Enero Group Limited and Controlled Entities
ABN 97 091 524 515

Preliminary Final Report

Appendix 4E

For the year ended 30 June 2013

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 2012 to 30 June 2013.
The previous corresponding reporting period is 1 July 2011 to 30 June 2012.

Key information

In thousands of AUD

	30 June 2013	30 June 2012	% Change	Amount Change
Revenues from ordinary activities	247,970	390,348	(36.47%)	(142,378)
Loss after tax attributable to members	(83,018)	(143,340)	42.08%	60,322
Net loss for the period attributable to members	(83,018)	(143,340)	42.08%	60,322

Dividends	Amount per security	Franked amount per security
-	-	-

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

Additional Information

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	0.32	0.38

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 loss after tax to Operating EBITDA:

In thousands of AUD	**2013**	**2012**
Loss after tax (including discontinued operations)	**(82,174)**	**(142,626)**
Income tax expense	1,688	3,654
Loss before tax	**(80,486)**	**(138,972)**
Impairment of intangible assets (i)	75,931	128,165
Impairment of held for sale assets (iii)	–	5,192
Loss on sale of subsidiaries (ii) (iv)	340	50,204
Depreciation and amortisation expenses	4,883	7,896
Fair value gain on deferred consideration	(715)	(50,760)
Net finance expenses	551	4,584
Present value interest expenses	121	4,292
Restructuring costs	2,994	10,212
Operating EBITDA (including discontinued operations)	**3,619**	**20,813**
Operating EBITDA of discontinued operation (ii)	–	(6,627)
Operating EBITDA of continuing operations	**3,619**	**14,186**

(i) For further details on the impairment of intangible assets please refer to Note 5 *Intangible assets* of this preliminary final report.
(ii) The Field Marketing Division was divested on 30 November 2011, and the operating segment was classified as a discontinued operation in the prior reporting period.
(iii) During the prior reporting period, the Consolidated Entity resolved to dispose of the BWM business. As such, this asset group was classified as held for sale at 30 June 2012.
(iv) During the current reporting period, the Consolidated Entity disposed its 51% interest in BWM and also disposed of Naked Communications Inc., a business incorporated in Japan. Further detail in relation to disposal of subsidiaries is provided in Note 7 *Disposals of subsidiaries* 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 and position 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 sale of subsidiaries, fair value adjustments to deferred consideration, impairment, 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.

Operating Performance:

The Consolidated Entity consists of 11 marketing and communication services business across 11 countries with more than 700 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 consolidate and focus its operations on the three key hubs – Sydney, London and New York – where the majority of the revenues are generated and employees are situated.

On a pro forma continuing business basis, the Consolidated Entity experienced a 15% decline (on a statutory basis, excluding the prior year impact of discontinued operations a 27% decline) in net revenue, and was 75% down on Operating EBITDA compared to the prior reporting period. This was caused by some significant internal and external factors:

- Key client losses during the year;
- The continued difficult trading conditions facing all three hub markets where client spending remains subdued; and
- The ongoing shift to digital service offerings in the sector which is causing a movement toward project work over retained relationships.

The Consolidated Entity has focused on:

- Re-aligning the cost base during the year with restructures across a number of Operating Brands;
- Setting up improved operating infrastructure including more co-locations of Operating Brands in their respective geographic locations; and
- A group approach to new business generation through regular cross business meetings identifying opportunities and joint pitching.

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 2013

In thousands of AUD	Note	2013	2012
Continuing operations			
Gross revenue		247,970	334,554
Directly attributable costs of sales		(120,655)	(160,432)
Net revenue		**127,315**	**174,122**
Other income		110	365
Employee expenses		(95,131)	(131,161)
Occupancy costs		(9,830)	(10,950)
Depreciation and amortisation expense		(4,883)	(6,594)
Insurance expense		(837)	(787)
Consultancy fees		(8,016)	(10,569)
Equipment hire charges		(250)	(537)
Travel expenses		(3,230)	(3,940)
Communication expenses		(2,605)	(3,123)
Other operating expenses		(6,901)	(9,446)
Fair value adjustment to deferred consideration liability		715	50,760
Loss on sale of subsidiaries	7	(340)	(501)
Impairment of intangible assets	5	(75,931)	(133,357)
Present value interest expense		(121)	(4,292)
Other finance costs		(551)	(4,563)
Total finance costs		**(672)**	**(8,855)**
Loss before income tax		**(80,486)**	**(94,573)**
Income tax expense	3	(1,688)	(6,603)
Loss for the period from continuing operations		**(82,174)**	**(101,176)**
Discontinued operations			
Loss before tax		–	(44,399)
Income tax expense	3	–	(1,710)
Income tax benefit on loss on sale of discontinued operations	3	–	4,659
Loss from discontinued operation (net of income tax)		**–**	**(41,450)**
Loss for the year		**(82,174)**	**(142,626)**
Attributable to:			
Equity holders of the parent		(83,018)	(143,340)
Non-controlling interest		844	714
		(82,174)	**(142,626)**
Basic earnings per share (AUD cents)	4	(102.8)	(181.6)
Diluted earnings per share (AUD cents)	4	(102.8)	(181.6)
Basic earnings per share (AUD cents) – continuing operations	4	(102.8)	(129.1)
Diluted earnings per share (AUD cents) – continuing operations	4	(102.8)	(129.1)

Consolidated statement of comprehensive income
For the year ended 30 June 2013

In thousands of AUD	**Note**	**2013**	**2012**
Loss for the period		(82,174)	(142,626)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge gain		–	866
Foreign currency translation differences for foreign operations		9,498	1,744
Income tax on items of other comprehensive income	3	–	(260)
Total items that may be reclassified subsequently to profit or loss		**9,498**	**2,350**
Other comprehensive income for the period, net of tax		**9,498**	**2,350**
Total comprehensive income for the period		**(72,676)**	**(140,276)**
Attributable to:			
Equity holders of the parent		(73,635)	(141,016)
Non-controlling interest		959	740
		(72,676)	**(140,276)**

Consolidated statement of financial position
As at 30 June 2013

In thousands of AUD	Note	2013	2012
Assets			
Cash and cash equivalents		19,426	21,514
Trade and other receivables		30,895	39,300
Other assets		8,466	10,351
Income tax receivable		60	803
Assets classified as held for sale		–	18,235
Total current assets		**58,847**	**90,203**
Receivables		227	457
Deferred tax assets		2,985	3,373
Plant and equipment		7,631	6,037
Other assets		937	905
Intangible assets	5	73,177	141,973
Total non-current assets		**84,957**	**152,745**
Total assets		**143,804**	**242,948**
Liabilities			
Trade and other payables		36,159	37,612
Deferred consideration payables	6	104	12,989
Interest-bearing loans and borrowings		636	811
Employee benefits		3,678	3,907
Income tax payable		72	786
Provisions		1,103	1,507
Liabilities classified as held for sale		–	10,438
Total current liabilities		**41,752**	**68,050**
Trade and other payables		33	42
Deferred consideration payables	6	–	548
Interest-bearing loans and borrowings		1,070	643
Employee benefits		642	844
Provisions		1,169	1,080
Total non-current liabilities		**2,914**	**3,157**
Total liabilities		**44,666**	**71,207**
Net assets		**99,138**	**171,741**
Equity			
Issued capital		489,792	489,391
Reserves		(14,156)	(23,638)
Accumulated losses		(377,916)	(294,898)
Total equity attributable to equity holders of the parent entity		**97,720**	**170,855**
Non-controlling interest		1,418	886
Total equity		**99,138**	**171,741**

Consolidated statement of changes in equity
For the year ended 30 June 2013

		Attributable to owners of the Company								
In thousands of AUD	**Note**	**Share capital**	**Accumulated losses**	**Option reserve**	**Reserve change in ownership interest in subsidiary**	**Cash flow hedge reserve**	**Foreign currency translation reserve**	**Total**	**Non- controlling interest**	**Total equity**
Opening balance at 1 July 2011		**477,284**	**(151,558)**	**11,039**	**–**	**(606)**	**(38,236)**	**297,923**	**509**	**298,432**
Loss for the period		–	(143,340)	–	–	–	–	(143,340)	714	(142,626)
Other comprehensive income for the period net of tax		–	–	–	–	606	1,718	2,324	26	2,350
Total comprehensive income for the period		**–**	**(143,340)**	**–**	**–**	**606**	**1,718**	**(141,016)**	**740**	**(140,276)**
Transactions with owners recorded directly in equity:										
Shares issued		34	–	–	–	–	–	34	–	34
Shares issued as part of business combinations		12,151	–	–	–	–	–	12,151	–	12,151
Share issue costs		(111)	–	–	–	–	–	(111)	–	(111)
Tax effect of share issue costs		33	–	–	–	–	–	33	–	33
Dividends paid to equity holders		–	–	–	–	–	–	–	(363)	(363)
Share based payment expense		–	–	1,841	–	–	–	1,841	–	1,841
Closing balance at 30 June 2012		**489,391**	**(294,898)**	**12,880**	**–**	**–**	**(36,518)**	**170,855**	**886**	**171,741**
Opening balance at 1 July 2012		**489,391**	**(294,898)**	**12,880**	**–**	**–**	**(36,518)**	**170,855**	**886**	**171,741**
Loss for the period		–	(83,018)	–	–	–	–	(83,018)	844	(82,174)
Other comprehensive income for the period net of tax		–	–	–	–	–	9,383	9,383	115	9,498
Total comprehensive income for the period		**–**	**(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	–
Share issued to non-controlling interest 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**

Consolidated statement of cash flows
For the year ended 30 June 2013

In thousands of AUD	Note	2013	2012
Cash flows from operating activities			
Cash receipts from customers		297,714	483,919
Cash paid to suppliers and employees		(289,486)	(472,101)
Cash generated from operations		8,228	11,818
Interest received		467	682
Income taxes (paid)/received		(1,103)	805
Interest paid		(440)	(4,403)
Net cash from operating activities		**7,152**	**8,902**
Cash flows from investing activities			
Proceeds from disposal of non-current assets		54	89
Payments of deferred consideration		(12,430)	(20,070)
Disposal of discontinued operation, net of cash		–	146,010
Disposal of controlled entities, net of cash	7	6,640	(433)
Acquisition of plant and equipment		(3,345)	(3,098)
Development expenditure		–	(877)
Net cash (used in)/from investing activities		**(9,081)**	**121,621**
Cash flows from financing activities			
Transaction costs for the issue of share capital		–	(111)
Proceeds from borrowings		–	15,145
Repayment of borrowings		–	(138,706)
Finance lease payments		(982)	(1,638)
Dividends paid to non-controlling interest in controlled entities		(1,486)	(363)
Net cash used in financing activities		**(2,468)**	**(125,673)**
Net (decrease)/increase in cash and cash equivalents		(4,397)	4,850
Effect of exchange rate fluctuations on cash held		414	(5)
Cash classified as held for sale at 1 July		1,895	–
Cash classified as held for sale at 30 June		–	(1,895)
Cash and cash equivalents at 1 July		21,514	18,564
Cash and cash equivalents at 30 June		**19,426**	**21,514**

Notes to the preliminary final report
For the year ended 30 June 2013

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 2 September 2013. 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

Notwithstanding the net loss after tax during the year, 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 objectives using its projected cash flows from operations and existing cash reserves held on the balance sheet date.

During the current financial year, the Consolidated Entity divested its interest in BWM which provided additional cash reserves. Whilst the Consolidated Entity does not currently have access to debt facilities, it is generating positive operating cash flows, and has only $104,000 in committed deferred consideration liabilities to satisfy.

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 2012.

New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the Consolidated Entity's financial statements, except for:

- AASB 9 Financial Instruments, which becomes mandatory for the Consolidated Entity's 2016 consolidated financial statements.
- AASB 12 *Disclosures of Interests in Other Entities*, which becomes mandatory for the Consolidated Entity's 2014 consolidated financial statements.

Note 1. Statement of significant accounting policies (continued)

- AASB 119 *Employee Benefits (revised)*, which becomes mandatory for the Consolidated Entity's 2014 consolidated financial statements.

The Consolidated Entity does not plan to early adopt the above named standards and the extent of the impact of these standards has not yet been determined.

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 2012.

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 6 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.

Note 1. Statement of significant accounting policies (continued)

(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.

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 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 during the reporting period. 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 segments are defined by management, based on the manner in which the services are provided and the geographies which each segment operates in, and report to the Chief Executive Officer on a monthly basis. Each operating segment is a reportable segment, and these are the sources of the Consolidated Entity's major risks and returns.

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.

In the prior reporting period, the Consolidated Entity disposed the Field Marketing segment (outsourced merchandising and point of sale marketing).

Inter-segment pricing is determined on an arm's length basis. 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 (Image Box sold in May 2012, ISS Marketing sold in June 2012 and BWM sold in August 2012).

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 sale of subsidiaries, fair value adjustment to deferred consideration, impairment charges and restructure costs.

Note 2. Operating segments (continued)

2013 In thousands of AUD	**Operating Brands**	**Total segment**	**Unallocated**	**Eliminations**	**Consolidated**
Gross revenue	266,576	266,576	2,064	(20,670)	247,970
Directly attributable cost of sales	(140,973)	(140,973)	(352)	20,670	(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 sale 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

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

Geographical information In thousands of AUD	**2013 Net revenues**	**2013 Non-current assets**	**2012 Net revenues**	**2012 Non-current assets**
Australasia	75,402	31,065	150,718	62,102
UK & Europe	37,539	51,988	60,372	86,130
USA	14,374	1,904	14,112	4,513
Total	**127,315**	**84,957**	**225,202**	**152,745**

Note 2. Operating segments (continued)

2012 **In thousands of AUD**	**Operating Brands**	**Field Marketing (Discontinued)**	**Total segment**	**Unallocated**	**Eliminations**	**Consolidated**
Gross revenue	307,108	55,794	362,902	47,365	(19,919)	390,348
Directly attributable cost of sales	(158,545)	(4,714)	(163,259)	(21,806)	19,919	(165,146)
Net revenue	**148,563**	**51,080**	**199,643**	**25,559**	**-**	**225,202**
Other income	309	-	309	56	-	365
Operating expenses	(124,709)	(44,453)	(169,162)	(35,592)	-	(204,754)
Operating EBITDA	**24,163**	**6,627**	**30,790**	**(9,977)**	**-**	**20,813**
Restructure costs	(4,269)	-	(4,269)	(5,943)	-	(10,212)
Depreciation and amortisation expenses						(7,896)
Impairment relating to assets classified as held for sale	-	-	-	(5,192)		(5,192)
Impairment of intangibles	(128,165)	-	(128,165)	-	-	(128,165)
Loss on sale of subsidiaries	-	(49,703)	(49,703)	(501)	-	(50,204)
Fair value adjustment						50,760
Net finance expenses						(8,876)
Income tax expense						(3,654)
Loss for the period						**(142,626)**
Goodwill	138,371	-	138,371	-	-	138,371
Other intangibles	3,602	-	3,602	-	-	3,602
Assets excluding intangibles	79,898	-	79,898	34,161	(13,084)	100,975
Total assets	**221,871**	**-**	**221,871**	**34,161**	**(13,084)**	**242,948**
Liabilities	49,139	-	49,139	35,152	(13,084)	71,207
Total liabilities	**49,139**	**-**	**49,139**	**35,152**	**(13,084)**	**71,207**
Amortisation of intangibles	2,289	785	3,074	-	-	3,074
Depreciation	2,858	517	3,375	1,447	-	4,822
Capital expenditure	1,493	1,012	2,505	593	-	3,098
Development expenditure	374	503	877	-	-	877

Note 3. Income tax expense

Recognised in the income statement

In thousands of AUD	2013	2012
Current tax expense		
Current year	1,383	5,674
Adjustments for prior years	(107)	(1,143)
Adjustments for prior years due to tax legislation changes	–	1,192
	1,276	5,723
Deferred tax expense		
Origination and reversal of temporary differences	412	(2,069)
	412	(2,069)
Income tax expense in income statement	**1,688**	**3,654**
Income tax expense from continuing operations	1,688	6,603
Income tax expense from discontinued operations (excluding on loss on sale)	–	1,710
	1,688	8,313
Income tax on loss on sale of discontinued operations	–	(4,659)
Total income tax expense	**1,688**	**3,654**

Numerical reconciliation between tax expense and pre-tax accounting loss

In thousands of AUD	2013	2012
Loss for the year	(82,174)	(142,626)
Total income tax expense	1,688	3,654
Loss excluding income tax	**(80,486)**	**(138,972)**
Income tax benefit using the Company's domestic tax rate of 30% (2012: 30%)	**(24,146)**	**(41,692)**
Increase in income tax expense due to:		
Present value interest charges	36	1,287
Other non-deductible/(subtraction) items	517	1,465
Accounting amortisation of identifiable intangible assets	428	1,079
Imputation gross up on dividends received	27	196
Share option expense	51	552
Tax losses not brought to account	2,730	5,591
Tax legislation changes	–	1,192
Effect of higher/(lower) tax rate on overseas incomes	304	(127)
Effect of losses on sale of subsidiaries	102	4,333
Impairment charge	22,779	40,007
Decrease in income tax expense due to:		
Effect of losses not previously recognised	(116)	(4)
Non-assessable fair value gain	(215)	(5,920)
Franking credits on dividends received	(89)	(653)
Over provision for tax in previous years	(107)	(1,143)
Unwinding of deferred tax liability established in business combinations	(613)	(2,509)
Income tax expense on pre-tax net loss	**1,688**	**3,654**
Deferred tax asset released directly in equity		
Share issue costs and hedge reserve	–	(226)
	–	**(226)**
Income tax recognised in other comprehensive income		
Cash flow hedges	–	(260)
	–	**(260)**

Note 4. Earning per share

Profit attributable to ordinary shareholders

In thousands of AUD	2013 Continuing operations	2013 Discontinued operations	2013 Total	2012 Continuing operations	2012 Discontinued operations	2012 Total
Net loss for the year	(82,174)	–	(82,174)	(101,176)	(41,450)	(142,626)
Non-controlling interest	844	–	844	714	–	714
Net loss for the year attributable to equity owners	**(83,018)**	**–**	**(83,018)**	**(101,890)**	**(41,450)**	**(143,340)**
Participative rights that have dilutive effect	–	–	–	–	–	–
Diluted net loss attributable to equity owners	**(83,018)**	**–**	**(83,018)**	**(101,890)**	**(41,450)**	**(143,340)**

Weighted average number of ordinary shares

	2013	**2012**
In thousands of shares		
Weighted average number of ordinary shares – basic	80,744	78,949
Shares issuable under equity-based compensation plans(i)	–	902
Weighted average number of ordinary shares – diluted	**80,744**	**79,851**

Earnings per share

	2013	**2012**
Basic (AUD cents)	(102.8)	(181.6)
Diluted (AUD cents)	(102.8)	(181.6)
Basic – continuing operations (AUD cents)	(102.8)	(129.1)
Diluted – continuing operations (AUD cents)	(102.8)	(129.1)
Basic – discontinued operations (AUD cents)	–	(52.5)
Diluted – discontinued operations (AUD cents)	–	(52.5)

(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 has a loss from continuing operations in 2013 and 2012, 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	2013	2012
Goodwill		
At cost	368,656	382,825
Impairment	(297,734)	(244,454)
	70,922	**138,371**
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	17,770	17,574
Accumulated amortisation	(15,072)	(13,747)
Impairment	(681)	(681)
	2,017	**3,146**
Internally generated intangible assets		
At cost	3,783	4,417
Accumulated amortisation	(1,417)	(1,833)
Impairment	(2,128)	(2,128)
	238	**456**
Total intangible assets, net carrying value	**73,177**	**141,973**

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

Goodwill		
Carrying amount at the beginning of the year	138,371	446,782
Acquisitions through business combinations	–	4
Disposal of subsidiaries	–	(175,196)
Adjustments through deferred consideration	–	1,486
Impairment	(75,931)	(133,357)
Classified as held for sale	–	(4,794)
Effect of movement in exchange rate	8,482	3,446
Carrying amount at the end of the year	**70,922**	**138,371**
IT related intellectual property		
Carrying amount at the beginning of the year	–	32
Disposal of subsidiaries	–	(18)
Amortisation	–	(24)
Effect of movement in exchange rate	–	10
Carrying amount at the end of the year	**–**	**–**
Contracts and customer relationships		
Carrying amount at the beginning of the year	3,146	8,067
Disposal of subsidiaries	–	(1,656)
Amortisation	(1,418)	(2,438)
Classified as held for sale	–	(913)
Effect of movement in exchange rate	289	86
Carrying amount at the end of the year	**2,017**	**3,146**

Note 5. Intangible assets (continued)

In thousands of AUD	**2013**	**2012**
Brand name		
Carrying amount at the beginning of the year	–	38
Amortisation	**–**	**(38)**
	–	**–**
Internally generated intangible assets		
Carrying amount at the beginning of the year	456	1,819
Disposal of subsidiaries	–	(1,709)
Additions	–	877
Amortisation	(218)	(574)
Effect of movement in exchange rate	–	43
Carrying amount at the end of the year	**238**	**456**

Amortisation charge
The amortisation charge of $1,636,000 (2012: $3,074,000) is recognised in the depreciation and amortisation expense in the income statement.

Impairment charge

In thousands of AUD	**2013**	**2012**
Impairment of intangibles	75,931	128,165
Impairment relating to assets classified as held for sale(i)	–	5,192
Impairment charge	**75,931**	**133,357**

(i) During the prior reporting period, the Consolidated Entity resolved to dispose of the BWM business. The Consolidated Entity recognised an impairment charge of $5,192,000 as part of the loss on sale related to the disposal group held for sale by reducing the intangible assets including goodwill down to their recoverable amount as at 30 June 2012.

Goodwill CGU group allocation

In thousands of AUD	**2013**	**2012**
The Consolidated Entity's carrying amount of goodwill for each of the CGU groups identified:		
Operating brands	70,922	138,371
	70,922	**138,371**

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 CGU groups are consistent with the operating segments of the Consolidated Entity. The remaining 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 2012, as disclosed in the 30 June 2012 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.

Note 5. Intangible assets (continued)

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 2012: 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 3.0% (30 June 2012: 3.0%) are used into perpetuity, based on expected long-range growth rates for the industry.

			2013 inputs			**2012 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	12.32	16.23	3.00	11.23	14.71	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 has recognised an impairment charge against the goodwill of the CGU in the income statement of $75,931,000.

Impairment of intangible assets in the year ended 30 June 2012:

The below impairment charges are to previous CGUs which were determined before the Consolidated Entity reorganised its CGUs into one Operating Brands CGU on 30 April 2012.

Australian Agency CGU group impaired:

During the year ended 30 June 2012, the Australian Agency CGU, which provides a range of integrated marketing and advertising services in Australia, experienced a decline in earnings due to under-performance across a number of small agencies leading to their restructure, the impact of certain client contract losses and reductions in client spending in the CGU. The Consolidated Entity reviewed the future cash flows of the Australian Agency CGU and adjusted for the estimated cash flow impact of the current performance levels. As the carrying value of the Australian Agency CGU is higher than its recoverable amount based on its value in use, the Consolidated Entity has recognised an impairment charge against the goodwill of the Australian Agency CGU in the income statement of $72,163,000.

Note 5. Intangible assets (continued)

International Agency CGU group impaired:

During the year ended 30 June 2012, the International Agency CGU, which excludes search marketing businesses reported in the International Agency segment, experienced a decline in earnings due to losses in non-core offices which are subsequently being closed in the CGU and a reduction in client spending. The Consolidated Entity reviewed the future cash flows of the International Agency CGU and adjusted for the estimated cash flow impact of the current performance levels. As the carrying value of the International Agency CGU is higher than its recoverable amount based on its value in use, the Consolidated Entity has recognised an impairment charge against the goodwill of the International Agency CGU in the income statement of $56,002,000.

Sensitivity assumptions for impairment testing assumptions
As at 30 June 2013, the estimated recoverable amount of the CGU marginally exceeds its carrying amount by $865,000 and therefore any downward changes to the assumptions described above or cash flows would result in impairment charges.

Note 6. Deferred consideration

In thousands of AUD	2013	2012
Current liabilities		
Deferred consideration payable	104	12,989
	104	12,989
Non-current liabilities		
Deferred consideration payable	–	548
	–	548
Total deferred consideration payable current and non-current	104	13,537

Deferred consideration liabilities at year end reporting date are the present value of expected future payments.

During the year ended 30 June 2011, the Consolidated Entity entered into agreements to restructure its deferred consideration liability such that substantially all of the deferred consideration liabilities have been capped. The time period to calculate the potential capped liabilities has now been completed. The Consolidated Entity has estimated the liability for future deferred consideration liabilities based on the probability of the achievement of 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 after the reporting date versus the forecast targets. Actual future payments may exceed the estimated liability. Aside from amounts of committed deferred consideration recognised on the Statement of Financial Position at 30 June 2013, the Consolidated Entity has not recognised an amount of $50,607,000 in relation to contingent deferred consideration liabilities as payment of these amounts is not considered probable.

Note 7. Disposal of subsidiaries

2013

On 10 August 2012, the Consolidated Entity disposed of its 51% interest in subsidiary Belgiovane Williams Mackay (BWM) for $7,500,000 in cash consideration. The transaction was carried out on an arm's length basis and consideration was considered to be at fair value.

As at 30 June 2012 this business was classified as a disposal group held for sale. For details, refer to the consolidated annual financial report as at and for the year ended 30 June 2012.

On 31 May 2013, the Consolidated Entity disposed of Naked Communications Inc., a business incorporated in Japan for nominal consideration. The transaction was carried out on an arm's length basis and consideration was considered to be at fair value. The Consolidated Entity recognised a loss on sale of $340,000 in the income statement for the year ended 30 June 2013.

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

In thousands of AUD	**Carrying amounts**
Assets	
Cash and cash equivalents	2,761
Trade and other receivables	6,523
Other assets	279
Plant and equipment	1,248
Intangible assets	5,707
Income tax receivable	93
Deferred tax assets	556
Total assets disposed	**17,167**
Trade and other payables	2,884
Unearned revenue	4,133
Provisions	1,974
Income tax payable	128
Deferred tax liabilities	137
Total liabilities disposed	**9,256**
Net assets disposed	**7,911**

Loss on disposal

In thousands of AUD	
Consideration received or receivable	7,521
Less: net assets disposed of	(7,911)
Add: foreign currency translation reserve recognised in income statement	50
Loss on disposal after income tax	(340)

Net cash inflow on disposal

In thousands of AUD	
Total consideration	7,521
Add: consideration received for entities disposed in prior year	985
Add: Amount receivable from disposed entity at disposal date	895
Less: cash and cash equivalents balance disposed of	(2,761)
Reflected in the consolidated statement of cash flows	6,640

Note 7. Disposal of subsidiaries (continued)

2012

On 31 May 2012, the Consolidated Entity disposed of the Image Box business for nominal consideration. The transaction was carried out on an arm's length basis and consideration was considered to be at fair value. The Consolidated Entity recognised a loss on sale of $350,000 in the income statement for the year ended 30 June 2012. The gain net of tax in the income statement was $883,000 after a non-cash benefit of $1,233,000 to income tax was recognised.

On 29 June 2012, the Consolidated Entity disposed of the ISS Marketing business for nominal consideration. The transaction was carried out on an arm's length basis and consideration was considered to be at fair value. The Consolidated Entity recognised a loss on sale of $151,000 in the income statement for the year ended 30 June 2012. The gain net of tax in the income statement was $3,805,000 after a non-cash benefit of $3,956,000 to income tax was recognised.

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

In thousands of AUD	Carrying amounts
Assets	
Cash and cash equivalents	395
Trade and other receivables	1,483
Other assets	169
Plant and equipment	226
Intangible assets	394
Deferred tax assets	302
Total assets disposed	**2,969**
Trade and other payables	1,724
Interest-bearing loans and borrowings	51
Provisions	281
Employee benefits	222
Deferred tax liabilities	248
Total liabilities disposed	**2,526**
Net assets attributable to disposed entities	**443**

Loss on disposal

In thousands of AUD	
Consideration received or receivable (net of disposal costs)	(58)
Less net assets disposed of	(443)
Loss on disposal before income tax	(501)
Income tax benefit	5,189
Loss on disposal after income tax	(4,688)

Net cash outflow on disposal

In thousands of AUD	
Total consideration	(38)
Less cash and cash equivalents balance disposed of	(395)
Reflected in the consolidated statement of cash flows	(433)