



**I SYNERGY GROUP LIMITED**

ACN: 613 927 361

**ANNUAL REPORT  
2019**

For personal use only



# I SYNERGY GROUP LIMITED

ACN: 613 927 361

## FINANCIAL REPORT for the financial year ended 31 December 2019

### CONTENTS

	Page
Corporate Directory	1
Chairman's Statement	2
Directors' Report	3
Auditor's Independence Declaration	16
Consolidated Statement of Profit or Loss and Other Comprehensive Income	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Changes in Equity	19
Consolidated Statement of Cash Flows	21
Notes to the Financial Statements	22
Directors' Declaration	75
Independent Auditor's Report	76
Additional Securities Information	82



# I SYNERGY GROUP LIMITED

ACN: 613 927 361

## CORPORATE DIRECTORY 31 DECEMBER 2019

---

Directors	Ilmars Draudins Dato' Teo Chee Hong Morgan Barron
Company Secretary	Harry Miller
Registered office	Ground Floor 16 Ord Street West Perth WA 6005 Phone: +618 9482 0500
Principal place of business	Malaysia Unit 20-10, Tower A The Vertical Business Suite Avenue 3, Bangsar South No. 8 Jalan Kerinchi 59200 Kuala Lumpur Malaysia Phone: +603 2242 1333  Indonesia Kantor Taman E3.3 Unit A2, 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	Automic Registry Services Level 12, 267 St Georges Terrace Perth WA 6000
Auditor	Crowe 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	<a href="http://www.i-synergygroup.com">www.i-synergygroup.com</a>
Corporate Governance Statement	<a href="http://www.i-synergygroup.com">www.i-synergygroup.com</a>



## **CHAIRMAN'S STATEMENT**

---

### **Dear Shareholders.**

Welcome to the Annual Report for iSynergy Group Limited.

The 2019 Financial Year has experienced a continuation of the difficult trading conditions experienced last year. Despite the renewed efforts of the management team the company has realised a further loss. During the year a number of initiatives were taken but they did not result in a turnaround. One positive was that the Indonesian business experienced improved trading conditions.

### **Financials.**

The company as a reporting entity uses the calendar year and this report is for the year ending 31<sup>st</sup> December 2019. Revenue was disappointing as it was down 8.2% to \$8.77M. This has resulted in a loss of \$1.83M.

Due to the poor trading conditions, the company has not paid a dividend to shareholders.

The company still has a good cash position which will enable it to re-double its efforts to turn around this very unfortunate situation. There will be a constant focus on improving revenue and reducing expenses.

### **Trading Conditions.**

The Malaysian economy has shown volatility and weakness during 2019. The fourth quarter of 2019 exhibited the slowest growth rate since 2009. All of this has contributed to difficult trading conditions in the general economy.

iSynergy has experienced significant competition where digital marketing companies have been providing significant financial subsidies to attract customers to their offerings. It was pleasing to see that the Indonesian business had a significant improvement with the revenue tripling to \$988K.

There has been a shift in the purchasing behaviour of shoppers in Malaysia. The movement has been to utilise e-commerce and digital platforms to conclude purchasing decisions. iSynergy is enhancing its offering to position itself to provide a fully functioning, modern platform to appeal to the market. A significant investment has been made in the systems that support the affiliate base and provide them with all the information that they need about the performance of their business.

The significant Affiliate 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.

Conditions in 2020 will be markedly different due to the COVID outbreak and the lockdown in Malaysia. The company has made a statement about the impact in Note 35 to the accounts.

### **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  
Chairman



**DIRECTORS' REPORT**  
**31 DECEMBER 2019**

---

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)

**Company Secretary**

Harry Miller

**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.

**Dividends**

No dividend was recommended by the directors of the Company for the financial year.

On 29 November 2019, the directors of a subsidiary, ISU declared an interim single-tier dividend of RM1 per ordinary share for a total of RM3,000,000 (approximately AUD\$1,041,000) to non-controlling interest in respect of the financial year ended 31 December 2019. The interim single-tier dividend was paid in December 2019.

**Review of operations**

During the financial year, the revenue experienced a decline of 8.2% compared to the previous financial year to AUD\$8.768 million from AUD\$9.551 million. This also resulted in the 564.5% decline of the Company's loss after taxation to AUD\$1,834,000 from loss after taxation AUD\$276,000.

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

During the financial year, a high direct cost was borne by the Group for the development of an all new system for the affiliate program, significant enhancements of its mobile application and system portal, database restructuring, research and development and advertising and promotions campaigns.

There are no significant fluctuations 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 cash flow generated and cash outflows for purchase of equipment and lease liabilities payments.

Despite the performance observed above, the Group has obtained MS1900:2014 Shariah Based Quality Management Systems certification. This certification authenticates that the Group is in compliance with internationally recognised Shariah requirements for their primary business activities. Operating in Malaysia and Indonesia where the majority of the population are Muslims, the Shariah compliance certification has strengthened the acceptance of the Group's products and services. The Management has been optimistic that the performance from the two countries would contribute positively moving forward.



**DIRECTORS' REPORT  
31 DECEMBER 2019**

---

**Significant changes in the state of affairs**

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.

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 events occurring after the reporting period**

The significant events occurring after the reporting period is disclosed in Note 35 to the financial statements.

**Environmental regulation**

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

**Information on directors**

Name:	<b>Ilmars Draudins</b>
Title:	<b>Non-Executive Chairman</b>
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 21 years' experience in Corporate Advisory, Investment Banking and Consulting
Other current directorships:	N/A
Former directorships (last 3 years):	Venture Axxess Group Limited
Interests in shares:	100,000 in the Company <sup>(1)</sup>
Interests in options:	300,000 unlisted incentive options exercisable at \$0.30c and expiring on 17 January 2022.
Contractual rights to shares:	None
Name:	<b>Dato' Teo Chee Hong</b>
Title:	<b>Managing Director</b>
Qualifications:	Bachelor of Engineering
Experience and expertise:	Teo is the founder of I Synergy. He has over 14 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:	145,483,592 ordinary shares in the Company <sup>(2)</sup>
Interests in options:	600,000 unlisted incentive options exercisable at \$0.30c and expiring on 17 January 2022.
Contractual rights to shares:	200,000 performance rights



**DIRECTORS' REPORT  
31 DECEMBER 2019**

**Name:** **Morgan Barron**  
**Title:** **Non-Executive Director**  
**Qualifications:** Bachelor of Commerce  
**Experience and expertise:** Mr Barron has over 21 years of experience in 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)  
**Interests in shares:** 25,000 ordinary shares in the Company <sup>(3)</sup>  
**Interests in options:** 300,000 unlisted incentive options exercisable at \$0.30c and expiring on 28 May 2022.  
**Contractual rights to shares:** N/A

<sup>(1)</sup> - including indirect interest through spouse's shareholding of 10,000 shares in the Company.

<sup>(2)</sup> - including indirect interest through spouse's shareholding of 500,000 shares in the Company.

<sup>(3)</sup> - 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 Secretary**

**Harry Miller**

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 2019, 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	3	3	-	-	2	2
Dato' Teo Chee Hong	3	3	-	-	1	2
Morgan Barron	3	3	-	-	2	2

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 2019**

---

**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 2019. 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; and
- 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; and
- Attracting and retaining high calibre executives

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; and
- Providing a clear structure for earning rewards





**DIRECTORS' REPORT**  
**31 DECEMBER 2019**

---

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.

*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; and
- 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 remuneration.

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.

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 was no use of consultant during the financial year ended 31 December 2019.



**DIRECTORS' REPORT  
31 DECEMBER 2019**

*Voting and comments made at the Company's 2018 Annual General Meeting ('AGM')*

At the 2019 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2018. 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
- Dato Teo Chee Hong - Managing Director
- Morgan Barron- Non-Executive Director
- Will Ong Han Keong – Chief Executive Officer of PTISI
- Lennon Chu Chung Piow - Chief Executive Officer of ISI

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary*	Super-annuation	Long service Leave	Equity-settled shares	Equity-settled options	
	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$
<b>2019</b>								
<b>Non-Executive Directors:</b>								
Ilmars Draudins (Chairman)	48,000	-	-	-	-	-	3,999	51,999
Morgan Barron	36,000	-	-	3,420	-	-	-	39,420
<b>Executive Director:</b>								
Dato Teo Chee Hong	189,448	10,413	24,992	20,714	-	-	7,998	253,565
<b>Key Management Personnel:</b>								
Will Ong Han Keong	79,349	25,460	-	10,400	-	-	-	115,209
Lennon Chu Chung Piow	55,035	9,007	-	7,882	-	-	-	71,924
	<u>407,832</u>	<u>44,880</u>	<u>24,992</u>	<u>42,416</u>	<u>-</u>	<u>-</u>	<u>11,997</u>	<u>532,117</u>

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

**DIRECTORS' REPORT**  
**31 DECEMBER 2019****Details of remuneration (cont'd)***Amounts of remuneration (cont'd)*

	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\$	
<b>2018</b>								
<b>Non-Executive Directors:</b>								
Ilmars Draudins (Chairman)	43,000	-	-	-	-	-	11,052	54,052
Bruce Richard Sydney Symon <sup>(1)</sup> (Resigned)	20,000	-	-	-	-	-	22,104	42,104
Morgan Barron <sup>(2)</sup>	25,800	-	-	1,596	-	-	-	27,396
<b>Executive Director:</b>								
Dato Teo Chee Hong	162,130	24,868	37,800	18,031	-	22,104	22,104	287,037
<b>Key Management Personnel:</b>								
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 <sup>(3)</sup> (Resigned)	35,940	166	-	3,904	-	-	-	40,010
Sam Kuan Ying Tung <sup>(4)</sup> (Resigned)	51,199	166	-	6,489	-	-	-	57,854
	<u>504,109</u>	<u>32,448</u>	<u>37,800</u>	<u>45,921</u>	<u>-</u>	<u>22,104</u>	<u>55,260</u>	<u>697,642</u>

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

<sup>(1)</sup> Mr Bruce Richard Sydney Symon resigned effective on 25 May 2018.

<sup>(2)</sup> Mr Morgan Barron was appointed effective on 18 April 2018.

<sup>(3)</sup> Mr Carlson Yow Kao Tsen resigned effective on 22 August 2018.

<sup>(4)</sup> Mr Sam Kuan Ying Tung resigned effective on 14 December 2018



**DIRECTORS' REPORT  
31 DECEMBER 2019**

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

	Fixed remuneration		At risk – STI		At risk - LTI	
	2019	2018	2019	2018	2019	2018
<b>Non-Executive Directors:</b>						
Ilmars Draudins	100%	100%	-	-	-	-
Bruce Richard Sydney Symon (Resigned)	-	100%	-	-	-	-
Morgan Barron	100%	100%	-	-	-	-
<b>Executive Directors:</b>						
Dato Teo Chee Hong	100%	100%	-	-	-	-
<b>Key Management Personnel</b>						
Will Ong Han Keong	100%	100%	-	-	-	-
Lennon Chu Chung Piow	100%	100%	-	-	-	-
Carlson Yow Kao Tsen (Resigned)	-	100%	-	-	-	-
Sam Kuan Ying Tung (Resigned)	-	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	
	2019	2018	2019	2018
<b>Executive Directors:</b>				
Dato Teo Chee Hong	100%	100%	-	-
<b>Key Management Personnel</b>				
Will Ong Han Keong	100%	100%	-	-
Lennon Chu Chung Piow	100%	100%	-	-



**DIRECTORS' REPORT  
31 DECEMBER 2019**

---

**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 Chairman**  
Date of agreement signed: 4 August 2016  
Commencement date: From date of listing  
Term of agreement: From the Commencement Date until termination of the agreement  
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  
Commencement date: From date of listing  
Term of agreement: From the Commencement Date until termination of the agreement  
Details: Director fees of AUD\$36,000 per annum and base annual salary of RM360,000 per annum (approximately AUD\$109,003) 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: **Morgan Barron**  
Title: **Non-Executive Director**  
Date of agreement signed: 13 April 2018  
Commencement date: 18 April 2018  
Term of agreement: From the Commencement Date until termination of the agreement  
Details: Director fees of AUD\$36,000 per annum to be reviewed annually by the Nomination and Remuneration Committee. 300,000 options granted on 29 May 2019. Termination by giving notice by either party with immediate effect.

Name: **Will Ong Han Keong**  
Title: **Chief Executive Officer of PTISI**  
Date of agreement signed: 17 May 2017  
Commencement date: 1 July 2017  
Term of agreement: From the Commencement Date until termination of the agreement  
Details: Salary base of RM228,000 per annum (approximately AUD\$79,000 plus superannuation. 3-month termination notice by either party.

**DIRECTORS' REPORT  
31 DECEMBER 2019**

Name:	<b>Lennon Chu Chung Piow</b>
Title:	<b>Chief Executive Officer of ISI</b>
Date of agreement signed:	26 July 2017
Commencement date:	1 August 2017
Term of agreement:	From the Commencement Date until termination of the agreement
Details:	Salary base of RM158,000 per annum (approximately AUD\$55,000 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.

**Share-based compensation***Issue of shares*

There were no shares issued to other directors and other key management personnel in the 2019 financial year other than 200,000 shares issued to a director upon exercise of his performance rights.

*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	AUD\$0.04
Dato Teo Chee Hong	600,000	30 March 2017	Over 3 years	5 years	AUD\$0.30	AUD\$0.04
Morgan Barron	300,000	29 May 2019	Over 3 years	3 years	AUD\$0.30	AUD\$0.04
Will Ong Han Keong	450,000	16 January 2019	Over 3 years	5 years	AUD\$0.30	AUD\$0.04
Lennon Chu Chung Piow	450,000	16 January 2019	Over 3 years	5 years	AUD\$0.30	AUD\$0.04

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, 15 January 2019 and 29 May 2019 respectively, 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.



**DIRECTORS' REPORT  
31 DECEMBER 2019**

***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:

	<b>Balance at the start of the year</b>	<b>Exercise performance right</b>	<b>Additions</b>	<b>Disposals/ other</b>	<b>Balance at the end of the year</b>
<b>Ordinary shares</b>					
Ilmars Draudins	100,000	-	-	-	100,000
Dato Teo Chee Hong	145,283,592	200,000	-	-	145,483,592
Morgan Barron	25,000	-	-	-	25,000
Will Ong Han Keong	182,000	-	-	-	182,000
Lennon Chu Chung Piow	132,000	-	-	-	132,000
	<u>145,722,592</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>145,922,592</u>

*Option holding*

On 31 December 2019, options were issued to Directors and other key management personnel, as stated above.

*Other transactions with key management personnel and their related parties*

During the financial year, payments for office rental from Tripple Gem Sdn Bhd (director related entity of Dato Teo Chee Hong) of \$183,004 and for company secretarial services from Ventnor Capital Pty Ltd (director related entity of Morgan Barron) of AUD\$42,825 were made. Current lease liability and other payable balances at 31 December 2019 of AUD\$99,851 for Tripple Gem Sdn Bhd and AUD\$3,500 for Ventnor Capital Pty Ltd have also been recognized respectively. All transactions were made on normal commercial terms and conditions and at market rates.

*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 2019 are summarised below:

	<b>2019 AUD\$'000</b>	<b>2018 AUD\$'000</b>	<b>2017 AUD\$'000</b>	<b>2016 AUD\$'000</b>	<b>2015 AUD\$'000</b>
Sales revenue	8,768	9,551	10,603	21,808	22,264
(LBITDA)/EBITDA	(953)	(205)	251	5,034	6,301
(LBIT)/EBIT	(1,911)	(468)	33	4,857	6,205
(Loss)/Profit after income tax	(1,834)	(276)	588	5,087	6,302

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Share price at financial year end (AUD\$)	0.18	0.225	0.15	N/A	N/A
Total dividends declared (cents per share)	N/A	0.4	0.3	N/A	N/A
Basic earnings per share (cents per share)	(1.18)	(0.43)	(0.16)	1.80	2.47

***This concludes the remuneration report, which has been audited.***





**DIRECTORS' REPORT  
31 DECEMBER 2019**

---

**Shares under option**

The number of options exercisable as at the end of the reporting period was 6,340,109 (2018 – 6,040,109) and have an exercise price of AUD\$0.30 and a remaining contractual life of approximately 3 months to 3 years.

**Shares issued on the exercise of options**

During the financial year, the Company has issued new ordinary shares of 200,000 on exercise of performance rights by director, Dato Teo Chee Hong.

**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 28 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 28 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 Perth**

There are no officers of the Company who are former partners of Crowe 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 2019 has been received and can be found on page 15 of the Annual Report.





**DIRECTORS' REPORT  
31 DECEMBER 2019**

---

**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](http://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  
30 March 2020

## 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 2019, 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 Perth**



**Sean McGurk**  
Partner

Signed at Perth, 30 March 2020

*The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.*

*Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Perth, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation. Liability limited other than for acts or omissions of financial services licensees.*

© 2020 Findex (Aust) Pty Ltd

For personal use only

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

		The Group	
	Note	2019 AUD\$'000	2018 AUD\$'000
Revenue	5	8,768	9,551
Cost of sales		(6,156)	(6,961)
Gross profit		2,612	2,590
Other income		196	433
Selling and distribution expenses		(688)	(167)
Administrative expenses		(3,882)	(3,031)
Finance cost		(25)	(13)
Loss before taxation	6	(1,787)	(188)
Income tax expense	7	(47)	(88)
Loss after taxation for the year		(1,834)	(276)
Other comprehensive (expenses)/income			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Foreign currency translation differences		-	244
Total comprehensive expenses for the year		(1,834)	(32)
(Loss)/Profit after taxation attributable to:			
Non-controlling interest		325	515
Owners of the Company		(2,159)	(791)
		(1,834)	(276)
Total comprehensive (expenses)/income for the year attributable to:			
Non-controlling interest		356	691
Owners of the Company		(2,190)	(723)
		(1,834)	(32)
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	8	(1.18)	(0.43)
Diluted loss per share	8	(1.18)	(0.43)

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

**I SYNERGY GROUP LIMITED**

ACN: 613 927 361

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019**

		The Group	
	Note	2019 AUD\$'000	2018 AUD\$'000 Restated
<b>ASSETS</b>			
<u>Current Assets</u>			
Cash and cash equivalents	9	6,219	9,953
Inventories	10	20	19
Trade receivables	11	505	375
Other receivables, deposits and prepayments	12	1,118	960
Current tax asset		215	27
		<hr/>	<hr/>
		8,077	11,334
<u>Non-Current Assets</u>			
Equipment	14	1,675	1,374
Deferred tax asset	15	1,000	996
Right-of-use assets	16	331	-
		<hr/>	<hr/>
		3,006	2,370
<b>TOTAL ASSETS</b>		<hr/>	<hr/>
		11,083	13,704
<b>LIABILITIES</b>			
<u>Current Liabilities</u>			
Trade payables	17	660	106
Other payables and accruals	18	2,089	1,436
Current tax liability		123	43
Deferred revenue	19	1,263	1,316
Lease liabilities	20	351	-
Hire purchase payables	21	-	177
		<hr/>	<hr/>
		4,486	3,078
<u>Non-Current Liabilities</u>			
Deferred revenue	19	5,522	6,664
Lease liabilities	20	165	-
Hire purchase payables	21	-	189
		<hr/>	<hr/>
		5,687	6,853
<b>TOTAL LIABILITIES</b>		<hr/>	<hr/>
		10,173	9,931
<b>NET ASSETS</b>		<hr/>	<hr/>
		910	3,773
<b>EQUITY</b>			
Share capital	22	2,442	2,442
Merger deficit	23	(1,042)	(1,042)
Foreign exchange translation reserve	24	6	37
Option reserve	25	513	501
Accumulated losses		(2,228)	(69)
		<hr/>	<hr/>
Equity attributable to owners of the Company		(309)	1,869
Non-controlling interest		1,219	1,904
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		910	3,773

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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 1.1.2019		2,442	(1,042)	37	77	355	1,869	1,904	3,773
Prior year adjustment (Note 33)		-	-	-	424	(424)	-	-	-
Balance at 1.1.2019, restated		2,442	(1,042)	37	501	(69)	1,869	1,904	3,773
(Loss)/Profit after taxation for the financial year		-	-	-	-	(2,159)	(2,159)	325	(1,834)
Other comprehensive income for the financial year, net of tax:		-	-	(31)	-	-	(31)	31	-
- Foreign currency translation differences		-	-	(31)	-	-	(31)	31	-
Total comprehensive (expenses)/income for the financial year		-	-	(31)	-	(2,159)	(2,190)	356	(1,834)
Contributions by and distributions to owners of the Company:									
- Options to employees		-	-	-	12	-	12	-	12
- Dividend by a subsidiary to non-controlling interest		-	-	-	-	-	-	(1,041)	(1,041)
Total transactions with owners		-	-	-	12	-	12	(1,041)	(1,029)
Balance at 31.12.2019		2,442	(1,042)	6	513	(2,228)	(309)	1,219	910

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 2019 (CONT'D)**

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
Prior year adjustment (Note 33)		-	-	-	424	(424)	-	-	-
Balance at 1.1.2018, restated		2,665	(1,042)	(31)	424	1,457	3,473	2,207	5,680
(Loss)/Profit after taxation for the financial year		-	-	-	-	(791)	(791)	515	(276)
Other comprehensive income for the financial year, net of tax:		-	-	68	-	-	68	176	244
- Foreign currency translation differences		-	-	68	-	-	68	176	244
Total comprehensive (expenses)/income 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	26	-	-	-	-	(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	501	(69)	1,869	1,904	3,773

Note:

\* - arising from merger accounting.

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

**I SYNERGY GROUP LIMITED**

ACN: 613 927 361

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED  
31 DECEMBER 2019**

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Sale from customers	7,128	9,660
Payments to suppliers and employees	(8,244)	(9,896)
Cash used in from operations	(1,116)	(236)
Interest paid	(53)	(13)
Income tax paid	(141)	(701)
Net cash used in operating activities	(1,310)	(950)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	177	293
Proceeds from disposal of equipment	135	-
Purchase of equipment	(813)	(284)
Net cash (used in)/from investing activities	(501)	9
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	(735)
Dividend paid by a subsidiary to non-controlling interest	(1,041)	(994)
Purchase of own shares	-	(223)
Repayment of hire purchase obligations	(193)	(49)
Repayment of lease liabilities	(545)	-
Repayment to a related party	-	(3)
Net cash used in financing activities	(1,779)	(2,004)
Net decrease in cash and cash equivalents	(3,590)	(2,945)
Effects of exchange rate changes on cash and cash equivalents	(144)	5
Cash and cash equivalents at the beginning of the financial year	9,953	12,893
Cash and cash equivalents at the end of the financial year	6,219	9,953

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**1. GENERAL INFORMATION**

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 30 March 2020.

**2. PRINCIPAL ACTIVITIES**

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries were involved in providing affiliate marketing solutions to advertisers and affiliates. There was no significant change in the nature of activities of the Company during the 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 Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Comparative information and retained earnings is not restated at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and Interpretation 4 at the date of initial application. The Group also elected to recognise a right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short term leases and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****3. BASIS OF PREPARATION (CONT'D)**

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application.

The Group recognises right-of-use assets totalling AUD931,000 representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments with exemptions for short-term leases and leases of low-value items. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at 8%. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The following is a reconciliation of total operating lease commitments as at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	<b>AUD\$'000</b>
<b>Total operating lease commitments disclosed as at 31 December 2018</b>	534
Recognition exemptions:	
- Leases of low value assets	-
- Leases with remaining lease term of less than 12 months	-
Variable lease payments not recognised	241
Operating lease liabilities before discounting	775
Discounted using incremental borrowing rate	(72)
Operating lease liabilities	703
Reasonably certain extension options	228
Finance lease obligations	366
<b>Total lease liabilities recognised under AASB 16 at 1 January 2019</b>	<b>1,297</b>

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 2019**

---

**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.

(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.

(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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**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 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.

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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

*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.

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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**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; and
- 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 2019**

---

**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 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.3 FUNCTIONAL AND FOREIGN CURRENCIES**

(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.





**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**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 2019

---

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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.4 FINANCIAL INSTRUMENTS (CONT'D)**

(a) Financial Liabilities (Cont'd)

(ii) Other Financial Liabilities (Cont'd)

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)

(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 2019**

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**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.

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 renovation is depreciated over the shorter of the useful life or the expected term of the associated lease. The Group entered a renewed one-year lease on 1 January 2020 with a one-year option to extend, however the Group reasonably expect to continue to renew the lease for a period no shorter than 7 years.

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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.7 LEASES**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statement of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount has been reduced to zero.

Accounting Policies Applied Until 31 December 2018

(a) Finance Leases

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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.7 LEASES (CONT'D)**

**(a) Finance Leases (Cont'd)**

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 Leases**

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.

**4.8 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 2019**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.8 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.

(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.

**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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**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.





**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**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.

**(c) 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.





**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**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 2019**

---

**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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**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)*

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:-

- (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 stand-alone 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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

---

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)*

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.

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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**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)*

(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.

(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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.16 REVENUE AND OTHER INCOME (CONT'D)**

(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.

**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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.20 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****5. REVENUE**

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
<u>Revenue recognised at a point in time</u>		
Software activation	5,669	5,510
Training	1,251	1,599
Affiliate program fees	293	340
Seminar and event	175	447
Merchandise sales	44	41
	<hr/>	<hr/>
	7,432	7,937
<u>Revenue recognised over time</u>		
License right to access	1,336	1,614
	<hr/>	<hr/>
	8,768	9,551
	<hr/>	<hr/>

**6. LOSS BEFORE TAXATION**

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):-		
Allowance for impairment losses on trade receivables	156	-
Audit fee	94	93
Bad debts written off	19	-
Depreciation of equipment	305	263
Depreciation of right of use	653	-
Directors' remuneration:		
- salaries, bonuses and allowances	322	313
- defined contribution plan	20	99
Equipment written off	158	6
Interest expense on financial liability not at FVTPL:		
- hire purchase	13	13
- lease liabilities	40	-
Rental of equipment	81	35
Rental of premises	10	612
Staff costs:		
- salaries, bonuses, commissions and allowances	1,182	880
- defined contribution plan	123	87
- others	63	94
Interest income on financial assets that are:		
- at FVTPL	(119)	(243)
- not at FVTPL	(58)	(50)
Gain on disposal of equipment	(56)	-
Rental income	-	(132)
	<hr/>	<hr/>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****7. INCOME TAX EXPENSE/(BENEFIT)**

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Income tax expense:		
- for the financial year	4	120
- under provision in previous financial years	29	22
	33	142
Deferred tax asset (Note 15):		
- for the financial year	110	(64)
- (over)/under provision in previous financial years	(96)	10
	14	(54)
	47	88

A reconciliation of the income tax expense applicable to the loss 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	
	2019 AUD\$'000	2018 AUD\$'000
Loss before taxation	(1,787)	(188)
Tax at the statutory tax rates	(429)	(45)
Tax effects of:-		
Tax incentive for pioneer products	(261)	(385)
Non-deductible expenses	278	280
Non-taxable income	(28)	(57)
Deferred tax assets not recognised	553	263
Utilisation of deferred tax assets previously not recognised	1	-
Underprovision in previous financial years:		
- current tax	29	22
- deferred tax	(96)	10
Income tax expense for the financial year	47	88

**I SYNERGY GROUP LIMITED**

ACN: 613 927 361

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****8. LOSS PER SHARE**

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Loss after taxation	(1,834)	(276)
Non-controlling interest	(325)	(515)
Loss after taxation attributable to the owners of the parent	<u>(2,159)</u>	<u>(791)</u>

	The Group	
	2019 Number	2018 Number
<u>Basic loss per share</u>		
Weighted average number of ordinary shares used in calculating basic loss per share	183,148,636	183,989,966
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	<u>(1.18)</u>	<u>(0.43)</u>

	The Group	
	2019 Number	2018 Number
<u>Diluted loss per share</u>		
Weighted average number of ordinary shares used in calculating basic loss per share	183,148,636	183,989,966
	<b>Cents</b>	<b>Cents</b>
Diluted loss per share	<u>(1.18)</u>	<u>(0.43)</u>

**9. CASH AND CASH EQUIVALENTS**

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Short-term investments with financial institutions, at fair value	2,359	7,382
Cash and bank balances	<u>3,860</u>	<u>2,571</u>
	<u>6,219</u>	<u>9,953</u>
Market value of short-term investments	<u>2,359</u>	<u>7,382</u>

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 2019**

**10. INVENTORIES**

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
At cost:- Merchandise held for sale	20	19
Recognised in profit or loss: Inventories recognised as cost of sales	17	37

None of the inventories are stated at net realisable value.

**11. TRADE RECEIVABLES**

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Trade receivables	889	598
Allowance for expected credit losses	(384)	(223)
	505	375
Allowances for expected credit losses: At 1.1 2019/2018	(223)	(205)
Addition during the financial year	(156)	-
Foreign exchange translation differences	(5)	(18)
At 31.12.2019/2018	(384)	(223)

The Group's normal trade credit terms range from 30 to 60 (2018 - 30 to 60) days.

**12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Other receivables	450	310
Deposits	287	278
Prepayments	381	372
	1,118	960



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**13. CONTROLLED ENTITIES**

Details of the subsidiaries are as follows:-

	Country of Incorporation	Effective Equity Interest		Principal Activities
		2019 %	2018 %	
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	Business of affiliate marketing and related affiliate services for commercial industry.

\* The subsidiary has been struck off during the current financial year.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****13. CONTROLLED ENTITIES (CONT'D)**

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

	Effective Equity Interest		The Group	
	2019 %	2018 %	2019 AUD\$'000	2018 AUD\$'000
ISU	30	30	1,219	1,904

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	
	2019 AUD\$'000	2018 AUD\$'000
<u>At 31 December</u>		
Non-current assets	271	24
Current assets	3,846	6,329
Non-current liabilities	-	-
Current liabilities	(57)	(9)
Net assets	4,060	6,344
Financial Year Ended 31 December		
Revenue	1,699	1,968
Profit for the financial year	1,083	1,716
Total comprehensive income	1,115	1,966
Total comprehensive income attributable to non-controlling interest	356	691
Net cash from operating activities	1,079	1,201
Net cash (used in)/from investing activities	(178)	212
Net cash used in financing activities	(3,375)	(3,319)

For personal use only


**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**
**14. EQUIPMENT**

	At 1.1.2019 AUD\$'000	Additions AUD\$'000	Written Off AUD\$'000	Disposal AUD\$'000	Depreciation Charges AUD\$'000	Foreign Currency Translation Difference AUD\$'000	At 31.12.2019 AUD\$'000
<b>The Group</b>							
<b>2019</b>							
Computers, handphone and printer	89	289	-	-	(63)	4	319
Furniture and fittings	59	9	-	(2)	(11)	3	58
Merchant equipment	121	-	-	-	(18)	2	105
Motor vehicles	370	195	-	(77)	(106)	7	389
Office equipment	114	69	-	-	(23)	3	163
Renovation	600	249	(158)	-	(82)	11	620
Signboard	21	2	-	-	(2)	-	21
	1,374	813	(158)	(79)	(305)	30	1,675

	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
<b>2018</b>						
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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****14. EQUIPMENT (CONT'D)**

<b>The Group</b>	<b>At Cost AUD\$'000</b>	<b>Accumulated Depreciation AUD\$'000</b>	<b>Net Book Value AUD\$'000</b>
<b>2019</b>			
Computers, handphone and printer	566	(247)	319
Furniture and fittings	100	(42)	58
Merchant equipment	140	(35)	105
Motor vehicles	682	(293)	389
Office equipment	228	(65)	163
Renovation	846	(226)	620
Signboard	29	(8)	21
	<b>2,591</b>	<b>(916)</b>	<b>1,675</b>
<b>2018</b>			
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
	<b>2,019</b>	<b>(645)</b>	<b>1,374</b>

In the last financial year, included in the net book value of equipment of the Group were motor vehicles with a total net book value of AUD\$368,000, which was acquired under hire purchases terms. These leased assets had been pledged as security for the hire purchase payables of the Group as disclosed in Note 21 to the financial statements.

The motor vehicles with a total net book value of AUD\$380,000 (2018 - AUD\$368,000) are held in trust by a director of the Company.





**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**15. DEFERRED TAX ASSETS**

	The Group	
	2019	2018
	AUD\$'000	AUD\$'000
At 1.1.2019/2018	996	865
Recognised in profit or loss (Note 7)	(14)	54
Foreign currency translation differences	18	77
	1,000	996
	1,000	996

The deferred tax assets represented by:-

	The Group	
	2019	2018
	AUD\$'000	AUD\$'000
Deductible temporary differences arising from tax paid in advance on the software platform license fees received in advance from affiliates – Deferred Revenue	1,028	1,018
Accelerated capital allowance over depreciation	(28)	(22)
	1,000	996
	1,000	996

**16. RIGHT-OF-USE ASSETS**

	The Group 2019 AUD\$'000
<i>Property Leases</i>	
At 1.1.2019/2018	-
Initial application of AASB 16	931
Depreciation charges	(653)
Foreign currency translation differences	53
	331
At 31.12.2019/2018	331

The comparative information is not presented as the Group has applied AASB 16 using the modified retrospective approach.

The Group has leased a number of properties that run between 1 year and 3 years, with an option to renew the lease after that date.

**17. TRADE PAYABLES**

The normal trade credit terms granted to the Group range from 30 to 60 (2018 - 30 to 60) days.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****18. OTHER PAYABLES AND ACCRUALS**

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Other payables	1,917	1,241
Deposits received	85	86
Accruals	87	109
	<u>2,089</u>	<u>1,436</u>

Included in other payables of the Group is commission payable to affiliates amounting to approximately AUD\$1,146,000 (2018 – AUD\$485,000).

**19. DEFERRED REVENUE**

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
License right to access:		
Current liabilities	1,263	1,316
Non-current liabilities	5,522	6,664
	<u>6,785</u>	<u>7,980</u>

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

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

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Deferred revenue balance at the beginning of the financial year recognised as revenue	1,333	1,212
Advances received on licence right to access	-	905



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**19. DEFERRED REVENUE (CONT'D)**

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:-

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>AUD\$'000</b>	<b>AUD\$'000</b>
Financial year ending 31 December 2019	-	1,316
Financial year ending 31 December 2020	1,263	1,241
Financial year ending 31 December 2021	1,184	1,163
Financial year ending 31 December 2022	1,149	1,129
Financial year ending 31 December 2023	1,130	1,110
Financial year ending 31 December 2024	935	918
Financial year ending 31 December 2025	631	620
Financial year ending 31 December 2026	358	351
Financial year ending 31 December 2027	116	114
Financial year ending 31 December 2028	19	18
	<hr/>	<hr/>
	<b>6,785</b>	<b>7,980</b>
	<hr/>	<hr/>

**20. LEASE LIABILITIES**

	<b>The Group</b>
	<b>2019</b>
	<b>AUD\$'000</b>
At 1.1.2019	-
Initial application of AASB 16	1,297
Repayment of principal	(738)
Foreign currency translation differences	(43)
	<hr/>
At 31.12.2019	516
	<hr/>
<i>Analysed by:-</i>	
<i>Current liabilities</i>	351
<i>Non-current liabilities</i>	165
	<hr/>
	516
	<hr/>

The comparative information is not presented as the Group has applied AASB 16 using the modified retrospective approach

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****21. HIRE PURCHASE PAYABLES**

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

- (a) The hire purchase payables have been represented as “lease liabilities” as shown in Note 20 to the financial statement following the application of AASB 16 by the Group using the modified retrospective approach.
- (b) In the previous financial year, the hire purchase payables of the Group were secured by the Group’s motor vehicles under finance leases as disclosed in Note 14 to the financial statements.
- (c) In the previous financial year, the hire purchase payable at the end of the reporting period bore effective interest rates ranging from 4.37% to 8.24%. The interest rates were fixed at the inception of the hire purchase arrangements.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**22. SHARE CAPITAL**

	2019 Number of Shares	The Group/The Company 2018	2019 AUD\$'000	2018 AUD\$'000
<b>Fully Paid-Up Ordinary Shares</b>				
At 1.1.2019/2018	183,068,088	184,719,945	2,442	2,665
Issuance of new shares	200,000	-	-	-
Shares buy-back	-	(1,651,857)	-	(223)
At 31.12.2019/2018	<u>183,268,088</u>	<u>183,068,088</u>	<u>2,442</u>	<u>2,442</u>

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 1.1.2019		183,068,088		2,442
Issue of shares on exercise of performance rights	7.8.2019	200,000	-	-
At 31.12.2019		<u>183,268,088</u>		<u>2,442</u>

During the financial year, the Company has issued new ordinary shares of 200,000 on exercise of performance rights by director, Dato Teo Chee Hong.

During the financial year, the Company has purchased nil (2018 – 1,651,897) of its issued ordinary shares from the open market and total consideration paid for the purchases was nil (2018 – AUD\$223,000) including transaction costs. The entire ordinary shares purchased were cancelled in the previous financial year.

**23. 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.

**24. FOREIGN EXCHANGE TRANSLATION RESERVE**

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

### 25. 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 and performance rights.

The Group provides benefits to employees of the Group in the form of share-based payments, whereby the employees render services in exchange for share options and performance rights over shares. The total equity-settled share-based payment expense for the financial year AUD\$12,000 (2018 - AUD\$77,000).

#### 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 1.1.2019	Granted	Vested	Lapsed	At 31.12.2019
30.3.2017	1,100,000	AUD\$0.30	3 years	AUD\$0.30	1,100,000	-	-	-	1,100,000
30.3.2017	5,540,109	AUD\$0.30	3 years	AUD\$0.30	5,540,109	-	-	-	5,540,109
15.1.2019	4,810,000	AUD\$0.30	3 years	AUD\$0.30	-	4,810,000	-	-	4,810,000
29.5.2019	300,000	AUD\$0.30	3 years	AUD\$0.30	-	300,000	-	-	300,000
	<u>11,750,109</u>				<u>6,640,109</u>	<u>5,110,000</u>	<u>-</u>	<u>-</u>	<u>11,750,109</u>

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 1.1.2019	Vested	Exercised	Lapsed	At 31.12.2019
30.3.2017	1,100,000	AUD\$0.30	3 years	AUD\$0.30	500,000	300,000	-	-	800,000
30.3.2017	5,540,109	AUD\$0.30	3 years	AUD\$0.30	5,540,109	-	-	-	5,540,109
15.1.2019	4,810,000	AUD\$0.30	3 years	AUD\$0.30	-	-	-	-	-
29.5.2019	300,000	AUD\$0.30	3 years	AUD\$0.30	-	-	-	-	-
	<u>11,750,109</u>				<u>6,040,109</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>6,340,109</u>

#### 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 1.1.2019	Granted	Vested	Lapsed	At 31.12.2019
30.3.2017	B	200,000	1	200,000	-	(200,000)	-	-
30.3.2017	C	200,000	2	200,000	-	-	-	200,000
				<u>400,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>

#### Note:

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**25. OPTION RESERVE (CONT'D)**

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 1.1.2019	Vested	Exercised	Lapsed	At 31.12.2019
30.3.2017	B	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 6,340,109 (2018 – 6,040,109) and have an exercise price of AUD\$0.30 and a remaining contractual life of approximately 3 months to 3 years.

There was equity-settled option of 5,110,000 granted during the financial year (2018 – nil).

The fair values of the share options vested were estimated using a Black-Scholes 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	
	2019	2018
Fair value of share options at the grant date (AUD\$)	0.04	0.11
Weighted average ordinary share price (AUD\$)	0.14	0.17
Exercise price of share option (AUD\$)	0.30	0.30
Expected volatility (%)	57.99	95.25
Expected life (years)	5	5
Risk free rate (%)	1.07	2.36
Expected dividend yield (%)	2.22	1.76

**26. DIVIDEND PAID**

An unfranked interim dividend of 0.40 cents per ordinary share in respect of the financial year ended 31 December 2018. No dividend will be payable in respect to this 31 December 2019

	The Company	
	2019 AUD\$'000	2018 AUD\$'000
	-	735



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****27. 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.

## (b) Related Party Transactions and Balances

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

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>AUD\$'000</b>	<b>AUD\$'000</b>
Triple Gem Sdn Bhd (Director-related entity of Dato' Teo Chee Hong)		
- Office rental	183	175
Ventnor Capital Pty Ltd (Director related entity of Morgan Barron)		
- Company secretarial services	43	47
	<u>          </u>	<u>          </u>

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\$183,000 (2018 - AUD\$175,000) was paid to Triple Gem Sdn Bhd for the year ended 31 December 2019, with an amount of AUD\$99,851 outstanding at 31 December 2019 (2018 - AUD\$Nil) as current lease liability.

*Ventnor Capital Pty Ltd*

Ventnor Capital Pty Ltd, a company in which Morgan Barron is a significant shareholder, provided company secretarial services to the Group during the financial year. A total amount of AUD\$42,825 (2018 - AUD\$47,250) was paid to Ventnor Capital Pty Ltd for the year ended 31 December 2019, with an amount of AUD\$3,500 outstanding at 31 December 2019 (2018 - AUD\$4,593) as current other payable.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****27. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)**

## (c) Key Management Personnel Compensation

	The Group	
	2019 AUD\$'000	2018 AUD\$'000
Key management personnel compensation (including directors' remuneration):		
- short-term employee benefits	490	652
- define contribution plan	42	46
	532	698
	532	698

**28. 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	
	2019 AUD\$'000	2018 AUD\$'000
<i>Audit services – Crowe Perth</i>		
Audit and/or review of the financial statements	50	57
<i>Audit services - network firms</i>		
Audit and/or review of the financial statements	40	32
<i>Other services - network firms</i>		
Tax compliance	10	9
	10	9
Sub-total	50	41
Total	100	98

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****29. 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	
	2019 AUD\$'000	2018 AUD\$'000 (Restated)
<i>Statement of Financial Position</i>		
Total current assets	1,971	2,292
Total assets	1,971	2,292
Total current liabilities	68	74
Total liabilities	68	74
Net Assets	1,903	2,218
Equity		
Share capital	2,442	2,442
Accumulated losses	(1,052)	(725)
Option reserve	513	501
Total equity	1,903	2,218
<i>Statement of Profit or Loss and Other Comprehensive Income</i>		
(Loss)/Profit after income tax	(327)	668
Total comprehensive (expense)/income	(327)	668

*Contingent Liabilities*

The directors are not aware of any contingent liabilities or assets as at the date of these financial statements (2018 - Nil).

*Contractual Commitments*

At the end of the reporting period, I Synergy Group Limited had not entered into any contractual commitments (2018 - 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 2019**
**30. 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.

**30.1 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	Australia Dollar AUD\$'000	Singapore Dollar AUD\$'000	United State Dollar AUD\$'000	Indonesian Rupiah AUD\$'000	Ringgit Malaysia AUD\$'000	Total AUD\$'000
<b>2019</b>						
<b>Financial Assets</b>						
Trade receivables			-	27	478	505
Other receivables and deposits	176	2	-	33	526	737
Cash and cash equivalents	787	50	50	194	5,138	6,219
	963	52	50	254	6,142	7,461
<b>Financial Liabilities</b>						
Trade payables	-	-	-	-	660	660
Other payables and accruals	68	5	-	17	1,999	2,089
Hire purchase payables	-	-	-	-	173	173
	68	5	-	17	2,832	2,922
Net financial assets	895	47	50	237	3,310	4,539
Less: Net financial assets denominated in the respective entities' functional currencies	(862)	(12)	-	(237)	(3,310)	(4,421)
Currency Exposure	33	35	50	-	-	118


**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**
**30. FINANCIAL INSTRUMENTS (CONT'D)**
**30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)**
**(a) Market Risk (Cont'd)**
**(i) Foreign Currency Risk (Cont'd)**
*Foreign Currency Exposure (Cont'd)*

The Group	Australia Dollar AUD\$'000	Singapore Dollar AUD\$'000	United State Dollar AUD\$'000	Indonesian Rupiah AUD\$'000	Ringgit Malaysia AUD\$'000	Total AUD\$'000
<b>2018</b>						
<b>Financial Assets</b>						
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
	<b>2,303</b>	<b>48</b>	<b>49</b>	<b>106</b>	<b>8,410</b>	<b>10,916</b>
<b>Financial Liabilities</b>						
Trade payables	-	-	-	-	106	106
Other payables and accruals	74	4	-	48	1,310	1,436
Hire purchase payables	-	-	-	-	366	366
	<b>74</b>	<b>4</b>	<b>-</b>	<b>48</b>	<b>1,782</b>	<b>1,908</b>
Net financial assets	2,229	44	49	58	6,628	9,008
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

*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 2019**

**30. FINANCIAL INSTRUMENTS (CONT'D)**

**30.1 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:-

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>AUD\$'000</b>	<b>AUD\$'000</b>
Malaysia	478	363
Indonesia	27	12
	<u>505</u>	<u>375</u>

For personal use only



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 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 trade receivables are summarised below:-



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses

*Trade Receivables (Cont'd)*

The Group	Gross Amount AUD\$'000	Lifetime Loss Allowance AUD\$'000	Carrying Amount AUD\$'000
<b>2019</b>			
Current (not past due)	354	-	354
1 to 30 days past due	-	-	-
31 to 60 days past due	-	-	-
61 to 90 days past due	-	-	-
More than 91 days past due	535	-	535
	<hr/>		
	889	-	889
Credit impaired:			
- individually impaired	(384)	-	(384)
	<hr/>		
	505	-	505
	<hr/>		
<b>2018</b>			
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
	<hr/>		
	598	-	598
Credit impaired:			
- individually impaired	(223)	-	(223)
	<hr/>		
	375	-	375
	<hr/>		

The movements in the loss allowances in respect of trade receivables are disclosed in Note 11 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 2019**
**30. FINANCIAL INSTRUMENTS (CONT'D)**
**30.1 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
<b>2019</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	660	660	660	-	-
Other payables and accruals	-	2,089	2,089	2,089	-	-
Hire purchase payables	4.37 - 8.24	173	193	60	133	-
Lease liabilities		343	359	307	52	-
		3,265	3,301	3,116	185	-
<b>2018</b>						
<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	-



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**30. FINANCIAL INSTRUMENTS (CONT'D)**

**30.2 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.

**30.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS**

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>AUD\$'000</b>	<b>AUD\$'000</b>
<b>Financial Assets</b>		
<u>Amortised Cost</u>		
Trade receivables	505	375
Other receivables and deposits	737	588
Cash and bank balances	3,860	2,571
	5,102	3,534
<u>Mandatorily at Fair Value through Profit of Loss</u>		
Short-term investments	2,359	7,382
	2,359	7,382
<b>Financial Liabilities</b>		
<u>Amortised Cost</u>		
Trade payables	660	106
Other payables and accruals	2,089	1,436
Hire purchase payables	-	366
	2,749	1,908

For personal use only



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

---

**30. FINANCIAL INSTRUMENTS (CONT'D)**

**30.4 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 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 (2018 - level 2) of the fair value hierarchy and there were no transfers between level 1 and level 2 during the financial year.

In the previous 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 was determined by discounting the relevant cash flows using current market interest rates for similar instruments at 4.37% to 8.24% and the fair value was within level 2 of the fair value hierarchy.

**31. CAPITAL COMMITMENT**

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>AUD\$'000</b>	<b>AUD\$'000</b>
Purchase of equipment	28	52



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

**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).

	Revenue		Non-current Assets	
	2019 AUD\$'000	2018 AUD\$'000	2019 AUD\$'000	2018 AUD\$'000
<b>Group</b>				
Indonesia	988	301	85	38
Malaysia	7,780	9,250	2,921	2,332
	<u>8,768</u>	<u>9,551</u>	<u>3,006</u>	<u>2,370</u>

**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
<b>2019</b>			
At a point of time	988	6,444	7,432
Over time	-	1,336	1,336
	<u>988</u>	<u>7,780</u>	<u>8,768</u>
<b>2018</b>			
At a point of time	301	7,636	7,937
Over time	-	1,614	1,614
	<u>301</u>	<u>9,250</u>	<u>9,551</u>

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****33. PRIOR YEAR ADJUSTMENTS**

During the financial year, the Group made prior year adjustments in relation to the option reserve.

The financial effects arising from the Group's prior year adjustments are as follows:

	Previously reported	Prior year adjustments	As restated
	AUD\$'000	AUD\$'000	AUD\$'000
At 31 December 2018			
Statement of financial position			
Retained Earnings/ (Accumulated losses)	355	(424)	(69)
Option Reserves	77	424	501
At 1 January 2019			
Statement of financial position			
Retained Earnings/ (Accumulated losses)	355	(424)	(69)
Option Reserves	77	424	501
At 1 January 2018			
Statement of financial position			
Retained Earnings/ (Accumulated losses)	1,881	(424)	1,457
Option Reserves	-	424	424

**34. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

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.

**35. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD**

- (a) On 17 March 2020, the Company has executed an agreement to acquire entire issued capital of Ocean Nexus Sdn. Bhd. ("Ocean Nexus") ("Agreement") which is principally engaged in the business of providing customised software design and development services and solutions to customers for the purchase price comprise circa AUD\$282,000 cash and equity over the following components (together, the "Balance Purchase Price"):
- An upfront cash payment of RM200,000 (~AUD\$75,000) which will be paid immediately;
  - The balance purchase price of RM500,000 (AUD\$207,000) is to be paid as follows 437,500 fully paid ordinary shares which equates to AUD\$87,500 and deferred milestone consideration of AUD\$113,000;
  - One year after the Agreement execution date, the Company is to issue a fixed numbers 437,500 full paid ordinary shares to the vendors at a deemed value of AUD\$0.20 per share for a total deemed value of AUD\$94,000 (being a deemed equivalent value of RM250,000). These shares will be issued under the Company's 15% capacity under ASX Listing Rule 7.1; and
  - As deferred milestone consideration, the Company to immediately deposit RM300,000 (~AUD\$113,000) to an interest-bearing solicitor's trust account, with RM100,000 in cash to be released (together with interest earned) to the vendors each year on each anniversary of the execution date for three anniversary years of 2021, 2022 and 2023.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019****35. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD (CONT'D)**

The acquisition is expected to enable the Group to have technical IT expertise within the Group rather than externally contracted and will strengthen our group IT capabilities in the ecommerce area.

The fair value of the identifiable assets acquired and liabilities assumed are as follows:-

	<b>The Group AUD\$'000</b>
Plant and equipment	13
Trade receivables	14
Other receivables, deposits and prepayments	4
Cash and cash equivalents	9
Other payables and accruals	(49)
Amount due to directors	(1)
	<hr/>
Net identifiable assets acquired	(10)
Add: Goodwill on acquisition of a subsidiary	292
	<hr/>
Net assets acquired	282
	<hr/>

The goodwill is attributable to the new subsidiary's strong position in the software and IT capability software development activities and the synergies expected to arise after the acquisition which will enhance its revenue generating potential. The goodwill is not deductible for tax purposes.

- (b) The Coronavirus (COVID-19) pandemic continues to impact communities and businesses throughout the world including Malaysia, and the communities where the Group operates. The pandemic will likely have a financial impact for the Group in the 2020 financial year and beyond. The scale, timing and duration of the potential impacts on the Group are unknown, however could materially impact the carrying value or amounts realised in respect of: receivables, equipment, deferred tax asset and other assets and liabilities (including recognition of additional liabilities such as onerous contracts) disclosed in the 31 December 2019 financial report. The Group cannot, however, reasonably estimate the impact of these potential items at this time. The Group continues to monitor market developments and will reflect any relevant impacts in the appropriate future reporting periods.

Other than disclosed above, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.



## **DIRECTORS' DECLARATION**

---

In 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 2019, 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 2019 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 2019.

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  
30 March 2020

## 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 2019, 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 2019 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.

#### **Emphasis of Matter**

We draw attention to Note 35 (b) of the financial statements, which describes the effects of the World Health Organisations declaration of a global health emergency on 31 January 2020 relating to the spread of COVID-19. Our opinion is not modified in respect of this matter.

*The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.*

*Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Perth, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation. Liability limited other than for acts or omissions of financial services licensees.*  
© 2020 Findex (Aust) Pty Ltd



### 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.

Key audit matter	How our audit addressed the matter
<b>Decentralised operations</b>	
<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"> <li>• understanding the components and identifying the significant risks of misstatement within them;</li> <li>• the scoping of relevant procedures consistent with the risks identified and to enable coverage of significant aggregated balances;</li> <li>• the assessment of components compliance with Group accounting policies, particularly revenue recognition; and</li> <li>• the consolidation process and aggregating of results from component procedures.</li> </ul> <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"> <li>• We instructed a component audit team from Crowe 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 87% of the Group's assets and 89% of the Group's revenues. The objective of this being to gather evidence that aggregates to form the Group's financial reporting.</li> <li>• The component audit team performed an 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.</li> <li>• We read the component audit team audit report to us and the underlying documentation explaining component results.</li> <li>• We evaluated the work performed by the component audit team for sufficiency for our overall audit purpose.</li> <li>• We considered the component auditor's reporting about the component's</li> </ul>

For personal use only

Key audit matter	How our audit addressed the matter
	<p>compliance with the Group's accounting policies, including revenue recognition.</p> <ul style="list-style-type: none"> <li>• 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 the consolidation process for compliance with accounting standards.</li> <li>• 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.</li> </ul>
<b>Revenue recognition</b>	
<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"> <li>• Assessing internal control procedures by performing walkthrough test to obtain understanding of the control procedures and assessment of control risk;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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</li> <li>• Performing sales cut off testing to ensure revenue is recognised in the proper accounting period.</li> </ul> <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>

Key audit matter	How our audit addressed the matter
	No adjustments to revenue were identified from these procedures.
<b>Recoverability of deferred tax assets</b>	
<p>The Group had \$1,000,000 of deferred tax assets recognised at 31 December 2019. 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"> <li>• obtaining calculations of forecast taxable income for the next five years and agreeing these to the latest Board approved budget and forecast;</li> <li>• 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;</li> <li>• challenging management’s key assumptions in the cashflow budget and forecast;</li> <li>• 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;</li> <li>• recalculating deferred tax balances which relate solely to timing differences between tax and accounting values; and</li> </ul> <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 2019, 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.

### **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.
- 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 6 to 13 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of I Synergy Group Limited for the year ended 31 December 2019 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.

A handwritten signature in black ink that reads "Crowe Perth".

**Crowe Perth**

A handwritten signature in black ink that reads "Sean McGurk".

**Sean McGurk**  
Partner

Signed at Perth, 30 March 2020

For personal use only



## 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 at 12 March 2020 is 183,268,088 ordinary fully paid shares. All ordinary shares carry one vote per share.

## TOP 20 SHAREHOLDERS AS AT 12 MARCH 2020

		No. of Shares Held	% Held
1	CITICORP NOMINEES PTY LIMITED	67,914,584	37.06%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	46,000,000	25.10%
3	DATO CHEE HONG TEO	26,046,192	14.21%
4	ONG SIEW PIK	8,253,587	4.50%
5	TEO NYAM HUI	7,195,973	3.93%
6	TRIPPLE GEM SDN BHD	6,000,000	3.27%
7	SANFORD CAPITAL PLT	4,860,000	2.65%
8	MR CHEE WEE TEO	1,608,014	0.88%
9	LIM BENG HIAN	1,200,000	0.65%
10	MR YEE LEY CHEW	549,132	0.30%
11	LAU SU HWEE	500,000	0.27%
12	LU MIN YONG & SIEW MEE YONG & AMY HUI HOONG YOONG	400,000	0.22%
13	RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	348,500	0.19%
14	TEO SIONG YAM	300,000	0.16%
15	AMRAN BIN MUNIR	250,000	0.14%
16	ONG SIEW PIK	240,000	0.13%
17	TALIB BIN MINGU	202,000	0.11%
18	ROSNI BINTI JAILANI	200,000	0.11%
18	TAN CHIA CHIA	200,000	0.11%
19	MR GUO MIAO ENG	198,810	0.11%
20	ONG HAN KEONG	182,000	0.10%
	<b>TOTAL</b>	<b>172,648,792</b>	<b>94.21%</b>

## Shares Range

100,001 and Over  
10,001 to 100,000  
5,001 to 10,000  
1,001 to 5,000  
1 to 1,000

	No. of Holders	No. of Shares
100,001 and Over	33	174,186,621
10,001 to 100,000	153	5,179,691
5,001 to 10,000	338	3,331,978
1,001 to 5,000	153	568,147
1 to 1,000	7	1,651
	<b>684</b>	<b>183,268,088</b>

Number holding less than a marketable parcel at a share price of AUD0.15

160 569,798

## Shareholders by Location

Australian holders  
Overseas holders

	No. of Holders	No. of Shares
Australian holders	192	116,849,939
Overseas holders	492	66,418,149
	<b>684</b>	<b>183,268,088</b>

**I SYNERGY GROUP LIMITED**

ACN: 613 927 361

**ADDITIONAL SECURITIES INFORMATION****VOTING RIGHTS**

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

**SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2020**

		<b>No. of Shares Held</b>	<b>% Held</b>
1	CITICORP NOMINEES PTY LIMITED	67,914,584	37.06%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	46,000,000	25.10%
3	DATO CHEE HONG TEO	26,046,192	14.21%

**OPTION HOLDINGS**

The Group has the following classes of options on issue at 12 March 2020 as detailed below. Options do not carry any rights to vote.

<b>Class</b>	<b>Terms</b>	<b>No. of Options</b>
IS3OPT01	Unlisted Options 30c Incentive Options Expiring 17-Jan-2022	1,100,000
IS3OPT02	Unlisted Options 30c Advisor Options Expiring 22-Jan-2020	5,540,109
IS3OPT03	Unlisted Options 30c Affiliate Options Expiring 15-Jan-2024	4,810,000
IS3OPT04	Unlisted Options 30c Incentive Options Expiring 28-May-2022	300,000
		<b>11,750,109</b>

**Options Range**

	<b>Unlisted Options</b>	
	<b>No. of Holders</b>	<b>No. of Options</b>
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	51	2,310,000
100,001 and over	14	9,440,109
	<b>65</b>	<b>11,750,109</b>

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

<b>Holder</b>	<b>IS3OPT01</b>	<b>IS3OPT02</b>	<b>IS3OPT03</b>	<b>IS3OPT04</b>
Mr Morgan Barron	-	-	-	300,000
Ventnor Capital Pty Ltd	-	5,540,109	-	-
Eng Guo Miao	-	-	-	-
Dato Chee Hong Teo	600,000	-	-	-
Ilmars Draudins	300,000	-	-	-



**ADDITIONAL SECURITIES INFORMATION****PERFORMANCE RIGHTS HOLDINGS**

The Group has the following classes of performance rights on issue at 12 March 2020 as detailed below. Performance rights do not carry any rights to vote.

<b>Class</b>	<b>Terms</b>	<b>No. of Options</b>
C	Performance Rights	The holder remains engaged by the Company for 3 years from Listing.
		200,000
		<b>200,000</b>

**Performance Rights Range**

	<b>Unlisted Options</b>	
	<b>No. of Holders</b>	<b>No. of Options</b>
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	1	200,000
	<b>1</b>	<b>200,000</b>

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

<b>Holder</b>	<b>C</b>
Dato Chee Hong Teo	200,000

**REQUIREMENT LISTING RULE 4.10.14**

In accordance with the listing rule 4.10.14 the Company confirms that there are no restricted securities or securities subject to voluntary on issue as at 12 March 2020

**REQUIREMENT LISTING RULE 4.10.18**

In accordance with the listing rule 4.10.18 the Company confirms that there is no current on-market buy-back taking place as at 12 March 2020.

**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.