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 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

	31 Dec 2020 $'000	31 Dec 2019 $'000	Change $'000	Change %
Revenue from ordinary activities excluding North Asia	41,846	52,169	(10,323)	(19.8%)
Revenue from ordinary activities including North Asia *	42,853	56,541	(13,688)	(24.2%)
(Loss) / profit from ordinary activities after tax attributable to the owners of Isentia Group Limited	(5,877)	677	(6,554)	(968.1%)
(Loss) / profit for the half-year attributable to the owners of Isentia Group Limited	(5,877)	677	(6,554)	(968.1%)
Underlying EBITDA excluding North Asia **	5,905	12,737	(6,832)	(53.6%)
Underlying EBITDA including North Asia **	5,515	12,478	(6,963)	(55.8%)

* All of the above comparisons are on a statutory basis unless otherwise stated.

** Underlying EBITDA (earnings before interest, income tax expense, depreciation and amortisation) is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit/(loss) under AAS which has been adjusted to eliminate the effects of tax, depreciation and amortisation, fair value adjustments, impairment expenses, loss on disposal of assets and other items such as restructuring costs, legal and settlement costs including costs related to the Cyber incident.

Reconciliation between the statutory (loss) / profit and underlying EBITDA is set-out in note 2 to the financial statements.

Dividends
There were no dividends paid, recommended or declared during the current financial period (31 December 2019: $nil).

Comments
The loss for the Group after providing for income tax amounted to $5,877,000 (31 December 2019: profit of $677,000).

In addition to the ongoing revenue impact due to the disruption caused by COVID-19 to a number of the Group's customers, the Group's operations and financial performance were impacted by a significant cyber incident which saw the key services disrupted for three weeks to four weeks. Discounts or credits were offered to customers affected by this disruption and the Group also incurred additional expenditure to remediate the situation. The Group continues to implement and accelerate cost saving measures and entered into a new three year loan facility that does not expire until 2023.

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	(18.56)	(16.02)

The net tangible assets per ordinary security is derived by dividing the net assets less intangible assets, deferred tax assets and deferred tax liabilities by the total issued shares of 200,000,001 shares (31 December 2019: 200,000,001 shares). The net tangible assets per share is negative in both the current and prior period as a result of historical acquisitions. At the time of these acquisitions, a significant percentage of the purchase prices were allocated to intangible assets.

Net tangible assets per ordinary security has been calculated by including right-of-use assets of $5,820,000 (31 December 2019: $10,494,000).

Net assets per ordinary security for the reporting period is 19.95 cents (31 December 2019: 29.71 cents).

4. Loss of control over entities

Name of entities (or group of entities)	Beyond Co. Ltd
Date control lost	14 August 2020

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 2020 is attached.

7. Signed

Signed ______________________________ Date: 25 February 2021

Doug Snedden
Chairman
Sydney

Isentia Group Limited

ABN 31 167 541 568

Half Year Financial Report - 31 December 2020

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 2020.

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
Ed Harrison - Managing Director and Chief Executive Officer
Fiona Pak-Poy - Independent Non-Executive Director
Travyn Rhall - Independent Non-Executive Director
Justin Kane - Non-Executive Director
Abigail Cheadle - Independent Non-Executive Director
Jeffrey Strong - Alternate Director to Justin Kane (ceased to be an alternate director on 16 October 2020)

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 and media analysis.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations

The loss for the Group after providing for income tax amounted to $5,877,000 (31 December 2019: profit of $677,000).

The Group's revenue and Underlying EBITDA performance is listed in the table below:

	ANZ $'000	South East Asia $'000	Head Office $'000	Total excluding North Asia $'000	North Asia $'000	Total including North Asia $'000
Consolidated						
31 December 2020						
Revenue						
SaaS and Content services	23,143	4,840	-	27,983	451	28,434
VAS	7,536	6,327	-	13,863	556	14,419
Total revenue	30,679	11,167	-	41,846	1,007	42,853
Operating expenses	21,672	8,991	5,278	35,941	1,397	37,338
Underlying EBITDA	9,007	2,176	(5,278)	5,905	(390)	5,515

	ANZ $'000	South East Asia $'000	Head Office $'000	Total excluding North Asia $'000	North Asia $'000	Total including North Asia $'000
Consolidated						
31 December 2019						
Revenue						
SaaS and Content services	30,972	5,853	-	36,825	2,439	39,264
VAS	8,563	6,781	-	15,344	1,933	17,277
Total revenue	39,535	12,634	-	52,169	4,372	56,541
Operating expenses	23,245	9,310	6,877	39,432	4,631	44,063
Underlying EBITDA	16,290	3,324	(6,877)	12,737	(259)	12,478

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('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, loss on disposal of assets and other non-operating items including restructuring costs, legal and settlement costs and costs related to the Cyber incident.

On 30 June 2020, following a review of the Group's business portfolio the Group made a decision to exit its North Asia (`NA') business which ceased operations in September 2020. In the table above the underlying EBITDA is showing as both including and excluding NA trading results.

Revenue performance
The Group’s Media Intelligence revenue excluding North Asia ('NA') of $41,846,000 declined by 19.8% compared to the previous period (31 December 2019: $52,169,000). This was mainly in Australia and New Zealand ('ANZ') Software-as-a-Service (‘SaaS’) revenue.

Revenue in ANZ and Asia was also impacted by the significant business disruption caused by a cyber incident in the December 2020 quarter, the revenue impact of which is estimated to be $3,300,000. In addition, revenue was influenced by the ongoing marketplace and operational pressures caused by Covid-19 and the competitive nature of the ANZ marketplace.

Earnings
The Group’s Underlying EBITDA excluding NA after the impact of AASB 16 was $5,905,000, a decline of 53.6% compared to the previous corresponding period (31 December 2019: $12,737,000). This decline reflects the lower revenue outlined above, this was partly offset by significant cost savings realised from a number of initiatives with total operating expenses excluding NA amounted to $35,941,000, a 8.9% decline compared to the previous corresponding period (31 December 2019: $39,432,000).

Cash flow
The cash outflows from operating activities of $1,444,000 (31 December 2019: cash inflow: $3,923,000) included $3,580,000 of NA closure costs and cash operating loss. The cash outflow also included the impact of the cyber incident of $4,100,000

Cashflow management remained a key focus of the Group during the half year ended 31 December 2020.

Transformation and cost management actions
The Group continued to invest in key technology and product platforms in line with the strategic plan to deliver market leading products and an efficient operating cost base.

Significant changes in the state of affairs
On 1 July 2020 the first tranche of the FY19 Executive Reward Plan (FY19 ERP) Deferred Equity Rights (comprising 299,421 FY19 Deferred Equity Rights) awarded pursuant to the FY19 ERP became eligible for vesting.

On 6 August 2020 the CEO Engagement Rights comprising 934,494 CEO Engagement Rights awarded pursuant to the CEO Engagement Rights Offer became eligible for vesting.

On 14 August 2020, the Group completed the sale of the Group's interest in Beyond Co. Ltd, with a cash consideration of $121,000 as disclosed as at 30 June 2020.

On 13 October 2020, the Group secured a new 3-year $46,600,000 senior debt facility with the Commonwealth Bank of Australia.

The Group was impacted by a significant cyber security incident in the December 2020 quarter which impacted the Group’s ability to deliver key services to customers. Several measures were taken by management to deal with the incident and restore the business to normal operations. However, the incident has negatively impacted pre-tax earnings for the half year ending 31 December 2020 by approximately $4,400,000 through a combination of lost revenues and additional costs. It has also delayed the roll-out of a number of strategic initiatives scheduled for the March quarter 2021 to later in the June quarter 2021. As a result, the impact on the year ended 30 June 2021 financial results is expected to be approximately $7,000,000 to $8,000,000 in line with the estimates provided to the market when the incident occurred.

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

Matters subsequent to the end of the financial half-year
The impact of COVID-19 is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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

Auditor's independence declaration
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

Ed Harrison
Chief Executive Officer and Managing Director

25 February 2021
Sydney

Deloitte.

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

25 February 2021

Dear Board Members

Auditor's Independence Declaration to 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 statements of Isentia Group Limited for the financial half-year ended 31 December 2020, 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

DR White

David White
Partner
Chartered Accountants

General information

The financial statements cover Isentia Group Limited as a consolidated entity 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 25 February 2021. The directors have the power to amend and reissue the financial statements.

Isentia Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	Consolidated 31 Dec 2020 $'000	Consolidated 31 Dec 2019 $'000
Revenue from contracts with customers	3	42,853	56,541
Other income	4	292	5
Interest revenue calculated using the effective interest method		10	32
Expenses			
Copyright, consumables and other direct purchases		(11,558)	(11,805)
Employee benefits expense		(22,889)	(28,619)
Amortisation expense		(3,846)	(6,288)
Depreciation expense		(2,041)	(2,753)
Impairment of assets	7	(1,290)	-
Occupancy costs		(789)	(743)
Loss on disposal of assets		-	(83)
North Asia exit expenses		(383)	-
Legal and settlement costs		(2,994)	(306)
Other expenses		(2,602)	(3,130)
Finance costs		(1,260)	(1,205)
(Loss)/profit before income tax benefit/(expense)		(6,497)	1,646
Income tax benefit/(expense)		620	(969)
(Loss)/profit after income tax benefit/(expense) for the half-year attributable to the owners of Isentia Group Limited		(5,877)	677
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		64	83
Exchange differences on translating foreign operations		(1,903)	151
Other comprehensive income for the half-year, net of tax		(1,839)	234
Total comprehensive income for the half-year attributable to the owners of Isentia Group Limited		(7,716)	911
		Cents	**Cents**
Basic earnings per share	13	(2.938)	0.338
Diluted earnings per share	13	(2.938)	0.336

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

Isentia Group Limited
Consolidated statement of financial position
As at 31 December 2020

	Note	Consolidated 31 Dec 2020 $'000	Consolidated 30 June 2020 $'000
Assets			
Current assets			
Cash and cash equivalents		9,665	16,118
Trade and other receivables	5	14,221	17,489
Income tax refund due		112	200
Prepayments		1,087	1,442
		25,085	35,249
Assets classified as held for sale		-	307
Total current assets		25,085	35,556
Non-current assets			
Property, plant and equipment		2,014	2,439
Right-of-use assets	6	5,820	7,540
Intangibles	7	78,049	81,183
Deferred tax assets		6,238	5,369
Total non-current assets		92,121	96,531
Total assets		117,206	132,087
Liabilities			
Current liabilities			
Trade and other payables		13,330	11,964
Contract liabilities		4,539	5,006
Borrowings	8	2,204	3,815
Lease liabilities	9	2,699	3,761
Current tax liabilities		141	402
Provisions		5,802	9,726
		28,715	34,674
Liabilities directly associated with assets classified as held for sale		-	185
Total current liabilities		28,715	34,859
Non-current liabilities			
Borrowings	8	37,664	36,735
Lease liabilities	9	3,349	4,654
Derivative financial instruments		-	92
Deferred tax liabilities		7,270	7,830
Provisions		309	245
Total non-current liabilities		48,592	49,556
Total liabilities		77,307	84,415
Net assets		39,899	47,672
Equity			
Issued capital		403,662	403,662
Reserves		(251,172)	(249,276)
Accumulated losses		(112,591)	(106,714)
Total equity		39,899	47,672

The above consolidated 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 2019	403,662	(249,681)	(95,829)	58,152
Profit after income tax expense for the half-year	-	-	677	677
Other comprehensive income for the half-year, net of tax	-	234	-	234
Total comprehensive income for the half-year	-	234	677	911
Transactions with owners in their capacity as owners:				
Share-based payments	-	350	-	350
Balance at 31 December 2019	403,662	(249,097)	(95,152)	59,413

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	403,662	(249,276)	(106,714)	47,672
Loss after income tax benefit for the half-year	-	-	(5,877)	(5,877)
Other comprehensive income for the half-year, net of tax	-	(1,839)	-	(1,839)
Total comprehensive income for the half-year	-	(1,839)	(5,877)	(7,716)
Transactions with owners in their capacity as owners:				
Share-based payments	-	(57)	-	(57)
Balance at 31 December 2020	403,662	(251,172)	(112,591)	39,899

Isentia Group Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2020

	Note	Consolidated 31 Dec 2020 $'000	Consolidated 31 Dec 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		48,414	63,555
Payments to suppliers and employees (inclusive of GST)		(47,804)	(56,118)
Interest received		10	32
Other revenue		59	5
Interest and other finance costs paid		(1,171)	(1,357)
Income taxes paid		(952)	(2,194)
Net cash (used in)/from operating activities		(1,444)	3,923
Cash flows from investing activities			
Payments for property, plant and equipment		(172)	(626)
Payments for intangibles	7	(3,491)	(4,490)
Proceeds from disposal of subsidiary		77	-
Proceeds from disposal of property, plant and equipment		8	4
Proceeds from release of security deposits		245	77
Proceeds from customer referral fees		654	-
Net cash used in investing activities		(2,679)	(5,035)
Cash flows from financing activities			
Proceeds from bank loan		40,000	5,000
Repayment of bank loan		(40,750)	(5,750)
Payment of lease liabilities, excluding the financing component	9	(1,624)	(1,979)
Net cash used in financing activities		(2,374)	(2,729)
Net (decrease) in cash and cash equivalents		(6,497)	(3,841)
Cash and cash equivalents at the beginning of the financial half-year		16,162	14,718
Cash and cash equivalents at the end of the financial half-year		9,665	10,877
Reconciliation to cash and cash equivalents at the beginning of the financial half-year			
Balance as per statement of financial position		16,118	14,718
Cash and cash equivalents - classified as held for sale		44	-
Cash and cash equivalents at the beginning of the financial half-year		16,162	14,718

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 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 2020 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, except for the policies stated below.

Comparative information
Comparatives have been restated, where appropriate, to conform to changes in presentation in the current year and to enhance comparability. There was no net effect on the net asset position, profit or loss, or cash flow.

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.

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

Going concern
The Directors have prepared the financial statements on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the discharge of liabilities in the ordinary course of business.

The Group incurred a loss after income tax for the half-year ended 31 December 2020 of $5,877,000 (31 December 2019: profit of $677,000). Included in the loss was a $1,290,000 non-cash impairment of assets and a $767,000 loss from exiting the North Asia market.

The Group had net cash outflows from operations of $1,444,000 (31 December 2019: net cash inflows of $3,923,000) for the half-year ended 31 December 2020. Included in the cash outflows was $3,580,000 from exiting the North Asia Market. When this is excluded, the Group achieved $2,136,000 net cash inflows from operating activities.

As at 31 December 2020, the Group had net current liabilities of $3,630,000 (30 June 2020: net current assets of $697,000) and net assets of $39,899,000 (30 June 2020: $47,672,000).

The Group was impacted by a cyber security incident in the December 2020 quarter which impacted the Group's abilities to deliver key services to customers. Several measures were taken by management to deal with the incident and restore the business to normal operations. However, the incident has negatively impacted pre-tax earnings for the half year ended 31 December 2020 by approximately $4,400,000 through a combination of lost revenues and additional costs. It has also delayed the roll-out of a number of strategic initiatives scheduled for the March 2021 quarter to later in the June 2021 quarter. As a result, the impact on the year ending 30 June 2021 financial results is expected to be approximately $7,000,000 to $8,000,000 in line with the estimates provided to the market when the incident occurred.

As a result of this incident, the Group's lender Commonwealth Bank Australia ("CBA") has reset the Group's banking covenants to 31 March 2022. The Directors have performed a reforecast of the Group's financial results and expects to be compliant with these covenants during the period to 31 March 2022. However, there is limited headroom in the Group's forecast covenant compliance, and a failure to meet its forecasts may result in a covenant breach.

Note 1. Significant accounting policies (continued)

The Directors have determined that the Group, whilst reliant on the existence and continuity of its bank loan facility to meet its working capital requirements, will be able to pay its debts as and when they fall due. In making this determination, the following factors have also been considered by the Directors:

- the Directors and management continue to focus on improving cash flows through the delivery of key strategic and operating plan initiatives focused on revenue growth from new products and platforms (specifically the redesign of the Mediaportal SaaS Platform; Broadcast automation and launch of new Social products) and actively reducing operating expenses (specifically Broadcast automation and other process improvement programs;
- there is an ability to obtain additional funding, if required, from other sources such as capital raising and debt, or divestment of assets and/or entering strategic alliances. The Group maintains ongoing relationships with investors, brokers, debt providers and other advisors in the ongoing maintenance of its capital management planning programs; and
- the Directors will review the Group's strategic, operating and capital management plans on an ongoing basis.

If the Group is unable to meet its forecasts or execute a successful capital restructure of the business, a material uncertainty would exist that may cast significant doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and extinguish its liabilities in the ordinary course of business. However, the Directors are confident in the Group's ability to meet its forecasts or execute an appropriate capital management plan and, accordingly, the financial statements have been prepared on the going concern basis. Therefore no adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities have been made.

Foreign currency translation

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

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

As at 31 December 2020, a write-down of the carrying amount of a North Asia business, because of its losses, does not constitute a disposal at this point in time. Accordingly, no part of the foreign exchange gain or loss recognised in other comprehensive income is reclassified to profit or loss at the time of a write-down.

Note 2. Operating segments

Identification of reportable operating segments
In the year ended 30 June 2020, the Group revised the operating segments from two geographical segments being Australia and New Zealand ('ANZ') and Asia/Rest of the World ('Asia/RoW') to three being Australia and New Zealand ('ANZ'), South East Asia and North Asia due to the decision to exit the North Asia business. 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 revenue and underlying EBITDA (earnings before interest, tax, depreciation, amortisation adjusted to also eliminate the effects of fair value adjustments, impairment expenses, loss on disposal of assets, restructuring costs, legal and settlement costs, and costs related to the Cyber incident). 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 2. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2020	ANZ $'000	South East Asia $'000	North Asia $'000	Head Office $'000	Total $'000
Revenue					
SaaS and Content services	23,143	4,840	451	-	28,434
VAS	7,536	6,327	556	-	14,419
Total sales revenue	30,679	11,167	1,007	-	42,853
Total segment revenue	30,679	11,167	1,007	-	42,853
Interest revenue					10
Total revenue					42,863
Underlying EBITDA before AASB 16 impact	8,900	1,743	(390)	(6,161)	4,092
AASB 16 impact	107	433	-	883	1,423
Underlying EBITDA after AASB 16 impact	9,007	2,176	(390)	(5,278)	5,515
Restructuring costs	(136)	(40)	-	-	(176)
Legal and settlement costs	(75)	-	-	(2,696)	(2,771)
Other expenses	(1)	-	-	(486)	(487)
Other income-proceeds from insurance claim for cyber incident	-	-	-	225	225
Impairment of assets	-	-	-	(1,290)	(1,290)
Gain/(loss) on disposal of assets	-	3	6	(1)	8
Exit expenses	-	-	(383)	-	(383)
EBITDA	8,795	2,139	(767)	(9,526)	641
Depreciation and amortisation					(5,888)
Interest revenue					10
Finance costs					(1,260)
Loss before income tax benefit					(6,497)
Income tax benefit					620
Loss after income tax benefit					(5,877)

EBITDA represents earnings before interest, income tax expenses, depreciation and amortisation.

Underlying 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, loss on disposal of assets and other items such as restructuring costs, legal and settlement costs including costs related to the Cyber incident.

Prior year - restated presentation
The comparative segment note has been restated accordingly to reflect the revised geographical/reportable operating segments.

Note 2. Operating segments (continued)

Consolidated - 31 Dec 2019	ANZ $'000	South East Asia $'000	North Asia $'000	Head Office $'000	Total $'000
Revenue					
SaaS - recognised over time	30,972	5,853	2,439	-	39,264
VAS - recognised at a point in time	8,563	6,781	1,933	-	17,277
Total segment revenue	39,535	12,634	4,372	-	56,541
Interest revenue					32
Total revenue					56,573
Underlying EBITDA before AASB 16 impact	16,165	2,850	(731)	(7,732)	10,552
AASB 16 impact	125	474	472	855	1,926
Underlying EBITDA after AASB 16 impact	16,290	3,324	(259)	(6,877)	12,478
Restructuring costs	(201)	(4)	(19)	(92)	(316)
Legal and settlement costs	-	(27)	-	(192)	(219)
Loss on disposal of assets	-	(46)	(37)	-	(83)
EBITDA	16,089	3,247	(315)	(7,161)	11,860
Depreciation and amortisation					(9,041)
Interest revenue					32
Finance costs					(1,205)
Profit before income tax expense					1,646
Income tax expense					(969)
Profit after income tax expense					677

Note 3. Revenue from contracts with customers

	Consolidated 31 Dec 2020 $'000	Consolidated 31 Dec 2019 $'000
Rendering of services	42,853	56,541

Disaggregation of revenue

Refer note 2 operating segments for information relating to revenue from external customers by type of service, geographic region and timing of recognition.

Note 4. Other income

	Consolidated 31 Dec 2020 $'000	Consolidated 31 Dec 2019 $'000
Net gain on disposal of property, plant and equipment	8	-
Government grants	1	-
Proceeds from insurance claims	225	-
Rental relief	49	-
Income from co-tenants	9	5
Other income	292	5

Note 5. Trade and other receivables

	Consolidated 31 Dec 2020 $'000	Consolidated 30 June 2020 $'000
Current assets		
Trade receivables	14,532	16,139
Less: Allowance for expected credit losses	(1,083)	(771)
	13,449	15,368
Other receivables	457	1,561
Security deposits	315	560
	14,221	17,489

Note 6. Right-of-use assets

	Consolidated 31 Dec 2020 $'000	Consolidated 30 June 2020 $'000
Non-current assets		
Property - right-of-use	8,842	10,730
Less: Accumulated depreciation	(3,651)	(3,468)
Less: Impairment	-	(605)
	5,191	6,657
Equipment - right-of-use	1,170	1,170
Less: Accumulated depreciation	(974)	(785)
	196	385
Software - right-of-use	650	650
Less: Accumulated depreciation	(217)	(152)
	433	498
	5,820	7,540

Reconciliations

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

Consolidated	Property $'000	Equipment $'000	Software $'000	Total $'000
Balance at 1 July 2020	6,657	385	498	7,540
Lease modifications	109	-	-	109
Termination of lease	(180)	-	-	(180)
Exchange differences	(128)	-	-	(128)
Depreciation expense	(1,267)	(189)	(65)	(1,521)
Balance at 31 December 2020	5,191	196	433	5,820

Note 7. Intangibles

	Consolidated 31 Dec 2020 $'000	Consolidated 30 June 2020 $'000
Non-current assets		
Goodwill - at cost	84,073	85,541
Less: Accumulated impairment	(30,375)	(30,374)
	53,698	55,167
Customer relationships and contracts - at cost	63,325	67,648
Less: Accumulated amortisation	(58,935)	(62,398)
Less: Accumulated impairment	(1,608)	(2,025)
	2,782	3,225
Purchased software - at cost	10,982	11,880
Less: Accumulated amortisation	(10,375)	(10,765)
Less: Accumulated impairment	-	(44)
	607	1,071
Internally generated software - at cost	44,872	47,154
Less: Accumulated amortisation	(22,620)	(22,749)
Less: Accumulated impairment	(1,290)	(2,685)
	20,962	21,720
	78,049	81,183

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	Purchased software $'000	Internally generated software $'000	Total $'000
Balance at 1 July 2020	55,167	3,225	1,071	21,720	81,183
Additions	-	-	35	3,456	3,491
Exchange differences	(1,469)	-	(20)	-	(1,489)
Impairment of assets	-	-	-	(1,290)	(1,290)
Amortisation expense	-	(443)	(479)	(2,924)	(3,846)
Balance at 31 December 2020	53,698	2,782	607	20,962	78,049

Impairment testing
Impairment testing of the Group's goodwill and intangible assets was performed as at 31 December 2020. As part of this process, management reviewed the recoverability of the carrying value of intangible assets including software and customer relationships. The review of specific asset utilisation has resulted in an impairment charge of $1,290,000 (30 June 2020: $246,000) of software assets and $nil (30 June 2020: $2,406,000) of customer relationships and contracts. These software assets were identified by management as no longer being actively used in the business to generate future economic benefits and also do not form part of management's strategy. Accordingly, these assets have been derecognised as at 31 December 2020.

Goodwill is allocated and tested for impairment at the CGU level, which consists of ANZ and South East Asia (30 June 2020: ANZ, South East Asia and North Asia). This is equivalent to the reportable operating segments disclosed in note 2. This has resulted in $nil impairment charge (30 June 2020: $7,100,000 in North Asia).

Note 7. Intangibles (continued)

Allocation of indefinite life intangible assets

The Group's indefinite life intangible assets are allocated to Group's segments as follows:

	Consolidated	
	31 Dec 2020 $'000	30 June 2020 $'000
Goodwill		
ANZ	34,325	34,324
South East Asia	19,373	20,843
	53,698	55,167

Impairment testing and key assumptions

The following sets out the key assumptions for the CGUs where the impairment assessments were performed as at 31 December 2020.

The recoverable amount of the Group's assets has been assessed for the CGUs outlined above and uses the value in use basis.

The following key assumptions were used in the discounted cash flow model for the different CGUs:

(a) Based on a business plan approved by the Board of Directors, for the next five financial years from 2021 to 2025.
(b) Terminal growth rates applied are ANZ 2% (30 June 2020: 2%), South East Asia 4% (30 June 2020: 4%). The terminal value growth rate represents the forecast consumer price index for each CGU, combined with Gross Domestic Product growth rate expectations in the geographical locations in which the Group operates.
(c) Weighted average cost of capital post-tax: ANZ 13.75% (30 June 2020: 15.5%) South East Asia 15.25% (30 June 2020: 17.5%). The discount rate represents the underlying cost of capital adjusted for market, country and asset specific risks.

Sensitivity

The revenue and EBITDA forecasted in the approved business plan is a key judgment in management's impairment assessment, and a reasonably possible change in the assumptions that underpin the achievement of these forecasts could lead to an impairment in future periods.

A decrease in net cash flows annually for the next five years that would result in each CGU's recoverable amount falling below its carrying value is as follows: ANZ (decrease of 10.4%) and South East Asia (decrease of 38.7%).

A weighted average cost of capital that would result in each CGU's recoverable amount falling below its carrying value is as follows: ANZ (14.9%) and South East Asia (20.6%).

The terminal growth rate that would result in each CGU's recoverable amount falling below its carrying value is as follows: ANZ (0.5%) and South East Asia (negative 5.8%).

As part of the impairment assessment, the Group has considered a number of different scenarios which analyses the impact of different growth rates and cost structures on the ANZ CGU's cash flow forecasts. The recoverable amount of the assets as at 31 December 2020 for ANZ exceeds the carrying value in the lowest and highest scenarios by a range of $6,286,000 to $21,451,000 respectively.

The recoverable amount of the assets as at 31 December 2020 for South East Asia exceeds the carrying value by $14,464,000.

Note 8. Borrowings

	Consolidated 31 Dec 2020 $'000	Consolidated 30 June 2020 $'000
Current liabilities		
Bank loan	2,250	4,000
Prepaid facility costs	(46)	(185)
	2,204	3,815
Non-current liabilities		
Bank loan	37,750	36,750
Prepaid facility costs	(86)	(15)
	37,664	36,735
	39,868	40,550

Total secured liabilities
The total secured liabilities are as follows:

	Consolidated 31 Dec 2020 $'000	Consolidated 30 June 2020 $'000
Bank loans	40,000	40,750

Assets pledged as security
During the half-year ended 31 December 2020, the Group refinanced the bank loan facilities from Westpac Banking Corporation ('Westpac') to the Commonwealth bank of Australia ('CBA'). On 13 October 2020, the Group entered into a new three-year $46,600,000 loan facility with the CBA, including $33,500,000 amortising facility (A), $12,000,000 revolving cash advance (B) and $1,100,000 revolving working capital, letter of credit and bank guarantee facility and Ancillary Facility (C). Under the facility, the Group shall repay principal of $750,000 per quarter, with the first repayment on 30 June 2021.

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

	Consolidated 31 Dec 2020 $'000	Consolidated 30 June 2020 $'000
Total facilities		
Bank loans	46,600	47,164
Used at the reporting date		
Bank loans	40,000	40,750
Unused at the reporting date		
Bank loans	6,600	6,414

As at 31 December 2020, the $6,600,000 remaining facility with CBA includes a $1,100,000 multi-option credit facility, of which $441,000 has been used in the form of bank guarantee and $50,000 as a stand-by letter of credit. As at 30 June 2020, the remaining facility $6,414,000 with Westpac included a $3,000,000 multi-option credit facility, of which $431,000 has been used in the form of bank guarantee.

Note 9. Lease liabilities

	Consolidated	
	31 Dec 2020 $'000	30 June 2020 $'000
Current liabilities		
Lease liability	2,699	3,761
Non-current liabilities		
Lease liability	3,349	4,654
	6,048	8,415

Reconciliation
Reconciliation of lease liabilities at the beginning and end of financial half-year are set out below:

	Consolidated 31 Dec 2020 $'000
Balance at 1 July 2020	8,415
Lease modification	109
Reversal of lease liabilities	(521)
Termination of lease	(185)
Interest and other adjustments	149
Repayment of lease liabilities*	(1,773)
Exchange differences	(146)
Balance at 31 December 2020	6,048

*In the statement of cash flows payment of interest component of $149,000 is included within operating activities and repayment of lease liabilities (excluding finance cost) of $1,624,000 is including within financing activities.

Note 10. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 11. 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 Group 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 - 30 June 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swap contracts - cash flow hedges	-	92	-	92
Total liabilities	-	92	-	92

There were no transfers between levels as at 31 December 2020.

There were no cash flow hedges as at 31 December 2020.

Note 11. Fair value measurement (continued)

The carrying values of financial assets and financial liabilities 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.

Note 12. Contingent liabilities

	Consolidated	
	31 Dec 2020 $'000	30 June 2020 $'000
Bank guarantees	441	431

Note 13. Earnings per share

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 $'000
(Loss)/profit after income tax attributable to the owners of Isentia Group Limited	(5,877)	677
	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:		
Performance rights	-	1,214,749
Weighted average number of ordinary shares used in calculating diluted earnings per share	200,000,001	201,214,750
	Cents	**Cents**
Basic earnings per share	(2.938)	0.338
Diluted earnings per share	(2.938)	0.336

There are no adjustments in relation to the effects of dilutive potential ordinary shares due to the loss-making position of the Group for the period ended 31 December 2020.

Note 14. Events after the reporting period

The impact of COVID-19 is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 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.

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 2020 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

Ed Harrison
Chief Executive Officer and Managing Director

25 February 2021
Sydney

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

Conclusion

We have reviewed the half-year financial report of Isentia Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated 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.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2020 and of 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.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to note 1 of the half-year financial report, which indicates that the Group has incurred a consolidated loss after tax of $5,877k and had net cash outflows from operating activities of $1,444k during the half-year ended 31 December 2020. As stated in the going concern section of note 1 to the half-year report, these events or conditions, along with other matters set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as going concern. Our conclusion is not modified in respect of this matter.

Deloitte.

Directors' Responsibilities 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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2020 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*.

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants

Sydney, 25 February 2021