Enero Group Limited and Controlled Entities
ABN 97 091 524 515

Preliminary Final Report

Appendix 4E

For the year ended 30 June 2012

Contents

Results for announcement to the market

Enero Group Limited (the Company) and its controlled entities (the Consolidated Entity) results for announcement to the market are detailed below.

The current reporting period is 1 July 2011 to 30 June 2012.
The previous corresponding reporting period is 1 July 2010 to 30 June 2011.

Key information

In thousands of AUD ('000s)

Revenues from ordinary activities	**down**	27.5%	to 390,348
Loss after tax attributable to members	**up**	140.1%	to 143,340
Net loss for the period attributable to members	**up**	140.1%	to 143,340

Dividends	Amount per security	Franked amount per security
Nil	-	-
Total amount per share	**-**	**-**

At the date of this report, there are no dividend reinvestment plans in place.

Explanation of results

All information requiring disclosures to comply with listing rule 4.3A are contained in this report.

Additional Information

NTA backing	2012	2011
Net tangible asset backing per ordinary share	0.38	(2.38)

Explanation of results

Summary of key results:

Reconciliation of loss after tax to Operating EBITDA:

In thousands of AUD	2012	2011
Loss after tax (including discontinued operations)	**(142,626)**	**(59,738)**
Income tax expense	3,654	8,826
Loss before tax	**(138,972)**	**(50,912)**
Impairment of intangible assets (i)	128,165	70,286
Impairment of held for sale assets (iii)	5,192	-
Impairment of assets disposed	-	17,195
Loss on sale of subsidiaries (ii) (iv)	50,204	6,803
Depreciation and amortisation expenses	7,896	15,296
Fair value gain on deferred consideration	(50,760)	(29,739)
Net finance expenses	4,584	15,220
Present value interest expenses	4,292	9,106
Restructuring costs	10,212	-
Operating EBITDA (including discontinued operations)	**20,813**	**53,255**
Operating EBITDA of discontinued operation (ii)	(6,627)	(24,476)
Operating EBITDA of continuing operations	**14,186**	**28,779**

(i) For further details on the impairment of intangible assets please refer to Note 6 Intangible assets of this preliminary final report.
(ii) The Field Marketing Division was divested on 30 November 2011, and the operating segment has been classified as a discontinued operation. Refer to Note 8 Discontinued Operations of this preliminary final report for details of contribution to the loss after taxation for the discontinued operation.
(iii) During the current reporting period, the Consolidated Entity resolved to dispose of the BWM business. As such, this asset group has been classified as held for sale at 30 June 2012. Further detail in relation to the asset group held for sale is provided in Note 9 Disposal group classified as held for sale.
(iv) During the current reporting period, the Consolidated Entity also disposed of the Image Box and ISS Marketing businesses. Further detail in relation to disposal of subsidiaries is provided in Note 10 Disposals of subsidiaries of this preliminary final report.

Basis of preparation

This report includes Operating EBITDA as measures used by the directors and management in assessing the on-going performance and position of the Group. Operating EBITDA is a non-IFRS measure and has not been audited or reviewed.

Operating EBITDA is calculated as net profit excluding net finance costs, income taxes, depreciation, amortisation, loss on sale of subsidiaries, fair value adjustments to deferred consideration, impairment, and restructuring costs. Operating EBITDA, which is reconciled above is the primary measure used by management and the directors in assessing the performance of the Consolidated Entity. It provides information on the Consolidated Entity's cash flow generation excluding significant transactions and non-cash items which are not representative of the Consolidated Entity's on-going operations.

Operating Performance:

In the current financial year, the Consolidated Entity shifted its Operating Brands into one segment in line with the strategic announcement in April 2012 of the group becoming a digitally centred marketing services group with key brands across key geographic hubs. Additionally the Consolidated Entity removed the divisional structure in April 2012. Refer to Note 2 Operating Segments for further details.

For analysis of the performance of the group including the impact of divestments and restructuring during the current reporting period please refer to the 30 June 2012 full year results presentation.

Events subsequent to year end reporting date

On 10 August 2012, the Consolidated Entity announced and completed the sale of its 51% interest in subsidiary Belgiovane Williams Mackay (BWM) for $7,500,000 in cash consideration. Concurrent to the sale process, the remaining deferred consideration liabilities to the vendors of BWM were also settled. The impacts of this transaction have been brought to account in the financial statements for the year ended 30 June 2012. Refer to Note 9 Disposal group classified as held for sale for further details. Following the payment of the BWM deferred consideration payable, the total estimated remaining capped cash and equity settled deferred consideration amount is $3,106,876.

Also on 10 August 2012, the Consolidated Entity also reduced its debt facility arrangements with its lender ANZ such that the debt facility is $10,000,000. This facility continues to be undrawn at the date of this report.

Other than the matters discussed above, there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Consolidated income statement
For the year ended 30 June 2012

In thousands of AUD	Note	2012	2011
Continuing operations			
Gross revenue		**334,554**	399,081
Directly attributable costs of sales		**(160,432)**	(184,438)
Net revenue		**174,122**	214,643
Other income		**365**	291
Employee expenses		**(131,161)**	(140,852)
Occupancy costs		**(10,950)**	(13,637)
Depreciation and amortisation expense		**(6,594)**	(10,955)
Insurance expense		**(787)**	(918)
Consultancy fees		**(10,569)**	(10,344)
Equipment hire charges		**(537)**	(552)
Travel expenses		**(3,940)**	(3,982)
Communication expenses		**(3,123)**	(4,322)
Other operating expenses		**(9,446)**	(11,506)
Acquisition transaction costs		**-**	(42)
Fair value adjustment to deferred consideration liability		**50,760**	29,739
Loss on sale of subsidiaries	**10**	**(501)**	(6,803)
Impairment of intangible assets	**6**	**(133,357)**	(87,481)
Present value interest expense		**(4,292)**	(9,106)
Other finance costs		**(4,563)**	(15,193)
Total finance costs		**(8,855)**	(24,299)
Loss before tax		**(94,573)**	(71,020)
Income tax expense	**3**	**(6,603)**	(2,601)
Loss for the period from continuing operations		**(101,176)**	(73,621)
Discontinued operations			
Profit/(Loss) before tax	**8**	(44,399)	20,108
Income tax expense	**3**	(1,710)	(6,225)
Income tax benefit on loss on sale of discontinued operations	**3**	4,659	-
Profit/(Loss) for the period from discontinued operations		**(41,450)**	13,883
Loss for the period		**(142,626)**	**(59,738)**
Attributable to:			
Equity holders of the parent		**(143,340)**	(59,711)
Non-controlling interest		**714**	(27)
Loss for the period		**(142,626)**	(59,738)
Basic earnings per share (AUD cents)	**4**	**(181.6)**	**(89.6)**
Diluted earnings per share (AUD cents)	**4**	**(181.6)**	**(89.6)**
Basic earnings per share (AUD cents) – continuing operations	**4**	**(129.1)**	**(110.5)**
Diluted earnings per share (AUD cents) – continuing operations	**4**	**(129.1)**	**(110.5)**

Consolidated statement of comprehensive income
For the year ended 30 June 2012

In thousands of AUD	Note	2012	2011
Loss for the period		**(142,626)**	(59,738)
Other comprehensive income			
Cash flow hedge gain		**866**	2,084
Foreign currency translation gain/(loss)		**1,744**	(16,728)
Income tax on items of other comprehensive income		**(260)**	(625)
Other comprehensive income for the period net of tax		**2,350**	(15,269)
Total comprehensive income for the period		**(140,276)**	(75,007)
Attributable to:			
Equity holders of the parent		**(141,016)**	(74,871)
Non controlling interest		**740**	(136)
		(140,276)	(75,007)

Consolidated statement of financial position
As at 30 June 2012

In thousands of AUD	Note	2012	2011
Assets			
Cash and cash equivalents		**21,514**	18,564
Trade and other receivables		**39,300**	72,144
Other assets		**10,351**	10,051
Income tax receivable		**803**	7,014
Assets classified as held for sale	**9**	**18,235**	-
Total current assets		**90,203**	107,773
Receivables		**457**	376
Other financial assets		**-**	50
Deferred tax assets		**3,373**	1,950
Plant and equipment		**6,037**	12,199
Other assets		**905**	1,116
Intangible assets	**6**	**141,973**	456,738
Total non-current assets		**152,745**	472,429
Total assets		**242,948**	580,202
Liabilities			
Trade and other payables		**37,612**	57,972
Deferred consideration payable	**7**	**12,989**	40,021
Interest-bearing loans and borrowings		**811**	2,042
Employee benefits		**3,907**	7,361
Income tax payable		**786**	2,505
Provisions		**1,507**	2,864
Liabilities classified as held for sale	**9**	**10,438**	-
Total current liabilities		**68,050**	112,765
Trade and other payables		**42**	33
Deferred consideration payable	**7**	**548**	49,933
Interest-bearing loans and borrowings		**643**	115,919
Employee benefits		**844**	1,269
Provisions		**1,080**	1,851
Total non-current liabilities		**3,157**	169,005
Total liabilities		**71,207**	281,770
Net assets		**171,741**	298,432
Equity			
Issued capital		**489,391**	477,284
Reserves		**(23,638)**	(27,803)
Accumulated losses		**(294,898)**	(151,558)
Total equity attributable to equity holders of the parent		**170,855**	297,923
Non controlling interest		**886**	509
Total equity		**171,741**	298,432

Consolidated statement of changes in equity

For the year ended 30 June 2012

In thousands of AUD	Share capital	Accumulated losses	Option reserve	Cash flow hedge reserve	Foreign currency translation reserve	Total	Non controlling interest	Total equity
Opening balance at 1 July 2010	**369,268**	**(91,847)**	**11,809**	**(2,065)**	**(21,617)**	**265,548**	**645**	**266,193**
Profit/(Loss) for the period	-	(59,711)	-	-	-	(59,711)	(27)	(59,738)
Other comprehensive income for the period	-	-	-	1,459	(16,619)	(15,160)	(109)	(15,269)
Total comprehensive income for the period	**-**	**(59,711)**	**-**	**1,459**	**(16,619)**	**(74,871)**	**(136)**	**(75,007)**
Transactions with owners in their capacity as owners:								
Shares issued	102,529	-	-	-	-	102,529	-	102,529
Shares issued as part of business combinations	12,436	-	-	-	-	12,436	-	12,436
Tax effect of transaction costs	2,978	-	-	-	-	2,978	-	2,978
Share issue costs	(9,927)	-	-	-	-	(9,927)	-	(9,927)
Share option expense	-	-	(770)	-	-	(770)	-	(770)
Closing balance at 30 June 2011	**477,284**	**(151,558)**	**11,039**	**(606)**	**(38,236)**	**297,923**	**509**	**298,432**
Opening balance at 1 July 2011	**477,284**	**(151,558)**	**11,039**	**(606)**	**(38,236)**	**297,923**	**509**	**298,432**
Profit/(Loss) for the period	-	(143,340)	-	-	-	(143,340)	714	(142,626)
Other comprehensive income for the period	-	-	-	606	1,718	2,324	26	2,350
Total comprehensive income for the period	**-**	**(143,340)**	**-**	**606**	**1,718**	**(141,016)**	**740**	**(140,276)**
Transactions with owners in their capacity as owners:								
Shares issued	34	-	-	-	-	34	-	34
Shares issued as part of business combinations	12,151	-	-	-	-	12,151	-	12,151
Tax effect of transaction costs	33	-	-	-	-	33	-	33
Share issue costs	(111)	-	-	-	-	(111)	-	(111)
Dividends paid to equity holders	-	-	-	-	-	-	(363)	(363)
Share option expense	-	-	1,841	-	-	1,841	-	1,841
Closing balance at 30 June 2012	**489,391**	**(294,898)**	**12,880**	**-**	**(36,518)**	**170,855**	**886**	**171,741**

Consolidated statement of cash flows
For the year ended 30 June 2012

In thousands of AUD	Note	2012	2011
Cash flows from operating activities			
Cash receipts from customers		**483,919**	631,557
Cash paid to suppliers and employees		**(472,101)**	(588,338)
Cash generated from operations		**11,818**	43,219
Interest received		**682**	528
Income taxes received/(paid)		**805**	(3,328)
Interest paid		**(4,403)**	(14,274)
Net cash from operating activities		**8,902**	26,145
Cash flows from investing activities			
Proceeds from disposal of non current assets		**89**	626
Payments of deferred consideration		**(20,070)**	(42,616)
Disposal of discontinued operations, net of cash	**8**	**146,010**	-
Disposal of controlled entities, net of cash	**10**	**(433)**	73,171
Acquisition of property, plant and equipment		**(3,098)**	(5,015)
Development expenditure		**(877)**	(1,496)
Net cash from investing activities		**121,621**	24,670
Cash flows from financing activities			
Proceeds from the issue of share capital		**-**	102,454
Transaction costs for the issue of share capital		**(111)**	(9,927)
Proceeds from borrowings		**15,145**	44,211
Repayment of borrowings		**(138,706)**	(188,673)
Finance lease payments		**(1,638)**	(2,542)
Dividends paid to non controlling interest in controlled entities		**(363)**	–
Net cash used in financing activities		**(125,673)**	(54,477)
Net increase/(decrease) in cash and cash equivalents		**4,850**	(3,662)
Effect of exchange rate fluctuations on cash held		**(5)**	(536)
Cash classified as asset held for sale		**(1,895)**	–
Cash and cash equivalents at 1 July		**18,564**	22,762
Cash and cash equivalents at 30 June		**21,514**	18,564

Notes to the preliminary final report
For the year ended 30 June 2012

Note 1. Statement of significant accounting policies

a. Statement of compliance

The preliminary final report has been prepared in accordance with the ASX Listing Rule 4.3A and has been derived from the unaudited consolidated annual financial report. The consolidated annual financial report has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated annual financial report also complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The preliminary final report is presented in Australian dollars and has been prepared on the historical cost basis except for derivative financial instruments, business combinations acquired under revised AASB 3 *Business Combinations,* intangible assets, trade and other receivables, non-derivative financial liabilities and share-based payment transactions which are stated at their fair value.

The consolidated annual financial report is in the process of being audited and is expected to be made available on 3 September 2012. This preliminary final report does not include all the notes of the type normally included in a consolidated annual financial report. Accordingly, this report should be read in conjunction with any public announcements made by the Company during the year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

b. Going concern

Notwithstanding the net loss after tax during the year, the consolidated financial statements have been prepared on a going concern basis which assumes the Consolidated Entity will continue its operations and be able to meet its obligations as and when they become due and payable. This assumption is based on an analysis of the Consolidated Entity's ability to meet its future cash flow objectives using its projected cash flows from operations, existing cash reserves held on the balance sheet date, cash received from the sale of BWM and capacity under its debt facilities.

During the current financial year, the Consolidated Entity completed a restructuring program which has streamlined and sold a number of operating businesses and used the proceeds of $146,500,000 sale of the Field Marketing division to repay borrowings. At the date of this report, the Consolidated Entity had $10,000,000 of debt facilities in place which are due for refinance on 31 March 2013, of which all remains as unused available capacity.

At 30 June 2012, the Consolidated Entity had an estimated gross current deferred consideration liability of $12,989,480, of which $10,500,000 was settled in cash in August 2012.

c. Significant accounting policies

Except as described below, the accounting policies applied by the Consolidated Entity in this report are the same as those applied by the Consolidated Entity in the consolidated annual financial report for the year ended 30 June 2011.

Discontinued operations
A discontinued operation is a component of the Consolidated Entity's business that represents a separate major line of business or geographical area of operation that has been disposed or held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

Note 1. Statement of significant accounting policies (continued)

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Assets held for sale
Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in the income statement. Once classified as held for sale, intangibles and property, plant and equipment are no longer amortised or depreciated.

d. Estimates

The preparation of this report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In preparing this report, the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of uncertainty in estimation were the same as those that applied to the consolidated annual financial report for the year ended 30 June 2011.

Critical accounting estimates and judgements:

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Entity and that are believed to be reasonable under the circumstances.

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not always equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill and intangibles

The Consolidated Entity tests annually whether there is any impairment of goodwill. The recoverable amount of each cash generating unit (CGU) group has been determined by applying a 'value in use' method using assumptions of future profit margins and cash flows. Refer to Note 6 Intangible assets of this preliminary final report for the details of these assumptions and the potential impact of changes to the assumptions.

(ii) Intangible assets and business combinations

AASB 3 *Business Combinations* and AASB 138 *Intangible Assets*, the Australian standards on business combinations and intangibles respectively, require the acquirer to separately identify the acquiree's identifiable assets and liabilities, including other intangibles arising on acquisition. This means that the acquirer must recognise other intangible assets, separately from goodwill, where the definition of an intangible asset is met and the fair value of the intangible asset can be measured reliably.

Note 1. Statement of significant accounting policies (continued)

Where significant business acquisitions are undertaken, the Directors commission an independent expert, having satisfied themselves that the expert was appropriately qualified to form a view and to assist them in determining the valuation of intangible assets separately identified and recognised as part of the business combination.

For further details, refer to Note 6 Intangible assets of this preliminary final report.

(iii) Share based payments

The grant date fair value of significant share based payment arrangements is determined by an appropriately qualified independent expert commissioned by the Directors. Inputs to the determination of fair value are subjective and include the market value of the instrument on the grant date, expected volatility of the Company's share price, the risk free interest rate, the dividend yield, the expected life of the instrument and the exercise price. Certain of these inputs are estimates.

(iv) Deferred consideration liability

Certain acquisitions of subsidiaries made by the Consolidated Entity contain arrangements for further consideration to be paid to vendors subject to certain targets being met. At each reporting date an estimate is made of whether such targets will be achieved and the Consolidated Entity's liability is then based on the achievement of such targets. The estimate is based on budgets and forecasts prepared by management of the subsidiary, subject to potential additional consideration. The nature of the arrangements means that at the reporting date there is uncertainty around the amount and timing of the liability to be paid in the future under such deferred consideration arrangements.

During the year ended 30 June 2011, the consolidated entity entered into agreements to restructure its deferred consideration liabilities such that substantially all agreements contain caps on the total liability. The consolidated entity has identified an estimate of the liability for future deferred consideration liabilities based on its best estimates of the achievement of the forecast targets by the relevant subsidiaries and also the Consolidated Entity up to the relevant capped liabilities. There is uncertainty around the actual payments that will be made subject to the performance of the relevant subsidiaries and the Consolidated Entity subsequent to the reporting date versus the targets. Actual future payments may be below the capped amounts however they may exceed the estimated liability.

(v) Impairment of receivables

The Consolidated Entity carries trade receivables at amortised cost less impairment. The impairment of these receivables is an estimate based on whether there is evidence suggesting that an event has occurred leading to a negative effect on the estimated future cash inflow. Events subsequent to the reporting date but prior to the signing of the financial statements which indicate a negative effect are taken into effect in the calculation of impairment. Future events may occur which change these estimates of the future cash inflows related to impaired trade receivables.

(vi) Revenue recognition

The Consolidated Entity recognises revenue from services rendered in proportion to the stage of completion of the transaction. Stage of completion estimates are determined by reference to the relative value of services completed in comparison to the total expected services to be completed in any specific project. The estimates require judgments and assumptions and actual results may differ to estimates as at the reporting date.

(vii) Utilisation of tax losses

The Consolidated Entity has recognised deferred tax assets on tax losses arising from capital losses generated from disposed subsidiaries during the reporting period. The recognition of tax losses as deferred tax assets is based on the assumption of future taxable capital gains in the same tax jurisdiction due to the recognition of fair value gains in relation to deferred consideration liabilities.

Note 2. Operating segments

In the current financial period, the Consolidated Entity reduced its operating segments to two which are the entity's operating segments based on regularly reviewed internal reporting and management by the Chief Executive Officer and the management team (the chief operating decision makers (CODM)). The Field Marketing operating segment was disposed in November 2011 and the basis for assessing performance and determining allocation of resources is now based on the remaining operating businesses collectively.

The operating segments are defined by management, based on the manner in which the services are provided and the geographies which each segment operates in, and report to the Chief Executive Officer and the management team on a monthly basis. Each operating segment is a reportable segment, and these are the sources of the Consolidated Entity's major risks and returns.

The Consolidated Entity considers it operates in two segments:

- **Operating brands:** International and Australian specialised marketing services including public relations, communications strategy and research and data analytics, advertising, direct marketing and stakeholder communications.
- **Field Marketing:** outsourced merchandising and point-of-sale marketing. During the current financial period this entire segment was sold in November 2011.

In the current financial period, in addition to the Field Marketing division disposal, the Consolidated Entity:

- Disposed of two small agency businesses ISS Marketing and Image Box; and
- Announced a new group strategy around a digitally centered marketing services group exploiting media and technology with key brands across key geographic hubs

The smaller number of agencies along with a targeted operating company approach has resulted in the remaining International Agency and Australian Agency segments joining together as the group aligns to a single vision and management of resources.

During the prior financial reporting period of the year ended 30 June 2011, the Consolidated Entity significantly restructured the Search Marketing segment. Consequently there is no longer a stand-alone Search Marketing Segment and the remaining Search Marketing businesses are managed within the Operating Brands segment.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

Unallocated items comprise of:

- Corporate overhead – costs associated with the centralised management and governance of Enero Group Limited, such as interest bearing loans, costs of borrowings and related expenses, and corporate head office assets and expenses.
- Amounts relating to divested and closed businesses which are no longer connected to a segment (digital businesses sold to Salmat in December 2010, Findology sold in December 2010, Sledge sold in January 2011, Yield Media closed in March 2011, Image Box sold in May 2012, ISS Marketing sold in June 2012 and BWM sold in August 2012).

Segment capital expenditure and development expenditure is the total cost incurred during the period to acquire assets that are expected to be used for more than one period.

The measure of reporting to the chief operating decision maker is on an Operating EBITDA basis (defined below), which excludes significant and non-operating items which are separately presented because of their nature, size and expected infrequent occurrence and do not reflect the underlying trading of the operations.

In relation to segment reporting, the following definitions apply to operating segments:

Operating EBITDA: earnings before interest, taxes, depreciation, amortisation, loss on sale of subsidiaries, fair value adjustment to deferred consideration, impairment charges and restructure costs.

The current and 30 June 2011 comparative amounts have been restated to reflect the current business segment presentation.

Note 2. Operating segments (continued)

2012 In thousands of AUD	Operating Brands	Field Marketing (Discontinued)	Total segment	Unallocated	Eliminations	Consolidated
Gross revenue	307,108	55,794	362,902	47,365	(19,919)	390,348
Directly attributable cost of sales	(158,545)	(4,714)	(163,259)	(21,806)	19,919	(165,146)
Net revenue	148,563	51,080	199,643	25,559	-	225,202
Other income	309	-	309	56	-	365
Operating expenses	(124,709)	(44,453)	(169,162)	(35,592)	-	(204,754)
Operating EBITDA	24,163	6,627	30,790	(9,977)	-	20,813
Restructure costs	(4,269)	-	(4,269)	(5,943)	-	(10,212)
Depreciation and amortisation expenses						(7,896)
Impairment relating to assets classified as held for sale	-	-	-	(5,192)	-	(5,192)
Impairment of intangibles	(128,165)	-	(128,165)	-	-	(128,165)
Loss on sale of subsidiaries	-	(49,703)	(49,703)	(501)	-	(50,204)
Fair value adjustment						50,760
Net finance expenses						(8,876)
Income tax expense						(3,654)
Loss for the period						(142,626)
Goodwill	138,371	-	138,371	-	-	138,371
Other intangibles	3,602	-	3,602	-	-	3,602
Assets excluding intangibles	79,898	-	79,898	214,648	(193,571)	100,975
Total assets	221,871	-	221,871	214,648	(193,571)	242,948
Liabilities	49,139	-	49,139	215,639	(193,571)	71,207
Total liabilities	49,139	-	49,139	215,639	(193,571)	71,207
Amortisation of intangibles	2,289	785	3,074	-	-	3,074
Depreciation	2,858	517	3,375	1,447	-	4,822
Capital expenditure	1,493	1,012	2,505	593	-	3,098
Development expenditure	374	503	877	-	-	877

Geographical segments
The operating segments are managed on a worldwide basis. However, there are three geographic areas of operation.

Geographical information		2012		2011
In thousands of AUD	Net revenues	Non-current assets	Net revenues	Non-current assets
Australasia	150,718	62,102	245,131	306,730
UK & Europe	60,372	86,130	89,456	161,936
USA	14,112	4,513	8,963	3,763
Total	225,202	152,745	343,550	472,429

Note 2. Operating segments (continued)

2011 **In thousands of AUD**	**Operating Brands**	**Field Marketing (Discontinued)**	**Total segment**	**Unallocated**	**Eliminations**	**Consolidated**
Gross revenue	292,835	139,264	432,099	112,439	(6,193)	538,345
Directly attributable cost of sales	(137,269)	(10,357)	(147,626)	(53,362)	6,193	(194,795)
Net revenue	155,566	128,907	284,473	59,077	–	343,550
Other income	146	118	264	145	–	409
Operating expenses	(130,075)	(104,549)	(234,624)	(56,080)	–	(290,704)
Operating EBITDA	25,637	24,476	50,113	3,142	–	53,255
Depreciation and amortisation expenses						(15,296)
Impairment relating to assets disposed	–	–	–	(17,195)	–	(17,195)
Impairment of intangibles	(34,293)	–	(34,293)	(35,993)	–	(70,286)
Loss on sale of subsidiaries	–	–	–	(6,803)	–	(6,803)
Fair value adjustment						29,739
Net finance expenses						(24,326)
Income tax expense						(8,826)
Loss for the period						(59,738)
Goodwill	273,143	173,639	446,782	–	–	446,782
Other intangibles	6,373	3,583	9,956	–	–	9,956
Assets excluding intangibles	73,638	39,210	112,848	189,169	(178,553)	123,464
Total assets	353,154	216,432	569,586	189,169	(178,553)	580,202
Liabilities	44,199	15,962	60,161	400,162	(178,553)	281,770
Total liabilities	44,199	15,962	60,161	400,162	(178,553)	281,770
Amortisation of intangibles	3,709	2,443	6,152	964	–	7,116
Depreciation	3,041	1,898	4,939	3,241	–	8,180
Capital expenditure	2,482	1,126	3,608	1,407	–	5,015
Development expenditure	220	743	963	533	–	1,496

Note 3. Income tax expense

Recognised in the income statement

In thousands of AUD	**2012**	**2011**
Current tax expense		
Current year	5,674	5,607
Adjustments for prior years	(1,143)	(374)
Adjustments for prior years due to tax legislation changes	1,192	–
	5,723	5,233
Deferred tax expense		
Origination and reversal of temporary differences	(2,069)	3,593
	(2,069)	3,593
Income tax expense in income statement	3,654	8,826
Income tax expense from continuing operations	6,603	2,601
Income tax expense from discontinued operations (excluding on loss on sale)	1,710	6,225
	8,313	8,826
Income tax benefit on loss on sale of discontinued operations	(4,659)	–
Total income tax expense	3,654	8,826

Numerical reconciliation between tax expense and pre-tax accounting loss

In thousands of AUD	**2012**	**2011**
Loss for the year	(142,626)	(59,738)
Total income tax expense	3,654	8,826
Loss excluding income tax	(138,972)	(50,912)
Income tax benefit using the Company's domestic tax rate of 30% (2011: 30%)	(41,692)	(15,273)
Decrease in income tax benefit due to:		
Present value interest charges	1,287	2,651
Other non-deductible/add back items	1,465	762
Accounting amortisation of identifiable intangible assets	1,079	1,463
Imputation gross up on dividends received	196	477
Share option expense/(credit)	552	(231)
Tax losses not brought to account	5,591	239
Tax legislation changes	1,192	–
Effect of losses on sale of subsidiaries	4,333	(1,488)
Impairment charge	40,007	26,111
Increase in income tax benefit due to:		
Tax amortisation of identifiable intangible assets	–	(255)
Effect of losses not previously recognised	(4)	–
Non-assessable fair value gain	(5,920)	(1,894)
Franking credits on dividends received	(653)	(1,591)
Over provision for tax in previous years	(1,143)	(374)
Effect of lower tax rate on overseas incomes	(127)	(248)
Unwinding of deferred tax liability established in business combinations	(2,509)	(1,523)
Income tax expense on pre-tax net loss	3,654	8,826

Deferred tax asset recognised/(released) directly in equity

Share issue costs & hedge reserve	(226)	2,978
	(226)	2,978

Income tax recognised in other comprehensive income

Cash flow hedges	(260)	(625)
	(260)	(625)

Note 4. Earning per share

Profit attributable to ordinary shareholders

In thousands of AUD	2012 Continuing operations	2012 Discontinued operations	2012 Total	2011 Continuing operations	2011 Discontinued operations	2011 Total
Net loss for the year	(101,176)	(41,450)	(142,626)	(73,621)	13,883	(59,738)
Non-controlling interest	714	–	714	(27)	–	(27)
Net loss for the year attributable to shareholders	(101,890)	(41,450)	(143,340)	(73,594)	13,883	(59,711)

Weighted average number of ordinary shares **In thousands of shares**	**2012**	**2011**
Weighted average number of ordinary shares – basic[(i)]	78,949	66,621
Shares issuable under equity-based compensation plans[(ii)]	902	–
Weighted average number of ordinary shares – diluted	79,851	66,621

Earnings per share In AUD cents	**2012**	**2011**
Basic (AUD cents)	(181.6)	(89.6)
Diluted (AUD cents)	(181.6)	(89.6)
Basic – continuing operations (AUD cents)	(129.1)	(110.5)
Diluted – continuing operations (AUD cents)	(129.1)	(110.5)
Basic – discontinued operations (AUD cents)	(52.5)	20.8
Diluted – discontinued operations (AUD cents)	(52.5)	20.8

(i) The weighted average number of shares outstanding includes an adjustment for the share consolidation completed on 29 June 2012 after receiving shareholder approval at a general meeting on 8 June 2012. The prior year earnings per share has also been restated for this share consolidation. The earnings per share for the year ended 30 June 2011 included an adjustment for the equity raising completed on 29 September 2010 after receiving shareholder approval at a general meeting on 17 September 2010.

(ii) The weighted average shares outstanding includes the incremental shares that would be issued upon the assumed exercise of stock options if the effect is dilutive. Because the Consolidated Entity has a loss from continuing operations in 2012 and 2011, no potentially dilutive shares were included in the denominator computing diluted earnings per shares since the impact on earnings per share would be anti-dilutive.

Note 5. Capital and reserves

Enero Group Limited completed a one for eighteen share consolidation in June 2012, being the conversion of every eighteen fully paid ordinary shares on issue into one fully paid share following the approval by shareholders in an Extraordinary General Meeting held on 8 June 2012. Where the share consolidation resulted in a shareholder having a fractional entitlement the entitlement was rounded to the nearest whole share with exact half shares being rounded up. Upon the completion of the share consolidation in June 2012, the number of Enero Group Limited shares on issue reduced from 1,540,886,866 shares to 85,604,954 shares as at that date.

Note 6. Intangible assets

In thousands of AUD	Consolidated 2012	2011
Goodwill		
At cost	**382,825**	566,947
Impairment	**(244,454)**	(120,165)
	138,371	446,782
IT related intellectual property		
At cost	**9,306**	12,200
Accumulated amortisation	**(511)**	(3,284)
Impairment	**(8,795)**	(8,884)
	-	32
Contracts and customer relationships		
At cost	**17,574**	33,420
Accumulated amortisation	**(13,747)**	(24,614)
Impairment	**(681)**	(739)
	3,146	8,067
Brand names		
At cost	**-**	751
Accumulated amortisation	**-**	(713)
	-	38
Internally generated intangible assets		
At cost	**4,417**	7,398
Accumulated amortisation	**(1,833)**	(3,451)
Impairment	**(2,128)**	(2,128)
	456	1,819
Total intangible assets, net carrying value	**141,973**	456,738

Reconciliations
Reconciliations of the carrying amounts of intangibles are set out below:

	2012	2011
Goodwill		
Carrying amount at the beginning of the year	**446,782**	635,456
Acquisitions through business combinations	**4**	301
Disposal of subsidiaries	**(175,196)**	(72,692)
Adjustments through deferred consideration	**1,486**	(540)
Impairment	**(133,357)**	(78,325)
Classified as held for sale	**(4,794)**	-
Effect of movement in exchange rate	**3,446**	(37,418)
Carrying amount at the end of the year	**138,371**	446,782
IT related intellectual property		
Carrying amount at the beginning of the year	**32**	5,397
Disposal of subsidiaries	**(18)**	(113)
Impairment	**-**	(4,458)
Amortisation	**(24)**	(699)
Effect of movement in exchange rate	**10**	(95)
Carrying amount at the end of the year	-	32
Contracts and customer relationships		
Carrying amount at the beginning of the year	**8,067**	14,139
Disposal of subsidiaries	**(1,656)**	(160)
Impairment	**-**	(693)
Amortisation	**(2,438)**	(4,035)
Classified as held for sale	**(913)**	-
Effect of movement in exchange rate	**86**	(1,184)
Carrying amount at the end of the year	**3,146**	8,067

Note 6. Intangible assets (continued)

In thousands of AUD	Consolidated 2012	2011
Brand name		
Carrying amount at the beginning of the year	**38**	163
Amortisation	**(38)**	(125)
Carrying amount at the end of the year	-	38
Internally generated intangible assets		
Carrying amount at the beginning of the year	**1,819**	7,396
Disposal of subsidiaries	**(1,709)**	(2,049)
Additions	**877**	1,496
Impairment	**-**	(2,338)
Amortisation	**(574)**	(2,257)
Effect of movement in exchange rate	**43**	(429)
Carrying amount at the end of the year	**456**	1,819

Amortisation charge
The amortisation charge of $3,074,000 (2011: $7,116,000) is recognised in the depreciation and amortisation expense in the income statement.

Impairment charge

In thousands of AUD	2012	2011
Impairment of intangibles	**128,165**	70,286
Impairment relating to assets disposed during year(i)	**–**	17,195
Impairment relating to assets classified as held for sale (ii)	**5,192**	–
Impairment charge	**133,357**	87,481

(i) An amount of $1,667,000 of the above amount was in relation to tangible assets impaired on assets disposed of during the year ended 30 June 2011.

(ii) Refer Note 9 Disposal group classified as held for sale for further details.

Goodwill CGU group allocation

In thousands of AUD	2012	2011
The Consolidated Entity's carrying amount of goodwill for each of the CGU groups identified:		
Operating brands	**138,371**	273,143
Field Marketing (discontinued operations)	**-**	173,639
	138,371	446,782

The Search Marketing CGU does not have any carrying value, as goodwill relating to these businesses were fully impaired during the year ended 30 June 2011.

Impairment tests for cash generating unit (CGU) groups containing goodwill
Goodwill is tested for impairment on a division or business unit basis, reflecting the synergies obtained by the division or business unit. During the financial year ended 30 June 2012, the Consolidated Entity announced an organisational restructure and would be managed as one collective group. In doing so, the aggregation of assets for identifying CGU groups was adjusted to reflect the lowest level of management of the groups of assets and the synergies of the business groupings. The reorganisation has not significantly changed the allocation of goodwill to CGUs, but has resulted in previously separate CGUs being aggregated based on a management strategy to reduce the number of operating businesses and merging together similar businesses and aligning all operating brands to the same vision. The aggregation of assets in CGU groups continues to be determined using a service offering. The CGU groups are consistent with the operating segments of the Consolidated Entity. The remaining Search Marketing businesses do not form part of the Operating Brand CGU as they do not obtain synergies with the businesses in that CGU however they have no carrying value.

Note 6. Intangible assets (continued)

The recoverable amount of a CGU group is assessed using calculation methodologies based on value-in-use calculation. The recoverable amount methodologies and assumptions for all of the CGU groups have remained materially consistent with those applied as at 30 June 2011, as disclosed in the 30 June 2011 annual financial report.

Key assumptions used in the value in use approach to test for impairment relate to the discount rate and the medium-term and long-term growth rates applied to projected cash flows.

Projected cash flows
The projected first year of cash flows are derived from results for the current financial year adjusted in some cases for expectations of future trading performance to reflect the best estimate of the CGU group's cash flows at the time of this report. Projected cash flows can differ from future actual results of operations and cash flows.

Discount rates
The discount rate is based on the Consolidated Entity's pre-tax weighted average cost of capital (WACC) adjusted if necessary to reflect the specific characteristics of each CGU group and to obtain a post-tax discount rate. The discount rate has been adjusted to reflect the current view on the appropriate debt equity ratio and risks inherent in assessing future cash flows.

Growth rates
A growth rate of 3% (30 June 2011: 3%) has been applied to the cash flows of the first financial year to determine cash flows for the next four years. The five years of cash flows are discounted to present value. The growth rate is based on analysis of medium term historical trading performance and organic growth expectations.

Long-term growth rate into perpetuity
Long-term growth rates of 3% (30 June 2011: 3%) are used into perpetuity, based on expected long-range growth rates for the industry.

		2012 inputs			**2011 inputs**	
	Post-tax discount rate %	**Pre-tax discount rate %**	**Forecast growth rate %**	**Post-tax discount rate %**	**Pre-tax discount rate %**	**Forecast growth rate %**
Impairment testing assumptions for CGU groups						
Operating Brands[(i)]	11.23	14.71	3	9.64	12.73	3
Field Marketing (discontinued operations)	–	–	–	9.64	12.73	3

(i) In relation to the impairment charge recognised during the year, the inputs for both the Australian Agency and International Agency CGUs were the same as those disclosed for the Operating Brands CGU.

Impairment of intangible assets in the year ended 30 June 2012:

The discount rate has been adjusted to reflect the current view on the appropriate debt equity ratio and risks inherent in assessing future cash flows.

The below impairment charges are to previous CGU's which were determined before the Consolidated Entity reorganised its CGU's into one Operating Brand CGU on 30 April 2012.

Australian Agency CGU group impaired:

During the year ended 30 June 2012, the Australian Agency CGU, which provides a range of integrated marketing and advertising services in Australia, experienced a decline in earnings due to under-performance across a number of small agencies leading to their restructure, the impact of certain client contract losses and reductions in client spending in the CGU. The Consolidated Entity reviewed the future cash flows of the Australian Agency CGU and adjusted for the estimated cash flow impact of the current performance levels. As the carrying value of the Australian Agency CGU is higher than its recoverable amount based on its value in use, the Consolidated Entity has recognised an impairment charge against the goodwill of the Australian Agency CGU in the income statement of $72,163,000.

Note 6. Intangible assets (continued)

International Agency CGU group impaired:

During the year ended 30 June 2012, the International Agency CGU, which excludes search marketing businesses reported in the International Agency segment, experienced a decline in earnings due to losses in non-core offices which are subsequently being closed in the CGU and a reduction in client spending. The Consolidated Entity reviewed the future cash flows of the International Agency CGU and adjusted for the estimated cash flow impact of the current performance levels. As the carrying value of the International Agency CGU is higher than its recoverable amount based on its value in use, the Consolidated Entity has recognised an impairment charge against the goodwill of the International Agency CGU in the income statement of $56,002,000.

The estimate of the value in use for the Australian Agency CGU and International Agency CGU group impairment testing was determined using:

- A post tax discount rate of 11.23% (2011: 9.64%)
- Growth rate of 3% for four years from the best estimate of the CGU group future cash flows (2011:3%); and
- Long term growth rate of 3% into perpetuity (2011: 3%).

Impairment of intangible assets in the year ended 30 June 2011:

Search Marketing CGU group impaired:

During the year ended 30 June 2011, the Search Marketing cash generating unit (CGU) group continued to experience declines in trading due to the same factors disclosed in the Annual Report for the financial year ended 30 June 2010 (see page 54 for further details). As a result of this, the Consolidated Entity reviewed the likely future capital requirements, the return on investment in the Search Marketing CGU and the volatility of the cash flows due to the changes in the market dynamics, and significantly discounted the expected cash flows from the CGU. The Consolidated Entity therefore recognised an impairment charge on all goodwill and intangible assets in the Search Marketing CGU. An impairment charge on intangible assets of $35,993,000 was recognised in the income statement relating to the Search Marketing CGU.

Australian Agency CGU group impaired:

During the year ended 30 June 2011, the Australian Agency CGU, which provides a range of integrated marketing and advertising services in Australia, lost a significant client contract. The Consolidated Entity reviewed the future cash flows of the Australian Agency CGU and adjusted for the estimated cash flow impact of this client contract. As the carrying value of the Australian Agency CGU is higher than its recoverable amount based on its value in use, the Consolidated Entity has recognised an impairment charge against the goodwill of the Australian Agency CGU in the income statement of $34,293,000.

The estimate of the value in use for the Australian Agency CGU group impairment testing was determined using:

- a post-tax discount rate of 9.64% (2010: 9.83%);
- growth rate of 3% for four years from the best estimate of the CGU group future cash flows (2010: 7.5%); and
- long-term growth rate of 3% into perpetuity (2010: 3%).

Impairment relating to assets disposed during the year:

During the year ended 30 June 2011, the Consolidated Entity disposed of the Sledge and Findology businesses. An impairment charge of $17,195,000 was recognised in the income statement to recognise these assets at their recoverable amount at the date of classification as held for sale. See Note 8 Disposal of subsidiaries of this preliminary final report for further details.

Note 6. Intangible assets (continued)

Sensitivity range assumptions for impairment testing assumptions:

The following sensitivity ranges are attributable to each CGU group for impairment testing for which the impairment loss was calculated on the assumptions above:

	2012 Sensitivity range		**2011 Sensitivity range**	
	Post-tax discount rate	**Growth rate**	**Post-tax discount rate**	**Growth rate**
	%	**%**	**%**	**%**
Operating Brands	8.98–13.48	0–7.5	8.29–10.99	0–10

As at 30 June 2012, the estimated recoverable amount of the CGU exceeds its carrying amount by approximately $6,300,000. In the sensitivity ranges tested, the Operating Brands CGU would be impaired applying a 1.5% growth rate and a post-tax discount rate of 11.23% or by increasing the post-tax discount rate to 11.60% and applying a 3% growth rate.

Note 7. Deferred consideration

	Consolidated	
In thousands of AUD	**2012**	**2011**
Current liabilities		
Deferred consideration payable	**12,989**	40,021
	12,989	40,021
Non-current liabilities		
Deferred consideration payable	**548**	49,933
	548	49,933
Total deferred consideration payable current and non-current	**13,537**	89,954

Deferred consideration liabilities at year end reporting date are the present value of expected future payments.

During the year ended 30 June 2011, the consolidated entity entered into agreements to restructure its deferred consideration liability such that substantially all of the deferred consideration liabilities have been capped. The consolidated entity has estimated the liability for future deferred consideration liabilities based on the probability of the achievement of forecast targets by the relevant subsidiaries and also the Consolidated Entity. There is uncertainty around the actual payments that will be made subject to the performance of the relevant subsidiaries and the Consolidated Entity after the reporting date versus the forecast targets. Actual future payments may be below the capped amounts however they may exceed the estimated liability. In relation to the restructured conditional consideration, an amount of $72,939,853 is not recognised as at 30 June 2012.

Of the estimated gross deferred consideration liability of $13,606,876:

- $672,000 will be satisfied by the issue of equity; and
- $12,934,876 is to be settled in cash.

Note 8. Discontinued operations

During the financial year ended 30 June 2012, the Consolidated Entity entered into two sale transactions to dispose of the Field Marketing Division. The segment was not a discontinued operation or classified as held for sale as at 30 June 2011 and the comparative consolidated income statement has been re-presented to show the discontinued operation separately from continuing operations.

On 2 September 2011, the Consolidated Entity entered into a sale agreement to dispose of the Retail Insight point of sale data business for a consideration of USD$11,000,000. The sale was completed with proceeds received on the same day. The Consolidated Entity recognised a loss on sale of $9,207,756 in the income statement for the year ended 30 June 2012. The loss net of tax in the income statement was $11,491,867 after tax expense of $2,284,111 was recognised.

On 2 November 2011, the Consolidated Entity entered into a sale agreement to dispose of Field Marketing segment businesses for a consideration of $146,500,000. The sale was completed with proceeds received from the disposal of these businesses and control passing to the acquirer on 30 November 2011. The Consolidated Entity recognised a loss on sale of $40,495,563 in the income statement for the year ended 30 June 2012. The loss net of tax in the income statement was $33,552,711 after a benefit of $6,942,852 to income tax was recognised.

In thousands of AUD	2012	2011
Results of discontinued operation		
Revenue	55,794	139,264
Expenses	(50,490)	(119,156)
Results from operating activities	5,304	20,108
Income tax expense	(1,710)	(6,225)
Results from operating activities, net of tax	3,594	13,883
Loss on sale of discontinued operation	(49,703)	–
Income tax benefit on sale of discontinued operation	4,659	–
Profit/(loss) for the year	(41,450)	13,883
Earnings per share		
Basic (AUD cents)	(52.5)	20.8
Diluted (AUD cents)	(52.5)	20.8

The loss from discontinued operation of $41,450,485 (2011: profit of $13,882,855) is attributable entirely to the owners of the Company.

The 2012 results reflect the five month period 1 July 2011 to 30 November 2011 being the period which the discontinued operation was controlled by the Consolidated Entity.

In thousands of AUD	2012	2011
Cash flows from/(used in) discontinued operations		
Net cash from operating activities	(1,603)	15,568
Net cash from investing activities	144,526	(1,744)
Net cash used in financing activities	(6,985)	(14,260)
Net cash flows for the year	135,938	(436)

Note 8. Discontinued operations (continued)

In thousands of AUD	**At date of disposal**
Effect of disposal on the financial position of the Group	
Assets	
Cash and cash equivalents	3,135
Trade and other receivables	22,443
Other assets	5,574
Plant and equipment	3,244
Intangible assets	178,185
Deferred tax assets	990
Total assets of discontinued operation	213,571
Liabilities	
Trade and other payables	14,527
Interest bearing loans and borrowings	62
Provisions	2,199
Deferred tax liabilities	556
Income tax payable	2,636
Total liabilities of discontinued operation	19,980
Net assets attributable to discontinued operation	**193,591**
Loss on disposal	
Consideration received (net of disposal costs)	147,872
Less net assets disposed of	(193,591)
Less foreign currency translation reserve recognised in income statement	(3,984)
Loss on disposal before income tax	(49,703)
Income tax benefit	4,659
Loss on disposal after income tax	(45,044)
Net cash inflow on disposal	
Total consideration	149,145
Less cash and cash equivalents balance disposed of	(3,135)
Reflected in the consolidated statement of cash flows	146,010

Note 9. Disposal group classified as held for sale

The Board of Directors resolved to dispose of the Consolidated Entity's 51% interest in subsidiary Belgiovane Williams Mackay (BWM) for $7,500,000 in cash consideration. The transaction was completed on 10 August 2012. As at 30 June 2012 this business was classified as a disposal group held for sale.

The major classes of assets and liabilities of Belgiovane Williams Mackay at 30 June 2012 are as follows:

Assets

In thousands of AUD	
Cash and cash equivalents	1,895
Trade and other receivables	8,869
Plant and equipment	1,235
Intangible assets	5,707
Income tax receivable	110
Deferred tax assets	419
Assets classified as held for sale	**18,235**

Liabilities

In thousands of AUD	
Trade and other payables	9,572
Provisions	866
Liabilities directly associated with assets classified as held for sale	**10,438**

Net assets attributable to held for sale businesses	**7,797**

The Consolidated Entity has recognised an impairment charge of $5,192,632 as part of the loss on sale related to the disposal group held for sale by reducing the intangible assets including goodwill down to their recoverable amount as at 30 June 2012.

Note 10. Disposal of subsidiaries

2012

On 31 May 2012, the Consolidated Entity disposed of the Image Box business for nominal consideration. The transaction was carried out on an arm's length basis and consideration was considered to be at fair value. The Consolidated Entity recognised a loss on sale of $349,811 in the income statement for the year ended 30 June 2012. The gain net of tax in the income statement was $882,891 after a non-cash benefit of $1,232,702 to income tax was recognised.

On 29 June 2012, the Consolidated Entity disposed of the ISS Marketing business for nominal consideration. The transaction was carried out on an arm's length basis and consideration was considered to be at fair value. The Consolidated Entity recognised a loss on sale of $151,180 in the income statement for the year ended 30 June 2012. The gain net of tax in the income statement was $3,804,693 after a non-cash benefit of $3,955,873 to income tax was recognised.

Assets and liabilities and cash flow of disposed entities
The major classes of assets and liabilities of the disposed group are as follows:

In thousands of AUD	**Carrying amounts**
Assets	
Cash and cash equivalents	395
Trade and other receivables	1,483
Other assets	169
Plant and equipment	226
Intangible assets	394
Deferred tax assets	302
Total assets disposed	**2,969**
Liabilities	
Trade and other payables	1,724
Interest bearing loans and borrowings	51
Provisions	281
Employee benefits	222
Deferred tax liabilities	248
Total liabilities disposed	**2,526**
Net assets attributable to disposed entities	**443**

Loss on disposal

In thousands of AUD	
Consideration received or receivable (net of disposal costs)	(58)
Less net assets disposed of	(443)
Loss on disposal before income tax	(501)
Income tax benefit	5,189
Profit on disposal after income tax	**4,688**

Net cash inflow on disposal

In thousands of AUD	
Total consideration	(38)
Less cash and cash equivalents balance disposed of	(395)
Reflected in the consolidated statement of cash flows	**(433)**

For details relating to disposals of discontinued operations refer to Note 8 Discontinued Operations.

Note 10. Disposal of subsidiaries (continued)

2011

On 22 December 2010, the Consolidated Entity entered into a sale agreement to dispose of the businesses Be Interactive, C4 Communications, Returnity and Messagenet for a consideration of $75,300,000 plus a deferred consideration arrangement that expired on 30 June 2011. On 22 December 2010, the Consolidated Entity's control over these businesses passed to the acquirer. The proceeds from the disposal of these businesses was received on 12 January 2011. The Consolidated Entity recognised a loss on sale of $4,272,238 in the income statement for the year ended 30 June 2011.

On 22 December 2010 the Consolidated Entity also resolved to dispose of the Sledge and Findology businesses for nominal consideration. The transactions were considered to be arm's length. During the year, an impairment charge of $17,195,280 was recognised in the income statement in relation to these assets. The sales were completed on 13 January 2011 and 14 January 2011 respectively and at such time the Consolidated Entity recognised a further loss on sale of $2,530,342 primarily in relation to the respective amounts held in the foreign currency translation reserve at the date of sale.

An income tax benefit of $3,379,623 was recognised in the income statement in relation to the above disposals of subsidiaries.

Assets and liabilities and cash flow of disposed entities
The major classes of assets and liabilities of the disposed group are as follows:

In thousands of AUD	**Carrying amounts**
Assets	
Cash and cash equivalents	2,068
Trade and other receivables	6,563
Other assets	924
Plant and equipment	2,046
Intangible assets	75,014
Deferred tax assets	906
Total assets disposed	**87,521**
Trade and other payables	4,885
Interest bearing loans and borrowings	657
Provisions	141
Employee benefits	571
Deferred tax liabilities	1,199
Total liabilities disposed	7,453
Net assets attributable to disposed entities	**80,068**

Loss on disposal

In thousands of AUD	
Consideration received or receivable (net of disposal costs)	75,723
Less net assets disposed of	(80,068)
Less foreign currency translation reserve recognised in income statement	(2,458)
Loss on disposal before income tax	(6,803)
Income tax benefit	3,380
Loss on disposal after income tax	(3,423)

Note 10. Disposal of subsidiaries (continued)

Net cash inflow on disposal

In thousands of AUD	
Total consideration	75,723
Less cash and cash equivalents balance disposed of	(2,068)
Less settlement of liability with subsidiary on disposal	(484)
Reflected in the consolidated statement of cash flows	**73,171**