



Enero Group Limited
ABN 97 091 524 515
Half Year Report
Appendix 4D
Half Year ended 31 December 2016

Rule 4.2A.3

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 2016 to 31 December 2016.

The previous corresponding reporting period is 1 July 2015 to 31 December 2015.

Key information

In thousands of AUD

	31 December 2016	31 December 2015	% Change	Amount Change
Gross revenues from ordinary activities	89,799	110,591	(18.80%)	(20,792)
Profit after tax attributable to members	2,303	3,694	(37.66%)	(1,391)
Profit for the period attributable to members	2,303	3,694	(37.66%)	(1,391)

Dividends	Amount per security	Franked amount per security
-	-	-

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

The remainder of the information requiring disclosure to comply with listing rule 4.2A.3 is contained in the attached financial report for the half year ended 31 December 2016 and the additional information set out below.

Additional Information

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	0.30	0.42

Explanation of results

Please refer to the attached interim financial report for the half year ended 31 December 2016 and Market Presentation for commentary and further information with respect to the results.

**Enero Group Limited
and its controlled entities
ABN 97 091 524 515**

Interim Financial Report

For the half year ended 31 December 2016

Contents

	Page
Directors' report	2
Consolidated interim income statement	5
Consolidated interim statement of comprehensive income	6
Consolidated interim statement of changes in equity	7
Consolidated interim statement of financial position	8
Consolidated interim statement of cash flows	9
Condensed notes to the consolidated interim financial statements	10
Directors' declaration	18
Independent auditors' review report	19
Lead auditors' independence declaration	21

Enero Group Limited

Financial Report - half year ended 31 December 2016

Directors' Report

The directors of Enero Group Limited (the "Company") present their report, together with the consolidated financial statements of the Group, being the Company and its controlled entities, for the six months ended 31 December 2016 and the review report thereon.

Directors

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

John Porter – Independent Non-Executive Chairman

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

Matthew Melhuish – CEO and Executive Director

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

Susan McIntosh – Non-Executive Director

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

Roger Amos – Independent Non-Executive Director

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

Enero Group Limited

Financial Report - half year ended 31 December 2016

Directors' Report (continued)

Anouk Darling – Independent Non-Executive Director

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

Russel Howcroft – Independent Non-Executive Director

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

Max Johnston – Independent Non-Executive Director

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

Principal activities

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

Review of operations for the six months ended 31 December 2016:

Reconciliation of Operating EBITDA to Statutory profit after tax:

In thousands of AUD	6 months to 31 December 2016	6 months to 31 December 2015
Net Revenue	51,246	57,628
Operating EBITDA	4,856	7,239
Depreciation and amortisation expenses	(1,478)	(1,515)
Net finance (costs)/income	(1)	72
Acquisition costs	(156)	–
Statutory profit before tax	3,221	5,796
Income tax expense	(796)	(1,369)
Statutory profit after tax	2,425	4,427

Basis of preparation

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

Operating EBITDA is calculated as profit before interest, taxes, depreciation, amortisation, impairment, and acquisition costs. Operating EBITDA, reconciled in the above table, 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.

Enero Group Limited

Financial Report - half year ended 31 December 2016

Directors' Report (continued)

Shares issued on exercise of Share Appreciation Rights

During the half year ended 31 December 2016, a total of 1,636,718 shares (31 December 2015: 95,944 shares) were transferred from a trust account held by the Company to the employees of the Group on exercise of Share Appreciation Rights ("SAR").

As at 31 December 2016, the Company has 1,591,485 shares (31 December 2015: 3,228,203 shares) in a trust account held by the Company for future use against long-term incentive equity schemes as and when required.

Acquisition

On 29 September 2016 the Group, via its subsidiary Hotwire Public Relations Group LLC, acquired the business net assets of Eastwick Communications, a USA based independent technology public relations agency with offices in San Francisco and New York. The purchase price was an upfront cash payment of US\$ 5 million (A\$6.3 million) in addition to contingent consideration payments tied to EBIT targets through to the period 30 June 2020. Refer to note 8 *Acquisition* for details.

Dividend

No dividend was declared during the half year ended 31 December 2016 or after the interim reporting date but before the date of this report.

Subsequent Events

For events subsequent to the interim reporting date, refer to note 10 *Subsequent events*.

Lead auditor's independence declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 21 and forms part of the directors' report for the half year ended 31 December 2016.

Rounding off

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

This report is signed in accordance with a resolution of the directors.

Dated at Sydney this 9th day of February 2017.



John Porter
Chairman

Enero Group Limited

Financial Report - half year ended 31 December 2016

Consolidated interim income statement for the six months ended 31 December 2016

In thousands of AUD	Note	2016	2015
Gross revenue		89,799	110,591
Directly attributable costs of sales		(38,553)	(52,963)
Net revenue		51,246	57,628
Other income		103	55
Employee expenses		(36,834)	(39,894)
Occupancy costs		(3,886)	(4,090)
Travel expenses		(665)	(811)
Communication expenses		(1,020)	(1,087)
Compliance expenses		(736)	(1,061)
Depreciation and amortisation expense		(1,478)	(1,515)
Administration expenses		(3,352)	(3,501)
Acquisition costs		(156)	–
Net finance (costs)/income		(1)	72
Profit before income tax		3,221	5,796
Income tax expense	3	(796)	(1,369)
Profit for the period		2,425	4,427
Attributable to:			
Equity holders of the parent		2,303	3,694
Non-controlling interests		122	733
		2,425	4,427
Earnings per share			
Basic earnings per share (AUD cents)	4	2.77	4.49
Diluted earnings per share (AUD cents)	4	2.70	4.46

The condensed notes on pages 10 to 17 are an integral part of these consolidated interim financial statements.

Enero Group Limited

Financial Report - half year ended 31 December 2016

Consolidated interim statement of comprehensive income for the six months ended 31 December 2016

In thousands of AUD	Note	2016	2015
Profit for the period		2,425	4,427
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(3,277)	(771)
Total items that may be reclassified subsequently to profit or loss		(3,277)	(771)
Other comprehensive loss for the period, net of tax		(3,277)	(771)
Total comprehensive (loss)/income for the period		(852)	3,656
Attributable to:			
Equity holders of the parent		(997)	2,825
Non-controlling interests		145	831
		(852)	3,656

The condensed notes on pages 10 to 17 are an integral part of these consolidated interim financial statements.

Enero Group Limited

Financial Report - half year ended 31 December 2016

Consolidated interim statement of changes in equity for the six months ended 31 December 2016

In thousands of AUD	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Note	Share capital	Accumulated losses	Share based payment reserve	Reserve change in ownership interest in subsidiary	Foreign currency translation reserve			
Opening balance at 1 July 2015		491,509	(383,615)	14,552	(1,417)	(8,335)	112,694	2,824	115,518
Profit for the period		–	3,694	–	–	–	3,694	733	4,427
Other comprehensive income/(loss) for the period net of tax		–	–	–	–	(869)	(869)	98	(771)
Total comprehensive income for the period		–	3,694	–	–	(869)	2,825	831	3,656
Transactions with owners recorded directly in equity:									
Shares issued to employees on exercise of Share Appreciation Rights		67	–	(67)	–	–	–	–	–
Transfer from share based payment reserve to accumulated losses		–	1,787	(1,787)	–	–	–	–	–
Dividends paid to equity holders		–	–	–	–	–	–	(1,607)	(1,607)
Share based payment expense		–	–	433	–	–	433	–	433
Closing balance at 31 December 2015		491,576	(378,134)	13,131	(1,417)	(9,204)	115,952	2,048	118,000
Opening balance at 1 July 2016		491,576	(375,243)	13,499	(1,417)	(19,188)	109,227	2,032	111,259
Profit for the period		–	2,303	–	–	–	2,303	122	2,425
Other comprehensive income/(loss) for the period net of tax		–	–	–	–	(3,300)	(3,300)	23	(3,277)
Total comprehensive income for the period		–	2,303	–	–	(3,300)	(997)	145	(852)
Transactions with owners recorded directly in equity:									
Shares issued to employees on exercise of Share Appreciation Rights		2,013	–	(2,013)	–	–	–	–	–
Dividends paid to equity holders		–	–	–	–	–	–	(438)	(438)
Share based payment expense		–	–	208	–	–	208	–	208
Closing balance at 31 December 2016		493,589	(372,940)	11,694	(1,417)	(22,488)	108,438	1,739	110,177

The condensed notes on pages 10 to 17 are an integral part of these consolidated interim financial statements.

Enero Group Limited**Financial Report - half year ended 31 December 2016****Consolidated interim statement of financial position
as at 31 December 2016**

In thousands of AUD	Note	31-Dec-2016	30-Jun-2016
Assets			
Cash and cash equivalents		33,898	37,620
Trade and other receivables		23,467	24,305
Other assets		6,586	4,630
Total current assets		63,951	66,555
Deferred tax assets		1,577	1,715
Plant and equipment		8,080	4,942
Other assets		194	338
Intangible assets	5	84,971	75,502
Total non-current assets		94,822	82,497
Total assets		158,773	149,052
Liabilities			
Trade and other payables		32,397	32,237
Contingent consideration	8	4,728	–
Interest-bearing loans and borrowings		812	9
Employee benefits		2,345	2,166
Income tax payable		655	994
Provisions		456	163
Total current liabilities		41,393	35,569
Contingent consideration	8	3,630	–
Interest-bearing loans and borrowings		1,601	11
Employee benefits		608	599
Provisions		1,364	1,614
Total non-current liabilities		7,203	2,224
Total liabilities		48,596	37,793
Net assets		110,177	111,259
Equity			
Issued capital		493,589	491,576
Reserves		(12,211)	(7,106)
Accumulated losses		(372,940)	(375,243)
Total equity attributable to equity holders of the parent		108,438	109,227
Non-controlling interests		1,739	2,032
Total equity		110,177	111,259

The condensed notes on pages 10 to 17 are an integral part of these consolidated interim financial statements.

Enero Group Limited**Financial Report - half year ended 31 December 2016****Consolidated interim statement of cash flows
for the six months ended 31 December 2016**

In thousands of AUD	Note	2016	2015
Cash flows from operating activities			
Cash receipts from customers		98,791	127,417
Cash paid to suppliers and employees		(92,576)	(116,478)
Cash generated from operations		6,215	10,939
Interest received		126	110
Income taxes paid		(959)	(518)
Interest paid		(52)	(37)
Net cash from operating activities		5,330	10,494
Cash flows from investing activities			
Proceeds from disposal of non-current assets		5	–
Acquisition of plant and equipment		(1,708)	(396)
Acquisition of a business, net of cash acquired	8	(6,328)	–
Net cash used in investing activities		(8,031)	(396)
Cash flows from financing activities			
Finance lease payments		(142)	(30)
Dividends paid to non-controlling interests in controlled entities		(438)	(1,607)
Net cash used in financing activities		(580)	(1,637)
Net (decrease)/increase in cash and cash equivalents		(3,281)	8,461
Effect of exchange rate fluctuations on cash held		(441)	98
Cash and cash equivalents at 1 July		37,620	25,812
Cash and cash equivalents at 31 December		33,898	34,371

The condensed notes on pages 10 to 17 are an integral part of these consolidated interim financial statements.

Enero Group Limited

Financial Report - half year ended 31 December 2016

Condensed notes to the consolidated interim financial statements for the six months ended 31 December 2016

1. Statement of significant accounting policies

a. Reporting entity

Enero Group Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2016 is available at www.enero.com.

b. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001 and with IAS 34: Interim Financial Reporting.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2016.

The consolidated interim financial report was approved by the Board of Directors on 9 February 2017.

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 this financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

c. Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial 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 2016.

d. Estimates

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

In preparing this report, the significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty in estimation were the same as those that applied to the consolidated annual financial report of the Group as at and for the year ended 30 June 2016.

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

Enero Group Limited

Financial Report - half year ended 31 December 2016

1. Statement of significant accounting policies (continued)

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 of Contingent Consideration is included below:

Contingent Consideration

Recognised

The Group has recognised an amount of \$8,358,000 (30 June 2016: \$Nil) for contingent consideration payable to the vendors of Eastwick Communications in connection with the acquisition completed on 29 September 2016. The fair value of the future contingent consideration liability is estimated based on the achievement of EBIT targets through to 30 June 2020. There is uncertainty around the actual payments that will be made as the payments are subject to the performance of Eastwick Communications subsequent to the reporting date, including a minimum EBIT threshold for future payments and a final uncapped payment. Actual future payments may differ from the estimated liability.

Unrecognised

The Group has not recognised an amount of \$5,078,000 (30 June 2016: \$17,351,000) of contingent consideration liabilities as payment of these amounts is not considered probable. The reduction in the unrecognised amount is in relation to contingent consideration arrangements that have reached their sunset date during the period and are therefore not payable.

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

Fair value of future contingent consideration liabilities is estimated based on the Group achieving certain EBITDA targets. There is uncertainty around the actual payments that will be made subject to the performance of the Group subsequent to the reporting date versus the targets. Actual future payments may exceed the estimated liability.

As the inputs in these valuations are not based on observable market data, this is deemed a Level 3 measurement of fair value.

2. Operating segments

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

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

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

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

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

Operating EBITDA: is calculated as profit before interest, taxes, depreciation, amortisation, impairment and acquisition costs.

Enero Group Limited

Financial Report - half year ended 31 December 2016

2. Operating segments (continued)

2016 In thousands of AUD	Operating Brands	Total segment	Unallocated	Eliminations	Consolidated
Gross revenue	89,799	89,799	–	–	89,799
Directly attributable cost of sales	(38,553)	(38,553)	–	–	(38,553)
Net revenue	51,246	51,246	–	–	51,246
Other income	103	103	–	–	103
Operating expenses	(43,527)	(43,527)	(2,966)	–	(46,493)
Operating EBITDA	7,822	7,822	(2,966)	–	4,856
Acquisition costs	(156)	(156)	–	–	(156)
Depreciation and amortisation expenses					(1,478)
Net finance expenses					(1)
Profit before tax					3,221
Income tax expense					(796)
Profit for the period					2,425
Goodwill	83,306	83,306	–	–	83,306
Other intangibles	1,665	1,665	–	–	1,665
Assets excluding intangibles	64,300	64,300	49,287	(39,785)	73,802
Total assets	149,271	149,271	49,287	(39,785)	158,773
Liabilities	41,905	41,905	46,476	(39,785)	48,596
Total liabilities	41,905	41,905	46,476	(39,785)	48,596

* All segments are continuing operations.

2015 In thousands of AUD	Operating Brands	Total segment	Unallocated	Eliminations	Consolidated
Gross revenue	110,591	110,591	–	–	110,591
Directly attributable cost of sales	(52,963)	(52,963)	–	–	(52,963)
Net revenue	57,628	57,628	–	–	57,628
Other income	55	55	–	–	55
Operating expenses	(47,011)	(47,011)	(3,433)	–	(50,444)
Operating EBITDA	10,672	10,672	(3,433)	–	7,239
Depreciation and amortisation expenses					(1,515)
Net finance income					72
Profit before tax					5,796
Income tax expense					(1,369)
Profit for the period					4,427
Goodwill	75,446	75,446	–	–	75,446
Other intangibles	56	56	–	–	56
Assets excluding intangibles	60,244	60,244	40,178	(26,872)	73,550
Total assets	135,746	135,746	40,178	(26,872)	149,052
Liabilities	35,109	35,109	29,556	(26,872)	37,793
Total liabilities	35,109	35,109	29,556	(26,872)	37,793

* All segments are continuing operations.

Enero Group Limited

Financial Report - half year ended 31 December 2016

3. Income tax expense

Recognised in the income statement

In thousands of AUD	2016	2015
Current tax expense		
Current year	554	1,419
Adjustments for prior years	98	(490)
	652	929
Deferred tax expense		
Origination and reversal of temporary differences	144	440
	144	440
Income tax expense in income statement	796	1,369
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the period	2,425	4,427
Income tax expense	796	1,369
Profit before income tax	3,221	5,796
Income tax expense using the Company's domestic tax rate of 30% (2015: 30%)	966	1,739
Increase in income tax expense due to:		
Share based payment expense	62	130
Non-deductible present value interest	23	—
Tax losses not brought to account	290	308
Other non-deductible items	37	76
Decrease in income tax expense due to:		
Effect of lower tax rate on overseas income	(84)	(307)
Effect of losses previously not booked	(596)	(87)
(Over)/under provision for tax in prior years	98	(490)
Income tax expense on pre-tax net profit	796	1,369

4. Earnings per share

	2016	2015
Profit attributable to ordinary shareholders		
In thousands of AUD		
Profit for the period	2,425	4,427
Non-controlling interests	(122)	(733)
Profit for the period attributable to equity owners	2,303	3,694
<i>Weighted average number of ordinary shares</i>		
In thousands of shares		
Weighted average number of ordinary shares – basic	83,204	82,329
Shares issuable under equity-based compensation plans	2,181	544
Weighted average number of ordinary shares – diluted	85,385	82,873
Earnings per share		
Basic (AUD cents)	2.77	4.49
Diluted (AUD cents)	2.70	4.46

Enero Group Limited

Financial Report - half year ended 31 December 2016

5. Intangible assets

In thousands of AUD	Goodwill	IT related intellectual property	Contracts and customer relationships	Internally generated intangible assets	Total
31-Dec-2016					
At cost	286,652	9,094	1,750	3,058	300,554
Accumulated amortisation	–	(299)	(109)	(1,351)	(1,759)
Impairment	(203,346)	(8,795)	–	(1,683)	(213,824)
Net carrying amount	83,306	–	1,641	24	84,971

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

Carrying amount at 1 July 2016	75,446	–	–	56	75,502
Acquisition through business combination	10,275	–	1,650	–	11,925
Amortisation	–	–	(105)	(32)	(137)
Effect of movements in exchange rates	(2,415)	–	96	–	(2,319)
Carrying amount at 31 December 2016	83,306	–	1,641	24	84,971

30-Jun-2016

At cost	283,086	9,094	16,927	3,085	312,192
Accumulated amortisation	–	(299)	(16,246)	(1,346)	(17,891)
Impairment	(207,640)	(8,795)	(681)	(1,683)	(218,799)
Net carrying amount	75,446	–	–	56	75,502

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

Carrying amount at the 1 July 2015	84,430	–	–	115	84,545
Amortisation	–	–	–	(59)	(59)
Effect of movements in exchange rates	(8,984)	–	–	–	(8,984)
Carrying amount at 30 June 2016	75,446	–	–	56	75,502

Goodwill Cash Generating Unit (CGU) group allocation

The Group has two CGUs, the Operating Brands CGU and the Search Marketing CGU. The entire goodwill balance of \$83,306,000 (30 June 2016: \$75,446,000) relates to Operating Brands CGU.

The increase in the goodwill carrying value as compared to the prior reporting period is primarily in relation acquisition of Eastwick Communications (refer note 8), partially offset by a decrease in Australian dollar translation of foreign currency denominated goodwill.

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.

Enero Group Limited

Financial Report - half year ended 31 December 2016

5. Intangible assets (continued)

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

The recoverable amount of CGU group was based on value in use in both the current and prior reporting period. 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 period.

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

Discount rates

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 rates

A compound average growth rate (CAGR) of 2.4% (30 June 2016: 2.4%) has been applied to the cash flows of the first five years of cash flows. The five years of cash flows are discounted to present value. The growth rate is based on analysis of organic growth expectations, historical growth rates and industry growth rates. The growth rate also takes into account weighting of international operations of the Group.

Long-term growth rate into perpetuity

Long-term growth rates of 2.5% (30 June 2016: 2.5%) are used into perpetuity, based on expected long-range growth rates for the industry.

Impairment testing key assumptions for Operating Brands CGU

	31-Dec-2016	30-Jun-2016
Post-tax discount rate %	10.16 – 11.13	10.46 – 11.18
Pre-tax discount rate %	12.26 – 15.19	12.86 – 16.29
Long-term perpetuity growth rate %	2.50	2.50

Sensitivity assumptions for impairment testing assumptions

As at 31 December 2016, management has identified that for the carrying amount to exceed the recoverable amount the discount rate would need to increase by approximately 2.1% to 3.1%. A nil growth rate would continue to generate an estimated recoverable amount above the carrying amount.

6. Contingent liabilities

Indemnities

Indemnities have been provided to Directors and certain Executive Officers of the Company in respect of 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 31 December 2016.

Enero Group Limited

Financial Report - half year ended 31 December 2016

7. Key management personnel and other related party disclosures

In addition to Executive and Non-Executive Directors, there were key management personnel of the Group during the reporting period.

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.

There were no transactions with the Directors during the current or prior reporting period.

8. Acquisition

On 29 September 2016 the Group, via its subsidiary Hotwire Public Relations Group LLC, acquired the business net assets of Eastwick Communications, a USA based independent technology public relations agency with offices in San Francisco and New York. The purchase price was an upfront cash payment of US\$ 5 million (A\$6.3 million) in addition to contingent consideration payable to the vendors of Eastwick Communications in three tranches across a four year period through to 30 June 2020. Future payments are subject to a minimum EBIT threshold and a final uncapped payment based on the average EBIT. The fair value of the future contingent consideration liability is estimated based on the achievement of EBIT targets.

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

This acquisition contributed \$3,272,000 to net revenue and \$52,000 to net profit after tax of the Group for the half year ended 31 December 2016.

The net revenue and net profit after tax of the Group for the half year ended 31 December 2016 would have been \$54,486,000 and \$2,709,000 respectively, had the Group acquired the business of Eastwick Communication at the beginning of the financial year.

Effect of acquisition for the half year ended 31 December 2016 on the Group's assets and liabilities.

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

In thousands of AUD	Recognised values	Fair value adjustment	Carrying amount
Cash and cash equivalents	262	–	262
Trade and other receivables	2,477	–	2,477
Other assets	287	–	287
Property, plant and equipment	274	–	274
Intangible assets	–	1,650	1,650
Trade and other payables	(546)	–	(546)
Employee benefits	(190)	–	(190)
Provisions	(3)	–	(3)
Other liabilities	(87)	–	(87)
Net identifiable assets and liabilities	2,474	1,650	4,124
Goodwill on acquisition			
Total consideration	14,399		
Less: Fair value of identifiable assets	(4,124)		
Goodwill	10,275		

Enero Group Limited

Financial Report - half year ended 31 December 2016

8. Acquisition (continued)

Total acquisition cash outflow for half year ended 31 December 2016:

In thousands of AUD

Total consideration	14,399
Less: Contingent consideration	(7,809)
Less: Cash acquired	(262)
Net cash paid	<u>6,328</u>

Fair value adjustments represent identifiable intangible assets (contracts and customer relationships) acquired from Eastwick Communications.

Goodwill has arisen on the acquisition of business of Eastwick Communications during the half year as intangibles including key management, specialised know-how of the workforce, employee relationships, competitive position and service offerings do not meet the recognition criteria as an intangible asset at the date of acquisition.

9. Commitments

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

10. Subsequent events

There has not arisen, in the interval between the end of the interim period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial period.

Enero Group Limited

Financial Report - half year ended 31 December 2016

Directors' Declaration

In the opinion of the directors of Enero Group Limited ("the Company"):

1. the condensed interim consolidated financial statements and notes set out on page 5 to 17 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and the performance for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 9th day of February 2017.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'John Porter', written over a horizontal line.

John Porter
Chairman



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

We have reviewed the accompanying half-year financial report of Enero Group Limited, which comprises the consolidated interim statement of financial position as at 31 December 2016, consolidated interim income statement and consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Responsibility of the Directors for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Enero Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence


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

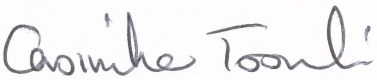


Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Enero Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


KPMG


Caoimhe Toouli

Partner

Sydney

9 February 2017



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 review for the half-year ended 31 December 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG
KPMG

Caoimhe Toouli

Caoimhe Toouli

Partner

Sydney

9 February 2017