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ENERO GROUP LIMITED

Annual Report 2021

Shaping the future

Enero Group is an international group of specialist marketing and communications businesses located in seven countries and 13 cities with over 600 employees. We are a nimble team with a global perspective and our Group is very well positioned to take advantage of the exciting new developments in our dynamic sector.

Our name means 'January' in Spanish, which is why we always look forward with optimism, energy and a zest for life. We prize diversity in thought and seek to unlock the unique talent that lies within each one of us, allowing our people the support, skills and training and culture that help them to effectively contribute each and every day.

We are a brand-led offence, where our businesses and their teams have the freedom to focus on what they do best: serving our clients by delivering world-class highly effective outcomes, day-in, day-out. Enero provides support through our global centres of excellence across People & Culture, Finance, Legal, Information Technology, Innovation and M&A.

As our clients' needs have evolved, so have we. We are no longer just a marketing services business – we are a creative and technology collective. We accelerate high-growth businesses through two specialist capabilities:

- Brand transformation – human generated ideas to transform the way customers and stakeholders connect and engage with brands
- Creative data and technology – high quality customer experiences connected through technology and enabled by data

Together, this powerful mix will enable us to support our clients' growth ambitions today and into the future.

CONTENTS

A collective of specialists

BRAND TRANSFORMATION

Long ideas in a world of short-term thinking

Award-winning and globally renowned creative agency specialised in transforming brands and the companies they are part of. BMF makes brands and their marketing teams famous through the rigorous pursuit of effectiveness, liberated by creativity. Its proprietary product is in future-proof 'long ideas' – ideas that stand the test of time, that are built to unlock brand value, not just in the short, but in the long term. A leader in integrated brand strategy, creative ideation and meticulous craft and production.

The global tech communications consultancy

Hotwire is the global communications consultancy that powers the world's most innovative tech brands. Founded in 2000, they operate a worldwide network of wholly owned offices and partners, serving a range of clients from scale-ups to established multi-nationals. The team ignites the unreleased possibilities of innovative technology through integrated communications that create curiosity, spark action and fuel success. Their consultants do this using a proprietary methodology which is underpinned by robust insight and strategy, purposeful creative, integrated planning and a core emphasis on measurement and evaluation.

Informed. Strategic. Connected.

Melbourne based public affairs and communications consultancy engaging governments, managing critical issues, and communicating with strategy to build reputation and influence.

CREATIVE DATA AND TECHNOLOGY

Connecting customer experiences for a modern world

Sydney and New York based agency with capabilities in digital strategy, integrated campaign development, digital marketing, websites, content development, social, data, content management systems, technology integration, marketing automation and applications – all delivered with a customer experience focus.

Proprietary advertising technology platform unlocking value for publishers and advertisers

A technology driven, proprietary performance advertising platform that helps publishers maximise the value of their ad inventory and provides advertisers access to untapped sources of high quality traffic.

Unleashing the potential of data

Sydney based Strategic Data Consultants, The Leading Edge provides insight, analytics and data strategy consulting services. Since 1990, TLE has worked with many of Australia's biggest companies to develop strategies that fuel behaviour change, identify and exploit new paths to growth, and increase opportunities for success when going to market. Our data-driven approaches and global partnerships with media, insight and data providers provide unique perspectives on consumers that power true innovation and growth.

Experts in online research and data delivery

Sydney based online research agency specialising in digital research, online surveys and communities, access panel services, data integration and visualisation.

Financial highlights

$160.6M
Net Revenue · Up 18%

$45.6M
Operating EBITDA · Up 87.1%

28%
Operating EBITDA margin · Up 10BPS

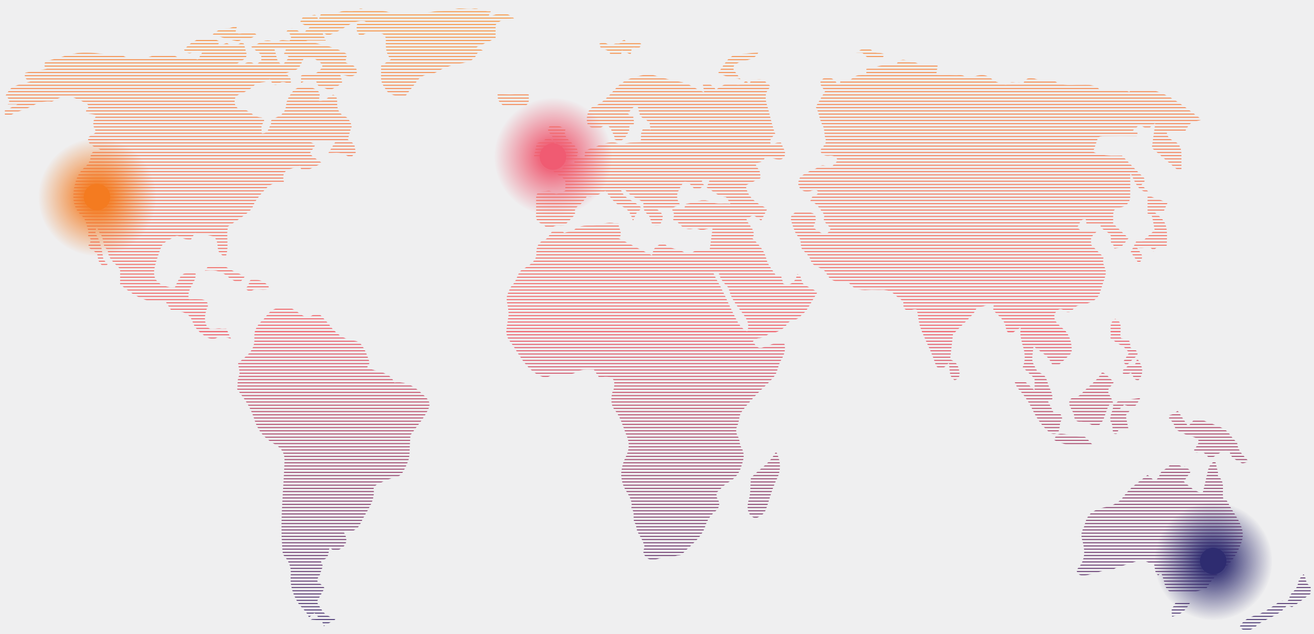
$22.8M
Net Profit After Tax before significant items · Up 77%

26.4CPS
Earnings per Share before significant items · Up 76%

14.9CPS
FY21 Dividends · Up 148%

Geographical results

GEOGRAPHICAL CONTRIBUTIONS FROM OPERATING COMPANIES*



USA	**30%** Net Revenue FY21	26% Net Revenue FY20	**48%** Operating EBITDA FY21	36% Operating EBITDA FY20
UK AND EUROPE	**25%** Net Revenue FY21	29% Net Revenue FY20	**19%** Operating EBITDA FY21	21% Operating EBITDA FY20
AUSTRALIA	**45%** Net Revenue FY21	45% Net Revenue FY20	**33%** Operating EBITDA FY21	43% Operating EBITDA FY20

*Reflects 51% economic interest in OBMedia.

A letter from our Chair

Dear Shareholders,

FY21 has been an exciting year of change and progress for Enero. Under the new leadership of CEO Brent Scrimshaw, the Company has begun a transition into a forward looking, progressive global business, with a refined operating model that responds to the enormous changes underway in the worldwide environment. Despite the ongoing challenges of the COVID-19 pandemic, Enero delivered underlying organic revenue growth of 14%, and significant profit growth for the year. The Group benefited from its unique positioning within high growth global verticals – technology, healthcare and consumer brands – and the hard work and commitment of our talented global teams. The client focus and creativity of our people has delivered world-class work, new client wins, and recognition through numerous global awards for creativity, effectiveness and culture.

Over the course of FY21, the Board established a new strategic framework to guide our ambitious growth aspirations for Enero. The business has been reorganised around two strategic pillars – Brand transformation, and Creative data and technology – each with clearly articulated portfolio roles and investment models to drive future growth. Our brand transformation pillar incorporates our Hotwire, BMF and CPR businesses which use human-generated creative ideas to transform the way customers and stakeholders connect and engage with brands. Our Creative data and technology pillar incorporates our OBMedia, Orchard and The Leading Edge and The Digital Edge businesses which provide high quality customer experiences through technology, enabled by data.

The delivery of Enero's strategic ambitions is underpinned by four key priorities:

- Talent. We are committed to enhancing the skillset of our talent to drive organic growth opportunities;
- Capability. This will involve acquisition activity to increase the Group's capability, and expand its global scale;
- Productivity. We are implementing technology and processes to improve productivity and drive profitability;
- Innovation. This will involve creating an innovation engine to fuel new business growth in the longer term.

The progress Enero has made against these priorities is outlined in Brent's shareholder letter.

FY21 delivered exceptionally strong financial results despite ongoing global challenges associated with COVID-19. Year-on-year growth highlights (excluding significant items) included:

- Revenue increasing 18.3% to $160.6 million;
- Operating EBITDA increasing 87.1% to $45.6 million;
- Net profit increasing 76.7% to $22.8 million;
- Earnings per share increasing 76% to 26.4 cents.

After taking into account non-cash significant items, Enero reported a net loss after tax of $(0.4) million. The significant loss related to an accounting loss on disposal of Frank PR, and Foreign Currency Translation Reserve transferred to the income statement on liquidation of dormant foreign subsidiaries. This resulted in a loss on disposal of $23.2 million being recognised. The charge is non-cash in nature and has no impact on Enero's strong financial position.

The Board declared an FY21 final dividend of 4.4 cents per share, fully franked, bringing the full year dividend to 14.9 cents per share. This represents a 56% dividend payout ratio, and reflects our commitment to ensuring that shareholders share in Enero's success.

The highly cash generative nature of Enero's business model is demonstrated in FY21 cash conversion increasing to 121% from 116% in FY20. Net cash (after taking into account future contingent consideration) increased to $30.6 million from $22.0 million in FY20. This balance sheet flexibility, together with our client-focused cash generative operating model, provide a strong platform for Enero to pursue our growth agenda. During the year the Company took its first M&A step, with the acquisition of McDonald Butler, and its integration within the Hotwire business is already strengthening our capability and scale in the UK.

I'd like to thank my fellow Board members for their contribution to Enero over the past year. Their expertise and support have been invaluable in resetting Enero's growth strategy. On behalf of the Board, I would like to thank our talented people for their hard work and commitment to our clients and to each other. It is inspiring to see our Company values of a challenger spirit, borderless thinking, diversity and kindness being borne out in action. I would also like to acknowledge Brent Scrimshaw and the astute leadership he has demonstrated in his first year as CEO. Brent and his executive team have established a sound base from which to deliver the next phase of Enero's growth.

Finally, I would like to thank you, our shareholders, for your support of Enero. I look forward to speaking with you at our Annual General Meeting to be held in October.

Ann Sherry AO
Independent Non-Executive Chair of Enero Group

A letter from our CEO

Dear Shareholders,

At the end of my first year as CEO, I am very pleased to report back to shareholders. During FY21, Enero made strong progress in reimagining the sustainable growth opportunities available to us, and implementing an operating structure and leadership to deliver on that vision. COVID-19 has accelerated the pace of change in consumer behaviour globally. What our clients expect is changing, and Enero is changing with it; our brands are delivering greater value in supporting our clients to navigate this new environment and it's pleasing to see these efforts translating into the strong financial results Enero delivered in FY21: revenue growth of 18%, EBITDA growth of 87% and net profit growth of 77%.

A creative and technology collective

As the Chair outlined in her letter, we have established a new strategic framework to support the ambitious growth aspirations for the Group. Our vision is to utilise the expertise of our portfolio of specialist agency brands to accelerate businesses in the high-growth verticals of technology, healthcare and consumer. We achieve this by transforming brands, and deploying creative data and technology to enrich customer experiences. Two brand-led operating segments have been created to deliver value to our clients – Brand Transformation, and Creative Data and Technology. These new segments will be reflected in our FY22 financial statements. These segments are supported by Enero's global centre of excellence to drive efficiency: People & Culture, Finance, Technology, Legal and M&A.

FY21 was a year of progress against the four priorities that underpin Enero's strategic framework. Our goal to build on our existing talent saw a leadership refresh across the Group. Carla Webb-Sear joined my Executive Leadership team as CFO; Cathy Hoyle, our Group Legal Counsel assumed additional responsibility as Company Secretary; Nick Burton joined as Head of Strategy and M&A; and Fiona Chilcott continued in her role as Chief People Officer. At Hotwire, Heather Kernahan was appointed as the new Global CEO, having previously led the North American business and Wai Kwok was appointed to the role of Orchard CEO. Barbara Bates, former Hotwire CEO, joined Enero in an Advisory capacity to support on M&A opportunities in North America.

Our goal to strengthen our capability through M&A saw the acquisition of UK-based McDonald Butler Associates (MBA), a strategic B2B sales and marketing agency. Our goal to improve productivity through technology and disciplined processes is reflected in the FY21 financial results, with margin expansion in every geographic region.

Businesses review

Enero's FY21 performance was underpinned by exposure to technology, healthcare and consumer, all of which are benefiting from structural growth drivers. Enero's integrated portfolio provides the platform to deliver the creativity and technology tools to transform global brands.

United States

The acceleration in technology adoption and transformation provided a benefit to the US business which delivered a 52% increase in net revenue and 146% growth in operating EBITDA, despite currency headwinds due to the stronger Australian dollar.

Hotwire's performance was supported by its strong technology client base, and COVID-related operational savings. The business invested in its strategy and digital skillsets to enhance its integrated solutions for clients, finishing the year with momentum in new client wins including Atlassian, Klarna and Secure Code Warrior. Hotwire was also named the 2021 Global Technology Agency of the year by PRovoke, as well as being recognised as the North America Technology Agency of the year.

51% owned OBMedia substantially increased its contribution to Group profitability. Its performance driven advertising marketplace is a beneficiary of an accelerating shift in consumer behaviour to digital channels and e-commerce. OB is leveraging its proprietary technology platform which delivers rapidly growing numbers of high intent consumers to advertisers, maximising return on advertising investment.

Australia

The business delivered a strong performance, with net revenue increasing 10.9% and EBITDA up 13.8%. BMF was named Mumbrella's Creative Agency of the year, Campaign Brief's Agency of the year and was awarded a Grand Effie Award for its work with ALDI. New business wins included Transport for NSW, The Sydney Morning Herald and Petbarn. Orchard was recognised as Digital Agency of the Year for AdNews. Client wins included Boston Scientific, GSK and Palmerbet.

UK/Europe

In a challenging economic environment, the business reported a net revenue decline of 5.8% and Operating EBITDA growth of 33%. The revenue decline was impacted by currency headwinds and the sale of 75% owned Frank PR. Underlying revenue growth of 1.1% on a constant currency basis was a solid outcome in the circumstances. The operating EBITDA increase reflected stable expenses due to COVID-19-related discretionary cost savings. Hotwire was also recognised as PRovoke's EMEA Technology Agency of the Year.

Our people

Enero's people have received many global awards in FY21. Their creativity and talent have shone through in an environment significantly disrupted by COVID-19. On behalf of my Executive Leadership team, I would like to thank each of our more than 600-strong team for their commitment and resilience. I express my thanks to our Board, led by Ann Sherry AO, for its support and guidance. Finally, thank you to our shareholders for the support and confidence you have displayed in our new direction.

Enero's strong FY21 results, and the resilience of our operating model, are a strong platform for our globally integrated portfolio to unlock the next phase of growth and profitability.

Brent Scrimshaw
Chief Executive Officer

Client analysis

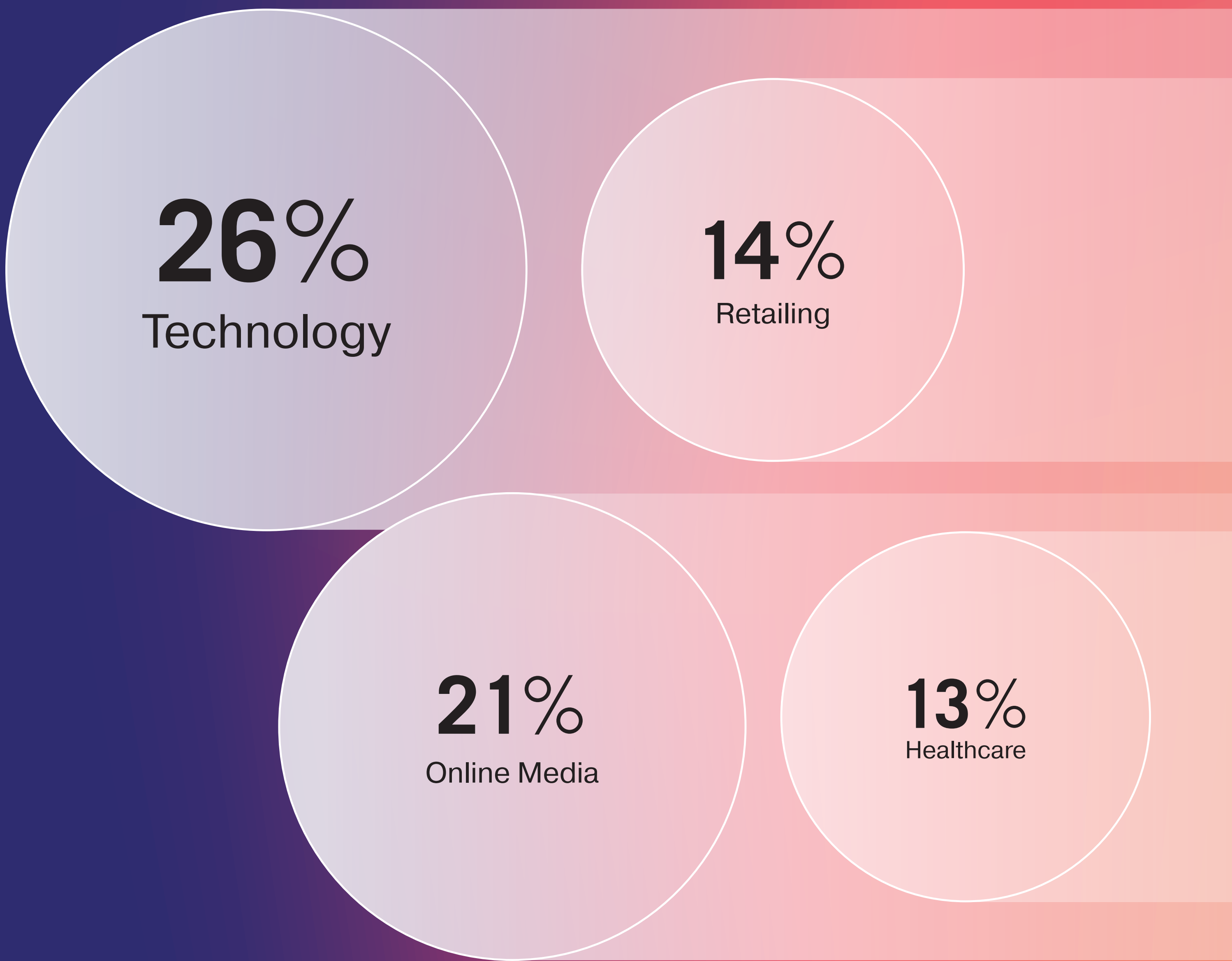
REVENUE DIVERSIFICATION

Enero has a diversified client mix, with exposure to a wide range of industry sectors. A large share of our revenue comes from industries of strategic focus – Technology (26%), Online Media (21%) and Healthcare (13%). We have seen revenue growth across all these industries, which is a pleasing reflection of our strategy and deep industry expertise in action.

We have made active efforts to maximise our engagements with fewer, larger clients with more purchasing touchpoints across those organisations. However, we also actively manage our concentration risk, and in FY21 our Top 10 clients represented 48% of total revenue.

Our relationships with clients are deep and enduring – reflected by the fact that 60% of our clients have been working with the Group for four years or longer. They recognise and appreciate our continued investment in progressive capabilities, and work with us across a mix of both project and retainer engagement.

*Revenue reflects 51% economic interest in OBMedia.



8%
Services

4%
Transportation and Automotive

Telecommunications
3%

6%
Financial Services

4%
Manufacturing

1%
Utilities and Energy

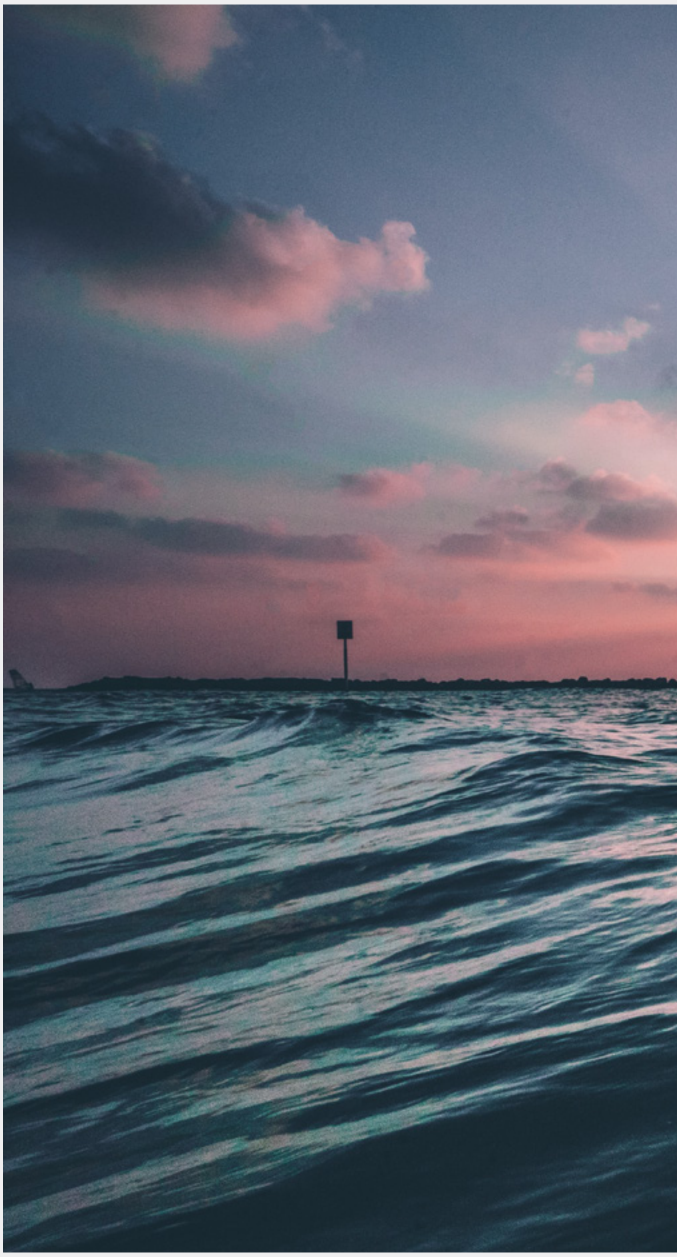
Corporate social responsibility

ENVIRONMENTAL RESPONSIBILITY

The Group has implemented a comprehensive general waste and recycling management program which disposes of waste using environmentally friendly techniques. All employees are encouraged to dispose of waste in the appropriate and designated points, segregated by the type of waste in our offices. Waste is then collected and disposed of appropriately by specialist contractors.

Enero looks for every opportunity to reduce our carbon footprint and minimise waste and we demonstrate our commitment to recycling by partnering with environmental organisations such as:

- Simple Cups to recycle coffee cups;
- Teracycle Program to recycle items such as pens, coffee pods, plastic for bread bags etc;
- Work Waste Challenge to reduce single use plastic;
- Bin Trim to showcase waste and recycling commitment.



ENERGY AND WATER

In order to reduce energy and power consumption, the Group engages in energy saving practices. Some of our offices are in energy efficient buildings coupled with eco-friendly lighting features to reduce consumption. Some of our offices are partly powered by renewable energy sources including our Sydney headquarters which holds over 300 employees. Our Sydney headquarters retains an 'A' grade NABERS energy rating. Furthermore, we encourage employees to turn off their electronic devices, when not required, in order to economically reduce power.

Our offices are fitted with appropriate water saving technology which helps reduce water waste. Some of the Group offices internationally have implemented technology which ecologically reduces the standard amount of water used during consumption. All employees are encouraged to actively conserve water.

RECONCILIATION AUSTRALIA

In Australia, we are deeply committed to reconciliation with Australia's Aboriginal and Torres Strait Islander people. Enero recently received Conditional Endorsement from Reconciliation Australia of our first Reconciliation Action Plan (RAP). As part of the commitment outlined in our plan to the importance and significance of Acknowledgement of Country, BMF (Enero's wholly owned Creative Agency) partnered with Indigenous film production company and NGO, Blackfisch, to produce a beautiful and respectful Acknowledgement to Country Film.

The film also doubles as Aboriginal and Torres Strait Islander cultural training for our employees. The intention is to share the film widely so other companies can also use the Acknowledgement film to recognise and pay respect to Aboriginal and Torres Strait Islander people at the beginning of important meetings and events.

CareerTrackers

Enero also supports CareerTrackers, a not-for-profit organisation whose mission is to provide pathways and support systems for young Indigenous adults to graduate from university. CareerTrackers also facilitates opportunities for students to undertake paid multi-year internships with a variety of organisations. Enero will welcome our fourth CareerTrackers student this December and is proud to work closely with this exceptional organisation.

Ignite Possibility Program

Across the Atlantic, Enero Group wholly owned subsidiary, Hotwire Group, launched the Ignite Possibility Program (HIPP). The purpose of this program is to invest USD 1 million in pro-bono marketing and public relations services to tech or tech enabled organisations led by or supporting minority communities. It is part of the broader Diversity, Equity and Inclusion (DEI) strategy designed to create meaningful and sustainable change in our business and our industry.

Since 2013, Hotwire's most recent acquisition, McDonald Butler, has been actively supporting African development charity Mellon Educate. Mellon Educate is an Irish-based African development charity founded by developer and philanthropist Niall Mellon in 2002 and established as a charitable company in 2004.

Thanks to the enormous collective effort of volunteers, in conjunction with the South African government, the charity has built houses for 175,000 homeless people in South Africa's poorest townships.

In 2013, the charity redoubled its commitments to those less fortunate in Africa, pledging a 10-year education development program to provide better education to more than 100,000 African children. A highly ambitious target in co-operation with local community school collaboration, Mellon Educate has already extended educational access and standards of education for over 50,000 primary school children aged between four and 12 in Kenya and South Africa.

In addition to the schools building program, Mellon Educate also provides a mentoring and coaching program through the Mellon Educate Results Program, to help upskill teachers and help raise and sustain school grades from below 20% to above 75%.

About Pennies – www.pennies.org.uk

McDonald Butler, now part of Hotwire Group, has also been actively supporting the micro-donations charity, Pennies.

Pennies is an award-winning fintech charity with an important mission: to protect and grow micro-donations. Micro-donations allows the public to donate a few pence to charity when paying by card or mobile wallet in a simple way. To date, Pennies has raised over £30 million in micro-donations, with over 100 million donations from the public supporting over 750 charities.

The Hotwire team have been instrumental in helping to grow the micro-donations movement through relationships with technology companies and retailers and providing pro-bono strategy, creative and consultancy work.

In 2020, Mike Butler, Head of Hotwire Marketing, received the award for 'Most Outstanding Contribution in Accelerating the Pennies Movement' on behalf of the team.

ECONOMIC RESPONSIBILITY

Enero is a proud member of Supply Nation. Supply Nation's purpose is to work with procurement departments within Government and Corporate industries to connect them with the rapidly growing Indigenous business sector. They have a five-step verification process to ensure that businesses registered with Supply Nation are genuinely Indigenously owned and operated.

Supply Nation also works with businesses to develop procurement policies to support the Indigenous business sector. Supply Nation understand that there is economic value and long-term business benefits to supplier diversity and the organisation unlock opportunities to include Indigenous businesses into your supply chain.

ETHICAL CONDUCT TRAINING AND POLICIES

Enero is committed to creating a safe and friendly workplace free from discrimination and a place our employees can thrive regardless of race, religion, sexual preference, gender, marital status and/or disability. We pride ourselves on our world-class learning and development program which brings our policies to life and ensures our people really understand what it means to work in a respectful and inclusive way.

We ensure we have clear and straightforward policies, backed by bespoke training, that focus on creating a safe and respectful workplace. They include a focus on:

- Discrimination, harassment and bullying;
- Modern Slavery;
- Anti-bribery and Corruption;
- Environmental impacts;
- Whistleblowing.

Shaping the future though creativity and technology

The Group's collective of specialist agencies are the masters of creativity, technology and data within differentiated storytelling verticals. Each of them brings their unique combination of skills to the fore in driving technology to extraordinary advantage. Together, they form the most compelling and technologically capable collective in the market today; delivering end-to-end storytelling for our clients around the globe. Over the next few pages, delve into the detail of each Company's specialism in creating customer connections, one carefully crafted story at a time.

BMF

Connecting emotion to effectiveness with the Long Idea

BMF are the creative leaders in delivering effectiveness through emotion. They turn brands into welcome intruders in between the ears of every Australian, with long ideas that form deep relationships. With the help of those relationships, BMF grows clients, wins more customers, and takes home more marketing effectiveness awards than anyone else in the market.

BMF has been named Effective Agency of the Year twice in three years, and their client ALDI has been crowned Effective Advertiser of the Year three years in a row. In FY21, they were also awarded:

- Mumbrella Creative Agency of the Year;
- Mumbrella Best Agency Culture Award;
- APAC Grand Effie Award;
- Australian Grand Effie Award;
- Tangrams Platinum Effectiveness Award;
- B&T Best Radio and OOH Campaign of the Year.

In FY22, BMF will go even bigger, by building on the momentum of a year like no other. How? Their creativity has been tasked to help defeat the global pandemic, by inspiring the nation to get vaccinated and continue the fight against domestic violence in Australia.

CASE STUDY: ALDI
SHOWING HOW YOU'RE THE SAME CAN BE THE DIFFERENCE

The challenge

Despite the gains of the brand platform Good Different, when it came to Fresh, ALDI's German heritage held it back. Shoppers thought ALDI's produce was foreign, too. So it could never be as good as Coles or 'The Fresh Food People' Woolies.

The key insights

- 100% of fresh ALDI meat is sourced in Australia, 97% of fresh fruit and vegies are grown here. ALDI even sources much of its fresh meat, fruit and vegetables from the same farms as the 'big two'.
- Research showed that, aside from ensuring produce 'looked fresh', the key comms lever to drive quality perceptions (and therefore consideration) was 'Aussie Made'.
- ALDI had little brand equity when it came to Australian sourcing, farming and food, while their competitors were synonymous with 'Aussie Fresh'.

The strategy

To get shoppers who thought ALDI Fresh was a compromise because the prices were too 'Good Different' to be true, to realise ALDI's almost 100% 'Aussie sourced' fresh quality – by proving that ALDI's 'Fresh' comes from the same place as Coles and Woolies, it just costs less.

The execution

The Fresh Food Migration campaign. Highlights included capturing the Great Banana Migration on film for the first time – as an epic flock of Fresh Australian bananas in full flight leaves the plantations and makes its way south in search of a better place – ALDI. A herd of BBQs cooking porterhouse steaks travelling across the plains, and carrots swimming upstream like salmon, ran across OOH, social and Instagram stories showcasing Aussie produce at ALDI prices.

The channels

BMF boosted consideration by isolating the best performing channels, then partnering with Facebook and Instagram to unlock new ways to prove ALDI's Freshness: Traceability – proving ALDI Fresh comes straight from the source by showing provenance on retail, catalogue and POS; and Mythbusting – giving Facebook and Instagram communities a source of fresh truths with cheeky polls and hard-hitting facts.

The results

Fresh sales grew more than twice as fast as total sales during the campaign period, rising **17.7%** on average across fresh meat, produce and seafood sales; while there was a 41% growth in traffic to fresh produce pages.

Hotwire

Igniting possibility with human-first tech storytelling

For more than two decades, Hotwire has dominated Tech PR. They continue to broaden and deepen this dominance at the global intersection of creativity, technology and data. Their work has its genesis in Silicon Valley, where they're connected to the newest technologies and global industry influencers, and where they work closely with the world's fastest growing tech brands. The agile Hotwire team is connected to tech centres around the world including London, Munich, Paris, Sydney, Madrid, Milan, Frankfurt and New York, and operates as one team globally to help tech and innovation leaders tell their stories. The team has recently been recognised with awards including:

- Global Tech Agency of the Year;
- EMEA Tech Agency of the Year;
- US Tech Agency of the Year;
- PR Week Best Places to Work.

With a human-first mentality, Hotwire helps clients ignite the incredible possibilities of their technology, through emotive, provocative and unexpected creativity. With more than two decades of experience at the forefront of tech innovation, they do so at the lightning speed of the tech industry, which helps deliver their unique strategic advantage – and leads to award-winning creative work, too. Hotwire was recently recognised with three Cannes Lions; demonstrating the power, potency and effectiveness of their creativity.

Hotwire has a laser focus on developing and implementing more ways to mine and use data, as the basis of all planning, execution and measurement. As they evolve to a consultancy approach, this concentration is witnessed in the global implementation of The Hotwire Way, a methodology that harnesses the power of data and transforms it into the basis of integrated communications programs. At the forefront of effective data measurement, Hotwire is a board member of AMEC (Association for the Measurement and Evaluation of Communications) and use their data centric measurement framework to prove the outcomes and commercial impact of communications activities.

Looking forward with bold ambition

In FY22 and beyond, the entire Hotwire business strives to become recognised as the pre-eminent global tech communications consultancy. It's this ambition that fuels the desire for external recognition, and the ambition that has already landed global, US and EMEA tech agency of the year awards. It's this ambition which drives their successes in working with the world's most innovative tech brands, on their most important challenges, in their most important markets. The same ambition guides the continued deepening and broadening of core competencies, ensuring they continue to provide inspiring, pragmatic and effective communications strategies that deliver business results.

CASE STUDY: AVAYA
REDEFINING THE NARRATIVE

The challenge

Avaya was well known as a communications hardware provider. Yet the industry had radically changed to prioritise SaaS companies. Avaya needed to shed its legacy image and reshape the market narrative, showing a refreshed business model and value proposition.

The process

Hotwire interviewed experts across Avaya Marketing, Product and Strategy; conducted a market competitor scan; and used insight from analyst reports to create brainstorming materials.

The key insights

- Avaya's software has a unique benefit to the end user – it brings together several different ways for people to connect. Avaya's competitors were strongly associated with specific communication technologies, such as video or chat.
- Avaya was stuck on the product announcement carousel.
- While they did appear in trade publications, these didn't meet the audience in the highest impact publications for sales.

The solution

Hotwire worked closely with Avaya to map out the 'new Avaya' story, creating an internal messaging playbook, an overview of core customers and statistics, and impressive anecdotes for executives to use in backing up the story.

The messaging and channels

Avaya had to be seen bringing digital collaboration to life. Hotwire mapped out key influencer relationships, and a clear path to educate them. Major feature stories were secured with Business Insider, Silicon Valley Business Journal, and influential trade and channel outlets, allowing Avaya to tell its transformation stories to new audiences.

Once the magnitude of Avaya's impact during the WFH mandate became apparent, Hotwire explained how Avaya was supporting its customers with key initiatives, and set out the CEO's POV on the rapid changes taking place, working quickly to shape and update the narrative around Avaya as the go-to partner for companies shifting their communications and collaboration efforts to a remote model, laying out key 'wins' for the brand and a plan to execute them.

Hotwire secured segments with Avaya's CEO on CNBC Mad Money, Fox News, CNN and TD Ameritrade, where he discussed Avaya's pivotal role in supporting the WFH era, and Avaya's recent cloud transformation; thereby giving investors, shareholders, brokers, customers and partners confidence that Avaya had the right offering.

The results

As TD Ameritrade noted, "The street is really viewing you as a cloud stock."

In eight months, Hotwire secured 200+ pieces of earned coverage, including six Tier One broadcast opportunities. In FY20, Avaya consistently came top in share of voice versus its competitors, and enjoyed a 32% YoY increase in shareholder value. Forrest Monroy, Head of Global Corporate Communications at Avaya, said: "It was imperative that the reimagined Avaya brand become better understood by the market, especially new and existing customers and partners. Hotwire partners with me to do that every day."

Orchard

Delivering digitally optimised experiences

Orchard represents the best in the emerging communications channels and creative technology services through a core service offering of digital brand, communications and social, digital products and experiences, and data and analytics. Their unique skill is creating truly connected brand experiences, by understanding the key touchpoints of a customer journey and creating the best content for each brand, within the best context for the audience, powered by the best technology platforms.

Despite lockdowns, the shift to remote working, client cuts and market disruption, this year has seen Orchard grow their team with an additional 20 full-time staff; as well as revenue, with 11 new client partners. It's an achievement made possible by effective work, a willingness to embrace change and a strong agency strategy, brought to bear with a combination of Orchard's long-held leading vertical expertise in health and wellness; coupled with the growth and demand in digital services over the year, as the nation's brands immediately looked towards digital channels during the pandemic.

Extending and excelling in experiences

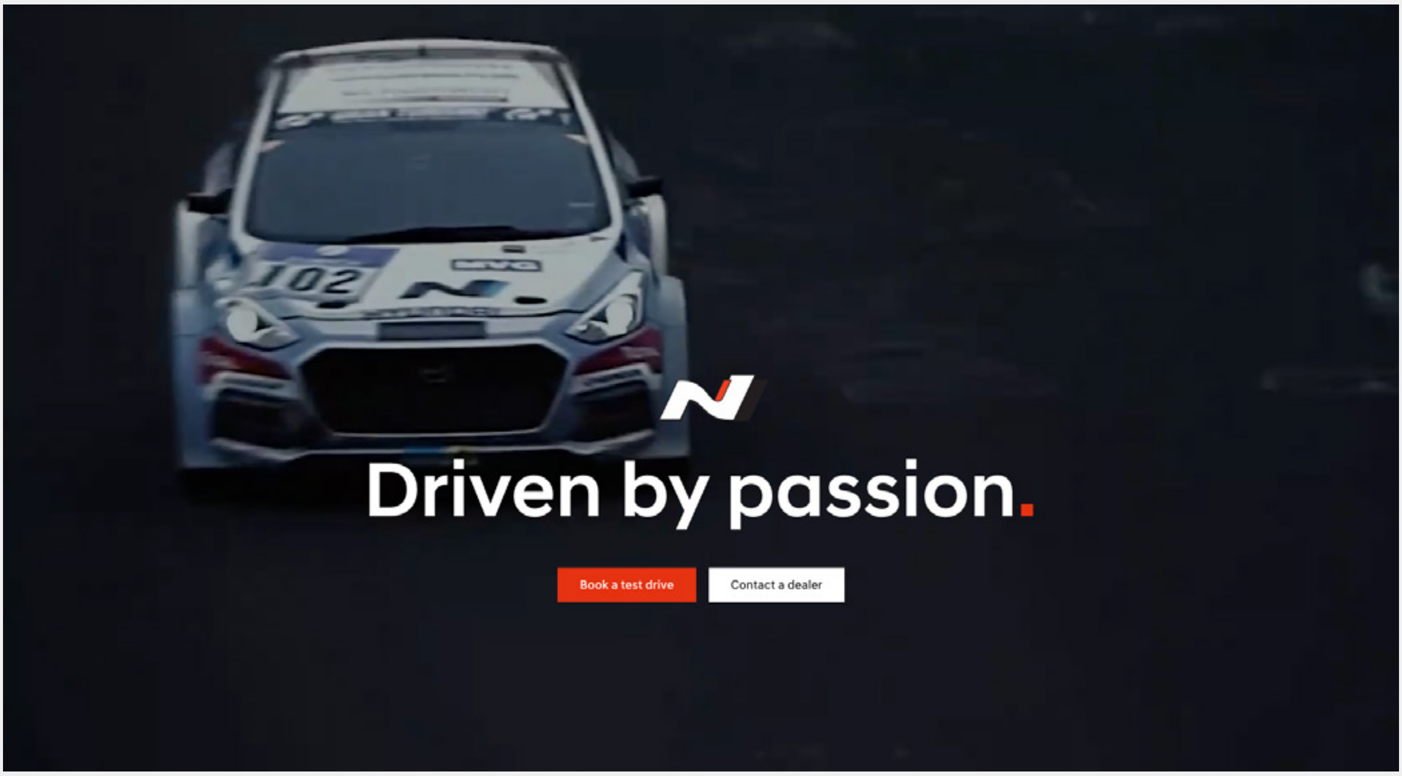
Orchard has doubled down on data capability and services, investing in Digital Experience Optimisation (DXO), and developing organisation-wide Business Intelligence tools for clients like Hoyts, and customer innovation for clients like ALDI. At the same time, they've expanded the depth and breadth of in-house technical development capability, including certification and partnerships with leading platforms such as Adobe, Optimizley, Kentico and Salesforce. And despite the pandemic, throughout the year, we've managed effectively and with a steady hand, resulting in zero COVID-related headcount reductions.

A great recognition of the team's expertise, and a milestone of the agency during the year, was to be awarded the ADNews digital agency of the year. Orchard was also a finalist in best CX agency partner; and in the Mumbrella awards won the best use of user experience and was a finalist for data-driven marketing and specialist agency of the year. These are all great indicators that as an agency Orchard is advancing well in the spheres of modern marketing and where the client need and demand is high.

Looking forward with bold ambition

Orchard will continue investing in their trifecta of growth. They plan to invest behind their fast-growing NYC office to further expand capabilities and tap into the enormous North American healthcare market. With world health literacy at an all-time high, they will continue to develop differentiated digital health IP and evolve the health service offering. And with the proliferation of marketing technology, Orchard will double down on technology-powered connected experiences, helping clients navigate and optimise their MarTech investments.

CASE STUDY: HYUNDAI
TRANSFORMING DIGITAL CX



The challenge

This year saw Orchard cement foundation platforms and leverage emerging tech to continue providing Australia's most delightful performant automotive customer experience as part of their ongoing relationship with Hyundai.

The strategy

Throughout the year, the work was guided by three objectives: to inform customers and reduce customer friction; to increase customer acquisition; and to reimagine how customers can discover a Hyundai vehicle.

The solution

The key objectives came together to create a multitude of impactful initiatives, including:

- Customer inspections of models in their own driveways with industry-first auto AR.
- A world-class ownership member portal, centralising all essential services within one click.
- A single source of digital truth for all retail offers and pricing, now leveraged across the Hyundai network.
- A future-proof product management roadmap with the development of a comprehensive Product Information Management system.
- And, for the first time, showing pricing during online model customisation – further closing the gap between interest and purchase intent.

The results

Strong YOY results driven by this work included a 21x increase in homepage traffic conversion to model and pricing pages; a 30% increase in digital leads; and a 205% increase in lead to car price calculator conversion.

Kevin Goult, Marketing Director of Hyundai Australia, commented: "Hyundai began its partnership with Orchard over three years ago, where an outdated platform and basic customer data were the tools driving our digital customer experience. In late 2018, we embarked on a journey to define a next generation automotive customer experience that delivered on business needs, informed by innovation and existing customer behaviour. Throughout that process, Orchard has successfully brought Hyundai departments together, unifying marketing, sales and IT around a common goal: plan and deliver the most progressive auto CX in Australia. We still have more to do, but thanks to our partnership, we have the right foundations in place to deliver our digital roadmap, and delight our customers at every step. With Orchard as our key digital partner, we're looking forward to continued innovation as we raise the standard for Aussie digital automotive customer experience."

OBMedia

Maximising digital advertising with real-time tech

OBMedia is a technology driven, proprietary advertising technology platform. They facilitate high-intent and high-value user traffic between publishers and search-based advertisers, which means publishers want to work with them – because they help to maximise the value of their ad inventory; and advertisers recognise the value of working with them to provide high-intent traffic from a previously untapped range of channels.

Doubling users in FY21

Over the course of FY21, OBMedia continued to focus on investing in capabilities to accelerate the performance of their platform, whilst also continuing to diversify and strengthen the business, as investments in technology and process efficiency paid off in the form of a highly competitive product. Sources of traffic continue to grow, and the number of publishers OB serves on the platform almost doubled in FY21, while they delivered a total of 160 million consumers to advertiser sites.

Driving sustainable growth

The OBMedia proprietary advertising technology platform drives sustainable, and growing, competitive advantage through a range of distinct capabilities, including:

- End-to-end advertisement conversion tracking;
- Omnichannel customer acquisition;
- Real-time ad performance optimisation;
- Real-time fraudulent traffic monitoring (resulting in leading traffic quality scores);
- Real-time data reporting to platform users.

With these capabilities in place, the technology generates a virtuous flywheel – the more traffic generated by the ads placed, the better the optimisation models perform, and the more profits generated for both partners and advertisers – which in turn drives more traffic.

Looking forward with bold ambition

As a business underpinned by technology, OBMedia is positioned to continue to grow at a rapid rate while maintaining excellent profitability. The virtuous flywheel effect allows for continued margin expansion which in turn fuels ongoing investments in new people and capabilities. A low fixed cost base ensures the business is financially scalable, as they embrace a rapid next phase of growth.

OBMedia will continue to benefit from the long-term secular shifts towards digital and e-commerce – the US digital advertising market is forecast to be $150 billion in 2021, and will continue to grow rapidly (estimated at 20%+ p.a. over the next three years). In order to capitalise on this market expansion, they will continue to invest in the OBMedia business to unlock new capabilities, and are exploring potential acquisitions to accelerate growth.

In the second half of FY21, OBMedia completed a major platform migration from SQL to Snowflake, which has enabled real time reporting for their partners. Our AI and automation investments are fuelling continuous improvements to the optimisation engine, ensuring their proprietary technology continues to drive industry leading click-through rates, with contextually relevant and programmatically efficient ads.

Despite rapidly evolving industry trends on privacy, OBMedia is well positioned for the future privacy-conscious world of digital media with unique and valuable first-party data supplied to their advertisers and publishers, without reliance on third-party cookies.

CASE STUDY: SUCCESS BY NUMBERS
DELIVERING HIGH-INTENT CONSUMERS TO BRANDS

130M

Consumers delivered to advertiser websites · Up 45%

5,000+

Number of advertising campaigns · Up 84%

PROPRIETARY ADVERTISING TECHNOLOGY PLATFORM

Programmatic platform
Uses AI and automation to enhance advertising efficiency in monetising web traffic

Data warehouse
Automated customer acquisition, real-time reporting and revenue attribution platform

Privacy Compliant
Well positioned for the future of online privacy with first party data, not reliant on third-party cookies

OBMEDIA'S BUSINESS DRIVERS

Accelerating e-commerce and digital adoption → **Consumers** → **Digital Publishers** → ← **Advertisers**

obmedia •email •display •mobile → Uses AI to deliver relevant marketing content to consumers → Maximises the value of advertising inventory for publishers → Delivers high intent customers to advertisers, maximising return on adspend

The Leading Edge

Driving smart decision making through data

The Leading Edge remains one of Australia's longest operating and well credentialled insight, data, analytics and strategy consultancies. Their unique mix of experienced consultants, designers, researchers, developers and in-house data and analytics operations solve client problems from developing brand and customer strategies that fuel behaviour change, to identifying and exploiting new paths to growth and increasing opportunities for market success.

In 2021, TLE worked alongside major local and global clients to help drive strategy and pathways to growth through the smart use of data. TLE worked locally with sister Enero agencies, as well as completing large-scale international work for TWE, DSM and Datorama, as they refined their offerings to deliver value added data-driven strategic advice to clients seeking new growth pathways post COVID.

CASE STUDY: TREASURY WINE ESTATES
UNDERSTANDING THE FUTURE OF GLOBAL LUXURY

One of Australia's major global ASX-listed companies – Treasury Wine Estates – needed to understand customer needs and possible futures of global growth in luxury and luxury wine consumption.

The project was a major research and client undertaking – researching thousands of consumers across four key global wine markets including Australia, the UK, the US and China. The study took on added significance given the issues with the Australia-China wine trade experienced late in 2020.

Working across four continents, TLE talked in-depth with 100 luxury and premium wine buyers, surveyed over 6,500 luxury and premium wine buyers and engaged with numerous experts around the globe on the subject of luxury, to explore in-depth what it means in today's dynamic and ever changing market landscape.

Working closely with the TWE global marketing team and agency, TLE showcased the wine journey for the luxury consumer, and demonstrated the opportunities for TWE and their portfolio of global brands.

The TLE insights drove TWE's global luxury strategy as they move to target a more premium and luxury consumer. The project demonstrated the TLE core proposition: that strategy fuelled by data and insight is powerful in allowing clients to create pathways to growth, and gives them confidence in changing their businesses, both domestically and internationally.

Treasury Wine Estates recent investor rounds showcased their 2025 Global Luxury Strategy – termed 'Boldly leading change in the world of wine', which referenced this major global study and how it provided a platform for TWE's ambitions in the coming years. Speaking about the project, Angus Lilley, CMO of TWE, said: "We recognise we need to stay ahead of the category and our competitors, and for that we need bold foresight … the kind of game changing intelligence that can shape a different kind of future as a true consumer-driven business."

CPR

Accelerating positive health outcomes

CPR Communications & Public Relations is a leading communications consultancy founded in 1994. They work across three core disciplines: Media and Public Relations; Issues Management; and Government Relations. CPR's key strategic difference is direct experience, with media advice coming from former journalists; political advice from former MPs; and advisers drawn from both sides of politics.

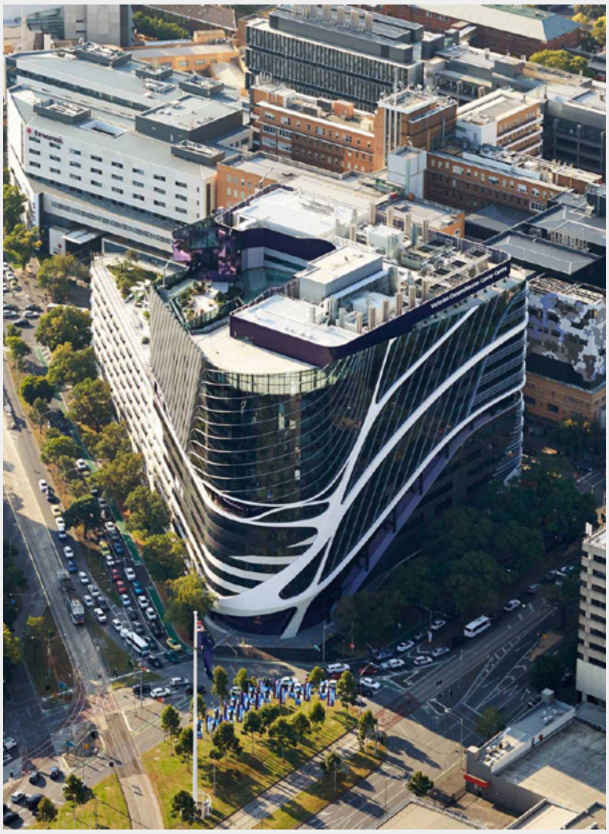
CPR specialises in complex regulatory environments that attract political and public scrutiny, including:

- Health and medical research;
- Aged care and childcare;
- Energy and waste;
- Infrastructure and development;
- Legal and financial services.

Leading through the pandemic

The pandemic forced Australia to make medical research and health technology leaps, that once would take 15 years, in less than two years, with the normalisation of telehealth and e-prescriptions, and rapid at-home diagnostic tools to help triage viral infections that may necessitate isolation. Against this backdrop in FY21, some of CPR's biggest achievements came through their exemplary work with Australia's leading medical research institutes, medical device manufacturers, and health technology experts. They helped clients attract more than $315 million in investment to support cancer research, genomics and dementia care; to accelerate the commercialisation of health technologies; and to support the advanced manufacturing of medical devices that are exported globally.

CASE STUDY: MEDICAL RESEARCH AND LIFE SCIENCES
FOSTERING CRITICAL RELATIONSHIPS



CPR worked with Melbourne Genomics Health Alliance in the lead-up to the Victorian State Budget 2020-21, resulting in a $35 million investment over the next four years. The funding will help Melbourne Genomics continue to build Victoria's global position as a leader in health technology and innovation, and in the real-world application of genomics.

For Planet Innovation, one of the world's leading healthcare innovation companies, CPR facilitated engagement with the highest levels of Government. Planet Innovation recently welcomed Prime Minister Scott Morrison and Minister Karen Andrews, and Victorian Ministers Martin Pakula and Jaala Pulford, on separate tours of its Victorian-based Medtech Manufacturing Facility. These face-to-face experiences, where decision makers have a chance to see advanced manufacturing and health technology innovation in action, support closer connections between industry and Government, and build stronger partnerships.

CPR also worked with the Victorian Comprehensive Cancer Centre across FY21 to secure $33.1 million from the Victorian Government to help ensure world-class cancer outcomes for all Victorians, and enable the delivery of strategic programs including improving data linkages to accelerate cancer research. The VCCC's work includes giving cancer patients in regional Victoria access to cutting-edge medical trials, which is crucial given data shows cancer outcomes can almost be predicted by postcode, with five-year survival rates falling the further the patient lives from a city centre.

CPR works with clients to drive awareness of the significant health and economic opportunities that can be unlocked through investment in medical research, innovative health technologies and life sciences. It is work that creates highly skilled jobs and has the potential to deliver positive health outcomes – not just for Australians but for people around the globe.

Financial Report

FOR YEAR ENDED 30 JUNE 2021

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 2021; 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:

Ann Sherry AO – Independent Non-Executive Chair

Ann was appointed as Chair and Non-Executive Director on 1 January 2020.

Ann is a recognised business leader in Australia who is currently a Director of ASX-listed National Australia Bank, Chair of its Customer Committee and a member of its Remuneration Committee. Ann is also a Director of ASX-listed Sydney Airport, Chair of its Remuneration and Nomination Committee, as well as a member of its Safety, Security and Sustainability Committee.

Ann is Chair of UNICEF Australia and also a Director of Infrastructure Victoria, Cape York Partnerships, Australia and New Zealand School of Government (ANZSOG), The Climate Ready Initiative and the Museum of Contemporary Art. Ann is the former Chair and Chief Executive Officer of Carnival Australia and continues as an adviser to Carnival. She was previously at Westpac for 12 years and was the CEO of Bank of Melbourne and the CEO of Westpac New Zealand and Pacific Banking.

In 2015, Ann was named the overall winner of the AFR 100 Women of Influence for her corporate leadership and achievements in promoting diversity and female representation across a variety of sectors during her 30 year career.

Ann is a member of the Remuneration and Nomination Committee.

Susan McIntosh – Non-Executive Director

Susan was appointed as a Non-Executive Director of the Company on 2 June 2000.

Susan has more than 35 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.

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 (ASX: MAQ) as well as a member of its Audit and Risk Committee, and Chair of the Remuneration and Nomination Committee. Anouk is also a Board member of Discovery Holiday Parks and is Chair of its People and Remuneration Committee.

Anouk is currently the Chief Executive Officer for the Scape Group. Previously Anouk held an Executive role as 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 Chair of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

David Brain – Independent Non-Executive Director

David was appointed as a Non-Executive Director of the Company on 10 May 2018.

David has over 25 years' experience in public relations and integrated communications. David's most recent Executive role was as a Director of the Group supervisory board of Edelman, the world's largest Public Relations firm, and a member of its global management board. During 13 years at Edelman, he was CEO of the Europe Middle East and Africa (EMEA) region and latterly, CEO of Asia Pacific Middle East and Africa (APACMEA).

Prior to Edelman, David was Co-CEO of Weber-Shandwick UK and Managing Director at Burson-Marsteller UK. He has also worked in Corporate Affairs at Visa International and as a planner in advertising.

David is currently Chair of parking technology company Parkable; Chair of child poverty charity Share My Super; Advisory Board member of The Spinoff, New Zealand's most successful online news magazine, and Co-Founder of research start-up Stickybeak.

David is a member of the Audit and Risk Committee.

Ian Rowden – Independent Non-Executive Director

Ian was appointed as a Non-Executive Director on 21 November 2018.

Ian is a recognised global business leader whose career has spanned marketing, operational and commercial leadership roles across four continents with some of the worlds most admired brands and in the world's most diverse marketplaces.

Ian began his career with The Coca-Cola Company in Sydney, Australia in 1980 and for over 20 years held numerous senior executive roles with the company worldwide. These included Region President for the China Division, based in Hong Kong and Global Head of Consumer Communications, based in Atlanta, Georgia. From 2000 to 2004 he served as Chief Marketing Officer for The Callaway Golf Company.

In 2004 he joined Wendy's International as Chief Marketing Officer, a position he held until 2007 when he was appointed Chairman and CEO, Asia Pacific for Saatchi & Saatchi. From 2011 to 2015 he served as Partner at The Virgin Group and concurrently as a Board Member of Virgin Galactic and Virgin Produced.

Directors' Report

Ian is a Non Executive Director of Reliance World Corporation (ASX: RWC), a member of the Investment Advisory Board of Innovate Partners LLC – a Los Angeles area based venture capital firm, and Chair of BrightGuard LLC.

Ian is the Chair of the Remuneration and Nomination Committee.

Brent Scrimshaw – CEO and Executive Director

Brent was appointed Chief Executive Officer and Executive Director of the Company on 1 July 2020.

Brent is a creative and brand led business leader with specific expertise in global consumer brands, media and publishing, technology, retail and sports. Brent built his career at Nike Inc. including his most recent roles as Vice President/Chief Executive Western Europe, Vice President and Chief Marketing Officer EMEA based in Amsterdam and GM Regional USA based in New York city. He has also held other senior leadership roles in Europe, the USA and Australasia in General Management and Marketing. Brent was also part of Nike's global commercial operations leadership team contributing to the development of the Nike Inc. brand and commercial strategy in Europe, the USA, China and Japan. Brent was also the founder and CEO of Unscriptd, a technology led sports media company, which was acquired by Google Ventures backed publisher The Players Tribune in New York in 2018.

Brent is a Director of the Melbourne International Arts Festival – Rising, a Non-Executive Director of ASX-listed Kathmandu Holdings Limited and was previously a Non-Executive Director of Catapult Group International Limited, Rhinomed Limited and Fox Head Inc in California, USA.

Company Secretary

Cathy Hoyle was appointed Company Secretary on 8 March 2021. She is also the Group General Counsel. Cathy is a practising Solicitor in New South Wales Australia and holds several degrees including a Master of Laws from the Australian National University.

Brendan York resigned as Company Secretary on 31 March 2021.

Committee Membership

At the date of this report, the Company had an Audit and Risk Committee and a Remuneration and Nomination Committee. Members of these Committees were:

Audit and Risk Committee

Anouk Darling (Chair)
David Brain
Susan McIntosh

Remuneration and Nomination Committee

Ian Rowden (Chair)
Ann Sherry
Anouk Darling

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 programmatic media.

Corporate Governance

The Directors recognise the requirement for and have adhered to the principles of corporate governance.

A copy of the Company's full 2021 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 fourth 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/investor-centre/corporate-governance.

Operating and Financial Review

Information relating to the operating and financial review of the Company and its strategy is outlined on pages 31 to 33 and forms part of this Directors' Report.

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
Ann Sherry	7	7	–	–	2	2
Susan McIntosh	6	7	4	4	–	–
Anouk Darling	7	7	4	4	2	2
David Brain	7	7	4	4	–	–
Ian Rowden	7	7	–	–	2	2
Brent Scrimshaw	7	7	–	–	–	–

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
Ann Sherry	18,750	Nil
Susan McIntosh	122,223	Nil
Anouk Darling	19,607	Nil
David Brain	75,000	Nil
Ian Rowden	75,000	Nil
Brent Scrimshaw	Nil	1,250,000
Total	**310,580**	**1,250,000**

Events subsequent to balance date

Subsequent to the balance date, the Directors have declared a final dividend, with respect to ordinary shares, of 4.4 cents per share, fully franked. The final dividend will have a record date of 23 September 2021 and a payment date of 6 October 2021. Except for this event 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.

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 and organic revenue growth to increase net revenue. Additionally, building scale and presence in the UK and USA markets to seek a more evenly weighted geographic contribution from net revenue and Operating EBITDA is a core element of the Group's strategic framework. The Group will also continue to assess acquisition and capital deployment opportunities as they arise to complement the key operating business brands.

Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current Directors of the Company: Ann Sherry, Susan McIntosh, Anouk Darling, David Brain, Ian Rowden, Brent Scrimshaw and Company Secretary Cathy Hoyle 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, subject to the Corporations Act 2001, 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.

Issue of shares and Share Appreciation Rights (SARs)

Shares issued on exercise of SARs

On 11 September 2020, the Company issued 580,659 ordinary shares to employees exercising share appreciation rights under the Company's Share Appreciation Rights Plan (SARP), which was approved by shareholders at the Company's Annual General Meeting (AGM). The issue price of these shares was $1.62 and these shares rank equally with existing shareholders.

Share Appreciation Rights

Share Appreciation Rights issued

During the year ended 30 June 2021, a total of 3,900,000 Share Appreciation Rights (30 June 2020: 2,450,000) were issued to senior employees of the Group under the existing Share Appreciation Rights Plan.

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	Strike price VWAP (for the 20 business days prior to the grant)
30 September 2021	900,000	$1.23
30 September 2021	599,999	$2.13
30 September 2021	1,233,329	$1.52
30 September 2022	483,337	$2.13
30 September 2022	1,199,996	$1.52
30 September 2023	1,200,008	$1.52
Total	5,616,669	

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

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:			
2020 Final dividend	3.5	3,033	2 October 2020
2021 Interim dividend	10.5	9,099	16 March 2021

Subsequent to the balance sheet date, the Directors have declared a final dividend, with respect to ordinary shares, of 4.4 cents per share – fully franked with a payment date of 6 October 2021. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2021 but will be recognised in the subsequent financial period.

For further details refer to Note 16 Capital and reserves in this annual report.

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

Environmental regulation and performance
The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any significant breach of those requirements as they apply to the Group.

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

	2021 $	2020 $
Services other than statutory audit		
Auditors of the Company		
Taxation compliance services:		
KPMG Australia	26,000	–
Overseas KPMG firms	286,000	188,000
Total services other than statutory audit	312,000	188,000

Auditor independence
The Lead Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 89, and forms part of the Directors' Report for the year ended 30 June 2021.

Rounding off
The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, 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 34 forms part of this Directors' Report.

Signed on behalf of the Directors in accordance with a resolution of the Directors:

Ann Sherry AO
Chair
Sydney, 26 August 2021

Operating and financial review

The operating and financial review forms part of the Directors' Report.

Strategy and operations of the Group

The boutique force in modern marketing, Enero Group is an international network of marketing and communications businesses located in seven countries and 13 cities, with over 600 employees. Enero is a group of specialists who accelerate high-growth businesses by transforming brands and deploying creative data and technology to enrich customer experiences. The Group includes Hotwire, BMF, CPR, Orchard, TLE and OB Media. During the year, the Group acquired McDonald Butler Associates, a UK based technology public relations agency, to further build the service offering of Hotwire Public Relations business. Group also sold its entire shareholding in Frank PR as the Group continues to sharpen its focus on the core agencies. 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 programmatic media.

The Group has three key 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. Being a nimble team with a global perspective, the Group is well positioned to take advantage of the new developments taking place in this highly dynamic sector

Financial performance for the year

The Group achieved Net Revenue of $160.6 million, an increase of 18.3% (2020: $135.8 million) compared to the prior reporting period. The increased revenue was driven by organic revenue growth in OB Media, BMF, Orchard and Hotwire. Sale of Frank resulted in reduction of revenue which was partially offset by contribution from two months of McDonald Butler Associates in the Group. The impact of COVID-19 on revenue pipeline has resulted in a greater weighting to existing client and organic revenue opportunities over new business opportunities. The Group continues to have a high proportion of client revenue exposure in the technology, healthcare and consumer staples sectors which have generally increased or at least held business activity levels. Net revenue growth was achieved by continuing businesses in all key geographic markets.

The Group achieved Operating EBITDA of $45.6 million, an increase of 87.1% (2020: $24.4 million) compared to the prior reporting period. The Operating EBITDA margin increased from 18.0% in 2020 to 28.4% in 2021. This increase in the Operating EBITDA margin was driven by an increase in revenue and Operating EBITDA in the Group's programmatic media platform business, OBMedia, which connects publishers with the world's largest search engines. The business functions as a platform and therefore has achieved a higher margin than other businesses in the Group. No material movement in global headcount or operating costs notwithstanding the increased revenue; and $1.2 million (2020: $0.4 million) of Job Keeper subsidies in the Australian market received during the financial year relating to specific agencies that qualified for the Government support.

The underlying net profit before significant items was $22.8 million, compared to $12.9 million in the prior year as the Operating EBITDA increased by 87.1%. However, the statutory net loss after tax to equity owners was $0.4 million, compared to profit of $10.7 million in the prior year as the Group recognised a non-cash accounting loss of $23.5 million relating to disposal of Frank PR and Foreign Currency Translation Reserve (FCTR) transferred to income statement on disposal of dormant foreign subsidiaries.

In the current year, the Operating Brands segment generated approximately 59% of its net revenue and 75% of its Operating EBITDA from international markets.

A summary of the Group's results is below:

In thousands of AUD	2021	2020
Net revenue	160,634	135,825
EBITDA	49,904	29,230
Depreciation of right-of-use assets	(4,291)	(4,849)
Operating EBITDA[1]	45,613	24,381
Depreciation and amortisation	(2,796)	(3,432)
EBIT	42,817	20,949
Net finance income	20	217
Present value interest charge	(1,378)	(1,937)
Profit before tax	41,459	19,229
Income tax expense	(8,514)	(3,397)
Profit after tax	32,945	15,832
Non-controlling interests	(10,110)	(2,951)
Net profit after tax before significant items	22,835	12,881
Significant items[2]	(23,237)	(2,174)
Net (loss)/profit after tax attributable to equity owners	(402)	10,707

Cents per share		
Earnings per share (basic) – pre significant items	26.4	15.0
Earnings per share (basic)	(0.5)	12.5

1. Operating EBITDA, as defined in the basis of preparation section on page 33.
2. Significant items are explained on page 32.

Directors' Report

Reconciliation of statutory profit after tax to Operating EBITDA

In thousands of AUD	2021	2020
Net revenue	160,634	135,825
EBITDA	49,904	29,230
Depreciation of right-of-use assets	(4,291)	(4,849)
Operating EBITDA[1]	45,613	24,381
Depreciation of plant and equipment	(1,922)	(2,337)
Amortisation of intangibles	(874)	(1,095)
Net finance income	20	217
Present value interest charge	(1,378)	(1,937)
Loss on sale of controlled entities[2]	(9,878)	–
Loss on disposal of dormant foreign subsidiaries[2]	(13,157)	–
Incidental acquisition costs[2]	(202)	–
Contingent consideration fair value loss[2]	–	(2,174)
Statutory profit before tax	18,222	17,055
Income tax expense	(8,514)	(3,397)
Statutory profit after tax	9,708	13,658

1. Operating EBITDA, as defined in the basis of preparation section on page 33.
2. Significant items are explained below.

Significant items

2021

- On 2 March 2021, the Group entered into a sale agreement to sell its entire shareholding in Frank PR (75% issued capital) for a consideration of £915,000 ($1,647,000). The Group recognised an accounting loss on sale of $9,878,000 in the income statement for the year ended 30 June 2021.
- The Group disposed of 12 dormant foreign subsidiaries and recognised an accounting loss of $13,157,000 as it transferred the Foreign Currency Translation Reserve (FCTR) relating to these subsidiaries to the income statement for the year ended 30 June 2021.
- The Group incurred incidental costs of $202,000 relating to acquisition of McDonald Butler Associates.

2020

The Group incurred contingent consideration fair value loss of $2,174,000 relating to revaluation of future contingent consideration payable to the vendors of Eastwick Communications.

Geographical performance

In thousands of AUD	2021	2020
Net Revenue		
Australia	65,043	58,645
UK and Europe	35,504	37,701
USA	60,087	39,479
Total Operating Brand Segment	160,634	135,825
Operating EBITDA		
Australia	13,129	11,536
UK and Europe	7,597	5,703
USA	32,345	13,149
Total Operating Brand Segment	53,071	30,388
Support office	(6,466)	(5,443)
Share-based payments charge	(992)	(564)
Total Group	45,613	24,381
Operating EBITDA margin		
Australia	20.2%	19.7%
UK and Europe	21.4%	15.1%
USA	53.8%	33.3%
Total Operating Brand Segment	33.0%	22.4%
Total Group	28.4%	18.0%

Acquisition

On 26 April 2021, the Group acquired 100% issued capital of McDonald Butler Associates, a UK based technology public relations agency. The purchase consideration was an upfront payment of £3,500,000 ($6,272,000) in addition to contingent consideration of 5,450,000 ($9,766,000) tied to the net revenue target through to the period 30 June 2024. Refer to Note 22 Acquisition for details.

Disposal

On 2 March 2021, the Group entered into a sale agreement to sell its entire shareholding in Frank PR (75% issued capital) for a consideration of £915,000 ($1,647,000). The Group recognised a loss on sale of $9,878,000 in the income statement for the year ended 30 June 2021. Refer to Note 23 Disposals for details.

The Group disposed of 12 dormant foreign subsidiaries and recognised an accounting loss of $13,157,000 as it transferred the Foreign Currency Translation Reserve (FCTR) relating to these subsidiaries to the income statement for the year ended 30 June 2021. Refer to Note 23 Disposals for details.

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 of plant and equipment, amortisation of intangibles, impairment of intangibles, loss on disposal of controlled entities and contingent consideration fair value loss. Operating EBITDA, reconciled in the table on page 32, 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.

Cash and Debt

In thousands of AUD	2021	2020
Cash and cash equivalents	50,718	47,581
Contingent consideration liabilities	(20,126)	(25,553)
Net cash[1]	30,592	22,028

1. Net cash excludes lease liabilities recognised as a result of the adoption of AASB16 *Leases* as they are considered operational liabilities.

The Group has $30.6 million in net cash as at 30 June 2021. Apart from contingent consideration liabilities, the Group has no loans or borrowings.

Capital management

The Group's capital management strategy aims to balance returns to shareholders through dividends, funding acquisition and investment opportunities as well as maintaining adequate cash reserves for existing businesses. The Group continues to seek acquisition opportunities that are aligned with Group strategy from a geographical or expansion of services perspective.

Cash flow – Operating activities

Cash inflows from operating activities was $53.2 million (2020: $31.0 million). The increase in inflows was attributable to the increased Operating EBITDA achieved during the year and high cash collections. The Group converted 121% of EBITDA to cash for the year ended 30 June 2021 (2020: 116%).

Cash flow – Investing activities

Cash outflows from investing activities was $21.2 million (2020: $13.3 million). The increase in outflows was primarily due to the contingent consideration payments made during the year in relation to both the Eastwick and Orchard acquisitions, and initial payment for acquisition of McDonald Butler Associates.

Cash flow – Financing activities

Cash outflows from financing activities was $26.7 million (2020: $14.0 million). The increase in outflows was due to an increase in dividends paid to the shareholders of the parent and to minority shareholders of controlled entities. During the current financial year, $12.1 million (2020: $4.7 million) in dividends were paid to Enero Group Limited shareholders in addition to $8.4 million (2020: $2.3 million) in dividends paid to minority shareholders of controlled entities.

Contingent consideration liabilities

The Company entered into contingent consideration arrangements in relation to its acquisitions of McDonald Butler Associates on 26 April 2021 and Orchard Marketing on 2 February 2018.

As at 30 June 2021, the Company's estimated contingent consideration liability is $20.1 million.

Reconciliation of carrying amounts of contingent consideration payable:

In thousands of AUD	
30 June 2020	25,553
Payments made	(14,885)
Recognised on acquisition of McDonald Butler Associates	8,931
Present value interest/foreign exchange	527
30 June 2021	20,126

Maturity profile (at present value):	
FY2022	10,886
FY2023	1,771
FY2024	2,487
FY2025	4,982
Total	20,126

Directors' Report

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 2021. 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 and explains how the Company's financial performance has driven remuneration outcomes.

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	
Ann Sherry	Non-Executive Director (Chair)
Susan McIntosh	Non-Executive Director
Anouk Darling	Non-Executive Director
David Brain	Non-Executive Director
Ian Rowden	Non-Executive Director
Executives	
Brent Scrimshaw(i)	Chief Executive Officer
Carla Webb-Sear(ii)	Chief Financial Officer
Fiona Chilcott	Chief People and Culture Officer
Former Executives	
Brendan York(iii)	Chief Financial Officer

(i) Brent Scrimshaw was appointed as CEO and Executive Director effective 1 July 2020.
(ii) Carla Webb-Sear was appointed as CFO effective 8 March 2021.
(iii) Brendan York resigned as CFO effective 31 March 2021.

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.

The Remuneration and Nomination Committee operates independently of the Enero Executive team and engages directly with remuneration advisers.

There were no services used from remuneration consultants during the year ended 30 June 2021.

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 aligning with the interests of shareholders.

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; and
- 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 and/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.

In structuring the remuneration mix for each role, the Board aims to balance fixed and variable remuneration to best achieve short-term and long-term performance outcomes.

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 Operating EBITDA hurdles and Earnings Per Share pre significant items (EPS) growth hurdles set by the Remuneration and Nomination Committee. The hurdles are set each financial year determined by reference to business priorities. A component of the STI is also subject to the achievement of pre-determined KPIs for the individual.
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 Operating EBITDA hurdles and Earnings Per Share pre significant items (EPS) growth hurdles set by the Remuneration and Nomination Committee. The hurdles are set each financial year determined by reference to business priorities. A component of the STI is also subject to the achievement of pre-determined strategic objectives for the individual.
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 or a combination of the following structures: – an Operating EBITDA sharing arrangement such that the CEO and key senior leadership of that subsidiary are entitled to a share of Operating EBITDA agreed by the Remuneration and Nomination Committee each year. A component of the share of Operating EBITDA is also subject to the achievement of pre-determined KPIs for both the individual and Operating Brand. The share of Operating EBITDA is set each financial year by the Remuneration and Nomination Committee. This incentive is paid annually in cash after the end of the financial year; or – an annual cash-based maximum short-term incentive payment of 100% of the Executive's fixed remuneration determined by the achievement of net revenue hurdles. The incentive is paid annually in cash after 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. Dividend payments are made to shareholders in accordance with that subsidiary's constitution, generally on a quarterly basis.

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 Company Executives and Subsidiary Executives are not contractually entitled to the STI in their respective employment agreements and the Remuneration and Nomination Committee retains discretion to withdraw or amend the STI at any time.

The Remuneration and Nomination Committee has the discretion to take into account any significant 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 (SARP) (see Note 30).

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 SARs.
Eligibility	The plan allows for the Board to determine who is entitled to participate in the SARP 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	Cessation of employment will result in the lapsing of any unvested SARs. 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	18 October 2018	24 October 2019	21 October 2020
SARs issued	4,500,000	2,450,000	3,900,000
Participants	Senior Executives	Senior Executives	Senior Executives
VWAP for the 20 business days prior to the grant (B)	$1.23	$2.13	$1.52
Vesting dates: 20 business days after the release of the Group financial report for the year ended:			
Tranche 1 (1/3)	30 June 2019	30 June 2020	30 June 2021
Tranche 2 (1/3)	30 June 2020	30 June 2021	30 June 2022
Tranche 3 (1/3)	30 June 2021	30 June 2022	30 June 2023
Last expiry date	30 September 2021	30 September 2022	30 September 2023
Outstanding SARs as at 30 June 2021	900,000	1,083,336	3,633,333

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)
Chief Executive Officer	30 June 2023	6 months	6 months	6 months base salary	6 months base salary
Chief Financial Officer[v]	Rolling	6 months	6 months	6 months base salary	6 months base salary
Chief People and Culture Officer	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.

(v) Carla Webb-Sear was appointed as CFO on 8 March 2021.

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 2021. Total remuneration paid to Non-Executive Directors for the year ending 30 June 2021 amounted to $440,000 (30 June 2020: $435,000), which is 58.7% of the annual aggregate cap.

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 2021 and 30 June 2020:

	2021 $	2020 S
Base fees – annual		
Chairman	120,000	120,000
Other Non-Executive Directors	75,000	75,000
Committee fees – annual		
Audit and Risk Committee – Chair	10,000	10,000
Remuneration and Nomination Committee – Chair	10,000	10,000

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 STI(i) $	Annual leave(ii) $	Superannuation $	Long service leave(ii) $	Termination benefit $	Value of Share Appreciation Rights (LTI)(iii) $	Total $	Proportion of total remuneration performance related(iv) %
Non-Executive Directors										
Ann Sherry(v) (xiii)	2021	130,000	–	–	–	–	–	–	130,000	–
	2020	65,000	–	–	–	–	–	–	65,000	–
Susan McIntosh	2021	68,493	–	–	6,507	–	–	–	75,000	–
	2020	68,493	–	–	6,507	–	–	–	75,000	–
Anouk Darling (xiii)	2021	77,626	–	–	7,374	–	–	–	85,000	–
	2020	77,626	–	–	7,374	–	–	–	85,000	–
David Brain	2021	75,000	–	–	–	–	–	–	75,000	–
	2020	75,000	–	–	–	–	–	–	75,000	–
Ian Rowden	2021	75,000	–	–	–	–	–	–	75,000	–
	2020	75,000	–	–	–	–	–	–	75,000	–
John Porter(vi)	2021	–	–	–	–	–	–	–	–	–
	2020	60,000	–	–	–	–	–	–	60,000	–
Executive Director										
Brent Scrimshaw(vii) Director and CEO	2021	778,306	560,000	39,822	21,694	618	–	236,982	1,637,422	48.67
	2020	–	–	–	–	–	–	–	–	–
Matthew Melhuish(viii) Director and CEO	2021	–	–	–	–	–	–	–	–	–
	2020	618,750	95,635	(19,048)	21,003	(9,191)	188,269	40,272	935,690	14.52
Executives										
Carla Webb-Sear(ix) Chief Financial Officer	2021	127,151	94,067	11,123	7,231	102	–	–	239,674	39.25
	2020	–	–	–	–	–	–	–	–	–
Fiona Chilcott(x) (xii) Chief People and Culture Officer	2021	350,000	260,186	9,219	21,694	1,848	–	111,013	753,960	49.23
	2020	488,372	181,791	(2,981)	21,003	1,759	–	159,437	849,381	40.17
Brendan York(xi) (xii) Chief Financial Officer	2021	265,192	195,139	3,626	16,271	(7,513)	255,769	89,577	818,061	34.80
	2020	375,000	181,791	1,682	21,003	6,829	–	159,437	745,742	45.76

(i) The short-term incentive bonus is for performance during the 30 June 2021 financial year using the criteria set out on page 35. The table above includes the expense incurred during the financial year for the bonuses awarded. Refer to the table on page 39 for the bonuses awarded.

(ii) 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.

(iii) 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 the vesting date.

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

(v) Ann Sherry was appointed as Chair and Director on 1 January 2020.

(vi) John Porter resigned as Chairman and Director on 31 December 2019.

(vii) Brent Scrimshaw was appointed as CEO and Executive Director on 1 July 2020.

(viii) Mathew Melhuish resigned as Executive Director on 23 December 2019 and as CEO on 31 March 2020.

(ix) Carla Webb-Sear was appointed as CFO on 8 March 2021.

(x) Fiona Chilcott was seconded to the USA from 6 August 2018 to 14 January 2020; the remuneration disclosures for this period represent the USD compensation components converted to AUD at average exchange rates for the relevant year.

(xi) Brendan York resigned as CFO effective 31 March 2021.

(xii) Brendan York and Fiona Chilcott were appointed Acting Co-CEOs for the period 1 April 2020 to 30 June 2020 and were paid an allowance of $25,000 each for the acting period.

(xiii) Ann Sherry and Anouk Darling were chair of the Remuneration and Nomination Committee and Audit and Risk Committee respectively, during the current and prior reporting period.

(xiv) Executives receive salary continuance insurance cover. There are no other benefits offered by the Company.

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 35.

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.

In the reporting period, the Operating EBITDA hurdles, EPS growth hurdles and strategic objective performance measures are weighted 48%, 32% and 20% respectively in determining the percentage of fixed remuneration payable as a cash STI.

Short-term incentive bonus(i)	Metric	Maximum STI $	Actual STI included in remuneration $(iii)	Actual STI as % of maximum STI	STI forfeited as % of maximum STI	Actual STI as a % of fixed remuneration(ii)	% vested in year
Company Executives							
Brent Scrimshaw	Operating EBITDA hurdles and EPS growth hurdles.	560,000	560,000	100%	–	70%	100%
Carla Webb-Sear(iv)	Operating EBITDA hurdles and EPS growth hurdles.	94,067	94,067	100%	–	70%	100%
Fiona Chilcott	Operating EBITDA hurdles and EPS growth hurdles.	260,186	260,186	100%	–	70%	100%
Brendan York(v)	Operating EBITDA hurdles and EPS growth hurdles.	197,024	195,139	99%	–	69%	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 plus superannuation.

(iii) Actual STI included in remuneration includes any superannuation contribution amounts.

(iv) Represents pro rata STI for period from 8 March 2021 to 30 June 2021.

(v) Represents pro rata STI for period through to 31 March 2021.

8 Share-based payments

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

Details of SARs that were granted as compensation to each Key Management Personnel during the reporting period are as follows:

	Type of rights granted during 2021	Number of rights granted during 2021	Grant date	Fair value per right at grant date $	VWAP (for the 20 business days prior to the grant) $	Expiry date(i)
Company Executives						
Brent Scrimshaw	SAR	1,250,000	21 Oct 2020	0.35 – 0.39	1.52	30 Sept 2023
Fiona Chilcott	SAR	100,000	21 Oct 2020	0.35 – 0.39	1.52	30 Sept 2023
Brendan York(ii)	SAR	100,000	21 Oct 2020	0.35 – 0.39	1.52	30 Sept 2023

(i) The expiry dates reflected in the table above represent the last vesting date for the SAR grant. 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, but no later than, 30 September each year.

(ii) Brendan York resigned as CFO effective on 31 March 2021.

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

Details of the vesting profiles 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 rights granted	Grant date	% vested in year	% forfeited in year	% exercised in year	% remaining to vest	Vesting date(i)
Company Executives								
Brent Scrimshaw	1,250,000	SAR	21 Oct 2020	–	–	–	100	30 Sep 2021, 30 Sep 2022 and 30 Sep 2023
Fiona Chilcott	900,000	SAR	18 Oct 2018	33	–	33	33	30 Sep 2021
	350,000	SAR	24 Oct 2019	–	33	–	66	30 Sep 2021 and 30 Sep 2022
	100,000	SAR	24 Oct 2020	–	–	–	100	30 Sep 2021, 30 Sep 2022 and 30 Sep 2023

(i) The expiry dates reflected in the table above represent all of the vesting dates for each remaining 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 Jul 2020	Granted as remuneration in year	Expired	Cancelled	Exercised	Granted held at 30 Jun 2021	Vested during the year	Vested and exercisable at 30 Jun 2021	Value of rights granted during the year $	Value of rights exercised during the year $
Director										
Brent Scrimshaw	–	1,250,000	–	–	–	1,250,000	–	–	466,667	–
Executives										
Fiona Chilcott	1,150,000	100,000	(116,667)	–	(500,000)	633,333	500,000	–	37,333	127,600
Brendan York(i)	1,150,000	100,000	(116,667)	(183,333)	(500,000)	450,000	500,000	–	37,333	127,600

(i) Closing balance represents rights held at the date of ceasing to be KMP.

No share-based payments held by KMP are vested but not exercisable at 30 June 2021.

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 2020	Purchases	Issued as remuneration	Received on exercise of rights	Sales	Held at 30 June 2021
Directors						
Ann Sherry	18,750	–	–	–	–	18,750
Susan McIntosh	122,223	–	–	–	–	122,223
Anouk Darling	19,607	–	–	–	–	19,607
David Brain	75,000	–	–	–	–	75,000
Ian Rowden	60,000	15,000	–	–	–	75,000
Executives						
Fiona Chilcott	97,709	–	–	143,827	(200,000)	41,536
Brendan York(i)	363,648	–	–	143,827	(90,000)	417,475

(i) Closing balance represents shares held at the date of ceasing to be KMP.

10 Loans to Key Management Personnel

No loans to Key Management Personnel and their related parties were made during the year or 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 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
Metric					
Net Revenue ($'000)	160,634	135,825	129,535	103,685	100,172
Operating EBITDA ($'000)	45,613	24,381	20,722	13,513	10,364
Operating EBITDA margin (%)	28.4%	18.0%	16.0%	13.0%	10.4%
Net Profit to equity holders pre significant items ($'000)	22,835	12,881	12,051	7,846	4,893
Earnings Per Share pre significant items (cps)	26.4	15.0	14.2	9.3	5.9
Earnings Per Share pre significant items growth (%)	76%	6%	53%	58%	(26%)
Earnings Per Share basic (cps)	(0.5)	12.5	6.7	10.1	2.2
Total Dividends Per Share (cps)(i)	14.9	6.0	5.5	4.0	5.0
Opening share price (1 July) ($)	1.36	1.49	1.06	1.03	1.25
Closing share price (30 June) ($)	2.51	1.40	1.42	1.06	1.04

(i) In relation to 30 June 2017, Total Dividends Per Share related to a special dividend of 5 cps on the release of Group capital restrictions that had been in place from 2010.

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

The Remuneration and Nomination Committee considers the achievement of financial targets (Operating EBITDA hurdles and EPS growth hurdles) as well as non-financial measures (strategic objectives) in setting the short-term incentives. Short-term incentives have been set by the Remuneration and Nomination Committee based on achievement of certain Operating EBITDA and EPS targets, which align remuneration with increases in profitability. The non-financial measures of the short-term incentives require achievement of financial targets before being assessed for payment.

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. The SAR plan aligns remuneration with share price performance because it only rewards KMPs for increases in the share price over the vesting period in addition to completing a service period.

The Remuneration and Nomination Committee has reviewed both the financial performance in the current financial year as well as the achievement of strategic activities which took place during the current financial year. The Remuneration and Nomination Committee believes the current year achievements of:

- Net Revenue, Operating EBITDA and Operating EBITDA margin increases;
- a 76% increase in EPS (pre significant items) year on year;
- increase in USA market presence, which was identified as a key strategic objective; and
- the improvements to the integration of the network across the Operating Brands through increased sharing of clients,

are aligned with the achievement of future shareholder wealth and therefore confirm the Executive Remuneration policy and framework.

End of Remuneration Report.

Consolidated income statement

for the year ended 30 June 2021

In thousands of AUD	Note	2021	2020
Gross revenue	3	402,478	268,741
Directly attributable costs of sales	3	(241,844)	(132,916)
Net revenue	3	160,634	135,825
Other income		1,631	1,157
Employee expenses		(98,360)	(93,622)
Occupancy costs		(1,658)	(2,001)
Travel expenses		(201)	(1,480)
Communication expenses		(1,965)	(2,083)
Compliance expenses		(2,588)	(1,618)
Depreciation and amortisation expenses		(7,087)	(8,281)
Administration expenses		(7,589)	(6,948)
Loss on disposal of controlled entities	23	(23,035)	–
Incidental acquisition costs	22	(202)	–
Contingent consideration fair value loss	13	–	(2,174)
Finance income		46	269
Finance costs	4	(1,404)	(1,989)
Profit before income tax		18,222	17,055
Income tax expense	5	(8,514)	(3,397)
Profit for the year		9,708	13,658
Attributable to:			
Equity holders of the parent		(402)	10,707
Non-controlling interests		10,110	2,951
		9,708	13,658
Basic earnings per share (AUD cents)	17	(0.5)	12.5
Diluted earnings per share (AUD cents)	17	(0.5)	12.3

The notes on pages 47 to 82 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 30 June 2021

In thousands of AUD	Note	2021	2020
Profit for the year		9,708	13,658
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Foreign currency translation differences for disposed foreign operations	23	16,331	–
Reserve change in ownership interest – partially owned subsidiary disposed during the year	23	1,417	–
Total items that will not be reclassified subsequently to profit or loss		17,748	–
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(585)	(476)
Total items that may be reclassified subsequently to profit or loss		(585)	(476)
Other comprehensive income for the year, net of tax		17,163	(476)
Total comprehensive income for the year		26,871	13,182
Attributable to:			
Equity holders of the parent		16,840	10,218
Non-controlling interests		10,031	2,964
		26,871	13,182

The notes on pages 47 to 82 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2021

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
		Attributable to owners of the Company								
Opening balance at 1 July 2019		97,412	6,955	20,955	12,080	(1,417)	(18,354)	117,631	1,731	119,362
Adjustment on initial application of AASB 16 (net of tax)		–	(1,057)	–	–	–	–	(1,057)	(28)	(1,085)
Profit for the year		–	10,707	–	–	–	–	10,707	2,951	13,658
Other comprehensive income for the year, net of tax		–	–	–	–	–	(489)	(489)	13	(476)
Total comprehensive income for the year		–	10,707	–	–	–	(489)	10,218	2,964	13,182
Transactions with owners recorded directly in equity:										
Shares issued to employees on exercise of Share Appreciation Rights	16	2,103	–	–	(2,103)	–	–	–	–	–
Transfer to profit appropriation reserve		–	(16,988)	16,988	–	–	–	–	–	–
Dividends paid to equity holders	16	–	–	(4,734)	–	–	–	(4,734)	(2,312)	(7,046)
Share-based payment expense		–	–	–	564	–	–	564	–	564
Closing balance at 30 June 2020		99,515	(383)	33,209	10,541	(1,417)	(18,843)	122,622	2,355	124,977
Opening balance at 1 July 2020		99,515	(383)	33,209	10,541	(1,417)	(18,843)	122,622	2,355	124,977
(Loss)/profit for the year		–	(402)	–	–	–	–	(402)	10,110	9,708
Other comprehensive income for the year, net of tax		–	–	–	–	1,417	15,825	17,242	(79)	17,163
Total comprehensive income for the year		–	(402)	–	–	1,417	15,825	16,840	10,031	26,871
Transactions with owners recorded directly in equity:										
Shares issued to employees on exercise of Share Appreciation Rights	16	941	–	–	(941)	–	–	–	–	–
Transfer to profit appropriation reserve		–	(15,770)	15,770	–	–	–	–	–	–
Dividends paid to equity holders	16	–	–	(12,132)	–	–	–	(12,132)	(8,359)	(20,491)
Disposal of controlling interest in partially owned subsidiaries	23	–	–	–	–	–	–	–	(266)	(266)
Share-based payment expense		–	–	–	992	–	–	992	–	992
Closing balance at 30 June 2021		100,456	(16,555)	36,847	10,592	–	(3,018)	128,322	3,761	132,083

The notes on pages 47 to 82 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 30 June 2021

In thousands of AUD	Note	2021	2020
Assets			
Cash and cash equivalents	6	50,718	47,581
Trade and other receivables	7	46,941	34,611
Other assets	8	4,925	3,761
Total current assets		102,584	85,953
Deferred tax assets	5	2,038	2,636
Plant and equipment	9	3,796	4,951
Right-of-use assets	10	7,979	11,759
Other assets	8	164	188
Intangible assets	11	118,156	109,102
Total non-current assets		132,133	128,636
Total assets	2	234,717	214,589
Liabilities			
Trade and other payables	12	63,161	42,242
Contingent consideration payable	13	10,886	15,119
Lease liabilities	14	5,589	6,384
Employee benefits	15	4,586	3,732
Income tax payable	5	2,155	358
Total current liabilities		86,377	67,835
Contingent consideration payable	13	9,240	10,434
Lease liabilities	14	6,262	10,523
Employee benefits	15	755	820
Total non-current liabilities		16,257	21,777
Total liabilities	2	102,634	89,612
Net assets		132,083	124,977
Equity			
Issued capital	16	100,456	99,515
Other reserves		7,574	(9,719)
Profit appropriation reserve		36,847	33,209
Accumulated losses		(16,555)	(383)
Total equity attributable to equity holders of the parent		128,322	122,622
Non-controlling interests		3,761	2,355
Total equity		132,083	124,977

The notes on pages 47 to 82 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2021

In thousands of AUD	Note	2021	2020
Cash flows from operating activities			
Cash receipts from customers		408,956	285,864
Cash paid to suppliers and employees		(348,666)	(251,828)
Cash generated from operations		60,290	34,036
Interest received		46	269
Income taxes paid		(7,108)	(3,258)
Interest paid		(26)	(52)
Net cash from operating activities	6	53,202	30,995
Cash flows from investing activities			
Proceeds from sale of plant and equipment		–	10
Acquisition of plant and equipment	9	(995)	(1,406)
Acquisition of a business, net of cash acquired	22	(4,556)	–
Sale of controlled entities, net of cash disposed	23	(740)	–
Contingent consideration paid	13	(14,885)	(11,923)
Net cash used in investing activities		(21,176)	(13,319)
Cash flows from financing activities			
Payment of lease liabilities	14	(6,162)	(6,486)
Payment of hire purchase liabilities	14	–	(493)
Dividends paid to equity holders of the parent	16	(12,132)	(4,734)
Dividends paid to non-controlling interests in controlled entities		(8,359)	(2,312)
Net cash used in financing activities		(26,653)	(14,025)
Net increase in cash and cash equivalents		5,373	3,651
Effect of exchange rate fluctuations on cash held		(2,236)	99
Cash and cash equivalents at 1 July		47,581	43,831
Cash and cash equivalents at 30 June	6	50,718	47,581

The notes on pages 47 to 82 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Notes to the consolidated financial statements

for the year ended 30 June 2021

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 2021 comprise the Company and its subsidiaries (together referred to as the 'Group').

The financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 26 August 2021.

(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 (**IFRICs**) 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 30 June 2021.

(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
- 10. Right-of-use assets
- 13. Contingent consideration payable
- 14. Lease liabilities
- 18. Financial risk management/financial instruments (Trade receivables)
- 20. Impairment of non-financial assets
- 30. 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:

- 13. Contingent consideration payables
- 18. Financial instruments (cash flow hedges)
- 30. 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 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 31 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 2021, 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.

(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.

Notes to the consolidated financial statements

for the year ended 30 June 2021

2. Operating segments

The Group defines its operating segments based on the manner in which services are provided in the operational geographies and on internal reporting regularly reviewed by the Enero Executive team on a monthly basis, who are the Group's chief operating decision makers (CODM).

Revenues are all derived from services which are similar in the nature of services and outputs, operate in similar economic environments and have a comparable customer mix. 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 programmatic media. The Group includes Hotwire, BMF, CPR, Orchard, TLE and OB Media.

The CODM have determined that the service competencies are one operating segment (Operating Brands segment) based on internal reporting used by the CODM for performance assessment and determining the allocation of resources.

The measure of reporting to the Enero Executive team 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 of plant and equipment, amortisation of intangibles, impairment of intangibles, loss on disposal of controlled entities and contingent consideration fair value loss.

2021 In thousands of AUD	Operating Brands	Total segment	Unallocated	Eliminations	Consolidated
Gross revenue	402,478	402,478	–	–	402,478
Directly attributable cost of sales	(241,844)	(241,844)	–	–	(241,844)
Net revenue	160,634	160,634	–	–	160,634
Other income	1,631	1,631	–	–	1,631
Operating expenses	(104,498)	(104,498)	(7,863)	–	(112,361)
EBITDA	57,767	57,767	(7,863)	–	49,904
Depreciation of right-of-use assets					(4,291)
Operating EBITDA					45,613
Depreciation of plant and equipment and amortisation of intangibles					(2,796)
Loss on disposal of controlled entities	(9,878)	(9,878)	(13,157)	–	(23,035)
Incidental acquisition costs	(202)	(202)	–	–	(202)
Net finance costs					(1,358)
Profit before income tax					18,222
Income tax expense					(8,514)
Profit for the year					9,708
Goodwill	114,506	114,506	–	–	114,506
Other intangibles	3,650	3,650	–	–	3,650
Assets excluding intangibles	80,979	80,979	44,254	(8,672)	116,561
Total assets	199,135	199,135	44,254	(8,672)	234,717
Liabilities	98,860	98,860	12,446	(8,672)	102,634
Total liabilities	98,860	98,860	12,446	(8,672)	102,634
Amortisation of intangibles	874	874	–	–	874
Depreciation	5,803	5,803	410	–	6,213
Capital expenditure	865	865	130	–	995

2020 In thousands of AUD	Operating Brands	Total segment	Unallocated	Eliminations	Consolidated
Gross revenue	268,741	268,741	–	–	268,741
Directly attributable cost of sales	(132,916)	(132,916)	–	–	(132,916)
Net revenue	135,825	135,825	–	–	135,825
Other income	1,157	1,157	–	–	1,157
Operating expenses	(101,274)	(101,274)	(6,478)	–	(107,752)
EBITDA	35,708	35,708	(6,478)	–	29,230
Depreciation of right-of-use assets					(4,849)
Operating EBITDA					24,381
Depreciation of plant and equipment and amortisation of intangibles					(3,432)
Contingent consideration fair value loss	(2,174)	(2,174)	–	–	(2,174)
Net finance costs					(1,720)
Profit before income tax					17,055
Income tax expense					(3,397)
Profit for the year					13,658
Goodwill	107,997	107,997	–	–	107,997
Other intangibles	1,105	1,105	–	–	1,105
Assets excluding intangibles	60,424	60,424	49,444	(4,381)	105,487
Total assets	169,526	169,526	49,444	(4,381)	214,589
Liabilities	81,333	81,333	12,660	(4,381)	89,612
Total liabilities	81,333	81,333	12,660	(4,381)	89,612
Amortisation of intangibles	1,095	1,095	–	–	1,095
Depreciation	6,792	6,792	394	–	7,186
Capital expenditure	1,177	1,177	229	–	1,406

* All segments are continuing operations.

Notes to the consolidated financial statements

for the year ended 30 June 2021

2. Operating segments (continued)

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

Geographical information

In thousands of AUD	Australia	UK and Europe	USA	Support Office[i]	Unallocated intangibles[ii]	Total
2021						
Net Revenue	65,043	35,504	60,087	–	–	160,634
Operating EBITDA	13,129	7,597	32,345	(7,458)	–	45,613
Operating EBITDA margin	20.2%	21.4%	53.8%	–	–	28.4%
Non-current assets	9,106	3,184	1,687	–	118,156	132,133

In thousands of AUD	Australia	UK and Europe	USA	Support Office[ii]	Unallocated intangibles[i]	Total
2020						
Net Revenue	58,645	37,701	39,479	–	–	135,825
Operating EBITDA	11,536	5,703	13,149	(6,007)	–	24,381
Operating EBITDA margin	19.7%	15.1%	33.3%	–	–	18.0%
Non-current assets	11,934	4,927	2,673	–	109,102	128,636

(i) Support office includes the share-based payment charge in the income statement.
(ii) 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.

Major Customer
Net revenue from two customers of the Operating Brands segment represented approximately 30.0% (2020: 19.8%) of the Group's total net revenue.

Accounting policy
The Group determines and presents operating segments based on the information that is provided internally to the Enero Executive team, who are the Group's chief operating decision makers (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' results are regularly reviewed by the Group's CODM 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 CODM 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 share-based payments charge, 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	2021	2020
Gross revenue from the rendering of services	402,478	268,741
Directly attributable cost of sales	(241,844)	(132,916)
Net revenue	160,634	135,825

Disaggregation of revenue
In the following table, net revenue is disaggregated by primary geographical markets, which reconciles to the net revenue of the Group's Operating Brands segment (see Note 2). No further disaggregation is required as substantially all revenue is recognised over time and all revenue is generated from fees for services.

In thousands of AUD	2021	2020
Australia	65,043	58,645
UK and Europe	35,504	37,701
USA	60,087	39,479
Total Operating Brands segment	160,634	135,825

Contract balances
The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

In thousands of AUD	Note	2021	2020
Trade receivables	7	47,154	34,834
Contract assets – Work in progress	8	2,758	1,513
Contract liabilities – Unearned revenue	12	(16,507)	(13,496)
		33,405	22,851

Contract Assets:
The contract assets relate to the Group's work in progress for accrued revenue recognised upon satisfaction of performance obligations and rechargeable disbursements at the period end which are not invoiced. The contract assets are transferred to receivables upon invoicing to the customer.

Contract Liabilities:
The contract liabilities relate to the Group's unearned revenue for consideration received from customers prior to satisfaction of performance obligations of the contract.

Given the short-term nature of customer contracts in the Group, it is expected that both contract assets will be recovered and contract liabilities utilised within the next 12 months from the reporting date. This applies for both the current year and the prior year.

Accounting policy
The Group provides marketing and communication services to a broad range of customers across three key geographic locations – Australia, UK and USA. The Group is a fee-for-service business where each operating business generates revenue from time spent on a particular project or delivering to agreed outcomes. The Group's customer contracts are generally short-term and may be cancelled with notice periods in accordance with respective contracts.

AASB 15 *Revenue from Contracts with Customers* 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 is transferred to the customer. Principally, revenue is recognised depicting the transfer of promised services to customers with amounts reflecting consideration to which the Group expects to be entitled in exchange for those services at any point in time.

The Group's customers typically receive the benefit of services as they are performed and substantially all customer contracts provide that the Group will be compensated for services performed to date. Accordingly, substantially all revenue is recognised over time as the services are performed. For fixed fee projects, key estimates and judgements for when revenue is recognised are using inputs or outputs (time and deliverables) measuring progress on the project. For retainer contracts, where a fixed fee is paid to provide a series of distinct performance obligations that are substantially the same, key estimates and judgements for when revenue is recognised use a time-based measure resulting in a straight-line revenue recognition. For customer contracts that include any variable consideration, such as performance incentives, revenue is estimated at the beginning of the contract based on the most likely outcome and recognised accordingly.

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for the year ended 30 June 2021

3. Revenue (continued)

The Group incurs a number of third party out-of-pocket costs in connection with services provided to customers. The disclosure of such revenue as either gross revenue or net revenue is dependent on whether the Group is primarily responsible for and controls the specific goods or services before they are ultimately transferred to the customer under the contract. In cases where the Group is primarily responsible for and controls those goods or services before they are passed on to the customer, the Group is determined to be a in a principal relationship and revenue is recognised on a gross basis (to gross revenue) with a corresponding amount in directly attributable cost of sales representing the third party out-of-pocket costs. Alternatively, under the revenue agency relationship, revenue is recognised on a net basis.

4. Finance costs

In thousands of AUD	2021	2020
Interest and finance costs	26	47
Hire purchase interest	–	5
Contingent consideration present value interest	642	1,181
Lease present value interest	736	756
Finance costs	1,404	1,989

Foreign exchange loss of $418,000 (2020: gain of $187,000) 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) Interest and finance costs

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

(iii) Contingent consideration present value interest

Present value interest is recognised in the income statement using the effective interest method and includes the effective interest cost relating to contingent consideration liabilities recognised in business combinations.

(iv) Lease present value interest

Present value interest is recognised in the income statement using the effective interest method and includes the effective interest cost relating to lease liabilities recognised for contracts that contain leases.

5. Income tax expense and deferred tax

Income tax expense

Recognised in the income statement

In thousands of AUD	2021	2020
Current tax expense		
Current year	8,738	3,292
Adjustments for prior years	237	(136)
	8,975	3,156
Deferred tax expense		
Origination and reversal of temporary differences	(461)	241
	(461)	241
Income tax expense in income statement	8,514	3,397

Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the year	9,708	13,658
Income tax expense	8,514	3,397
Profit excluding income tax	18,222	17,055
Income tax expense using the Company's domestic tax rate of 30% (2020: 30%)	5,467	5,117
Increase in income tax expense due to:		
Loss on disposal of controlled entities	6,910	–
Share-based payment expense	298	169
Unwind of present value interest	193	354
Contingent consideration fair value loss	–	652
Decrease in income tax expense due to:		
Effect of losses not previously recognised	(1,863)	(1,751)
Effect of lower tax rate on overseas incomes	(2,423)	(914)
Under/(over) provision for tax in previous years	237	(136)
Other (subtraction)/non-deductible items	(305)	(94)
Income tax expense on pre-tax net profit	8,514	3,397

Current taxes

The Group has a current tax payable of $2,155,000 at 30 June 2021 (2020: $358,000).

Deferred taxes

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

In thousands of AUD	2021	2020
Deferred tax assets		
Tax losses carried forward	3,653	3,653
Employee benefits	1,303	1,143
Accruals and income in advance	1,000	497
Leases	1,032	1,325
Plant and equipment	21	13
Others	62	80
Gross deferred tax assets	7,071	6,711
Deferred tax liabilities		
Fair value gain	3,653	3,653
Identifiable intangibles	1,095	297
Plant and equipment	214	116
Work in progress	71	9
Gross deferred tax liabilities	5,033	4,075
Net deferred tax asset	2,038	2,636

Movement in deferred tax balances

The movement in deferred tax balances during the year, except deferred tax liability relating to customer relation acquired through business combination, was all recognised in the income statement. Deferred tax liability relating to customer relation acquired through business combination is recognised in Goodwill (see Note 22 Acquisition for details).

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for the year ended 30 June 2021

5. Income tax expense and deferred tax (continued)

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	2021	2020
Revenue losses	2,996	9,443
Capital losses	207,486	207,514
Gross tax losses carried forward	210,482	216,957

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 a deferred tax liability of $3,653,000 arising from the recognition of contingent consideration fair value gains in 2011 resulting in a potential future taxable capital gain. A deferred tax asset of $3,653,000 has been recognised on tax capital losses in the same jurisdiction arising from disposed subsidiaries.

6. Cash and cash equivalents

In thousands of AUD	2021	2020
Cash at bank and on hand	33,630	34,447
Bank short-term deposits	17,088	13,134
Cash and cash equivalents in the statement of financial position and the statement of cash flows	50,718	47,581

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 amounting to $2,128,000 for indemnity guarantee facilities (see Note 19 Financing arrangements). The remaining bank short-term deposits are unrestricted.

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 statement 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:

In thousands of AUD	2021	2020
Cash assets	50,718	47,581
(ii) Reconciliation of profit after income tax to net cash provided by operating activities		
Profit after income tax	9,708	13,658
Add/(less) non-cash items:		
Loss on disposal of controlled entities	23,035	–
Loss on sale of plant and equipment	52	2
Share-based payments expense	992	564
Depreciation of plant and equipment	1,922	2,337
Depreciation of right-of-use assets	4,291	4,849
Amortisation of identifiable intangibles	874	1,095
Contingent consideration fair value loss	–	2,174
Contingent consideration present value interest	642	1,181
Lease present value interest	736	756
Increase/(decrease) in income taxes payable (net)	2,033	(95)
(Increase)/decrease in deferred tax (net)	(440)	243
Net cash provided by operating activities before changes in assets and liabilities	43,845	26,764
Changes in assets and liabilities:		
Increase in trade and other receivables	(13,533)	(820)
(Increase)/decrease in work in progress	(1,276)	962
(Increase)/decrease in prepayments	(177)	857
Decrease/(increase) in other assets	199	(273)
Increase in payables and accruals	18,366	3,055
Increase in unearned income	4,915	730
Increase/(decrease) in employee benefits	863	(280)
Net cash from operating activities	53,202	30,995

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for the year ended 30 June 2021

7. Trade and other receivables

In thousands of AUD	Note	2021	2020
Current			
Trade receivables		47,154	34,834
Less: provision for impairment loss	18	(232)	(261)
		46,922	34,573
Other receivables		19	38
Total trade and other receivables		46,941	34,611

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	2021	2020
Current		
Work in progress	2,758	1,513
Prepayments	2,138	1,961
Other current assets	29	287
	4,925	3,761
Non-current		
Deposits	164	188
	164	188

9. Plant and equipment

In thousands of AUD	Computer equipment	Office furniture and equipment	Plant and equipment	Leasehold improvements	Total
2021					
Cost	4,001	2,009	229	6,308	12,547
Accumulated depreciation	(2,747)	(1,564)	(220)	(4,220)	(8,751)
Net carrying amount	1,254	445	9	2,088	3,796
Reconciliations of the carrying amounts of each class of plant and equipment:					
Carrying amount at the beginning of the year	1,476	605	16	2,854	4,951
Additions	734	123	–	138	995
Acquired through business combination	31	–	–	–	31
Disposal of controlled entities	(139)	(3)	–	(13)	(155)
Depreciation	(828)	(266)	(7)	(821)	(1,922)
Effect of movements in exchange rates	(20)	(12)	–	(20)	(52)
Disposals	–	(2)	–	(50)	(52)
Carrying amount at the end of the year	1,254	445	9	2,088	3,796

2020					
Cost	4,512	2,028	325	7,150	14,015
Accumulated depreciation	(3,036)	(1,423)	(309)	(4,296)	(9,064)
Net carrying amount	1,476	605	16	2,854	4,951
Reconciliations of the carrying amounts of each class of plant and equipment:					
Carrying amount at the beginning of the year	1,589	850	25	3,413	5,877
Additions	845	105	–	456	1,406
Depreciation	(949)	(357)	(9)	(1,022)	(2,337)
Effect of movements in exchange rates	3	7	–	7	17
Disposals	(12)	–	–	–	(12)
Carrying amount at the end of the year	1,476	605	16	2,854	4,951

Accounting policy

(i) Recognition and measurement

Plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see Note 20 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) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the assets' estimated useful lives. The major categories of plant and equipment were depreciated in the current and, where applicable, comparative period as follows:

Computer equipment	25% to 40%
Office furniture and equipment	10% to 25%
Plant and equipment	10% to 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. Right-of-use assets

In thousands of AUD	2021	2020
Property leases		
Cost	15,279	16,344
Accumulated depreciation	(7,300)	(4,585)
Net carrying amount	7,979	11,759
Reconciliations of the carrying amounts of right-of-use assets:		
Carrying amount at the beginning of the year	11,759	–
Additions	839	–
Recognised on transition to AASB 16	–	16,481
Disposal of controlled entities	(108)	–
Re-measurement of lease liabilities	–	(10)
Disposals	(55)	–
Depreciation	(4,291)	(4,849)
Effect of movements in exchange rates	(165)	137
Carrying amount at the end of the year	7,979	11,759

Transition to AASB 16
The Group has applied AASB 16 *Leases* using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019.

Accounting policy
The Group leases many assets, including properties and office equipment. At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assesses if a contract conveys the right to control the use of an identified asset if:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of cost to dismantle and remove the underlying asset less any lease incentive received. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses (see Note 20 Impairment of non-financial assets), and adjusted for certain re-measurements of lease liability. The assets are depreciated over the term of the lease on a straight-line basis. The Group has applied judgement to determine the lease terms for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liability and right-of-use asset recognised.

The lease liability is initially measured at the present value of the lease payments (fixed payments less any lease incentives receivable and variable lease payments) that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate for the same term as the underlying lease. Generally, the Group uses its incremental borrowing rate as the discount rate. Lease liability is re-measured when there is a change in future lease payments arising from change in an index rate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected to use the exemption not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The payments associated with these leases are recognised as occupancy costs on a straight-line basis over the lease term.

11. Intangible assets

In thousands of AUD	Goodwill	Contracts and customer relationships	Total
2021			
Cost	208,979	7,609	216,588
Accumulated amortisation	–	(3,959)	(3,959)
Impairment	(94,473)	–	(94,473)
Net carrying amount	114,506	3,650	118,156
Reconciliations of the carrying amounts of intangibles:			
Carrying amount at the beginning of the year	107,997	1,105	109,102
Acquired through business combination	12,316	3,428	15,744
Disposal of controlled entities	(6,136)	–	(6,136)
Amortisation	–	(874)	(874)
Effect of movements in exchange rates	329	(9)	320
Carrying amount at the end of the year	114,506	3,650	118,156

2020			
Cost	295,297	4,334	299,631
Accumulated amortisation	–	(3,229)	(3,229)
Impairment	(187,300)	–	(187,300)
Net carrying amount	107,997	1,105	109,102
Reconciliations of the carrying amounts of intangibles:			
Carrying amount at the beginning of the year	108,208	2,176	110,384
Amortisation	–	(1,095)	(1,095)
Effect of movements in exchange rates	(211)	24	(187)
Carrying amount at the end of the year	107,997	1,105	109,102

Amortisation charge

The amortisation charge of $874,000 (2020: $1,095,000) is recognised in the depreciation and amortisation expense in the income statement.

Goodwill CGU group allocation

The Group has two CGU groups – the Operating Brands CGU group and the Search Marketing CGU group. The entire goodwill balance of $114,506,000 (2020: $107,997,000) relates to the Operating Brands CGU group.

The increase in the goodwill carrying value as compared to the prior reporting period is primarily in relation acquisition of McDonald Butler Associates (refer to Note 22 Acquisition) partially offset by relative value of goodwill relating to disposal of Frank PR (refer to Note 23 Disposals).

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.

11. Intangible assets (continued)

(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. Customer contracts and relationships are amortised over a four-year period.

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

(v) Impairment
Refer to Note 20 Impairment of non-financial assets for further details on impairment.

12. Trade and other payables

In thousands of AUD	2021	2020
Current		
Trade payables	29,543	16,820
Other payables and accrued expenses	17,111	11,926
Unearned revenue	16,507	13,496
	63,161	42,242

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.

13. Contingent consideration payable

In thousands of AUD	2021	2020
Current		
Contingent consideration payable	10,886	15,119
Non-current		
Contingent consideration payable	9,240	10,434
Reconciliations of the carrying amounts of contingent consideration payable:		
Carrying amount at the beginning of the year	25,553	33,801
Recognised in business combination	8,931	–
Re-assessment of contingent consideration	–	2,174
Unwind of present value interest	642	1,181
Effect of movements in exchange rates	(115)	320
Contingent consideration paid	(14,885)	(11,923)
Carrying amount at the end of the year	20,126	25,553

During the prior year, the Group recognised a fair value loss of $2,174,000 relating to revaluation of future contingent consideration payable to the vendors of Eastwick Communications.

There is uncertainty around the actual payments that will be made as the payments are subject to the performance of McDonald Butler Associates subsequent to the reporting date. Factors which could vary the amount of contingent consideration payable due include a net revenue threshold for future payments, the basis of the average net revenue over the contingent consideration period and purchase price cap. Actual future payments may differ from the estimated liability. A sensitivity analysis for Contingent consideration payable is disclosed in Note 18 Financial risk management/financial instruments.

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.

14. Lease liabilities

This note provides information about the contractual terms of the Group's leases. 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	2021	2020
Current		
Lease liabilities	5,589	6,384
Non-current		
Lease liabilities	6,262	10,523
Total	11,851	16,907
Reconciliations of the carrying amounts of lease and hire purchase liabilities:		
Carrying amount at the beginning of the year	16,907	493
Recognised on transition to AASB 16	–	22,498
Additions	839	–
Disposal of controlled entities	(225)	–
Other disposals	(61)	–
Re-measurement of lease liabilities	–	(10)
Repayments	(6,162)	(6,979)
Present value interest relating to lease liabilities	736	756
Effect of movements in exchange rates	(183)	149
Carrying amount at the end of the period	11,851	16,907
Lease liabilities and hire purchase payable commitments (at carrying amounts)		
Within one year	5,589	6,384
One year or later and no later than five years	6,262	10,523
	11,851	16,907

Accounting policy

Refer to Note 10.

Notes to the consolidated financial statements

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15. Employee benefits

In thousands of AUD	2021	2020
Aggregate liability for employee benefits, including on-costs		
Current		
Employee benefits provision	4,586	3,732
Non-current		
Employee benefits provision	755	820

The Group has recognised $2,140,000 (2020: $2,228,000) 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.

16. Capital and reserves

In thousands of AUD	2021	2020
Share capital		
Ordinary shares, fully paid	100,456	99,515

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

Movement in ordinary shares

	2021 Shares	2021 In thousands of AUD	2020 Shares	2020 In thousands of AUD
Balance at beginning of year	86,074,859	99,515	85,604,954	97,412
642,726 shares transferred from a trust account held by the Company to the employees of the Group on exercise of Share Appreciation Rights(i)	–	–	–	1,215
Shares issued to the employees of the Group on exercise of Share Appreciation Rights(i)	580,659	941	469,905	888
Balance at end of year	86,655,518	100,456	86,074,859	99,515

(i) 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 of $1.62 (2020: $1.89).

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 share capital on exercise of options, rights and equity plans.

Dividends

Dividend declared and/(or) paid by the Company to its members:

	Cents per share	Total amount in thousands of AUD	Date of payment
During the year ended 30 June 2021			
Fully franked final dividend – 2020	3.5	3,033	2 October 2020
Fully franked interim dividend – 2021	10.5	9,099	16 March 2021
Subsequent to the balance sheet date, at the date of this report			
Fully franked final dividend – 2021	4.4	3,813	6 October 2021
During the year ended 30 June 2020			
Fully franked final dividend – 2019	3.0	2,582	8 October 2019
Fully franked interim dividend – 2020	2.5	2,152	19 March 2020

Dividend franking account

In thousands of AUD	2021	2020
Franking credits available for future years at 30% to shareholders of Enero Group Limited	11,732	16,257

The above amounts represent the balance of the franking account at the 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.

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16. Capital and reserves (continued)

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends and any restrictions to paying dividends.

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.

17. Earnings per share

Profit attributable to equity holders of the parent

In thousands of AUD	2021	2020
Profit for the year	9,708	13,658
Non-controlling interests	(10,110)	(2,951)
Profit for the year attributable to equity holders of the parent	(402)	10,707

Weighted average number of ordinary shares

In thousands of shares	2021	2020
Weighted average number of ordinary shares – basic	86,541	85,850
Shares issuable under equity-based compensation plans	1,738	1,469
Weighted average number of ordinary shares – diluted	88,279	87,319

Earnings per share

In AUD cents	2021	2020
Basic	(0.5)	12.5
Diluted	(0.5)	12.3

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.

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 2021, the Group entered into transactions with approximately 400 unique customers. The 10 largest customers accounted for 48% of net revenue for the year ended 30 June 2021, with no one customer accounting for more than 20% 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**	**2021**	**2020**
Cash and cash equivalents	6	50,718	47,581
Trade and other receivables	7	46,941	34,611
Work in progress	8	2,758	1,513
Deposits	8	164	188
		100,581	83,893

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

		Carrying amount	
In thousands of AUD	**Note**	**2021**	**2020**
Trade receivables	7	46,922	34,573

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	**2021**	**2020**
Balance at 1 July	261	329
Impairment loss recognised in income statement	11	191
Provision used during year	(40)	(259)
Balance at 30 June	232	261
Average credit loss for year(i)	–	0.5%
Credit loss provision at balance date(ii)	0.5%	0.7%

(i) Average credit loss for year is calculated by dividing impairment loss recognised for the year by the gross trade receivables balance.

(ii) Credit loss provision at balance date is calculated by dividing the provision by the gross trade receivable balance.

The average credit loss was assessed at 30 June 2021 and despite uncertainty in trade receivables collections during COVID-19, the average credit loss reduced during the current year. The Group continues to provision expected credit losses higher than the average credit loss for each financial year.

Impairment losses

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

In thousands of AUD	**2021**	**2020**
Not past due	44,311	30,425
Past due and less than 90 days	2,588	4,061
Past due and more than 90 days	23	87
Past due, more than 90 days and impaired	232	261
Gross trade receivables	47,154	34,834
Less: Impairment(i)	(232)	(261)
Net trade receivables	46,922	34,573

(i) Impairment includes trade receivables specifically impaired of $42,000 (2020: $71,000) plus expected credit losses of $190,000 (2020: $190,000).

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 59% of its net revenue and 75% of its Operating EBITDA during the year ended 30 June 2021 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's currency risk exposure is limited predominantly to consolidated Australian dollar 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.

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.

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 contingent consideration liabilities semi-annually.

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

2021 In thousands of AUD	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Lease liabilities	11,851	12,654	5,600	7,054	–
Trade and other payables (excluding unearned revenue)	46,654	46,654	46,654	–	–
Contingent consideration payable	20,126	21,045	11,000	10,045	–
	78,631	80,353	63,254	17,099	–

2020 In thousands of AUD	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Lease liabilities	16,907	18,431	6,421	12,010	–
Trade and other payables (excluding unearned revenue)	28,746	28,746	28,746	–	–
Contingent consideration payable	25,553	26,263	15,263	11,000	–
	71,206	73,440	50,430	23,010	–

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 13 Contingent consideration payable 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 2021.

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 also has contingent consideration payable as described in Note 13 Contingent consideration payable.

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	2021 Carrying amount	2021 Fair value	2020 Carrying amount	2020 Fair value
Cash at bank and on hand	33,630	33,630	34,447	34,447
Bank short-term deposits	17,088	17,088	13,134	13,134
Trade receivables	46,922	46,922	34,573	34,573
Work in progress	2,758	2,758	1,513	1,513
Trade and other payables	(46,654)	(46,654)	(28,746)	(28,746)
Contingent consideration payable	(20,126)	(20,126)	(25,553)	(25,553)
Lease liabilities	(11,851)	(11,851)	(16,907)	(16,907)

Fair value measurement:

Level 3 fair values

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 capped payment (payable over three years), discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast average net revenue, the amount to be paid under each scenario and the probability of each scenario.	– Forecast average net revenue. – Risk-adjusted discount rate: 3.26% to 4.55%.	The estimated fair value would increase (decrease) if: – the net revenue is higher (lower); or – the risk-adjusted discount rate were lower (higher).

Reconciliation of Level 3 fair values

In thousands of AUD	2021	2020
Carrying amount at the beginning of the year	25,553	33,801
Recognised in business combination	8,931	–
Re-assessment of contingent consideration	–	2,174
Unwind of present value interest	642	1,181
Effect of movements in exchange rates	(115)	320
Contingent consideration paid	(14,885)	(11,923)
Carrying amount at the end of the year	20,126	25,553

Sensitivity analysis

Orchard Marketing: the contingent consideration period ended on 30 June 2021 and the amount payable is not subject to the future performance of Orchard.

McDonald Butler Associates: reasonably possible changes after 30 June 2021 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
Movement of 5% in average net revenue	2,294	(2,615)
Movement of 0.5% in risk-adjusted discount rate	(122)	125

18. Financial risk management/financial instruments (continued)

Other items

The carrying amounts 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 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 leases, the market rate of interest is determined by reference to the Group's incremental borrowing rate on the same term as the underlying lease.

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) Trade and other receivables

Trade and other 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.

Trade and other receivables are recognised initially at fair value, plus any directly attributable transaction costs.

Subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less a loss allowance equal to the expected credit loss determined under the expected credit loss assessment for receivables.

(ii) Work in progress

Work in progress represents accrued revenue recognised upon satisfaction of performance obligations and rechargeable disbursements at the period end which are not invoiced, 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: lease liabilities, 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 on a monthly basis 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.

Expected credit loss assessment for receivables and contract assets
In addition to identifying impairment for specific financial assets, at each reporting date the Group also predicts the expected credit loss based on actual credit loss experience of the past three years. Expected credit losses are recognised in the income statement and reflected in an allowance account against receivables. 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.

Key estimates
Trade receivables are carried at amortised cost less impairment. The impairment of these receivables is an estimate based on:

- evidence suggesting that an event has occurred leading to a negative effect on the estimated future cash inflow; and
- prediction of expected credit loss based on actual credit loss experience of the past three years.

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. Financing arrangements

The Group has access to the following lines of credit:

In thousands of AUD	Indemnity guarantee facility	Credit card facility	Total
2021			
Total facilities available	3,582	1,565	5,147
Facilities utilised at reporting date	2,067	216	2,283
Facilities not utilised at reporting date	1,515	1,349	2,864
2020			
Total facilities available	3,628	1,670	5,298
Facilities utilised at reporting date	2,105	149	2,254
Facilities not utilised at reporting date	1,523	1,521	3,044

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.

Indemnity guarantee facility
The indemnity guarantee facility is in place to support financial guarantees outstanding at any one time. Specific guarantee amounts are $2,067,000 (2020: $2,105,000) 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.

20. 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 group as they do not obtain synergies with the businesses in that CGU group; however they are included in the Operating Brands segment. They have no carrying value.

The recoverable amount of the 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 the current financial year cash flows adjusted in some cases for next financial year's Board and management approved budgets. This reflects the best estimate of the CGU group's cash flows at the time of this report. Projected cash flows can differ from future actual cash flows and results of operations.

Consideration was given to the impact of COVID-19 on the projected cash flows. Projected cash flow assumption methodologies were unchanged from the prior period based on:

- the actual cash flows achieved for the year ended 30 June 2021 including the period impacted by COVID-19;
- the Group's high sector exposure to technology, healthcare and consumer staples clients and low sector exposure to travel and tourism clients; and
- further operating cost reduction strategies available if cash flows reduce.

Discount rates

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 2020: 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 2020: 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 group

In thousands of AUD	2021	2020
Post-tax discount rate %	8.73 – 9.75	8.33 – 10.16
Pre-tax discount rate %	10.52 – 13.06	9.99 – 13.67
Long-term perpetuity growth rate %	2.50	2.50

Sensitivity range for impairment testing assumptions

As at 30 June 2021, management has identified that for the carrying amount to exceed the recoverable amount the discount rate would need to increase by 4.3% to 5.3% depending on the currency. A nil growth rate in the cash flows of the 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.

21. Controlled entities

Particulars in relation to controlled entities:

Name	Group interest 2021 %	Group interest 2020 %	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 (Trustee of The BMF Unit Trust)	100	100	Australia
The BMF Unit Trust	100	100	Australia
Hotwire Integrated Communications Pty Limited	100	100	Australia
Naked Communications Australia Pty Limited	100	100	Australia
Hotwire Australia Pty Limited	100	100	Australia
Orchard Marketing Pty Ltd	100	100	Australia
Alfie Agency Pty Ltd	100	100	Australia
CPR Communications and Public Relations Pty Limited	100	100	Australia
Love Pty Limited	100	100	Australia
Domain Active Holdco Pty Limited	100	100	Australia
– Domain Active Pty Limited	100	100	Australia
The Leading Edge Market Research Consultants Pty Limited	100	100	Australia
– The Leading Edge Market Research Consultants Limited[3]	–	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
– – McDonald Butler Associates Limited[1]	100	–	UK
– Skywrite Communications Limited[3]	–	100	UK
– 33 Digital Limited[3]	–	100	UK
Naked Communications Limited[3]	–	100	UK
– Naked Numbers Limited[3]	–	100	UK
– Naked Communications Holdings Inc.[3]	–	100	USA
– Naked New York LLC[3]	–	100	USA
Lorica Group Limited[3]	–	100	UK
– Corporate Edge Group Limited[3]	–	100	UK
Frank Public Relations Limited[2]	–	75	UK
– Frank Public Relations Pty Limited[2]	–	75	Australia
– Frank Public Reactions Inc.[2]	–	75	USA
OB Media LLC	51	51	USA
Domain Active LLC[4]	51	–	USA
SiteMath LLC	51	51	USA
– Clicksciences.com LLC	51	51	USA
The Leading Edge Research & Strategy Consultants LLC[3]	–	100	USA
Orchard Creative Technology Inc.	100	100	USA
Hotwire Public Relations Group LLC	100	100	USA

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21. Controlled entities (continued)

Name	Group interest 2021 %	Group interest 2020 %	Country of incorporation
Hotwire New Zealand Limited[3]	–	100	New Zealand
Enero Group NZ Ltd[3]	–	100	New Zealand

1. Acquired on 26 April 2021.
2. Sold on 2 March 2021.
3. Disposed of during the year ended 30 June 2021.
4. Incorporated during the year ended 30 June 2021.

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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22. Acquisition

On 26 April 2021 the Group, via its subsidiary Hotwire Public Relations Limited, acquired 100% issued capital of McDonald Butler Associates, a UK based technology public relations agency. The purchase consideration was an upfront payment of £3,500,000 ($6,272,000) in addition to contingent consideration tied to the net revenue target through to the period 30 June 2024. Future payments are subject to a minimum net revenue threshold and are capped based on the average net revenue. The fair value of the future contingent consideration liability is estimated based on the achievement of net revenue targets.

Following completion, the business operations of McDonald Butler Associates and Hotwire Public Relations Limited merged together to operate under the Hotwire Public Relations brand, strengthening the offering and capabilities of Hotwire Public Relations in the UK market.

This acquisition contributed $1,060,000 to net revenue and $214,000 to net profit after tax of the Group for the year ended 30 June 2021.

The net revenue and net profit after tax of the Group for the year ended 30 June 2021 would have been $166,119,000 and $10,698,000 respectively, had the Group acquired McDonald Butler Associates at the beginning of the financial year.

Effect of acquisition for the year ended 30 June 2021 on the Group's assets and liabilities.

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

In thousands of AUD	Fair value
Cash and cash equivalents	3,308
Trade and other receivables	1,497
Other assets	818
Property, plant and equipment	30
Intangible assets	3,428
Trade and other payables	(778)
Unearned revenue	(2,623)
Employee benefits	(163)
Deferred tax liability	(1,028)
Other liabilities	(10)
Net identifiable assets/(liabilities)	4,479

Goodwill on acquisition

In thousands of AUD	
Total consideration	16,795
Less: Fair value of identifiable net assets	(4,479)
Goodwill	12,316

Goodwill has arisen on the acquisition of entities during the year as some intangibles, such as key management and technical employee relationships and certain customer relationships, did not meet the criteria for recognition as an intangible asset at the date of acquisition. Considering the characteristics of marketing and communication services companies, acquisitions do not usually have significant amounts of tangible assets as the principal asset typically acquired is creative talent and know-how of people. As a result, a substantial proportion of the purchase price is allocated to goodwill.

Total acquisition cash outflow for year ended 30 June 2021

In thousands of AUD	
Total consideration	16,795
Less: Contingent consideration	(8,931)
Less: Cash acquired	(3,308)
Net cash paid	4,556

Incidental acquisition costs of $202,000 relating to acquisition of McDonald Butler Associates were charged to the income statement for the year ended 30 June 2021.

Notes to the consolidated financial statements

for the year ended 30 June 2021

23. Disposals

On 2 March 2021, the Group entered into a sale agreement to sell its entire shareholding in Frank PR (75% issued capital) for a consideration of £915,000 ($1,647,000). On 2 March 2021, the Group's control over these businesses passed to the acquirer. The proceeds from the disposal were received in March 2021. The Group recognised an accounting loss on sale of $9,878,000 in the income statement for the year ended 30 June 2021.

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

In thousands of AUD	Carrying amounts
Assets	
Cash and cash equivalents	2,387
Trade and other receivables	1,203
Other assets	112
Plant and equipment	155
Right-of-use asset	108
Deferred tax assets	10
Total assets disposed	**3,975**
Liabilities	
Trade and other payables	(2,377)
Lease liability	(225)
Employee benefits	(73)
Income tax payable	(236)
Total liabilities disposed	**(2,911)**
Net assets disposed	1,064
Less: net assets attributable to non-controlling interest	(266)
Net assets attributable to equity holder of parent	798

Net cash disposed

In thousands of AUD	
Total consideration	1,647
Less: cash and cash equivalents balance disposed	(2,387)
Reflected in the consolidated statement of cash flows	(740)

Loss on sale of Frank PR

In thousands of AUD	
Consideration received	1,647
Less: relative value of goodwill	(6,136)
Less: net assets disposed	(798)
Less: reserve change in ownership interest transferred to income statement	(1,417)
Less: foreign currency translation reserve transferred to income statement	(3,174)
Loss on sale of Frank PR in the income statement	(9,878)

Disposal of dormant foreign subsidiaries

The Group disposed of 12 dormant foreign subsidiaries and recognised an accounting loss of $13,157,000 as it transferred the Foreign Currency Translation Reserve (FCTR) relating to these subsidiaries to the income statement for the year ended 30 June 2021.

Loss on disposal

In thousands of AUD	
Loss on sale of Frank PR	(9,878)
Loss on disposal of dormant foreign subsidiaries	(13,157)
Total loss on disposal in the income statement	(23,035)

24. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2021, the parent Company of the Group was Enero Group Limited.

		The Company
In thousands of AUD	2021	2020
Result of the parent entity		
Profit for the year	15,770	16,988
Other comprehensive income	–	–
Total comprehensive income for the year	15,770	16,988
Financial position of the parent entity at year end		
Current assets	25,349	21,929
Total assets	156,486	155,885
Current liabilities	25,298	16,309
Total liabilities	33,126	37,155
Net assets	123,360	118,730
Total equity of the parent entity comprising:		
Share capital	100,456	99,515
Share-based payment reserve	10,592	10,541
Profit appropriation reserve	36,847	33,209
Accumulated losses	(24,535)	(24,535)
Total equity	123,360	118,730

For dividends declared and paid by the Company to members since the end of the previous financial year, refer to Note 16 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 25 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 2021.

Notes to the consolidated financial statements

for the year ended 30 June 2021

25. 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 2021, is set out as follows:

Summarised income statement and retained profits

In thousands of AUD	2021	2020
Net revenue	29,686	26,252
Dividends received from subsidiaries	15,112	13,571
Employee expenses	(27,580)	(23,076)
Operating and other expenses	(2,420)	(4,290)
Profit before income tax	14,798	12,457
Income tax benefit	1,537	1,792
Profit for the year	16,335	14,249
Attributable to:		
Equity holders of the Company	16,335	14,249
Accumulated losses		
Accumulated losses at beginning of year	(33,749)	(30,503)
Adjustment on initial application of AASB 16	–	(507)
Profit for the year	16,335	14,249
Transfer to profit appropriation reserve	(15,770)	(16,988)
Accumulated losses at end of year	(33,184)	(33,749)
Profit appropriation reserve		
Profit appropriation reserve at beginning of year	33,209	20,955
Dividend paid during the year	(12,132)	(4,734)
Profit for the year	15,770	16,988
Profit appropriation reserve at end of year	36,847	33,209

Statement of financial position

In thousands of AUD	2021	2020
Assets		
Cash and cash equivalents	26,200	19,331
Trade and other receivables	8,923	5,779
Other assets	858	1,072
Total current assets	35,981	26,182
Receivables	60,763	62,693
Other financial assets	30,558	30,558
Deferred tax assets	2,078	1,967
Plant and equipment	2,300	2,909
Right-of-use assets	4,780	6,178
Intangible assets	16,387	16,387
Total non-current assets	116,866	120,692
Total assets	152,847	146,874
Liabilities		
Trade and other payables	17,093	10,251
Contingent consideration payable	10,886	4,946
Lease liabilities	3,240	3,113
Employee benefits	2,154	1,545
Total current liabilities	33,373	19,855
Contingent consideration payable	–	10,434
Lease liabilities	4,392	6,646
Employee benefits	371	423
Total non-current liabilities	4,763	17,503
Total liabilities	38,136	37,358
Net assets	114,711	109,516
Equity		
Issued capital	100,456	99,515
Share-based payment reserve	10,592	10,541
Profit appropriation reserve	36,847	33,209
Accumulated losses	(33,184)	(33,749)
Total equity	114,711	109,516

26. Commitments

Leases

Leases as lessee

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

In thousands of AUD	2021	2020
Less than one year	42	183
Between one and five years	9	29
Over five years	–	–
	51	212

The Group leases many assets, including properties and office equipment, under non-cancellable operating leases generally expiring in two to 10 years. Amounts disclosed in above table relate only to leases exempt from AASB 16 recognition.

27. 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 2021.

28. Subsequent events

Subsequent to the balance date, the Directors have declared a final dividend, with respect to ordinary shares, of 4.4 cents per share, fully franked. The final dividend will have a record date of 23 September 2021 and a payment date of 6 October 2020. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2021 but will be recognised in the subsequent financial period.

Except for the events listed above there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

The Company continues to monitor developments in the COVID-19 pandemic and the measures being implemented to control and slow the outbreak. The Company has considered whether events subsequent to the reporting date have confirmed conditions existing as at reporting date and has not identified any COVID-19 related development which would require adjustments to the amounts or disclosures contained in the consolidated financial statements. Future economic conditions may differ to the assumptions and scenarios used in the consolidated financial statements, the impact of which will be reflected in future reporting periods.

29. 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
Carla Webb-Sear	Chief Financial Officer
Fiona Chilcott	Chief People and Culture Officer
Brendan York	Chief Financial Officer

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	2021	2020
Short-term employee benefits	3,119,950	2,342,111
Other long-term benefits	(4,945)	(603)
Post-employment benefits	80,771	76,890
Termination benefits	255,769	188,269
Share-based payments – Share Appreciation Rights	437,572	359,146
Total share-based payments	437,572	359,146
Total Key Management Personnel compensation	3,889,117	2,965,813

Notes to the consolidated financial statements

for the year ended 30 June 2021

30. 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 the current and prior financial years; which remain outstanding at 30 June 2021.

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	18 October 2018	24 October 2019	21 October 2020
SARs issued	4,500,000	2,450,000	3,900,000
Participants	Senior Executives	Senior Executives	Senior Executives
VWAP for the 20 business days prior to the grant (B)	$1.23	$2.13	$1.52
Vesting dates: 20 business days after the release of the Group financial report for the year ended:			
Tranche 1 (1/3)	30 June 2019	30 June 2020	30 June 2021
Tranche 2 (1/3)	30 June 2020	30 June 2021	30 June 2022
Tranche 3 (1/3)	30 June 2021	30 June 2022	30 June 2023
Last expiry date	30 September 2021	30 September 2022	30 September 2023
Outstanding SARs as at 30 June 2021	900,000	1,083,336	3,633,333

Share Appreciation Rights (SARs)

Summary of rights over unissued ordinary shares

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	Number of Rights at year end outstanding	Number of Rights at year end vested	Proceeds received	Date issued	Number of shares issued	Expected life (years)
2021														
19 Oct 2017	30 Sep 2020	$1.04	–	1,016,670	–	1,016,670	–	–	–	–	–	–	363,993	0.9–2.9
18 Oct 2018	30 Sep 2021	$1.23	–	1,800,000	–	900,000	–	–	900,000	–	–	–	216,666	0.9–2.9
24 Oct 2019	30 Sep 2022	$2.13	–	2,100,000	–	–	699,998	316,666	1,083,336	–	–	–	–	0.9–2.9
21 Oct 2020	30 Sept 2023	$1.52	–	–	3,900,000	–	–	266,667	3,633,333	–	–	–	–	0.9–2.9
				4,916,670	3,900,000	1,916,670	699,998	583,333	5,616,669	–	–		580,659	

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	Number of Rights at year end outstanding	Number of Rights at year end vested	Proceeds received	Date issued	Number of shares issued	Expected life (years)
2020														
19 Oct 2017	30 Sep 2020	$1.04	–	2,700,002	–	1,349,998	–	333,334	1,016,670	–	–	–	588,821	0.9–2.9
18 Oct 2018	30 Sep 2021	$1.23	–	4,500,000	–	1,500,000	–	1,200,000	1,800,000	–	–	–	523,810	0.9–2.9
28 Jun 2019	30 Sep 2022	$2.13	–	2,000,000	–	–	–	2,000,000	–	–	–	–	–	1.3–3.3
24 Oct 2019	30 Sep 2022	$2.13	–	–	2,450,000	–	–	350,000	2,100,000	–	–	–	–	0.9–2.9
				9,200,002	2,450,000	2,849,998	–	3,883,334	4,916,670	–	–		1,112,631	

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

	VWAP (for the 20 business days prior to the grant) 2021 $	Weighted average exercise price 2021	Number of rights 2021	VWAP (for the 20 business days prior to the grant) 2020 $	Weighted average exercise price 2020	Number of rights 2020
Outstanding at 1 July	1.58	–	4,916,670	1.37	–	9,200,002
Forfeited during the period	1.85	–	(583,333)	1.76	–	(3,883,334)
Expired during the period	2.13	–	(699,998)	–	–	–
Exercised during the period	1.13	–	(1,916,670)	1.14	–	(2,849,998)
Granted during the period	1.52	–	3,900,000	2.13	–	2,450,000
Outstanding at 30 June	1.59	–	5,616,669	1.58	–	4,916,670
Exercisable at 30 June	–	–	–	–	–	–

The SARs outstanding at 30 June 2021 have a VWAP (for the 20 business days prior to the grant) range of $1.23 to $2.13 (30 June 2020: $1.04 to $2.13).

The SARs outstanding at 30 June 2021 have a weighted average contractual life of 0.98 years (30 June 2020: 0.86 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 2021 for share-based payment transactions were $992,000 (2020: $564,000).

The VWAP for the 20 business days prior the date of exercise of SARs on 11 September 2020 was $1.62.

Notes to the consolidated financial statements

for the year ended 30 June 2021

30. Share-based payments (continued)

Inputs for measurement of grant date fair value

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

Grant date	Expiry date	Value per 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)
18 Oct 2018(i)	30 Sept 2021	0.20 – 0.31	1.23	1.23	40	1.99–2.07	2.0	0.9–2.9
24 Oct 2019(ii)	30 Sept 2022	0.26 – 0.46	2.13	2.04	40	0.73-0.76	2.0	0.9–2.9
21 Oct 2020(iii)	30 Sept 2022	0.35 – 0.40	1.52	1.70	35-55	0.07-0.25	4.7	0.9–2.9

(i) Grant is in relation to SARs provided to senior employees of the Group which were issued on 18 October 2018. 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 2021, which is estimated to be around 30 September 2021.

(ii) Grant is in relation to SARs provided to senior employees of the Group which were issued on 24 October 2019. 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 2022, which is estimated to be around 30 September 2022.

(iii) Grant is in relation to SARs provided to senior employees of the Group which were issued on 21 October 2020. 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 2023, which is estimated to be around 30 September 2023.

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.

31. Auditor's remuneration

In AUD	2021	2020
Audit services – auditors of the Company		
KPMG Australia	356,000	321,000
Overseas KPMG firm	119,000	113,000
	475,000	434,000
Other services – auditors of the Company		
Taxation compliance services:		
KPMG Australia	26,000	–
Overseas KPMG firm	286,000	188,000
	312,000	188,000

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 42 to 82 and the Remuneration Report in the Directors' Report, set out on pages 27 to 41 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 2021 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 25 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 2021 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 26th day of August 2021.

Signed in accordance with a resolution of the Directors:

Ann Sherry AO

Chair

Independent Auditor's Report

to the members of Enero Group Limited

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 2021 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 2021
- 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 (including Independence Standards)* (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:

- Revenue recognition; and
- Annual impairment testing of goodwill and intangible assets;

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

<table>
<tr><th colspan="2">Revenue recognition ($402.5 million)</th></tr>
<tr><td colspan="2">Refer to Note 3 to the Financial Report</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The recognition of revenue is a key audit matter due to the:
• Significance of revenue to the financial statements.
• Group's policy to recognise revenue over time based on a measure of progress estimation for each specific contract. These estimations are based on the relative value of services completed (work in progress) to the total expected contracted value of the service for each specific contract. This is a manual process, which involves judgement, increasing the risk of error and therefore requiring substantial audit effort.</td><td>Our procedures included:
• We selected a sample of significant contracts entered into during the year and considered the relevant features of the underlying contracts, including what the group identified as performance obligations, in assessing the revenue recognition against the accounting standard and the Group's policy.
• We selected a statistical sample from total revenue recognised and performed the following procedures:
- For services completed, we compared details to customer invoices issued, customer estimate approvals, evidence of service completion and subsequent cash receipt.
- For services in progress we compared the total revenue from the expected contracted value of the service to signed customer contracts, and applied the estimated measure of progress to the expected contract value to recalculate revenue recognised. We obtained supporting evidence such as job cost report to test the occurrence and measurement of the stage of delivery.
• For the search marketing entity, we compared total revenue to reports provided by the customer and subsequent cash receipt.
• For contracts that were open at period end, we assessed the amount of revenue recognised and work in progress by:
- Checking the work in progress to signed customer approvals for the services performed and internal time costs incurred.
- Recalculating the measure of progress, considering the contract terms and work in progress.
• We assessed the disclosures in the financial report in accordance with the requirements of AASB 15 and evidence obtained from our procedures above.</td></tr>
</table>

Independent Auditor's Report

to the members of Enero Group Limited

Annual impairment testing of goodwill and intangible assets ($118.2 million)	
Refer to Note 11 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group's annual testing of goodwill and intangible assets for impairment is a key audit matter, given the size of the balance and the degree of judgement involved in the significant forward-looking assumptions the Group applied in their value in use model, including: • Forecast operating cash flows – there is uncertainty around future cash flows due to the short term, non-recurring nature of customer contracts. There is also a heightened uncertainty caused by disruptive effects of COVID-19 pandemic increasing the risk of inaccurate forecasts or a significantly wider range of possible outcomes for us to consider. • Forecast growth rates and terminal growth rates – in addition to the uncertainties described above, the Group's model is sensitive to small changes in these assumptions, reducing available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy. • Discount rates – these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. The Group's modelling is sensitive to small changes in the discount rate. We involve our valuations specialists and senior team members with the assessment. • The Group uses a complex model to perform their annual testing of goodwill for impairment. The model is largely manually developed, and uses adjusted historical performance and a range of internal and external sources as inputs to the assumptions. Complex modelling using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application.	Our procedures included: • We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • We assessed the integrity of the value in use model used, including the accuracy of underlying calculation formulas. • We assessed the basis of preparing cash flow forecasts, considering the accuracy of previous forecast and budgets and current trading performance in a COVID-19 economic environment. • We compared the base forecast cash flows to current year actual results including the period impacted by COVID-19 or Board approved budget, as appropriate. We checked the consistency of the growth rates to the Group's latest forecasts approved by the Board, past performance of the Group, and growth rates achieved in the industry in which they operate. • Working with our valuation specialists, we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in. • We performed sensitivity analysis by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range, to identify those assumptions at a higher risk of bias or inconsistency in application.

The key audit matter (contd.)	**How the matter was addressed in our audit** (contd.)
These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.	• We assessed the disclosures in the financial report using our understanding of the matter obtained from our testing and against the requirements of the accounting standards.

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.

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 and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 Group and Company 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.

Independent Auditor's Report

to the members of Enero Group Limited

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 the 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_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Enero Group Limited for the year ended 30 June 2021, 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 34 to 41 of the Directors' report for the year ended 30 June 2021.

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
26 August 2021

Lead Auditor's Independence Declaration

under section 307C of the Corporations Act 2001

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 2021 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

Caoimhe Toouli

KPMG

Caoimhe Toouli
Partner

Sydney
26 August 2021

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 30 July 2021.

Substantial shareholders

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

Shareholder	Number
RG Capital Multimedia Limited	15,223,268
Regal Funds Management Pty Limited	13,021,949
Perpetual Limited	11,564,842
Wilson Asset Management	10,073,953
UBS Group AG	4,526,148
Perennial Value Management	3,587,319
Forager Funds Management Limited	2,894,245

Unquoted equity securities

As at 30 July 2021 there were no options granted over unissued ordinary shares in the Company.

Voting rights

Ordinary shares – refer to Note 16 Capital and reserves.

Distribution of equity security holders:

Range	Number of equity security holders	Ordinary shares
1 – 1,000	388	190,441
1,001 – 5,000	465	1,231,247
5,001 – 10,000	166	1,266,068
10,001 – 100,000	176	5,496,622
100,001 and over	34	78,471,140
	1,229	86,655,518

The number of shareholders holding less than a marketable parcel of ordinary shares is 63.

Twenty largest shareholders

Rank	Name	Units	% of issued capital
1	CITICORP NOMINEES PTY LIMITED	14,589,656	16.84
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,577,410	15.67
3	UBS NOMINEES PTY LTD	8,294,351	9.57
4	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	4,646,356	5.36
5	RG CAPITAL MULTIMEDIA LIMITED	4,511,945	5.21
6	IRISH GLOBAL EQUITY LIMITED	4,335,901	5.00
7	NATIONAL NOMINEES LIMITED	4,049,253	4.67
8	RG CAPITAL MULTIMEDIA LIMITED	3,269,079	3.77
9	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,104,765	3.58
10	CH GLOBAL PTY LTD <ABC INVESTMENT A/C>	2,548,301	2.94
11	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,960,631	2.26
12	IRISH GLOBAL EQUITY LIMITED	1,667,025	1.92
13	MR FELICE TESTINI <GAT FAMILY A/C>	1,630,102	1.88
14	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,497,094	1.73
15	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	1,429,509	1.65
16	RG CAPITAL MULTIMEDIA LIMITED	1,159,020	1.34
17	BNP PARIBAS NOMS PTY LTD <DRP>	884,890	1.02
18	BETA GAMMA PTY LTD <WALSH STREET SUPER FUND A/C>	830,000	0.96
19	MRS ANTONIA CAROLINE COLLOPY	788,637	0.91
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	725,741	0.84
Total		**75,499,666**	**87.12**

Corporate Directory

Company Secretary

Catherine Hoyle

Principal Registered Office

Enero Group Limited
Level 2, 100 Harris Street
Pyrmont NSW 2009 Australia
Telephone: +61 2 8213 3031
Email: companysecretary@enero.com

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