ENERO

ENERO GROUP LIMITED

2017 ANNUAL REPORT

ABOUT ENERO GROUP

Enero Group is a boutique global network of marketing and communications businesses. Enero Group businesses operate out of three key markets – Australia, UK & Europe and USA – providing outstanding work for clients across many marketing disciplines.

Enero Group exists to unlock the talent within our people so they can unlock the business dreams of our clients. The quality of our people and their passion to make a difference is critical to our success.

This report features just some of the talented people who contribute to the ongoing success of the Enero Group.

SARAH SCOTT PAUL

Group Learning & Development Manager Enero (Global)

Sarah is the Global Group Learning & Development Manager for the Enero Group. Country born and bred, Sarah has been with the Enero Group for five years. Armed with a curriculum of learning spanning 25 courses, she makes twice-yearly trips to Enero offices around the world, and has worked on the development and training of more than 2,000 staff.

Sarah leads her team with a key focus on building a high-performing and engaged culture within her workplaces. Her core purpose is to empower people to flourish personally and professionally.

She knows instinctively that life can be hard – however demonstrates to people the power of showing up to emotions, empathy, leadership; and perhaps more importantly, the power of being kind to themselves.

When not working, Sarah is an avid supporter of the charity Youngcare, and can be found working with the butcher at the Frenchs Forest Organic Markets on weekends.

Sarah's personal journey of overcoming adversity has led to the shaping of her professional outlook: to lead with passion, and encourage the people around her to be the best they can be.

"My personal motto has always been 'Be bold. Be brave. Be strong. You are your biggest cheerleader in life'."

FINANCIAL HIGHLIGHTS

NET REVENUE
$100.2M

FIRST DIVIDEND
IN EIGHT YEARS
5 CENTS PER SHARE
FULLY FRANKED

NET PROFIT
PRE SIGNIFICANT ITEMS
$4.9M

OPERATING EBITDA MARGIN
10.4%

FIRST ACQUISITION
IN SEVEN YEARS
EASTWICK
COMMUNICATIONS

EARNINGS PER SHARE
PRE SIGNIFICANT ITEMS
5.9CPS

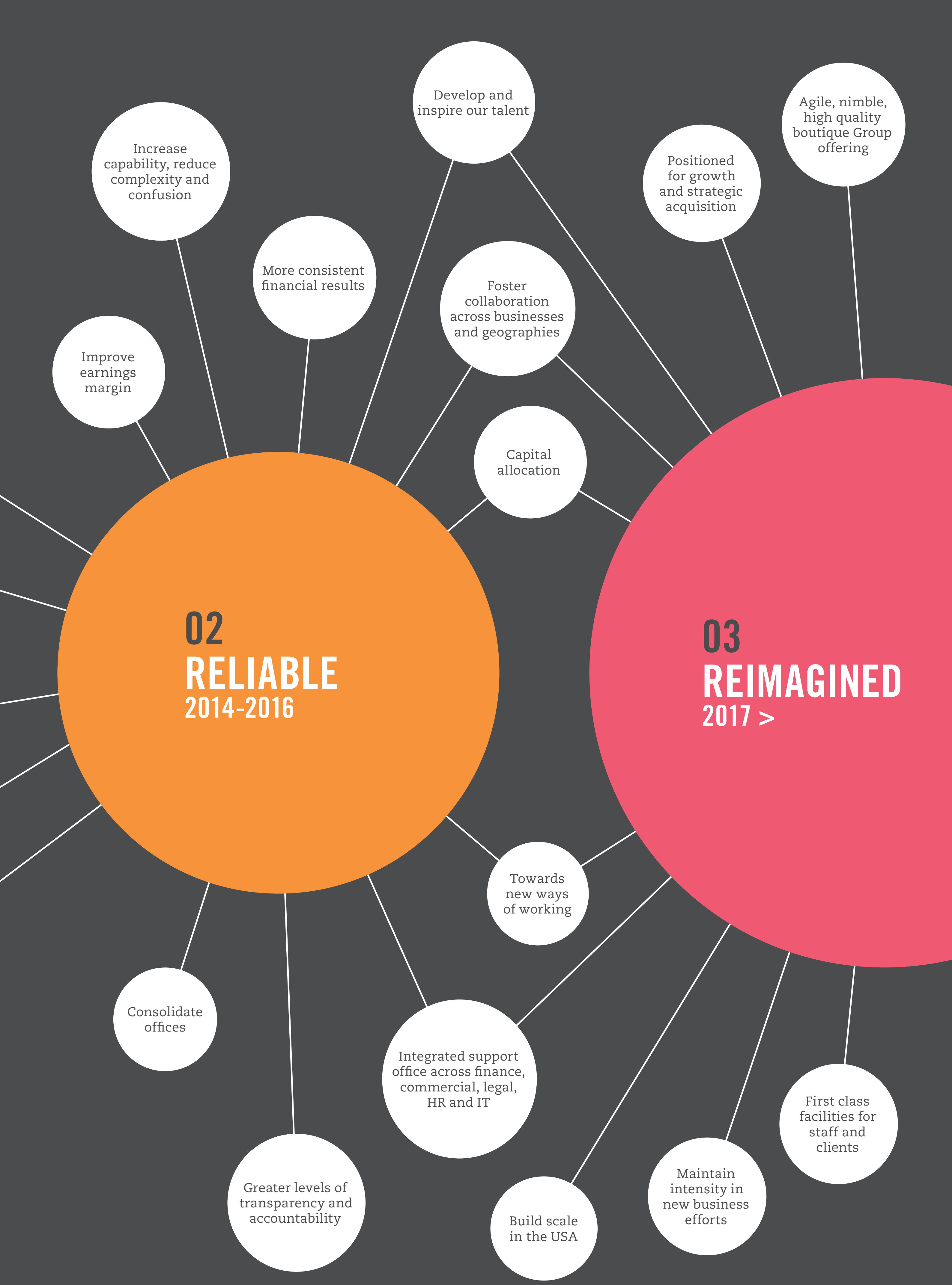
CONTENTS

OUR STRATEGIC JOURNEY

The Group has made great progress in its strategic journey. Having built solid foundations through the remedial and reliable stages, Enero is poised for the next stage of growth with reimagined ways of working for a changing commercial landscape.

01 REMEDIAL 2012-2013

- Towards a well balanced Group
- Cost alignment to reflect business activity
- Focus on talent through global learning and development program
- Overhaul strategy, direction and operations
- Unleveraged
- Journey to a more cohesive and better networked operating Group
- Internal restructure and systems development
- Strengthen resources and experience
- Greater financial rigour, metrics, processes and accountability


02
RELIABLE
2014-2016
03
REIMAGINED
2017 >
Increase capability, reduce complexity and confusion
Develop and inspire our talent
Agile, nimble, high quality boutique Group offering
Positioned for growth and strategic acquisition
More consistent financial results
Foster collaboration across businesses and geographies
Improve earnings margin
Capital allocation
Towards new ways of working
Consolidate offices
Integrated support office across finance, commercial, legal, HR and IT
Greater levels of transparency and accountability
Build scale in the USA
Maintain intensity in new business efforts
First class facilities for staff and clients

JOHN PORTER
Independent
Non-Executive Chairman

CHAIRMAN'S REPORT

Dear Shareholders,

I am pleased to report financial year 2017 resulted in the achievement of two significant milestones for the Group.

Firstly, the Group completed its first acquisition in over seven years with the addition of the technology focused PR business Eastwick Communications in September 2016 for an initial payment of US$5 million. A great strategic fit for our existing Hotwire PR business, the transaction immediately brought scale to our US presence with substantive offices in San Francisco and New York.

The acquisition required an immediate integration of the Eastwick Communications and Hotwire USA teams which brought a 75 employee strong team together as one team. This acquisition gives Hotwire the platform to transform Hotwire into a true global network.

Secondly, the release of the capital restrictions that had been in place since September 2010 following agreement with legacy deferred consideration rights holders has opened up significant opportunities for the Group to embark on a more active capital management strategy to enhance shareholder value.

Immediately following the release of the capital restrictions, a special fully franked dividend of 5 cents per share was declared. This dividend serves to recognise our loyal long-term shareholders for their patience over the years as we rebuilt the Group. The Board also recognises the value in the franking credit balance. We will implement a balanced approach between returns to shareholders, funding acquisition and investment opportunities as well as maintaining adequate cash reserves for our existing businesses.

We also conducted a share capital adjustment to better reflect our active equity levels and put the final connection to the past history of the Group behind us.

While the Group had a difficult trading year, management worked very hard to protect operating margins above 10% and posted a net profit after tax before significant items of $4.9 million. Our cash conversion remains strong and this has facilitated adequate capital to meet our strategic needs.

We will continue to pursue further acquisition opportunities aligned with filling out our geographical or service areas which need presence and more scale. International markets will be the area of focus in line with our intention to unlock greater revenue opportunities. We are slowly making ground on balancing the geographic spread between our key markets and we expect to make more progress in 2018. Likewise, we will be open to investments in our existing businesses if the right opportunities present themselves. I continue to have confidence that the Group has the right capability set for the future of marketing and communications and our very talented staff base delivers high quality solutions to clients.

I would like to welcome Anouk Darling as Non-Executive Director. Anouk brings many years of industry experience to our Board and has already provided invaluable advice and counsel.

Thank you to the rest of the Board, the Executive team, all management teams and all staff across the Group for your contributions over this financial year.

Finally, thank you to our shareholders for your ongoing support of the Group.

John Porter
Independent Non-Executive Chairman

CEO'S REPORT

Dear Shareholders,

Enero Group faced a challenging FY2017 with a number of factors impacting the Group's operations; however we have great confidence in the possibilities for each business and the Group to embark on the next phase of our strategic journey to 'Reimagined'.

From a financial viewpoint, the Group was impacted by a number of client losses during the year, which is not uncommon in marketing services. Ultimately a 12% decline in revenue year on year – but only 5% on a constant currency basis – showed that the Group continues to have a pleasing diversification in clients and industries and despite the client losses there were a number of exciting new business wins. There will be further investment in new business resources in FY2018 including an Enero Sales & Marketing Director in Australia along with several Hotwire new business resources.

The stronger Australian dollar in FY2017 also impacted our reported results, taking off approximately $1.5 million in Operating EBITDA when completing a year on year analysis. We have continued our careful management of our cost base to protect operating margins, while continuing to be mindful to leave ourselves some flexibility to pitch for new business.

Our international markets, particularly in the UK, had a more difficult year as the fallout from Brexit hurt general economic confidence. We are seeing a slow recovery. Additionally, we purposefully invested in The Leading Edge in the UK and the London office is now over 20 staff with a growing number of new clients. International markets represented 56% of the Group's Operating EBITDA and are therefore a vital earnings contributor. The USA market received the boost of earnings contribution from the acquisition of Eastwick Communications which brought with it a substantive US presence for Hotwire and more recently a new USA-based Hotwire Global CEO. However we were significantly impacted by the other businesses in that market. We continue to see the UK and USA provide more meaningful revenue opportunities and it will be an ongoing focus.

The Australian market achieved a very respectable 6% Operating EBITDA growth even with a small revenue decline. BMF continues to consolidate its position as a leading Australian creative agency and we were very pleased with the performance of the Naked Communications Australian office which scored a number of new business wins during the year. The move in January of our Sydney businesses to a state of the art facility at 100 Harris Street, Pyrmont was a huge milestone in the vision of having all of our Sydney-based agencies working together in a different and far more collaborative way than ever before. There is a renewed optimism in the Sydney office.

Group-wide initiatives launched this year included 'Enero Women' comprising of initiatives to develop, recognise and support the Group's female leaders present and future, together with a broader Diversity Committee. These are key programs to recognise staff and the future leaders of our businesses. We are proud of the career paths being created and we will continue to invest in further learning and development opportunities.

The upcoming year is about delivering on our growth strategy. We have a number of new initiatives this coming year to unlock growth in our businesses. We will bring on additional new business resources, find new sectors to sell our services into, open new geographies to strengthen our networked clients and better connect client teams that will seek to acquire bigger, multi-market clients. Our businesses will then be positioned to integrate services across insight and strategy, creativity and public relations.

Special thanks to our staff across all of the businesses for your ongoing commitment to each other and our clients. Thank you to the management teams for your tireless efforts in leading each business. Finally, thank you to our shareholders for your continued support as we step into this next phase for the Company and I look forward to reporting back on our progress next year.

Matthew Melhuish
Chief Executive Officer
and Executive Director

MATTHEW MELHUISH
Chief Executive Officer
and Executive Director

BUSINESS AND CAPABILITIES

With 10 diverse marketing and communications businesses, Enero Group has vast experience across strategy, creative, public relations, insight, social, digital production and data analytics.

From integrated global communications campaigns, to solving brand and innovation problems and creating the next transformational long idea for a client, our work yields results. Longstanding client relationships are proof of that.

While each business specialises in key skills, the collaborative and open approach taken by each business to referrals and joint pitching opens Group opportunities to deliver the most effective solution to clients to meet their needs.

BARBARA BATES

Group CEO
Hotwire (Global)

When Hotwire acquired Silicon Valley's Eastwick Communications last September, it also acquired a world class CEO in Barbara Bates.

A redhead with a big personality, big ideas and a penchant for pushing the envelope with clients and staff, she has been innovating the art and science of strategic communications and marketing since leaving a journalism career as a television reporter.

Passionate about building a strong positive culture that attracts the best and the brightest talent, Barbara has introduced ROWE to Hotwire. Results Oriented Work Environment is a work culture that emphasises autonomy and accountability. One of the main tenets of ROWE is that work is something you do, not a place you go, giving employees more freedom on how they work. At the core of a ROWE is the assumption that every individual is an autonomous value-generating contributor to the organisation.

"I've always believed that being an 'employee first' organisation was a smart business move and not just a nicety. When people are your product, you better make sure you hire, develop and retain the best and that means being really innovative in how to provide growth opportunities, unique benefits and a creative culture."

HOTWIRE + EASTWICK = BETTER TOGETHER

Separately, Hotwire and Eastwick have been leading in technology communications for years. And now, Hotwire has acquired Eastwick to create a truly global client and employee centred alternative to the behemoth multinationals.

We checked the math, and this is how to build the best agency you'll ever work with.

1+1=3

CAPABILITIES ACROSS THE ENERO GROUP

STRATEGY AND CREATIVE

PUBLIC RELATIONS

RESEARCH AND INSIGHT

DATA AND PRODUCTION

BUSINESS OVERVIEW

HOME OF THE LONG IDEA

Brand strategy, integrated campaign development, research, creative advertising – creation and production, digital and interactive marketing, short and long form content, retail catalogues, all forms of production, design, CRM/direct marketing, proprietary photographic studios and BMF Plus innovation suite.

PR EVERYONE'S TALKING ABOUT

Public relations, word of mouth, Talkability®, experiential, public reactions, media relations, stunts, events and Agendaneering™.

EXPERTS IN ONLINE RESEARCH AND DATA DELIVERY

Digital research, 100,000+ member online community and insights through multi-media sources.

MONETISING THE WORLD'S DIGITAL AUDIENCE

Online programmatic media and advertising network with advertiser and publisher monetisation solutions.

ON CALL WHEN ISSUES GET CRITICAL

Public relations, public affairs and government relations to influence perceptions and manage reputations.

HELPING AMBITIOUS COMPANIES CHANGE THEIR GAME

Integrated communications and public relations, Tech specialists, B2B, B2C, analyst relations, digital marketing, branding, content strategy, research and analytics, consumer, healthcare and cause related marketing practices.

COMMUNICATION THAT CREATES A SHARED SENSE OF PURPOSE

Integrated communications, events, digital solutions, internal communications, brand strategy, video/ content, investor relations, and stakeholder communications.

CHALLENGE CONVENTION

Strategy and consulting, creative and production, retail, digital, communications planning.

TO HELP CLIENTS FIND THEIR EDGE

Strategy, insight and research, innovation, shopper marketing and brand management.

DIRECT NAVIGATION EXPERTS

Search marketing, domain name portfolio management, online direct navigation traffic.

FY2017 GEOGRAPHIC CONTRIBUTION FROM OPERATING COMPANIES

BALANCING THE GEOGRAPHIC SPREAD

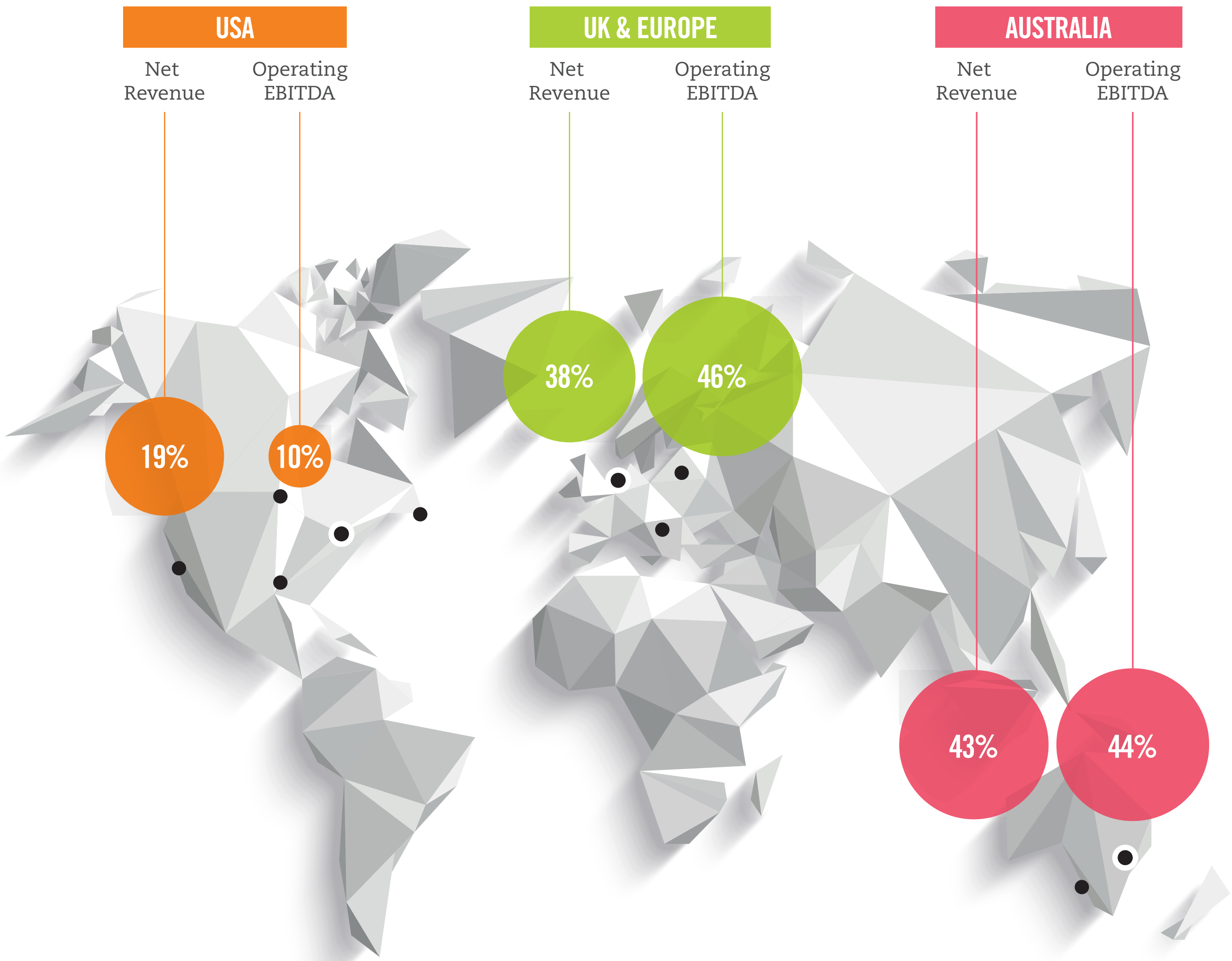
Geographical contribution to revenue more evenly spread due to increase in USA following completion of Eastwick acquisition.

INTERNATIONAL MARKETS CONTRIBUTION

International operations accounted for 56% of the Operating Companies EBITDA in FY2017, down from 67% in FY2016, mainly impacted by UK and Europe trading conditions.

IMPROVED MARGINS IN AUSTRALIAN MARKET

Geographical contribution to Operating EBITDA reflects the improved margin in the Australian market.

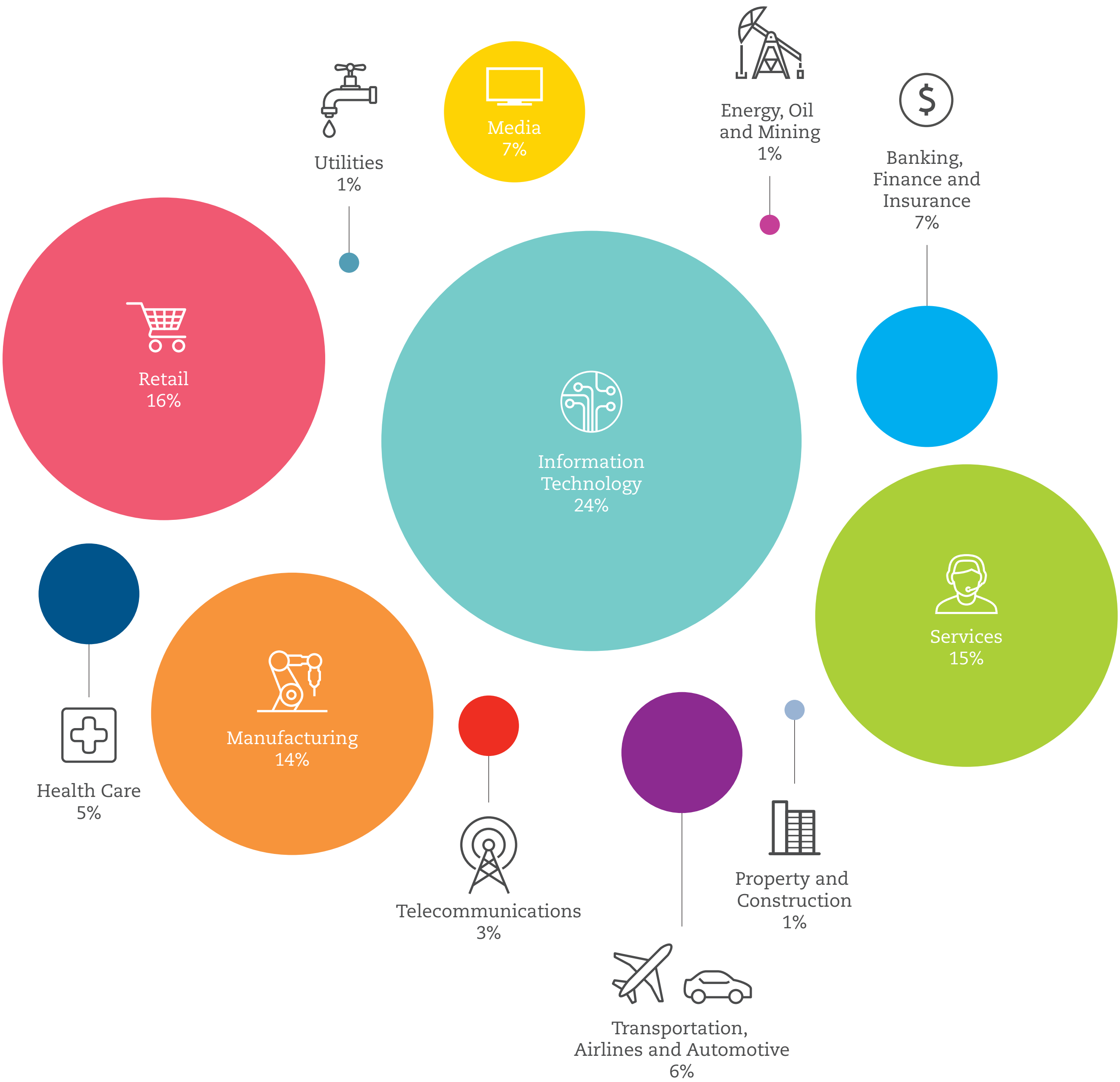


REVENUE BY INDUSTRY

Strong mix of clients across market industry and sector groups demonstrates diversification of revenue.

Largest client only represents 13% of Group net revenue.

Top 10 clients represent 31% of total revenue across more than 700 client relationships.



PEOPLE AND CULTURE

ENERO WOMEN

This year, the Group officially launched 'Enero Women'. Originally launched in Australia, the programme aims to build the confidence, self-efficacy and leadership capability of senior female leaders within Enero Group.

The launch was a great success with 23 women taking part from the Sydney and Melbourne offices.

Enero Women heard from inspirational keynote speaker Dr Ursula King, a former Paralympic swimmer and Medical Director of Medical Services at International SOS, who shared her personal story and the importance of leaders being comfortable in their own skin.

Sessions have since been held on Personal Brand and Commercial Acumen, and the programme has now been launched in the US and Europe.

ON LAUNCH
23 WOMEN
FROM SYDNEY AND MELBOURNE TOOK PART

PROGRAMME LAUNCHED ACROSS
AUSTRALIA, USA AND EUROPE

SAM HAMBRETAN

Talent Lead
The Leading Edge (EMEA) & Hotwire (UK)

Sam's strength is identifying other people's superpowers. With an innate talent to get to the core of what makes a person tick, Sam finds the best people for The Leading Edge EMEA and Hotwire UK, holding a firm belief that the hiring sweet-spot is people who are made of the right skillset and cultural fit for our businesses.

Sam creates a pre-employee journey and strong employer brand to show potential hires how our businesses can help their careers blossom, and to help them understand how we can unleash their superpowers.

It's the focus on creating conditions to allow people to thrive which makes Sam a vital part of our businesses. She focuses on the experience that surrounds an employee; understanding that how this looks and feels can make or break job satisfaction; and ultimately, we need to innovate in this space to ensure our employees have the best experience every day they work with us.

"My philosophy for life is all about balance. You have to be able to see things from both sides to get the best result – especially when it comes to talent. We need well-rounded people – it's as much about cultural fit as it is about skillset. It's Yin and Yang," says Sam.

OVER
500
EMPLOYEES

IN
TEN
DIVERSE
BUSINESSES

ACROSS
SEVEN
COUNTRIES
AND 11 CITIES

GLOBAL MOBILITY

Enero's international footprint has allowed numerous staff the opportunity to cross borders and agencies this year, each bringing a diverse breadth of experience to their new agencies and keeping valuable talent within the Group. During the year account directors and account executives moved from London to Sydney, consultants transferred from London to Sydney on secondment and finance teams moved from Sydney to London and New York. In the upcoming year, Hotwire has committed to take global mobility to the next level and is creating opportunities for many more staff to experience short- and long-term secondments to offices around the world as part of its borderless thinking program.

NEW WAYS OF WORKING

In January of this year the Enero Group moved all Sydney agencies to one centralised hub, creating a thriving powerhouse of collaboration and creativity that will act as a template for future offices around the globe.

Key to the project was balancing the needs of each individual business. The result is an office broken into bite-sized neighbourhoods with bump spaces sprawled throughout to encourage connectivity. Implementing flexible working, Enero has wholeheartedly embraced the leading business world work trends.

Each neighbourhood has been designed and branded with its own unique identity, constructed with a series of supporting spaces. This includes quiet zones for focused work, booths for small group discussions, team tables for desk work, enclosed meeting rooms for private discussions and informal breakout areas.

The variety of spaces allows employees to select an area based on the type of activity they are performing. The result: optimised efficiency, enhanced functionality and significant savings on space and rent.

Marrying historical sensitivity with contemporary design, the 3,500 sqm fit-out has delivered a dynamic space of raw and elegant sophistication. This bold combination celebrates the building's history whilst reinforcing the creativity and individuality of Enero's brands.

The design of 100 Harris Street won interior design firm, The Bold Collective, silver at the Sydney Design Awards. This award celebrates innovative and creative interiors.

MARTINA MACEJKOVA

Facilities Manager
Enero Group (Sydney)

Behind the scenes at 100 Harris Street, it's facilities manager Martina running the show. The fun, friendly, and always efficient Slovakian manages everything from organising maintenance to popping the champagne to celebrate new business wins.

After starting last September, she worked seven days a week in the lead-up to the move to 100 Harris Street, organising the seamless transition of hundreds of staff and thousands of boxes to the new premises.

Martina is best known amongst staff, however, for the weekly spread of baked goods she lays out. She was once told she was a chef in a past life, and her olive tapenade it so good it has elicited marriage proposals from co-workers. "I love that I've had a chance to improve my creative side here," she says. "Each week when I put out the food, I'll be thinking about what I'm going to do next week."

"I love that I've had a chance to improve my creative side here."

OPENING NEW DOORS FOR INTER-AGENCY COLLABORATION

Having all Sydney agencies under one roof has opened the door for greater inter-agency collaboration, providing exciting new opportunities for the Group's agencies, and better results for clients.

Hotwire was recently able to leverage the long running relationship both BMF and The Leading Edge have with BPAY, to pitch for its public relations business. Since winning the pitch, the three Enero agencies have worked closely to deliver cleverly integrated strategy and tactics.

Most recently they worked with BPAY to introduce Osko, BPAY Group's newest payment service, to financial institutions. The Leading Edge undertook extensive research to tap into user sentiment on the service, while design and branding efforts were led by BMF. Hotwire spearheaded the stakeholder engagement strategy.

John Banfield, group CEO at BPAY Group, said having such a varied and experienced group of agencies working with the company to introduce Osko by BPAY to the Australian market was an exciting opportunity.

"With such a great bank of agency experience alongside us, we are well positioned to tell the story of this exciting innovation in payments."

THOUGHT LEADERS

While awards are a great recognition of the work, the Group is blessed with talented thought leaders who convey opinions and build a positive personal and business profile. Clients expect our businesses to have an opinion on the issues that matter.

ALISON TILLING

Head of Planning
BMF (Sydney)

Ali is a stew – or maybe a soup?! – of experiences: working client side at Apple Europe, editing a newspaper in Bolivia, stints in various agencies and doing the odd bit of creative writing on the side.

She joined BMF in 2008, migrated to the planning dark side in 2010, and has felt at home ever since ... learning to tell her qual from her quant and an insight from an observation.

ALDI is BMF's biggest account and Ali led the planning for six years, being a key part of the team that started the retailer's journey from small player to Australia's third-largest supermarket, snapping at Coles' and Woolworths' heels. She now leads Planning on BPAY, Dulux, FFA and Weight Watchers.

Ali has appeared as a panellist on the Gruen TV show, spoken at Vivid Ideas and the Mumbrella Retail conference, and won the APG 'Battle of Big Thinking' in 2016. She's passionate about diversity in all its guises and has spoken at the Mumbrella 360 conference (with her amazing boss, Christina) on being a mum in adland and overcoming ageism in our industry.

Ali's 'side hustle' is her two small children, who together constitute a frenetic not-for-profit with ever-changing demands but some pretty cute moments.

BRETT ROLFE

Chief Strategy Officer
Naked (Sydney)

As the chief strategy officer at Naked, Brett works with clients to understand how creativity can be used to solve their business problems. A fierce believer in ‘strategic creativity’, he constantly strives to find new ways of bringing strategic thinking and creative ideation together.

Following an early stint in consulting, Brett spent 10 years in digital marketing. In his 10 years at Naked, he has been head of strategy, brand strategy director, communications director, director of technology and innovation, and even digital evangelist (yes, that’s what it said on his business card).

Brett is also the founder of the Schoolhouse Centre for Educational Innovation, a non-profit initiative to encourage innovation in Australian schools. He took the stage at TEDxSydney to ask ‘What would school be like if we invented it today?’, and was executive producer of TEDxYouth@Sydney, a celebration of ideas by and for teenagers.

Recently Brett has spoken at Vivid Ideas on creativity in education, and at ad:tech on the interdependence of strategy and creativity.

SAHANA JAYARAMAN

Senior Vice President,
Digital Brand Lab
Hotwire PR (USA)

Sahana is a brand and creative strategist specialising in campaign planning across channels. Sahana leads Hotwire’s Digital Brand Lab overseeing its growth and day to day operations as part of the US executive team.

Sahana has been building digital teams within the context of advertising and PR agencies for 15 years. She has built a career learning the inherent relationship between digital, PR and advertising. Sahana’s secret to success is to build inspired teams with an entrepreneurial mindset. When you work with her creative thinking is required, challenging the process is allowed, and all ideas – the good, the bad and the weird – are always encouraged.

Sahana joined the Hotwire family through the acquisition. Since her time with Eastwick, Sahana has turned a team of one into a motley crew of specialists across research, brand marketing, content marketing and digital, growing the agency’s capabilities and expertise across these areas of services.

Sahana maintains that rituals are what keep her grounded in her busy life – for her it’s the daily practice of meditation, routine connection with animals and nature, and enjoying a glass of wine with her husband.

BOARD OF DIRECTORS

JOHN PORTER
Independent
Non-Executive
Chairman

ANOUK DARLING
Independent
Non-Executive
Director

MATTHEW MELHUISH
CEO and
Executive Director

SUSAN MCINTOSH
Non-Executive
Director

ROGER AMOS
Independent
Non-Executive
Director
Deputy Chairman

FINANCIAL REPORT

FOR YEAR ENDED 30 JUNE 2017

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 2017; 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 the Chairman 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 Contango Asset Management 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.

Anouk Darling – Independent Non-Executive Director
Anouk was appointed as a Non-Executive Director of the Company on 6 February 2017. Anouk has over 20 years' experience in marketing and brand strategy. Anouk is a Director of Macquarie Telecom Limited as well as a member of its Audit and Risk Committee, and Remuneration and Nomination Committee. Anouk is also a Board member of Discovery Holiday Parks and a member of its People and Remuneration Committee as well as a Non-Executive Director of Healthy Life Group. Anouk also consults as an operating partner to Allegro Funds across their portfolio companies. Her most recent Executive role was Chair of Moon Communications Group, a business which she worked in for 12 years, where she firstly held the role of Strategy Director and then served as Chief Executive Officer. Anouk is a member of the Audit and Risk Committee.

Max Johnston – Independent Non-Executive Director
Max was appointed as a Non-Executive Director of the Company on 28 April 2011. Max was Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee. Max resigned as a Director on 18 October 2016.

Russel Howcroft – Independent Non-Executive Director
Russel was appointed as a Non-Executive Director of the Company on 21 May 2015. Russel was a member of the Audit and Risk Committee. Russel resigned as a Director on 3 February 2017.

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 and insights, advertising, public relations, communications planning, 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 2017 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.

Events subsequent to balance date

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 significantly affect 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 26 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 scale and presence in the UK and USA markets to even out revenue and Operating EBITDA contributions across the three geographic locations through organic growth and acquisition opportunities.

Operating and financial review

Operations of the Group

The Group consists of 10 marketing and communications services businesses across seven countries with more than 500 employees. The Group's service offering includes integrated marketing and communication services, including strategy, market research and insights, advertising, public relations, communications planning, design, events management, direct marketing and corporate communications.

The Group has three geographic locations – Australia, UK and USA – which house the majority of the Group's businesses and employees. The Group also has a number of non-owned affiliates in other geographic areas which connect the Group into a global network.

Financial performance for the year

The Group achieved Net Revenue of $100.2 million, a decrease of 11.7% compared to the prior reporting period. Operating EBITDA of $10.4 million was 21.6% below the prior reporting period. The Operating EBITDA margin decreased from 11.6% in 2016 to 10.4% in 2017. In the current year, the Operating Brands segment generated approximately 57% of its net revenue and 56% of Operating EBITDA from international markets.

The reduced Revenue and Operating EBITDA in the current year was attributable to:

- material negative foreign currency translation differences converting UK and USA generated Revenue and Operating EBITDA to Australian Dollars due to the strengthening of the Australian dollar across the financial year relative to the prior year. On a constant currency basis the decrease in Net Revenue is reduced to 4.9% and Operating EBITDA is reduced to 11.8%; and
- some key client losses across the financial year particularly in Naked Communications (resulting in the subsequent closure of the London and New York offices) and lower domain monetisation in the Search Marketing businesses of OB Media and Dark Blue Sea.

Reconciliation of statutory profit after tax to Operating EBITDA

In thousands of AUD	2017	2016
Net revenue	100,172	113,488
Operating EBITDA	10,364	13,220
Depreciation and amortisation expenses	(3,758)	(3,060)
Net finance (costs)/income	(149)	170
Non-recurring dual occupancy costs	(637)	–
Incidental acquisition costs	(156)	–
Contingent consideration fair value loss	(2,303)	–
Profit before tax	3,361	10,330
Income tax expense	(1,431)	(2,215)
Statutory profit after tax	1,930	8,115

Significant items

The Company incurred the following significant one-off items in the financial year:

- non-recurring dual occupancy costs in relation to the consolidation of all Sydney office locations into 100 Harris Street, Pyrmont;
- incidental acquisition costs relating to the acquisition of Eastwick Communications; and

- contingent consideration fair value losses on:
  - the revaluation of future contingent consideration payable to the vendors of Eastwick Communications; and
  - payments made to historical Tranche 3a/3b deferred consideration holders paid in May 2017.

Capital Management

During the year, the capital restrictions which had been in place since September 2010 under historical restructured deferred consideration agreements were released following agreement with the remaining deferred consideration liability holders to waive any further rights for nominal consideration.

The Company immediately implemented the following capital management initiatives:

- the Company declared a fully franked special dividend which was paid on 26 June 2017 (refer to details of Dividends paid below); and
- the Company made an adjustment to Share Capital under section 258F of the Corporations Act, reducing Share Capital by $397.2 million for share capital that is lost or not represented by available assets. While the adjustment to Share Capital will have the effect of reducing the Share Capital account and reducing the Company's accumulated losses, this adjustment had no impact on the net assets, financial results, cash flow or funding of the Company.

Acquisition

On 29 September 2016 the Group, via its subsidiary Hotwire Public Relations Group LLC, acquired the business net assets of Eastwick Communications, a USA-based independent technology public relations agency with offices in San Francisco and New York. The purchase price was an upfront cash payment of US$5.0 million (A$6.3 million) in addition to contingent consideration payments tied to EBIT targets through to the period 30 June 2020. Refer to note 21 Acquisition for details.

Contingent Consideration Liabilities

The Company entered into a contingent consideration arrangement in relation to its acquisition of Eastwick Communications on 29 September 2016. As at 30 June 2017, the Company's estimated contingent consideration liability is $10.1 million of which $4.5 million is current and $5.6 million is non-current.

Cash and Debt

The Company has $32.5 million in cash as at 30 June 2017. During the year the Company funded its office fit-out of 100 Harris Street, Pyrmont via a hire purchase arrangement, drawn to $3.3 million at 30 June 2017.

Cash Flow

The Group implemented strict working capital management to ensure efficient conversion of EBITDA to cash and has delivered positive operating cash flows of $9.8 million from an Operating EBITDA of $10.4 million.

Strategy and prospects

The Group's primary objective is to become a boutique force in modern marketing and communications focused on three core skills – strategy and research, creative agency and public relations – serviced from three key geographic locations – Australia, UK and USA – 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, contingent consideration fair value loss, non-recurring dual occupancy costs, and incidental acquisition costs. Operating EBITDA, reconciled in the table on page 19, 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.

Dividends

Dividends declared and paid by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount AUD '000	Date of payment
Fully franked special dividend	5	4,280	26 June 2017

No dividend was declared after the balance sheet date, at the date of this report. For further details refer to Note 15 Capital and reserves in this annual report.

Issue of shares and share rights

Shares issued on exercise of SAR

During the year ended 30 June 2017, a total of 1,636,718 shares (2016: 95,944 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 2017, the Company has 1,591,485 shares (30 June 2016: 3,228,203 shares) in a trust account held by the Company for future use against long-term incentive equity schemes as and when required.

The Company made an adjustment to its share capital as described in the Capital Management section of the Operating and financial review in this Directors' Report which had no impact on the number of shares issued by the Company.

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	VWAP (for the 20 business days prior to the grant)
30 September 2017	1,400,001	$0.70
30 September 2018	1,399,998	$0.70
Total	2,799,999	

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

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	5	8	–	–	1	2
Matthew Melhuish	8	8	–	–	–	–
Susan McIntosh	7	8	3	4	1	2
Roger Amos	8	8	4	4	2	2
Anouk Darling	4	4	2	2	–	–
Max Johnston	2	2	1	1	1	1
Russel Howcroft	4	4	1	1	–	–

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 SARs 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	1,472,006	666,667
Susan McIntosh	122,223	Nil
Roger Amos	31,390	Nil
Anouk Darling	Nil	Nil
Total	1,896,452	666,667

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, Anouk Darling 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 willful 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.

Risk management

The Board has established a risk management policy for the management and oversight of risk and has delegated responsibility of compliance and internal control to the Audit and Risk Committee.

Directors' Report

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.

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 29 Auditor's remuneration of the notes to the financial statements.

	2017 $	2016 $
Services other than statutory audit		
Auditors of the Company		
Taxation compliance services:		
Overseas KPMG firms	186,000	178,000
Other advisory services:		
Overseas KPMG firms	–	9,000
Total services other than statutory audit	186,000	187,000

Auditor independence

The Lead Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 78, and forms part of the Directors' Report for the year ended 30 June 2017.

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

The Remuneration Report on page 23 forms part of this Directors' Report.

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

Dated at Sydney this 24th day of August 2017.

John Porter

Chairman

Remuneration Report – Audited

Contents

1 Introduction

The Directors of Enero Group Limited present this Remuneration Report for the Group for the year ended 30 June 2017. 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
Anouk Darling	Non-Executive Director(i)
Max Johnston	Non-Executive Director(ii)
Russel Howcroft	Non-Executive Director(ii)
Executives	
Matthew Melhuish	Chief Executive Officer
Brendan York	Group Finance Director
Stephen Watson	Group Strategy and Operations Director
Katie McGrath	Group Human Resources Director(iii)

(i) Anouk Darling was appointed as a Director on 6 February 2017.
(ii) Max Johnson and Russel Howcroft resigned as Directors on 18 October 2016 and 3 February 2017 respectively.
(iii) Katie McGrath resigned on 2 June 2017.

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 2017.

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 STI for the CEO and Company Executives align Executives with the creation of shareholder value through driving top-line revenue growth along with Operating EBITDA margin improvements.

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, 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 and Nomination Committee.

The Remuneration and Nomination 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 28).

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 table below 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	16 June 2015 (i)	20 October 2015
SARs issued	1,000,000	4,700,000
Participants	CEO	Senior Executives
VWAP for the 20 business days prior to the grant (B)	70 cents	70 cents
Vesting dates: 20 business days after the release of the Group financial report for the year ended: Tranche 1 Tranche 2 Tranche 3	 30 June 2016 – 1/3rd 30 June 2017 – 1/3rd 30 June 2018 – 1/3rd	 30 June 2016 – 1/3rd 30 June 2017 – 1/3rd 30 June 2018 – 1/3rd
Expiry	30 September 2018	30 September 2018
Outstanding SARs as at 30 June 2017	666,667	2,133,332

(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

(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 2017.

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.

The following Non-Executive Director fees (inclusive of superannuation) have been applied in the years ended 30 June 2017 and 30 June 2016:

	2017 $	2016 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	**2017**	120,000	–	–	–	–	–	120,000	–
	2016	120,000	–	–	–	–	–	120,000	–
Susan McIntosh	**2017**	68,493	–	–	6,507	–	–	75,000	–
	2016	68,493	–	–	6,507	–	–	75,000	–
Roger Amos	**2017**	86,758	–	–	8,242	–	–	95,000	–
	2016	86,758	–	–	8,242	–	–	95,000	–
Anouk Darling(v)	**2017**	27,749	–	–	2,636	–	–	30,385	–
	2016	–	–	–	–	–	–	–	–
Max Johnston(vi)	**2017**	22,989	–	–	2,458	–	–	25,447	–
	2016	77,626	–	–	7,374	–	–	85,000	–
Russel Howcroft(vi)	**2017**	40,745	–	–	3,871	–	–	44,616	–
	2016	68,493	–	–	6,507	–	–	75,000	–
Executive Director									
Matthew Melhuish, Director and CEO	**2017**	800,000	81,962	88,889	19,616	(19,285)	78,735	1,049,917	15.31
	2016	800,000	163,862	(13,658)	19,308	(19,156)	168,576	1,118,932	29.71
Executives									
Brendan York, Group Finance Director	**2017**	350,000	36,962	38	19,616	9,988	56,716	473,320	19.79
	2016	350,000	73,862	(1,474)	19,308	15,908	80,544	538,148	28.69
Stephen Watson, Group Strategy and Operations Director	**2017**	350,000	36,962	(4,616)	19,616	2,837	56,716	461,515	20.30
	2016	350,000	73,862	(1,523)	19,308	1,919	80,544	524,110	29.46
Katie McGrath, Group Human Resource Director(vii)	**2017**	325,116	–	(4,882)	18,237	(12,581)	14,105	339,995	4.15
	2016	350,000	73,862	(38,432)	19,308	5,069	80,544	490,351	31.49

(i) The short-term incentive bonus is for performance during the 30 June 2017 financial year using the criteria set out on page 24. The table above includes the expense incurred during the financial year for the bonuses awarded. Refer to the table on page 28 for the bonuses awarded.

(ii) Share Appreciation Rights are calculated at the date of grant using the Monte Carlo simulation 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) Anouk Darling was appointed as a Director on 6 February 2017.

(vi) Max Johnson and Russel Howcroft resigned as Directors on 18 October 2016 and 3 February 2017 respectively.

(vii) Katie McGrath resigned on 2 June 2017.

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 24.

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 are classified 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	10%	81,962	100
Brendan York	Revenue and Operating EBITDA target	10%	36,962	100
Stephen Watson	Revenue and Operating EBITDA target	10%	36,962	100

(i) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on the achievement of specified performance criteria as discussed in Section 4(b) Performance-linked remuneration 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

No SARs were granted as compensation to key management personnel during the reporting period.

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	1,000,000	SAR	15 Oct 2013	34	34	–	30 Sep 2014, 30 Sep 2015 and 30 Sep 2016
	1,000,000	SAR	16 June 2015	33	33	67	30 Sep 2016, 30 Sep 2017 and 30 Sep 2018
Company Executives							
Brendan York	600,000	SAR	15 Oct 2013	34	34	–	30 Sep 2014, 30 Sep 2015 and 30 Sep 2016
	600,000	SAR	20 Oct 2015	33	33	67	30 Sep 2016, 30 Sep 2017 and 30 Sep 2018
Stephen Watson	600,000	SAR	15 Oct 2013	34	34	–	30 Sep 2014, 30 Sep 2015 and 30 Sep 2016
	600,000	SAR	20 Oct 2015	33	33	67	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 2016	Granted as remuneration in year	Cancelled	Exercised	Granted held at 30 June 2017	Vested during the year	Vested and exercisable at 30 June 2017	Value of rights exercised during the year $
Director								
Matthew Melhuish	1,333,334	–	–	(666,667)	666,667	666,667	–	153,334
Executives								
Brendan York	800,000	–	–	(400,000)	400,000	400,000	–	92,000
Stephen Watson	800,000	–	–	(400,000)	400,000	400,000	–	92,000
Katie McGrath	800,000	–	(400,000)	(400,000)	–	400,000	–	92,000

No share-based payments held by KMP are vested but not exercisable at 30 June 2017.

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 2016	Purchases	Issued as remuneration	Received on exercise of rights	Sales	Held at 30 June 2017
Directors						
John Porter	270,833	–	–	–	–	270,833
Matthew Melhuish	1,187,453	–	–	284,553	–	1,472,006
Susan McIntosh	122,223	–	–	–	–	122,223
Roger Amos	31,390	–	–	–	–	31,390
Anouk Darling(i)	–	–	–	–	–	–
Max Johnston(ii)	77,778	–	–	–	–	77,778
Russel Howcroft(ii)	45,549	–	–	–	–	45,549
Executives						
Brendan York	87,806	–	–	170,732	–	258,538
Stephen Watson	76,522	–	–	170,732	–	247,254
Katie McGrath(ii)	42,022	–	–	170,732	–	212,754

(i) Opening balance represents shares held at the date of appointment.

(ii) Closing balance represents shares held at the date of resignation.

10 Loans to Key Management Personnel

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

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. Financial performance from operations of the current and last four financial years is indicated in the following table:

	30 June 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Metric					
Net Revenue ($'000)	100,172	113,488	110,347	119,493	127,315
Operating EBITDA ($'000)	10,364	13,220	9,202	8,972	3,619
Operating EBITDA margin (%)	10.35%	11.65%	8.34%	7.51%	2.84%
Opening share price (1 July) ($)	1.25	0.71	1.08	0.36	0.51
Closing share price (30 June) ($)	1.04	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. Short-term incentives have been set by the Remuneration and Nomination Committee based on achievement of certain Net Revenue and Operating EBITDA targets, which aligns remuneration with increases in profitability.

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 strategic and capital management activities which took place during the financial year. The Remuneration and Nomination Committee believes the current year achievement Net Revenue, Operating EBITDA and Operating EBITDA margin, (despite being lower than the prior year), along with improvements to the integration of the network across the Operating Brands and the release of capital restrictions, are aligned with the achievement of future shareholder wealth and therefore confirms the Executive Remuneration policy and framework.

End of remuneration report.

Consolidated income statement
for the year ended 30 June 2017

In thousands of AUD	Note	2017	2016
Gross revenue	3	180,666	213,632
Directly attributable costs of sales	3	(80,494)	(100,144)
Net revenue	3	100,172	113,488
Other income		207	206
Employee expenses		(71,382)	(79,085)
Occupancy costs		(8,036)	(8,082)
Travel expenses		(1,244)	(1,515)
Communication expenses		(2,038)	(2,252)
Compliance expenses		(1,434)	(2,114)
Depreciation and amortisation expenses		(3,758)	(3,060)
Administration expenses		(6,518)	(7,426)
Incidental acquisition costs		(156)	–
Contingent consideration fair value loss	12	(2,303)	–
Net finance (costs)/income	4	(149)	170
Profit before income tax		3,361	10,330
Income tax expense	5	(1,431)	(2,215)
Profit for the year		1,930	8,115
Attributable to:			
Equity holders of the parent		1,796	6,585
Non-controlling interests		134	1,530
		1,930	8,115
Basic earnings per share (AUD cents)	16	2.2	8.0
Diluted earnings per share (AUD cents)	16	2.1	7.8

The notes on pages 36 to 69 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 30 June 2017

In thousands of AUD	Note	2017	2016
Profit for the year		1,930	8,115
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(4,909)	(10,851)
Total items that may be reclassified subsequently to profit or loss		(4,909)	(10,851)
Other comprehensive loss for the year, net of tax		(4,909)	(10,851)
Total comprehensive loss for the year		(2,979)	(2,736)
Attributable to:			
Equity holders of the parent		(3,065)	(4,268)
Non-controlling interests		86	1,532
		(2,979)	(2,736)

The notes on pages 36 to 69 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 30 June 2017

			Attributable to owners of the Company							
In thousands of AUD	Note	Share capital	Retained profits/ (accumulated losses)	Profit appropriation reserve	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 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 loss for the year net of tax		–	–	–	–	–	(10,853)	(10,853)	2	(10,851)
Total comprehensive income/(loss) 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	15	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
Opening balance at 1 July 2016		491,576	(375,243)	–	13,499	(1,417)	(19,188)	109,227	2,032	111,259
Profit for the year		–	1,796	–	–	–	–	1,796	134	1,930
Other comprehensive loss for the year net of tax		–	–	–	–	–	(4,861)	(4,861)	(48)	(4,909)
Total comprehensive income/(loss) for the year		–	1,796	–	–	–	(4,861)	(3,065)	86	(2,979)
Transactions with owners recorded directly in equity:										
Shares issued to employees on exercise of Share Appreciation Rights	15	2,013	–	–	(2,013)	–	–	–	–	–
Share capital reduction in accordance with section 258F of the Corporations Act 2001	15	(397,200)	397,200	–	–	–	–	–	–	–
Transfer to profit appropriation reserve		–	(12,443)	12,443	–	–	–	–	–	–
Dividends paid to equity holders		–	(4,280)	–	–	–	–	(4,280)	(1,414)	(5,694)
Share-based payment expense		–	–	–	371	–	–	371	–	371
Closing balance at 30 June 2017		96,389	7,030	12,443	11,857	(1,417)	(24,049)	102,253	704	102,957

The notes on pages 36 to 69 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
as at 30 June 2017

In thousands of AUD	Note	2017	2016
Assets			
Cash and cash equivalents	6	32,512	37,620
Trade and other receivables	7	19,994	24,305
Other assets	8	4,251	4,630
Income tax receivable	5	70	–
Total current assets		56,827	66,555
Deferred tax assets	5	1,735	1,715
Plant and equipment	9	6,899	4,942
Other assets	8	156	338
Intangible assets	10	83,134	75,502
Total non-current assets		91,924	82,497
Total assets	2	148,751	149,052
Liabilities			
Trade and other payables	11	26,568	32,237
Contingent consideration payable	12	4,512	–
Interest-bearing loans and borrowings	17	1,352	9
Employee benefits	13	2,772	2,166
Income tax payable	5	512	994
Provisions	14	18	163
Total current liabilities		35,734	35,569
Contingent consideration payable	12	5,631	–
Interest-bearing loans and borrowings	17	1,915	11
Employee benefits	13	661	599
Provisions	14	1,853	1,614
Total non-current liabilities		10,060	2,224
Total liabilities	2	45,794	37,793
Net assets		102,957	111,259
Equity			
Issued capital	15	96,389	491,576
Other reserves		(13,609)	(7,106)
Profit appropriation reserve		12,443	–
Retained profits/(accumulated losses)		7,030	(375,243)
Total equity attributable to equity holders of the parent		102,253	109,227
Non-controlling interests		704	2,032
Total equity		102,957	111,259

The notes on pages 36 to 69 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 30 June 2017

In thousands of AUD	Note	2017	2016
Cash flows from operating activities			
Cash receipts from customers		203,338	243,572
Cash paid to suppliers and employees		(191,610)	(225,317)
Cash generated from operations		11,728	18,255
Interest received		259	257
Income taxes paid		(1,965)	(1,425)
Interest paid		(182)	(87)
Net cash from operating activities	6	9,840	17,000
Cash flows from investing activities			
Proceeds from disposal of non-current assets		91	10
Acquisition of plant and equipment		(1,295)	(1,081)
Acquisition of a business, net of cash acquired	21	(6,328)	–
Net cash used in investing activities		(7,532)	(1,071)
Cash flows from financing activities			
Finance lease payments		(753)	(31)
Dividends paid to equity holders of the parent	15	(4,280)	–
Dividends paid to non-controlling interests in controlled entities		(1,414)	(2,324)
Net cash used in financing activities		(6,447)	(2,355)
Net (decrease)/increase in cash and cash equivalents		(4,139)	13,574
Effect of exchange rate fluctuations on cash held		(969)	(1,766)
Cash and cash equivalents at 1 July		37,620	25,812
Cash and cash equivalents at 30 June	6	32,512	37,620

The notes on pages 36 to 69 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 30 June 2017

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 2017 comprise the Company and its subsidiaries (together referred to as the 'Group').

The financial statements for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 24 August 2017.

(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
- 12. Contingent consideration payables
- 18. Financial risk management/financial instruments (Trade receivables)
- 19. Impairment of non-financial assets
- 21. Acquisition
- 28. 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
- 12. Contingent consideration payables
- 28. Share-based payments

(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

1. Basis of preparation (continued)

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 Notes 1 to 29 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 2017, 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 2019 consolidated financial statements;
- AASB 15 *Revenue from Contracts with customers*, which becomes mandatory for the Group's 2019 consolidated financial statements; and
- AASB 16 *Leases*, which becomes mandatory for the Group's 2020 consolidated financial statements.

AASB 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially changed approach to hedge accounting.

The Company is in the process of undertaking a detailed assessment of the impact of AASB 9. However, based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances when it is first adopted for the year ended 30 June 2019.

AASB 15 *Revenue from Contracts with Customers* replaces all current guidance on revenue recognition from contracts with customers. It requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the services are transferred to the customer.

Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur.

The Company is in the process of undertaking a detailed assessment of the impact of AASB 15. However, based on the Company's preliminary assessment, the standard is not expected to have a material impact on the transactions and balances when it is first adopted for the year ended 30 June 2019. The Company will apply the standard retrospectively, using the cumulative catch-up method to adjust the opening balance of retained earnings at 1 July 2018.

AASB 16 *Leases* sets out a model for identifying lease arrangements and will result in the recognition of almost all leases in the statement of financial position. The new standard requires the recognition of a 'right of use' asset and a related lease liability, being the present value of future lease payments. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and depreciation replacing operating lease expense.

The Consolidated Entity will apply the standard retrospectively, using the modified retrospective method, recognising the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings at 1 July 2019.

The Company is in the process of undertaking a detailed assessment of the impact of AASB 16. However, based on the Company's preliminary assessment, the standard's likely impact on first-time adoption is:

- there will be a material increase in lease assets and financial liabilities recognised in the statement of financial position;
- operating EBITDA and EBIT in the consolidated income statement will be higher as the implicit

interest in lease payments will be presented as part of finance costs and the amortisation of the right of use asset will be presented as amortisation rather than being included as rental costs in operating expenses;

- operating cash outflows will be lower and financing cash outflows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

As at the date of this report, the Group does not intend to early adopt the abovenamed standards.

(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 outlines 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, contingent consideration fair value loss, non-recurring dual occupancy costs, and incidental acquisition costs.

2017 In thousands of AUD	Operating Brands	Total segment	Unallocated	Eliminations	Consolidated
Gross revenue	180,666	180,666	_	_	180,666
Directly attributable cost of sales	(80,494)	(80,494)	_	_	(80,494)
Net revenue	100,172	100,172	_	_	100,172
Other income	207	207	_	_	207
Operating expenses	(84,323)	(84,323)	(5,692)	_	(90,015)
Operating EBITDA	16,056	16,056	(5,692)	_	10,364
Depreciation and amortisation expenses					(3,758)
Incidental acquisition costs	(156)	(156)	_	_	(156)
Contingent consideration fair value loss	(2,208)	(2,208)	(95)	_	(2,303)
Non-recurring dual occupancy costs	(348)	(348)	(289)	_	(637)
Net finance costs					(149)
Profit before income tax					3,361
Income tax expense					(1,431)
Profit for the year					1,930
Goodwill	81,802	81,802	_	_	81,802
Other intangibles	1,332	1,332	_	_	1,332
Assets excluding intangibles	42,217	42,217	42,055	(18,655)	65,617
Total assets	125,351	125,351	42,055	(18,655)	148,751
Liabilities	39,035	39,035	25,414	(18,655)	45,794
Total liabilities	39,035	39,035	25,414	(18,655)	45,794
Amortisation of intangibles	369	369	_	_	369
Depreciation	2,977	2,977	412	_	3,389
Capital expenditure	606	606	689	_	1,295

* 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 In thousands of AUD	2017 Net revenues	 Non-current assets	2016 Net revenues	 Non-current assets
Australia	42,905	5,913	45,983	3,187
UK and Europe	37,968	1,490	51,212	2,375
USA	19,299	1,387	16,293	1,433
Unallocated intangibles(i)	_	83,134	_	75,502
Total	100,172	91,924	113,488	82,497

(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.

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
Profit before income tax					10,330
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.

Major Customer

Net revenue from a customer of the Operating Brands segment represented approximately 13.0% of the Group's total net revenue for the year ended 30 June 2017 (2016: no single customer of the Group had net revenue exceeding 10% 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	2017	2016
Gross revenue from the rendering of services	180,666	213,632
Directly attributable cost of sales	(80,494)	(100,144)
Net revenue	100,172	113,488

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) Project and production fee revenue
Project and production revenue is recognised net of directly attributable cost of sales on a stage of completion basis.

(ii) Retainer fee revenue
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 (costs)/income

In thousands of AUD	2017	2016
Net finance (costs)/income		
Interest and finance costs	(74)	(87)
Finance lease interest	(108)	–
Present value interest	(226)	–
Interest income	259	257
	(149)	170

Foreign exchange loss of $67,000 (2016: gain $70,000) has been recognised in the consolidated income statement and has 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	2017	2016
Current tax expense		
Current year	1,343	2,582
Adjustments for prior years	119	(544)
	1,462	2,038
Deferred tax expense		
Origination and reversal of temporary differences	(31)	177
	(31)	177
Income tax expense in income statement	1,431	2,215

Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the year	1,930	8,115
Income tax expense	1,431	2,215
Profit excluding income tax	3,361	10,330
Income tax expense using the Company's domestic tax rate of 30% (2016: 30%)	1,008	3,099
Increase in income tax expense due to:		
Share-based payment expense	111	240
Tax losses not brought to account	663	410
Present value interest	68	–
Contingent consideration fair value loss	691	–
Under/(over) provision for tax in previous years	119	(544)
Decrease in income tax expense due to:		
Effect of losses not previously recognised	(966)	(666)
Effect of lower tax rate on overseas incomes	(239)	(472)
Other (subtraction)/non-deductible items	(24)	148
Income tax expense on pre-tax net profit	1,431	2,215

Current taxes

The Group has a net current tax payable of $442,000 (2016: payable $994,000). The net current tax payable is comprised of current tax payables of $512,000 (2016: $994,000) and current tax receivables of $70,000 (2016: $Nil).

Deferred taxes

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

In thousands of AUD	2017	2016
Deferred tax assets		
Tax losses carried forward	3,940	3,949
Employee benefits	885	712
Accruals and income in advance	379	509
Lease make good	13	204
Lease incentive	357	170
Plant and equipment	126	385
Others	41	68
Gross deferred tax assets	5,741	5,997
Deferred tax liabilities		
Fair value gain	3,940	3,949
Plant and equipment	37	42
Work in progress	27	239
Lease make good asset	2	35
Identifiable intangibles	–	17
Gross deferred tax liabilities	4,006	4,282
Net deferred tax asset	1,735	1,715

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	2017	2016
Revenue losses	33,564	36,675
Capital losses	210,927	210,836
Gross tax losses carried forward	244,491	247,511

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 taxable 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 of $3,940,000 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 in the amount of $3,940,000.

6. Cash and cash equivalents

In thousands of AUD	Note	2017	2016
Cash at bank and on hand		29,060	35,215
Bank short-term deposits		3,452	2,405
Cash and cash equivalents in the statement of financial position and the statement of cash flows		32,512	37,620

For statement of cash flow presentation purposes, cash and cash equivalents include cash on hand, and 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. The Group has pledged short-term deposits (see Note 17 Loans and borrowings).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 18 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:

	2017	2016
Cash assets	32,512	37,620
(ii) Reconciliation of profit after income tax to net cash provided by operating activities		
Profit after income tax	1,930	8,115
Add/(less) non-cash items:		
(Profit)/loss on sale of non-current assets	(8)	2
Share-based payments expense	371	801
Depreciation	3,389	3,001
Release of lease incentive/rent straight-line	771	30
Lease make good amortisation	459	440
Release of lease make good provision	(956)	(75)
Amortisation of identifiable intangibles	369	59
Contingent consideration fair value loss	2,208	–
Contingent consideration present value interest	226	–
(Decrease)/increase in income taxes payable (net)	(552)	519
(Increase)/decrease in deferred tax (net)	(20)	173
Net cash provided by operating activities before changes in assets and liabilities	8,187	13,065
Changes in assets and liabilities adjusted for the effects of purchase and disposal of controlled entities during the financial year:		
(Increase)/decrease in trade and other receivables	6,786	3,548
(Increase)/decrease in work in progress	259	(458)
(Increase)/decrease in prepayments	239	134
(Increase)/decrease in other assets	181	66
Increase/(decrease) in payables and accruals	(2,693)	(878)
Increase/(decrease) in unearned income	(3,598)	1,593
Increase/(decrease) in provisions	479	(70)
Net cash from operating activities	9,840	17,000

7. Trade and other receivables

In thousands of AUD	Note	2017	2016
Current			
Trade receivables		19,975	24,441
Less: provision for impairment loss	18	(135)	(173)
		19,840	24,268
Other receivables		154	37
Total trade and other receivables		19,994	24,305

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 18 Financial risk management/financial instruments.

8. Other assets

In thousands of AUD	2017	2016
Current		
Work in progress	1,172	1,431
Prepayments	3,029	3,088
Other current assets	50	111
	4,251	4,630
Non-current		
Deposits	99	174
Other non-current assets	57	164
	156	338

9. Plant and equipment

In thousands of AUD	Computer equipment	Office furniture and equipment	Plant and equipment	Leasehold improvements (i)	Plant and equipment under finance lease	Total
2017						
Cost	4,252	1,800	391	8,037	–	14,480
Accumulated depreciation	(3,033)	(979)	(335)	(3,234)	–	(7,581)
Net carrying amount	1,219	821	56	4,803	–	6,899
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	1,308	709	195	2,730	–	4,942
Additions	773	588	12	3,922	–	5,295
Acquired through business combination	113	102	–	59	–	274
Depreciation	(944)	(487)	(144)	(1,814)	–	(3,389)
Effect of movements in exchange rates	(28)	(25)	(7)	(80)	–	(140)
Disposals	(3)	(66)	–	(14)	–	(83)
Carrying amount at the end of the year	1,219	821	56	4,803	–	6,899
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

(i) The Group has pledged Leasehold improvements (see Note 17 Loans and borrowings).

Accounting policy

(i) Recognition and measurement

Plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see Note 19 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 were depreciated in the current and, where applicable, comparative period as follows:

Computer equipment	25% – 40%
Office furniture and equipment	5% – 25%
Plant and equipment	10% – 25%
Leasehold improvements	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
2017					
Cost	280,694	6,556	1,639	2,085	290,974
Accumulated amortisation	–	(299)	(307)	(1,375)	(1,981)
Impairment	(198,892)	(6,257)	–	(710)	(205,859)
Net carrying amount	81,802	–	1,332	–	83,134
Reconciliations of the carrying amounts of intangibles are set out below:					
Carrying amount at the beginning of the year	75,446	–	–	56	75,502
Acquired through business combination	10,275	–	1,650	–	11,925
Amortisation	–	–	(313)	(56)	(369)
Effect of movements in exchange rates	(3,919)	–	(5)	–	(3,924)
Carrying amount at the end of the year	81,802	–	1,332	–	83,134
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

Amortisation charge

The amortisation charge of $369,000 (2016: $59,000) 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 $81,802,000 (2016: $75,446,000) relates to the Operating Brands CGU.

The increase in the goodwill carrying value as compared to the prior reporting period is primarily in relation acquisition of Eastwick Communications (refer to Note 21 Acquisition), partially offset by a decrease in 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

Intangible 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 for the current and, where applicable, comparative period 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 19 Impairment of non-financial assets for further details on impairment.

11. Trade and other payables

In thousands of AUD	2017	2016
Current liabilities		
Trade payables	11,451	11,586
Other trade payables and accrued expenses	7,019	8,955
Unearned income	8,098	11,696
	26,568	32,237

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 18 Financial risk management/financial instruments.

12. Contingent consideration payables

In thousands of AUD	2017	2016
Current		
Contingent consideration payable	4,512	–
Non-current		
Contingent consideration payable	5,631	–

Recognised
The Group initially recognised an amount of $7,809,000 (30 June 2016: $Nil) for contingent consideration payable to the vendors of Eastwick Communications in connection with the acquisition completed on 29 September 2016. The fair value of the future contingent consideration liability is estimated based on the achievement of EBIT targets through to 30 June 2020. As at 30 June 2017, the Group increased the contingent consideration payable by $2,208,000 based on a reassessment of the achievement of EBIT targets. This amount has been included in contingent consideration fair value loss in the income statement. There is uncertainty around the actual payments that will be made as the payments are subject to the performance of Eastwick Communications subsequent to the reporting date, including a minimum EBIT threshold for future payments and a final uncapped payment based on the average EBIT of the preceding four years. Actual future payments may differ from the estimated liability.

Unrecognised
The Group had unrecognised contingent deferred consideration liabilities of $17,351,000 at 30 June 2016 as payment of these amounts were not considered probable. Following the expiry of individual vendor sunset dates of contingent deferred consideration liabilities between July 2016 and April 2017, the total contingent liability amounts under these arrangements was reduced by a further $17,234,000. In May 2017, the Company agreed with its remaining contingent deferred consideration liability holders to waive any further rights under the agreements for $95,000. This amount has been included in contingent consideration fair value loss in the income statement. There are no further liabilities in relation to Tranche 3a/3b deferred consideration liabilities.

Accounting policy
Contingent consideration payable is initially recognised at fair value in connection with a business combination. 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 contingent consideration payable is recognised in the income statement as a fair value gain or loss during the period when the estimate is revised. Refer to Note 21 Acquisition for further details of acquisitions in the current financial year.

13. Employee benefits

In thousands of AUD	2017	2016
Aggregate liability for employee benefits, including on-costs		
Current		
Employee benefits provision	2,772	2,166
Non-current		
Employee benefits provision	661	599

The Group has recognised $2,188,000 (2016: $1,918,000) as an expense in the income statement for defined contribution plans during the reporting period.

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 bonds 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.

14. Provisions

In thousands of AUD	Lease make good	Lease incentive	Rent straight-line	Total
2017				
Current	–	18	–	18
Non-current	459	1,255	139	1,853
Total provisions current and non-current	459	1,273	139	1,871
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	1,136	228	413	1,777
Acquired through business combination	3	–	–	3
Increase due to new provision	309	1,217	144	1,670
Effect of movement in exchange rates	(33)	(6)	(6)	(45)
Released/used during the year	(956)	(166)	(412)	(1,534)
Carrying amount at the end of the year	459	1,273	139	1,871

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

Accounting policy

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.

15. Capital and reserves

In thousands of AUD	2017	2016
Share capital		
Ordinary shares, fully paid	96,389	491,576

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

Movement in ordinary shares

	2017 Shares	2017 In thousands of AUD	2016 Shares	2016 In thousands of AUD
Balance at beginning of year	85,604,954	491,576	85,604,954	491,509
1,636,718 shares (2016: 95,944 shares) transferred from a trust account held by the Company to the employees of the Group on exercise of Share Appreciation Rights[i]	–	2,013	–	67
Share capital reduction in accordance with section 258F of the Corporations Act 2001[ii]	–	(397,200)	–	–
Balance at end of year	85,604,954	96,389	85,604,954	491,576

(i) As at 30 June 2017, a total of 1,591,485 shares (30 June 2016: 3,228,203 shares) were held in trust by the Company. Share capital recognised during the year on the exercise of Share Appreciation Rights is based on the VWAP of the Company's shares for the 20 business days prior to the vesting date of the rights ($1.23).

(ii) On 17 May 2017, a resolution was passed by the Directors approving a share capital reduction of $397,200,000 in accordance with section 258F of the *Corporations Act 2001* (Cth), reducing share capital that is lost or not represented by available assets. There was no change in the number of shares on issue.

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.

Profit appropriation reserve
The profit appropriation reserve comprises profits appropriated by the parent entity.

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.

Dividends
Dividends declared and paid by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount In thousands of AUD	Date of payment
Fully franked special dividend	5	4,280	26 June 2017

No dividend was declared after the balance sheet date, at the date of this report.

No dividend was declared during the year ended on 30 June 2016.

Dividend franking account

In thousands of AUD	2017	2016
Franking credits available for future years at 30% to shareholders of Enero Group Limited	20,041	21,875

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.

16. Earnings per share

Profit attributable to equity holders of the parent

In thousands of AUD	2017	2016
Profit for the year	1,930	8,115
Non-controlling interests	(134)	(1,530)
Profit for the year attributable to equity holders of the parent	1,796	6,585

Weighted average number of ordinary shares

In thousands of shares	2017	2016
Weighted average number of ordinary shares – basic	83,605	82,353
Shares issuable under equity-based compensation plans	1,669	1,790
Weighted average number of ordinary shares – diluted	85,274	84,143

Earnings per share

In AUD cents	2017	2016
Basic	2.2	8.0
Diluted	2.1	7.8

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.

17. 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 18 Financial risk management/financial instruments.

In thousands of AUD	2017	2016
Current liabilities		
Hire purchase lease liabilities	1,352	9
Non-current liabilities		
Hire purchase lease liabilities	1,915	11

17. Loans and borrowings (continued)

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
2017				
Total facilities available	3,267	3,700	1,918	8,885
Facilities utilised at reporting date	3,267	2,263	285	5,815
Facilities not utilised at reporting date	–	1,437	1,633	3,070
2016				
Total facilities available	21	3,000	1,801	4,822
Facilities utilised at reporting date	21	2,232	185	2,438
Facilities not utilised at reporting date	–	768	1,616	2,384

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 the bank.

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	2017	2016
Finance lease and hire purchase payable commitments		
Finance lease commitments are payable:		
Within one year	1,504	11
One year or later and no later than five years	1,992	12
	3,496	23
Less: Future lease finance charges	(229)	(3)
	3,267	20
Finance lease and hire purchase liabilities provided for in the financial statements		
Current	1,352	9
Non-current	1,915	11
	3,267	20

The Group leases plant and equipment and leasehold improvements under finance leases expiring from one to five years (2016: 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 $2,263,000 (2016: $2,232,000) 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.

18. 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, contingent consideration payable 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 the 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 2017, the Group entered into transactions with more than 700 unique customers. The 10 largest customers accounted for 30.6% of net revenue for the year ended 30 June 2017, with no one customer accounting for more than 13.0% 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**	**2017**	**2016**
Cash and cash equivalents	6	32,512	37,620
Trade and other receivables	7	19,994	24,305
Deposits	8	99	174
		52,605	62,099

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

		Carrying amount	
In thousands of AUD	**Note**	**2017**	**2016**
Trade receivables	7	19,840	24,268

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	**2017**	**2016**
Balance at 1 July	173	292
Impairment loss recognised in income statement	175	249
Provision used during year	(213)	(368)
Balance at 30 June	135	173

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 99.0% (2016: 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% (2016: 0.7%) 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	**2017**	**2016**
Not past due	16,504	20,324
Past due and less than 90 days	3,265	3,657
Past due and more than 90 days	71	287
Past due, more than 90 days and impaired	135	173
Gross trade receivables	19,975	24,441
Less: Impairment	(135)	(173)
Net trade receivables	19,840	24,268

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.

18. 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 57% of its net revenue and 56% of Operating EBITDA during the year ended 30 June 2017 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.

2017 **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	3,267	3,496	1,504	1,992	–
Trade and other payables (excluding unearned revenue)	18,470	18,470	18,470	–	–
Contingent consideration payable	10,143	10,769	4,554	6,215	–
	31,880	32,735	24,528	8,207	–

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	–

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 contingent consideration liabilities
There are critical accounting estimates and judgements in relation to contingent consideration liabilities. Refer to Note 12 Contingent consideration payables 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 variable interest-bearing assets or liabilities at 30 June 2017.

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's only bank debt is in relation to a hire purchase facility for the fit-out of 100 Harris Street, Pyrmont. The Group also has contingent consideration payables as described in Note 12 Contingent consideration payables.

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	2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
Cash at bank and on hand	29,060	29,060	35,215	35,215
Bank short-term deposits	3,452	3,452	2,405	2,405
Trade receivables	19,840	19,840	24,268	24,268
Trade and other payables	(18,470)	(18,470)	(20,541)	(20,541)
Contingent consideration payable	(10,143)	(10,143)	–	–
Hire purchase lease liabilities	(3,267)	(3,267)	(20)	(20)
	20,472	20,472	41,327	41,327

Fair value measurement:

Level 3 fair value

The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration payable	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast average EBIT, the amount to be paid under each scenario and the probability of each scenario.	- Forecast average EBIT. - Risk-adjusted discount rate: 3.75%.	The estimated fair value would increase (decrease) if: - the EBIT is higher (lower); or - the risk-adjusted discount rate were lower (higher).

Reconciliation of Level 3 fair values

In thousands of AUD	2017	2016
Carrying amount at the beginning of the year	–	–
Assumed in a business combination	7,809	–
Contingent consideration fair value loss on remeasurement	2,208	–
Present value interest	226	–
Effect of movement in exchange rates	(100)	–
Carrying amount at the end of the year	10,143	–

Sensitivity analysis

Reasonably possible changes at 30 June 2017 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects on the fair values of contingent consideration:

In thousands of AUD	Increase	Decrease
Average EBIT (5% movement)	745	(745)
Risk-adjusted discount rate (0.5% movement)	(104)	106

Other items

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

18. Financial risk management/financial instruments (continued)

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 contingent consideration payable.

Non-derivative financial liabilities, other than contingent consideration payable, 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.

Contingent consideration payable is classified as a financial liability and is measured at fair value through profit or loss. Contingent 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 contingent 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 which share similar credit risk characteristics are assessed collectively..

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.

19. 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 group 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 2016: 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 2016: 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	2017	2016
Post-tax discount rate %	10.14 – 11.36	10.46 – 11.18
Pre-tax discount rate %	12.23 – 16.27	12.86 – 16.29
Long-term perpetuity growth rate %	2.50	2.50

Sensitivity range for impairment testing assumptions

As at 30 June 2017, management has identified that for the carrying amount to exceed the recoverable amount the discount rate would need to increase by 2.7% to 4.0% depending on the currency. A nil growth rate in the cash flows of first five years 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.

20. Controlled entities

Particulars in relation to controlled entities:

Name	Group interest 2017 %	Group interest 2016 %	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
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
– Whois Privacy Services Pty Limited	100	100	Australia

20. Controlled entities (continued)

Name	Group interest 2017 %	2016 %	Country of incorporation
– Fabulous.com.au Pty Limited	–	100	Australia
– Yexa.com Pty Limited	–	100	Australia
– Drop.com.au Pty Limited	–	100	Australia
– Yexa.com.au Pty Limited	–	100	Australia
– Domain Active Europe Limited(i)	–	100	Australia
Enero Group NZ Ltd	100	100	New Zealand
Enero (Hong Kong) Limited(i)	–	100	Hong Kong
Australian Business Theatre Pty Limited	100	100	Australia
– Australian Business Theatre (Hong Kong) Limited(i)	–	100	Hong Kong

(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 statement.

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21. Acquisition

On 29 September 2016 the Group, via its subsidiary Hotwire Public Relations Group LLC, acquired the business net assets of Eastwick Communications, a USA-based independent technology public relations agency with offices in San Francisco and New York. The purchase price was an upfront cash payment of US$5.0 million (A$6.3 million) in addition to contingent consideration payable to the vendors of Eastwick Communications in three tranches across a four-year period through to 30 June 2020. Future payments are subject to a minimum EBIT threshold and a final uncapped payment based on the average EBIT of the preceding four years. The fair value of the future contingent consideration liability is estimated based on the achievement of EBIT targets.

As at 30 June 2017, the Group increased the contingent consideration payable by $2,208,000 based on a reassessment of the achievement of EBIT targets. This amount has been included in contingent consideration fair value loss in the income statement.

Following completion, the business operations of Eastwick Communications and Hotwire Public Relations Group LLC were merged together to operate under the Hotwire Public Relations brand, strengthening the offering and capabilities of Hotwire Public Relations in the USA market.

This acquisition contributed $10,349,000 to net revenue and $623,000 to net profit after tax of the Group for the year ended 30 June 2017.

The net revenue and net profit after tax of the Group for the year ended 30 June 2017 would have been $103,410,000 and $2,214,000 respectively, had the Group acquired the business of Eastwick Communication at the beginning of the financial year.

Effect of acquisition for the year ended 30 June 2017 on the Group's assets and liabilities.

The fair value of the net identifiable assets and liabilities acquired at the date of acquisition were:

In thousands of AUD	Recognised values	Fair value adjustment	Carrying amount
Cash and cash equivalents	262	–	262
Trade and other receivables	2,477	–	2,477
Other assets	287	–	287
Property, plant and equipment	274	–	274
Intangible assets	–	1,650	1,650
Trade and other payables	(546)	–	(546)
Employee benefits	(190)	–	(190)
Provisions	(3)	–	(3)
Other liabilities	(87)	–	(87)
Net identifiable assets and liabilities	2,474	1,650	4,124

The fair value adjustment recognised customer contracts and relationships acquired as an intangible asset in the business combination.

Goodwill on acquisition

In thousands of AUD	
Total consideration	14,399
Less: Fair value of identifiable assets	(4,124)
Goodwill	10,275

Total acquisition cash outflow for year ended 30 June 2017

In thousands of AUD	
Total consideration	14,399
Less: Contingent consideration	(7,809)
Less: Cash acquired	(262)
Net cash paid	6,328

22. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2017, the parent Company of the Group was Enero Group Limited.

	The Company	
In thousands of AUD	2017	2016
Result of the parent entity		
Profit/(loss) for the year	16,723	(2,615)
Other comprehensive income	–	–
Total comprehensive income/(loss) for the period	16,723	(2,615)
Financial position of the parent entity at year end		
Current assets	11,997	12,061
Total assets	112,229	101,708
Current liabilities	6,806	11,937
Total liabilities	13,482	15,775
Net assets	98,747	85,933
Total equity of the parent entity comprising:		
Share capital(i)	96,389	491,576
Share-based payment reserve	11,857	13,499
Profit appropriation reserve	12,443	–
Accumulated losses	(21,942)	(419,142)
Total equity	98,747	85,933

(i) On 17 May 2017, a resolution was passed by the Directors approving a share capital reduction of $397,200,000 in accordance with section 258F of the *Corporations Act 2001* (Cth), reducing share capital that is lost or not represented by available assets. There was no change in the number of shares on issue. The capital adjustment has the effect of reducing the share capital account and reducing the accumulated losses in the Company.

(ii) For dividends declared and paid by the Company to members since the end of the previous financial year, refer to Note 15 Capital and reserves.

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 23 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 2017.

23. 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 2017, is set out as follows:

Summarised income statement and retained profits

In thousands of AUD	2017	2016
Net revenue	27,172	25,926
Dividends received from subsidiaries	10,362	–
Employee expenses	(22,552)	(22,365)
Operating and other expenses	(3,248)	(5,088)
Profit/(loss) before tax	11,734	(1,527)
Income tax benefit	752	1,145
Profit/(loss) after tax	12,486	(382)
Attributable to:		
Equity holders of the Company	12,486	(382)
Accumulated losses		
Accumulated losses at beginning of year	(425,007)	(424,625)
Profit/(loss) for the year	12,486	(382)
Share capital reduction in accordance with s258F of the Corporations Act 2001	397,200	–
Dividend paid to equity holders	(4,280)	–
Transfer to profit appropriation reserve	(12,443)	–
Accumulated losses at end of year	(32,044)	(425,007)
Profit appropriation reserve		
Profit appropriation reserve at beginning of year	–	–
Profit for the year	12,443	–
Profit appropriation reserve at end of year	12,443	–

Statement of financial position

In thousands of AUD	2017	2016
Assets		
Cash and cash equivalents	11,905	11,649
Trade and other receivables	6,649	8,453
Other assets	1,184	1,622
Total current assets	19,738	21,724
Receivables	58,431	47,179
Other financial assets	5,162	5,162
Deferred tax assets	1,103	1,084
Plant and equipment	4,186	1,120
Other assets	–	15
Intangible assets	16,387	16,387
Total non-current assets	85,269	70,947
Total assets	105,007	92,671
Liabilities		
Trade and other payables	10,214	10,460
Interest-bearing loans and borrowings	1,342	–
Employee benefits	1,475	1,340
Provisions	–	104
Total current liabilities	13,031	11,904
Interest-bearing loans and borrowings	1,914	–
Employee benefits	394	364
Provisions	1,023	335
Total non-current liabilities	3,331	699
Total liabilities	16,362	12,603
Net assets	88,645	80,068
Equity		
Issued capital(i)	96,389	491,576
Share-based payment reserve	11,857	13,499
Profit appropriation reserve	12,443	–
Accumulated losses	(32,044)	(425,007)
Total equity	88,645	80,068

(i) On 17 May 2017, a resolution was passed by the Directors approving a share capital reduction of $397,200,000 in accordance with section 258F of the *Corporations Act 2001* (Cth), reducing share capital that is lost or not represented by available assets. There was no change in the number of shares on issue. The capital adjustment has the effect of reducing the share capital account and reducing the accumulated losses in the Company.

24. 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	2017	2016
Less than one year	3,631	5,762
Between one and five years	17,671	10,579
Over five years	5,121	2,362
	26,423	18,703

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 2017, $6,170,000 (2016: $5,880,000) 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.

25. 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 2017.

26. Subsequent events

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.

27. 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(i)	Group Human Resources Director

(i) Resigned on 2 June 2017.

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	2017	2016
Short-term employee benefits	2,427,165	2,601,731
Other long-term benefits	(19,041)	3,740
Post-employment benefits	100,799	105,862
Share-based payments – Share Appreciation Rights	206,272	410,208
Total share-based payments	206,272	410,208
Total Key Management Personnel compensation	2,715,195	3,121,541

28. 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 2017.

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 Monte Carlo simulation 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	16 June 2015 (i)	20 October 2015
SARs issued	1,000,000	4,700,000
Participants	CEO	Senior Executives
VWAP for the 20 business days prior to the grant (B)	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 2016 – 1/3rd	30 June 2016 – 1/3rd
Tranche 2	30 June 2017 – 1/3rd	30 June 2017 – 1/3rd
Tranche 3	30 June 2018 – 1/3rd	30 June 2018 – 1/3rd
Expiry	30 September 2018	30 September 2018
Outstanding SARs as at 30 June 2017	666,667	2,133,332

(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.

28. Share-based payments (continued)

Share Appreciation Rights (SARs)

Summary of rights over unissued ordinary shares

									Number of Rights at year end					
Grant date	Expiry date	VWAP (for the 20 business days prior to the grant)	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	Outstanding	Vested	Proceeds received	Date issued	Number of shares issued	Expected life (years)
2017														
15 Oct 2013	30 Sep 2016	$0.71	–	2,183,315	–	2,070,818	–	112,497	–	–	–	–	875,472	0.9–2.9
16 June 2015	30 Sep 2018	$0.70	–	1,000,000	–	333,333	–	–	666,667	–	–	–	143,631	1.3 -3.3
20 Oct 2015	30 Sep 2018	$0.70	–	4,700,000	–	1,433,335	–	1,133,333	2,133,332	–	–	–	617,615	0.9–2.9
				7,883,315	–	3,837,486	–	1,245,830	2,799,999	–	–		1,636,718	

Summary of rights over unissued ordinary shares

									Number of Rights at year end					
Grant date	Expiry date	VWAP (for the 20 business days prior to the grant)	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	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	

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

	VWAP (for the 20 business days prior to the grant) 2017 $	Weighted average exercise price 2017	Number of options/rights 2017	VWAP (for the 20 business days prior to the grant) 2016 $	Weighted average exercise price 2016	Number of options/rights 2016
Outstanding at 1 July	0.70	–	7,883,315	0.70	–	5,895,055
Forfeited during the period	0.70	–	(1,245,830)	0.71	–	(66,669)
Expired during the period	–	–	–	0.71	–	(2,250,009)
Exercised during the period	0.71	–	(3,837,486)	0.53	–	(395,062)
Granted during the period	–	–	–	0.70	–	4,700,000
Outstanding at 30 June	0.70	–	2,799,999	0.70	–	7,883,315
Exercisable at 30 June	–	–	–	–	–	–

The options outstanding at 30 June 2017 have a VWAP (for the 20 business days prior to the grant) of $0.70 (30 June 2016: range of $0.70 to $0.71) and a weighted average contractual life of 0.75 years (30 June 2016: 0.98 years).

The fair value of services received in return for SARs granted is based on the fair value of SARs, measured using the Monte Carlo simulation model.

The total net expenses recognised by the Group for the year ended 30 June 2017 for share-based payment transactions were $371,000 (2016: $801,000).

The VWAP for the 20 business days prior the date of exercise of SARs was $1.23.

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 SAR $	VWAP (for the 20 business days prior to the grant) $	Price of shares on grant date $	Expected volatility %	Risk-free interest rate %	Dividend yield %	Expected life (years)
16 June 2015[(i)]	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[(ii)]	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 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.

(ii) 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 Monte Carlo simulation 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.

29. Auditor's remuneration

In AUD	2017	2016
Audit services – auditors of the Company		
KPMG Australia	292,000	276,000
Overseas KPMG firm[(i)]	136,000	172,000
	428,000	448,000
Other services – auditors of the Company		
Taxation compliance services:		
Overseas KPMG firm	186,000	178,000
Transaction and due diligence service:		
Overseas KPMG firm	–	9,000
	186,000	187,000

(i) The decrease in the remuneration to overseas KPMG firm as compared to the prior reporting period is in relation to the decreased 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 31 to 69 and the Remuneration Report in the Directors' Report, set out on pages 18 to 30, 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 2017 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 23 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 2017 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 24th day of August 2017.

Signed in accordance with a resolution of the Directors:

John Porter

Chairman

KPMG

Independent Auditor's Report

To the shareholders of Enero Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Enero Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Recognition of revenue;
- Recoverable amount of goodwill; and
- Acquisition accounting for Eastwick

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Refer to Note 3 Revenue ($180.7 million)

The key audit matter	How the matter was addressed in our audit
The recognition of revenue is considered to be a key audit matter due to: • The significance of revenue to the financial statements; • The Group enters into a large volume of revenue transactions with a large number of customers which drives greater audit effort; and • For certain contracts, revenue recognition applies stage of completion estimations, with reference to the relative value of services completed, in comparison to the total expected contracted value of the service. Forward looking assumptions incorporated into these estimations inherently reflect a higher degree of uncertainty which adds to the audit complexity. Manual processes for stage of completion revenue recognition increase the risk of error, leading to additional audit effort.	Our procedures included: • We tested the Group's key revenue recognition controls including: – Management's approval of new customer contracts and sales invoices; – Management's monthly review, analysis and approval of revenue recognized in relation to each contract; and – Management's monthly review and approval of work in progress on a contract by contract basis. • We analysed the year on year monthly revenue trends across the different business units, to focus our further procedures and testing, given the large quantity of contracts entered into. • We selected a sample of the Group's contracts, including the largest contracts. For the sample selected we; – Assessed the revenue recognition against contract terms, the Group's accounting policy and the requirements of the accounting standards; and – Assessed the work in progress by checking signed customer approvals for the services performed and for the Group's outsourced services costs incurred. • For time and material based contracts, we selected samples of revenue recognised from invoice listings from the billing system, tested

72

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	above, and performed the following procedures: – For services performed, we compared details to customer invoices issued, customer estimate approvals, and payment. – For third party costs, we compared details to supplier invoices and payments. • For stage of completion estimations we checked total estimated revenue of the expected contracted value of the service to signed customer contracts. We challenged the Group's estimate of stage of completion by corroborating the estimates used with the business unit project managers on a sample basis. • We selected a sample of revenue recorded close to the reporting date to test that the timing of revenue recognition was consistent to the Group's accounting policy and contract terms.

Recoverable amount of goodwill

Refer to Note 10 Intangible assets ($83.1 million)

The key audit matter	How the matter was addressed in our audit
Recoverable amount of goodwill and intangible assets is a Key Audit Matter due to: • The size of the balance (being 56% of total assets); and • The level of judgement required by us in evaluating management's assessment of recoverability as contained in their value in use model. Auditing the value of goodwill is made more complex for us due to: • The assessment of impairment of the Group's goodwill balances incorporates significant judgments in respect of factors such as discount rates, consideration of the impact of current work in progress as well as economic assumptions such as, future industry growth rates and foreign currency rates.	Our procedures included: • Detailed discussions with management of operations across the Group to understand expected future performance of the business in light of the expected impacts of constrained spending and cost reduction mandates for advertising and marketing services. Using this knowledge, in particular those relevant to revenue and cost assumptions, we challenged the Group's significant judgements by performing the following; – We compared the economic assumptions in the value in use model used to test goodwill for impairment, including exchange rates and geographical growth rates, to external sources of evidence such as third party

73

• Some of the geographical locations in which the Group operated in over the period have experienced the impacts of constrained spending and cost reduction mandates for advertising and marketing services, along with volatile foreign currency rates between the Australian Dollar, British Pound and the US Dollar. All of these factors increase the risk of impairment and create audit complexity.	expectations of future industry growth rates, exchange rate data and our knowledge of the client and the industry; and – We involved KPMG Corporate Finance specialists in challenging the discount rate used by the Group in the value in use model, by comparing these against industry data and historic trends. • We checked revenue and cashflow data used in the value in use model to the latest forecasts approved by the Board. • We assessed the accuracy of previous Group cash flow forecasts to inform our evaluation of forecasts incorporated in the value in use model. • We performed sensitivity analysis to identify those assumptions at a higher risk of bias or inconsistency in application and enabled us to assess the impact a change in these key assumptions would have on the model and valuation made by the Group.

Acquisition accounting for Eastwick

Refer to Note 21 Acquisition

The key audit matter	How the matter was addressed in our audit
The acquisition of Eastwick is a key audit matter due to the size of the acquisition (purchase price of $14.4 million) and the judgement required by us in respect to assessing; • The completeness of the Group's identification of acquired intangible assets such as customer contracts and relationships; • Key assumptions and estimates used by the Group when determining the intangible asset valuations, including estimated future cash flows, growth rates, discount rates and useful economic lives applied to the intangible asset, requiring the use of our valuation specialists; and	Our procedures included: • We involved our valuation specialists and challenged the Group's assessment of identifiable intangible assets, the valuation methodologies, key assumptions and estimates, using our industry experience and information from similar business combinations, including; – We assessed the Group's cash flow forecasts by comparing them against Eastwick's approved budget; – We challenged the Group's cashflow forecasts having regard to our knowledge of the business and the industry it operates in;

74

• Growth targets in determining the fair value of contingent consideration (earnout) and the associated accounting for contingent consideration as consideration or post- acquisition compensation for shareholders who are owner/founders who are retained as employees.	– We assessed the growth in revenue and the discount rate against Eastwick historic statistics and published studies of industry trends and expectations; and – We assessed the forecast cashflows and customer attrition for the customer relationships valuation by reference to published studies of industry trends whilst considering historical Eastwick customer attrition rates; and challenged the useful lives assigned to the identified intangible assets, having regard to the expected use of these assets. • We inspected and evaluated the sale and purchase agreement underlying the Group's assessment of contingent consideration against the criteria in the accounting standards. • We assessed the probability of achieving the growth targets used by the Group in the fair value of contingent consideration by comparing to historical trends and performance through to the date of acquisition.

Other Information

Other Information is financial and non-financial information in Enero Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company and Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

76

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Enero Group Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 23 to 30 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Caoimhe Toouli

Caoimhe Toouli
Partner

Sydney
24 August 2017

77

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 of Enero Group Limited for the financial year ended 30 June 2017 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

Caoimhe Toouli

Caoimhe Toouli
Partner

Sydney
24 August 2017

78

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 31 July 2017.

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
NAOS Asset Management Limited	17,120,982
Perpetual Limited	12,740,033
Forager Funds Management	12,151,108

Unquoted equity securities

As at 31 July 2017 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	225	125,647
1,001 – 5,000	281	717,974
5,001 – 10,000	119	877,685
10,001 – 100,000	151	4,543,755
100,001 and over	44	79,339,893
	820	85,604,954

The number of shareholders holding less than a marketable parcel of ordinary shares is 74.

Twenty largest shareholders

Rank	Name	Units	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	12,887,374	15.05
2	J P Morgan Nominees Australia Limited	11,962,612	13.97
3	AET SFS Pty Ltd <NEOC A/C>	8,482,637	9.91
4	RG Capital Multimedia Limited	6,759,020	7.90
5	AET SFS Pty Ltd <NAOC A/C>	4,790,556	5.60
6	RG Capital Multimedia Limited	4,511,945	5.27
7	Bell Potter Nominees Ltd <BB Nominees A/C>	4,186,104	4.89
8	Irish Global Equity Limited	3,703,272	4.33
9	National Nominees Limited <DB A/C>	3,381,355	3.95
10	CH Global Pty Ltd <ABC Investment A/C>	2,548,301	2.98
11	Bond Street Custodians Limited <Forager Wholesale Value FD >	2,082,896	2.43
12	Mr Felice Testini <Gat Family A/C>	1,632,000	1.91
13	Love Pty Limited <Enero Employee A/C>	1,591,485	1.86
14	Teldar Corporation Pty Limited <Teldar Investment A/C>	1,100,000	1.28
15	Matthew Melhuish	734,764	0.86
16	Henawall Pty Limited	722,000	0.84
17	Mrs Antonia Collopy	650,000	0.76
18	Irish Global Equity Limited	632,629	0.74
19	RG Capital Multimedia Limited	600,000	0.70
20	Tandem Technical Consultants Pty Ltd <Tandem Technical Con A/C>	534,480	0.62
Total		**73,493,430**	**85.85**

Corporate Directory

Company Secretary
Brendan York

Principal Registered Office
Enero Group Limited
Level 2, 100 Harris Street
Pyrmont NSW 2009 Australia
Telephone: +61 2 8213 3031
Facsimile: +61 2 8213 3030

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
Gilbert + Tobin
International Towers Sydney 2
200 Barangaroo Avenue
Sydney NSW 2000 Australia

Auditors
KPMG
International Towers Sydney 3
300 Barangaroo Avenue
Sydney NSW 2000 Australia

precinct.com.au

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Enero Group Limited ABN 97 091 524 515