WE ARE ENERO

ENERO GROUP LIMITED
2016 ANNUAL REPORT

THE HIGHS

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650

ACTIVE CLIENT RELATIONSHIPS ACROSS ENERO GROUP

257

NEW BUSINESS WINS IN FY16 ACROSS ENERO BUSINESSES

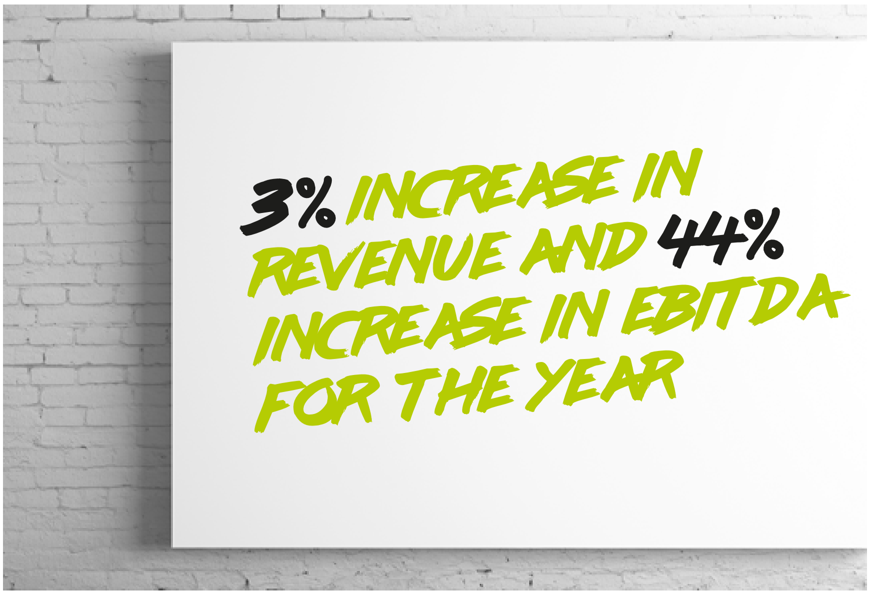
11 pro-bono projects put our talents to good use for community and not-for-profit groups

Supporting local business

Supported 75 local businesses who supplied us with caffeine to fuel our creativity

106

PROJECTS AND PEOPLE FROM ENERO RECOGNISED WITH INDUSTRY AWARDS IN THE LAST 12 MONTHS



94

THOUGHT LEADERSHIP PIECES BY ENERO TRAILBLAZERS WERE PUBLISHED THROUGHOUT THE YEAR

JOHN PORTER

Dear Shareholders,

2016 proved to be a very impressive year for the Group with significant improvements in revenue and operating EBITDA along with double digit operating margins. This gives Enero a great foundation for growth and expansion in the coming years.

The Group reported a 44% increase in Operating EBITDA to $13.2 million this financial year, off a 3% increase in revenue. Much of this has come down to intense efforts at new business conversion while appropriately managing the cost base.

Our 10 businesses, in eight countries and 15 cities, have over 550 talented staff. We continue to have excellent capabilities across public relations, research and insight, strategy, creative ideation, data and production. In FY16, 59% of revenue and 67% of EBITDA was generated in international markets. These markets, particularly the UK and USA, continue to provide access to larger-scale revenue opportunities. Being based in Belgium, I am frequently meeting UK leadership teams to hear about their progress.

Our ultimate goal is to achieve a more evenly balanced geographic spread between our three key markets for greater stability across our revenue base. We have a diverse mix of clients, with over 650 client relationships across our Group spanning many sectors. Importantly the largest client represents less than 10% of total Group net revenue.

Last year we noted key goals of expansion in the US and growth opportunities through investment in people ahead of the revenue curve. While our US expansion plans have been slower to realise than we had hoped, we have committed to numerous investment programs in teams which should provide longer-term scale and rewards. To further strengthen our UK hub, we will invest in The Leading Edge in FY17 resulting in additional costs for the coming year as we push our growth plans to build a bigger business. We expect to realise these investment returns in FY18 and beyond.

The Group has accumulated a healthy cash balance during this period of capital restrictions. While these restrictions expire within the next two years following the expiration of the deferred consideration liabilities, the Board is actively identifying strategic opportunities for acquisitions and investments in our current businesses. We hope to make some more definitive progress this coming financial year.

The Enero share price has steadily risen over the past 12 months with our improved results which is an endorsement from our shareholders that we are delivering appropriate returns. This group of businesses remains a strong portfolio of assets and many of our businesses have the highest reputations in their respective markets.

Thank you to the Board for continuing to guide the Group through challenges and opportunities as they present themselves.

On behalf of the Board, I would like to thank the Executive team, management teams and all the employees of the Group for the significant efforts you have made with all stakeholders over the year.

Finally, thank you to our shareholders for your continued support and I look forward to reporting back with more progress in 2017.

John Porter
Independent Non-Executive Chairman

MATTHEW MELHUISH

Dear Shareholders,

We are pleased to report a successful FY16 for the Group from a financial, client and operational standpoint. Dedicated resources to new business generation and pleasing results in pitch conversions saw the first year-on-year revenue increase in some time. Although a modest 3% increase, it is a good sign nonetheless.

While the reported Australian dollar revenue was helped during the year by the weaker Australian dollar exchange rate, we achieved constant currency revenue growth in our international markets.

Improvements in our Operating EBITDA, up 44% year-on-year, reflect careful management of our cost base in line with the 'Reliable' stage of our Group Strategy. This includes an ongoing focus on staff costs, trending down towards our desired target ratio, plus constant vigilance across operating costs. We will unlock more efficiency wherever possible through improved operational measures.

Our international markets, particularly the UK and Europe, had excellent performances during the year; with all brands in those markets outperforming expectations. On a year-on-year constant currency basis, the UK and Europe hub was 7% up in revenue and 21% up in Operating EBITDA, driven by Hotwire and Frank PR, our two public relations businesses headquartered in London with experienced leadership and a track record of delivering good margins. Proximity to international markets continues to be an advantage in pitching for larger pieces of business with global remits.

The Australian operations achieved a 2% increase in Operating EBITDA despite a revenue decline of 14% year-on-year. Our highlight in Australia was the performance of BMF Advertising, which had a stellar year with numerous new business wins and many effective campaigns in market. Of our smaller Australian businesses, Naked Communications, The Leading Edge and CPR all enjoyed good years.

FY17 is an important milestone for our home market with the opening of a new Sydney hub office at 100 Harris Street, Pyrmont, offering world-class facilities for our staff and clients showcasing new ways of collaborative working. Our move is planned for the second half of FY17.

The USA market showed some improvement with constant currency revenue growth of 12% and Operating EBITDA growth of 55% off a small base. While we haven't yet achieved the desired scale or momentum that we had hoped for in FY16, we have confidence that FY17 will be a significant step forward for Hotwire in the USA. That team is very focused and have achieved some excellent new business wins in the latter part of the financial year.

Celebrating the power of our people remains a key focus for the leadership teams across all of our businesses. The requirement for outstanding talent is more important than ever in our intensely competitive industry. We are a 'people' business and the best talent is mobile and in high demand. FY16 saw a strong number of internal promotions, increased Learning and Development programs and the establishment of the Enero Diversity Committee. Our leaders recognise the importance of ensuring that their staff arrive at work every day feeling energised, confident and excited about making a positive contribution through their work.

Our 2017 goals include building scale in the USA, while maintaining intensity around new business efforts given the natural revenue churn our sector typically faces each year. We will face some material currency headwinds with the recent volatility in the British Pound post-Brexit and the US Dollar in reporting our consolidated Australian Dollar revenues and EBITDA. We will however focus on the things we are able to control – new business efforts and ensuring that we have the very best people in place delivering excellent work for our clients.

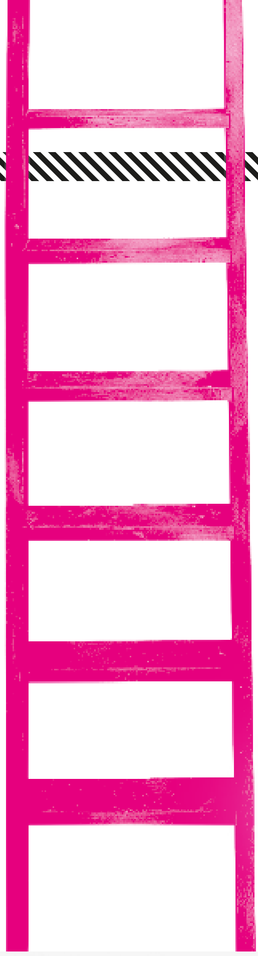
Sincere thanks to every colleague across the Group for your partnership, optimism, energy and professionalism. Thanks also to our Board and Management for your leadership and guidance. Finally, thank you to our Shareholders for your support of our ongoing efforts to build a better business.

Matthew Melhuish
Chief Executive Officer and Executive Director

PEOPLE POWER

102

INTERNAL PROMOTIONS ACROSS THE GROUP



918

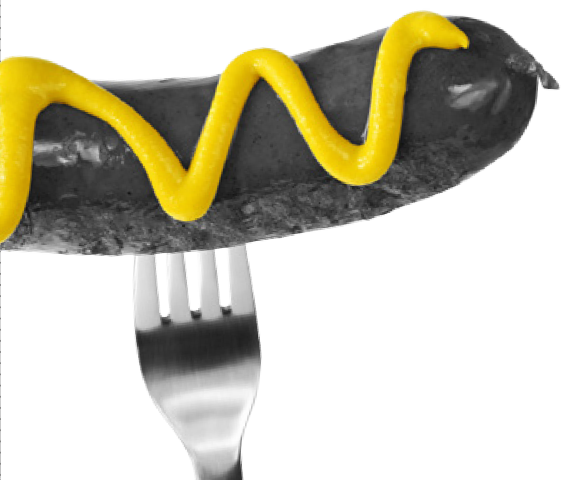
keen participants took part in Enero training initiatives

WISDOM WAS SHARED WITH THE LAUNCH OF OUR MENTORING PROGRAM

WE BAKED, MASHED, GLAZED AND WHIPPED ON INTERNATIONAL FOOD DAY. #INTFOODDAY

2,400

sausages were sizzled this year in Sydney at our monthly 'Broke BBQ'



52

GROUP ACADEMY SESSIONS SHOWCASING THE LATEST TRENDS AND INDUSTRY EXPERTISE

63

GRADUATES AND INTERNS WERE SHOWN THE ROPES IN FY16

d diversity committee

Enero's Diversity Committee was launched in August 2015

BETTER TOGETH

550 talented employees, in **10** diverse businesses, across **8** countries, in **15** cities

WE FACILITATED 12 STAFF RELOCATIONS ACROSS ENERO GROUP, GIVING STAFF OPPORTUNITIES TO WORK IN DIFFERENT CITIES AND OFFICES ACROSS THE GLOBE

Share and save

Shared services across the Group in HR, Finance, Design, Production, Office Support and IT

100 HARRIS STREET

WE'RE CREATING A BRAND NEW SYDNEY HUB, UNDER ONE ROOF, WITH WORLD-CLASS FACILITIES FOR BOTH STAFF AND CLIENTS

10%

No single client was relied on for more than 10% of Group revenue

84

CLIENTS UTILISED OUR GLOBAL CONNECTIONS IN MORE THAN ONE COUNTRY

Collaboration

31 clients are serviced by more than one business across Enero Group allowing shared knowledge and insights

ENERO'S BUSINESSES

HOME OF THE LONG IDEA

We're BMF, the home of the long idea.

Long ideas are built to last, to stand the test of time. But also be flexible enough to go *with* the times. They run counter to the short-termism in our industry that's hungry for a quick win. Instead, a commitment to long ideas builds equity, trust and ultimately delivers value, requiring less investment with each iteration.

Some of the brands and businesses who have embraced and benefited from this philosophy are household names like ALDI, Tip Top, Dulux, TAL and the Australian Electoral Commission. We have also applied this thinking to two major behavior change projects for the Federal Government designed to tackle the domestic violence epidemic and combat the rising threat of terrorism.

This approach and the outstanding team of people developing and delivering the ideas has resulted in 8 finalists in the 2016 Advertising Effectiveness Awards, 75 international and national creative awards and attracted 9 new client partners. A record that has put BMF back at the top of Australia's creative agency rankings.

www.bmf.com.au

PR EVERYONE'S TALKING ABOUT

At Frank, we're all about 'Talkability'. We love creating the kind of buzz that gets our clients noticed, for all the right reasons. We have redefined PR from public relations to public reactions.

Recently, we've been getting tongues wagging through some of the most ingenious ideas and stunts in the industry.

Campaigns that brought home the silverware include creating a variety of #MorningCheats for Weetabix On The Go that were shared millions of times online (and gave people vital extra minutes in bed). Then there was the content piece for My Voucher Codes that was a parody of a famous Christmas ad that cost £7 million and took seven months to make... except ours cost £700 and took seven hours (but piggybacked on all the hype).

We were also crowned the UK's Large Agency of the Year at the PR Moment Awards, which gave us all sore heads the next morning.

Never content to rest on our laurels, our latest initiatives include expanding our services into corporate reputation management, crisis and issues management, more digital consulting, and an impressive increase in our SEO-PR offering.

Our regional offices are also doing us PR-proud, including Manc Frank (Manchester), McFrank (Glasgow, Scotland) and Frank PR Australia. Creating Talkability just happens to be a whole lot of fun. We can't wait to see what we'll dream up next.

www.frankpr.it

EXPERTS IN ONLINE RESEARCH AND DATA DELIVERY

This financial year, clients have continued to turn to The Digital Edge for some of the most creative and effective ways to gain the insights they need.

All of us at The Digital Edge love taking advantage of the latest technology to deliver cut-through research solutions for our clients on any device. We do this through some of the most innovative surveys, polls, dashboards and online communities seen on screens anywhere.

Our people are a brilliant mix of relentless researchers, passionate producers and dedicated developers. While their backgrounds are many and varied, their mission is the same: Delivering research solutions that are, quite simply, more edgy.

With over 99 clients who've conducted research across 22 countries, you could say we have a world of experience to draw on.

The year's highlights include working on some projects for clients including Foxtel, OPSM and many more.

www.thedigitaledge.com.au

MONETISING THE WORLD'S DIGITAL AUDIENCE

These days, digital is not just another way of communicating, it's the way we communicate. Connected devices of all sizes now permeate our life – whether we're on the sofa, at our desks or on the go.

As the modern-day marketplace full of opportunities to do business, the digital space offers some of the most exciting new ways to bring buyers and sellers together. And at the forefront of these new opportunities is OBMedia.

With one of the most effective Cost Per Click ad networks, OBMedia continues to help clients turn digital data into dollars. Thanks to our programmatic media solutions, we're able to deliver highly targeted campaigns through newsletters, email publishers, display publishers and advertisers.

It's not only our products that stand out from the pack, but our people. Behind our leading digital solutions are some of the best thinkers in the business – people who live and breathe digital. These include analysts and developers who work closely with our account managers to create new and better ways to tap into the endless possibilities of the online world.

OBMedia is well placed in this emerging industry and is set for an exciting year ahead.

www.obmedia.com

ON CALL WHEN ISSUES GET CRITICAL

Communication in complex, regulated environments with high levels of public accountability and a risk profile – that's the sweet spot for CPR.

Our team of former media and political professionals delivers expert advice on government relations, issues management and communication strategy. The bipartisan government relations team was boosted this year with new staff joining our Melbourne office.

With a focus on solving problems and effecting change, our team is informed, strategic and connected. We're specialists in delivering insightful policy, funding and media outcomes for clients in every sector from transport to renewable energy; medical research to aged care and the arts.

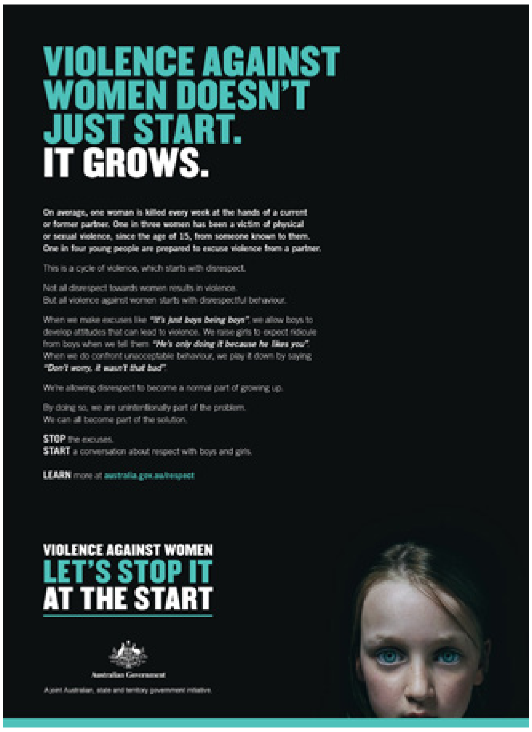
New clients this year include the Youth Mental Health Foundation's 'headspace', Melbourne Writers Festival and Malaysian property giant MRCB. We have built a diverse client roster that includes ACCIONA, Alstom and Samsung.

Looking ahead, our government relations team is in the process of helping clients navigate the new Senate, while our issues managers continue to focus on technology and health.

www.cprcomm.com.au

BMF

In the past two years, BMF has taken ALDI from beloved challenger to a serious third contender with award winning campaigns including ‘The Supermarket Switch’ and ‘Like Brands. Only Cheaper’.



For the Department of Social Services BMF tackled Australia’s violence against women epidemic with ‘Let’s Stop It At The Start’, a behavior-change campaign targeting influencers of young Australians.

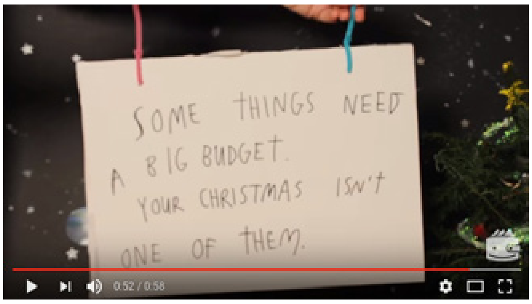
SHOWCASE

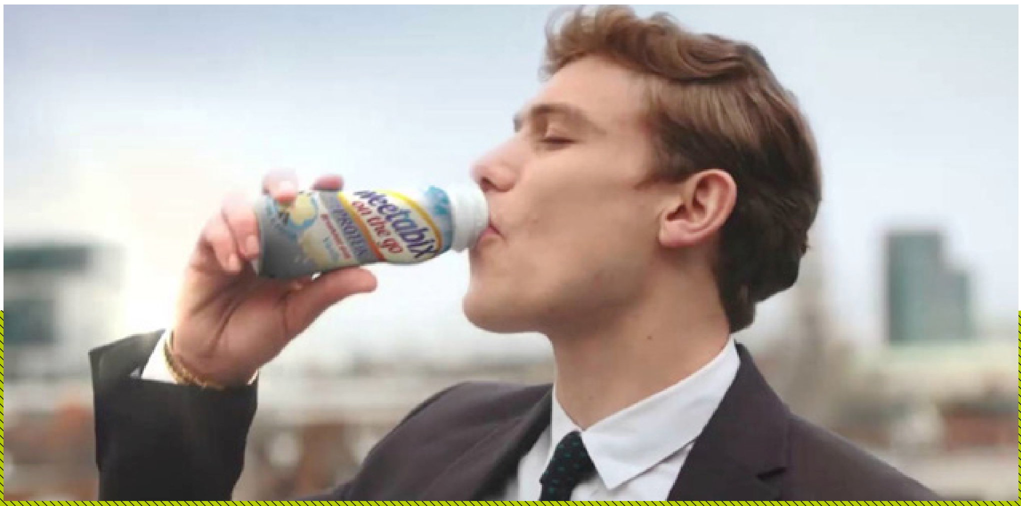
CPR

CPR was engaged in 2015 by Samsung Electronics Australia to lead the development and implementation of the company’s government engagement program. They also built on their 2014 success in providing the publicity machine behind Melbourne Writers Festival, an annual literary event featuring more than 350 journalists, authors and thinkers from Australia and around the world. In 2015, CPR achieved five times as more coverage than previously achieved, doubling that in 2014 and are back on board for 2016.

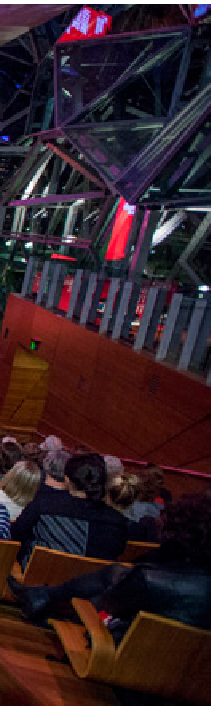
FRANK PR

Christmas ads in the UK have become the defining brand moment of the year, none more so than John Lewis who spent £7m and 7 months on their Christmas campaign. myvouchercodes recreated the advert for £700 in 7 hours. Designed to deliver SEO back links, the campaign delivered across all media, showing that big budgets aren't necessary at Christmas.





Weetbix 'On The Go's' core consumer will go to extreme measures to spend more time in bed. Frank created a platform positioning WOTG as the ultimate 'Morning Cheat' driving unprecedented traffic to weetabix's social channels.



ENERO'S BUSINESSES

GAME-CHANGING, FUTURE-ENABLING PUBLIC RELATIONS

As technology continues to break down boundaries, clients are turning to a new kind of PR agency with the creative solutions to take their stories further. Hotwire helps ambitious technology and innovation companies build their reputations, stand out from the crowd and change the game.

For over 16 years, Hotwire has been the communications agency for the digital age. Smart, switched-on and always seeking better ways to do things, we work with technology and innovation clients to deliver the kind of PR that goes the distance. Whether it's making a splash locally or taking the world by storm, we're in with all the key influencers who can help our clients impress the right audiences.

During the last financial year, our Global Partner Network has continued to flourish – giving us increasing presence across Latin America, South East Asia, Central and Eastern Europe, and Southern Africa. We now have 22 owned or affiliated offices around the world bringing the best of our knowledge, skills and experience to our clients.

Likewise, our ingenious Hotwire Labs teams have continued to deliver highly effective insights and analytics, design, messaging, digital build and above-the-line campaigns.

And while we're not in it for the awards, 2016 has seen us score first prize in the CIPR Excellence Awards for Outstanding Large Public Relations Consultancy and the PRCA National Awards for the UK's Young PR Lions Competition.

2017 is shaping up to be one of our best years yet.

www.hotwirepr.com

UNLOCKING INSIGHT, INSPIRING CHANGE, UNLEASHING ACTION

Precinct is the audience engagement specialist.

We embrace our clients B2B communications ambitions and work tirelessly to make them a reality.

Just because you're a business doesn't mean you have to talk like one. When it comes to business communications, Precinct's mission is to replace the yawn factor with a little more va-va-voom – on even the most seemingly technical topic.

Whatever media we're talking, we let our client's personality shine through. We're experts at everything from brand identity, video and digital to internal communications, investor relations and events.

By helping businesses talk like real people, we help them connect with real people in more meaningful ways. People at the heart of company success: Employees, partners, communities and investors.

This year alone, our communications have helped major clients such as IBM, Kimberly-Clark and Infigen win more hearts and kick more goals than ever.

www.precinct.com.au

CHALLENGE CONVENTION

At Naked Communications, we believe that real breakthroughs only happen when market conventions are challenged by new thinking. That's why 'challenging convention' is at the heart of everything we do.

We have structured the agency to challenge convention using 'strategic creativity'; a holistic and integrated approach to strategic thinking and creative ideation. We partner with our clients to help define their business problems, before bringing strategic creativity to bear to deliver effective solutions within traditional marketing channels and throughout the rest of their business.

We've had more than a few successes in 2016 on a range of clients like RMIT, Mojo Power, BBVA, Surfstich, Gumtree and Sanitarium – developing campaigns that have pushed the boundaries to achieve greater effectiveness.

Our UK office also scored big in several awards, including the Pedigree Tracks platform, which won countless gongs such as best in the Mobile Category at the Brand Republic Digital Awards 2016.

www.nakedcomms.com

NAVIGATING COMPLEXITY TO CREATE VALUE

At The Leading Edge, we do things differently. But not just for the sake of it.

We believe that breaking conventions and approaching everything creatively is a way to gain fresh insights into what makes people tick. It is this thinking that our clients often need to kickstart the relationships between their brands and their customers.

In an increasingly complex world of marketing, we continue to thrive on helping our clients turn complexity into clarity.
We do this across five key areas: Market definition, brand strategy, innovation, shopper marketing and communication strategy.

We are the perfect partner for those clients who appreciate our refreshing, challenging and inspiring way of working. That's what gives us our 'edge'.

This year our biggest successes have included some amazing work for McDonald's, Westpac, Beam Suntory, Nestlé, ABI Inbev and Surfstitch. We are again Platinum sponsor of the 2016 AMSRS conference and 2017 is shaping up to be a great year for our UK office with brilliant new people joining the team.

www.theleadingedge.com

DIRECT NAVIGATION EXPERTS

Offering a unique integrated suite of domain products and services, Dark Blue Sea is the expert in maximising direct navigation traffic for advertisers.

Through our primary product, Fabulous.com, we manage over 600,000 third party domains – giving us a distribution network of over 1,000,000 generic domain names across 550 industries. So it's little wonder that Fabulous.com is the domain monetisation system of choice for premium domain portfolio owners.

We also help clients make the most of online traffic through other innovative products and services including the Domain Distribution Network, Fabulous Domains and Drop.

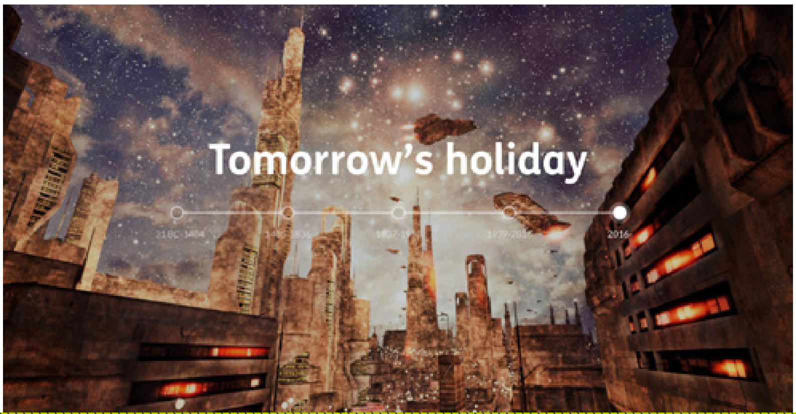
Our extensive distribution network is complemented by Roar.com, a PPC contextual advertising network; and DarkBlue.com, a CPA-based affiliate network.

www.darkbluesea.com

HOTWIRE

Parcel company Doddle, which has shops at train stations across the UK, tasked Hotwire with driving awareness of its service during its busiest periods. Hotwire's 'Doddle Say Relax' campaign epitomised the fact that Doddle takes the stress out of shopping. Doddle achieved its busiest day ever over the Black

Friday weekend, volumes rose by 132% November to Christmas and Doddle gained 130,000 new customers. Travelex wanted to make their site serve as more than just a destination for people to buy money from. Hotwire built an immersive narrative on the history of the holiday, spanning from Ancient Rome to the present day and beyond.



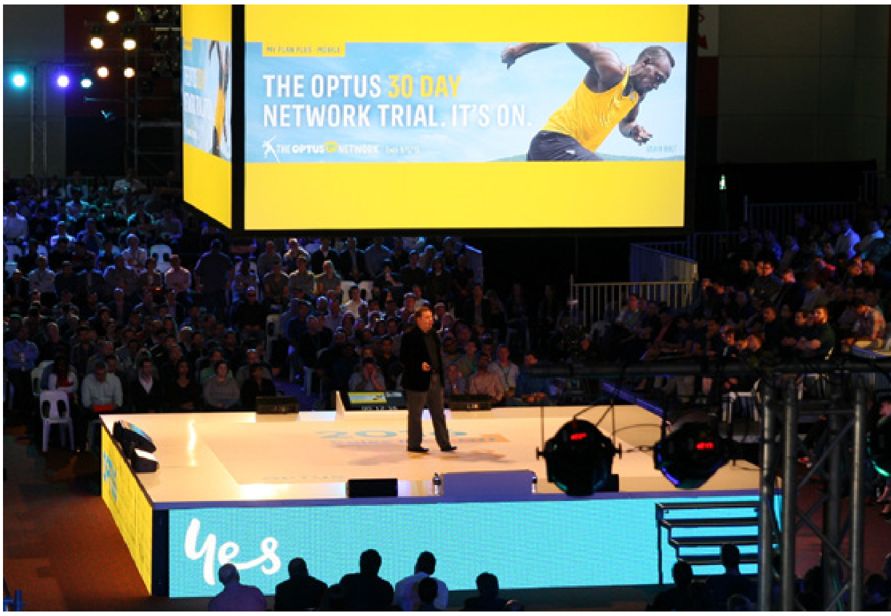
SHOWCASE

NAKED

To promote Microsoft's Surface device to schools, Naked developed Australia's first 3D-printed DM piece for school principals, featuring a 3D model of da Vinci's 'aerial screw'. The campaign is now running globally across the US and Europe. Teaming up with Vine influencers, Naked UK sparked a cultural movement 'The Hunger Cry for Danio'.

PRECINCT

In 2015 Precinct partnered with Kimberly-Clark Global Sustainability in Atlanta, to create a dynamic new brand and inspiring storytelling framework from which to communicate their ambitious, next-level Sustainability 2022 goal for the next 7 years. In amongst a year of events for Optus, Precinct also delivered a two-day interactive, entertainment-filled arena experience for 1,200 key retail sales staff.



And for Virgin Atlantic's loyal customers, who'd flown a million airborne miles with them, rewarded their loyalty with a personalized gift that transformed the exact location of their millionth mile into one-off piece of art.

THE LEADING EDGE

"The main reason for this note as a 'business-side customer' of the work commissioned, I'd like to commend both The Leading Edge and the RAMS Marketing team colleagues who managed this end to end. I've been in this game a long time and had many experiences with research providers – this has been the most constructive engagement I have worked through from cradle to grave to capture well messaged, clear and actionable insight to support what is a very, very complex business challenge."

Paul Oakes
Senior Manager Customer Insights & Analytics, RAMS Marketing

Directors' Report

The Directors present their report, together with the financial statements of Enero Group Limited (**the Company**) and of the Group, being the Company and its controlled entities, for the year ended 30 June 2016; and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

John Porter – Independent Non-Executive Chairman

John was appointed as Chairman and Non-Executive Director of the Company on 24 April 2012. Prior to joining Enero Group, John Porter was Executive Director and Chief Executive Officer of Austar United Communications Limited from June 1999 to April 2012. John was Managing Director of Austar Entertainment Pty Limited from July 1997 to December 1999. From January 1997 to August 1999, he also served as the Chief Operating Officer of United Asia Pacific, Inc. (UAP). He led the establishment of Austar Entertainment Pty Limited in 1995, and by doing so played an integral role in the development of Australia's subscription television industry. Prior to joining Austar, John spent 10 years in various senior management capacities for Time Warner Cable, a subsidiary of Time Warner, Inc. He has more than 30 years of management experience in the US and Australian subscription television industries. John is also currently CEO of Telenet Group Holding NV. John is a member of the Remuneration and Nomination Committee.

Matthew Melhuish – CEO and Executive Director

Matthew was appointed Chief Executive Officer and Executive Director of the Company on 16 January 2012. Matthew has over 30 years' experience in the advertising and marketing industry across a range of roles in Australia and the UK. Prior to being appointed CEO, Matthew had been the key executive overseeing the Company's Australian Agencies business. Matthew is a founding partner of leading creative agency BMF, and was CEO of that business for 15 years from its inception through to BMF being named as Agency of the Decade. Matthew is a respected leadership figure within the Australian advertising industry. He was Chairman of the EFFIEs Advertising Effectiveness Awards for 10 years and he has played key roles for over 15 years as a National Board member of the peak industry body The Communications Council and as a National Board member and National Chairman of its predecessor organisation the Advertising Federation of Australia (AFA). Matthew is a current Board member of the Sydney Festival and was a Board member of the international aid organisation Médecins Sans Frontières/Doctors without Borders (MSF) for 10 years.

Susan McIntosh – Non-Executive Director

Susan was appointed as a Non-Executive Director of the Company on 2 June 2000. Susan has more than 25 years' business experience in media (international television production and distribution and radio) and asset management, and is the Managing Director of RG Capital Holdings (Australia) Pty Ltd. Prior to joining RG Capital, Susan was Chief Financial Officer of Grundy Worldwide Ltd and played an integral role in the establishment of its international television operations and in the eventual sale of the company in 1995. Susan was previously a Director of RG Capital Radio Ltd and E*TRADE Aust Ltd. Susan is a member of the Institute of Chartered Accountants. Susan is a member of the Audit and Risk Committee, and the Remuneration and Nomination Committee.

Roger Amos – Independent Non-Executive Director

Roger was appointed as a Non-Executive Director of the Company on 23 November 2010. Roger is Chairman of Tyrian Diagnostics Limited and a member of its audit committee. He is a Director of 3P Learning Limited, Chairman of its audit committee and a member of its remuneration committee. He is a Director of REA Group Limited, Chairman of its audit committee and a member of its remuneration committee. He was a Director of Austar United Communications Limited, the Chairman of its audit and risk committee and a member of its remuneration committee until April 2012. All are publicly listed Australian companies. He was the Chairman of Opera Foundation Australia from 2009 to 2013 and is a Governor of the Cerebral Palsy Alliance Research Foundation. Roger retired in 2006 after 25 years as a Partner of KPMG, where he focused on the information, communication and entertainment sector and held a number of global roles. Roger is a Fellow of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors. Roger is the Deputy Chairman of the Board of Directors, Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Max Johnston – Independent Non-Executive Director

Max was appointed as a Non-Executive Director of the Company on 28 April 2011. Max is the Non-Executive Chairman of Probiotec Limited, Non-Executive Director of PolyNovo Limited and a Director of Medical Developments International. For 11 years he was President and Chief Executive Officer of Johnson & Johnson, Pacific and an Executive Director of Johnson & Johnson. Max has also held several prominent industry roles, including as a past President of ACCORD Australasia Limited, a former Vice Chairman of the Australian Food and Grocery Council and a former member of the Board of ASMI. He has had extensive overseas experience during his career in leading businesses in both Western and Central-Eastern Europe and Africa. Max is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Russel Howcroft – Independent Non-Executive Director

Russel was appointed as a Non-Executive Director of the Company on 21 May 2015. Russel is the Executive General Manager for Network Ten Limited. He has had a long and distinguished career in the advertising industry spanning over 25 years, including six years as MD then CEO at George Patterson Y&R Australia and New Zealand, and a five-year stint at leading UK creative agency Lowe & Partners. He was also a founding partner of the start-up Brandhouse Agency. Russel is currently a Board member of Freeview and was formerly the Chairman of the Advertising Federation of Australia. Russel is a panel member of ABC's "The Gruen Transfer" and holds various other media roles.

Company Secretary

Brendan York was appointed Company Secretary on 1 July 2012. He is also the Group Finance Director of the Group. Brendan is a Chartered Accountant and has a Bachelor of Business Administration and Bachelor of Commerce from Macquarie University.

Principal activities

The principal activities of the Group during the course of the financial year were integrated marketing and communication services, including strategy, market research, advertising, public relations, communications planning, graphic design, events management, direct marketing and corporate communications.

Corporate Governance

The Directors support and have adhered to the principles of corporate governance.

A copy of the Company's full 2016 Corporate Governance Statement, which provides detailed information about governance, and a copy of the Company's Appendix 4G which sets out the Company's compliance with the recommendations in the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles), is available on the corporate governance section of the Company's website at http://www.enero.com/shareholder-centre/corporate-governance.

Operating and financial review

Operations of the Group

The Group consists of 10 marketing and communication services businesses across eight countries with more than 550 employees. The Group's service offering includes integrated marketing and communication services, including strategy, market research, advertising, public relations, communications planning, graphic design, events management, direct marketing and corporate communications.

The Group has three key hubs – Sydney, London and New York – which house the majority of the Group's businesses and employees.

Please refer to page 8 for details of product offerings for each operating business.

Financial performance for the year

The Group achieved an increase in Operating EBITDA of 43.5% to $13.2 million and an increase of 2.9% in net revenue. The Operating EBITDA margin increased to 11.6% as compared to 8.3% in the prior year; 67% of the Operating Brands segment's Operating EBITDA is generated from international markets.

The increased Operating EBITDA and margin was attributable to:

- improvements in new business win rates across the Operating Brands which has provided stability in Net Revenue;
- continuing to leverage Group assets to service client needs with integration of key skills and resources across Operating Brands; and
- reductions to cost base across a number of Operating Brands and focus on benchmark ratios to measure the Operating Brands against.

Reconciliation of profit/(loss) after tax to Operating EBITDA

In thousands of AUD	2016	2015
Net Revenue	113,488	110,347
Operating EBITDA	13,220	9,202
Depreciation and amortisation expenses	(3,060)	(4,225)
Net finance income	170	65
Restructure costs	–	(1,667)
Loss on deregistration/disposal of subsidiaries (i)	–	(2,644)
Profit before tax	10,330	731
Income tax expense	(2,215)	(2,346)
Profit/(loss) after tax	8,115	(1,615)

(i) During the prior reporting period, the Group deregistered a number of dormant subsidiaries. Loss on disposal of subsidiaries represents foreign currency translation reserve transferred to income statement at the time of deregistration of foreign subsidiaries.

Financial position of the Group

The Group continues to maintain a strong balance sheet with no bank debt. Any accumulated cash balances are maintained in the Group due to continued restrictions on alterations to its capital structure and payment of dividends such that no dividends can be paid until the contingent deferred consideration payments as described in Note 23 Deferred consideration payables have been paid, settled or cancelled.

The Group implemented strict working capital management to ensure efficient conversion of EBITDA to cash and has delivered positive operating cash flows of $17,000,000 from an Operating EBITDA of $13,220,000.

Strategy and prospects

The Group's primary objective is to create a world-class boutique marketing and communications group from three key hubs – Sydney, London and New York – solving clients' marketing needs through innovative solutions.

Please refer to page 8 for further details on the strategy and prospects of the Group.

Basis of preparation

The Directors' Report includes Operating EBITDA, a measure used by the Directors and management in assessing the ongoing performance of the Group. Operating EBITDA is a non-IFRS measure and has not been audited or reviewed.

Operating EBITDA is calculated as profit before interest, taxes, depreciation, amortisation, impairment, loss on disposal of subsidiaries and restructure costs. Operating EBITDA, reconciled in the table on page 17, is the primary measure used by management and the Directors in assessing the performance of the Group. It provides information on the Group's cash flow generation excluding significant transactions and non-cash items which are not representative of the Group's ongoing operations.

Disposals

2016
There were no disposals during the current reporting period.

2015
During the prior reporting period, the Group deregistered a number of dormant subsidiaries.

Issue of shares and share options

Shares issued on exercise of SAR

During the year ended 30 June 2016, a total of 95,944 shares (2015: 1,460,386 shares) were transferred from a trust account held by the Company to the employees of the Group on exercise of Share Appreciation Rights.

As at 30 June 2016, the Company has 3,228,203 shares (30 June 2015: 3,324,147 shares) in a trust account held by the Company for future use against long-term incentive equity schemes as and when required.

Dividends

No dividend was declared during the year ended on 30 June 2016, or after the balance sheet date, at the date of this report. For further details refer to Note 14 Capital and reserves in this annual report.

State of affairs

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

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year were:

	Board meetings		Audit and Risk Committee meetings		Remuneration and Nomination Committee meetings	
	A	B	A	B	A	B
John Porter	4	6	–	2	1	2
Matthew Melhuish	6	6	–	–	–	–
Susan McIntosh	6	6	4	4	2	2
Roger Amos	6	6	4	4	2	2
Max Johnston	6	6	2	2	2	2
Russel Howcroft	6	6	–	–	–	–

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office or was a member of the Committee during the year.

Directors' interests

The relevant interests of each Director in the shares or options issued by the Group, as notified by the Directors to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, at the date of this report are as follows:

Director	Ordinary shares	Share Appreciation Rights
John Porter	270,833	Nil
Matthew Melhuish	1,187,453	1,333,334
Susan McIntosh	122,223	Nil
Roger Amos	31,390	Nil
Max Johnston	77,778	Nil
Russel Howcroft	45,549	Nil
Total	1,735,226	1,333,334

Share Appreciation Rights

Unissued shares under Share Appreciation Rights plan

At the date of this report, unissued shares of the Company under the Share Appreciation Rights plan are:

Expiry date	Number of SARs	Exercise price
30 September 2016	2,183,315	$0.71
30 September 2016	1,900,001	$0.70
30 September 2017	1,900,001	$0.70
30 September 2018	1,899,998	$0.70
Total	7,883,315	

These SARs in the table above do not entitle the holder to participate in any share issue of the Company.

Events subsequent to balance date

Subsequent to balance date, on 12 July 2016 the Company entered into a lease agreement relating to a new Sydney hub office. The property lease will commence on 1 January 2017 for a period of seven years.

Other than the matter 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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

Please refer to Note 25 Subsequent events for further details.

Likely developments

The Group will continue to focus on its strategy outlined in the operating and financial review. The Group will specifically focus on new business conversion to increase net revenues, and building the profile of the USA-based operating units in the upcoming year.

Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current Directors of the Company: John Porter, Matthew Melhuish, Susan McIntosh, Roger Amos, Max Johnston, Russel Howcroft and Company Secretary Brendan York, against liabilities to another person (other than the Company or a related body corporate) that may arise from their positions as Directors, Secretaries or Executives of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any liabilities, including costs and expenses.

The Company has also agreed to indemnify the current Directors and Secretaries of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

During the financial year, the Company has paid insurance premiums in respect of Directors' and Officers' liabilities, for current Directors and Officers covering the following:

– costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal; and

– other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The Directors have not included details of the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts.

Non-audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

– all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and

– non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group, or jointly sharing risks and rewards.

A copy of the Lead Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is on page 66 of this annual report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices, for non-audit services provided during the year, are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed in Note 28 Auditors' remuneration of the notes to the financial statements.

	2016 $	2015 $
Services other than statutory audit		
Auditors of the Company		
Taxation compliance services:		
KPMG Australia	–	30,000
Overseas KPMG firms	178,000	166,000
Other advisory services:		
KPMG Australia	–	7,000
Overseas KPMG firms	9,000	3,000
Total services other than statutory audit	187,000	206,000

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that Class Order, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Remuneration Report – Audited

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1 Introduction

The Directors of Enero Group Limited present this Remuneration Report for the Group for the year ended 30 June 2016. The information provided in the Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001* and forms part of the Directors' Report.

The Remuneration Report outlines practices and specific remuneration arrangements that apply to Key Management Personnel (KMP) in accordance with the requirements of the *Corporations Act 2001*.

2 Key Management Personnel (KMP) disclosed in this report

KMP comprise the Directors of the Company and Executives. The KMP covered in this Remuneration Report are those people having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The table below outlines the KMP at any time during the financial year, and unless otherwise indicated, they were KMP for the entire year.

Name	Role
Non-Executive Directors	
John Porter	Non-Executive Director (Chairman)
Roger Amos	Non-Executive Director (Deputy Chairman)
Susan McIntosh	Non-Executive Director
Max Johnston	Non-Executive Director
Russel Howcroft	Non-Executive Director
Executives	
Matthew Melhuish	Chief Executive Officer
Brendan York	Group Finance Director
Stephen Watson	Group Strategy and Operations Director
Katie McGrath	Group Human Resources Director

3 Remuneration Governance

The Board has established the Remuneration and Nominations Committee ("Committee"). It is responsible for making recommendations on remuneration matters to the Board on:

- the over-arching executive remuneration framework;
- operation of the incentive plans which apply to Executives including key performance indicators and performance hurdles;
- remuneration levels of Company Executives and Subsidiary Executives;
- appointment of the Chief Executive Officer, senior Executives and Directors themselves; and
- Non-Executive Director fees.

The Committee's objective is to ensure that remuneration policies and structures are fair, competitive to attract suitably qualified candidates, reward the achievement of strategic short-term and long-term objectives and achieve long-term value creation for shareholders.

The Corporate Governance Statement (available in the Corporate Governance section of the Company's website) provides further information on the role of the Committee.

There were no services used from remuneration consultants during the year ended 30 June 2016.

4 Executive Remuneration policy and framework

The objective of the Group's executive reward framework is to attract, motivate and retain employees with the required capabilities and experience to ensure the delivery of business strategy.

The Executive Remuneration framework includes the Company Executives and the subsidiary Executives to ensure alignment across all levels of the Group.

The framework aligns executive reward with the achievement of strategic objectives resulting in remuneration structures taking into account:

- the responsibility, performance and experience of key management personnel;
- the key management personnel's ability to control the relevant Company's performance;
- the Group's performance, including:
  - the Group's earnings with profit a core component of remuneration design;
  - the growth in share price and delivering constant returns on shareholder wealth; and
  - the Group's achievement of strategic objectives.

For Company Executives, the remuneration framework currently has the following components:

- fixed remuneration – comprising base pay, benefits and superannuation;
- short-term incentive – comprising an annual cash bonus; and
- long-term incentive – equity-based Share Appreciation Rights Plan.

For Subsidiary Executives, the remuneration framework currently has the following components:

- fixed remuneration – comprising base pay, benefits and superannuation;
- short-term incentive – comprising either an annual cash bonus through an EBITDA sharing arrangement or a retained equity interest in the subsidiary entitling a dividend stream linked to profitability; and
- long-term incentive – equity-based Share Appreciation Rights Plan.

The remuneration framework for Subsidiary Executives has been disclosed in this report despite such Executives not meeting the definition of KMP.

4(a) Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost-to-Company basis and includes fringe benefits tax charges related to employee benefits), as well as employer contributions to superannuation and pension funds.

Remuneration levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers the responsibility, performance and experience of the individual and the overall performance of the Group and ensures competitive market salaries are provided. An Executive's remuneration may also be reviewed on promotion.

There are no guaranteed fixed remuneration increases included in any Executive contracts.

4(b) Performance-linked remuneration

Performance-linked remuneration includes both short-term incentives (**STI**) and long-term incentives (**LTI**) and is designed to reward KMPs, Executives, subsidiary Executives and key leadership for meeting or exceeding financial, strategic and personal targets.

The Remuneration Committee changed the STI for the CEO and Company Executives with effect from 1 July 2015. The purpose of this change was to further align Executives with the creation of shareholder value through driving top-line revenue growth along with Operating EBITDA margin improvements given the continued restrictions around Company Capital (see Note 23 Deferred Consideration payables).

Short-term incentives (STI):

The purpose of STI is to motivate and reward Executives for contributing to the delivery of annual business performance as assessed against financial and non-financial measures.

Participant	Performance measures and rationale
CEO	The STI for the CEO is an annual cash-based maximum short-term incentive payment of 70% of the CEO's fixed remuneration determined by the achievement of revenue and Operating EBITDA hurdles set by the Remuneration and Nomination Committee.
Company Executives	The STI for Company Executives is an annual cash-based maximum short-term incentive payment of 70% of the Executive's fixed remuneration determined by the achievement of revenue and Operating EBITDA hurdles set by the Remuneration and Nomination Committee.
Subsidiary Executives	The STI for Subsidiary Executives is linked to the financial performance and direct profitability of their relevant subsidiary. For each subsidiary of the Company (or group of Subsidiaries known as an Operating Business Unit) the STI has either one of the following structures: – an EBITDA sharing arrangement such that the CEO and key senior leadership of that subsidiary are entitled to a share of EBITDA agreed by the Remuneration and Nomination Committee each year. A component of the share of EBITDA is also subject to the achievement of pre-determined KPIs for both the individual and Operating Brand. This incentive is paid annually in cash at the end of the financial year; or – a direct equity interest in the subsidiary, retained or earned over a vesting period, entitling the holder to a dividend stream linked to financial performance of that subsidiary.

The STIs (excluding dividends from direct equity interests in subsidiaries) are paid in cash following the end of the financial year and approval from the Remuneration Committee.

The Remuneration Committee has the discretion to take into account any significant non-cash items in determining whether the financial KPIs have been achieved, where it is considered appropriate for linking remuneration reward to Company performance.

Long-term incentives (LTI):

The purpose of the LTI is to align Executive remuneration with long-term shareholder value and the performance of the Group. The LTI is provided as an equity-based incentive in the Company under the terms of the Share Appreciation Rights Plan (SAR) (see Note 27).

Description	The SAR Plan grants rights to shares in the Company on the achievement of appreciation in the Company's share price over the vesting period. Enero's Board may determine whether or not the grant of rights is conditional on the achievement of performance hurdles (including service conditions), and if so the nature of those hurdles. No dividends or voting rights are attached to the SAR.
Eligibility	The plan allows for the Board to determine who is entitled to participate in the SAR and it may grant rights accordingly.
Performance period	The performance period for the LTI is generally three years.
Rights	The exercise of each right will entitle the rights holder to receive a fraction of an ordinary share based on a conversion formula of E = (A – B)/A, where: – E is the share right entitlement; – A is the volume weighted average price (**VWAP**) for the Company's shares for the 20 business days prior to the vesting date of the rights; and – B is the VWAP for the Company's shares for the 20 business days before the rights were granted. If A – B is less than or equal to zero, the share right will not vest and will immediately lapse on the applicable vesting date. Rights expire at 15 business days after the relevant vesting date or the termination of the individual's employment.
Other conditions	One share right shall never convert into more than one share in the capital of the Company. The Board may exercise discretion on early vesting of rights in the event of a change of control of the Group.

Refer to the below table for a summary of SARs on issue.

Refer to Section 8 Share-based payments of the Remuneration Report for further information regarding the SARs.

Summary of Share Appreciation Rights on issue:

Issue Date	15 October 2013	16 June 2015 (i)	20 October 2015
SARs issued	11,150,000	1,000,000	4,700,000
Participants	CEO and Senior Executives	CEO	Senior Executives
VWAP for the 20 business days prior to the grant (B)	71 cents	70 cents	70 cents
Vesting dates: 20 business days after the release of the Group financial report for the year ended:			
Tranche 1	30 June 2014 – 1/3rd	30 June 2016 – 1/3rd	30 June 2016 – 1/3rd
Tranche 2	30 June 2015 – 1/3rd	30 June 2017 – 1/3rd	30 June 2017 – 1/3rd
Tranche 3	30 June 2016 – 1/3rd	30 June 2018 – 1/3rd	30 June 2018 – 1/3rd
Expiry	30 September 2016	30 September 2018	30 September 2018
Outstanding SARs as at 30 June 2016	2,183,315	1,000,000	4,700,000

(i) Grant is in relation to SARs provided to the CEO which were issued on 16 June 2015 and subsequently approved by the shareholders on 20 October 2015. The VWAP is for the 20 business days prior to the shareholder approval.

5 Executive service agreements

It is the Group's policy that service contracts for Key Management Personnel are in force either for a fixed period, with an extension period negotiable after completion of the initial term, or on a rolling basis. The agreements are capable of termination, acknowledging appropriate notice periods, and the Group retains the right to terminate the contract immediately for contractual breach by the Executive or by making payment in lieu of notice.

The service agreements outline the components of remuneration paid to the Key Management Personnel. Remuneration levels are reviewed annually by the Remuneration and Nomination Committee or in accordance with the terms of the service agreements.

Summary terms for current service agreements for Key Management Personnel:

Key Management Personnel	Duration of contract	Notice period on termination by Group	Notice period on resignation by Key Management Personnel	Termination payment on termination by Group (i) (ii) (iii) (iv)	Termination payment on resignation by Key Management Personnel (i) (ii) (iv)
CEO	30 June 2019	6 months	6 months	6 months base salary	6 months base salary
Group Finance Director	Rolling	6 months	3 months	6 months base salary	3 months base salary
Group Strategy and Operations Director	Rolling	3 months	3 months	3 months base salary	3 months base salary
Group Human Resource Director	Rolling	3 months	3 months	3 months base salary	3 months base salary

(i) In addition to termination payments, Key Management Personnel are also entitled to receive, on termination of their employment, their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

(ii) Includes any payment in lieu of notice.

(iii) No termination payment is due if termination is for serious misconduct.

(iv) Executives are entitled to a pro-rata STI payment on termination, except for termination for serious misconduct.

Remuneration details of Executives are set out in Section 7 Directors' and Executive Officers' remuneration.

6 Non-Executive Directors

The Company's Constitution provides that the Non-Executive Directors are each entitled to be paid such remuneration from the Company as the Directors decide for their services as Director, but the total amount provided to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company in a general meeting. This amount has been fixed by the Company at $750,000 for the financial year ended 30 June 2016.

The remuneration of Non-Executive Directors does not include any performance-based pay and they do not participate in any equity-based incentive plans. Directors may be reimbursed for travelling and other expenses incurred in attending to the Company's affairs. Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra services or makes special exertions for the benefit of the Company.

Non-Executive Director base and committee fees were changed with effect from 1 April 2015.

The following Non-Executive Director fees (inclusive of superannuation) have been applied in the years ended 30 June 2016 and 30 June 2015:

	2016 $	2015 S
Base fees – annual		
Chairman	120,000	120,000
Other Non-Executive Directors	75,000	75,000
Committee fees – annual		
Audit and Risk Committee – Chairman	10,000	10,000
Remuneration and Nomination Committee – Chairman	10,000	10,000

Additionally, the Deputy Chairman is paid a $10,000 annual fee for duties conducted under this role.

Remuneration details of Non-Executive Directors are set out in Section 7 Directors' and Executive Officers' remuneration.

7 Directors' and Executive Officers' remuneration

7(a) Directors' and Executive Officers' short-term cash benefits, post-employment benefits, other long-term remuneration and equity-based remuneration

Details of the nature and amount of each element of the remuneration of each Director of the Company, and each of the Executives of the Company who are KMPs, are shown in the table below:

		Short-term benefits			Post-employment	Long-term benefits	Share-based payments		
		Salary and fees $	Cash bonus[i] $	Annual leave[iii] $	Superannuation $	Long service leave[iii] $	Value of Share Appreciation Rights[ii] $	Total $	Proportion of total remuneration performance related[iv] %
Non-Executive Directors									
John Porter	2016	120,000	–	–	–	–	–	120,000	–
	2015	161,250	–	–	–	–	–	161,250	–
Susan McIntosh	2016	68,493	–	–	6,507	–	–	75,000	–
	2015	110,873	–	–	10,533	–	–	121,406	–
Roger Amos	2016	86,758	–	–	8,242	–	–	95,000	–
	2015	126,690	–	–	12,035	–	–	138,725	–
Max Johnston	2016	77,626	–	–	7,374	–	–	85,000	–
	2015	113,156	–	–	10,750	–	–	123,906	–
Russel Howcroft[v]	2016	68,493	–	–	6,507	–	–	75,000	–
	2015	7,552	–	–	717	–	–	8,269	–
Executive Director									
Matthew Melhuish,	2016	800,000	163,862	(13,658)	19,308	(19,156)	168,576	1,118,932	29.71
Director and CEO	2015	800,000	150,000	(57,965)	18,783	15,116	143,762	1,069,696	27.46
Executives									
Brendan York,	2016	350,000	73,862	(1,474)	19,308	15,908	80,544	538,148	28.69
Group Finance Director	2015	350,000	45,000	12,399	18,783	15,733	53,309	495,224	19.85
Stephen Watson,	2016	350,000	73,862	(1,523)	19,308	1,919	80,544	524,110	29.46
Group Strategy and Operations Director	2015	350,000	45,000	6,171	18,783	1,391	52,712	474,057	20.61
Katie McGrath,	2016	350,000	73,862	(38,432)	19,308	5,069	80,544	490,351	31.49
Group Human Resource Director	2015	350,000	45,000	10,776	18,783	4,011	52,712	481,282	20.30

(i) The short-term incentive bonus is for performance during the 30 June 2016 financial year using the criteria set out on page 21. The table above includes the expense incurred during the financial year for the bonuses awarded. Refer to the table below for the bonuses awarded.

(ii) Share Appreciation Rights are calculated at the date of grant using the Black-Scholes model. The fair value is allocated to each reporting period on a straight-line basis over the period from the grant date (or service commencement date) to vesting date.

(iii) Amounts represent movements in employee leave entitlements, with a negative balance representing an overall reduction in the employee leave provision compared with the prior year.

(iv) Percentages are based on total remuneration, including equity, cash, post-employment benefits and other compensation.

(v) Russel Howcroft was appointed as a Director on 21 May 2015.

7(b) Performance-related remuneration

Details of the Company's policy in relation to the proportion of remuneration that is performance-based are discussed on page 21.

7(c) STI included in remuneration

Details of the vesting profile of the short-term incentive bonuses awarded as remuneration to each Executive of the Company and the Group, who was classified a Key Management Personnel, are discussed below.

Short-term incentive bonus(i)	Metric	% of fixed remuneration payable(ii)	Included in remuneration $	% vested in year
Company Executives				
Matthew Melhuish	Revenue and Operating EBITDA target	20	163,862	100
Brendan York	Revenue and Operating EBITDA target	20	73,862	100
Stephen Watson	Revenue and Operating EBITDA target	20	73,862	100
Katie McGrath	Revenue and Operating EBITDA target	20	73,862	100

(i) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on the achievement of satisfaction of specified performance criteria as discussed in Section 4(b) Short-term incentives and are approved following the completion of the reporting period audit.

(ii) Fixed remuneration is salary and fees plus superannuation.

No bonuses were forfeited during the year.

8 Share-based payments

8(a) Share-based payment arrangements granted as remuneration

Details of SARs that were granted as compensation to each key management personnel during the reporting period and details of SARs that vested during the reporting period are as follows:

	Type of right granted during 2016	Number of rights granted during 2016	Grant date	Fair value per right at grant date $	Exercise price $	Expiry date(i)	Number of rights vested during 2016
Company Executives							
Brendan York	SAR	600,000	20 Oct 2015	0.17 – 0.28	0.70	30 Sept 2018	–
Stephen Watson	SAR	600,000	20 Oct 2015	0.17 – 0.28	0.70	30 Sept 2018	–
Katie McGrath	SAR	600,000	20 Oct 2015	0.17 – 0.28	0.70	30 Sept 2018	–

(i) The last expiry date of the rights is 20 business days after the release of the Group's financial report for the year ended 30 June 2018, which is estimated to be around 30 September 2018.

8(b) Analysis of share-based payments granted as remuneration

Details of the vesting profile of the rights granted as remuneration to a Director of the Company, and each of the KMPs, are shown below:

	Number of rights granted	Type of right granted	Grant date	% vested in year	% exercised in year	% remaining to vest	Vesting date(i)
Executive Director							
Matthew Melhuish	888,889	SAR	16 Jan 2012	45	45	–	30 Sep 2013, 30 Sep 2014 and 30 Sep 2015
	1,000,000	SAR	15 Oct 2013	33	–	34	30 Sep 2014, 30 Sep 2015 and 30 Sep 2016
	1,000,000	SAR	16 June 2015	–	–	100	30 Sep 2016, 30 Sep 2017 and 30 Sep 2018
Company Executives							
Brendan York	600,000	SAR	15 Oct 2013	33	–	34	30 Sep 2014, 30 Sep 2015 and 30 Sep 2016
	600,000	SAR	20 Oct 2015	–	–	100	30 Sep 2016, 30 Sep 2017 and 30 Sep 2018
Stephen Watson	600,000	SAR	15 Oct 2013	33	–	34	30 Sep 2014, 30 Sep 2015 and 30 Sep 2016
	600,000	SAR	20 Oct 2015	–	–	100	30 Sep 2016, 30 Sep 2017 and 30 Sep 2018
Katie McGrath	600,000	SAR	15 Oct 2013	33	–	34	30 Sep 2014, 30 Sep 2015 and 30 Sep 2016
	600,000	SAR	20 Oct 2015	–	–	100	30 Sep 2016, 30 Sep 2017 and 30 Sep 2018

(i) The dates reflected in the table above represent all of the vesting dates for each tranche of rights. The vesting date of the SARs is 20 business days after the release of the Group's preliminary financial report for the relevant financial year. This is estimated to be around 30 September each year.

8(c) Analysis of movements in rights and value of rights exercised

The movement during the reporting period in the number of rights over ordinary shares in Enero Group Limited held, directly, indirectly or beneficially, by each KMP, including their related entities, and value of rights exercised during the year, is as follows:

	Granted held at 1 July 2015	Granted as remuneration in year	Expired	Exercised	Granted held at 30 June 2016	Vested during the year	Vested and exercisable at 30 June 2016	Value of rights exercised during the year $
Director								
Matthew Melhuish	2,061,729	–	(333,333)	(395,062)	1,333,334	395,062	–	149,333
Executives								
Brendan York	400,000	600,000	(200,000)	–	800,000	–	–	–
Stephen Watson	400,000	600,000	(200,000)	–	800,000	–	–	–
Katie McGrath	400,000	600,000	(200,000)	–	800,000	–	–	–

No share-based payments held by KMP were cancelled during the year.

No share-based payments held by KMP are vested but not exercisable at 30 June 2016.

No share-based payments were held by KMP related parties.

No terms of equity-settled share-based payment transactions (including rights granted as compensation to Key Management Personnel) have been altered or modified by the issuing entity during the reporting period or the prior period.

9 Directors' and Executive Officers' holdings of shares

The movement during the reporting period in the number of ordinary shares in Enero Group Limited, held directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 July 2015	Purchases	Issued as remuneration	Received on exercise of rights	Sales	Held at 30 June 2016
Directors						
John Porter	270,833	–	–	–	–	270,833
Matthew Melhuish	1,091,509	–	–	95,944	–	1,187,453
Susan McIntosh	122,223	–	–	–	–	122,223
Roger Amos	7,556	23,834	–	–	–	31,390
Max Johnston	77,778	–	–	–	–	77,778
Russel Howcroft	–	45,549	–	–	–	45,549
Executives						
Brendan York	87,806	–	–	–	–	87,806
Stephen Watson	76,522	–	–	–	–	76,522
Katie McGrath	76,522	–	–	–	(34,500)	42,022

10 Loans to Key Management Personnel

No loans were outstanding at the reporting date to Key Management Personnel and their related parties.

11 Remuneration and Group performance

The Remuneration and Nomination Committee has given consideration to the Group's performance and consequences on shareholder wealth in the current financial year and the four previous financial years. The Remuneration and Nomination Committee has given minimal weighting to the year ended 30 June 2012 given the operational restructure which took place that financial year including significant divestments of operations along with the change in capital structure following the completion of the divestment program, and therefore has not disclosed this financial year as it provides no meaningful information to determine remuneration structures. Financial performance from operations of the current and last three financial years is indicated in the following table:

	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Metric				
Net Revenue ($'000)	113,488	110,347	119,493	127,315
Operating EBITDA ($'000)	13,220	9,202	8,972	3,619
Operating EBITDA margin (%)	11.65%	8.34%	7.51%	2.84%
Opening share price (1 July) ($)	0.71	1.08	0.36	0.51
Closing share price (30 June) ($)	1.25	0.78	1.07	0.34

The Remuneration and Nomination Committee has determined appropriate remuneration structures which align remuneration of KMPs with future shareholder wealth.

The Remuneration and Nomination Committee considers the achievement of financial targets as well as non-financial measures in setting the short-term incentives. In the financial year to 30 June 2016, an emphasis has been placed by the Remuneration and Nomination Committee on the achievement of increased Net Revenue and Operating EBITDA along with specific KPIs.

Longer-term profitability, changes in share price and return of capital are factors the Remuneration and Nomination Committee takes into account in assessing the LTI as demonstrated by the implementation of the SAR which aligns remuneration with future share price performance and reward for increases in the share price.

The Remuneration and Nomination Committee has reviewed both the financial performance in the current financial year as well as the achievement of stated strategic objectives which took place during the financial year. The Remuneration and Nomination Committee believes the achievement of improved Net Revenue, Operating EBITDA and Operating EBITDA margin along with a stronger network across the Operating Brands are aligned with the achievement of future shareholder wealth and therefore confirms the Executive Remuneration policy and framework.

End of remuneration report.

Lead Auditor's independence declaration

The lead Auditor's independence declaration is set out on page 66, and forms part of the Directors' Report for the year ended 30 June 2016.

This report is made in accordance with a resolution of the Directors.

Dated at Sydney this 25th day of August 2016.

John Porter

Chairman

Consolidated income statement
for the year ended 30 June 2016

In thousands of AUD	Note	2016	2015
Gross revenue	3	213,632	212,332
Directly attributable costs of sales	3	(100,144)	(101,985)
Net revenue	3	113,488	110,347
Other income		206	206
Employee expenses		(79,085)	(81,070)
Occupancy costs		(8,082)	(8,345)
Travel expenses		(1,515)	(2,034)
Communication expenses		(2,252)	(2,184)
Compliance expenses		(2,114)	(2,114)
Depreciation and amortisation expenses		(3,060)	(4,225)
Administration expenses		(7,426)	(7,271)
Loss on disposal of subsidiaries		–	(2,644)
Net finance income	4	170	65
Profit before income tax		10,330	731
Income tax expense	5	(2,215)	(2,346)
Profit/(loss) for the year		8,115	(1,615)
Attributable to:			
Equity holders of the parent		6,585	(2,787)
Non-controlling interests		1,530	1,172
		8,115	(1,615)
Basic earnings/(loss) per share (AUD cents)	15	8.0	(3.4)
Diluted earnings/(loss) per share (AUD cents)	15	7.8	(3.4)

The notes on pages 33 to 62 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 30 June 2016

In thousands of AUD	Note	2016	2015
Profit/(loss) for the year		8,115	(1,615)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(10,851)	11,206
Reclassification of foreign currency differences on disposal of subsidiaries		–	2,585
Total items that are or may be reclassified subsequently to profit or loss		(10,851)	13,791
Other comprehensive income for the year, net of tax		(10,851)	13,791
Total comprehensive income for the year		(2,736)	12,176
Attributable to:			
Equity holders of the parent		(4,268)	10,671
Non-controlling interests		1,532	1,505
		(2,736)	12,176

The notes on pages 33 to 62 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 30 June 2016

		Attributable to owners of the Company							
In thousands of AUD	Note	Share capital	Accumulated losses	Share-based payment reserve	Reserve change in ownership interest in subsidiary	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
Opening balance at 1 July 2014		489,830	(380,828)	15,219	(1,117)	(21,793)	101,311	2,194	103,505
Profit/(loss) for the year		–	(2,787)	–	–	–	(2,787)	1,172	(1,615)
Other comprehensive income for the year net of tax		–	–	–	–	13,458	13,458	333	13,791
Total comprehensive income for the year		–	(2,787)	–	–	13,458	10,671	1,505	12,176
Transactions with owners recorded directly in equity:									
Shares issued to employees on exercise of Share Appreciation Rights	14	1,679	–	(1,679)	–	–	–	–	–
Dividends paid to equity holders		–	–	–	–	–	–	(1,284)	(1,284)
Share-based payment expense		–	–	1,121	–	–	1,121	–	1,121
Changes in ownership interests in subsidiaries									
Disposal of non-controlling interests without a change in control		–	–	–	(300)	–	(300)	300	–
Shares issued to non-controlling interests in controlled entities		–	–	(109)	–	–	(109)	109	–
Closing balance at 30 June 2015		491,509	(383,615)	14,552	(1,417)	(8,335)	112,694	2,824	115,518
Opening balance at 1 July 2015		491,509	(383,615)	14,552	(1,417)	(8,335)	112,694	2,824	115,518
Profit for the year		–	6,585	–	–	–	6,585	1,530	8,115
Other comprehensive income for the year net of tax		–	–	–	–	(10,853)	(10,853)	2	(10,851)
Total comprehensive income for the year		–	6,585	–	–	(10,853)	(4,268)	1,532	(2,736)
Transactions with owners recorded directly in equity:									
Shares issued to employees on exercise of Share Appreciation Rights	14	67	–	(67)	–	–	–	–	–
Transfer from share-based payment reserve to accumulated losses		–	1,787	(1,787)	–	–	–	–	–
Dividends paid to equity holders		–	–	–	–	–	–	(2,324)	(2,324)
Share-based payment expense		–	–	801	–	–	801	–	801
Closing balance at 30 June 2016		491,576	(375,243)	13,499	(1,417)	(19,188)	109,227	2,032	111,259

The notes on pages 33 to 62 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
as at 30 June 2016

In thousands of AUD	Note	2016	2015
Assets			
Cash and cash equivalents	6	37,620	25,812
Trade and other receivables	7	24,305	27,852
Other assets	8	4,630	4,335
Income tax receivable	5	–	273
Total current assets		66,555	58,272
Receivables	7	–	21
Deferred tax assets	5	1,715	1,887
Plant and equipment	9	4,942	7,034
Other assets	8	338	427
Intangible assets	10	75,502	84,545
Total non-current assets		82,497	93,914
Total assets	2	149,052	152,186
Liabilities			
Trade and other payables	11	32,237	31,561
Interest-bearing loans and borrowings	16	9	27
Employee benefits	12	2,166	2,356
Income tax payable	5	994	748
Provisions	13	163	220
Total current liabilities		35,569	34,912
Interest-bearing loans and borrowings	16	11	–
Employee benefits	12	599	480
Provisions	13	1,614	1,276
Total non-current liabilities		2,224	1,756
Total liabilities	2	37,793	36,668
Net assets		111,259	115,518
Equity			
Issued capital	14	491,576	491,509
Reserves		(7,106)	4,800
Accumulated losses		(375,243)	(383,615)
Total equity attributable to equity holders of the parent		109,227	112,694
Non-controlling interests		2,032	2,824
Total equity		111,259	115,518

The notes on pages 33 to 62 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 30 June 2016

In thousands of AUD	Note	2016	2015
Cash flows from operating activities			
Cash receipts from customers		243,572	236,667
Cash paid to suppliers and employees		(225,317)	(228,043)
Cash generated from operations		18,255	8,624
Interest received		257	237
Income taxes paid		(1,424)	(1,696)
Interest paid		(88)	(172)
Net cash from operating activities	6	17,000	6,993
Cash flows from investing activities			
Proceeds from disposal of non-current assets		10	10
Acquisition of plant and equipment		(1,081)	(2,635)
Net cash used in investing activities		(1,071)	(2,625)
Cash flows from financing activities			
Finance lease payments		(31)	(1,726)
Dividends paid to non-controlling interests in controlled entities		(2,324)	(1,284)
Net cash used in financing activities		(2,355)	(3,010)
Net increase in cash and cash equivalents		13,574	1,358
Effect of exchange rate fluctuations on cash held		(1,766)	1,941
Cash and cash equivalents at 1 July		25,812	22,513
Cash and cash equivalents at 30 June	6	37,620	25,812

The notes on pages 33 to 62 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 30 June 2016

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1. Basis of preparation

In preparing these financial statements, the notes have been grouped into sections under certain key headings. Each section sets out the accounting policies applied together with any key judgements and estimates used.

(a) Reporting entity

Enero Group Limited (**the Company**) is a for-profit Company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 25 August 2016.

(b) Statement of compliance

The consolidated financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (**IFRS**) and interpretations adopted by the International Accounting Standards Board (**IASB**).

(c) Basis of preparation

(i) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for the items as described in Note 1(c)(iv).

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that Class Order, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(ii) Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes the Group 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 Group's ability to meet its future cash flow requirements using its projected cash flows from operations and existing cash reserves held as at the balance sheet date.

(iii) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods if affected.

Further information about critical accounting estimates and judgements made is included in the following notes:

- 3. Revenue
- 5. Income tax expense and deferred tax
- 17. Financial risk management/financial instruments (Trade receivables)
- 18. Impairment of non-financial assets
- 23. Deferred consideration payables
- 27. Share-based payments

(iv) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- 10. Intangible assets
- 23. Deferred consideration payables
- 27. Share-based payments

(v) New standard early adopted

AASB 2015-2 *Amendments to AASB 101 Presentation of Financial Statements*, which applies to annual reporting periods commencing on or after 1 January 2016, has been early adopted for the preparation of the 2016 financial statements and notes. This standard removed certain minimum disclosure requirements from AASB 101 including the removal of reference to a "summary of significant accounting policies", allowing re-organisation and grouping of notes to the financial statements giving prominence to the areas most relevant to understanding the organisation and encouraging companies to no longer disclose information that is not material.

(d) Foreign currency

(i) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies of the Group at the foreign exchange rate ruling at that date. Foreign exchange differences arising on retranslation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (**FCTR**) in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the income statement as part of the profit or loss on disposal.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

(e) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, unless GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the taxation authority, are presented as operating cash flows.

(f) Changes in accounting policies

The accounting policies provided throughout the Notes 1 to 28 of this report have been applied consistently to all periods presented in the consolidated financial statements.

(g) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the Group's financial statements, except for:

- AASB 9 *Financial Instruments*, which becomes mandatory for the Group's 2018 consolidated financial statements;
- AASB 15 *Revenue from Contracts with customers*, which becomes mandatory for the Group's 2018 consolidated financial statements; and
- AASB 16 *Leases*, which becomes mandatory for the Group's 2020 consolidated financial statements.

The Group does not plan to early adopt the above named standards and the extent of the impact of these standards has not yet been determined.

(h) The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions and impairment write-downs; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- Key numbers: provides a breakdown of individual line items in the financial statements that the Directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;
- Capital: provides information about the capital management practices of the Group and shareholder returns for the year;
- Risk: discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance and what the Group does to manage these risks;
- Group structure: explains aspects of the Group structure and changes during the year;
- Unrecognised items: provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance; and
- Other items: provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements, however are not considered critical in understanding the financial performance or position of the Group.

2. Operating segments

The Group had one operating segment (Operating Brands) based on internal reporting regularly reviewed by the Chief Executive Officer (CEO), who is the Group's chief operating decision maker (CODM).

The operating segment is defined based on the manner in which service is provided in the geographies operated in, and it correlates to the way in which results are reported to the CEO on a monthly basis. Revenues are derived from marketing services.

The Operating Brands segment includes International and Australian specialised marketing and communication services, including strategy, market research, advertising, public relations, communications planning, graphic design, events management, direct marketing and corporate communications.

The measure of reporting to the CEO 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 does not reflect the underlying trading of the operations.

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

Operating EBITDA: is calculated as profit before interest, taxes, depreciation, amortisation, impairment, loss on disposal of subsidiaries and restructure costs.

2016 **In thousands of AUD**	**Operating Brands**	**Total segment**	**Unallocated**	**Eliminations**	**Consolidated**
Gross revenue	213,632	213,632	_	_	213,632
Directly attributable cost of sales	(100,144)	(100,144)	_	_	(100,144)
Net revenue	113,488	113,488	_	_	113,488
Other income	206	206	_	_	206
Operating expenses	(93,754)	(93,754)	(6,720)	_	(100,474)
Operating EBITDA	19,940	19,940	(6,720)	_	13,220
Depreciation and amortisation expenses					(3,060)
Net finance income					170
Income tax expense					(2,215)
Profit for the year					8,115
Goodwill	75,446	75,446	_	_	75,446
Other intangibles	56	56	_	_	56
Assets excluding intangibles	60,244	60,244	40,178	(26,872)	73,550
Total assets	135,746	135,746	40,178	(26,872)	149,052
Liabilities	35,109	35,109	29,556	(26,872)	37,793
Total liabilities	35,109	35,109	29,556	(26,872)	37,793
Amortisation of intangibles	59	59	_	_	59
Depreciation	2,658	2,658	343	_	3,001
Capital expenditure	1,034	1,034	47	_	1,081

* All segments are continuing operations.

Geographical segments

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

Geographical information	**2016**		**2015**	
In thousands of AUD	**Net revenues**	**Non-current assets**	**Net revenues**	**Non-current assets**
Australasia	45,983	3,187	53,392	4,592
UK and Europe	51,212	2,375	44,416	3,217
USA	16,293	1,433	12,539	1,560
Unallocated intangibles(i)	_	75,502	_	84,545
Total	113,488	82,497	110,347	93,914

(i) Goodwill and other intangibles are allocated to the Operating Brands segment. However, as the Operating Brands are managed at a global level they cannot be allocated across geographical segments.

2015 In thousands of AUD	Operating Brands	Total segment	Unallocated	Eliminations	Consolidated
Gross revenue	212,332	212,332	_	_	212,332
Directly attributable cost of sales	(101,985)	(101,985)	_	_	(101,985)
Net revenue	110,347	110,347	_	_	110,347
Other income	206	206	_	_	206
Operating expenses	(94,881)	(94,881)	(6,470)	_	(101,351)
Operating EBITDA	15,672	15,672	(6,470)	_	9,202
Restructure costs	(1,667)	(1,667)	_	_	(1,667)
Loss on disposal of subsidiaries					(2,644)
Depreciation and amortisation expenses					(4,225)
Net finance income					65
Income tax expense					(2,346)
Loss for the year					(1,615)
Goodwill	84,430	84,430	_	_	84,430
Other intangibles	115	115	_	_	115
Assets excluding intangibles	56,595	56,595	32,769	(21,723)	67,641
Total assets	141,140	141,140	32,769	(21,723)	152,186
Liabilities	34,569	34,569	23,822	(21,723)	36,668
Total liabilities	34,569	34,569	23,822	(21,723)	36,668
Amortisation of intangibles	875	875	_	_	875
Depreciation	2,853	2,853	497	_	3,350
Capital expenditure	2,343	2,343	292	_	2,635

* All segments are continuing operations.

Major Customer

There is no single customer of the Group exceeding 10% of the Group's total Net Revenue for the year ended 30 June 2016 (2015: net revenue from a customer of the Operating Brands segment represented approximately 10.7% of the Group's total Net Revenue).

Accounting policy

The Group determines and presents segments based on the information that is provided internally to the Chief Executive Officer (CEO), who is the Group's chief operating decision maker (CODM).

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

Unallocated items comprise corporate overheads: 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.

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

3. Revenue

In thousands of AUD	2016	2015
Gross revenue from the rendering of services	213,632	212,332
Directly attributable cost of sales	(100,144)	(101,985)
Net revenue	113,488	110,347

Accounting policy
The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is determined by reference to outputs and deliverables in connection with the completion of the service.

Gross revenue represents billings to clients, inclusive of directly attributable costs of sales, relating to Group subsidiaries where a principal relationship exists between the subsidiary and its client. Where the Group subsidiaries act as an agent, the amount included as revenue is recognised net of amounts collected/paid on behalf of clients.

Net revenue is the amount that flows to the Group net of directly attributable cost of sales. Directly attributable cost of sales includes any project-related costs and rechargeable disbursements.

(i) Advertising and production revenue
Advertising and production revenue is recognised net of directly attributable cost of sales.

(ii) Retainer fee
Retainer fee for services rendered is recognised over the term of the contract on a straight-line basis, unless there is some other method that better represents the stage of completion.

Key estimates
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 judgements and assumptions of the stage of completion of the service using information of the time and costs incurred to date as a percentage of the forecasted total time and costs. Actual results may differ from estimates as at the reporting date.

4. Net finance income

In thousands of AUD	2016	2015
Net finance income		
Interest and finance costs	(87)	(90)
Finance lease interest	–	(82)
Interest income	257	237
Net finance income	170	65

Foreign exchange gains of $70,000 (2015: loss $28,000) have been recognised in the consolidated income statement and have been included in administration expenses.

Accounting policy
(i) Interest income
Interest income is recognised as it accrues to the related financial asset using the effective interest method.

(ii) Finance costs
Finance costs are recognised in the income statement using the effective interest method. They include interest on bank overdraft, amortisation of ancillary costs incurred in connection with financing arrangements and finance lease interest.

5. Income tax expense and deferred tax

Income tax expense

Recognised in the income statement

In thousands of AUD	2016	2015
Current tax expense		
Current year	2,582	1,793
Adjustments for prior years	(544)	(168)
	2,038	1,625
Deferred tax expense		
Origination and reversal of temporary differences	177	721
	177	721
Income tax expense in income statement	2,215	2,346

Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit/(loss) for the year	8,115	(1,615)
Income tax expense	2,215	2,346
Profit excluding income tax	10,330	731
Income tax expense using the Company's domestic tax rate of 30% (2015: 30%)	3,099	219
Increase in income tax expense due to:		
Share-based payment expense	240	184
Tax losses not brought to account	410	1,515
Other non-deductible items	148	89
Accounting amortisation of identifiable intangible assets	–	244
Effect of losses on disposal of subsidiaries	–	793
Decrease in income tax expense due to:		
Effect of losses not previously recognised	(666)	(80)
Effect of lower tax rate on overseas incomes	(472)	(206)
Over-provision for tax in previous years	(544)	(168)
Unwinding of deferred tax liability established in business combinations	–	(244)
Income tax expense on pre-tax net profit	2,215	2,346

Current taxes

The Group has a net current tax payable of $994,000 (2015: payable $475,000). The net current tax payable is comprised of current tax payables of $994,000 (2015: $748,000) and current tax receivables of $Nil (2015: $273,000).

Deferred taxes

Recognised deferred tax assets and liabilities are attributable to the following:

In thousands of AUD	2016	2015
Deferred tax assets		
Tax losses carried forward	3,949	3,941
Employee benefits	712	726
Impairment of doubtful debts	–	58
Accruals and income in advance	509	472
Lease make good	204	187
Lease incentive	170	157
Deductible share issue costs	10	71
Plant and equipment	385	533
Other	58	43
Gross deferred tax assets	5,997	6,188
Deferred tax liabilities		
Identifiable intangibles	17	1
Lease make good asset	35	63
Work in progress	239	217
Fair value gain	3,949	3,941
Plant and equipment	42	79
Gross deferred tax liabilities	4,282	4,301
Net deferred tax asset	1,715	1,887

5. Income tax expense and deferred tax (continued)

Movement in deferred tax balances

The movement in deferred tax balances during the year was all recognised in the income statement.

Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits:

In thousands of AUD	2016	2015
Revenue losses	36,675	38,796
Capital losses	210,836	207,785
Gross tax losses carried forward	247,511	246,581

Accounting policy

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither the accounting nor the taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Key assumption

The Group has recognised deferred tax assets on tax capital losses arising from disposed subsidiaries. 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.

6. Cash and cash equivalents

In thousands of AUD	Note	2016	2015
Cash at bank and on hand		35,215	23,462
Bank short-term deposits		2,405	2,350
Cash and cash equivalents in statement of financial position and statement of cash flows		37,620	25,812

For statement of cash flow presentation purposes, cash and cash equivalents include cash on hand, short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position. The Group has pledged short-term deposits (see Note 16 Loans and borrowings).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 17 Financial risk management/financial instruments.

Reconciliation of cash flows from operating activities

(i) Reconciliation of cash For the purpose of the statements of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash assets	37,620	25,812
(ii) Reconciliation of loss after income tax to net cash provided by operating activities		
Profit/(loss) after income tax	8,115	(1,615)
Add/(less) non-cash items:		
Loss on sale of non-current assets	2	1
Share-based payments expense	801	1,121
Depreciation and amortisation	3,001	3,350
Release of lease incentive/rent straight-line	30	211
Lease make good amortisation	440	212
Release of lease make good provision	(75)	(236)
Amortisation of identifiable intangibles	59	875
Loss on disposal of subsidiaries	–	2,644
Increase in income taxes payable (net)	519	24
(Increase)/decrease in deferred tax assets and liabilities	173	659
Net cash provided by operating activities before changes in assets and liabilities	13,065	7,246
Changes in assets and liabilities adjusted for the effects of purchase and disposal of controlled entities during the financial year:		
(Increase)/decrease in receivables	3,548	(1,310)
(Increase)/decrease in work in progress	(458)	487
(Increase)/decrease in prepayments	134	28
(Increase)/decrease in other assets	66	260
Increase/(decrease) in payables	(878)	1,359
Increase/(decrease) in unearned revenue	1,593	(189)
Increase/(decrease) in provisions	(70)	(888)
Net cash from operating activities	17,000	6,993

7. Trade and other receivables

In thousands of AUD	Note	2016	2015
Current			
Trade receivables		24,441	28,050
Less: provision for impairment loss	17	(173)	(292)
		24,268	27,758
Other receivables		37	94
		24,305	27,852
Non-current			
Other non-current receivables		–	21
		–	21
Total trade and other receivables		24,305	27,873

No interest is charged on trade debtors. The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in Note 17 Financial risk management/financial instruments.

8. Other assets

In thousands of AUD	2016	2015
Current		
Work in progress	1,431	973
Prepayments	3,088	3,222
Other current assets	111	140
	4,630	4,335
Non-current		
Deposits	174	209
Other non-current assets	164	218
	338	427

9. Plant and equipment

In thousands of AUD	Computer equipment	Office furniture and equipment	Plant and equipment	Leasehold improvements	Plant and equipment under finance lease	Total
2016						
Cost	5,279	2,649	826	7,056	–	15,810
Accumulated depreciation	(3,971)	(1,940)	(631)	(4,326)	–	(10,868)
Net carrying amount	1,308	709	195	2,730	–	4,942
Reconciliations of the carrying amounts of each class of property, plant and equipment are set out below:						
Carrying amount at the beginning of the year	1,844	927	192	3,897	174	7,034
Additions	578	208	77	246	–	1,109
Transfer	–	–	51	–	(51)	–
Depreciation	(1,062)	(390)	(109)	(1,317)	(123)	(3,001)
Effect of movements in exchange rates	(52)	(34)	(16)	(85)	–	(187)
Disposals	–	(2)	–	(11)	–	(13)
Carrying amount at the end of the year	1,308	709	195	2,730	–	4,942
2015						
Cost	6,360	2,693	306	6,622	1,608	17,589
Accumulated depreciation	(4,516)	(1,766)	(114)	(2,725)	(1,434)	(10,555)
Net carrying amount	1,844	927	192	3,897	174	7,034
Reconciliations of the carrying amounts of each class of property, plant and equipment are set out below:						
Carrying amount at the beginning of the year	2,067	987	132	3,489	565	7,240
Additions	1,036	305	110	1,104	80	2,635
Depreciation	(1,358)	(426)	(62)	(1,033)	(471)	(3,350)
Effect of movements in exchange rates	103	71	9	337	–	520
Disposals	(4)	(10)	3	–	–	(11)
Carrying amount at the end of the year	1,844	927	192	3,897	174	7,034

Accounting policy

(i) Recognition and measurement
Plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see Note 18 Impairment of non-financial assets). The cost of the asset also includes the cost of replacing parts on an item of plant and equipment when it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to the income statement as incurred.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

(ii) Derecognition
An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits.

Gains and losses on derecognition are determined by comparing the proceeds with the carrying amount and recognised within “Administration expenses” in the income statement.

(iii) Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. 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. Other leases are operating leases; the leased assets are not recognised on the Group’s statement of financial position.

9. Plant and equipment (continued)

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the assets' estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership of the asset by the end of the lease term. The major categories of plant and equipment are depreciated as follows:

	2016	2015
Computer equipment	25% – 40%	25% – 40%
Office furniture and equipment	5% – 25%	5% – 25%
Plant and equipment	10% – 25%	10% – 25%
Leasehold improvements	Life of lease	Life of lease
Plant and equipment under finance lease	Life of lease	Life of lease

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

10. Intangible assets

In thousands of AUD	Goodwill	IT related intellectual property	Contracts and customer relationships	Internally generated intangible assets	Total
2016					
Cost	283,086	9,094	16,927	3,085	312,192
Accumulated amortisation	–	(299)	(16,246)	(1,346)	(17,891)
Impairment	(207,640)	(8,795)	(681)	(1,683)	(218,799)
Net carrying amount	75,446	–	–	56	75,502
Reconciliations of the carrying amounts of intangibles are set out below:					
Carrying amount at the beginning of the year	84,430	–	–	115	84,545
Amortisation	–	–	–	(59)	(59)
Effect of movements in exchange rates	(8,984)	–	–	–	(8,984)
Carrying amount at the end of the year	75,446	–	–	56	75,502
2015					
Cost	305,956	9,094	16,927	3,085	335,062
Accumulated amortisation	–	(299)	(16,246)	(1,287)	(17,832)
Impairment	(221,526)	(8,795)	(681)	(1,683)	(232,685)
Net carrying amount	84,430	–	–	115	84,545
Reconciliations of the carrying amounts of intangibles are set out below:					
Carrying amount at the beginning of the year	75,707	–	814	176	76,697
Amortisation	–	–	(814)	(61)	(875)
Effect of movements in exchange rates	8,723	–	–	–	8,723
Carrying amount at the end of the year	84,430	–	–	115	84,545

Amortisation charge

The amortisation charge of $59,000 (2015: $875,000) is recognised in the depreciation and amortisation expense in the income statement.

Goodwill CGU group allocation

The Group has two CGUs, the Operating Brands CGU and the Search Marketing CGU. The entire goodwill balance of $75,446,000 (2015: $84,430,000) relates to the Operating Brands CGU.

The decrease in the goodwill carrying value as compared to the prior reporting period is in relation to the decreased Australian dollar translation of foreign currency denominated goodwill.

Accounting policy

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost. Cost is measured as the cost of the business combination minus the net fair value of the acquired and identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is allocated to cash generating units expected to benefit from synergies created by the business combination.

Goodwill is not amortised, but instead is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(ii) Research and development

Expenditure on research activities is charged to the income statement as incurred.

Expenditure on development activities (including internally developed software), is capitalised only if development costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset.

The capitalised development expenditure includes the cost of materials, direct labour and an appropriate proportion of overhead costs that are directly attributable to preparing the asset for its intended use. Capitalised development expenditure is measured at cost, less accumulated amortisation and impairment losses.

(iii) Other intangible assets

Other intangible assets acquired separately are measured on initial recognition at cost. The other intangible assets acquired in business combinations are mainly customer relationships and customer contracts. The cost of these assets is their fair value at date of acquisition based on valuation techniques generally using the excess earnings method. Following initial recognition, intangible assets are carried at cost less amortisation and any impairment losses.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Amortisation

Intangibles assets other than goodwill are amortised on a straight-line basis over their estimated useful lives from the date they are available for use.

A summary of the useful lives of intangible assets is as follows:

Intangible asset	Useful life
IT related intellectual property	2 to 8 years
Customer contracts	3 to 4 years
Customer relationships	2 to 8 years
Internally generated intangibles	2 to 5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(v) Impairment

Refer to Note 18 Impairment of non-financial assets for further details on impairment.

11. Trade and other payables

In thousands of AUD	2016	2015
Current liabilities		
Trade payables	11,586	12,248
Other trade payables and accrued expenses	8,955	9,209
Unearned income	11,696	10,104
	32,237	31,561

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 17 Financial risk management/financial instruments.

12. Employee benefits

In thousands of AUD	2016	2015
Aggregate liability for employee benefits, including on-costs		
Current		
Employee benefits provision	2,166	2,356
Non-current		
Employee benefits provision	599	480

The Group has recognised $1,918,000 (2015: $1,991,000) as an expense in the income statement for defined contribution plans during the reporting period. For further details refer to Note 27 Share-based payments.

Accounting policy
Provision is made for employee benefits including annual leave and long service leave for employees.

(i) Long-term employee benefits
The Group's net obligation in respect of long-term service benefits, other than superannuation and pension plans, is the amount of future benefit that employees have earned in return for their service provided up to the reporting date. The obligation is calculated using expected future increases in wage and salary rates, including related on-costs and expected settlement dates, and is discounted using the rates attached to the Corporate bond which have maturity dates approximating to the terms of the Group's obligations.

(ii) Wages, salaries, annual leave, and non-monetary benefits
Liabilities for employee benefits for wages, salaries, and annual leave, that are due to be settled within 12 months of the reporting date, represent present obligations resulting from employees' services provided to reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date, including related on-costs.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be reliably estimated.

(iii) Termination benefits
Termination benefits are charged to the income statement when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are charged to the income statement if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

13. Provisions

In thousands of AUD	Lease make good	Lease incentive	Rent straight-line	Restructure provision	Total
2016					
Current	4	144	15	–	163
Non-current	1,132	84	398	–	1,614
Total provisions current and non-current	1,136	228	413	–	1,777
Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:					
Carrying amount at the beginning of the year	884	244	368	–	1,496
Increase due to new provision	382	67	61	–	510
Effect of movement in exchange rates	(55)	(17)	6	–	(66)
Released/used during the year	(75)	(66)	(22)	–	(163)
Carrying amount at the end of the year	1,136	228	413	–	1,777
2015					
Current	3	182	35	–	220
Non-current	881	62	333	–	1,276
Total provisions current and non-current	884	244	368	–	1,496
Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:					
Carrying amount at the beginning of the year	1,015	187	214	375	1,791
Increase due to new provision	36	100	153	–	289
Effect of movement in exchange rates	69	8	41	–	118
Released/used during the year	(236)	(51)	(40)	(375)	(702)
Carrying amount at the end of the year	884	244	368	–	1,496

<u>Accounting policy</u>

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Make good provision
The Group has made provision for make good on all operating leases for premises which require make good expenditure at completion of the lease. The amount of the provision for make good is capitalised and then amortised over the remaining term of the individual leases. The provision is the best estimate of the expenditure required to settle the make good obligation.

Future make good costs are reviewed annually and any changes are reflected in the provision at the end of the reporting period.

(ii) Lease incentive provision
The Group has made provision for lease incentives received. Lease incentives received are recognised in the income statement as an integral part of the total lease expense spread over the lease term.

(iii) Rent
The Group has made provision for increase in rent for operating leases for premises. Rent is recognised in the income statement on a straight-line basis over the lease term.

(iv) Restructuring provision
A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced. Future operating losses are not provided for.

14. Capital and reserves

In thousands of AUD	2016	2015
Share capital		
Ordinary shares, fully paid	491,576	491,509

The Company does not have authorised capital or par value in respect of its shares.

Movement in ordinary shares

	2016 Shares	2016 In thousands of AUD	2015 Shares	2015 In thousands of AUD
Balance at beginning of year	85,604,954	491,509	85,604,954	489,830
95,944 shares (2015: 1,460,386 shares) transferred from a trust account held by the Company to the employees of the Group on exercise of Share Appreciation Rights for $0.70 (2015: $1.15) per share[(i)]	–	67	–	1,679
Balance at end of year	85,604,954	491,576	85,604,954	491,509

(i) As at 30 June 2016, a total of 3,228,203 shares (30 June 2015: 3,324,147) were held in trust by the Company.

Ordinary shares
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings.

Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share-based payment reserve
The share-based payment reserve comprises the cumulative expense relating to the fair value of options, rights and equity plans on issue to Key Management Personnel, senior Executives and employees of the Group less amounts transferred to other reserves or to share capital on exercise of options, rights and equity plans.

Reserve change in ownership interest in subsidiary
The reserve change in ownership interest in subsidiary relates to a subsidiary equity plan. For details of the plan see Note 27 Share-based payments.

Dividends
No dividend was declared during the year ended on 30 June 2016 (30 June 2015: Nil) or after the balance sheet date but before the date of this report.

Dividend franking account

In thousands of AUD	2016	2015
Franking credits available for future years at 30% to shareholders of Enero Group Limited	21,887	21,887

The above amounts represent the balance of the franking account at end of the financial year adjusted for:

- franking credits that will arise from the payment of the current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at year end;
- franking credits that will arise from the receipt of dividends recognised as receivables at year end; and
- franking credits that may be prevented from being distributed in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends and any restrictions to paying dividends. There is no impact on the dividend franking account as no dividends have been proposed after the reporting date.

Accounting policy
(i) Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of tax effects.

(ii) Dividends
Dividends are recognised as a liability in the period in which they are declared.

(iii) Transaction costs
Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

15. Earnings/(loss) per share

Profit/(loss) attributable to equity holders of the parent

In thousands of AUD	2016	2015
Profit/(loss) for the year	8,115	(1,615)
Non-controlling interests	(1,530)	(1,172)
Profit/(loss) for the year attributable to equity holders of the parent	6,585	(2,787)

Weighted average number of ordinary shares

In thousands of shares	2016	2015
Weighted average number of ordinary shares – basic	82,353	81,917
Shares issuable under equity-based compensation plans(i)	1,790	2,097
Weighted average number of ordinary shares – diluted	84,143	84,014

Earnings/(loss) per share

In AUD cents	2016	2015
Basic	8.0	(3.4)
Diluted	7.8	(3.4)

(i) The weighted average shares outstanding include the incremental shares that would be issued upon the assumed exercise of share rights if the effect is dilutive. Because the Group had a loss in the prior reporting periods, no potentially dilutive shares were included in the denominator computing diluted loss per shares since the impact on loss per share would be anti-dilutive.

Accounting policy

The Group presents basic and diluted earnings per share (**EPS**) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share rights granted to employees.

16. Loans and borrowings

This Note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, liquidity risk and foreign currency risk, see Note 17 Financial risk management/financial instruments.

In thousands of AUD	2016	2015
Current liabilities		
Hire purchase lease liabilities	9	27
Non-current liabilities		
Hire purchase lease liabilities	11	–

Financing facilities

The Group has access to the following lines of credit:

In thousands of AUD	Lease finance facility	Indemnity guarantee facility	Credit card facility	Total
2016				
Total facilities available	21	3,000	1,801	4,822
Facilities used at reporting date	21	2,232	185	2,438
Facilities not utilised at reporting date	–	768	1,616	2,384
2015				
Total facilities available	1,727	3,000	1,875	6,602
Facilities used at reporting date	27	2,203	262	2,492
Facilities not utilised at reporting date	1,700	797	1,613	4,110

16. Loans and borrowings (continued)

Financing arrangements
All finance facilities are negotiated by the Company on behalf of the Group. The carrying amount of amounts drawn down on facilities as at the reporting date equates to face value. The indemnity guarantee facility is secured by cash deposits held with Westpac.

Lease finance facility
The lease finance facility is subject to annual review and is in place to assist with capital expenditure requirements.

In thousands of AUD	2016	2015
Finance lease and hire purchase payable commitments		
Finance lease commitments are payable:		
Within one year	11	28
One year or later and no later than five years	12	–
	23	28
Less: Future lease finance charges	(3)	(1)
	20	27
Finance lease and hire purchase liabilities provided for in the financial statements		
Current	9	27
Non-current	11	–
	20	27

The Group leases plant and equipment under finance leases expiring from one to five years (2015: one to five years). At the end of the lease term, the Group has the option to purchase the equipment at a substantial discount to market value. The terms of the leases require that additional debt and further leases are not undertaken without prior approval of the lessor.

Indemnity guarantee facility

The indemnity guarantee facility is in place to support financial guarantees outstanding at any one time. Specific guarantee amounts are $2,232,000 (2015: $2,203,000) supporting property rental and other obligations.

Credit card facility
The credit card facility is subject to annual review and is subject to application approval and the bank or financial services company's standard terms and conditions.

Accounting policy
Finance lease
Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in loans and borrowings.

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The finance charge component of finance lease payments is recognised in the income statement using the effective interest method.

17. Financial risk management/financial instruments

The Group's exposure to financial risks, objectives, policies and processes for managing the risks including methods used to measure the risks, and the management of capital, are presented below.

The Group's activities expose it to the following financial risks:

- credit risk;
- liquidity risk; and
- market risk.

The Group's principal financial instruments comprise cash, receivables, payables, interest-bearing liabilities and other financial liabilities.

The Board has overall responsibility for the oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly and modified as appropriate to reflect changes in market conditions and the Group's activities.

The Group considers that there are no changes to the objectives, policies and processes to managing risk and the exposure to risks from the prior reporting period.

Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from a Group's receivables from customers.

Each subsidiary performs credit analysis of a new customer and standard payment terms are offered only to creditworthy customers.

During the year ended 30 June 2016, the Group entered into transactions with more than 650 unique customers. The 10 largest customers accounted for 38.6% of net revenue for the year ended 30 June 2016, with no one customer accounting for more than 9.9% of net revenue. There are no material credit exposures relating to a single receivable or groups of receivables.

The maximum exposure to credit risk is net of any provisions for impairment of those assets, as disclosed in the statement of financial position.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

		Carrying amount	
In thousands of AUD	**Note**	**2016**	**2015**
Cash and cash equivalents	6	37,620	25,812
Trade and other receivables	7	24,305	27,873
Deposits	8	174	209
		62,099	53,894

The Group's maximum exposure to trade receivables credit risk at the reporting date was:

		Carrying amount	
In thousands of AUD	**Note**	**2016**	**2015**
Trade receivables	7	24,268	27,758

The Group's credit risk exposure is consistent across the geographic and business segments in which the Group operates.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

In thousands of AUD	**2016**	**2015**
Balance at 1 July	292	134
Impairment loss recognised in income statement	249	201
Provision used during year	(368)	(43)
Balance at 30 June	173	292

Based on the credit history, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 90 days, which represents 98.1% (2015: 98.1%) of the trade receivables balance. For trade receivables which are past due and over 90 days, the Group individually assesses each trade receivable and if a trade receivable is assessed as non-recoverable, an impairment allowance is made, which represents 0.7% (2015: 1.0%) of the total trade receivables balance.

Impairment losses

The ageing of the Group's trade receivables at the reporting date was:

In thousands of AUD	**2016**	**2015**
Not past due	20,324	23,164
Past due and less than 90 days	3,657	4,340
Past due and more than 90 days	287	254
Past due, more than 90 days and impaired	173	292
Gross trade receivables	24,441	28,050
Less: Impairment	(173)	(292)
Net trade receivables	24,268	27,758

Market risk

Market risk is the risk relating to changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

17. Financial risk management/financial instruments (continued)

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The source and nature of this risk arises from operations and translation risks.

The Operating Brands segment generated approximately 59% of its net revenue and 67% of Operating EBITDA in the year ended 30 June 2016 from outside Australia. The Group's reporting currency is Australian dollars. However, the international operations give rise to an exposure to changes in foreign exchange rates, as the majority of its revenues from outside Australia are denominated in currencies other than Australian dollars, most significantly Great British pound (GBP) and US dollar (USD).

The Group has minimal exposure to profit and loss translation risk as the majority of transactions denominated in foreign currencies are transacted by entities within the Group with the same functional currency of the relevant transaction.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Group manages liquidity risk by monitoring forecast operating cash flows, and committed unutilised facilities; and re-estimating the value of deferred consideration liabilities semi-annually.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

2016 **In thousands of AUD**	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 to 5 years**	**Over 5 years**
Non-derivative financial liabilities					
Hire purchase liabilities	20	23	11	12	–
Trade and other payables (excluding unearned revenue)	20,541	20,541	20,541	–	–
	20,561	20,564	20,552	12	–

2015 **In thousands of AUD**	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 to 5 years**	**Over 5 years**
Non-derivative financial liabilities					
Hire purchase liabilities	27	28	28	–	–
Trade and other payables (excluding unearned revenue)	21,457	21,457	21,457	–	–
	21,484	21,485	21,485	–	–

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Liquidity risk in relation to deferred consideration liabilities
There are critical accounting estimates and judgements in relation to deferred consideration liabilities. Refer to Note 23 Deferred consideration for further details.

There are no other significant uncertainties in the timing or amounts of contractual liabilities.

Interest rate risk
Interest rate risk refers to the risk that the fair value of the future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group has no significant interest-bearing assets or liabilities at 30 June 2016.

Fair value hierarchy
The Group did not have any financial instruments carried at fair value by valuation method at 30 June 2016 or 30 June 2015.

Capital management
The Group's key sources of capital are available committed facilities and share capital. The Board seeks to maintain a balance between higher returns that might be possible with higher levels of gearing and the advantages afforded by a prudent capital position. The Group currently has no bank debt.

The Group is also subject to restrictions on alterations to its capital structure, and payment of dividends such that no dividends can be paid until the contingent deferred consideration payments have been made (with a final expiry date of September 2018) keeping within certain leverage targets.

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Consolidated In thousands of AUD	2016 Carrying amount	2016 Fair value	2015 Carrying amount	2015 Fair value
Cash at bank and on hand	35,215	35,215	23,462	23,462
Bank short-term deposits	2,405	2,405	2,350	2,350
Trade receivables	24,268	24,268	27,758	27,758
Trade and other payables	(20,541)	(20,541)	(21,457)	(21,457)
Hire purchase lease liabilities	(20)	(20)	(27)	(27)
	41,327	41,327	32,086	32,086

The fair value which is determined for disclosure purposes only is calculated as:

- Trade receivables: is the present value of future cash flows, discounted at the market rate of interest at the reporting date.
- Trade and other payables and hire purchase lease liabilities: is present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease arrangements.

Fair value measurement: the carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables and lease liabilities approximates their fair value.

Accounting policy

Non-derivative financial assets

Non-derivative financial assets are recognised on the date that they are originated. All other financial assets (including assets designated as fair value through the profit and loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Non-derivative financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets:

(i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of selling the receivable. Loans and receivables comprise trade and other receivables.

Loans and receivables are recognised initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Work in progress

Work in progress represents accrued revenue recognised on a percentage of completion basis and rechargeable disbursements at the period end, and is stated at the lower of cost and net realisable value.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial liabilities

Non-derivative financial liabilities are recognised on the date they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Non-derivative financial liabilities are derecognised when the Group's contractual obligations are discharged or cancelled, or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade, other payables and deferred consideration.

Non-derivative financial liabilities, other than deferred consideration, are recognised initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

17. Financial risk management/financial instruments (continued)

Deferred consideration
Deferred consideration is classified as a financial liability and is measured at fair value through profit or loss. Deferred consideration relating to acquisition of subsidiaries is recognised based on management's best estimate of the liability (up to any relevant cap) at the reporting date. The liability is discounted using a market interest rate for the liability and a present value interest charge is recognised in the income statement as the discount unwinds. Any change in estimate of deferred consideration payable is recognised in the income statement as a fair value gain or loss during the period when the estimate is revised.

Derivative financial instruments including hedging accounting
The Group may use derivative financial instruments to hedge its exposure to interest rate risks and foreign currency risks.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or hedges of probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions have been and will continue to be effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Impairment of Financial assets (including receivables)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, and/or indications that a debtor or issuer will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

The Group considers evidence of impairment for receivables at a specific asset level. In assessing impairment the Group uses historical trends of the probability of default, timing of recoveries, and the amount of loss incurred/adjusted for management's judgement. The remaining financial assets are assessed collectively, which share similar credit risk characteristics.

Key estimates
Trade receivables are carried 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 account in the calculation of impairment. Future events may occur which change these estimates of the future cash inflows related to impaired trade receivables.

18. Impairment of non-financial assets
The process of impairment testing is to estimate the recoverable amount of the assets concerned, and recognise an impairment loss in the Income Statement whenever the carrying amount of those assets exceeds the recoverable amount.

Impairment tests for cash-generating unit (CGU) groups containing goodwill
All the operating businesses are managed as one collective group which forms the Operating Brands segment.

For the purpose of impairment testing, goodwill is allocated to the Group's operating business units that represent the lowest level within the Group at which goodwill is monitored for internal management purposes and synergies obtained by the business unit.

The aggregation of assets in the CGU group continues to be determined using a service offering. The Search Marketing businesses do not form part of the Operating Brands CGU as they do not obtain synergies with the businesses in that CGU. However they are included in the Operating Brands segment. They have no carrying value.

The recoverable amount of CGU was based on value in use in both the current and prior year. The methodologies and assumptions used for calculating value in use for all of the CGU groups have remained materially consistent with those applied in prior years.

Key assumptions
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 is 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 rate
Discount rates are based on the Group'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. Discount rates used are appropriate for the currency in which cash flows are generated and are adjusted to reflect the current view on the appropriate debt equity ratio and risks inherent in assessing future cash flows.

Growth rate
A compound average growth rate (CAGR) of 2.4% (30 June 2015: 2.4%) has been applied to the cash flows of the first five years of cash flows. The five years of cash flows are discounted to present value. The growth rate is based on analysis of organic growth expectations, historical growth rates and industry growth rates. The growth rate also takes into account weighting of international operations of the Group.

Long-term growth rate into perpetuity
Long-term growth rate of 2.5% (30 June 2015: 2.5%) is used into perpetuity, based on the expected long-range growth rate for the industry.

Impairment testing key assumptions for Operating Brands CGU

In thousands of AUD	2016	2015
Post-tax discount rate %	10.46 – 11.18	10.63
Pre-tax discount rate %	12.86 – 16.29	12.73
Long-term perpetuity growth rate %	2.50	2.50

Sensitivity range for impairment testing assumptions
As at 30 June 2016, management has identified that for the carrying amount to exceed the recoverable amount the discount rate would need to increase by 2.5% to 3.2% depending on the currency. A nil growth rate would continue to generate an estimated recoverable amount above the carrying amount.

Accounting policy
The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future post-tax cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of assessing impairment, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

For the purposes of goodwill impairment testing, cash-generating units (CGUs) to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of goodwill and then to reduce the carrying amount of the other assets on a pro-rata basis.

At each reporting date, the Group reviews non-financial assets other than goodwill that have been previously impaired for indications that the conditions that resulted in the impairment have reversed.

19. Controlled entities

Particulars in relation to controlled entities:

Name	Group interest 2016 %	Group interest 2015 %	Country of incorporation
Parent entity			
Enero Group Limited			
Controlled entities			
Enero Group UK Holdings Pty Limited	100	100	Australia
Enero Group UK Limited	100	100	UK
Enero Group (US) Pty Limited	100	100	Australia
Enero Group (US) Inc.	100	100	USA
BMF Holdco Pty Limited	100	100	Australia
BMF Advertising Pty Limited	100	100	Australia
Jigsaw Strategic Research Pty Limited	100	100	Australia
The Precinct Group Pty Limited	100	100	Australia
Naked Communications Australia Pty Limited	100	100	Australia
Hotwire Australia Pty Limited	100	100	Australia
The Leading Edge Market Research Consultants Pty Limited	100	100	Australia
— The Leading Edge Market Research Consultants Limited	100	100	UK
— Enero Group Singapore Pte Limited	100	100	Singapore
The Digital Edge Online Consultants Pty Limited	100	100	Australia
Brigade Pty Limited	100	100	Australia
The Hotwire Public Relations Group Limited	100	100	UK
— Hotwire Public Relations GMBH	100	100	Germany
— Hotwire Public Relations SARL	100	100	France
— Hotwire Public Relations SL	100	100	Spain
— Hotwire Public Relations SRL	100	100	Italy
— Hotwire Public Relations Limited	100	100	UK
— Skywrite Communications Limited	100	100	UK
— 33 Digital Limited	100	100	UK
CPR Communications and Public Relations Pty Limited	100	100	Australia
Naked Communications Limited	100	100	UK
— Naked Numbers Limited	100	100	UK
— Naked Communications Holdings Inc.	100	100	USA
— Naked New York LLC	100	100	USA
Lorica Group Limited	100	100	UK
— Corporate Edge Group Limited	100	100	UK
Frank Public Relations Limited	75	75	UK
— Frank Public Relations Pty Limited	75	75	Australia
— Frank Public Reactions Inc.	75	75	USA
OB Media LLC	51	51	USA
— Bluestarads.com LLC	51	51	USA
The Leading Edge Research & Strategy Consultants LLC	100	100	USA
Hotwire Public Relations Group LLC	100	100	USA
Hotwire New Zealand Limited	100	100	New Zealand
Love Pty Limited	100	100	Australia
Enero (Hong Kong) Limited	100	100	Hong Kong
Domain Active Holdco Pty Limited	100	100	Australia
— Domain Active Pty Limited	100	100	Australia
Dark Blue Sea Pty Limited	100	100	Australia
— Dark Blue Sea Enterprises Pty Limited	100	100	Australia
– Fabulous Parking Pty Limited	100	100	Australia
– DarkBlue.com Pty Limited	100	100	Australia
– DBS Administration Pty Limited	100	100	Australia
– Fabulous.com Pty Limited	100	100	Australia
– Pageseeker.com Pty Limited	100	100	Australia
– Protopixel Pty Limited	100	100	Australia
– Roar.com Pty Limited	100	100	Australia
– Fabulous.com.au Pty Limited	100	100	Australia
– Yexa.com Pty Limited	100	100	Australia

Name	2016 %	Group interest 2015 %	Country of incorporation
– Whois Privacy Services Pty Limited	100	100	Australia
– Drop.com.au Pty Limited	100	100	Australia
– Yexa.com.au Pty Limited	100	100	Australia
– Domain Active Europe Limited	100	100	Australia
Enero Group NZ Ltd	100	100	New Zealand
Australian Business Theatre Pty Limited	100	100	Australia
– Australian Business Theatre (Hong Kong) Limited	100	100	Hong Kong
– ABT Creative Consulting Co Limited(i)	–	100	China

(i) Entities deregistered during the year.

Accounting policy

Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method. For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of other combining entities or businesses. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill arising from the business combination is measured at fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Non-controlling interest is measured at its proportionate interest in the identifiable net assets of the acquiree.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

A contingent liability of the acquiree assumed in a business combination is recognised only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs incurred in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 to direct the activities of the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

20. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2016, the parent Company of the Group was Enero Group Limited.

In thousands of AUD	The Company 2016	2015
Result of the parent entity		
Loss for the year	(2,615)	(21,591)
Other comprehensive income	–	–
Total comprehensive income for the period	(2,615)	(21,591)
Financial position of the parent entity at year end		
Current assets	12,061	7,945
Total assets	101,708	97,569
Current liabilities	11,937	5,996
Total liabilities	15,775	9,821
Total equity of the parent entity comprising of:		
Share capital	491,576	491,509
Share-based payment reserve	13,499	12,766
Accumulated losses	(419,142)	(416,527)
Total equity	85,933	87,748

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee, and the subsidiaries subject to the deed, are disclosed in Note 21 Deed of Cross Guarantee.

Contingent liabilities

Indemnities

Indemnities have been provided to Directors and certain Executive Officers of the Company in respect to third parties arising from their positions, except where the liability arises out of conduct involving lack of good faith. No monetary limit applied to these agreements and there are no known obligations outstanding at 30 June 2016.

21. Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of financial statements, and a Directors' Report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

– The Leading Edge Market Research Consultants Pty Limited; and
– BMF Holdco Pty Limited.

A consolidated income statement and consolidated statement of financial position, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2016, is set out as follows:

Summarised income statement and retained profits

In thousands of AUD	2016	2015
Net revenue	25,926	26,251
Employee expenses	(22,365)	(24,229)
Operating and other expenses	(5,088)	(16,869)
Loss before tax	(1,527)	(14,847)
Income tax benefit	1,145	62
Loss after tax	(382)	(14,785)
Accumulated losses at beginning of year	(424,625)	(409,840)
Accumulated losses at end of year	(425,007)	(424,625)
Attributable to:		
Equity holders of the Company	(382)	(14,785)
Loss for the year	(382)	(14,785)

Statement of financial position

In thousands of AUD	2016	2015
Assets		
Cash and cash equivalents	11,649	7,492
Trade and other receivables	8,453	8,166
Other assets	1,622	618
Total current assets	21,724	16,276
Receivables	47,179	49,498
Other financial assets	5,162	5,162
Deferred tax assets	1,084	1,037
Plant and equipment	1,120	2,173
Other assets	15	67
Intangible assets	16,387	16,391
Total non-current assets	70,947	74,328
Total assets	92,671	90,604
Liabilities		
Trade and other payables	10,460	8,827
Employee benefits	1,340	1,414
Provisions	104	150
Total current liabilities	11,904	10,391
Employee benefits	364	280
Provisions	335	283
Total non-current liabilities	699	563
Total liabilities	12,603	10,954
Net assets	80,068	79,650
Equity		
Issued capital	491,576	491,509
Reserves	13,499	12,766
Accumulated losses	(425,007)	(424,625)
Total equity	80,068	79,650

22. Commitments

Operating leases

Leases as lessee

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

In thousands of AUD	2016	2015
Less than one year	5,762	6,209
Between one and five years	10,579	12,657
Over five years	2,362	3,588
	18,703	22,454

The Group leases property under non-cancellable operating leases generally expiring in two to ten years. Generally operating leases are subject to standard two to five year renewal terms, with no purchase option or escalation clauses included.

During the year ended 30 June 2016, $5,880,000 (2015: $6,168,000) was recognised as an expense in the income statement in respect of operating leases.

Accounting policy

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

23. Deferred consideration payables

The Group has not recognised an amount of $17,351,000 (2015: $54,754,000) of contingent deferred consideration liabilities as payment of these amounts is not considered probable.

The reduction in the unrecognised amount is in relation to deferred consideration arrangements that have reached their sunset date during the year and are therefore not payable.

Fair value measurement and key estimate

During the year ended 30 June 2011, the Group entered into agreements to restructure its deferred consideration liabilities such that substantially all agreements contain caps on the total liability. The time period to calculate the potential capped liabilities has now been completed.

Fair value of future deferred consideration liabilities is estimated based on the Group achieving certain EBITDA targets. There is uncertainty around the actual payments that will be made subject to the performance of the Group subsequent to the reporting date versus the targets. Actual future payments may exceed the estimated liability. As the inputs in these valuations are not based on observable market data, this is deemed a Level 3 measurement of fair value.

24. Contingencies

Contingent liabilities

Indemnities

Indemnities have been provided to Directors and certain Executive Officers of the Company in respect to third parties arising from their positions, except where the liability arises out of conduct involving lack of good faith. No monetary limit has been applied to these agreements and there are no known obligations outstanding at 30 June 2016.

25. Subsequent events

Subsequent to balance date, on 12 July 2016 the Company entered into a lease agreement relating to a new Sydney hub office. The property lease will commence on 1 January 2017 for a period of seven years.

Other than the matter 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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

26. Key Management Personnel and other related party disclosures

In addition to Executive and Non-Executive Directors, the following were Key Management Personnel of the Group at any time during the reporting period.

Name	Position
Brendan York	Group Finance Director
Stephen Watson	Group Strategy and Operations Director
Katie McGrath	Group Human Resources Director

Other transactions with the Company or its controlled entities

A number of the Key Management Personnel, or their related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

There were no transactions with the Company or its subsidiaries and Key Management Personnel in the current or prior reporting period.

Director related party transactions

There were no transactions with the Director related party during the current or prior reporting period.

The Key Management Personnel compensation (including all Directors) is as follows:

In AUD	2016	2015
Short-term employee benefits	2,601,731	2,625,902
Other long-term benefits	3,740	36,251
Post-employment benefits	105,862	109,167
Share-based payments – Share Appreciation Rights	410,208	302,495
Total share-based payments	410,208	302,495
Total Key Management Personnel compensation	3,121,541	3,073,815

27. Share-based payments

Equity-based plans
Long-term incentives (LTI) were provided as equity-based incentives in the Company under the Share Appreciation Rights plan (**SAR**) in prior financial years which remain outstanding at 30 June 2016.

Share Appreciation Rights (SARs)
The Share Appreciation Rights Plan is designed to incentivise the Company's Senior Executives and other senior management of the Group.

The fair value of the SARs is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instruments, expected volatility (based on weighted average historical volatility), weighted average expected life of the instruments (based on historical experience and general rights holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service conditions attached to the transactions are not taken into account in determining fair value.

The plan allows for the Board to determine who is entitled to participate in the SAR Plan, and it may grant rights accordingly. Enero's Board may determine whether or not the grant of rights is conditional on the achievement of performance hurdles, and if so the nature of those hurdles.

The exercise of each right will entitle the rights holder to receive a fraction of an ordinary share based on a conversion formula of E = (A – B)/A, where:

– E is the share right entitlement;
– A is the volume weighted average price (**VWAP**) for the Company's shares for the 20 business days prior to the vesting date of the rights; and
– B is the VWAP for the Company's shares for the 20 business days before the rights were granted.

If A – B is less than or equal to zero, the share right will not vest and will immediately lapse on the applicable vesting date.

One share right shall never convert into more than one share in the capital of the Company. Rights expire at 15 business days after the relevant vesting date or the termination of the individual's employment. The Board may exercise discretion on early vesting of rights in the event of a change of control of the Group. Refer to the table below for a summary of SARs on issue.

Summary of Share Appreciation Rights on issue:

Issue Date	15 October 2013	16 June 2015 (i)	20 October 2015
SARs issued	11,150,000	1,000,000	4,700,000
Participants	CEO and Senior Executives	CEO	Senior Executives
VWAP for the 20 business days prior to the grant (B)	71 cents	70 cents	70 cents
Vesting dates: 20 business days after the release of the Group financial report for the year ended:			
Tranche 1	30 June 2014 – 1/3rd	30 June 2016 – 1/3rd	30 June 2016 – 1/3rd
Tranche 2	30 June 2015 – 1/3rd	30 June 2017 – 1/3rd	30 June 2017 – 1/3rd
Tranche 3	30 June 2016 – 1/3rd	30 June 2018 – 1/3rd	30 June 2018 – 1/3rd
Expiry	30 September 2016	30 September 2018	30 September 2018
Outstanding SARs as at 30 June 2016	2,183,315	1,000,000	4,700,000

(i) Grant is in relation to SARs provided to the CEO which were issued on 16 June 2015 and subsequently approved by the shareholders on 20 October 2015. The VWAP is for the 20 business days prior to the shareholder approval.

Subsidiary equity plan (equity settled)

During the year ended 30 June 2013, the Company granted an equity plan over a 25% equity interest of its subsidiary, Frank PR Limited, to the existing management. The rights to equity have vested in full.

The plan aims to incentivise the senior executives of the business. The plan allows for the equity holders to participate in dividend distributions from profit generated by the subsidiary. The fair value of the Frank PR equity plan was determined using a Discounted Cash Flow valuation model adjusted for minority interest.

Share Appreciation Rights (SARs)

Summary of rights over unissued ordinary shares

Grant date	Expiry date	Weighted average exercise price	Number of Rights outstanding at beginning of year	Rights granted during year	Rights exercised during year	Rights expired during year	Rights forfeited during year	Number of Rights at year end Outstanding	Vested	Proceeds received	Date issued	Number of shares issued	Expected life (years)
2016													
16 Jan 2012	30 Sep 2015	$0.53	395,062	–	395,062	–	–	–	–	–	25 Sep 2015	95,944	1.9–3.9
15 Oct 2013	30 Sep 2016	$0.71	4,499,993	–	–	2,250,009	66,669	2,183,315	–	–	–	–	0.9–2.9
16 June 2015	30 Sep 2018	$0.70	1,000,000	–	–	–	–	1,000,000	–	–	–	–	1.3 -3.3
20 Oct 2015	30 Sep 2018	$0.70	–	4,700,000	–	–	–	4,700,000	–	–	–	–	0.9–2.9
			5,895,055	4,700,000	395,062	2,250,009	66,669	7,883,315	–	–		95,944	

*Share Appreciation Rights (**SARs**) and Employee Share Option Scheme (**ESOS**)*

Summary of options/rights over unissued ordinary shares

Grant date	Expiry date	Weighted average exercise price	Number of Options/ Rights outstanding at beginning of year	Options/ Rights granted during year	Options/ Rights exercised during year	Options/ Rights expired during year	Options/ Rights forfeited during year	Number of Options/Rights at year end Outstanding	Vested	Proceeds received	Date issued	Number of shares issued	Expected life (years)
2015													
26 Oct 2009(i)	26 Oct 2014	$19.98	6,251	–	–	6,251	–	–	–	–	–	–	2–5
18 Aug 2011	30 Sep 2014	$0.63	661,313	–	556,627	–	104,686	–	–	–	30 Sep 2015	184,704	1.1–3.1
16 Jan 2012	30 Sep 2015	$0.53	691,358	–	296,296	–	–	395,062	–	–	30 Sep 2015	159,742	1.9–3.9
15 Oct 2013	30 Sep 2016	$0.71	11,150,000	–	2,933,341	–	3,716,666	4,499,993	–	–	30 Sep 2015	1,115,940	0.9–2.9
16 June 2015	30 Sep 2018	$0.70	–	1,000,000	–	–	–	1,000,000	–	–	–	–	1.3 -3.3
			12,508,922	1,000,000	3,786,264	6,251	3,821,352	5,895,055	–	–		1,460,386	

(i) Relates to ESOS.

The number and weighted average exercise price of share options/rights is as follows:

	Weighted average exercise price 2016 $	Number of options/rights 2016	Weighted average exercise price 2015 $	Number of options/rights 2015
Outstanding at 1 July	0.70	5,895,055	0.71	12,508,922
Forfeited during the period	0.71	(66,669)	0.71	(3,821,352)
Expired during the period	0.71	(2,250,009)	19.98	(6,251)
Exercised during the period	0.53	(395,062)	0.68	(3,786,264)
Granted during the period	0.70	4,700,000	n/a	1,000,000
Outstanding at 30 June	0.70	7,883,315	0.70	5,895,055
Exercisable at 30 June	–	–	–	–

The options outstanding at 30 June 2016 have an exercise price in the range of $0.70 to $0.71 (30 June 2015: $0.53 to $0.71) and a weighted average contractual life of 0.98 years (30 June 2015: 0.97 years).

The fair value of services received in return for SARs granted is based on the fair value of SARs, measured using the Black-Scholes model.

The total net expenses recognised by the Group for the year ended 30 June 2016 for share-based payment transactions were $801,000 (2015: $1,121,000).

The weighted average share price at the date of exercise of SARs was $0.72.

27. Share-based payments (continued)

Inputs for measurement of grant date fair value

The following factors and assumptions were used in determining the fair value of the SARs on the grant date:

Grant date	Expiry date	Value per option $	Exercise price $	Price of shares on grant date $	Expected volatility %	Risk-free interest rate %	Dividend yield %	Expected life (years)
15 Oct 2013(i)	30 Sept 2016	0.16 – 0.29	0.71	0.70	60	2.49–2.91	0.0	0.9–2.9
16 June 2015(ii)	30 Sept 2018	0.17 – 0.28	0.70	0.75	50	1.75–1.81	0.0	1.3 -3.3
20 Oct 2015(iii)	30 Sept 2018	0.17 – 0.28	0.70	0.75	50	1.75–1.81	0.0	0.9–2.9

(i) Grant is in relation to SARs provided to senior employees of the Group which were issued on 15 October 2013. The last expiry date of the rights is 20 business days after the release of the Group's financial report for the year ended 30 June 2016, which is estimated to be around 30 September 2016.

(ii) Grant is in relation to SARs provided to the CEO which were issued on 16 June 2015 and subsequently approved by the shareholders on 20 October 2015. The last expiry date of the rights is 20 business days after the release of the Group's financial report for the year ended 30 June 2018, which is estimated to be around 30 September 2018.

(iii) Grant is in relation to SARs provided to senior employees of the Group which were issued on 20 October 2015. The last expiry date of the rights is 20 business days after the release of the Group's financial report for the year ended 30 June 2018, which is estimated to be around 30 September 2018.

Accounting policy

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related services and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Fair value measurement and key estimates

The grant date fair value of employee share rights is measured using the Black-Scholes model. This value 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 Company share price on the grant date, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information) of the Company's share price, the risk-free interest rate, the dividend yield, the expected life of the share rights, the probability of occurrence of certain events and the exercise price. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Certain of these inputs are estimates.

The Directors review the methodologies used by the expert and make enquiries with management to assure themselves that the factual information used by the expert is correct prior to relying on the expert's opinion.

28. Auditor's remuneration

In AUD	2016	2015
Audit services – auditors of the Company		
KPMG Australia	276,000	261,000
Overseas KPMG firm(i)	172,000	160,000
	448,000	421,000
Other services – auditors of the Company		
Taxation compliance services:		
KPMG Australia	–	30,000
Overseas KPMG firm	178,000	166,000
Transaction and due diligence service:		
KPMG Australia	–	7,000
Overseas KPMG firm	9,000	3,000
	187,000	206,000

(i) The increase in the remuneration to overseas KPMG firm as compared to the prior reporting period is in relation to the increased Australian dollar translation of foreign currency denominated fees.

Directors' Declaration

1. In the opinion of the Directors of Enero Group Limited (**the Company**):

   (a) the consolidated financial statements and notes, set out on pages 28 to 62 and the Remuneration Report in the Directors' Report, set out on pages 16 to 27, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe the Company and entities identified in Note 21 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2016 pursuant to section 295A of the *Corporations Act 2001*.

4. The Directors draw attention to Note 1(b) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Sydney this 25th day of August 2016.

Signed in accordance with a resolution of the Directors:

John Porter

Chairman

Independent Auditor's Report
to the members of Enero Group Limited

KPMG

Independent auditor's report to the members of Enero Group Limited

Report on the financial report

We have audited the accompanying financial report of Enero Group Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 20 to 27 of the directors' report for the year ended 30 June 2016. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Enero Group Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Tracey Driver

Partner

Sydney

25 August 2016

Lead Auditor's independence declaration
under section 307 of the *Corporations Act 2001*

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Enero Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Tracey Driver
Partner

Sydney

25 August 2016

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

ASX additional information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The shareholder information set out below was applicable at 29 July 2016.

Substantial shareholders

The number of ordinary shares held by substantial shareholders and their associates is set out below:

Shareholder	Number
RG Capital Multimedia Limited	20,823,268
Perpetual Limited	12,235,956
NAOS Asset Management Limited	11,478,849
Wilson Asset Management	5,674,597
Forager Funds Management	5,136,607
Contango Asset Management Limited	4,300,260

Unquoted equity securities

As at 29 July 2016 there were no options granted over unissued ordinary shares in the Company.

Voting rights

Ordinary shares – refer to Note 14 Capital and reserves.

Distribution of equity security holders:

Range	Number of equity security holders	Ordinary shares
1 – 1,000	242	138,913
1,001 – 5,000	319	812,230
5,001 – 10,000	130	940,149
10,001 – 100,000	139	4,216,606
100,001 and over	48	79,497,056
	878	85,604,954

The number of shareholders holding less than a marketable parcel of ordinary shares is 59.

Twenty largest shareholders

Rank	Name	Units	% of issued capital
1	RBC Investor Services Australia Nominees Pty Limited <PICREDIT>	12,094,599	14.13
2	Citicorp Nominees Pty Limited	11,547,304	13.49
3	National Nominees Limited	7,372,198	8.61
4	Equitas Nominees Pty Limited <2946694 A/C>	6,759,020	7.90
5	RBC Investor Services Australia Pty Limited <VFA A/C>	5,684,255	6.64
6	RG Capital Multimedia Limited	4,511,945	5.27
7	Bell Potter Nominees Limited <BB Nominees A/C>	4,186,104	4.89
8	Equitas Nominees Pty Limited <821471 A/C>	3,703,272	4.33
9	Love Pty Limited <Enero Employee A/C>	3,228,203	3.77
10	CH Global Pty Limited <ABC Investment A/C>	2,548,301	2.98
11	JP Morgan Nominees Australia Limited	2,495,341	2.91
12	Mr Felice Testini <GAT Family A/C>	1,632,000	1.91
13	BNP Paribas Noms Pty Limited <DRP>	1,267,956	1.48
14	Teldar Corporation Pty Limited <Teldar Investment A/C>	1,100,000	1.28
15	Bond Street Custodians Limited <Forager Wholesale Value FD>	1,012,516	1.18
16	Bond Street Custodians Limited <Laman – D05019 A/C>	782,537	0.91
17	Henawall Pty Limited	722,000	0.84
18	Irish Global Equity Limited	632,629	0.74
19	RG Capital Multimedia Limited	600,000	0.70
19	Mrs Antonia Collopy	600,000	0.70
20	Tandem Technical Consultants Pty Limited <Tandem Technical Con A/C>	561,111	0.66
Total		**73,041,291**	**85.32**

Corporate Directory

Company Secretary
Brendan York

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Enero Group Limited
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Share Registry
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1300 554 474
Outside Australia: +61 2 8280 7111
Facsimile: +61 2 9287 0303

Securities Exchange
The Company is listed on the Australian Securities Exchange (ASX Code: EGG).

The home exchange is Sydney.

Other Information
Enero Group Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Solicitors
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