(791)	(723)	691	(32)
Contributions by and distributions to owners of the Company:									
- Shares buy-back		(223)	-	-	-	-	(223)	-	(223)
- Options to employees		-	-	-	77	-	77	-	77
- Dividend by the Company	25	-	-	-	-	(735)	(735)	-	(735)
- Dividend by a subsidiary to non-controlling interest		-	-	-	-	-	-	(994)	(994)
Total transactions with owners		(223)	-	-	77	(735)	(881)	(994)	(1,875)
Balance at 31.12.2018		2,442	(1,042)	37	77	355	1,869	1,904	3,773

Note:

* - arising from merger accounting.

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

The Group	Note	Share Capital AUD\$'000	Merger Deficit * AUD\$'000	Foreign Exchange Translation Reserve AUD\$'000	Retained Earnings AUD\$'000	Attributable To Owners Of The Company AUD\$'000	Non- Controlling Interest AUD\$'000	Total Equity AUD\$'000
Balance at 1.1.2017		70	(1,042)	(80)	2,720	1,668	2,202	3,870
(Loss)/Profit after taxation for the financial year		-	-	-	(282)	(282)	870	588
Other comprehensive income for the financial year, net of tax:								
- Foreign currency translation differences		-	-	49	-	49	43	92
Total comprehensive income/(expenses) for the financial year		-	-	49	(282)	(233)	913	680
Contributions by and distributions to owners of the Company:								
- Issuance of shares under initial public offering (net of expenses)		2,732	-	-	-	2,732	-	2,732
- Shares buy-back		(137)	-	-	-	(137)	-	(137)
- Dividend by the Company	25	-	-	-	(557)	(557)	-	(557)
- Dividend by a subsidiary to non-controlling interest		-	-	-	-	-	(908)	(908)
Total transactions with owners		2,595	-	-	(557)	2,038	(908)	1,130
Balance at 31.12.2017		2,665	(1,042)	(31)	1,881	3,473	2,207	5,680

Note:

* - arising from merger accounting.

The annexed notes form an integral part of these financial statements.

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**CONSOLIDATED
STATEMENT
OF CASH
FLOWS**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Sale from customers	9,660	12,298
Payments to suppliers and employees	(9,896)	(10,676)
Cash generated from operations	(236)	1,622
Interest paid	(13)	(10)
Income tax paid	(701)	(5)
Net cash (used in)/from operating activities	(950)	1,607
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	293	332
Proceeds from disposal of equipment	-	58
Purchase of equipment	(284)	(280)
Net cash from investing activities	9	110
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(735)	(557)
Dividend paid by a subsidiary to non-controlling interest	(994)	(908)
Proceeds from issuance of shares, net of expenses	-	1,967
Purchase of own shares,	(223)	(137)
Repayment of hire purchase obligations	(49)	(269)
Repayment to a related party	(3)	(51)
Net cash (used in)/from financing activities	(2,004)	45
Net (decrease)/increase in cash and cash equivalents	(2,945)	1,762
Effects of exchange rate changes on cash and cash equivalents	5	12
Cash and cash equivalents at the beginning of the financial year	12,893	11,119
Cash and cash equivalents at the end of the financial year	9,953	12,893

The annexed notes form an integral part of these financial statements.

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

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

Registered office : Ground Floor, 16 Ord Street,
West Perth, WA 6005.

Principal place of business : Unit 20-10, Tower A, The Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 29 March 2019.

2. PRINCIPAL ACTIVITIES

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

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. They also comply with International Financial Reporting Standards

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 the new or amended Accounting Standards and Interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements. This includes AASB 9 that has been applied from the 1 January 2018 using the modified retrospective approach because the measurement of financial assets under AASB 9 are consistent to the Group's current practice.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Equipment

The estimates for the residual values, useful lives and related depreciation charges for the equipment is based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of equipment as at the reporting date is disclosed in Note 14 to the financial statements.

(b) Impairment of Equipment

The Group determines whether its equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of equipment as at the reporting date is disclosed in Note 14 to the financial statements.

(c) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amounts of trade receivables as at the reporting date are disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(d) Allocation of the Transaction Price to the Performance Obligations

When the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. If a standalone selling price is not directly observable, the Group will need to estimate it using adjusted market assessment approach, expected cost plus a margin approach and residual approach.

Determining the appropriate amount to allocate to satisfied and unsatisfied performance obligations require judgments. Factors that management might consider when estimating the amount to allocate to the contract's performance obligations include historical data, expected renewal rates, budgets, data used to set the pricing terms of the contract arrangement and/or discussions with the customer during or after negotiations about the arrangement.

(e) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax liabilities as at the reporting date is AUD\$43,000 (2017 – AUD\$632,000).

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Share-based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

(b) Timing of satisfaction of Performance Obligation

The timing of revenue recognition will be subject to significant judgement, especially when the entity receives non-refundable upfront fees. Not all the indicators for transfer of control need to be present for an entity to conclude that it has transferred control to its customer. Significant judgment is required to determine if control has been transferred. For any licensing arrangements an entity needs to exercise significant judgement when determining whether the licence is a separate performance obligation within the contract and the appropriate timing of revenue recognition from such licences.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Assessment of performance obligations must be made at contract inception. Significant judgement is required when assessing the 'distinct' criteria for a promised good/service, especially in relation to determining whether the good/ service is 'distinct within the context of the contract'. An entity needs to carefully assess whether there are any implied promises in the contract as implied promises can lead to revenue deferral until the implied promise to transfer the good/service is met. Only those activities performed by an entity that result in the transfer of a good or service to a customer can give rise to a separate performance obligation. In some circumstances a careful analysis of activities is required to determine whether a separate performance obligation exists or whether the activity is part of delivering a performance obligation.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. 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 over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Merger Accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The financial statements have been prepared using merger accounting principles. This method has been used on the basis that the business combination involving the entities in the Group involves entities under common control. Consequently, the requirement of AASB 3 – Business Combinations, has not been applied.

Under the merger accounting principles, the acquirer accounts for the combination as follows:

- The assets and liabilities of the combining entities are recorded at their carrying amounts reported in the combined financial statements and not at fair value.
- Intangible assets and contingent liabilities are only recognised to the extent that they were recognised by the acquiree in accordance with applicable AASB's.
- No goodwill is recorded. The difference between the acquirer's cost of investment and the acquiree's equity is presented separately as a reserve (merger reserve).
- Any expenses of the combination are written off immediately in the statement of comprehensive income.
- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

Business Combinations

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

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

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in Ownership Interests in Subsidiaries Without Change of Control

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

Loss of Control

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

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

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9 (2017 - AASB 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency. For the purposes of the Financial Statements, the presentation currency used is Australian Dollars and has been rounded to the nearest thousand, unless otherwise stated.

(b) Foreign Currency Transactions and Balances

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

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS

Financial instruments are recognised in the consolidated statement of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in AASB 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in AASB 15 – Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the consolidated statement of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(ii) Fair Value Through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(ii) Fair Value Through Profit or Loss ("FVTPL")

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPTL.

The Group reclassifies debt instruments when and only when its business model for managing those assets change

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at FVTPL

FVTPL category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate)

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

(i) Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Repurchase of Share Capital

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

Accounting Policies Applied Until 31 December 2017

As disclosed in Note 3 to the financial statements, the Group has applied AASB 9 retrospectively but has elected not to restate comparative information of its financial instruments as it did not have any material impact. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with their previous accounting policies as summarised below:-

- Financial assets were designated at fair value through profit or loss when the financial asset was either held for trading or was designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives were also classified as held for trading unless they were designated as hedges. Financial assets at fair value through profit or loss were stated at fair value at each reporting date with any gain or loss arising on remeasurement recognised in profit or loss.
- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

4.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.6 EQUIPMENT

All items of equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 EQUIPMENT (CONT'D)

Depreciation on equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Computers, handphone and printer	20%
Furniture and fittings	10%
Merchant equipment	10%
Motor vehicles	20%
Office equipment	10%
Renovation	10%
Signboard	10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

4.7 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Accounting Policy Applied Until 31 December 2017

As disclosed in Note 3 to the financial statements, the Group has applied AASB 9 retrospectively but has elected not to restate comparative information of its financial instruments. As a result, the comparative information on the impairment of Group's financial assets has been accounted for in accordance with its previous accounting policy as summarised below:-

- The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset (or group of financial assets) was impaired. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event(s) had an impact on the estimated future cash flows of the financial asset (or group of financial assets) that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which AASB 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An impairment loss is recognised in profit or loss.

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 LEASED ASSETS

(a) Finance Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

(b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the consolidated statement of financial position of the Group.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

4.12 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(b) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employee share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employee share option reserve.

Upon expiry of the share option, the employee share option reserve is transferred to retained profits.

When the share options are exercised, the employee share option reserve is transferred to share capital or share premium if new ordinary shares are issued.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 RELATED PARTIES

A party is related to an entity (referred to as the “reporting entity”) if:-

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:-
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:-
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

4.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 FAIR VALUE MEASUREMENTS

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

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

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

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

4.16 REVENUE AND OTHER INCOME

(a) Revenue From Contracts With Customers

Revenue which represents income arising in the course of the Group's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer has approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.

Recognition and Measurement

At the inception of each contract with customer, the Group assesses the contract to identify distinct performance obligations, being the units of account that determine when and how revenue from the contract with customer is recognised. A performance obligation is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and/or implied in the Group's customary business practices. A good or service is distinct if:-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 REVENUE AND OTHER INCOME (CONT'D)

(a) Revenue From Contracts With Customers (Cont'd)

Recognition and Measurement (Cont'd)

- (i) the customer can either benefit from the good or service on its own or together with other readily available resources; and
- (ii) the good or service is separately identifiable from other promises in the contract (e.g. the good or service is not integrated with, or significantly modify, or highly interrelated with, other goods or services promised in the contract).

If a good or service is not distinct, the Group combines it with other promised goods or services until the Group identifies a distinct performance obligation consisting a distinct bundle of goods or services.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, performance bonuses, penalties or other similar items, the Group estimates the amount of consideration that it expects to be entitled based on the expected value or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. If the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. If a standalone selling prices is not directly observable, the Group will need to estimate it using adjusted market assessment approach, expected cost plus a margin approach and residual approach.

The consideration allocated to each performance obligation is recognised as revenue when or as the customer obtains control of the goods or services. At the inception of each contract with customer, the Group determines whether control of the goods or services for each performance obligation is transferred over time or at a point in time.

Control over the goods or services are transferred over time and revenue is recognised over time if:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (ii) the Group's performance creates or enhances a customer-controlled asset; or
- (iii) the Group's performance does not create an asset with alternative use and the Group has a right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognized at the point in time at which the customer obtains control of the promised goods or services.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 REVENUE AND OTHER INCOME (CONT'D)

- (a) Revenue From Contracts With Customers (Cont'd)

Recognition and Measurement (Cont'd)

Specific revenue recognition criteria for each of the Group's activities are as described below.

- (i) Revenue from software platform activation

Revenue from software platform activation is recognized upon the deployment of the platform's software and technology for the customer, namely the affiliates marketer use to conduct offline and online marketing business. The deployment process is all of the activities undertaken to recognize the software platform according to specific characteristics of the program performance incentives as stipulated in the contract with affiliates and to activate some form of command relating to software component for affiliates execution when using the software platform. The performance obligation is satisfied at a point in time upon completion of the software deployment process.

- (ii) Revenue from training and business support tool kit and related material

Revenue is recognised upon provision of training and training materials to the new affiliates. The performance obligation is satisfied at a point in time upon completion of the training course.

- (iii) Revenue from licence right to access

The licence arrangement gives the affiliates the right to access the platform services as it exists over certain period of time granted under the contract. The Group's performance obligation during the licensed period is provision of affiliate management services such as monitoring of transaction traffic conducted by referred customer and, coordination and execution of compensation payment of program fee to affiliate based on affiliates' program performance incentive terms and to customer based on affiliate program incentive.

The revenue from licence right to access is recognized over time when the Group met all the following criteria:-

The Group will undertake either contractually or based on customary business practices activities that significantly affect the software platform to which the affiliate has rights.

- (a) the Group's activities do not otherwise transfer a good or services to the affiliates as they occur.
- (b) the rights granted by the licence directly expose the affiliates to both positive and negative effects of the activities on the software platform and the affiliates entered into the contract with the intent of being exposed to those effects.

Deferred revenue are licence fee received upfront and allocated to performance obligation in respect of software platform licences that are unsatisfied as at the end of the reporting period. Licences that provide access are performance obligations satisfied over time and, therefore, deferred revenue is recognised over the license period.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 REVENUE AND OTHER INCOME (CONT'D)

- (a) Revenue From Contracts With Customers (Cont'd)

Recognition and Measurement (Cont'd)

- (iv) Revenue from affiliate program

Revenue from affiliate program is determined based on total discount rate allocated by the customer, namely the merchant (also known as retailer or brand) computed based on each successful sale transaction referred.

- (b) Sale of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods

- (c) Seminar and Event Activity Income

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

- (d) Interest Income

Interest income is recognised on an accrual basis using the effective interest method unless collectability is in doubt, in which case it is recognised on a cash receipt basis.

- (e) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

4.17 EARNINGS PER SHARE

- (a) Basic Earnings Per Share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

- (b) Diluted earnings per share

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

4.18 BORROWING COSTS

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 CONTRACT ASSET AND CONTRACT LIABILITY

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to AASB 9 – Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers. The entity has used “deferred revenue” heading to report contract liability as this better represents the nature of outstanding amounts.

4.20 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 31 December 2018. 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.

(a) AASB 16 Leases

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

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16.

For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 January 2019 but the impact of its adoption is yet to be assessed by the Group.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. REVENUE

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
<u>Revenue recognised at a point in time</u>		
Software activation	5,510	6,482
Training	1,599	1,847
Affiliate program fees	340	325
Seminar and event	447	576
Merchandise sales	41	91
	<u>7,937</u>	<u>9,321</u>
 <u>Revenue recognised over time</u>		
License right to access	1,614	1,282
	<u>9,551</u>	<u>10,603</u>

6. (LOSS)/PROFIT BEFORE TAXATION

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):-		
Allowance for impairment losses on trade receivables	-	78
Audit fee	93	96
Depreciation of equipment	263	218
Directors' remuneration:		
- salaries, bonuses and allowances	313	273
- defined contribution plan	99	17
Equipment written off	6	-
Interest expense on financial liability not at FVTPL :		
- hire purchase	13	10
Loss on disposal of equipment	-	8
Rental of equipment	35	42
Rental of premises	612	545
Staff costs:		
- salaries, bonuses, commissions and allowances	880	1,188
- defined contribution plan	87	98
- others	94	50
Interest income on financial assets that are:		
- at FVTPL	(243)	(304)
- not at FVTPL	(50)	(28)
Fair value gain on short-term investments	-	(12)
Rental income	(132)	(208)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INCOME TAX EXPENSE/(BENEFIT)

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Income tax expense:		
- for the financial year	120	87
- underprovision in previous financial years	22	523
	<u>142</u>	<u>610</u>
Deferred tax asset (Note 15):		
- for the financial year	(64)	(831)
- overprovision in previous financial years	10	-
	<u>(54)</u>	<u>(831)</u>
	<u>88</u>	<u>(221)</u>

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

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
(Loss)/Profit before taxation	(188)	367
Tax at the statutory tax rates	(45)	88
Tax effects of:-		
Tax incentive for pioneer products	(385)	(658)
Non-deductible expenses	280	481
Non-taxable income	(57)	(71)
Deferred tax assets not recognised	263	61
Recognition of previously unrecognised deductible temporary differences arising from tax paid in advance on fees received in advance	-	(645)
Underprovision in previous financial years:		
- current tax	22	523
- deferred tax	10	-
	<u>88</u>	<u>(221)</u>
Income tax expense/(benefit) for the financial year	<u>88</u>	<u>(221)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. LOSS PER SHARE

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
(Loss)/Profit after taxation	(276)	588
Non-controlling interest	(515)	(870)
Loss after taxation attributable to the owners of the parent	<u>(791)</u>	<u>(282)</u>

	The Group	
	2018 Number	2017 Number
<u>Basic loss per share</u>		
Weighted average number of ordinary shares used in calculating basic loss per share	183,989,966	180,907,049
Basic loss per share	<u>(0.43)</u>	<u>(0.16)</u>
<u>Diluted loss per share</u>		
Weighted average number of ordinary shares used in calculating basic loss per share	183,989,966	180,907,049
Diluted loss per share	<u>(0.43)</u>	<u>(0.16)</u>

9. INVENTORIES

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
At cost:-		
Merchandise held for sale	<u>19</u>	<u>17</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	<u>37</u>	<u>53</u>

None of the inventories are stated at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. TRADE RECEIVABLES

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Trade receivables	598	435
Allowance for impairment losses	(223)	(205)
	375	230
Allowances for impairment losses:		
At 1.1 2018/2017 (amount reported under AASB 9 (2017 – AASB 139))	(205)	(143)
Addition during the financial year	-	(78)
Written off during the financial year	-	21
Foreign exchange translation differences	(18)	(5)
At 31.12.2018/2017	(223)	(205)

The Group's normal trade credit terms range from 30 to 60 (2017 - 30 to 60) days.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Other receivables	310	262
Deposits	278	309
Prepayments	372	258
	960	829

12. CASH AND CASH EQUIVALENTS

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Short-term investments with financial institutions, at fair value	7,382	8,933
Cash and bank balances	2,571	3,960
	9,953	12,893
Market value of short-term investments	7,382	8,933

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. CONTROLLED ENTITIES

Details of the subsidiaries are as follows:-

	Country of Incorporation	Effective Equity Interest		Principal Activities
		2018%	2017%	
I Synergy (Singapore) Pte Ltd ("ISS")	Singapore	100	100	Investment holding.
<i>Held by ISS</i>				
I Synergy Consolidated Sdn Bhd ("ISC")	Malaysia	100	100	Investment holding.
PT Inovatif Sinergi Internasional ("PTISI")	Indonesia	100	100	Business of affiliate marketing and related affiliate management services for commercial industry.
<i>Held by ISC</i>				
I Synergy International (M) Sdn Bhd ("ISI")	Malaysia	100	100	Business of affiliate marketing and related affiliate management services for commercial industry.
I Synergy Universal Sdn Bhd ("ISU")	Malaysia	70	70	Research, development, maintenance and commercialisation of proprietary affiliate marketing platform.
I Synergy Edutech Sdn Bhd ("ISE")	Malaysia	100	100	Research, development, maintenance and commercialisation of proprietary learning management system.
I Synergy Rewards Sdn Bhd ("ISR")	Malaysia	100	100	Business of retail affiliate marketing and related affiliate services for commercial industry.
I Synergy Connect Sdn Bhd ("ISN")	Malaysia	100	100	Business of affiliate marketing and related affiliate services for commercial industry.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. CONTROLLED ENTITIES (CONT'D)

The non-controlling interest at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	2018 %	2017 %	2018 AUD\$'000	2017 AUD\$'000
ISU	30	30	1,904	2,207

The summarised financial information (before intra-group elimination) for the subsidiary that has non-controlling interest that are material to the Group is as follows:-

	ISU	
	2018 AUD\$'000	2017 AUD\$'000
<u>At 31 December</u>		
Non-current assets	24	41
Current assets	6,329	7,377
Non-current liabilities	-	-
Current liabilities	(9)	(63)
Net assets	6,344	7,355
<u>Financial Year Ended 31 December</u>		
Revenue	1,968	3,183
Profit for the financial year	1,716	2,899
Total comprehensive income	1,966	3,043
Total comprehensive income attributable to non-controlling interest	691	913
Net cash from operating activities	1,201	3,903
Net cash from investing activities	212	406
Net cash used in financing activities	(3,319)	(2,850)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. EQUIPMENT

The Group	At 1.1.2018 AUD\$'000	Additions AUD\$'000	Written Off AUD\$'000	Depreciation Charges AUD\$'000	Foreign Currency Translation Difference AUD\$'000	At 31.12.2018 AUD\$'000
2018						
Computers, handphone and printer	115	8	-	(44)	10	89
Furniture and fittings	48	15	-	(8)	4	59
Merchant equipment	124	-	-	(13)	10	121
Motor vehicles	266	184	-	(105)	25	370
Office equipment	99	22	-	(14)	7	114
Renovation	580	52	(6)	(76)	50	600
Signboard	19	3	-	(3)	2	21
	1,251	284	(6)	(263)	108	1,374

	At 1.1.2017 AUD\$'000	Additions AUD\$'000	Disposals AUD\$'000	Depreciation Charges AUD\$'000	Foreign Currency Translation Difference AUD\$'000	At 31.12.2017 AUD\$'000
2017						
Computers, handphone and printer	104	44	-	(36)	3	115
Furniture and fittings	48	6	-	(7)	1	48
Merchant equipment	122	14	-	(14)	2	124
Motor vehicles	300	106	(62)	(82)	4	266
Office equipment	98	16	(4)	(12)	1	99
Renovation	545	88	-	(65)	12	580
Signboard	14	6	-	(2)	1	19
	1,231	280	(66)	(218)	24	1,251

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. EQUIPMENT (CONT'D)

The Group	At Cost AUD\$'000	Accumulated Depreciation AUD\$'000	Net Book Value AUD\$'000
2018			
Computers, handphone and printer	273	(184)	89
Furniture and fittings	91	(32)	59
Merchant equipment	138	(17)	121
Motor vehicles	534	(164)	370
Office equipment	155	(41)	114
Renovation	801	(201)	600
Signboard	27	(6)	21
	2,019	(645)	1,374
2017			
Computers, handphone and printer	241	(126)	115
Furniture and fittings	70	(22)	48
Merchant equipment	127	(3)	124
Motor vehicles	317	(51)	266
Office equipment	124	(25)	99
Renovation	694	(114)	580
Signboard	22	(3)	19
	1,595	(344)	1,251

Included in the net book value of equipment of the Group at the end of the reporting period were motor vehicles with a total net book value of AUD\$368,000 (2017 - AUD\$254,000), which was acquired under hire purchases terms.

The motor vehicles with a total net book value of AUD\$368,000 (2017 - AUD\$254,000) are held in trust by a director of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. DEFERRED TAX ASSETS

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
At 1.1.2018/2017	865	-
Recognised in profit or loss (Note 7)	54	831
Foreign currency translation differences	77	34
At 31.12.2018/2017	996	865

The deferred tax assets represented by:-

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Deductible temporary differences arising from tax paid in advance on the software platform license fees received in advance from affiliates – Deferred revenue	1,018	876
Accelerated capital allowance over depreciation	(22)	(11)
	996	865

16. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 (2017 - 30 to 60) days.

17. OTHER PAYABLES AND ACCRUALS

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Other payables	1,241	1,115
Deposits received	86	133
Accruals	109	495
	1,436	1,743

Included in other payables of the Group is commission payable to affiliates amounting to approximately AUD\$485,000 (2017 – AUD\$458,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. AMOUNT OWING TO A RELATED PARTY

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Amount owing to a related party	-	3

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

19. HIRE PURCHASE PAYABLES

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Minimum hire purchase payments:		
- not later than one year	194	76
- later than one year and not later than five years	209	219
	403	295
Less: Future finance charges	(37)	(29)
Present value of hire purchase payables	366	266
<u>Current</u>		
Not later than one year	177	64
<u>Non-Current</u>		
Later than one year and not later than five years	189	202
	366	266

- (a) The hire purchase payables of the Group are secured by the Group's motor vehicles under finance leases as disclosed in Note 14 to the financial statements.
- (b) The hire purchase payable bore effective interest rates ranging from 4.37% to 8.24% (2017 - 4.29% to 8.24%) as at the end of the reporting period. The interest rates are fixed at the inception of the hire purchase arrangements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. DEFERRED REVENUE

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
License right to access:		
Current liabilities	1,316	1,151
Non-current liabilities	6,664	6,584
	7,980	7,735

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

The significant changes in the deferred revenue balance during the financial year are summarised below:-

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Contract liabilities balance at the beginning of the financial year recognised as revenue	1,212	1,062
Advances received on licence right to access	905	1,319

The following table shows revenue expected to be recognised in the future related to performance obligation that are unsatisfied (or partially satisfied) at the reporting date:-

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Financial year ending 31 December 2018	-	1,151
Financial year ending 31 December 2019	1,316	1,091
Financial year ending 31 December 2020	1,241	1,022
Financial year ending 31 December 2021	1,163	982
Financial year ending 31 December 2022	1,129	966
Financial year ending 31 December 2023	1,110	949
Financial year ending 31 December 2024	918	776
Financial year ending 31 December 2025	620	504
Financial year ending 31 December 2026	351	256
Financial year ending 31 December 2027	114	38
Financial year ending 31 December 2028	18	-
	7,980	7,735

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. SHARE CAPITAL

Fully Paid-Up Ordinary Shares	The Group/The Company			
	2018 Number Of Shares	2017	2018 AUD\$'000	2017 AUD\$'000
At 1.1.2018/2017	184,719,945	166,556,292	2,665	70
Issuance of new shares	-	19,037,351	-	2,732
Shares buy-back	(1,651,857)	(873,698)	(223)	(137)
At 31.12.2018/2017	183,068,088	184,719,945	2,442	2,665

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

Details	Date	Shares	Issue price AUD\$	AUD\$'000
At 1.1.2018		184,719,945		2,665
Share buy-back and subsequently cancelled	10.1.2018	(802)	0.1501	*
Share buy-back and subsequently cancelled	25.1.2018	(78,703)	0.1452	(11)
Share buy-back and subsequently cancelled	6.2.2018	(45,126)	0.1453	(7)
Share buy-back and subsequently cancelled	8.2.2018	(41,021)	0.1453	(6)
Share buy-back and subsequently cancelled	12.2.2018	(68,650)	0.1452	(10)
Share buy-back and subsequently cancelled	27.2.2018	(5,000)	0.1478	(1)
Share buy-back and subsequently cancelled	5.3.2018	(10,000)	0.1514	(1)
Share buy-back and subsequently cancelled	6.3.2018	(5,000)	0.1528	(1)
Share buy-back and subsequently cancelled	7.3.2018	(20,000)	0.1507	(3)
Share buy-back and subsequently cancelled	9.3.2018	(25,000)	0.1506	(4)
Share buy-back and subsequently cancelled	7.8.2018	(74,890)	0.1300	(10)
Share buy-back and subsequently cancelled	9.8.2018	(200,000)	0.1300	(26)
Share buy-back and subsequently cancelled	10.8.2018	(160,000)	0.1250	(20)
Share buy-back and subsequently cancelled	23.8.2018	(259,165)	0.1331	(35)
Share buy-back and subsequently cancelled	29.8.2018	(10,500)	0.1300	(1)
Share buy-back and subsequently cancelled	10.9.2018	(80,000)	0.1400	(11)
Share buy-back and subsequently cancelled	12.9.2018	(170,000)	0.1350	(23)
Share buy-back and subsequently cancelled	14.9.2018	(320,000)	0.1350	(43)
Share buy-back and subsequently cancelled	17.9.2018	(78,000)	0.1300	(10)
At 31.12.2018		183,068,088		2,442

During the financial year, the Company has purchased 1,651,857 (2017 – 873,698) of its issued ordinary shares from the open market and total consideration paid for the purchases was AUD\$223,000 (2017 – AUD\$137,000) including transaction costs. The entire ordinary shares purchased were cancelled during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. MERGER DEFICIT

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

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

23. FOREIGN EXCHANGE TRANSLATION RESERVE

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

24. OPTION RESERVE

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

The Employee Incentive Plan of the Company ("EIP") is governed by the EIP Applicable Laws and was approved by shareholders on 22 September 2016.

The total equity-settled option expense for the financial year was AUD\$77,000 (2017 – Nil).

Option

The option price and the details in the movement of the options granted are as follows:

Date of Offer	Number Of Options Granted	Exercise Price	Vesting And Exercise Date	Expiry Date	← Number Of Options Over Ordinary Shares →				
					At 1.1.2018	Granted	Vested	Lapsed	At 31.12.2018
30.3.2017	1,950,000	AUD\$0.30	Over 3 Years	5 years	1,500,000	-	(500,000)	(400,000)	600,000
					1,500,000	-	(500,000)	(400,000)	600,000

The option price and the details in the movement of the options vested are as follows:

Date of Offer	Number Of Options Granted	Exercise Price	Vesting And Exercise Date	Expiry Date	← Number Of Options Over Ordinary Shares →				
					At 1.1.2018	Vested	Exercised	Lapsed	At 31.12.2018
30.3.2017	1,950,000	AUD\$0.30	Over 3 Years	5 years	-	500,000	-	-	500,000
					-	500,000	-	-	500,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. OPTION RESERVE (CONT'D)

Performance Right

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

Date of Offer	Class	Number Of Performance Right Granted	Terms	← Number Of Options Over Ordinary Shares →				At 31.12.2018
				At 1.1.2018	Granted	Vested	Lapsed	
30.3.2017	A	200,000	1	200,000	-	(200,000)	-	-
30.3.2017	B	200,000	2	200,000	-	-	-	200,000
30.3.2017	C	200,000	3	200,000	-	-	-	200,000
				600,000	-	(200,000)	-	400,000

Note:

- 1 - The holder remains engaged by the Company for 1 year from 30 March 2017.
- 2 - The holder remains engaged by the Company for 2 years from 30 March 2017.
- 3 - The holder remains engaged by the Company for 3 years from 30 March 2017.

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

Date of Offer	Class	Number Of Performance Right Granted	← Number Of Options Over Ordinary Shares →				At 31.12.2018
			At 1.1.2018	Vested	Exercised	Lapsed	
30.3.2017	A	200,000	-	200,000	-	(200,000)	-
			-	200,000	-	(200,000)	-

No person to whom the share option and performance rights has been granted above has any right to participate by virtue of the option in any share issue of the any other company.

The number of options exercisable as at the end of the reporting period was 500,000 (2017 – Nil) and have an exercise price of AUD\$0.30 and a remaining contractual life of approximately 3 years.

There is no equity-settled option granted during the financial year (2017 – 1,950,000 options granted).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. OPTION RESERVE (CONT'D)

The fair values of the share options vested were estimated using a binomial model, taking into account the terms and conditions upon which the options were vested. The fair value of the share options measured at vesting date and the assumptions used are as follows:-

	The Group/The Company	
	2018	2017
Fair value of share options at the grant date (AUD\$)	0.11	-
Weighted average ordinary share price (AUD\$)	0.17	-
Exercise price of share option (AUD\$)	0.30	-
Expected volatility (%)	95.25	-
Expected life (years)	5	-
Risk free rate (%)	2.36	-
Expected dividend yield (%)	1.76	-

25. DIVIDEND PAID

	2018	The Company	2017
	AUD\$'000		AUD\$'000
An unfranked interim dividend of 0.40 (2017 – 0.30) cents per ordinary share in respect of the financial year ended 31 December 2018	735		557

26. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group carried out the following transactions with the related parties during the financial year:-

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Triple Gem Sdn Bhd (Director-related entity of Dato' Teo Chee Hong)		
- Office rental	175	174

All transactions were made on normal commercial terms and conditions and at market rates. The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

Triple Gem Sdn Bhd

Triple Gem Sdn. Bhd, a company which is wholly owned by Dato' Teo Chee Hong, provided office accommodation to the Group during the financial year. A total amount of AUD\$175,000 (2017 - AUD\$174,000) was paid to Triple Gem Sdn Bhd for the year ended 31 December 2018.

(c) Key Management Personnel Compensation

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Key management personnel compensation (including directors' remuneration):		
- short-term employee benefits	652	417
- define contribution plan	46	31
	698	448

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. REMUNERATION OF AUDITORS

During the financial year, the following fees were paid or payable for services provided by Crowe Horwath Perth, the auditor of the Company and its network firms:

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
<i>Audit services – Crowe Horwath Perth</i>		
Audit and/or review of the financial statements	57	49
<i>Audit services - network firms</i>		
Audit and/or review of the financial statements	32	30
<i>Other services - network firms</i>		
Policies and procedures documentation support service	-	19
Tax advice	-	46
Tax compliance	9	6
	9	71
Sub-total	41	101
Total	98	150

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the Australian Accounting Standards and Interpretations.

	Parent	
	2018 AUD\$'000	2017 AUD\$'000
<i>Statement of Financial Position</i>		
Total current assets	2,292	2,480
Total assets	2,292	2,480
Total current liabilities	74	50
Total liabilities	74	50
Net Assets	2,218	2,430
<i>Equity</i>		
Share capital	2,442	2,665
Accumulated losses	(301)	(235)
Option reserve	77	-
Total equity	2,218	2,430
<i>Statement of Profit or Loss and Other Comprehensive Income</i>		
Profit after income tax	668	422
Total comprehensive income	668	422

Contingent Liabilities

The directors are not aware of any contingent liabilities or assets as at the date of these financial statements (2017 - Nil).

Contractual Commitments

At the end of the reporting period, I Synergy Group Limited had not entered into any contractual commitments (2017 - Nil).

Significant Accounting Policies

The accounting policies of the parent entity are consistent with those of the consolidated entities as disclosed throughout the report

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

29.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

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

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

The Group 2018	Australia Dollar AUD\$'000	Singapore Dollar AUD\$'000	United State Dollar AUD\$'000	Indonesian Rupiah AUD\$'000	Ringgit Malaysia AUD\$'000	Total AUD\$'000
Financial Assets						
Trade receivables			-	12	363	375
Other receivables and deposits	5	2	-	47	534	588
Cash and cash equivalents	2,298	46	49	47	7,513	9,953
	2,303	48	49	106	8,410	10,916
Financial Liabilities						
Trade payables	-	-	-	-	106	106
Other payables and accruals	74	4	-	48	1,310	1,436
Hire purchase payables	-	-	-	-	366	366
	74	4	-	48	1,782	1,908
Net financial assets Less: Net financial assets denominated in the respective entities' functional currencies	(2,196)	(9)	-	(58)	(6,628)	(8,891)
Currency Exposure	33	35	49	-	-	117

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group 2017	Australia Dollar AUD\$'000	Singapore Dollar AUD\$'000	United State Dollar AUD\$'000	Indonesian Rupiah AUD\$'000	Ringgit Malaysia AUD\$'000	Total AUD\$'000
<u>Financial Assets</u>						
Trade receivables	-	-	-	-	230	230
Other receivables and deposits	6	2	-	25	538	571
Cash and cash equivalents	2,464	32	45	47	10,305	12,893
	2,470	34	45	72	11,073	13,694
<u>Financial Liabilities</u>						
Trade payables	-	-	-	12	17	29
Other payables and accruals	47	3	-	15	1,678	1,743
Amount owing to a related party	-	-	-	-	3	3
Hire purchase payables	-	-	-	-	266	266
	47	3	-	27	1,964	2,041
Net financial assets	2,423	31	45	45	9,109	11,653
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(2,390)	1	-	(45)	(9,112)	(11,546)
Currency Exposure	33	32	45	-	(3)	107

Foreign Currency Risk Sensitivity Analysis

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the entities within the Group does not have material impact on the profit after taxation and other comprehensive income of the Group and hence, no sensitivity analysis is presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

- (a) Market Risk (Cont'd)
 (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined under AASB 7 since neither they carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

- (iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

- (b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables, and debt investments. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties

- (i) Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:-

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Malaysia	363	230
Indonesia	12	-
	375	230

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Exposure to credit risk

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

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of financial assets at amortised cost, contract assets and debt investments at fair value through profit or loss are credit impaired

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities

Trade Receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than a year are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under AASB 9 for both trade receivables and contract liabilities are summarised below:-

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

- (b) Credit Risk (Cont'd)
- (iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

The Group	Gross Amount	Lifetime Loss Allowance	Carrying Value
2018	AUD\$'000	AUD\$'000	AUD\$'000
Current (not past due)	57	-	57
1 to 30 days past due	-	-	-
31 to 60 days past due	-	-	-
61 to 90 days past due	22	-	22
More than 91 days past due	519	-	519
	598	-	598
Credit impaired:			
- individually impaired	(223)	-	(223)
	375	-	375

the last financial year, the loss allowance on trade receivables was calculated under AASB 139. The ageing analysis of trade receivables is as follows

The Group	Gross Amount	Individual Impairment	Carrying Value
2017	AUD\$'000	AUD\$'000	AUD\$'000
Not past due	41	-	41
Past due:			
- less than 3 months	20	-	20
- 3 to 6 months	13	-	13
- over 6 months	361	(205)	156
	435	(205)	230

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Note 10 to the financial statements.

Other Receivables

Other receivables are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial and hence, it is not provided for

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates based on the rates at the end of the reporting period):-

The Group	Effective Interest Rates %	Carrying Amount AUD\$'000	Contractual Undiscounted Cash Flows AUD\$'000	Within 1 Year AUD\$'000	1- 5 Years AUD\$'000	More Than 5 Years AUD\$'000
2018						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	106	106	106	-	-
Other payables and accruals	-	1,436	1,436	1,436	-	-
Hire purchase payables	4.37 - 8.24	366	403	194	209	-
		1,908	1,945	1,736	209	-
2017						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	29	29	29	-	-
Other payables and accruals	-	1,743	1,743	1,743	-	-
Amount owing to a related party	-	3	3	3	-	-
Hire purchase payables	4.29 - 8.24	266	295	76	219	-
		2,041	2,070	1,851	219	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

29.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	<u>The Group</u> <u>2018</u> <u>AUD\$'000</u>
Financial Assets	
<u>Amortised Cost</u>	
Trade receivables	375
Other receivables and deposits	588
Cash and bank balances	2,571
	<u>3,534</u>
<u>Mandatorily at Fair Value through Profit of Loss</u>	
Short-term investments	<u>7,382</u>
Financial Liabilities	
<u>Amortised Cost</u>	
Trade payables	106
Other payables and accruals	1,436
Hire purchase payables	366
	<u>1,908</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	<u>The Group</u> 2017 <u>AUD\$'000</u>
Financial Assets	
<u>Loans and Receivables Financial Assets</u>	
Trade receivables	230
Other receivables and deposits	571
Cash and bank balances	3,960
	<u>4,761</u>
<u>Fair Value through Profit of Loss: Held-for-trading</u>	
Short-term investments	<u>8,933</u>
Financial Liabilities	
<u>Other Financial Liabilities</u>	
Trade payables	29
Other payables and accruals	1,743
Amount owing to a related party	3
Hire purchase payables	266
	<u>2,041</u>

29.4 FAIR VALUE INFORMATION

At the end of the reporting period, there was no financial instrument carried at fair values (other than short-term investments) in the consolidated statement of financial position.

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The Group measures its short-term investments classified as Mandatorily at Fair Value through Profit of Loss (2017 - Fair Value through Profit of Loss: Held-for-trading) financial assets at fair values, determined by reference to statements provided by the respective financial institutions, with which the investments were entered into. These financial assets belong to level 2 (2017 - level 2) of the fair value hierarchy and there were no transfers between level 1 and level 2 during the financial year.

The fair value of hire purchase payables that carry fixed interest rates approximated their carrying amounts as the impact of discounting is not material. The fair value is determined by discounting the relevant cash flows using current market interest rates for similar instruments at 4.37% to 8.24% (2017 - 4.29% to 8.24%) and the fair value is within level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. CAPITAL COMMITMENT

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Purchase of equipment	52	42

31. OPERATING LEASE COMMITMENT

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

	The Group	
	2018 AUD\$'000	2017 AUD\$'000
Not more than one year	444	386
Later than one year but not later than five year	90	276
	534	662

32. OPERATING SEGMENTS

32.1 BUSINESS SEGMENT

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

32.2 GEOGRAPHICAL INFORMATION

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

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

Group	Revenue		Non-current Assets	
	2018 AUD\$'000	2017 AUD\$'000	2018 AUD\$'000	2017 AUD\$'000
Indonesia	301	79	38	13
Malaysia	9,250	10,524	2,332	2,103
	9,551	10,603	2,370	2,116

NOTES TO THE FINANCIAL STATEMENTS

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32. OPERATING SEGMENTS (CONT'D)

32.3 MAJOR CUSTOMERS

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

32.4 DISAGGREGATION OF REVENUE

Revenue from contracts with customers is disaggregated by primary geographical market and timing of revenue recognition as below:-

	Indonesia AUD\$'000	Malaysia AUD\$'000	Group AUD\$'000
2018			
At a point of time	301	7,926	8,227
Over time	-	1,324	1,324
	301	9,250	9,551
	Indonesia AUD\$'000	Malaysia AUD\$'000	Group AUD\$'000
2017			
At a point of time	79	9,322	9,401
Over time	-	1,202	1,202
	79	10,524	10,603

33. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 12 January 2018, the Company is officially a Shariah-compliant organisation. The Company has obtained the MS 1900:2014 Shariah-Based Quality Management Systems certification from SIRIM QAS International Sdn Bhd Malaysia's leading certification, inspection and testing body under SIRIM Berhad.

This certification officially authenticates that the Company is in compliance with internationally recognised Shariah requirements for the scope of the group's primary business activities in Malaysia, specifically the training and services for the affiliates in Affiliate Junction's agency program and its retail affiliate program's operations, rewards and incentives.

34. SIGNIFICANT EVENT OCCURING AFTER THE REPORTING PERIOD

On 15 January 2019, 4,810,000 Options were issued to contractors and employees exercisable at AUD\$0.30, expiring 5 years from issue date and vesting on 3 years continued service.

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DIRECTOR'S DECLARATION

DIRECTOR'S DECLARATION

In accordance with a resolution of the directors of I Synergy Group Limited, the directors of the Company declare that:

1. the financial statements and notes of I Synergy Group Limited for the financial year ended 31 December 2018, are in accordance with the Corporations Act 2001, including:
 - a. comply with Australian Accounting Standards, which as stated in accounting policies Note 4 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 31 December 2018 and of its performance for the financial year ended on that date;
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
 - b. the financial statements and Notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and Notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
4. this declaration has been made after receiving the declarations required to be made by the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 31 December 2018.

This declaration is made in on behalf of the directors, and accordance with a resolution of the Board of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.



Dato Teo Chee Hong
Director
29th day of March 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of I Synergy Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

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

- a) giving a true and fair value of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and
- b) 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 this report. We are independent of the Group in accordance with the 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; and we have 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 of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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Key audit matter	How our audit addressed the matter
Decentralised operations	
<p>The Group comprises 8 subsidiaries with the operations of the Group being conducted in Malaysia.</p> <p>The decentralised nature of the operations requires significant oversight by Management to monitor activities, review component financial reporting and undertake the Group consolidation.</p> <p>We focused on:</p> <ul style="list-style-type: none"> ▪ understanding the components and identifying the significant risks of misstatement within them; ▪ the scoping of relevant procedures consistent with the risks identified and to enable coverage of significant aggregated balances; ▪ the assessment of components compliance with Group accounting policies, particularly revenue recognition; and ▪ the consolidation process and aggregating of results from component procedures. <p>Disclosures relating to the Groups subsidiaries can be found at <i>Note 13 -Controlled Entities</i>.</p>	<p>Audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> ▪ We instructed component audit team from Crowe Horwath Malaysia to perform procedures on the financial information prepared for consolidation purposes for one significant component. The selected component was that of most significance to the audit of the Group, by both individual size and risk, and included over 82% of the Group’s assets and 97% of the Group’s revenues. The objective of this being to gather evidence that aggregates to form the Group’s financial reporting. ▪ The component audit team performed audit of the financial information of the component in accordance with our specific group reporting package information and local statutory financial reporting. We worked with the component audit team to understand the component, to identify risks that are significant to the audit of the Group and to plan relevant procedures. We discussed the audit as it progressed to identify and address any issues, working with the component audit team as appropriate. ▪ We read the component audit team audit report to us and the underlying documentation explaining component results. ▪ We evaluated the work performed by the component audit team for sufficiency for our overall audit purpose. ▪ We considered the component auditor’s reporting about the component’s compliance with the Group’s accounting policies, including revenue recognition. ▪ We tested the financial data used in the consolidation process for consistency with the financial data audited by the component audit team. We also assessed

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Key audit matter	How our audit addressed the matter
	<p>the consolidation process for compliance with accounting standards.</p> <ul style="list-style-type: none"> For the components not within the scope of the component audit team, our procedures included testing the Group's key monitoring controls and performance of analytical procedures.
Revenue recognition	
<p>Revenue is one of the largest accounts in the financial statements and an important driver of the Group's operating results. We focus on this area because under ISA 240 there is presumption that there is risk of fraud in revenue recognition. There is a risk that Management could adopt accounting policies in such a way as to lead to material misstatement in the reported revenue position and resulting profit.</p> <p>Given the significant risks involved, we have evaluated the application of the Group's revenue policy to specific contracts with customers and separate performance obligations of the contracts.</p> <p>Disclosures relating to revenue recognition can be found at <i>Note 4.16 - Revenue and Other Income</i></p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> Assessing internal control procedures by performing walkthrough test to obtain understanding of the control procedures and assessment of control risk; Performing tests of control to ensure performance obligations in the contract with customers are accounted for separately as software activation, training and license rights to access; Performing transaction testing to ensure the accuracy of the allocation of the transaction price to each distinct performance obligation of the contract with customers for software activation, training and license rights to access; Performing an IT audit on the revenue database for commission income and expenses, where the computation is system automated to ensure accuracy and data integrity; and Performing sales cut off testing to ensure revenue is recognised in the proper accounting period. <p>We assessed the Group accounting policies as set out in <i>Note 4.16 - Revenue and Other Income</i>, for compliance with the revenue recognition requirements of Australian Accounting Standards.</p> <p>No adjustments to revenue were identified from these procedures.</p>

Key audit matter	How our audit addressed the matter
Recoverability of deferred tax assets	
<p>The Group had \$996,000 of deferred tax assets recognised at 31 December 2018. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realized. These benefits are realised by reducing tax payable on future taxable profits.</p> <p>We focused on this matter because of the impact on the financial report and because significant judgement is required to assess whether there will be sufficient future taxable profits to utilise the recognised deferred tax assets.</p> <p>Disclosures relating to the deferred tax assets can be found at <i>Note 15 - Deferred Tax Assets</i>.</p>	<p>We assessed the Group's ability to utilize the deferred tax assets by:</p> <ul style="list-style-type: none"> ▪ obtaining calculations of forecast taxable income for the next five years and agreeing these to the latest Board approved budget and forecast; ▪ comparing the latest Board approved budget to historical performance to assess the consistency and accuracy of the Group's approach to budgeting as compared to prior periods; ▪ challenging management's key assumptions in the cashflow budget and forecast; ▪ evaluating whether the cashflows had been appropriately adjusted for the differences between accounting profits, as presented in the approved Board budget and forecast with taxable profits; ▪ recalculating deferred tax balances which relate solely to timing differences between tax and accounting values; and <p>No adjustments to deferred tax assets were identified from these procedures.</p>

Other Information

The directors are responsible for the other information. The other information comprises the directors' report and securities information included in the annual report for the year ended 31 December 2018, 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 upon the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors' for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, discussing, 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 cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility 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 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 the financial report.

As part of an audit in accordance with 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 entity'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 in the preparation of the financial report. We also conclude, based on the audit evidence obtained whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity 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 statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 are also required to 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 be reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year 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 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 29 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of I Synergy Group Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



CROWE HORWATH PERTH



SEAN MCGURK
Partner

Signed at Perth, 29 March 2019

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**ADDITIONAL
SECURITIES
INFORMATION**

ADDITIONAL SECURITIES INFORMATION

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Listing Rules not disclosed elsewhere in this Annual Report is set out below.

SHAREHOLDINGS

The issue capital of the Company as at 6 March 2019 is 183,068,088 ordinary fully paid shares. All ordinary shares carry one vote per share.

TOP 20 SHAREHOLDERS AS AT 6 MARCH 2019

		No. of Shares Held	% Held
1	DATO CHEE HONG TEO	50,446,192	27.56%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	46,000,000	25.13%
3	CITICORP NOMINEES PTY LIMITED	43,059,400	23.52%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	15,349,560	8.38%
5	TRIPPLE GEM SDN BHD	6,000,000	3.28%
6	SANFORD CAPITAL PLT	3,690,000	2.02%
7	MR CHEE WEE TEO	1,608,014	0.88%
8	LIM BENG HIAN	1,200,000	0.66%
9	LAU SU HWEE	500,000	0.27%
10	LU MIN YONG & SIEW MEE YONG & AMY HUI HOONG YOONG	400,000	0.22%
11	RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	368,500	0.20%
12	TEO SIONG YAM	300,000	0.16%
13	AMRAN BIN MUNIR	250,000	0.14%
14	ONG SIEW PIK	240,000	0.13%
15	MOHAMMAD YAZID BIN DAUD	235,000	0.13%
16	MR GUO MIAO ENG	206,310	0.11%
17	TALIB BIN MINGU	202,000	0.11%
18	VOO LEE CHING	200,000	0.11%
19	ROSNI BINTI JAILANI	200,000	0.11%
20	TAN CHIA CHIA	200,000	0.11%
21	MR YEE LEY CHEW	192,550	0.11%
22	ONG HAN KEONG	182,000	0.10%
	TOTAL	171,029,526	93.42%

ADDITIONAL SECURITIES INFORMATION

TOP 20 SHAREHOLDERS AS AT 6 MARCH 2019 (CONT'D)

Shares Range	No. of Holders	No. of Shares
100,001 and Over	33	172,452,526
10,001 to 100,000	176	6,596,698
5,001 to 10,000	350	3,452,250
1,001 to 5,000	152	565,247
1 to 1,000	4	1,367
	715	183,068,088

Number holding less than a marketable parcel at a share price of AUD\$0.15	67	132,145
--	----	---------

Shareholders by Location	No. of Holders	No. of Shares
Australian holders	204	107,968,272
Overseas holders	511	75,099,816
	715	183,068,088

VOTING RIGHTS

The holders of ordinary shares are entitled to one vote per share at meetings of the Group.

SUBSTANTIAL SHAREHOLDERS AS AT 6 MARCH 2019

		No. of Shares Held	% Held
1	DATO CHEE HONG TEO	50,446,192	27.56%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	46,000,000	25.13%
3	CITICORP NOMINEES PTY LIMITED	43,059,400	23.52%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	14,960,000	8.38%

OPTION HOLDINGS

The Group has the following classes of options on issue at 16 March 2018 as detailed below. Options do not carry any rights to vote.

Class	Terms	No. of Options
A	Unlisted Options 30c Advisor Options Expiring 22-Jan-2020	5,540,109
B	Unlisted Options 30c Incentive Options Expiring 17-Jan-2022	1,100,000
c	Unlisted Options 30c Incentive Options Expiring 15-Jan-2024	4,810,000
		11,450,109

ADDITIONAL SECURITIES INFORMATION

OPTION HOLDINGS (CONT'D)

Options Range	Unlisted Options No. of Holders	No. of Options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	52	2,410,000
100,001 and over	13	9,040,109
	65	11,450,109

The following Option holders hold more than 20% of a particular class of the Group's Unlisted Options.

Class	A	B	C
Ventnor Capital Pty Ltd	5,540,109	-	-
Dato Chee Hong Teo	-	600,000	-
Ilmars Draudins	-	300,000	-

PERFORMANCE RIGHTS HOLDINGS

The Group has the following classes of performance rights on issue at 6 March 2019 as detailed below.

Performance rights do not carry any rights to vote

Class	Terms	No. of Options
B	Performance Rights The holder remains engaged by the Company for 2 years from Listing.	200,000
C	Performance Rights The holder remains engaged by the Company for 3 years from Listing.	200,000
		400,000

Performance Rights Range	Unlisted Options No. of Holders	No. of Options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	1	400,000
	1	400,000

ADDITIONAL SECURITIES INFORMATION

PERFORMANCE RIGHTS HOLDINGS (CONT'D)

The following Performance Rights holders hold more than 20% of a particular class of the Group's Performance Rights.

Holder	B	C
Dato Chee Hong Teo	200,000	200,000

REQUIREMENT LISTING RULE 4.10.19

In accordance with the listing rule 4.10.19 the company confirms that the entity used cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with the business's objectives.

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I Synergy Group Limited (ACN 613 927 361)

Listed on the Australian Securities Exchange (ASX Code: IS3)

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