Enero Group Limited and Controlled Entities
ABN 97 091 524 515

Preliminary Final Report

Appendix 4E

For the year ended 30 June 2014

Contents

Results for announcement to the market

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

The current reporting period is 1 July 2013 to 30 June 2014.
The previous corresponding reporting period is 1 July 2012 to 30 June 2013.

Key information
In thousands of AUD

	30 June 2014	30 June 2013	% Change	Amount Change
Gross revenues from ordinary activities	212,623	247,970	(14.25%)	(35,347)
Loss after tax attributable to members	(2,912)	(83,018)	96.49%	80,106
Loss for the period attributable to members	(2,912)	(83,018)	96.49%	80,106

Dividends	Amount per security	Franked amount per security
-	-	-

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	0.33	0.32

Explanation of results

All information requiring disclosures to comply with listing rule 4.3A are contained in this report.

Summary of key results:

Reconciliation of Operating EBITDA to Loss after tax:

In thousands of AUD	2014	2013
Net Revenue	119,493	127,315
Operating EBITDA	8,972	3,619
Impairment of intangible assets (i)	–	(75,931)
Loss on disposal of subsidiaries	(68)	(340)
Depreciation and amortisation expenses	(4,791)	(4,883)
Fair value gain on deferred consideration	–	715
Net finance expenses	(44)	(551)
Present value interest expenses	–	(121)
Commercial settlement	(1,150)	–
Restructure costs	(1,717)	(2,994)
Profit/(loss) before tax	1,202	(80,486)
Income tax expense	(2,655)	(1,688)
Loss after tax	(1,453)	(82,174)

(i) For further details on the impairment of intangible assets please refer to Note 5 Intangible assets of this preliminary final report.

Basis of preparation

This report includes Operating EBITDA, a measure used by the directors and management in assessing the on-going performance of the Consolidated Entity. Operating EBITDA is a non-IFRS measure and has not been audited or reviewed.

Operating EBITDA is calculated as net profit excluding net finance costs, income taxes, depreciation, amortisation, loss on disposal of subsidiaries, fair value adjustments to deferred consideration, impairment, commercial settlement and restructuring costs. Operating EBITDA, which is reconciled above is the primary measure used by management and the directors in assessing the performance of the Consolidated Entity. It provides information on the Consolidated Entity's cash flow generation excluding significant transactions and non-cash items which are not representative of the Consolidated Entity's on-going operations.

Pro forma revenue and Operating EBITDA exclude the contribution of divestments and closed businesses. Pro forma revenue and Operating EBITDA are presented to provide an accurate representation of the Group's on-going operations or cash flow.

Operating Performance:

The Consolidated Entity consists of 11 marketing and communication services business across 8 countries with more than 650 employees. The Consolidated Entity's service offering includes public relations, advertising, direct marketing, communications strategy and planning, research and data analytics, stakeholder communications and search marketing.

During the current financial year the Consolidated Entity continued to focus its operations on the three key hubs – Sydney, London and New York.

The Consolidated Entity achieved an increase in Operating EBITDA of 148% to $9.0m, despite a 6% decline in net revenue. On a pro forma continuing business basis, Operating EBITDA was up 159% compared to the prior reporting period, notwithstanding a 5% decline in net revenue.

The increased Operating EBITDA and margin was attributable to:

- A re-alignment of the cost base across a number of Operating Brands and focus on benchmark ratios to measure the Operating Brands against;
- Improved operating infrastructure with more co-location of Operating Brands in their respective geographic locations;
- New business wins across the Operating Brands;
- Better leverage of group assets to service client needs with integration of key skill and resources across Operating Brands; and
- A more connected group with standardized platforms and systems.

Events subsequent to year end reporting date

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

Consolidated income statement
for the year ended 30 June 2014

In thousands of AUD	Note	2014	2013
Gross revenue		212,623	247,970
Directly attributable costs of sales		(93,130)	(120,655)
Net revenue		119,493	127,315
Other income		378	110
Employee expenses		(89,995)	(99,989)
Occupancy costs		(8,622)	(9,830)
Travel expenses		(2,530)	(3,230)
Communication expenses		(2,285)	(2,605)
Compliance expenses		(2,357)	(3,158)
Depreciation and amortisation expense		(4,791)	(4,883)
Administration expenses		(6,827)	(7,988)
Fair value adjustment to deferred consideration liability		–	715
Commercial settlement		(1,150)	–
Loss on disposal of subsidiaries		(68)	(340)
Impairment of intangible assets	5	–	(75,931)
Present value interest expense		–	(121)
Other net finance costs		(44)	(551)
Total net finance costs		(44)	(672)
Profit/(loss) before income tax		1,202	(80,486)
Income tax expense	3	(2,655)	(1,688)
Loss for the year		(1,453)	(82,174)
Attributable to:			
Equity holders of the parent		(2,912)	(83,018)
Non-controlling interests		1,459	844
		(1,453)	(82,174)
Earnings per share			
Basic earnings per share (AUD cents)	4	(3.6)	(102.8)
Diluted earnings per share (AUD cents)	4	(3.8)	(102.9)

Consolidated statement of comprehensive income
for the year ended 30 June 2014

In thousands of AUD	Note	2014	2013
Loss for the year		(1,453)	(82,174)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		5,298	9,498
Total items that may be reclassified subsequently to profit or loss		5,298	9,498
Other comprehensive income for the year, net of tax		5,298	9,498
Total comprehensive income for the year		3,845	(72,676)
Attributable to:			
Equity holders of the parent		2,430	(73,635)
Non-controlling interest		1,415	959
		3,845	(72,676)

Consolidated statement of changes in equity
for the year ended 30 June 2014

In thousands of AUD	Note	Share capital	Accumulated losses	Option reserve	Reserve change in ownership interest in subsidiary	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
		Attributable to owners of the Company							
Opening balance at 1 July 2012		489,391	(294,898)	12,880	–	(36,518)	170,855	886	171,741
Profit/(loss) for the year		–	(83,018)	–	–	–	(83,018)	844	(82,174)
Other comprehensive income for the year net of tax		–	–	–	–	9,383	9,383	115	9,498
Total comprehensive income for the year		–	(83,018)	–	–	9,383	(73,635)	959	(72,676)
Transactions with owners recorded directly in equity:									
Shares issued as part of business combinations		401	–	–	–	–	401	–	401
Dividends paid to equity holders		–	–	–	–	–	–	(1,486)	(1,486)
Share based payment expense		–	–	1,158	–	–	1,158	–	1,158
Changes in ownership interests in subsidiaries									
Disposal of non-controlling interests without a change in control		–	–	–	(883)	–	(883)	883	–
Shares issued to non-controlling interests in controlled entities		–	–	(176)	–	–	(176)	176	–
Closing balance at 30 June 2013		489,792	(377,916)	13,862	(883)	(27,135)	97,720	1,418	99,138
Opening balance at 1 July 2013		489,792	(377,916)	13,862	(883)	(27,135)	97,720	1,418	99,138
Profit/(loss) for the year		–	(2,912)	–	–	–	(2,912)	1,459	(1,453)
Other comprehensive income for the year net of tax		–	–	–	–	5,342	5,342	(44)	5,298
Total comprehensive income for the year		–	(2,912)	–	–	5,342	2,430	1,415	3,845
Transactions with owners recorded directly in equity:									
Shares issued as part of business combinations		38	–	–	–	–	38	–	38
Dividends paid to equity holders		–	–	–	–	–	–	(969)	(969)
Share based payment expense		–	–	1,453	–	–	1,453	–	1,453
Changes in ownership interests in subsidiaries									
Disposal of non-controlling interests without a change in control		–	–	–	(234)	–	(234)	234	–
Shares issued to non-controlling interests in controlled entities		–	–	(96)	–	–	(96)	96	–
Closing balance at 30 June 2014		489,830	(380,828)	15,219	(1,117)	(21,793)	101,311	2,194	103,505

Consolidated statement of financial position
as at 30 June 2014

In thousands of AUD	Note	2014	2013
Assets			
Cash and cash equivalents		22,513	19,426
Trade and other receivables		26,542	30,895
Other assets		4,905	8,466
Income tax receivable		263	60
Total current assets		54,223	58,847
Receivables		50	227
Deferred tax assets		2,546	2,985
Plant and equipment		7,240	7,631
Other assets		750	937
Intangible assets	5	76,697	73,177
Total non-current assets		87,283	84,957
Total assets		141,506	143,804
Liabilities			
Trade and other payables		30,467	36,159
Deferred consideration payables	6	–	104
Interest-bearing loans and borrowings		1,658	636
Employee benefits		2,826	3,678
Income tax payable		713	72
Provisions		633	1,103
Total current liabilities		36,297	41,752
Trade and other payables		–	33
Interest-bearing loans and borrowings		24	1,070
Employee benefits		522	642
Provisions		1,158	1,169
Total non-current liabilities		1,704	2,914
Total liabilities		38,001	44,666
Net assets		103,505	99,138
Equity			
Issued capital		489,830	489,792
Reserves		(7,691)	(14,156)
Accumulated losses		(380,828)	(377,916)
Total equity attributable to equity holders of the parent		101,311	97,720
Non-controlling interests		2,194	1,418
Total equity		103,505	99,138

Consolidated statement of cash flows
for the year ended 30 June 2014

In thousands of AUD	Note	2014	2013
Cash flows from operating activities			
Cash receipts from customers		240,131	297,714
Cash paid to suppliers and employees		(230,577)	(289,486)
Cash generated from operations		9,554	8,228
Interest received		261	467
Income taxes paid		(1,782)	(1,103)
Interest paid		(305)	(440)
Cash paid for commercial settlement		(1,150)	–
Net cash from operating activities		6,578	7,152
Cash flows from investing activities			
Proceeds from disposal of non-current assets		80	54
Payments of deferred consideration		(66)	(12,430)
Disposal of controlled entities, net of cash		–	6,640
Acquisition of plant and equipment		(1,903)	(3,345)
Net cash used in investing activities		(1,889)	(9,081)
Cash flows from financing activities			
Finance lease payments		(924)	(982)
Dividends paid to non-controlling interests in controlled entities		(969)	(1,486)
Net cash used in financing activities		(1,893)	(2,468)
Net increase/(decrease) in cash and cash equivalents		2,796	(4,397)
Effect of exchange rate fluctuations on cash held		291	414
Cash classified as held for sale at 1 July		–	1,895
Cash and cash equivalents at 1 July		19,426	21,514
Cash and cash equivalents at 30 June		22,513	19,426

Notes to the preliminary final report
for the year ended 30 June 2014

Note 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 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, business combinations acquired under revised AASB 3 Business Combinations, intangible assets, trade and other receivables, non-derivative financial liabilities and share-based payment transactions which are stated at their fair value.

The consolidated annual financial report is in the process of being audited and is expected to be made available on 26 August 2014. 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. Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes the Consolidated Entity will continue its operations and be able to meet its obligations as and when they become due and payable. This assumption is based on an analysis of the Consolidated Entity's ability to meet its future cash flow requirements using its projected cash flows from operations and existing cash reserves held on the balance sheet date.

c. Significant accounting policies

Except as described below, the accounting policies applied by the Consolidated Entity in this report are the same as those applied by the Consolidated Entity in the consolidated annual financial report for the year ended 30 June 2013.

Changes in accounting policies
From 1 July 2013 the Consolidated Entity has adopted the following new standards and amendments to the standards, including any consequential amendments to the other standards:

- AASB 12 Disclosures of interests in Other Entities: This standard does not have any impact on the consolidated financial statements as the Consolidated Entity does not have interests in other entities.
- AASB 119 Employee Benefits (revised): This standard does not have any impact on the consolidated financial statements, primarily because the Consolidated Entity does not have defined benefit plan assets or obligations.
- AASB 13 Fair Value Measurement: See note 1(d) below

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 Consolidated Entity's accounting policies and the key sources of uncertainty in estimation were the same as those that applied to the consolidated annual financial report for the year ended 30 June 2013.

Note 1. Statement of significant accounting policies (continued)

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 Consolidated Entity 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).

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

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

- Note 6 Deferred Consideration

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Entity and that are believed to be reasonable under the circumstances.

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not always equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill and intangibles

The Consolidated Entity tests annually whether there is any impairment of goodwill. The recoverable amount of a cash generating unit (CGU) group has been determined by applying a 'value in use' method using assumptions of future profit margins and cash flows. Refer to Note 5 Intangible assets of this preliminary final report for the details of these assumptions and the potential impact of changes to the assumptions.

(ii) Share based payments

The grant date fair value of significant share based payment arrangements is determined by an appropriately qualified independent expert commissioned by the Directors. Inputs to the determination of fair value are subjective and include the market value of the instrument on the grant date, expected volatility of the Company's share price, the risk free interest rate, the dividend yield, the expected life of the instrument and the exercise price. Certain of these inputs are estimates.

(iii) Deferred consideration liability

Certain acquisitions of subsidiaries made by the Consolidated Entity contain arrangements for further consideration to be paid to vendors subject to certain targets being met. At each reporting date an estimate is made of whether such targets will be achieved and the Consolidated Entity's liability is then based on the achievement of such targets. The estimate is based on the consolidated budgets and forecasts prepared by management. The nature of the arrangements means that at the reporting date there is uncertainty around the amount and timing of the liability to be paid in the future under such deferred consideration arrangements.

Note 1. Statement of significant accounting policies (continued)

During the year ended 30 June 2011, the Consolidated Entity entered into agreements to restructure its deferred consideration liabilities such that substantially all agreements contain caps on the total liability. The time period to calculate the potential capped liabilities has now been completed. The Consolidated Entity has identified an estimate of the liability for future deferred consideration liabilities based on its best estimates of the achievement of the forecast targets by the Consolidated Entity. There is uncertainty around the actual payments that will be made subject to the performance of the Consolidated Entity subsequent to the reporting date versus the targets. Actual future payments may exceed the estimated liability.

(iv) Impairment of receivables

The Consolidated Entity carries trade receivables at amortised cost less impairment. The impairment of these receivables is an estimate based on whether there is evidence suggesting that an event has occurred leading to a negative effect on the estimated future cash inflow. Events subsequent to the reporting date but prior to the signing of the financial statements which indicate a negative effect are taken into effect in the calculation of impairment. Future events may occur which change these estimates of the future cash inflows related to impaired trade receivables.

(v) Revenue recognition

The Consolidated Entity recognises revenue from services rendered in proportion to the stage of completion of the transaction. Stage of completion estimates are determined by reference to the relative value of services completed in comparison to the total expected services to be completed in any specific project. The estimates require judgments and assumptions and actual results may differ to estimates as at the reporting date.

(vi) Utilisation of tax losses

The Consolidated Entity has recognised deferred tax assets on tax losses arising from capital losses generated from disposed subsidiaries. The recognition of tax losses as deferred tax assets is based on the assumption of future taxable capital gains in the same tax jurisdiction due to the recognition of fair value gains in relation to deferred consideration liabilities.

Note 2. Operating segments

In the current financial period, the Consolidated Entity had one operating segment based on internal reporting regularly reviewed by the Chief Executive Officer (the chief operating decision maker (CODM)).

The operating segment is defined by management, based on the manner in which service is provided in the geographies operated in and correlates to the way in which results are reported to the Chief Executive Officer on a monthly basis.

The Consolidated Entity's operating segment (Operating Brands) includes International and Australian specialised marketing services including public relations, communications planning, strategy, research and data analytics, advertising, direct marketing and stakeholder communications.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

Unallocated items comprise:

- Corporate overheads: costs associated with the centralised management and governance of Enero Group Limited, such as interest bearing loans, costs of borrowings and related expenses, and corporate head office assets and expenses; and
- Amounts relating to divested and closed businesses which are no longer connected to a segment.

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

The measure of reporting to the chief operating decision maker 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 do not reflect the underlying trading of the operations.

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

Operating EBITDA: earnings before interest, taxes, depreciation, amortisation, loss on disposal of subsidiaries, fair value adjustment to deferred consideration, impairment, commercial settlement and restructure costs.

Note 2. Operating segments (continued)

2014 In thousands of AUD	Operating Brands	Total segment	Unallocated	Eliminations	Consolidated
Gross revenue	212,623	212,623	_	_	212,623
Directly attributable cost of sales	(93,130)	(93,130)	_	_	(93,130)
Net revenue	119,493	119,493	_	_	119,493
Other income	378	378	_	_	378
Operating expenses	(103,965)	(103,965)	(6,934)	_	(110,899)
Operating EBITDA	15,906	15,906	(6,934)	_	8,972
Restructure costs	(1,717)	(1,717)	_	_	(1,717)
Commercial settlement					(1,150)
Loss on disposal of subsidiaries					(68)
Depreciation and amortisation expenses					(4,791)
Net finance expenses					(44)
Income tax expense					(2,655)
Loss for the period					(1,453)
Goodwill	75,707	75,707	_	_	75,707
Other intangibles	990	990	_	_	990
Assets excluding intangibles	51,974	51,974	18,082	(5,247)	64,809
Total assets	128,671	128,671	18,082	(5,247)	141,506
Liabilities	33,415	33,415	9,833	(5,247)	38,001
Total liabilities	33,415	33,415	9,833	(5,247)	38,001
Amortisation of intangibles	1,532	1,532	_	_	1,532
Depreciation	2,939	2,939	320	_	3,259
Capital expenditure	1,676	1,676	227	_	1,903

* All segments are continuing operations.

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

Geographical information		2014		2013
In thousands of AUD	Net revenues	Non-current assets	Net revenues	Non-current assets
Australasia	60,296	6,235	75,402	7,341
UK & Europe	44,427	3,125	37,539	3,127
USA	14,770	1,226	14,374	1,312
Unallocated intangibles(i)	–	76,697	–	73,177
Total	119,493	87,283	127,315	84,957

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

Note 2. Operating segments (continued)

2013 In thousands of AUD	Operating Brands	Total segment	Unallocated	Eliminations	Consolidated
Gross revenue	245,906	245,906	2,064	_	247,970
Directly attributable cost of sales	(120,303)	(120,303)	(352)	_	(120,655)
Net revenue	125,603	125,603	1,712	_	127,315
Other income	110	110	_	_	110
Operating expenses	(115,842)	(115,842)	(7,964)	_	(123,806)
Operating EBITDA	9,871	9,871	(6,252)	_	3,619
Restructure costs	(2,927)	(2,927)	(67)	_	(2,994)
Depreciation and amortisation expenses					(4,883)
Impairment of intangibles	(75,931)	(75,931)	_	_	(75,931)
Loss on disposal of subsidiaries	(340)	(340)	_	_	(340)
Fair value adjustment					715
Net finance expenses					(672)
Income tax expense					(1,688)
Loss for the period					(82,174)
Goodwill	70,922	70,922	_	_	70,922
Other intangibles	2,255	2,255	_	_	2,255
Assets excluding intangibles	67,234	67,234	14,657	(11,264)	70,627
Total assets	140,411	140,411	14,657	(11,264)	143,804
Liabilities	43,691	43,691	12,239	(11,264)	44,666
Total liabilities	43,691	43,691	12,239	(11,264)	44,666
Amortisation of intangibles	1,636	1,636	_	_	1,636
Depreciation	2,792	2,792	455	_	3,247
Capital expenditure	3,114	3,114	231	_	3,345

* All segments are continuing operations.

Note 3. Income tax expense

Recognised in the income statement

In thousands of AUD	2014	2013
Current tax expense		
Current year	2,416	1,383
Adjustments for prior years	(211)	(107)
	2,205	1,276
Deferred tax expense		
Origination and reversal of temporary differences	450	412
	450	412
Income tax expense in income statement	2,655	1,688

Numerical reconciliation between tax expense and pre-tax accounting loss

Loss for the year	(1,453)	(82,174)
Income tax expense	2,655	1,688
Profit/(loss) excluding income tax	1,202	(80,486)
Income tax expense/(benefit) using the Company's domestic tax rate of 30% (2013: 30%)	361	(24,146)
Increase in income tax expense due to:		
Accounting amortisation of identifiable intangible assets	441	428
Share based payment expense	305	51
Tax losses not brought to account	2,190	2,730
Imputation gross-up on dividends received	–	27
Present value interest charges	–	36
Effect of losses on sale of subsidiaries	–	102
Impairment charge	–	22,779
Decrease in income tax expense due to:		
Effect of losses not previously recognised	(10)	(116)
Other (subtraction)/non-deductible items	(21)	517
Effect of (lower)/higher tax rate on overseas incomes	(39)	304
Over provision for tax in previous years	(211)	(107)
Unwinding of deferred tax liability established in business combinations	(361)	(613)
Non-assessable fair value gain	–	(215)
Franking credits on dividends received	–	(89)
Income tax expense on pre-tax net profit/(loss)	2,655	1,688

Note 4. Earning per share

	2014	2013
Profit attributable to ordinary shareholders		
In thousands of AUD		
Loss for the year	(1,453)	(82,174)
Non-controlling interests	1,459	844
Loss for the year attributable to equity owners	(2,912)	(83,018)
Participative rights that have dilutive effect	(135)	(115)
Diluted net loss attributable to equity owners	(3,047)	(83,133)
Weighted average number of ordinary shares		
In thousands of shares		
Weighted average number of ordinary shares – basic	80,815	80,744
Shares issuable under equity-based compensation plans(i)	1,581	–
Weighted average number of ordinary shares – diluted	82,396	80,744
Earnings per share		
Basic (AUD cents)	(3.6)	(102.8)
Diluted (AUD cents)	(3.8)	(102.9)

(i) The weighted average shares outstanding includes the incremental shares that would be issued upon the assumed exercise of stock options if the effect is dilutive. Because the Consolidated Entity had a loss both in the current and prior reporting period, no potentially dilutive shares were included in the denominator computing diluted earnings per shares since the impact on earnings per share would be anti-dilutive.

Note 5. Intangible assets

In thousands of AUD	2014	2013
Goodwill		
At cost	323,320	368,656
Impairment	(247,613)	(297,734)
	75,707	70,922
IT related intellectual property		
At cost	9,306	9,306
Accumulated amortisation	(511)	(511)
Impairment	(8,795)	(8,795)
	–	–
Contracts and customer relationships		
At cost	16,927	17,770
Accumulated amortisation	(15,432)	(15,072)
Impairment	(681)	(681)
	814	2,017
Internally generated intangible assets		
At cost	3,085	3,783
Accumulated amortisation	(1,226)	(1,417)
Impairment	(1,683)	(2,128)
	176	238
Total intangible assets, net carrying value	76,697	73,177
Reconciliations Reconciliations of the carrying amounts of intangibles are set out below:		
Goodwill		
Carrying amount at the beginning of the year	70,922	138,371
Impairment	–	(75,931)
Effect of movement in exchange rate	4,785	8,482
Carrying amount at the end of the year	75,707	70,922
Contracts and customer relationships		
Carrying amount at the beginning of the year	2,017	3,146
Amortisation	(1,470)	(1,418)
Effect of movement in exchange rate	267	289
Carrying amount at the end of the year	814	2,017
Internally generated intangible assets		
Carrying amount at the beginning of the year	238	456
Amortisation	(62)	(218)
Carrying amount at the end of the year	176	238

Note 5. Intangible assets (continued)

Amortisation charge
The amortisation charge of $1,532,000 (2013: $1,636,000) is recognised in the depreciation and amortisation expense in the income statement.

Impairment charge

In thousands of AUD	**2014**	**2013**
Impairment of intangibles	–	75,931
Impairment charge	–	75,931

Goodwill CGU group allocation

In thousands of AUD	**2014**	**2013**
The Consolidated Entity's carrying amount of goodwill for each of the CGU groups identified:		
Operating brands	75,707	70,922
	75,707	70,922

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

The Search Marketing CGU does not have any carrying value, as goodwill relating to these businesses was fully impaired during the year ended 30 June 2011.

Impairment tests for cash generating unit (CGU) groups containing goodwill
Goodwill is tested for impairment on a business unit basis, reflecting the synergies obtained by the business unit. The Consolidated Entity is managed as one collective group, which reflects the lowest level of management of the groups of assets and the synergies of the business groupings. 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 a CGU group is assessed using calculation methodologies based on value-in-use calculation. The recoverable amount methodologies and assumptions for all of the CGU groups have remained materially consistent with those applied as at 30 June 2013, as disclosed in the 30 June 2013 annual financial report.

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
The discount rate is based on the Consolidated Entity'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. The discount rate has been 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 2013: 2.4%) has been applied to the cash flows of the first five years. The five years of cash flows are discounted to present value. The growth rate is based on analysis of organic growth expectations and industry/sector growth rates. Given the substantial change in the business over the prior two years, historical growth rates do not represent a reasonable basis to estimate future growth.

Note 5. Intangible assets (continued)

Long-term growth rate into perpetuity

Long-term growth rates of 2.5% (30 June 2013: 3.0%) are used into perpetuity, based on expected long-range growth rates for the industry.

	2014 inputs			2013 inputs		
	Post-tax discount rate %	Pre-tax discount rate %	Long-term perpetuity growth rate %	Post-tax discount rate %	Pre-tax discount rate %	Long-term perpetuity growth rate %
Impairment testing assumptions for CGU groups						
Operating Brands	11.45	13.69	2.5	12.32	14.79	3.00

Impairment of intangible assets in the year ended 30 June 2013:

During the year ended 30 June 2013, the Operating Brands CGU, which provides a range of specialised marketing services including public relations, communications strategy and research and data analytics, advertising, direct marketing and stakeholder communications, experienced a decline in earnings due to under-performance across a number of agencies stemming from a reduction in client spending. The Consolidated Entity reviewed the future cash flows of the CGU and adjusted for the estimated cash flow impact of the current performance levels. As the carrying value of the CGU was higher than its recoverable amount based on its value in use, the Consolidated Entity recognised an impairment charge against the goodwill of the CGU in the income statement of $75,931,000.

Sensitivity assumptions for impairment testing assumptions

As at 30 June 2014, the estimated recoverable amount of the CGU exceeds its carrying amount by $19,133,000. Management has identified that a reasonably possible change in discount rate and growth rate could cause the carrying amount to exceed the recoverable amount. The discount rate would need to increase by 2.2% for the estimated recoverable amount to equal the carrying amount, while a growth rate at 0% would continue to generate an estimated recoverable amount above the carrying amount.

Note 6. Deferred consideration

The Consolidated Entity has not recognised an amount of $52,148,000 (2013: $50,607,000) of contingent deferred consideration liabilities as payment of these amounts is not considered probable. This contingent deferred consideration liability is in relation to restructured deferred consideration arrangements entered into in the year ended 30 June 2011, and which is based on the Consolidated Entity achieving certain EBITDA targets. There is uncertainty around the actual payments that will be made subject to the performance the Consolidated Entity after the reporting date versus the targets. As the inputs in these valuations are not based on observable market data, this is deemed a level 3 measurement of fair value.