

Enero Group Limited
ABN 97 091 524 515
Preliminary Final Report
Appendix 4D
Half Year ended 31 December 2014

Rule 4.2A.3

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 2014 to 31 December 2014.

The previous corresponding reporting period is 1 July 2013 to 31 December 2013.

Key information

In thousands of AUD

	31 December 2014	31 December 2013	% Change	Amount Change
Gross revenues from ordinary activities	104,996	113,888	(7.81%)	(8,892)
Profit after tax attributable to members	386	151	155.63%	235
Profit for the period attributable to members	386	151	155.63%	235

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 2014 and the additional information set out below.

Additional Information

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	0.36	0.35

Explanation of results

Please refer to the attached financial report for the half year ended 31 December 2014 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

Financial Report

For the half year ended 31 December 2014

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Enero Group Limited

Financial Report - half year ended 31 December 2014

Directors' Report

The directors of Enero Group Limited (the "Company") present their report together with the consolidated financial statements for the half year ended 31 December 2014 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 ten 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 a member of the Audit Committee and 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 Committee and 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 Tyrian Diagnostics 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 Committee and a member of the Remuneration and Nomination Committee.

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Financial Report - half year ended 31 December 2014

Directors' Report (continued)

Max Johnston - Independent Non-Executive Director

Max was appointed as a Non-Executive Director of the Company on 28 April 2011. Max is a Non-Executive Director of Probiotec Limited, Non-Executive Director of PolyNovo Limited and a Director of Medical Developments International. For 11 years he was President and Chief Executive Officer of Johnson & Johnson, Pacific and an Executive Director of Johnson & Johnson. Max has also held several prominent industry roles, including as a past President of ACCORD Australasia Limited, a former Vice Chairman of the Australian Food and Grocery Council and a former member of the Board of ASMI. He has had extensive overseas experience during his career in leading businesses in both Western and Central-Eastern Europe and Africa. Max is a Chairman of the Remuneration and Nomination Committee.

Principal activities

The principal activities of the Consolidated Entity 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 and result of operations for the six months ended 31 December 2014:

Reconciliation of Operating EBITDA to Profit after tax:

In thousands of AUD	6 months to 31 December 2014	6 months to 31 December 2013
Net Revenue	56,193	61,599
Operating EBITDA	4,585	5,008
Depreciation and amortisation expenses	(2,075)	(2,291)
Net finance income/(costs)	9	(67)
Restructure costs	(577)	–
Profit before tax	1,942	2,650
Income tax expense	(968)	(1,894)
Profit after tax	974	756

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, 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.

Issue of shares

During the half year ended 31 December 2014, a total of 1,460,386 shares were transferred from a trust account held by the Company to the employees of the Consolidated Entity on exercise of Share Appreciation Rights.

As at 31 December 2014, the Company has 3,324,147 shares (31 December 2013: 4,784,533 shares) in a trust account held by the Company for future use against long-term incentive equity schemes as and when required.

Dividend

No dividend was declared during the half year ended 31 December 2014 or after the interim reporting date but before the date of this report.

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Financial Report - half year ended 31 December 2014

Directors' Report (continued)

Subsequent Events

For events subsequent to the interim reporting date, refer to Note 8 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 19 and forms part of the directors' report for the half year ended 31 December 2014.

Rounding off

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

Dated at Sydney this 12th day of February 2015.

A handwritten signature in black ink, appearing to read 'John Porter', with a stylized flourish at the end.

John Porter
Chairman

Enero Group Limited

Financial Report - half year ended 31 December 2014

Consolidated interim income statement for the six months ended 31 December 2014

In thousands of AUD	Note	2014	2013
Gross revenue		104,996	113,888
Directly attributable costs of sales		(48,803)	(52,289)
Net revenue		56,193	61,599
Other income		128	218
Employee expenses		(41,173)	(45,405)
Occupancy costs		(4,159)	(4,356)
Travel expenses		(992)	(1,360)
Communication expenses		(1,119)	(1,144)
Compliance expenses		(1,199)	(1,194)
Depreciation and amortisation expense		(2,075)	(2,291)
Administration expenses		(3,671)	(3,350)
Net finance income/(costs)		9	(67)
Profit before income tax		1,942	2,650
Income tax expense	3	(968)	(1,894)
Profit for the period		974	756
Attributable to:			
Equity holders of the parent		386	151
Non-controlling interests		588	605
		974	756
Earnings per share			
Basic earnings per share (AUD cents)	4	0.47	0.19
Diluted earnings per share (AUD cents)	4	0.45	0.02

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Consolidated interim statement of comprehensive income for the six months ended 31 December 2014

In thousands of AUD	Note	2014	2013
Profit for the period		974	756
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		4,797	7,883
Total items that may be reclassified subsequently to profit or loss		4,797	7,883
Other comprehensive income for the period, net of tax		4,797	7,883
Total comprehensive income for the period		5,771	8,639
Attributable to:			
Equity holders of the parent		4,962	7,991
Non-controlling interests		809	648
		5,771	8,639

Enero Group Limited

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Consolidated interim statement of changes in equity for the six months ended 31 December 2014

In thousands of AUD	Note	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
		Share capital	Accumulated losses	Option reserve	Reserve change in ownership interest in subsidiary	Foreign currency translation reserve			
Opening balance at 1 July 2013		489,792	(377,916)	13,862	(883)	(27,135)	97,720	1,418	99,138
Profit for the period		-	151	-	-	-	151	605	756
Other comprehensive income for the period net of tax		-	-	-	-	7,840	7,840	43	7,883
Total comprehensive income for the period		-	151	-	-	7,840	7,991	648	8,639
Transactions with owners recorded directly in equity:									
Shares issued as part of business combinations		38	-	-	-	-	38	-	38
Dividends paid to equity holders		-	-	-	-	-	-	(368)	(368)
Share based payment expense		-	-	527	-	-	527	-	527
Changes in ownership interests in subsidiaries									
Disposal of non-controlling interests without a change in control		-	-	-	(147)	-	(147)	147	-
Closing balance at 31 December 2013		489,830	(377,765)	14,389	(1,030)	(19,295)	106,129	1,845	107,974
Opening balance at 1 July 2014		489,830	(380,828)	15,219	(1,117)	(21,793)	101,311	2,194	103,505
Profit for the period		-	386	-	-	-	386	588	974
Other comprehensive income for the period net of tax		-	-	-	-	4,576	4,576	221	4,797
Total comprehensive income for the period		-	386	-	-	4,576	4,962	809	5,771
Transactions with owners recorded directly in equity:									
Shares issued to employees on exercise of Share Appreciation Rights		1,679	-	(1,679)	-	-	-	-	-
Dividends paid to equity holders		-	-	-	-	-	-	(660)	(660)
Share based payment expense		-	-	534	-	-	534	-	534
Changes in ownership interests in subsidiaries									
Disposal of non-controlling interests without a change in control		-	-	-	(259)	-	(259)	259	-
Closing balance at 31 December 2014		491,509	(380,442)	14,074	(1,376)	(17,217)	106,548	2,602	109,150

The condensed notes on pages 10 to 15 are an integral part of these consolidated interim financial statements.

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Financial Report - half year ended 31 December 2014

Consolidated interim statement of financial position as at 31 December 2014

In thousands of AUD	Note	31-Dec-2014	30-Jun-2014
Assets			
Cash and cash equivalents		24,215	22,513
Trade and other receivables		26,680	26,542
Other assets		4,510	4,905
Income tax receivable		350	263
Total current assets		55,755	54,223
Receivables		42	50
Deferred tax assets		2,305	2,546
Plant and equipment		7,204	7,240
Other assets		681	750
Intangible assets	5	79,706	76,697
Total non-current assets		89,938	87,283
Total assets		145,693	141,506
Liabilities			
Trade and other payables		30,056	30,467
Interest-bearing loans and borrowings		1,273	1,658
Employee benefits		2,381	2,826
Income tax payable		794	713
Provisions		239	633
Total current liabilities		34,743	36,297
Interest-bearing loans and borrowings		–	24
Employee benefits		570	522
Provisions		1,230	1,158
Total non-current liabilities		1,800	1,704
Total liabilities		36,543	38,001
Net assets		109,150	103,505
Equity			
Issued capital		491,509	489,830
Reserves		(4,519)	(7,691)
Accumulated losses		(380,442)	(380,828)
Total equity attributable to equity holders of the parent		106,548	101,311
Non-controlling interests		2,602	2,194
Total equity		109,150	103,505

The condensed notes on pages 10 to 15 are an integral part of these consolidated interim financial statements.

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Financial Report - half year ended 31 December 2014

Consolidated interim statement of cash flows for the six months ended 31 December 2014

In thousands of AUD	Note	2014	2013
Cash flows from operating activities			
Cash receipts from customers		117,756	126,438
Cash paid to suppliers and employees		(113,744)	(122,925)
Cash generated from operations		4,012	3,513
Interest received		112	121
Income taxes paid		(765)	(777)
Interest paid		(103)	(186)
Net cash from operating activities		3,256	2,671
Cash flows from investing activities			
Proceeds from disposal of non-current assets		18	63
Payments of deferred consideration		–	(66)
Acquisition of plant and equipment		(1,345)	(394)
Net cash used in investing activities		(1,327)	(397)
Cash flows from financing activities			
Finance lease payments		(436)	(454)
Dividends paid to non-controlling interests in controlled entities		(660)	(368)
Net cash used in financing activities		(1,096)	(822)
Net increase in cash and cash equivalents		833	1,452
Effect of exchange rate fluctuations on cash held		869	449
Cash and cash equivalents at 1 July		22,513	19,426
Cash and cash equivalents at 31 December		24,215	21,327

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Condensed notes to the consolidated interim financial statements for the six months ended 31 December 2014

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 2014 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2014 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 Consolidated Entity as at and for the year ended 30 June 2014.

The consolidated interim financial report was approved by the Board of Directors on 12 February 2015.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

c. Significant accounting policies

The accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated annual financial report as at and for the year ended 30 June 2014.

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 2014.

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).

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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 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 of Deferred Consideration is included below:

Deferred Consideration

The Consolidated Entity has not recognised an amount of \$53,161,000 (30 June 2014: \$52,148,000) 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.

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.

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, impairment, commercial settlement and restructure costs.

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2. Operating segments (continued)

2014 In thousands of AUD	Operating Brands	Total segment	Unallocated	Eliminations	Consolidated
Gross revenue	104,996	104,996	–	–	104,996
Directly attributable cost of sales	(48,803)	(48,803)	–	–	(48,803)
Net revenue	56,193	56,193	–	–	56,193
Other income	128	128	–	–	128
Operating expenses	(48,018)	(48,018)	(3,718)	–	(51,736)
Operating EBITDA	8,303	8,303	(3,718)	–	4,585
Restructure costs	(577)	(577)	–	–	(577)
Depreciation and amortisation expenses					(2,075)
Net finance income					9
Income tax expense					(968)
Profit for the period					974
Goodwill	79,153	79,153	–	–	79,153
Other intangibles	553	553	–	–	553
Assets excluding intangibles	56,472	56,472	21,093	(11,578)	65,987
Total assets	136,178	136,178	21,093	(11,578)	145,693
Liabilities	32,196	32,196	15,925	(11,578)	36,543
Total liabilities	32,196	32,196	15,925	(11,578)	36,543

* All segments are continuing operations.

2013 In thousands of AUD	Operating Brands	Total segment	Unallocated	Eliminations	Consolidated
Gross revenue	113,888	113,888	–	–	113,888
Directly attributable cost of sales	(52,289)	(52,289)	–	–	(52,289)
Net revenue	61,599	61,599	–	–	61,599
Other income	218	218	–	–	218
Operating expenses	(53,277)	(53,277)	(3,532)	–	(56,809)
Operating EBITDA	8,540	8,540	(3,532)	–	5,008
Depreciation and amortisation expenses					(2,291)
Net finance expenses					(67)
Income tax expense					(1,894)
Profit for the period					756
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

* All segments are continuing operations.

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3. Income tax expense

Recognised in the income statement

In thousands of AUD	2014	2013
Current tax expense		
Current year	634	1,544
Adjustments for prior years	85	12
	719	1,556
Deferred tax expense		
Origination and reversal of temporary differences	249	338
	249	338
Income tax expense in income statement	968	1,894
Numerical reconciliation between tax expense and pre-tax accounting loss		
Profit for the period	974	756
Income tax expense	968	1,894
Profit excluding income tax	1,942	2,650
Income tax expense using the Company's domestic tax rate of 30% (2013: 30%)	583	795
Increase in income tax expense due to:		
Share based payment expense	86	110
Tax losses not brought to account	316	1,058
Other non-deductible items	137	60
Under provision for tax in prior years	85	12
Decrease in income tax expense due to:		
Effect of (lower)/higher tax rate on overseas incomes	(117)	5
Unwinding of deferred tax liability established in business combinations	(122)	(146)
Income tax expense on pre-tax net profit	968	1,894

4. Earnings per share

	2014	2013
Profit attributable to ordinary shareholders		
In thousands of AUD		
Profit for the period	974	756
Non-controlling interests	(588)	(605)
Profit for the period attributable to equity owners	386	151
Participative rights that have dilutive effect	–	(136)
Diluted net profit attributable to equity owners	386	15
Weighted average number of ordinary shares		
In thousands of shares		
Weighted average number of ordinary shares – basic	81,559	80,810
Shares issuable under equity-based compensation plans	3,238	–
Weighted average number of ordinary shares – diluted	84,797	80,810
Earnings per share		
Basic (AUD cents)	0.47	0.19
Diluted (AUD cents)	0.45	0.02

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5. Intangible assets

In thousands of AUD	31-Dec-2014	30-Jun-2014
Goodwill		
At cost	344,844	323,320
Impairment	(265,691)	(247,613)
	79,153	75,707
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	16,927
Accumulated amortisation	(15,839)	(15,432)
Impairment	(681)	(681)
	407	814
Internally generated intangible assets		
At cost	3,085	3,085
Accumulated amortisation	(1,256)	(1,226)
Impairment	(1,683)	(1,683)
	146	176
Total intangible assets, net carrying value	79,706	76,697

Goodwill CGU group allocation

In thousands of AUD	31-Dec-2014	30-Jun-2014
<i>The Consolidated Entity's carrying amount of goodwill for each of the CGU groups identified:</i>		
Operating brands	79,153	75,707
	79,153	75,707

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 2014, as disclosed in the 30 June 2014 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.

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5. Intangible assets (continued)

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 2014: 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.

Long-term growth rate into perpetuity

Long-term growth rates of 2.5% (30 June 2014: 2.5%) are used into perpetuity, based on expected long-range growth rates for the industry.

	31 December 2014 inputs			30 June 2014 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	11.45	13.69	2.5

Sensitivity assumptions for impairment testing assumptions

As at 31 December 2014, management has identified that for the carrying amount to exceed the recoverable amount the discount rate would need to increase by 2.7%. A growth rate at 0% 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 2014.

7. Related parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the consolidated annual financial report as at and for the year ended 30 June 2014.

8. 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 Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in the future financial period.

Enero Group Limited

Financial Report - half year ended 31 December 2014

Directors' Declaration

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

1. the condensed consolidated financial statements and notes set out on page 5 to 15 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 2014 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 12th day of February 2015.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'John Porter', with a stylized flourish at the end.

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 2014, 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 8 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 period.

Directors' responsibility 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

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 2014 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 Eneo 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 2014 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

Kevin Leighton
Partner

Sydney

12 February 2015



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 half-year ended 31 December 2014 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

Kevin Leighton
Partner

Sydney

12 February 2015