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**Enero Group Limited and Controlled Entities**

**ABN 97 091 524 515**

# Preliminary Final Report

**Appendix 4E**

**Year ended 30 June 2022**

**Enero Group Limited**

**Preliminary Final Report - year ended 30 June 2022**

**Contents**

## Enero Group Limited

## Preliminary Final Report - year ended 30 June 2022

**ASX Appendix 4E**
**Results for announcement to the market**

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

The current reporting period is 1 July 2021 to 30 June 2022.

The previous corresponding reporting period is 1 July 2020 to 30 June 2021.

**Key information**
**In thousands of AUD**

| | 30 June 2022 | 30 June 2021 | % Change | Amount Change |
|---|---|---|---|---|
| Gross revenues from ordinary activities | 522,124 | 402,478 | 29.7% | 119,646 |
| Profit after tax before significant items attributable to members | 27,112 | 22,835 | 18.7% | 4,277 |
| Profit after tax attributable to members | 25,387 | (402) | 6415.2% | 25,789 |
| Profit for the period attributable to members | 25,387 | (402) | 6415.2% | 25,789 |

| Dividends | Amount per security | Total amount AUD'000 | Date of payment |
|---|---|---|---|
| Fully franked: | | | |
| 2021 final dividend | 4.4 cents | 3,874 | 6 October 2021 |
| 2022 interim dividend | 6.0 cents | 5,283 | 16 March 2022 |
| 2022 final dividend | 6.5 cents | 5,974 | 4 October 2022 |

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

**Additional information**

| | Current period | Previous corresponding period |
|---|---|---|
| Net tangible asset backing per ordinary share | 0.46 | 0.16 |

**Earnings per share**

| | 30 June 2022 | 30 June 2021 |
|---|---|---|
| Basic earnings per share before significant items (AUD cents) | 30.9 | 26.4 |
| Basic earnings per share (AUD cents) | 28.9 | (0.5) |
| Diluted earnings per share (AUD cents) | 28.2 | (0.5) |

**Explanation of results**

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Annual Financial Report. In line with previous years and in accordance with the *Corporation Act 2001*, the Preliminary Final Report is unaudited and contains disclosures which are extracted or derived from the Annual Financial Report for the year ended 30 June 2022. The Annual Financial Report is being audited and is expected to be made available on 8 September 2022. The audit of the Annual Financial Report is not expected to be subject to a modified opinion.

## Enero Group Limited

## Preliminary Final Report - year ended 30 June 2022

### 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 11 countries, with over 750 employees (at the date of this report). Enero is a group of specialists who accelerate high-growth businesses by transforming brands and deploying creative data and technology to enrich customer experiences. During the current year, the Group includes BMF, CPR, Hotwire, Orchard and OBMedia. The Group's service offering includes integrated marketing and communication services including strategy, 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 $193.4 million, an increase of 20.4% (2021: $160.6 million) compared to the prior reporting period. Net revenue growth was achieved in all key geographic markets. The Group continues to have a high proportion of client revenue exposure to its priority verticals of Technology, Healthcare and Consumer sectors which have increased or held business activity levels. Net revenue on a constant currency basis was up $31.2 million compared with the prior year. Net revenue from continuing businesses after the impact of disposals was up 25.6% at $191.6 million compared to $152.6 million for the prior year.

The Group achieved Operating EBITDA[1] of $62.2 million, an increase of 36.4% (2021: $45.6 million) compared to the prior reporting period. The Operating EBITDA[1] margin increased from 28.4% in 2021 to 32.2% in 2022. This increase in the Operating EBITDA[1] margin was driven by:

- an increase in revenue and Operating EBITDA[1] 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;
- while staff costs rose 13.6% in the current year, a reduction in the staff cost ratio from 61.2% in 2021 to 57.8% in 2022 was achieved given the increase in global headcount was relatively low as compared to the revenue growth; and
- operating costs, particularly travel expenses, have increased as COVID-19 related restrictions have eased. However, the increase in operating costs has not resulted in a return to pre COVID-19 levels.

The net profit after tax before significant items was $27.1 million, compared to $22.8 million in the prior year, primarily driven by growth in Operating EBITDA[1]. The statutory net profit after tax to equity owners was $25.4 million, compared to a loss of $0.4 million in the prior year. In the current year, the Group incurred incidental acquisition costs of $1.3 million and recognised a fair value loss of $1.0 million relating to revaluation of future contingent consideration, which were partially offset by a gain of $0.6 million recognised on sale of TLE (2021: non-cash accounting loss of $23.0 million relating to disposal of Frank PR and Foreign Currency Translation Reserve (FCTR) transferred to the consolidated income statement on disposal of dormant foreign subsidiaries and the Group incurred incidental acquisition costs of $0.2 million).

In the current year, the operating businesses generated approximately 64% of their net revenue and 82% of their Operating EBITDA[1] from international markets.

Summary of Group's results:

| In thousands of AUD | 2022 | 2021 |
|---|---|---|
| Net revenue | 193,426 | 160,634 |
| EBITDA | 66,196 | 49,904 |
| Depreciation of right-of-use assets | (3,996) | (4,291) |
| Operating EBITDA[1] | 62,200 | 45,613 |
| Depreciation and amortisation | (2,944) | (2,796) |
| EBIT | 59,256 | 42,817 |
| Net finance (costs)/income | (9) | 20 |
| Present value interest charge | (961) | (1,378) |
| Profit before tax | 58,286 | 41,459 |
| Income tax expense | (14,340) | (8,514) |
| Profit after tax | 43,946 | 32,945 |
| Non-controlling interests | (16,834) | (10,110) |
| Net profit after tax before significant items | 27,112 | 22,835 |
| Significant items[2] | (1,725) | (23,237) |
| Net profit/(loss) after tax attributable to equity owners | 25,387 | (402) |
| **Cents per share** | | |
| Earnings per share (basic) – pre significant items | 30.9 | 26.4 |
| Earnings per share (basic) | 28.9 | (0.5) |

1. Operating EBITDA is defined in the basis of preparation section on page 5.
2. Significant items are explained on page 4.

Geographic performance

**In thousands of AUD**

| | Australia | UK & Europe | USA | Support office | Share based payments charge | Total |
|---|---|---|---|---|---|---|
| 2022 | | | | | | |
| Net revenue | 68,776 | 36,622 | 88,028 | – | – | 193,426 |
| Operating EBITDA¹ | 13,325 | 8,009 | 51,497 | (8,729) | (1,902) | 62,200 |
| Operating EBITDA¹ margin | 19.4% | 21.9% | 58.5% | – | – | 32.2% |
| 2021 | | | | | | |
| Net revenue | 65,043 | 35,504 | 60,087 | – | – | 160,634 |
| Operating EBITDA¹ | 13,129 | 7,597 | 32,345 | (6,466) | (992) | 45,613 |
| Operating EBITDA¹ margin | 20.2% | 21.4% | 53.8% | – | – | 28.4% |

Reconciliation of Operating EBITDA¹ to statutory profit after tax:

| In thousands of AUD | 2022 | 2021 |
|---|---|---|
| Net revenue | 193,426 | 160,634 |
| EBITDA | 66,196 | 49,904 |
| Depreciation of right-of-use assets | (3,996) | (4,291) |
| Operating EBITDA¹ | 62,200 | 45,613 |
| Depreciation of plant and equipment | (1,722) | (1,922) |
| Amortisation of intangibles | (1,222) | (874) |
| Net finance (costs)/income | (9) | 20 |
| Present value interest charge | (961) | (1,378) |
| Gain/(loss) on sale of controlled entities² | 600 | (9,878) |
| Loss on disposal of dormant foreign subsidiaries² | – | (13,157) |
| Incidental acquisition costs² | (1,324) | (202) |
| Contingent consideration fair value loss² | (1,001) | – |
| Statutory profit before tax | 56,561 | 18,222 |
| Income tax expense | (14,340) | (8,514) |
| Statutory profit after tax | 42,221 | 9,708 |

1. Operating EBTIDA, is defined in the basis of preparation section on page 5.
2. Significant items are explained below.

Significant items

2022

- On 6 May 2022, the Group entered into a sale agreement to sell the business assets of its strategic data consultancy businesses, The Leading Edge (TLE) and The Digital Edge (TDE), for consideration of $1,350,000. The Group recognised an accounting gain on sale of $600,000 in the consolidated income statement for the year ended 30 June 2022.
- The Group recognised a contingent consideration fair value loss of $1,001,000 relating to a change in the best estimate of future contingent consideration payable to the vendors of McDonald Butler Associates.
- The Group incurred incidental costs of $1,324,000 relating to acquisition of ROI DNA Inc. and GetIT Pte Ltd.

2021

- On 2 March 2021, the Group entered into a sale agreement to sell its entire shareholding in Frank PR (75% issued capital) for consideration of £915,000 ($1,647,000). The Group recognised an accounting loss on sale of $9,878,000 in the consolidated 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 consolidated income statement for the year ended 30 June 2021.
- The Group incurred incidental costs of $202,000 relating to acquisition of McDonald Butler Associates.

### Acquisitions

2022

No acquisitions were completed in the current year, however the Group completed the acquisition of ROI DNA Inc. and GetIT Pte Ltd on 1 July 2022. Refer to Note 10 Acquisitions for details.

2021

On 26 April 2021, the Group acquired 100% of the 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 10 Acquisitions for details.

### Disposals

2022

On 6 May 2022, the Group entered into a sale agreement to sell the business assets of its strategic data consultancy businesses, The Leading Edge (TLE) and The Digital Edge (TDE), for consideration of $1,350,000. The Group recognised an accounting gain on sale of $600,000 in the consolidated income statement for the year ended 30 June 2022. Refer to Note 11 Disposals for details.

2021

On 2 March 2021, the Group entered into a sale agreement to sell its entire shareholding in Frank PR (75% issued capital) for consideration of £915,000 ($1,647,000). The Group recognised an accounting loss on sale of $9,878,000 in the consolidated income statement for the year ended 30 June 2021. Refer to Note 11 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 consolidated income statement for the year ended 30 June 2021. Refer to Note 11 Disposals for details.

### Basis of preparation

This report includes Operating EBITDA, a measure used by the Directors and management in assessing the on-going 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 (excluding depreciation of right-of-use assets), amortisation of intangibles, impairment of intangibles, gain/(loss) on disposal of controlled entities, and contingent consideration fair value gain/(loss). Operating EBITDA, which is reconciled in the table on page 4, 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 on-going operations.

### Cash and Debt

| In thousands of AUD | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | 98,742 | 50,718 |
| Interest bearing liabilities | (36,275) | – |
| Contingent consideration liabilities | (10,113) | (20,126) |
| Net cash[1] | 52,354 | 30,592 |

1. Net cash excludes lease liabilities recognised in accordance with AASB 16 as they are considered operational liabilities.

The Group had $52.4 million in net cash as at 30 June 2022. Interest bearing liabilities drawn were held in cash and cash equivalents as at 30 June 2022, which were subsequently disbursed on 1 July 2022 for acquisitions completed on that date.

### 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 $48.8 million (2021: $53.2 million). The decrease in inflows is primarily attributable to higher income tax payments of $14.9 million as compared to $7.1 million in the prior year. The Group converted 96% of EBITDA to cash for the year ended 30 June 2022 (2021: 121%).

Cash flow – Investing activities

Cash outflows from investing activities was $11.1 million (2021: $21.2 million). The decrease in outflows was due to lower contingent consideration payments and no acquisitions were completed during the current year.

Cash flow – Financing activities

Net cash inflows from financing activities was $8.4 million, primarily due to $36.3 million in loans drawn and held in cash and cash equivalents as at 30 June 2022, which were subsequently disbursed on 1 July 2022 to fund the acquisitions completed on that date. Excluding the proceeds received from bank loans, cash outflows increased from $26.7 million in the prior year to $27.8 million in the current year. During the current year, $9.1 million (2021: $12.1 million) in dividends were paid to Enero Group Limited shareholders in addition to $13.0 million (2021: $8.4 million) in dividends paid to minority shareholders of controlled entities.

Contingent consideration liabilities

The Company entered into contingent consideration arrangements in relation to its acquisition of McDonald Butler Associates on 26 April 2021.

As at 30 June 2022, the Company’s estimated contingent consideration liability is $10.1 million.

Reconciliation of carrying amounts of contingent consideration payable:

| **In thousands of AUD** | |
|---|---|
| 30 June 2021 | 20,126 |
| Payments made | (11,000) |
| Fair value loss recognised in relation to McDonald Butler Associates | 1,001 |
| Present value interest unwind and foreign exchange movements | (14) |
| 30 June 2022 | 10,113 |

| | |
|---|---|
| Maturity profile (at present value): | |
| FY2023 | 2,711 |
| FY2024 | 2,461 |
| FY2025 | 4,941 |
| Total | 10,113 |

Refer to Note 10 Acquisitions for further information regarding management's best estimate of contingent consideration relating to acquisitions completed after balance date.

**Events subsequent to year end reporting date**

Transactions or events subsequent to the balance date were:

- on 1 July 2022, the Group acquired 100% of the issued capital of ROI DNA Inc, a USA based a strategic B2B sales and marketing agency. The purchase consideration was an upfront payment of US$26,400,000 ($38,306,000) in cash and US$6,600,000 ($9,577,000) of Enero Group Limited shares with additional contingent consideration linked to the achievement of EBITDA targets over the next 3 years through to 30 June 2025. Refer to Note 10 Acquisitions for details.
- on 1 July 2022, the Group acquired 100% of the issued capital of GetIT Pte Ltd, a Singapore based specialist B2B technology marketing agency with presence in India, Malaysia and Japan. The purchase consideration was an upfront payment of S$2,700,000 ($2,816,000) in cash and S$1,800,000 ($1,877,000) of Enero Group Limited shares with additional contingent consideration linked to the achievement of EBIT target over the next 3 years through to 30 June 2025. Refer to Note 10 Acquisitions for details.
- the Directors have declared a final dividend, with respect to ordinary shares, of 6.5 cents per share, fully franked. The final dividend will have a record date of 20 September 2022 and a payment date of 4 October 2022.

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

**Enero Group Limited**

**Preliminary Final Report - year ended 30 June 2022**

**Consolidated income statement**
**for the year ended 30 June 2022**

| In thousands of AUD | Note | 2022 | 2021 |
|---|---|---|---|
| Gross revenue | | 522,124 | 402,478 |
| Directly attributable costs of sales | | (328,698) | (241,844) |
| Gross profit | | 193,426 | 160,634 |
| Other income | | 259 | 1,631 |
| Employee expenses | | (111,716) | (98,360) |
| Occupancy costs | | (1,424) | (1,658) |
| Travel expenses | | (1,565) | (201) |
| Communication expenses | | (1,732) | (1,965) |
| Compliance expenses | | (2,032) | (2,588) |
| Depreciation and amortisation expenses | | (6,940) | (7,087) |
| Administration expenses | | (9,020) | (7,589) |
| Gain/(loss) on disposal of controlled entities | 11 | 600 | (23,035) |
| Incidental acquisition costs | 10 | (1,324) | (202) |
| Contingent consideration fair value loss | 7 | (1,001) | – |
| Finance income | | 20 | 46 |
| Finance costs | | (990) | (1,404) |
| Profit before income tax | | 56,561 | 18,222 |
| Income tax expense | 3 | (14,340) | (8,514) |
| Profit for the year | | 42,221 | 9,708 |
| Attributable to: | | | |
| Equity holders of the parent | | 25,387 | (402) |
| Non-controlling interests | | 16,834 | 10,110 |
| | | 42,221 | 9,708 |
| Basic earnings per share (AUD cents) | 4 | 28.9 | (0.5) |
| Diluted earnings per share (AUD cents) | 4 | 28.2 | (0.5) |

Notes on pages 12 to 23 are an integral part of this preliminary final report.

**Enero Group Limited**

**Preliminary Final Report - year ended 30 June 2022**

**Consolidated statement of comprehensive income**
**for the year ended 30 June 2022**

| In thousands of AUD | Note | 2022 | 2021 |
|---|---|---|---|
| Profit for the year | | 42,221 | 9,708 |
| Other comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences for disposed foreign operations | 11 | – | 16,331 |
| Reserve change in ownership interest - partially owned subsidiary disposed during the year | 11 | – | 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 | | 1,231 | (585) |
| Total items that may be reclassified subsequently to profit or loss | | 1,231 | (585) |
| Other comprehensive income for the year, net of tax | | 1,231 | 17,163 |
| Total comprehensive income for the year | | 43,452 | 26,871 |
| Attributable to: | | | |
| Equity holders of the parent | | 26,077 | 16,840 |
| Non-controlling interests | | 17,375 | 10,031 |
| | | 43,452 | 26,871 |

Notes on pages 12 to 23 are an integral part of this preliminary final report.

Enero Group Limited

## Preliminary Final Report - year ended 30 June 2022

### Consolidated statement of changes in equity
**for the year ended 30 June 2022**

| | | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| In thousands of AUD | Note | Share capital | Retained profits / (Accumulated loss) | Profit appropriation reserve | Share based payment reserve | Reserve change in ownership interest in subsidiary | Foreign currency translation reserve | Total | Non-controlling interests | Total equity |
| Opening balance at 1 July 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 | | 941 | – | – | (941) | – | – | – | – | – |
| Transfer to profit appropriation reserve | | – | (15,770) | 15,770 | – | – | – | – | – | – |
| Dividends paid to equity holders | | – | – | (12,132) | – | – | – | (12,132) | (8,359) | (20,491) |
| Disposal of controlling interest in partially owned subsidiaries | | – | – | – | – | – | – | – | (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 |
| | | | | | | | | | | |
| Opening balance at 1 July 2021 | | 100,456 | (16,555) | 36,847 | 10,592 | – | (3,018) | 128,322 | 3,761 | 132,083 |
| Profit for the year | | – | 25,387 | – | – | – | – | 25,387 | 16,834 | 42,221 |
| Other comprehensive income for the year, net of tax | | – | – | – | – | – | 690 | 690 | 541 | 1,231 |
| Total comprehensive income for the year | | – | 25,387 | – | – | – | 690 | 26,077 | 17,375 | 43,452 |
| Transactions with owners recorded directly in equity: | | | | | | | | | | |
| Shares issued to employees on exercise of Share Appreciation Rights | | 4,405 | – | – | (4,405) | – | – | – | – | – |
| Dividends paid to equity holders | | – | – | (9,157) | – | – | – | (9,157) | (12,954) | (22,111) |
| Share-based payment expense | | – | – | – | 1,902 | – | – | 1,902 | – | 1,902 |
| Closing balance at 30 June 2022 | | 104,861 | 8,832 | 27,690 | 8,089 | – | (2,328) | 147,144 | 8,182 | 155,326 |

Notes on pages 12 to 23 are an integral part of this preliminary final report.

## Enero Group Limited

## Preliminary Final Report - year ended 30 June 2022

### Consolidated statement of financial position
as at 30 June 2022

| In thousands of AUD | Note | 2022 | 2021 |
|---|---|---|---|
| Assets | | | |
| Cash and cash equivalents | | 98,742 | 50,718 |
| Trade and other receivables | | 63,995 | 46,941 |
| Other assets | | 6,112 | 4,925 |
| Income tax receivable | | 222 | – |
| Total current assets | | 169,071 | 102,584 |
| Deferred tax assets | | 2,020 | 2,038 |
| Plant and equipment | | 3,200 | 3,796 |
| Right-of-use assets | 5 | 5,950 | 7,979 |
| Other assets | | 162 | 164 |
| Intangible assets | 6 | 114,664 | 118,156 |
| Total non-current assets | | 125,996 | 132,133 |
| Total assets | | 295,067 | 234,717 |
| Liabilities | | | |
| Trade and other payables | | 76,496 | 63,161 |
| Contingent consideration payable | 7 | 2,711 | 10,886 |
| Lease liabilities | 8 | 5,841 | 5,589 |
| Employee benefits | | 5,679 | 4,586 |
| Income tax payable | | 1,798 | 2,155 |
| Total current liabilities | | 92,525 | 86,377 |
| Contingent consideration payable | 7 | 7,402 | 9,240 |
| Lease liabilities | 8 | 2,756 | 6,262 |
| Employee benefits | | 783 | 755 |
| Interest bearing liabilities | 9 | 36,275 | – |
| Total non-current liabilities | | 47,216 | 16,257 |
| Total liabilities | | 139,741 | 102,634 |
| Net assets | | 155,326 | 132,083 |
| Equity | | | |
| Share capital | | 104,861 | 100,456 |
| Other reserves | | 5,761 | 7,574 |
| Profit appropriation reserve | | 27,690 | 36,847 |
| Retained earnings / (Accumulated losses) | | 8,832 | (16,555) |
| Total equity attributable to equity holders of the parent | | 147,144 | 128,322 |
| Non-controlling interests | | 8,182 | 3,761 |
| Total equity | | 155,326 | 132,083 |

Notes on pages 12 to 23 are an integral part of this preliminary final report.

**Consolidated statement of cash flows**
**for the year ended 30 June 2022**

| In thousands of AUD | Note | 2022 | 2021 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 524,510 | 408,956 |
| Cash paid to suppliers and employees | | (460,748) | (348,666) |
| Cash generated from operations | | 63,762 | 60,290 |
| Interest received | | 20 | 46 |
| Income taxes paid | | (14,933) | (7,108) |
| Interest paid | | (29) | (26) |
| Net cash from operating activities | | 48,820 | 53,202 |
| Cash flows from investing activities | | | |
| Proceeds from sale of plant and equipment | | 6 | – |
| Acquisition of plant and equipment | | (1,148) | (995) |
| Acquisition of a business, net of cash acquired | 10 | – | (4,556) |
| Sale of controlled entities, net of cash disposed | 11 | 1,018 | (740) |
| Contingent consideration paid | 7 | (11,000) | (14,885) |
| Net cash used in investing activities | | (11,124) | (21,176) |
| Cash flows from financing activities | | | |
| Payment of lease liabilities | 8 | (5,732) | (6,162) |
| Proceeds received from bank loans | 9 | 36,275 | – |
| Dividends paid to equity holders of the parent | | (9,157) | (12,132) |
| Dividends paid to non-controlling interests in controlled entities | | (12,954) | (8,359) |
| Net cash from/(used in) financing activities | | 8,432 | (26,653) |
| Net increase in cash and cash equivalents | | 46,128 | 5,373 |
| Effect of exchange rate fluctuations on cash held | | 1,896 | (2,236) |
| Cash and cash equivalents at 1 July | | 50,718 | 47,581 |
| Cash and cash equivalents at 30 June | | 98,742 | 50,718 |

Notes on pages 12 to 23 are an integral part of this preliminary final report.

**Notes to the preliminary final report**
**for the year ended 30 June 2022**

## 1. Statement of significant accounting policies

a. Statement of compliance

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

The preliminary final report is presented in Australian dollars and has been prepared on the historical cost basis except for derivative financial instruments, contingent consideration payables and share-based payment transactions which are stated at their fair value.

The consolidated Annual Financial Report is being audited and is expected to be made available on 8 September 2022. This preliminary final report does not include all the notes of the type normally included in a consolidated annual financial report. Accordingly, this report should be read in conjunction with any public announcements made by the Company during the year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and ASX Listing Rules.

b. Significant accounting policies

The accounting policies applied by the Group in this report are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2021.

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 2022 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.

c. Estimates

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

In preparing this report, the significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty in estimation are in relation to Income tax, Contingent consideration payables and Impairment of non-financial assets.

*Measurement of fair value*

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.

For further information about the assumptions made in measuring fair values of Contingent consideration payable refer Note 7.

### 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 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 and OBMedia.

Following management's review of the business portfolio at the beginning of current reporting period, a new global operating model was implemented by the Group. The portfolio was separated into the following two segments to better assess its performance, make decisions on resource allocation and report both to the CODM and to the Board:

- Brand Transformation: human generated creative ideas to transform the way customers and stakeholders connect and engage with brands. This includes public relations and communications consultancy Hotwire and CPR and creative agency BMF.
- Creative Technology and Data: high quality customer experience connected by technology and enabled by data. This includes digital agency Orchard and advertising technology platform OBMedia.

The measure of reporting to the Enero Executive team is on an Operating EBITDA basis (defined below), which excludes significant 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 & equipment (excluding depreciation of right-of-use assets), amortisation of intangibles, impairment of intangibles, gain/(loss) on disposal of controlled entities and contingent consideration fair value gain/(loss).

| 2022<br>In thousands of AUD | Brand Transformation | Creative Technology and Data | Total segments | Unallocated | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Gross revenue | 142,476 | 380,046 | 522,522 | – | (398) | 522,124 |
| Directly attributable cost of sales | (35,756) | (293,340) | (329,096) | – | 398 | (328,698) |
| Gross profit | 106,720 | 86,706 | 193,426 | – | – | 193,426 |
| Other income | 186 | 73 | 259 | – | – | 259 |
| Operating expenses | (79,139) | (37,256) | (116,395) | (11,094) | – | (127,489) |
| EBITDA | 27,767 | 49,523 | 77,290 | (11,094) | – | 66,196 |
| Depreciation of right-of-use assets | | | | | | (3,996) |
| Operating EBITDA | | | | | | 62,200 |
| Depreciation of plant and equipment and amortisation of intangibles | | | | | | (2,944) |
| Contingent consideration fair value loss | (1,001) | – | (1,001) | – | – | (1,001) |
| Gain on disposal of business | – | 600 | 600 | – | – | 600 |
| Incidental acquisition costs | | | | | | (1,324) |
| Net finance costs | | | | | | (970) |
| Profit before income tax | | | | | | 56,561 |
| Income tax expense | | | | | | (14,340) |
| Profit for the year | | | | | | 42,221 |
| Goodwill | 96,315 | 15,921 | 112,236 | – | – | 112,236 |
| Other intangibles | 2,428 | – | 2,428 | – | – | 2,428 |
| Assets excluding intangibles | 54,100 | 64,734 | 118,834 | 76,366 | (14,797) | 180,403 |
| Total assets | 152,843 | 80,655 | 233,498 | 76,366 | (14,797) | 295,067 |
| Liabilities | 51,895 | 40,320 | 92,215 | 62,323 | (14,797) | 139,741 |
| Total liabilities | 51,895 | 40,320 | 92,215 | 62,323 | (14,797) | 139,741 |
| Amortisation of intangibles | 857 | 365 | 1,222 | – | – | 1,222 |
| Depreciation | 4,373 | 1,077 | 5,450 | 268 | – | 5,718 |
| Capital expenditure | 825 | 220 | 1,045 | 103 | – | 1,148 |

**2. Operating segments (continued)**

| 2021 (restated) In thousands of AUD | Brand Transformation | Creative Technology and Data | Total segments | Unallocated | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Gross revenue | 133,289 | 269,967 | 403,256 | – | (778) | 402,478 |
| Directly attributable cost of sales | (37,396) | (205,226) | (242,622) | – | 778 | (241,844) |
| Gross profit | 95,893 | 64,741 | 160,634 | – | – | 160,634 |
| Other income | 557 | 1,074 | 1,631 | – | – | 1,631 |
| Operating expenses | (71,362) | (33,135) | (104,497) | (7,864) | – | (112,361) |
| EBITDA | 25,088 | 32,680 | 57,768 | (7,864) | – | 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 | 97,729 | 16,777 | 114,506 | – | – | 114,506 |
| Other intangibles | 3,285 | 365 | 3,650 | – | – | 3,650 |
| Assets excluding intangibles | 42,926 | 38,243 | 81,169 | 44,254 | (8,862) | 116,561 |
| Total assets | 143,940 | 55,385 | 199,325 | 44,254 | (8,862) | 234,717 |
| Liabilities | 62,163 | 36,887 | 99,050 | 12,446 | (8,862) | 102,634 |
| Total liabilities | 62,163 | 36,887 | 99,050 | 12,446 | (8,862) | 102,634 |
| Amortisation of intangibles | 248 | 626 | 874 | – | – | 874 |
| Depreciation | 4,783 | 1,020 | 5,803 | 410 | – | 6,213 |
| Capital expenditure | 755 | 110 | 865 | 130 | – | 995 |

## Geographical segments

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

**Geographical information**

| In thousands of AUD | Australia | UK and Europe | USA | Support Office(i) | Unallocated intangibles(ii) | Total |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| Gross profit(iii) | 68,776 | 36,622 | 88,028 | – | – | 193,426 |
| Operating EBITDA | 13,325 | 8,009 | 51,497 | (10,631) | – | 62,200 |
| Operating EBITDA margin | 19.4% | 21.9% | 58.5% | – | – | 32.2% |
| Non-current assets | 6,519 | 3,028 | 1,785 | – | 114,664 | 125,996 |

| In thousands of AUD | Australia | UK and Europe | USA | Support Office(i) | Unallocated intangibles(ii) | Total |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| Gross profit(iii) | 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 |

(i) Support office includes the share-based payment charge in the consolidated income statement.
(ii) Goodwill and other intangibles are allocated to the reportable segments. However, as the reportable segments are managed at a global level they cannot be allocated across geographical segments.
(iii) Gross profit represents net revenue, which is gross revenue less directly attributable cost of sales.

## Major Customer

Revenue from a customer (2021: 2 customers) represents more than 10% of Group's total revenue, with a breakdown by segment provided below:

| Percentage of Group's total revenue | 2022 | 2021 |
|---|---|---|
| Brand Transformation | – | 10.1 |
| Creative Technology and Data | 21.7 | 19.9 |
| | 21.7 | 30.0 |

### 3. Income tax expense

Recognised in the consolidated income statement

| In thousands of AUD | 2022 | 2021 |
|---|---|---|
| Current tax expense | | |
| Current year | 14,370 | 8,738 |
| Adjustments for prior years | (66) | 237 |
| | 14,304 | 8,975 |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | 36 | (461) |
| | 36 | (461) |
| Income tax expense in the consolidated income statement | 14,340 | 8,514 |

| Numerical reconciliation between tax expense and pre-tax accounting profit | | |
|---|---|---|
| Profit for the year | 42,221 | 9,708 |
| Income tax expense | 14,340 | 8,514 |
| Profit before income tax | 56,561 | 18,222 |
| Income tax expense using the Company's domestic tax rate of 30% (2021: 30%) | 16,968 | 5,467 |
| Increase/(decrease) in income tax expense due to: | | |
| Share-based payment expense | 571 | 298 |
| Unwind of present value interest | 132 | 193 |
| Contingent consideration fair value loss | 300 | – |
| Incidental acquisition costs | 397 | 61 |
| (Gain)/loss on disposal of controlled entities | (180) | 6,910 |
| Effect of losses not previously recognised | – | (1,863) |
| Effect of lower tax rate on overseas incomes | (3,607) | (2,423) |
| (Over)/under provision for tax in previous years | (66) | 237 |
| Other (non-assessable)/non-deductible items | (175) | (366) |
| Income tax expense on pre-tax net profit | 14,340 | 8,514 |

### 4. Earnings per share

| | 2022 | 2021 |
|---|---|---|
| Profit attributable to equity holders of the parent | | |
| **In thousands of AUD** | | |
| Profit for the year | 42,221 | 9,708 |
| Non-controlling interests | (16,834) | (10,110) |
| Profit/(loss) for the year attributable to equity holders of the parent | 25,387 | (402) |
| | | |
| Weighted average number of ordinary shares | | |
| **In thousands of shares** | | |
| Weighted average number of ordinary shares – basic | 87,756 | 86,541 |
| Shares issuable under equity-based compensation plans | 2,257 | 1,738 |
| Weighted average number of ordinary shares – diluted | 90,013 | 88,279 |
| | | |
| Earnings per share | | |
| **In AUD cents** | | |
| Basic | 28.9 | (0.5) |
| Diluted | 28.2 | (0.5) |

### 5. Right-of-use assets

| In thousands of AUD | 2022 | 2021 |
|---|---|---|
| Property leases | | |
| Cost | 17,300 | 15,279 |
| Accumulated depreciation | (11,350) | (7,300) |
| Net carrying amount | 5,950 | 7,979 |
| Reconciliations of the carrying amounts of right-of-use assets: | | |
| Carrying amount at the beginning of the year | 7,979 | 11,759 |
| Additions | – | 839 |
| Disposal of controlled entities | – | (108) |
| Re-measurement of lease liabilities | 1,945 | – |
| Disposals | – | (55) |
| Depreciation | (3,996) | (4,291) |
| Effect of movements in exchange rates | 22 | (165) |
| Carrying amount at the end of the year | 5,950 | 7,979 |

### 6. Intangible assets

| In thousands of AUD | Goodwill | Contracts and customer relationships | Total |
|---|---|---|---|
| **2022** | | | |
| Cost | 112,236 | 7,759 | 119,995 |
| Accumulated amortisation | – | (5,331) | (5,331) |
| Net carrying amount | 112,236 | 2,428 | 114,664 |
| Reconciliations of the carrying amounts of intangibles: | | | |
| Carrying amount at the beginning of the year | 114,506 | 3,650 | 118,156 |
| Disposal of controlled businesses | (856) | – | (856) |
| Amortisation | – | (1,222) | (1,222) |
| Effect of movements in exchange rates | (1,414) | – | (1,414) |
| Carrying amount at the end of the year | 112,236 | 2,428 | 114,664 |

| In thousands of AUD | Goodwill | Contracts and customer relationships | Total |
|---|---|---|---|
| **2021** | | | |
| Cost | 114,506 | 7,609 | 122,115 |
| Accumulated amortisation | – | (3,959) | (3,959) |
| 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 |

Goodwill CGU group allocation

| In thousands of AUD | 2022 | 2021 (restated) |
|---|---|---|
| Cash Generating Unit (CGU): | | |
| Brand Transformation | 96,315 | 97,729 |
| Creative Technology and Data | 15,921 | 16,777 |
| Search Marketing | – | – |
| Net carrying amount | 112,236 | 114,506 |

**6. Intangible assets (continued)**

During the current year, the Group implemented a new global operating model resulting in change in composition of its CGU group. Accordingly, carrying value of goodwill (previously fully allocated to the Operating Brands CGU) was reallocated across the Brand Transformation CGU and the Creative Technology and Data CGU using a relative value approach. Under this approach, relative value of goodwill is determined by reference to value-in-use of CGUs as at the date of the re-organisation. The Group completed an assessment for impairment before the reallocation of goodwill using the same assumptions as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2021 and concluded that the recoverable amount of CGUs exceeded the carrying value.

The re-organistion had no impact on the Search Marketing CGU, which does not obtain synergies with businesses within the Creative Technology and Data segment and has no carrying value.

Impairment tests for cash generating unit (CGU) groups containing goodwill
For 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 continues to be based upon the interdependency of the cash inflows generated from the service offering and synergies obtained by the business unit. The Search Marketing businesses do not form part of the Creative Technology and Data CGU as they does not obtain synergies with businesses within the Creative Technology and Data segment and has no carrying value.

The recoverable amount of the CGUs 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 CGUs 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 projected cash flows, the discount rates 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 next financial year's Board approved budgets. This reflects the best estimate of the CGU's future cash flows at the reporting date. Projected cash flows can differ from future actual cash flows and results of operations.

*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*
Projected cash flows for the first forecast year reflect the growth each CGU is expected to achieve over the current year's actual EBITDA results. Projected cash flows for year two onwards have then been determined using a constant growth rate which is considered modest compared to the growth each CGU achieved in both the current year and that which is expected to be achieved next year.

*Long-term growth rate into perpetuity*
Long-term growth rate is used into perpetuity, based on the expected long-range growth rate for the industry.

*Impairment testing key assumptions:*

| | Brand Transformation 2022 | Creative Technology & Data 2022 | Operating Brands 2021 |
|---|---|---|---|
| Post-tax discount rate % | 9.1 – 10.5 | 10.5 | 8.7 – 9.6 |
| Pre-tax discount rate % | 12.0 – 15.2 | 14.3 | 10.5 – 13.1 |
| Growth rate (CAGR) % | 4.9 | 8.0 | 2.4 |
| Long-term perpetuity growth rate % | 2.5 | 2.5 | 2.5 |

Sensitivity analysis for impairment testing assumptions
As long as the COVID-19 pandemic, including any existing or new variants, remains a public health threat, global economic conditions will continue to be volatile and such uncertainty cuts across all clients, industries and geographies. Notwithstanding this, given the significant recoveries achieved by the CGUs in the current year as a result of the Group's high sector exposure to technology, healthcare and consumer staples customers, management has not assumed a decline in projected cash flows as a direct result of the COVID-19 pandemic.

Whilst it is management's view that the assumptions used for growth rates over the forecast period and the long-term and discount rates are reasonable, a sensitivity analysis was performed for each CGU taking into consideration the possible impacts of adverse economic conditions over the forecast period. Specifically, the impact that severe and sustained inflation in key geographies, supply chain issues affecting the distribution of customers' products, or a disruption in the credit markets may have on the key assumptions used in determining each CGU's recoverable amount, being:

- lower projected cash inflows as result of reductions, deferrals or cancelations by customers in terms of their spending on advertising, marketing and corporate communications projects;

### 6. Intangible assets (continued)

- increased operating costs, including those to attract and retain the talent needed to grow revenues at forecast levels; or
- higher discount rates.

The results of this sensitivity analysis were such that any reasonably possible change in these key assumptions upon which each CGU's recoverable amounts were based would not cause either CGU's carrying amount to exceed its recoverable amount.

### 7. Contingent consideration payable

| In thousands of AUD | 2022 | 2021 |
|---|---|---|
| Current | | |
| Contingent consideration payable | 2,711 | 10,886 |
| Non-current | | |
| Contingent consideration payable | 7,402 | 9,240 |
| Reconciliations of the carrying amounts of contingent consideration payable: | | |
| Carrying amount at the beginning of the year | 20,126 | 25,553 |
| Recognised in business combination | – | 8,931 |
| Re-assessment of contingent consideration | 1,001 | – |
| Unwind of present value interest | 441 | 642 |
| Effect of movements in exchange rates | (455) | (115) |
| Contingent consideration paid | (11,000) | (14,885) |
| Carrying amount at the end of the year | 10,113 | 20,126 |

During the current year, the Group recognised a contingent consideration fair value loss of $1,001,000 relating to a change in the best estimate of future contingent consideration payable to the vendors of McDonald Butler Associates.

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 floor/cap. Actual future payments may differ from the estimated liability.

Fair value measurement:
The following tables show the valuation techniques used in measuring Level 3 fair values for contingent consideration payable 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 floor/capped payments (payable over 3 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.<br>– Risk-adjusted discount rate: 3.12%. | The estimated fair value would increase (decrease) if:<br>– the forecast average net revenue is higher (lower); or<br>– the risk-adjusted discount rate were lower (higher). |

Sensitivity analysis
Reasonably possible changes after 30 June 2022 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 forecast average net revenue | – | (1,647) |
| Movement of 7.5% in forecast average net revenue | 988 | (1,647) |
| Movement of 0.5% in risk-adjusted discount rate | (69) | 70 |

## 8. Lease liabilities

| In thousands of AUD | 2022 | 2021 |
|---|---|---|
| Current | | |
| Lease liabilities | 5,841 | 5,589 |
| Non-current | | |
| Lease liabilities | 2,756 | 6,262 |
| Total | 8,597 | 11,851 |

| In thousands of AUD | 2022 | 2021 |
|---|---|---|
| Reconciliations of the carrying amounts of lease liabilities: | | |
| Carrying amount at the beginning of the year | 11,851 | 16,907 |
| Additions | – | 839 |
| Disposal of controlled entities | – | (225) |
| Other disposals | – | (61) |
| Re-measurement of lease liabilities | 1,945 | – |
| Repayments | (5,732) | (6,162) |
| Present value interest relating to lease liabilities | 520 | 736 |
| Effect of movements in exchange rates | 13 | (183) |
| Carrying amount at the end of the period | 8,597 | 11,851 |
| | | |
| Lease commitments (at carrying amounts): | | |
| Within one year | 5,841 | 5,589 |
| One year or later and no later than five years | 2,600 | 6,262 |
| Later than five years | 156 | – |
| | 8,597 | 11,851 |

## 9. Interest bearing liabilities

| In thousands of AUD | 2022 | 2021 |
|---|---|---|
| Non-current | | |
| Unsecured bank loan | 36,275 | – |

Financing arrangements
The Group has access to the following lines of credit:

| In thousands of AUD | 2022 Available | 2022 Utilised | 2021 Available | 2021 Utilised |
|---|---|---|---|---|
| Bank loan (cash advance) | 50,000 | 36,275 | – | – |
| Indemnity guarantee | 3,618 | 2,103 | 3,582 | 2,067 |
| Credit card | 1,575 | 321 | 1,565 | 216 |
| | 55,193 | 38,699 | 5,147 | 2,283 |

The proceeds from the bank loan drawn on 29 June 2022 was held in cash and cash equivalents as at 30 June 2022, which were subsequently disbursed on 1 July 2022 in order to fund the acquisitions completed on that date. The Group was in compliance with all covenants as at 30 June 2022.

All finance facilities are negotiated by the Company on behalf of the Group. The carrying amount of amounts drawn on facilities as at the reporting date equates to face value.

*Cash advance facility*
The cash advance facility is an unsecured revolving multi-currency general-purpose facility with Westpac Banking Corporation (Westpac), maturing in June 2025 at a commercial interest rate (Bank Bill Swap Bid Rate plus margin).

*Indemnity guarantee facility*
The indemnity guarantee facility is in place to support financial guarantees for property rental and other obligations. The indemnity guarantees issued by banks other than Westpac are secured by cash deposits held by the issuing bank. The Group has pledged short-term deposits amounting to $624,000 for indemnity guarantee facilities at 30 June 2022.

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

Accounting policy
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 10. Acquisitions

2022

Incidental acquisition costs of $1,324,000 relating to the acquisition of ROI DNA Inc. and GetIT Pte Ltd were recognised in the income statement for the year ended 30 June 2022. These acquisitions were completed on 1 July 2022, as discussed further below.

Acquisitions completed subsequent to balance date:

- on 1 July 2022, the Group acquired 100% of the issued capital of ROI DNA Inc, a USA based a strategic B2B sales and marketing agency. The purchase consideration was an upfront payment of US$26,400,000 ($38,306,000) in cash and US$6,600,000 ($9,577,000) of Enero Group Limited shares with additional contingent consideration linked to the achievement of EBITDA targets over the next 3 years through to 30 June 2025.

- on 1 July 2022, the Group acquired 100% of the issued capital of GetIT Pte Ltd, a Singapore based specialist B2B technology marketing agency with presence in India, Malaysia and Japan. The purchase consideration was an upfront payment of S$2,700,000 ($2,816,000) in cash and S$1,800,000 ($1,877,000) of Enero Group Limited shares with additional contingent consideration linked to the achievement of EBIT target over the next 3 years through to 30 June 2025.

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

| **In thousands of AUD** | **Provisional value** |
|---|---|
| Cash and cash equivalents | 12,975 |
| Trade and other receivables | 6,154 |
| Other assets | 799 |
| Property, plant and equipment | 279 |
| Trade and other payables | (2,903) |
| Unearned revenue | (7,905) |
| Employee benefits | (945) |
| Bank loans | (315) |
| Net identifiable assets | 8,139 |

Provisionally determined value of intangibles (including goodwill)

| **In thousands of AUD** | |
|---|---|
| Initial consideration | 52,576 |
| Estimate of contingent consideration payable | 53,467 |
| Total consideration | 106,043 |
| Less: Provisional value of net identifiable assets | (8,139) |
| Provisionally determined value of intangibles (including goodwill) | 97,904 |

As at the date of issuing this preliminary final report, these acquisitions are still subject to further review by management as the Group has 12 months from the date of acquisition to finalise its purchase price accounting. The initial accounting for these business combinations will be recognised in the Group's next financial reporting period, including the allocation of the purchase price to goodwill and any other qualifying intangible assets. Further information about these business combinations has not been disclosed on the basis that it is impracticable given the close proximity between the completion dates of the acquisitions and this preliminary final report.

### 10. Acquisitions (continued)

2021

On 26 April 2021 the Group, via its subsidiary Hotwire Public Relations Limited, acquired 100% of the 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 ended 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 value 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 | 4,479 |

Goodwill on acquisition

| **In thousands of AUD** | |
|---|---|
| Total consideration | 16,795 |
| Less: Fair value of net identifiable 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 recognised in the consolidated income statement for the year ended 30 June 2021.

## 11. Disposals

2022
On 6 May 2022, the Group entered into a sale agreement to sell the business assets of its strategic data consultancy businesses, The Leading Edge (TLE) and The Digital Edge (TDE), for consideration of $1,350,000. The Group recognised an accounting gain on sale of $600,000 in the consolidated income statement for the year ended 30 June 2022.

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

| **In thousands of AUD** | **Carrying amounts** |
|---|---|
| **Assets** | |
| Trade and other receivables | 220 |
| Other assets | 18 |
| Plant and equipment | 17 |
| Total assets disposed | 255 |
| **Liabilities** | |
| Trade and other payables | (458) |
| Employee benefits | (235) |
| Total liabilities disposed | (693) |
| | |
| Net liabilities disposed | (438) |

Gain on sale

| **In thousands of AUD** | |
|---|---|
| Consideration received, net of working capital adjustment | 1,144 |
| Less: relative value of goodwill | (856) |
| Add: net liabilities disposed | 438 |
| Less: incidental cost | (126) |
| Gain on sale in the consolidated income statement | 600 |

Net cash received

| **In thousands of AUD** | |
|---|---|
| Total consideration | 1,350 |
| Less: working capital adjustment | (206) |
| Less: incidental cost | (126) |
| Reflected in the consolidated statement of cash flows | 1,018 |

### 11. Disposals (continued)

2021

On 2 March 2021, the Group entered into a sale agreement to sell its entire shareholding in Frank PR (75% issued capital) for consideration of £915,000 ($1,647,000). On 2 March 2021, 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 consolidated 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 the consolidated income statement | (1,417) |
| Less: foreign currency translation reserve transferred to the consolidated income statement | (3,174) |
| Loss on sale of Frank PR in the consolidated 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 consolidated 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 consolidated income statement | (23,035) |