Isentia Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Isentia Group Limited
ABN:	31 167 541 568
Reporting period:	For the half-year ended 31 December 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	down	11.1%	to	70,843
Loss from ordinary activities after tax attributable to the owners of Isentia Group Limited	down	121.4%	to	(4,005)
Loss for the half-year attributable to the owners of Isentia Group Limited	down	121.4%	to	(4,005)

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2017, declared on 22 August 2017. The final dividend was paid on 20 September 2017 to shareholders registered on 6 September 2017.	3.080	1.540
Interim dividend for the year ending 30 June 2018, declared on 26 February 2018. The interim dividend will be paid on 22 March 2018 to shareholders registered on 8 March 2018.	0.647	0.647

Comments
The loss for the group after providing for income tax amounted to $4,005,000 (31 December 2016: profit of $18,740,000).

Refer to 'Review of operations' in the Directors' Report for further commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(23.64)	(23.25)

4. Control gained over entities

On 21 July 2017, the group acquired 100% of the ordinary shares of Unique Public Relations Limited (now known as Isentia Ltd).

Refer to note 14 to the Half Year Financial Report for further details.

5. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Financial Report.

6. Attachments

The Half Year Financial Report of Isentia Group Limited for the half-year ended 31 December 2017 is attached.

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7. Signed

Signed ___________________________ Date: 26 February 2018

Doug Snedden
Chairman
Sydney

Isentia Group Limited

ABN 31 167 541 568

Half Year Financial Report - 31 December 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Isentia Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

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

Doug Snedden - Chairman and Independent Non-Executive Director (appointed on 23 November 2017)
John Croll
Pat O'Sullivan
Fiona Pak-Poy
Geoff Raby
Doug Flynn (retired on 23 November 2017)

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

Dividends
Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2017 $'000	31 Dec 2016 $'000
Final dividend for the year ended 30 June 2017 (2016: 30 June 2016) of 3.08 cents (2016: 4.43 cents) per ordinary share	6,160	8,860

On 26 February 2018, the directors declared a fully franked interim dividend for the year ending 30 June 2018 of 0.647 cent per ordinary share, to be paid on 22 March 2018 to eligible shareholders on the register as at 8 March 2018. This equates to a total estimated distribution of $1,294,000, based on the number of ordinary shares on issue as at 31 December 2017. The financial effect of dividends declared after the reporting date are not reflected in the 31 December 2017 financial statements and will be recognised in subsequent financial reports.

Review of operations
The loss for the group after providing for income tax amounted to $4,005,000 (31 December 2016: profit of $18,740,000).

On 26 October 2017, the group made the announcement to exit content marketing and refocus on core business, Media Intelligence*. At this stage, management is exploring other opportunities in relation to the UK subsidiary. As such, the management is focusing on Media Intelligence business going forward. Further commentary will discuss the Group's Media Intelligence performance.

Media Intelligence Revenue Performance
The group's Media Intelligence revenue amounted to $67,027,000, declined by 7.1% compared to the previous period (31 December 2016: $72,177,000) driven by lower sales in Software-as-a-Service ('SaaS') revenue in both ANZ and Asia offset somewhat by growth in Value Added Services ('VAS') revenue in Asia. On a normalized basis for the reclassification of Two Social to Content Marketing, the revenue decline was 5.6% compared to the previous period.

ANZ revenue declined compared to previous period due to lower SaaS sales and VAS sales normalized for Two Social. Churn, price erosion and reduced press and broadcast volumes to certain customers drove the result. Asia revenue increased 6.1% driven by strong VAS growth underpinned by campaign revenue offset somewhat by lower SaaS sales.

The group's Media Intelligence Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') amounted to $15,656,000 (31 December 2016: $22,462,000).

*Media intelligence includes SAAS and VAS business only

Reconciliation between statutory (loss)/profit and Media Intelligence EBITDA is provided below:

	Consolidated	
	31 Dec 2017 $'000	31 Dec 2016 $'000
Statutory (Loss)/profit after income tax expense	(4,005)	18,740
Income tax expense	(1,006)	(2,202)
(Loss)/Profit before income tax expense	(2,899)	20,942
Depreciation and Amortisation	13,266	7,920
Fair value adjustment on contingent consideration	(1,452)	(11,503)
Proceeds from legal settlement	(1,100)	-
Interest Revenue	(37)	(24)
Finance costs	1,134	1,508
Impairment of assets	1,725	-
Loss on disposal of assets	33	-
Adjusted EBITDA (as per operating segments)*	10,670	18,843
EBITDA loss from content marketing	3,745	1,945
Other one-off items	1,241	1,674
Media Intelligence EBITDA*	15,656	22,462

* Media Intelligence EBITDA and adjusted EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS which has been adjusted to eliminate the effects of tax, depreciation and amortisation, fair value adjustments, impairment expenses and other one-off items.

Stable cash flow and balance sheet position

The group delivered stable cash flow performance in the half-year with cash flow from operations at $15,449,000 (31 December 2016: $13,988,000) and ending cash and cash equivalents of $13,540,000. Net debt at 31 December 2017 was $50,460,000 (representing bank loans of $64,000,000 less cash and cash equivalents of $13,540,000). The group has ample covenant head room with the leverage ratio of 1.61x and interest cover ratio of 12.93x. The group has $11,000,000 in available funding on the debt facility.

Transformation and Cost Management Actions

The group management have embarked on a transformation program to deliver improved profitability through offshoring operating activities to our Manila Content Hub, outsourcing production functions, automating press operations and simplifying back office systems. Management expects to realise the benefit of these actions as we exit FY 2018.

Significant changes in the state of affairs

Following the Board's decision at 30 June 2017 year end to write down the value of King Content, management has continued to closely monitor and review the performance of content marketing. In view of its continued underperformance, during the half-year, the group has exited content marketing.

John Croll, Managing Director and Chief Executive Officer resigned on 25 February 2018 and has given six months notice.

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

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors

Doug Snedden
Chairman

26 February 2018
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

26 February 2018

Dear Board Members

Isentia Group Limited

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

As lead audit partner for the review of the half-year financial report of Isentia Group Limited for the period ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Sandeep Chadha
Sandeep Chadha
Partner
Chartered Accountants

Isentia Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	Consolidated 31 Dec 2017 $'000	Consolidated 31 Dec 2016 $'000
Revenue	4	70,843	79,652
Other income	5	2,594	11,529
Expenses			
Copyright, consumables and other direct purchases		(19,648)	(18,967)
Employee benefits expense		(32,842)	(34,159)
Amortisation expenses		(7,694)	(6,950)
Depreciation expense		(870)	(970)
Impairment of assets		(40)	-
Occupancy costs		(2,914)	(2,862)
Loss on disposal of assets		(2)	-
Content marketing exit expenses	6	(6,811)	-
Other expenses		(4,381)	(4,823)
Finance costs		(1,134)	(1,508)
(Loss)/profit before income tax expense		(2,899)	20,942
Income tax expense		(1,106)	(2,202)
(Loss)/profit after income tax expense for the half-year attributable to the owners of Isentia Group Limited		(4,005)	18,740
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges taken to equity, net of tax		-	191
Exchange differences on translating foreign operations		464	(2,232)
Other comprehensive income for the half-year, net of tax		464	(2,041)
Total comprehensive income for the half-year attributable to the owners of Isentia Group Limited		(3,541)	16,699
		Cents	**Cents**
Basic earnings per share	15	(2.002)	9.370
Diluted earnings per share	15	(2.002)	9.350

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

Isentia Group Limited
Statement of financial position
As at 31 December 2017

	Note	Consolidated 31 Dec 2017 $'000	Consolidated 30 Jun 2017 $'000
Assets			
Current assets			
Cash and cash equivalents		13,540	13,252
Trade and other receivables	7	26,556	31,245
Income tax refund due		2,394	1,360
Prepayments		1,654	1,756
		44,144	47,613
Assets classified as held for sale	8	334	-
Total current assets		44,478	47,613
Non-current assets			
Property, plant and equipment		4,213	4,712
Intangibles	9	143,961	153,027
Deferred tax		4,320	5,320
Other		40	40
Total non-current assets		152,534	163,099
Total assets		197,012	210,712
Liabilities			
Current liabilities			
Trade and other payables	10	21,255	19,315
Current tax liabilities		663	822
Provisions		5,390	5,132
Contingent consideration		4,091	2,989
Total current liabilities		31,399	28,258
Non-current liabilities			
Borrowings	11	63,901	64,869
Deferred tax liabilities		15,363	17,105
Provisions		712	784
Contingent consideration		-	4,963
Total non-current liabilities		79,976	87,721
Total liabilities		111,375	115,979
Net assets		85,637	94,733
Equity			
Issued capital		403,662	403,662
Reserves		(252,604)	(253,673)
Accumulated losses		(65,421)	(55,256)
Total equity		85,637	94,733

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

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2016	403,662	(251,287)	(26,673)	125,702
Profit after income tax expense for the half-year	-	-	18,740	18,740
Other comprehensive income for the half-year, net of tax	-	(2,041)	-	(2,041)
Total comprehensive income for the half-year	-	(2,041)	18,740	16,699
Transactions with owners in their capacity as owners:				
Share-based payments	-	583	-	583
Dividends paid (note 12)	-	-	(8,860)	(8,860)
Balance at 31 December 2016	403,662	(252,745)	(16,793)	134,124

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017	403,662	(253,673)	(55,256)	94,733
Loss after income tax expense for the half-year	-	-	(4,005)	(4,005)
Other comprehensive income for the half-year, net of tax	-	464	-	464
Total comprehensive income for the half-year	-	464	(4,005)	(3,541)
Transactions with owners in their capacity as owners:				
Share-based payments	-	605	-	605
Dividends paid (note 12)	-	-	(6,160)	(6,160)
Balance at 31 December 2017	403,662	(252,604)	(65,421)	85,637

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

	Note	Consolidated 31 Dec 2017 $'000	Consolidated 31 Dec 2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		82,462	87,069
Payments to suppliers and employees (inclusive of GST)		(64,353)	(67,040)
Interest received		37	24
Other revenue		1,105	2
Interest and other finance costs paid		(1,071)	(1,590)
Income taxes paid		(2,731)	(4,477)
Net cash from operating activities		15,449	13,988
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	14	(207)	-
Payments to vendors for prior year assets acquisition	13	(2,386)	(7,033)
Payments for property, plant and equipment		(581)	(1,181)
Payments for intangibles	9	(4,473)	(4,467)
Payments to vendors for purchase of intangible asset acquisition		(508)	(1,005)
Proceeds from release of security deposits		154	-
Net cash used in investing activities		(8,001)	(13,686)
Cash flows from financing activities			
Proceeds from borrowings		-	9,000
Repayment of borrowings		(1,000)	-
Dividends paid	12	(6,160)	(8,860)
Net cash from/(used in) financing activities		(7,160)	140
Net increase in cash and cash equivalents		288	442
Cash and cash equivalents at the beginning of the financial half-year		13,252	8,139
Cash and cash equivalents at the end of the financial half-year		13,540	8,581

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

Note 1. General information

The financial statements cover Isentia Group Limited as a group consisting of Isentia Group Limited (the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (the 'group'). The financial statements are presented in Australian dollars, which is Isentia Group Limited's functional and presentation currency.

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

Level 3
219-241 Cleveland Street
Strawberry Hills NSW 2012

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 February 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group during the financial half-year ended 31 December 2017 and are not expected to have any significant impact for the full financial year ending 30 June 2018. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

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

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

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

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

Note 3. Operating segments (continued)

Types of revenue
The principal types of revenue are as follows:

Software-as-a-Service ('SaaS')	The group has developed and hosts a number of SaaS platforms, such as its flagship Mediaportal that provide customers access to time critical and highly relevant information as well as tools to analyse and report on media intelligence.
Value Added Services ('VAS')	The group provides social media insights and monitoring, customised quantitative and qualitative analysis, and in depth analysis required by customers.
Content Marketing	The group provided comprehensive content marketing strategies and engaging digital content that empowers brands to increase profitability by communicating effectively with target audiences.

Operating segment information

Consolidated - 31 Dec 2017	ANZ $'000	Asia/ROW $'000	Head Office $'000	Total $'000
Revenue				
SaaS	40,519	7,807	-	48,326
VAS	9,130	9,571	-	18,701
Content Marketing	2,158	1,658	-	3,816
Total revenue	51,807	19,036	-	70,843
Adjusted EBITDA*	16,250	1,013	(6,593)	10,670
Depreciation and amortisation				(13,266)
Fair value adjustment on contingent consideration				1,452
Proceeds from legal settlement				1,100
Interest revenue				37
Finance costs				(1,134)
Impairment of assets				(1,725)
Loss on disposal of assets				(33)
Loss before income tax expense				(2,899)
Income tax expense				(1,106)
Loss after income tax expense				(4,005)

* Adjusted EBITDA has been calculated after excluding fair value adjustment on contingent consideration and proceeds from legal settlement.

Consolidated - 31 Dec 2016	ANZ $'000	Asia/ROW $'000	Head Office $'000	Total $'000
Revenue				
SaaS	44,688	8,388	-	53,076
VAS	11,085	8,016	-	19,101
Content Marketing	4,075	3,400	-	7,475
Total revenue	59,848	19,804	-	79,652
Adjusted EBITDA*	22,124	2,757	(6,038)	18,843
Fair value adjustment on contingent consideration				11,503
Depreciation and amortisation				(7,920)
Interest revenue				24
Finance costs				(1,508)
Profit before income tax expense				20,942
Income tax expense				(2,202)
Profit after income tax expense				18,740

* Adjusted EBITDA has been calculated after excluding fair value adjustment on contingent consideration.

Note 4. Revenue

	Consolidated 31 Dec 2017 $'000	Consolidated 31 Dec 2016 $'000
Rendering of services	70,843	79,652

Note 5. Other income

	Consolidated 31 Dec 2017 $'000	Consolidated 31 Dec 2016 $'000
Government grants	5	2
Interest income	37	24
Fair value adjustment on contingent consideration	1,452	11,503
Other income - proceeds from legal settlement	1,100	-
Other income	2,594	11,529

Note 6. Content marketing exit expenses

Exit content marketing and refocus on Media Intelligence business

Following the Board's decision at year end to write down the value of King Content, management has continued to closely monitor and review the performance of the content marketing. In view of its continued underperformance, the group has exited content marketing.

At this stage, management is exploring other opportunities in regards to the UK subsidiary, refer to note 8.

Loss before income tax included the following specific costs relating to the exit of the content marketing business:

	Consolidated 31 Dec 2017 $'000	Consolidated 31 Dec 2016 $'000
Accelerated amortisation expenses	4,702	-
Impairment of assets	1,685	-
Loss on disposal of assets	31	-
Redundancy costs	393	-
Total content marketing exit expenses	6,811	-

Note 7. Current assets - trade and other receivables

	Consolidated 31 Dec 2017 $'000	Consolidated 30 Jun 2017 $'000
Trade receivables	24,301	27,578
Less: Provision for impairment of receivables	(611)	(568)
	23,690	27,010
Other receivables	1,995	3,210
Security deposits	871	1,025
	26,556	31,245

Note 8. Current assets - assets classified as held for sale

	Consolidated	
	31 Dec 2017 $'000	30 Jun 2017 $'000
Intangibles	334	-

As described in note 6, the group has exited the content marking operations. At this stage, management is exploring other opportunities in the UK. The value of customer relationships amounting to $334,000 was reclassified to assets held for sale.

Note 9. Non-current assets - intangibles

	Consolidated	
	31 Dec 2017 $'000	30 Jun 2017 $'000
Goodwill - at cost	117,082	116,446
Less: Accumulated impairment	(37,543)	(37,555)
	79,539	78,891
Customer relationships and contracts - at cost	81,671	82,774
Less: Accumulated amortisation	(53,946)	(50,151)
Less: Accumulated impairment	(3,666)	(1,980)
	24,059	30,643
Software and capitalised development - at cost	60,969	59,626
Less: Accumulated amortisation	(38,750)	(34,212)
Less: Impairment	(386)	(386)
	21,833	25,028
Brands - at cost	24,625	24,560
Less: Impairment	(6,095)	(6,095)
	18,530	18,465
	143,961	153,027

Note 9. Non-current assets - intangibles (continued)

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

Consolidated	Goodwill $'000	Customer relationships and contracts $'000	Software and capitalised development $'000	Brands $'000	Total $'000
Balance at 1 July 2017	78,891	30,643	25,028	18,465	153,027
Additions	-	-	4,465	8	4,473
Additions through business combinations (note 14)	206	-	-	-	206
Classified as held for sale (note 8)	-	(334)	-	-	(334)
Additions through asset acquisition	-	-	83	-	83
Disposals	-	-	(1)	-	(1)
Exchange differences	482	(109)	(25)	57	405
Impairment of assets	(40)	(1,685)	-	-	(1,725)
Transfers in/(out)	-	(396)	619	-	223
Amortisation expense	-	(4,060)	(8,336)	-	(12,396)
Balance at 31 December 2017	79,539	24,059	21,833	18,530	143,961

Note 10. Current liabilities - trade and other payables

	Consolidated 31 Dec 2017 $'000	Consolidated 30 Jun 2017 $'000
Trade payables	3,983	3,142
Amounts received in advance	5,631	5,256
Accrued expenses	10,288	9,416
Other payables	1,353	1,501
	21,255	19,315

Note 11. Non-current liabilities - borrowings

	Consolidated 31 Dec 2017 $'000	Consolidated 30 Jun 2017 $'000
Bank loans	64,000	65,000
Prepaid facility costs	(99)	(131)
	63,901	64,869

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

	Consolidated 31 Dec 2017 $'000	Consolidated 30 Jun 2017 $'000
Bank loans	64,000	65,000

Note 11. Non-current liabilities - borrowings (continued)

Assets pledged as security
Borrowings comprise of bank loans with facilities totalling $75,000,000. The bank loans are secured by fixed and floating charge over the group's assets. The facility is for 3 years with a maturity date of 7 July 2019.

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

	Consolidated	
	31 Dec 2017 $'000	30 Jun 2017 $'000
Total facilities		
Bank loans	75,000	75,000
Used at the reporting date		
Bank loans	64,000	65,000
Unused at the reporting date		
Bank loans	11,000	10,000

Note 12. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2017 $'000	31 Dec 2016 $'000
Final dividend for the year ended 30 June 2017 (2016: 30 June 2016) of 3.08 cents (2016: 4.43 cents) per ordinary share	6,160	8,860

On 26 February 2018, the directors declared a fully franked interim dividend for the year ending 30 June 2018 of 0.647 cent per ordinary share, to be paid on 22 March 2018 to eligible shareholders on the register as at 8 March 2018. This equates to a total estimated distribution of $1,294,000, based on the number of ordinary shares on issue as at 31 December 2017. The financial effect of dividends declared after the reporting date are not reflected in the 31 December 2017 financial statements and will be recognised in subsequent financial reports.

Note 13. Fair value measurement

Fair value hierarchy
The following tables detail the group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	4,091	4,091
Total liabilities	-	-	4,091	4,091

Note 13. Fair value measurement (continued)

Consolidated - 30 Jun 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	7,952	7,952
Total liabilities	-	-	7,952	7,952

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial half-year.

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

Valuation techniques for fair value measurements categorised within level 2 and level 3
Contingent consideration is valued at each reporting date based on the likely settlement amount, discounted to present value. The fair value is determined using the discounted cash flow method. Significant unobservable valuation inputs in relation to contingent consideration include estimated revenue and the discount rate.

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

Consolidated	Contingent consideration $'000
Balance at 1 July 2017	(7,952)
Gains recognised in profit or loss	1,452
Exchange differences	23
Contingent consideration payout	2,386
Balance at 31 December 2017	(4,091)

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

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Contingent consideration - SNC Korea acquisition	Revenue	Range of $2,102,000 to $2,569,000 (average $2,335,000)	10% increase in revenue would increase fair value by $183,000. 10% decrease in revenue would decrease fair value by $183,000.
Contingent consideration - Beyond Korea	Revenue	Range of $2,729,000 to $3,336,000 (average $3,033,000)	10% increase in revenue would increase fair value by $133,000. 10% decrease in revenue would decrease fair value by $133,000.
Contingent consideration - New Point Marketing Limited	Revenue	Range of $918,000 to $1,122,000 (average $1,020,000)	10% increase in revenue would increase fair value by $67,000. 10% decrease in revenue would decrease fair value by $67,000.

Note 14. Business combinations

Unique Public Relations Ltd
On 21 July 2017, the group acquired 100% of the ordinary shares of Unique Public Relations Ltd for the total consideration of $207,000. Unique Public Relations Ltd changed its name to Isentia Ltd within 30 days after completing the share transfer. The goodwill of $206,000 represents the synergies expected to be obtained by the Group from this acquisition. The acquired business contributed revenues of $54,000 and loss after tax of $125,000 to the Group for the period from 21 July 2017 to 31 December 2017.

The values identified in relation to the acquisition of Unique Public Relations Ltd are provisional as at 31 December 2017.

Details of the acquisition are as follows:

	Fair value $'000
Property, plant and equipment	2
Trade and other payables	(1)
Net assets acquired	1
Goodwill	206
Acquisition-date fair value of the total consideration transferred	207
Representing:	
Cash paid or payable to vendor	207
Acquisition costs expensed to profit or loss	1
Cash used to acquire business, net of cash acquired:	
Cash paid to vendor	207

Note 15. Earnings per share

	Consolidated 31 Dec 2017 $'000	Consolidated 31 Dec 2016 $'000
(Loss)/profit after income tax attributable to the owners of Isentia Group Limited	(4,005)	18,740
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	200,000,001	200,000,001
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	434,616
Weighted average number of ordinary shares used in calculating diluted earnings per share	200,000,001	200,434,617
	Cents	**Cents**
Basic earnings per share	(2.002)	9.370
Diluted earnings per share	(2.002)	9.350

Note 16. Events after the reporting period

Apart from the dividend declared as disclosed in note 12 and the resignation of John Croll, Managing Director and Chief Executive Officer on 25 February 2018, no other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Note 17. 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 financial half-year ended 31 December 2017. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are summarised as below.

AASB 9 Financial Instruments
The group will adopt this standard from 1 July 2018. Management is currently in the process of completing a detailed impact assessment of AASB 9, however, based on their preliminary review to date, the implementation of this standard is not expected to have a material impact on the group as:

- the group's financial assets are cash and cash equivalent and trade receivables involve repayment of principal in a single cash flow transaction equal to the transaction price;
- other financial asset classes are not material to the group; and
- financial liabilities of the group are carried at amortised cost and not at fair value.

AASB 15 Revenue from Contracts with Customers
The group will adopt this standard from 1 July 2018. Management is in the process of conducting detailed reviews of the underlying contracts to evaluate the impact of this new standard on the current revenue recognition procedures and will implement any changes necessary to align revenues to this new standard. Based on the high-level understanding of the new standard, at this stage, the group does not anticipate significant changes to their revenue recognition policies. Specific revenues steams include:

Software-as-a-service
The group derives the majority of its revenues from recurring monthly subscriptions which arises by providing its customers access to its platforms, with the revenue being recognised based on the period of the service being delivered. The recognised revenue is at an amount that reflects the consideration (transaction price) to which the group expects to be entitled to in exchange for those services. Management's preliminary review of material contracts indicates no significant changes to their revenue recognition policies.

Value-added-service
Revenue is recognised according to the terms of the engagement and when services have been rendered, that is based on the proportion to their stage of completion, typically in accordance with the achievement of contract milestones. The recognised revenue is at an amount that reflects the consideration (transaction price) to which the group expects to be entitled to in exchange for those services. Management are currently focusing their review procedures on material value-added-services contracts to assess the impact of AASB 15 on this revenue stream.

Content marketing
Following the announcement of the group's exit of content marketing in October 2017, the impact of AASB 15 is not expected to be material.

AASB 16 Leases
The group will adopt this standard from 1 July 2019. The Group is currently considering the available options for transition. To date, work has focused on the identification of the provisions of the standard which will most impact the group. In the next financial year, work on the detailed review of the contracts and financial reporting impacts will commence.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Doug Snedden
Chairman

26 February 2018
Sydney

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Independent Auditor's Review Report to the members of Isentia Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Isentia Group Limited, which comprises the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 19.

Directors Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Isentia Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Isentia Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 26 February 2018