Enero Group Limited
Annual Report 2014


ONE
WAY
ALL
TRAFFIC

Enero Group is a boutique network of marketing and communications businesses providing outstanding work for clients across the full range of marketing and communications services. Our businesses operate primarily out of three key hubs in Sydney, London and New York and from many places in between.

Contents

Enero's businesses

Unearth your brilliance

Expertise

Integrated campaign development, creative advertising and brand strategy, short and long form content development and production, design, CRM and direct marketing.

www.bmf.com.au

Creating Public Reactions™

Expertise

PR, word-of-mouth, buzz, Talkability®, experiential, media relations, stunts, events, agendaneering™.

www.frankpr.it

The global tech PR alternative

Expertise

Integrated public relations and communications.

www.hotwirepr.com

Taking the boring out of business communications

Expertise

Internal communications for our clients, people, partners and investors.

www.precinct.com.au

The business-to-people communications agency

Expertise

Digital, brand creation and strategy and employer engagement.

www.corporateedge.com

Issues Management

Expertise

Public relations, public affairs and government relations to influence perceptions and manage reputations.

www.cprcomm.com.au

Ideas that change behaviour

Expertise

Strategy and consulting, media communications planning, digital, creative.

www.nakedcomms.com

Navigate complexity to create value

Expertise

Problem solving, research and strategy, innovation, shopper marketing and brand management.

www.theleadingedge.com

Fresh research experiences

Expertise

Delivering powerful insights that inspire better marketing decisions.

www.jigsawresearch.com.au

Experts in online research and data delivery

Expertise

Digital research, 100,000+ members online community and insights through multi-media sources.

www.thedigitaledge.com.au

Direct navigation experts

Expertise

Search marketing, domain name portfolio management, online direct navigation traffic.

www.darkbluesea.com

Online advertising network

Expertise

Internet media and advertising buying with advertiser and publisher monetisation solutions.

www.obmedia.com

"Collectively the Group has a rich talent pool of over 650 staff along with excellent capabilities in PR, strategy, research and insights, creative ideation, data and production."

John Porter
Independent Non-Executive Chairman

CHAIRMAN'S REPORT

Our global footprint

We operate primarily from three key hubs – Sydney, London and New York.

Dear Shareholders,

I am very pleased to report on the improvements that the Company has made over the past 12 months. The Group has made significant progress in implementing its strategy and has generated a strong sense of collaborative spirit both amongst the Operating Brands and the support office.

The Group reported a 148% increase in Operating EBITDA to $9.0 million this financial year, notwithstanding a 6% reduction in net revenue. There has been a tireless approach from the executive group to focus on the key financial metrics which are important in running a marketing services group of any size. The most positive aspect of the financial performance was the increased EBITDA margin from 2.8% to 7.5%.

Enero's key focus this year has been about carrying on the foundations set from the prior year. There has been a continued push to ensure that all businesses in the Group are given the best possible chance of success by having access to all of the Group resources and capabilities in all markets. Collectively the Group has a rich talent pool of over 650 staff along with excellent capabilities in PR, strategy, research and insights, creative ideation, data and production. This Group approach has the ability to overcome many of the difficult aspects of navigating through a marketing sector which is more easily affected by changes to economic outlook, consumer confidence, client changes and talent changes.

Enero's group of operating businesses continue to be market leaders in a very dynamic industry. We will continue to invest in these businesses to give each more capabilities, seek out opportunities to work for bigger clients, maximise ongoing intellectual property and ultimately deliver returns for shareholders. Shareholders have seen a 215% increase in the share price over the year to 30 June 2014.

As the Group moves steadily into its reliable stage of more consistent delivery of financial results, capital allocation will become as important as the operational aspects in the long-term success of the Group. Enero continues to remain unleveraged and this provides a strong footing to seize opportunities that present themselves in the market either through targeted investment in people to drive organic and new revenue, or selective earnings accretive acquisitions. A key element to these future decisions will be driven around the desire to run a Group without the complexities of an excessive number of Operating Brands and a balanced geographic presence between the three hub offices – Sydney, London and New York.

Thank you my fellow Board members for your hard work and dedication to the Group throughout this last year. I look forward to continuing working with you in guiding the Group through its strategic journey.

On behalf of the Board, I extend my sincere thanks to the executive team and all the employees of Enero's group businesses who are the reason why our Group continues to thrive. Finally, thank you to our shareholders for your patience during our turnaround and for your continued support of Enero.

John Porter
Independent Non-Executive Chairman

Our strategic journey

1 Remedial **2** Reliable **3** Re-Imagined

"We are only partway through our strategic plan but it is pleasing to see it begin to bear fruit."

Matthew Melhuish
CEO and Executive Director

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders,

The completed financial year marks an important milestone in our turnaround journey. While we are only partway through our three-phase strategic plan (Remedial, Reliable, Re-Imagined), it is very pleasing to see all the hard work beginning to bear fruit.

Over the past year we have been very focused on simplifying and strengthening our shared platforms behind the scenes to allow our businesses to run better at the baseline while at the same time providing greater levels of transparency and accountability. This coupled with our efforts to foster collaboration across companies and geographies and further develop and inspire our talented people has resulted in a stronger financial performance and an improved level of confidence across the Group.

We may have made great progress in this financial year but the job is by no means finished. We will maintain our intensity to drive Enero further forward, focused on becoming an even better business, positioned as a highly collaborative, agile and forward leaning marketing services group. We may be a smaller Group when compared to some on the world stage; however, today's super competitive business dynamic means that clients are more focused on finding the right solution or idea to drive results for their brands and their business rather than doggedly maintaining a commitment to an international alignment. The ability of smaller, nimble, high quality boutique players like ours to shape around the client without the bureaucracy, politics and alignment issues of the larger groups offers us a real competitive advantage. We are big enough to cope, yet small enough to care.

Our Progress

We are very pleased with the improved financial performance during the 2014 financial year. At the beginning of the year we set out to improve the earnings margin generated from our revenue and run our businesses better from the baseline. To that end we have delivered an increase in Operating EBITDA margin from 2.8% in FY2013 to 7.5% in FY2014.

Clearer financial metrics, better process and improved accountability have gone a long way to achieving a better level of financial rigour within each Operating Brand. However, the improved financial performance of the Group should only be seen as part of the story.

Our progress has also delivered:

- *Better collaboration* – there were significant improvements in cross selling services of the Operating Brands, increased client touch points and joint client pitches and wins;
- *Cost alignment* – a re-alignment of the cost base in each Enero company to better reflect the current levels of business activity;
- *A more integrated Group support office* – providing a better level of service to the Operating Brands across Finance, Commercial, Legal, Human Resources and IT; and
- *Focus on talent and the development of staff* – our global learning and development function has been embraced across each Operating Brand and our in-house recruitment team is delivering the highest calibre of candidates to join our talent pool.

Our Business

Our companies continue to deliver world-class work for our clients day-in, day-out to help them solve their marketing and business problems. Looking forward, the 11 Operating Brands of Enero are very well placed to capture the ever growing revenues from digital, social, data driven and mobile campaigns.

Hotwire continues to lead its field in Tech PR and is a global alternative to the traditional generalist PR groups. The Hotwire network of offices, including a rapidly growing USA presence, presents opportunities to approach large scale global technology companies and the increasing number of technology start-ups to provide ambitious communications campaigns.

Frank PR continues to maintain an iconic position particularly in the UK consumer PR space, creating 'public reactions' for clients that get people talking, blogging and tweeting.

Naked Communications has transformed over the course of the last year to become a better aligned and resourced global boutique agency group. The strategic DNA and focus on behaviour change that has always been a hallmark of Naked will remain; however, adding high calibre creative talent, a focus on CRM and data analytics, and improved production capabilities is putting Naked back at the forefront of creating disruptive marketing solutions for clients.

BMF has a renewed sense of energy this year, unearthing brilliance and consistently delivering an excellent creative product. BMF remains one of the leading creative agencies in Australia with strong momentum, a world-class reputation and a blue chip client list.

Our strategic research and insights businesses, The Leading Edge, The Digital Edge and Jigsaw, are more relevant than ever. In a world that is ever more complex, clients need help to find innovative ways to unlock opportunity across their business. Their work spans consumer insight, qualitative and quantitative research, online research panels, data science and analytics, price modelling and shopper marketing among other things.

Precinct, our B2B communications agency, is 'taking the boring out of business communications' and providing clients with brilliant solutions for communications campaigns to key stakeholders, be they staff, business customers or investors.

The marketing services sector continues to shift and evolve at pace and so have we. We have moved to ensure greater flexibility in our cost structures by increasing the proportion of variable staff costs to total staff costs where it makes sense to do so. Each business remains adaptable and open to change, and able to focus on faster growing markets or sectors and new media as trends emerge.

Trading conditions continue to remain subdued in some markets where discretionary spending remains under review. However, the Group is better placed through a more even geographic spread of operations. The UK market fared well with positive impacts from greater economic confidence emerging in the UK, and this operation represented 47% of the Group's Operating EBITDA for FY2014. Our USA hub requires further scale to make a more significant impact there. In the future we will seek to invest in both Hotwire and Naked Communications in the USA ahead of the curve to drive scale. This makes a great deal of strategic sense given the sheer size of that market and the potential international benefit that comes from being in close proximity with the headquarters of major multinational corporations.

Our People

It may sound like a cliché, but in a business like ours people really are our most valuable asset. Creativity and smart thinking are at the heart of any successful marketing services business, and to continue to over-achieve in this area we have invested heavily in both training and creating an environment where staff have a great working experience each day. We see a very strong correlation between a motivated and well rewarded group of staff and improved business performance and we intend to continuously refine our programs to ensure best practice. The end outcome of this effort is a higher quality of work delivered to clients on a more consistent basis – happy staff leads to happy clients and a better bottom line.

This year was also strategically important from a leadership point of view. We have successfully hired several new CEOs and leaders across a number of the Operating Brands, in all cases undergoing a careful selection criteria to ensure each new leadership member has a relevant skill set and is aligned with the collaborative spirit of the Group.

Our in-house recruitment function continues to flourish and is now entrenched as the focal point in our Australian, UK and USA hiring requirements. The learning and development program completed its first full year of operation and we are pleased to say that every operating business in the Group participated in some form. We also sent the largest delegation from Australia to South by South West (SXSW), a world leading tech and digital conference held in Austin, Texas earlier this year. The delegation covered a broad range of disciplines and businesses and this is all part of our considered plan to ensure that our businesses are at the forefront of technology and can share latest trends with staff and clients alike.

Our Operational Focus and Collaborative Approach

We continue to push forward on operational changes to drive further collaboration amongst the Operating Brands.

Our co-location efforts have yielded the following results over the past two years:

6 → 3
Sydney
From six to three offices

4 → 2
Melbourne
From four to two offices

5 → 3
London
From five to three offices

3 → 1
New York
From three to one office

As we have reduced the number of locations, we have also invested time and effort to ensure that our work environments are spaces that help inspire creativity and 'outside the box' thinking, along with areas to collaborate between Operating Brands.

"Collaboration is now included as a key performance indicator for the senior leadership of each Operating Brand, and having this cascaded throughout the businesses will provide them with the ability to achieve beyond the normal reach of an individual business."

We remain very much committed to running a global group out of our three hubs of London, Sydney and New York. Our existing office network plus highly mobile teams allows us to be everywhere our clients need us to be, whether delivering a pan European PR campaign, shopper marketing projects in South America or conducting communications projects across Asia. This office footprint will continue to allow us to pursue organic growth opportunities balanced with a manageable operating cost base.

Thank you

I wish to thank the Board for its unwavering support and faith in the Executive team as this has allowed us to maintain our laser-like focus on our strategic goals. I would also like to thank the Executive team for their tireless work and commitment in building a much better quality business, one that we can all be proud of. Most importantly, I'd like to thank my colleagues, all 650 of you, for the amazing effort that you make every day to deliver world-class solutions for our clients. Your talent and professionalism coupled with your sense of fun, openness and enthusiasm energises us all.

Onwards

Reflecting back on our three-phase strategy (Remedial, Reliable, Re-Imagined) this year has been focused on beginning to demonstrate reliability to our stakeholders. Reliability is clearly not a one-year story but an ongoing theme. The year ahead is also filled with opportunities to develop and improve our Group and to further invest back into our brands. Our better networked, more integrated Group will continue to strive for improved financial performance. With more stable operating structures and more settled leadership teams, we plan to target revenue growth opportunities while maintaining the right cost structure. This should in turn allow us to achieve a higher margin.

We will continue to foster the collaborative spirit, leaning forward towards technology and always seeking to deliver outstanding work for our clients. This should lead to long-term success and drive value for shareholders. We are excited about the future and eagerly looking forward to the journey ahead.

Matthew Melhuish
CEO and Executive Director

Recognition

An important sign that our businesses remain relevant in our industry is the achievement of awards throughout the year.
I am pleased to highlight the recent awards:

Naked

- **The Act Button**
  Cannes Chimera Award (Awarded by Cannes Lion and Bill and Melinda Gates Foundation). This was the only Cannes Chimera prize won by Australia.

BMF

- **Just Add Snow, Sochi Olympics Network Ten**
  Gold "*Live event spot*"
  – Promax BDA
- **Tap King, Lion**
  Silver "*Films Lions, Alcoholic Beverages*" – Cannes Lion
- **Mamia Nappies, Aldi**
  Silver "*Film and video*"
  – Award Awards

Frank PR

- **Chessington bans animal print, Chessington World of Adventures Resort**
  "*Leisure and Travel PR campaign*"
  – Sabre Awards

Hotwire

- **Listening Post**
  "*Insights product or service by an agency*" – In2 Sabre Awards

While awards recognition is terrific and does drive industry PR and inbound new business enquiry, the greatest compliment our teams can be paid comes from the organic growth of longstanding client relationships and the positive referral that comes with that. I am delighted to say that across the Group we have many positive, deep and productive client relationships and we cherish every one of them. We are always conscious that we are only successful if our clients are successful.

Corporate Governance Statement

This statement outlines the corporate governance policies and practices of Enero, in the context of the Corporate Governance Principles and Recommendations that have been set by the ASX Corporate Governance Council (**ASX Guidelines**).

Enero considers that its governance practices are consistent with all of the Recommendations contained in the ASX Guidelines.

A copy of the ASX Guidelines can be obtained from the ASX website at www.asx.com.au.

1. Laying solid foundations for management and oversight

1.1 Functions of the Board and management

1.1.1 Role of the Board and management

The Board has approved a formal Board Charter, which details the Board's role, powers, duties and functions. A copy of the Board Charter is available on the Enero website.

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Consolidated Entity. It is required to do all things that may be necessary to be done, in order to carry out the objectives of the Consolidated Entity.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

Leadership of the organisation: overseeing the Consolidated Entity and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.

Strategy formulation: working with senior management to set and review the overall strategy and goals for the Company.

Overseeing planning activities: overseeing the development of the Consolidated Entity's strategic plan and approving that plan as well as the annual and long-term budgets.

Shareholder liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.

Monitoring, compliance and risk management: overseeing the Company's management of material business risks, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.

Company finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.

Human resources: appointing and, where appropriate, removing the Chief Executive Officer (CEO) as well as reviewing the performance of the CEO and monitoring the performance of senior Executives in their implementation of the Company's strategy.

Ensuring the health, safety and wellbeing of employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's workplace health and safety systems to ensure the wellbeing of all employees.

Delegation of authority: other than as specifically reserved to the Board in the Board Charter, responsibility for the management of Enero's business activities is delegated to the CEO who is accountable to the Board. The Board has also delegated specific authorities to various Board Committees.

1.1.2 Conflicts of interest

Directors must:

– disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Consolidated Entity; and
– if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest, then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters to which the conflict relates.

1.1.3 Related party transactions

Related party transactions include any financial transaction between a Director and the Consolidated Entity and will be reported in writing to each Board meeting. Unless there is an exemption under the *Corporations Act 2001* (Cth) ("Corporations Act") from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.2 Evaluation of senior Executives

1.2.1 Induction of senior Executives

New Executives undertake an induction program upon joining Enero, including briefings on the Company's businesses, and its policies and procedures with people in key internal and external roles in order to start developing the relationships necessary to meet the requirements of their role.

As discussed further below and in the Remuneration Report, Executives are required to perform in accordance with Key Performance Indicators aimed at ensuring performance against Company strategy and achievement of measurable goals.

1.2.2 Performance evaluation of senior Executives
The performance evaluation of key Executives is undertaken by the Board, in conjunction with the CEO, on both a formal regular and informal ongoing basis. Each senior Executive's performance is reviewed at least annually. Performance evaluation of senior Executives has taken place during the reporting period in accordance with the process disclosed.

The process for evaluating the performance of senior Executives and the remuneration policy for senior Executives is further discussed in the Remuneration Report.

2. Structuring the Board to add value

2.1 Independent Directors

The Constitution of the Company provides that the number of Directors must not be less than three and not more than 13. The names of the Directors of the Company in office at the date of this report are set out in the Directors' Report on page 16 of this report, including the period of office held by each Director as at the date of this report. There are currently five Directors, each of whose skills, experience and expertise are described in their Director profiles on page 16. There is one Executive Director (Matthew Melhuish) and four Non-Executive Directors (John Porter, Susan McIntosh, Roger Amos and Max Johnston).

The Board meets the ASX Corporate Governance Council's recommendation that a majority of the Board should be independent. Three members of the Board, John Porter, Roger Amos and Max Johnston, are independent according to the definition in the ASX Guidelines. Susan McIntosh is not considered independent because she is an officer of the RG Capital group of companies, which has a substantial holding in Enero. The Board believes that its current composition has the required skills and independence of thought and judgement to ensure that decisions are made by the Board in the best interests of the Company.

The Board regularly assesses whether each Non-Executive Director is independent, based on the criteria specified in the Board Charter (which is consistent with the criteria set out in Recommendation 2.1 of the ASX Guidelines).

The Board does not have a formal procedure for Directors to take professional advice at the expense of the Company; however, the Directors have the ability to do so.

2.2 Independent Chair

The Chair of Enero, John Porter, is a Non-Executive Director and an independent Director. This meets with the ASX Recommendation that the Chairman should be an independent Director.

2.3 Roles of the Chair and CEO

The roles of Chair and CEO are not exercised by the same individual. The division of responsibilities between the Chair and the CEO has been agreed by the Board.

2.4 Establishment of a Nomination Committee

The Board has a Remuneration and Nomination Committee whose purpose is to seek and nominate qualified candidates for election or appointment to Enero's Board. Details regarding the composition and responsibilities of this Committee are set out in item 8.1 of this Corporate Governance Statement.

2.5 Performance evaluation of the Board, Committees and Directors

2.5.1 Induction and education
New Directors undergo an induction process in which they are given a full briefing on the Consolidated Entity. Information made available to new Directors includes:

- meetings and presentations from key management personnel;
- information regarding conduct and contribution expectations;
- details of relevant legal requirements;
- a copy of the Board Charter;
- details for key people in the organisation, including an outline of their roles and capabilities;
- management accounts of the Consolidated Entity;
- a synopsis of the current strategic direction of the Company, including a copy of the current strategic plan and annual budget; and
- a copy of the Constitution of the Company.

2.5.2 Performance review
The Chair is responsible, in the first instance, for monitoring the contribution of individual Directors, and providing guidance on any areas of improvement.

The Board undertakes an annual self-assessment of both its collective performance and that of individual Directors and seeks specific feedback from the senior management team on particular aspects of its performance. The Remuneration and Nomination Committee oversees this annual performance assessment program.

In addition, each Board Committee undertakes an annual self-assessment of the performance of the committee and the achievement of committee objectives. The performance of the CEO is reviewed annually by the Remuneration and Nomination Committee and the Board. The performance of the CEO is reviewed annually against set performance goals and competencies. Performance evaluation of the Board, its committees and Directors has taken place during the reporting period in accordance with the process disclosed.

2.6 Retirement and re-election

As required under Enero's Constitution and the ASX Listing Rules, and excluding any Managing Director or Director newly appointed during the relevant year, at each Annual General Meeting one-third of the Directors must retire from office. Retiring Directors are eligible for re-election by shareholders.

No Director (other than the Managing Director) may hold office for more than three years without standing for re-election and any Director appointed by the Board since the previous Annual General Meeting must stand for election by no later than the next Annual General Meeting.

2.7 Appointment of new Directors

When a vacancy exists for a Board position, through whatever cause, or where the Board considers that it would benefit from the services of a new member with particular skills, the Remuneration and Nomination Committee will consider candidates having regard to:

- what may be appropriate for the Company;
- the skills, expertise and experience of the candidates;
- the desirability of those skills, expertise and experience when combined with those of the existing Directors; and
- the perceived compatibility of the candidates with the Company and with the existing Directors.

The Board is committed to ensuring that Directors appointed to the Board hold a mix of skills and experience and that Board composition reflects the Company's commitment to diversity.

3. Promoting ethical and responsible decision making

3.1 Company Code of Conduct

To assist the Board in carrying out its functions, Enero has developed a Code of Conduct to guide the Directors, the CEO and other key Executives in the performance of their roles. The Company Code of Conduct was adopted by resolution of the Board on 27 May 2004. This Code covers the following expectations in relation to the following matters:

- responsibilities to shareholders and the financial community generally;
- responsibilities to clients, customers and consumers;
- employment practices;
- obligations relative to fair trading and dealing;
- conflicts of interest;
- compliance with legislation affecting its operations; and
- how the Company monitors and ensures compliance with its Code.

A copy of the Code is available on the Enero website.

3.2 and 3.3 Diversity policy and promoting diversity

The Board has adopted a Diversity policy which describes the Company's commitment to ensuring a diverse mix of skills and talent amongst its Directors, officers and employees, to enhance Company and Group performance. The Diversity policy addresses equal opportunities in the hiring, training and career advancement of Directors, officers and employees and outlines the process by which the Board will set measurable objectives to achieve the aims of its Diversity policy, with particular focus on gender diversity within the Group. The Board is responsible for monitoring Group performance in meeting the Diversity policy requirements, including the achievement of diversity objectives.

The Company promotes an environment which is conducive to the employment of well qualified employees, senior management and Board candidates regardless of gender, race or age. Individual entities are responsible for and are encouraged to adopt work practices which ensure that they are able to attract and keep the best employees, regardless of gender, age or race; such measures include flexible work practices, part-time work and, in some instances, paid maternity leave which exceeds the prescribed amounts in the Australian Government Paid Parental Leave Scheme.

The Company continues to monitor and seek to identify ways in which it can promote a corporate culture which embraces diversity when determining the composition of employees, senior management and the Board, including continuing to recruit employees and Directors from a diverse pool of qualified candidates.

3.4 Representation of women in the Company

Women are well represented at Board and senior management level within the Company. Susan McIntosh has been a Director of Enero since June 2000 and is one of five Directors on the Board. Women comprised 20% of the Board, 25% of the Enero Executive team, approximately 30% of Senior Managers and 58% of employees across the Company as at the conclusion of the reporting period.

The Remuneration and Nomination Committee has been charged with the duty to review and report annually on the relative proportion of women and men in the workforce at all levels of the Enero Group.

As part of our ongoing commitment to gender diversity and equality, the Company has lodged an annual public report to the Workplace Gender Equality Agency. A copy can be obtained from the Group HR Director.

4. Safeguarding integrity in financial reporting

4.1 Establishment of Audit Committee

The Audit Committee monitors and reviews the effectiveness of the Consolidated Entity's controls in the areas of operational and balance sheet risk, legal, compliance and financial reporting. The Committee discharges these responsibilities by:

- overseeing the adequacy of the controls established by senior management to identify and manage areas of potential risk and to safeguard the assets of Enero;
- overseeing Enero's relationship with the external auditor and the external audit function generally; and
- evaluating the processes in place to ensure that accounting records are properly maintained in accordance with statutory requirements, and that financial information provided to investors and the Board is accurate and reliable.

The Audit Committee has also adopted a policy on the provision of non-audit services, and complies with the statutory requirements regarding the rotation of external audit personnel. All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor.

The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company, or jointly sharing risks and rewards.

Members of management and the external auditors attend meetings of the Audit Committee by invitation. The Audit Committee may also have access to financial and legal advisers, in accordance with the Board's general policy.

4.2 Structure of Audit Committee

The Audit Committee consists only of Non-Executive Directors, including a majority of independent Directors. The current members of the Audit Committee are John Porter, Susan McIntosh and Roger Amos.

Roger Amos has been the Chair of this Committee since 1 March 2011. He is an independent Director. All members can read and understand financial statements and are otherwise financially literate.

The details of the members' qualifications can be found in their Director profiles on page 16.

Details of the number of meetings of the Audit Committee and the names of attendees can be found in the Directors' Report on page 18. The Audit Committee meets with an external auditor at least twice a year.

4.3 Audit Committee Charter

The Audit Committee Charter sets out the Committee's role and responsibilities, structure, membership requirements and procedures. The Committee meets at least four times each year and reports to the Board on all matters within its role and responsibilities.

The Audit Committee reviews the audited annual and half yearly financial statements and other reports which accompany published financial statements before submission to the Board and recommends their approval.

The Audit Committee also recommends to the Board the appointment of the external auditor each year and reviews the appointment of the external auditor, their independence, the audit fee, and any question of resignation or dismissal.

The Audit Committee is also responsible for establishing policies on risk oversight and management.

A copy of the Charter is available on the Enero website.

5. Making timely and balanced disclosure

5.1 Policy for compliance with continuous disclosure

Enero has established a Continuous Disclosure Policy to ensure compliance with the ASX Listing Rules disclosure requirements.

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX, as well as communicating with the ASX.

A copy of the Company's Continuous Disclosure Policy is available on the Enero website.

6. Respecting the rights of shareholders

6.1 Communications strategy

To facilitate the effective exercise of the rights of shareholders, the Company is committed to ensuring that all external communications with shareholders will:

- be factual;
- not omit material information; and
- be timely and expressed in a clear and concise manner.

Where practicable, Enero uses the latest widely available electronic technology to communicate openly with shareholders and the market in general. Announcements to the ASX and notices of meetings are posted on the Company's website.

The Company encourages shareholders to participate in general meetings of the Consolidated Entity. The Company seeks to choose a date, venue and time for the Annual General Meeting that is convenient to the greatest number of its shareholders, and takes reasonable measures to ensure the attendance of the external auditor to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Consolidated Entity.

7. Recognise and manage risk

7.1 Policies on risk oversight and management

Enero recognises that identification and effective management of risk are viewed as an essential part of good corporate governance and the Company's approach to creating long-term shareholder value.

The Company has an established risk management framework designed to identify and respond to risks in a way that creates value for Enero shareholders and to allow the Company to meet its long-term growth objectives. The framework includes specific risk management activities in core areas of risk for the Consolidated Entity, including operational, financial reporting and compliance risks. The risk management framework adopted by the Company includes:

- process for identification of the material business risks faced by the Company;
- prioritisation of material business risks;
- identification of controls to manage the key risks; and
- ongoing reporting and discussion of material business risks throughout the year.

Risk management is a key element of Enero's strategic planning and decision-making. Enero strives to balance the risks and rewards in conducting business to optimise returns, in accordance with its goals of delivering shareholder value and its commitments to stakeholders, customers and the broader community.

7.2 Risk management roles and responsibilities

Management, through the CEO, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Audit Committee on the Company's key risks and the extent to which it believes these risks are being managed. This is performed on an annual basis or more frequently as required by the Board.

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound risk management and internal control system. Detailed work on this task is delegated to the Audit Committee and reviewed by the Board. The Audit Committee also oversees the adequacy of the Company's risk reporting from management.

Strategic and operational risks are reviewed at least annually by all operating businesses as part of the annual strategic planning and budgeting process. The CEOs of the Company's subsidiaries are required to report to the Board each month on operational risks. These are then reviewed by the CEO, Group Finance Director and General Counsel each month and external auditors as part of the half-yearly reporting to the market.

The General Counsel monitors the Company's compliance with its legal and regulatory obligations. Senior management meets regularly to deal with specific areas of risk, such as treasury risk and foreign exchange rates, and provides reporting to the Board on these areas at least annually.

7.3 Statement of CEO and CFO in relation to systems

The Board has received assurance from the CEO and the Group Finance Director that the declaration provided by them in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that, in their opinion, the Company's risk management system is operating effectively in all material respects in relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the CEO and Group Finance Director can only be reasonable rather than absolute. This is due to such factors as the need for judgement and because much of the evidence available is persuasive, rather than conclusive, and therefore does not and cannot be designed to detect all weaknesses in control procedures.

8. Remuneration

8.1 Remuneration and Nomination Committee

The Remuneration and Nomination Committee has adopted a Charter, a copy of which is available on the Company's website.

8.1.1 Role

The Remuneration and Nomination Committee reviews and makes recommendations to the Board on remuneration packages and policies, including but not limited to succession planning, recruitment and the appointment of the CEO, senior Executives and Directors themselves, and overseeing succession planning, selection and appointment practices and remuneration packages for management and employees of Enero.

8.1.2 Composition

- John Porter, Susan McIntosh, Roger Amos and Max Johnston are the current members of the Remuneration and Nomination Committee. All members of the Committee are Non-Executive Directors and all members, bar Susan McIntosh, are independent Directors. Max Johnston, the Chair of the Remuneration and Nomination Committee, is an independent Director.
- Details of the number of meetings of the Remuneration and Nomination Committee and the names of the attendees can be found in the Directors' Report on page 18.

8.1.3 Responsibilities

- The responsibilities of the Remuneration and Nomination Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, making recommendations to the Board on any proposed changes to the Board, and undertaking an annual review of the CEO's performance, including setting the CEO goals for the coming year and reviewing progress in achieving these goals.

8.2 Executive and Non-Executive Directors' remuneration

The Senior Executive Remuneration Policy was approved by resolution of the Board in September 2004 and the Non-Executive Director Remuneration Policy was approved by resolution of the Board on 25 March 2004.

8.2.1 Senior Executive Remuneration

The Consolidated Entity is committed to remunerating its senior Executives in a manner that is market-competitive and consistent with best practice, as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy, the remuneration of senior Executives may be comprised of (or some combination of) the following:

– fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
– a short-term incentive designed to reward actual achievement by the individual of performance objectives and Company performance targets;
– participation in the equity based incentive scheme; and
– statutory superannuation.

By remunerating senior Executives through performance and long-term incentive plans, in addition to their fixed remuneration, the Company aims to align the interests of senior Executives with those of shareholders, and increase Company performance.

Details of the amount of remuneration, including both monetary and non-monetary components, for each of the (non-Director) Executives during the year (discounting accumulated entitlements) are detailed in the Directors' Report and Note 18 of the notes to the financial statements.

8.2.2 Non-Executive Director Remuneration

The Constitution provides that the Non-Executive Directors are each entitled to be paid such remuneration from the Company as the Directors decide for their services as a Director, but the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company in a general meeting. This amount is currently fixed at $750,000. The remuneration of Non-Executive Directors must not include a commission on, or a percentage of, profits or operating revenue. Directors may also be reimbursed for travelling and other expenses incurred in attending to the Company's affairs. Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra services or makes exertions for the benefit of the Company.

Non-Executive Directors are entitled to statutory superannuation, but do not otherwise receive retirement benefits.

Details of the amount of remuneration, including both monetary and non-monetary components, for each of the Directors paid during the year (discounting accumulated entitlements) are detailed in the Directors' Report and Note 18 of the notes to the financial statements.

Directors' Report

The Directors present their report, together with the financial statements of Enero Group Limited (**the Company**) and of the Consolidated Entity, being the Company and its controlled entities, for the year ended 30 June 2014 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial 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 25 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 is currently Chairman of the EFFIEs Advertising Effectiveness Awards and he has played a key role 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.

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 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.

Company Secretary

Brendan York was appointed Company Secretary on 1 July 2012. He is also the Group Finance Director of the Consolidated Entity. Brendan is a Chartered Accountant and has a Bachelor of Business Administration and Bachelor of Commerce from Macquarie University.

Officers who were previously partners of the audit firm

Roger Amos was an officer of the Company during the financial year and was previously partner of the current audit firm, KPMG, at the time when KPMG undertook an audit of the Group.

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.

Operating and financial review

Operations of the Consolidated Entity

The Consolidated Entity consists of eleven marketing and communication services business across eight 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.

Please refer to page 2 for details of product offerings for each operating business.

Financial performance for the year

The Consolidated Entity achieved an increase in Operating EBITDA of 148% to $9.0 million, 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; and
- A more connected group with standardised platforms and systems.

Reconciliation of loss after tax to Operating EBITDA

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 (ii)	(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 14 Intangible assets of this annual report.

(ii) During the prior reporting period, the Consolidated Entity disposed of 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 27 Disposals of subsidiaries of this annual report.

Financial position of the Consolidated Entity

The Consolidated Entity continues to maintain a strong balance sheet with no debt. Any accumulated cash balances are maintained in the Consolidated Entity due to continued restrictions on alterations to its capital structure and payment of dividends such that no dividends can be paid until the contingent deferred consideration payments as described in Note 16 Deferred consideration payables have been paid, settled or cancelled.

The Consolidated Entity implemented strict working capital management to ensure efficient conversion of EBITDA to cash and has delivered positive operating cash flows of $6,578,000 from an Operating EBITDA of $8,972,000.

Strategy and prospects

The Consolidated Entity's primary objectives are to create a world-class boutique marketing and communications group solving clients' marketing problems with a focus on digital.

Please refer to page 6 for further details on strategy and prospects of the Consolidated Entity.

Basis of preparation

The Directors' Report includes Operating EBITDA, a measure used by the Directors and management in assessing the ongoing 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 restructure costs. Operating EBITDA, reconciled in the table on page 17, 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 ongoing 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 ongoing operations or cash flow.

Disposals

2014
There were no disposals during the current reporting period.

2013
On 10 August 2012, the Consolidated Entity disposed of its 51% interest in the Belgiovane Williams Mackay (BWM) business for $7,500,000. The asset group was classified as held for sale at 30 June 2012. The financial impacts of this disposal were recognised in the 30 June 2012 Annual Financial Report.

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 disposal of $340,000 in the income statement for the year ended 30 June 2013.

Issue of shares and share options

A total of 14,618,523 shares were issued to deferred consideration beneficiaries pursuant to the deferred consideration element of the recapitalisation completed in September 2010.

During the year ended 30 June 2014 a total of 20,833 shares (30 June 2013: 222,848) were released from escrow conditions and recognised as share capital as individual earn out periods have been completed..

As at 30 June 2014, the Company has 4,784,533 shares (30 June 2013: 4,784,533) in a trust account held by the Company for future use against long-term incentive equity schemes.

On 15 October 2013, the Company issued 11,150,000 Share Appreciation Rights to certain Executives of Enero and its subsidiaries under a Share Appreciation Rights plan.

Dividends

No dividend was declared during the year ended on 30 June 2014 or after the balance sheet date at the date of this report.

	Note
Dealt with in the financial statements as:	
– Dividends	21

State of affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year.

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year were:

	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings	
Director	**A**	**B**	**A**	**B**	**A**	**B**
John Porter	5	10	–	4	1	2
Matthew Melhuish	9	10	–	–	–	–
Susan McIntosh	10	10	4	4	2	2
Roger Amos	10	10	4	4	2	2
Max Johnston	9	10	–	–	2	2

A – Number of meetings attended.

B – Number of meetings held during the time the Director held office during the year.

Directors' interests

The relevant interest of each Director in the shares or options issued by the Consolidated Entity, as notified by the Directors to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

Director	Ordinary shares	Share Appreciation Rights
John Porter	270,833	Nil
Matthew Melhuish	737,242	1,839,507
Susan McIntosh	122,223	Nil
Roger Amos	7,556	Nil
Max Johnston	77,778	Nil
Total	1,215,632	1,839,507

Share options

Unissued shares under option

At the date of this report, unissued shares of the Company under option are:

Expiry date	Number of options	Exercise price
30 September 2014(i)	661,313	$0.63
30 September 2014(i)	296,296	$0.53
30 September 2014(i)	3,716,675	$0.71
26 October 2014	6,251	$19.98
30 September 2015(i)	395,062	$0.53
30 September 2015(i)	3,716,675	$0.71
30 September 2016(i)	3,716,650	$0.71
Total unissued shares under options granted	12,508,922	
Share Appreciation Rights(i)	(12,502,671)	
Total unissued shares under option	6,251	

(i) Represents Share Appreciation Rights.

These options in the table above do not entitle the holder to participate in any share issue of the Company.

Shares issued on exercise of options

During or since the end of the financial year, no ordinary shares were issued by the Company as a result of the exercise of options.

Events subsequent to balance date

No matters have arisen, in the interval between the end of the financial year and the date of this report, or 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.

Please refer to Note 29 Subsequent events for further details.

Likely developments

The Consolidated Entity will continue to focus on its strategy outlined in the operating and financial review.

Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current Directors of the Company: John Porter, Matthew Melhuish, Susan McIntosh, Roger Amos, Max Johnston and Company Secretary Brendan York, against liabilities to another person (other than the Company or a related body corporate) that may arise from their positions as Directors, Secretaries or Executives of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any liabilities, including costs and expenses.

The Company has also agreed to indemnify the current Directors and Secretaries of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

During the financial year, the Company has paid insurance premiums in respect of Directors' and Officers' liabilities, for current Directors and Officers covering the following:

– costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal; and
– other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The Directors have not included details of the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

Non-audit services

During the year KPMG, the Consolidated Entity's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

– all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
– non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Consolidated Entity, acting as an advocate for the

Consolidated Entity, or jointly sharing risks and rewards.

A copy of the Lead Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is on page 77 of this annual report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed in Note 5 of the notes to the financial statements.

	2014 $	2013 $
Services other than statutory audit		
Auditors of the Company		
Taxation compliance services:		
KPMG Australia	30,000	–
Overseas KPMG firms	197,000	199,000
Other advisory services:		
KPMG Australia	7,000	–
Overseas KPMG firms	3,000	–
Total services other than statutory audit	237,000	199,000

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 statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Remuneration report – Audited

1 Principles of remuneration

Compensation is referred to as remuneration throughout this report.

1(a) Remuneration policies and strategy

The key management personnel who have authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity include the Directors of the Company and the senior Executives of the Company and the Consolidated Entity.

The remuneration levels for key management personnel of the Consolidated Entity are competitively set to attract and retain appropriately qualified and experienced Directors and senior Executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic short-term and long-term objectives and achieve long-term value creation for shareholders.

The compensation structures take into account:

- the responsibility, performance and experience of key management personnel;
- the key management personnel's ability to control the relevant Company's performance;
- the Consolidated Entity's performance, including:
  - the Consolidated Entity's earnings with profit a core component of remuneration design;
  - the growth in share price and delivering constant returns on shareholder wealth; and
  - the Consolidated Entity's achievement of strategic objectives.

Remuneration packages contain a mix of fixed and variable remuneration, short-term and long-term performance-based incentives and equity-based remuneration. These packages provide reward for individual and group performance.

The Remuneration and Nomination Committee, along with the senior Executives of the Company, have aligned the remuneration strategy for individual subsidiary Chief Executive Officers (CEOs) and their key senior leadership across all the operating brands. Consistent with a strategy to create a level of ownership and accountability from within the subsidiary and unlock the discretionary effort in employees, the operating brands' remuneration structure is now based upon three tiers:

- fixed remuneration;
- short-term and long-term subsidiary incentives through either an EBITDA sharing arrangement such that the CEO and key senior leadership of that subsidiary is entitled to a share of EBITDA or a retained equity interest in the subsidiary entitling a dividend stream linked to profitability of the business; and
- long-term Group aligned incentive through the Share Appreciation Rights plan.

The Remuneration and Nomination Committee reviews and makes recommendations to the Board on remuneration packages and policies, including but not limited to recruitment and the appointment of the Chief Executive Officer, senior Executives and Directors themselves and overseeing succession planning, selection and appointment practices, and remuneration packages for management and employees of the Consolidated Entity.

1(b) Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost-to-Company basis and includes fringe benefits tax charges related to employee benefits), as well as employer contributions to superannuation and pension funds.

Remuneration levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers the responsibility, performance and experience of the individual and the overall performance of the Consolidated Entity and ensures competitive market salaries are provided. A senior Executive's remuneration may also be reviewed on promotion.

1(c) Performance-linked remuneration

Performance-linked remuneration includes both short-term and long-term incentives and is designed to reward key management personnel, senior executives, subsidiary CEOs and subsidiary key leadership for meeting or exceeding financial, strategic and personal targets. The subsidiary level short-term incentives (**STI**) and long-term incentives (**LTI**) are either "at risk" bonuses provided in the form of cash or direct retained equity interests in the subsidiary, while for key management personnel and senior executives of the Company, the STI are "at risk" bonuses. STI are designed to reward meeting and exceeding financial objectives.

The Group aligned long-term incentives (LTI) are provided as equity-based incentives in the Company under the terms of the Share Appreciation Rights (**SAR**) (see Note 18).

Options over ordinary shares in the Company which were granted in prior financial years under the terms of the Executive Share Option Scheme (**ESOS**) (see Note 18) remain outstanding, however given the exercise price of such options relative to the current price of ordinary shares in the Company, they are no longer considered to provide any meaningful LTI.

Short-term and long-term subsidiary incentives

The short-term incentives for the CEOs and senior key leadership of individual subsidiaries are linked to the financial performance and direct profitability of their relevant subsidiaries. Each operating brand has either of the following structures:

- an EBITDA sharing arrangement such that the CEO and key senior leadership of that subsidiary are entitled to a share of EBITDA agreed by the Remuneration and Nomination Committee each year. A component of the share of EBITDA is also subject to the achievement of pre-determined KPIs for both the individual and Operating Brand. This incentive is paid annually in cash at the end of the financial year; or
- a direct equity interest in the subsidiary, retained or earned over a vesting period, entitling the holder to a dividend stream linked to financial performance of that subsidiary.

The short-term incentive for other executives and employees of the subsidiaries is linked to the financial performance of the relevant subsidiary, relative to that subsidiary's approved budget each year.

Short-term incentives for key management personnel

Short-term incentives for other key management personnel and senior Executives of the Company in the current financial year are in accordance with the terms of their individual service agreements and include capped bonuses payable at the discretion of the Remuneration and Nomination Committee based on the achievement of financial and non-financial measures, including achievement of strategic objectives set by the Board. The discretionary capped bonuses in the current financial year are detailed on page 26.

The short-term incentive for the CEO is a maximum short-term incentive payment of $200,000 per annum subject to achievement of targets for annual growth in earnings per share (EPS) of the Company and non-financial performance of the Group.

Group aligned long-term incentives

Long-term incentives are designed to link Executive remuneration with long-term shareholder value and the performance of the Consolidated Entity. During the financial year, LTI were provided as equity-based incentives in the Company under the terms of the Share Appreciation Rights plan (**SAR**) (see Note 18).

Current long-term incentive plans

Share Appreciation Rights (SAR)

The Share Appreciation Rights plan is designed to incentivise the Company's senior Executives and other senior management of the Consolidated Entity.

The plan allows for the Board to determine who is entitled to participate in the SAR and it may grant rights accordingly. Enero's Board may determine whether or not the grant of rights is conditional on the achievement of performance hurdles, and if so the nature of those hurdles.

The exercise of each right will entitle the rights holder to receive a fraction of an ordinary share based on a conversion formula of E = (A – B)/A, where:

- E is the share right entitlement;
- A is the volume weighted average price (**VWAP**) for the Company's shares for the 20 business days prior to the vesting date of the rights; and
- B is the VWAP for the Company's shares for the 20 business days before the rights were granted.

If A – B is less than or equal to zero, the share right will not vest and will immediately lapse on the applicable vesting date.

One share right shall never convert into more than one share in the capital of the Company.

Rights expire at 15 business days after the relevant vesting date or the termination of the individual's employment.

The Board may exercise discretion on early vesting of rights in the event of a change of control of the Consolidated Entity.

Refer to the table on page 22 for a summary of SARs on issue.

Prior long-term incentive plans

Executive Share Option Scheme (ESOS)

The Company has an Executive Share Option Scheme (**ESOS**). However no options have been issued under the ESOS in the current financial year nor are they expected to be issued under the ESOS in the future.

The plan allows for the Board to determine who is entitled to participate in the ESOS and to grant options accordingly. The exercise of an option will entitle the option holder to subscribe for one share. All options were granted at an exercise price, being the average of the daily VWAP of the Company shares on each of the 30 business days prior to the issue date. The average exercise price of these options is $19.98. All options expire on the earlier of their expiry date or termination of the individual's employment. The options issued on or after 1 April 2004 under the ESOS are exercisable by the option holder as follows:

after two years from issue date – 33⅓%;

after three years from issue date – 66⅔%; and

after four years from issue date, the option holder is entitled to exercise all options until the expiry date (being five years after the issue date).

No options were granted under the ESOS during the financial year; however as at 30 June 2014, 6,251 ESOS options over unissued shares remain outstanding. Due to the average exercise price of these options being significantly higher than the current share price of the Company, these options are no longer considered to provide any meaningful LTI.

Refer to section 2(b) of the Directors’ Report for further information regarding the SAR and ESOS.

Summary of Share Appreciation Rights on issue:

Issue Date	18 August 2011	16 January 2012	15 October 2013
SAR issued	5,292,208	888,889	11,150,000
Participants	CEO and senior Executives	CEO	CEO and senior Executives
VWAP for the 20 business days prior to the grant (B)	63 cents	53 cents	71 cents
Vesting dates: 20 business days after the release of the Consolidated Entity’s financial report for the year ended:			
Tranche 1	30 June 2012 – 2/9ths	30 June 2013 – 2/9ths	30 June 2014 – 1/3rd
Tranche 2	30 June 2013 – 3/9ths	30 June 2014 – 3/9ths	30 June 2015 – 1/3rd
Tranche 3	30 June 2014 – 4/9ths	30 June 2015 – 4/9ths	30 June 2016 – 1/3rd
Expiry	30 September 2014	30 September 2015	30 September 2016
Outstanding SAR as at 30 June 2014	661,313	691,358	11,150,000

1(d) Service contracts

It is the Consolidated Entity's policy that service contracts for key management personnel are in force either for a fixed period, with an extension period negotiable after completion of the initial term, or on a rolling basis. The agreements are capable of termination, acknowledging appropriate notice periods, and the Consolidated Entity retains the right to terminate the contract immediately for contractual breach by the Executive or by making payment in lieu of notice.

The service agreements outline the components of remuneration paid to the key management personnel. Remuneration levels are reviewed annually by the Remuneration and Nomination Committee or in accordance with the terms of the service agreements.

Summary terms for current service agreements for key management personnel:

Key management personnel	Duration of contract	Notice period on termination by Consolidated Entity	Notice period on resignation by key management personnel	Termination payment on termination by Consolidated Entity (i) (ii) (iii) (iv)	Termination payment on resignation by key management personnel (i) (ii) (iv)
CEO	30 June 2015	6 months	6 months	6 months base salary	6 months base salary
Group Finance Director	Rolling	6 months	3 months	6 months base salary	3 months base salary
Group Strategy and Operations Director	Rolling	3 months	3 months	3 months base salary	3 months base salary

(i) In addition to termination payments, key management personnel are also entitled to receive, on termination of their employment, their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

(ii) Includes any payment in lieu of notice.

(iii) No termination payment is due if termination is for serious misconduct.

(iv) CEO is entitled to a pro-rata STI payment on termination, except for termination for serious misconduct.

1(e) Non-Executive Directors

The Company's Constitution provides that the Non-Executive Directors are each entitled to be paid such remuneration from the Company as the Directors decide for their services as Director, but the total amount provided to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company in a general meeting. This amount has been fixed by the Company at $750,000 for the financial year ended 30 June 2014.

The remuneration of Non-Executive Directors must not include a commission on, or percentage of, profits or operating revenue. Directors may also be reimbursed for travelling and other expenses incurred in attending to the Company's affairs. Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra services or makes special exertions for the benefit of the Company.

1(f) Consequences of performance on shareholder wealth

The Remuneration and Nomination Committee has given consideration to the Consolidated Entity's performance and consequences on shareholder wealth in the current financial year and the four previous financial years. Given the significant operational restructure which took place during the prior financial years, the financial performance and share price of the last four financial years have been given less weight in the setting of appropriate remuneration structures which align remuneration of the new key management personnel with future shareholder wealth.

The Remuneration and Nomination Committee considers the achievement of financial targets as well as non-financial measures in setting the short-term incentives. In the financial year to 30 June 2014, an emphasis has been placed by the Remuneration and Nomination Committee on the achievement of outcomes aligned with the strategic direction of the Consolidated Entity. Longer-term profitability, changes in share price and return of capital are factors the Remuneration and Nomination Committee takes into account in assessing the LTI.

The Remuneration and Nomination Committee has reviewed both the financial performance in the current financial year as well as the achievement of stated strategic objectives which took place during the financial year. The Remuneration and Nomination Committee believes the achievement of improved earnings, Operating EBITDA margin and a stronger network across the Operating Brands are aligned with the achievement of future shareholder wealth. The Remuneration and Nomination Committee also believes that the LTI in place align the key management personnel with the achievement of shareholder wealth by aligning remuneration with future share price performance and reward for increases in the share price.

2 Directors' and Executive officers' remuneration

2(a) Directors' and Executive officers' cash and post-employment and other long-term remuneration

Details of the nature and amount of each element of the remuneration of each Director of the Company and each of the Executives of the Company and Consolidated Entity, who are key management personnel, are shown in the table below:

					Post-employment		Other compensation	Total
		Salary and fees $	Cash bonus(i) $	Annual leave(iv) $	Super/ Pension contributions $	Long Service Leave(iv) $	Termination benefits $	Cash and other compensation excluding equity-based remuneration $
Directors								
Non-Executive								
John Porter	**2014**	175,000	–	–	–	–	–	175,000
	2013	175,000	–	–	–	–	–	175,000
Susan McIntosh	**2014**	125,000	–	–	11,563	–	–	136,563
	2013	125,000	–	–	11,250	–	–	136,250
Roger Amos	**2014**	130,000	–	–	22,950	–	–	152,950
	2013	139,000	–	–	13,600	–	–	152,600
Max Johnston	**2014**	125,000	–	–	11,563	–	–	136,563
	2013	125,000	–	–	11,250	–	–	136,250
Brian Bickmore(v)	**2014**	–	–	–	–	–	–	–
	2013	43,615	–	–	3,925	–	–	47,540
Executive								
Matthew Melhuish, Director and CEO	**2014**	800,000	200,000	24,332	17,775	(89)	–	1,042,018
	2013	800,000	100,000	7,192	16,470	15,649	–	939,311
Stephen Gatfield(vi)	**2014**	–	–	–	–	–	–	–
	2013	100,639	–	–	14,441	–	–	115,080

Relevant Consolidated Entity Executives								
Brendan York, Group Finance Director	**2014**	350,000	50,000	(10,529)	17,775	10,109	–	417,355
	2013	350,000	50,000	9,523	16,470	10,062	–	436,055
Stephen Watson, Group Strategy and Operations Director(vii)	**2014**	350,000	50,000	4,547	17,775	817	–	423,139
	2013	131,250	25,000	(1,233)	6,176	219	–	161,412

Refer to page 25 for footnote details.

2(b) Directors' and Executive officers' equity-based remuneration

Details of the nature and amount of each element of the remuneration of each Director of the Company and each of the Executives of the Company and Consolidated Entity, who are key management personnel, are shown in the table below:

		Value of options under SAR (ii)	Value of rights under ESOS (iii)	Value of shares	Total equity-based remuneration	Proportion of total remuneration performance related (v)	Value of options proportion of total remuneration(v)
		$	$	$	$	%	%
Directors							
Non-Executive							
John Porter	2014	–	–	–	–	–	–
	2013	–	–	–	–	–	–
Susan McIntosh	2014	–	–	–	–	–	–
	2013	–	–	–	–	–	–
Roger Amos	2014	–	–	–	–	–	–
	2013	–	–	–	–	–	–
Max Johnston	2014	–	–	–	–	–	–
	2013	–	–	–	–	–	–
Brian Bickmore(vi)	2014	–	–	–	–	–	–
	2013	–	–	–	–	–	–
Executive							
Matthew Melhuish,	2014	190,504	–	–	190,504	31.68	15.46
Director and CEO	2013	142,342	–	–	142,342	22.40	13.16
Stephen Gatfield(vii)	2014	–	–	–	–	–	–
	2013	–	–	–	–	–	–
Relevant Consolidated Entity Executives							
Brendan York, Group Finance Director	2014	55,674	–	–	55,674	22.34	11.77
	2013	5,951	224	–	6,175	12.70	1.40
Stephen Watson, Group Strategy and Operations Director(viii)	2014	52,291	–	–	52,291	21.52	11.00
	2013	–	–	–	–	15.49	–

(i) The short-term incentive bonus is for performance during the 30 June 2014 financial year using the criteria set out on page 21. The table above includes the expense incurred during the financial year for the bonuses awarded. Refer to the table on page 26 for the bonuses awarded.

(ii) Share Appreciation Rights are calculated at the date of grant using the Black-Scholes model. The fair value is allocated to each reporting period on a straight-line basis over the period from the grant date (or service commencement date) to vesting date.

(iii) The fair values of the ESOS options are calculated at the date of grant using the Black-Scholes model. The fair value is allocated to each reporting period on a straight-line basis over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period. In valuing options, market conditions have been taken into account. The factors and assumptions used in determining the fair value of options on grant date are discussed in Note 18 Employee benefits. The options issued under the ESOS have an average exercise price of $19.98 and are therefore considered to have no significant LTI at balance sheet date.

(iv) Amounts represent movements in employee leave entitlements, with a negative balance representing an overall reduction in the employee leave provision compared with the prior year.

(v) Percentages are based on total remuneration, including equity, cash, post-employment benefits and other compensation.

(vi) Brian Bickmore resigned as a Director on 25 October 2012.

(vii) Stephen Gatfield resigned as a Director on 11 September 2012.

(viii) Stephen Watson became key management personnel, effective 15 February 2013.

2(c) Details of performance-related remuneration

Details of the Company's policy in relation to the proportion of remuneration that is performance-based are discussed on page 20.

2(d) Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive bonuses awarded as remuneration to each Executive of the Company and the Consolidated Entity, who was classified a key management personnel, are discussed below.

Short-term incentive bonus(i)	Metric	Included in remuneration $	% vested in year
Company Executives			
Matthew Melhuish	EPS target	200,000	100
Brendan York	Discretionary	50,000	100
Stephen Watson	Discretionary	50,000	100

(i) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on the achievement of satisfaction of specified performance criteria as discussed in section 1(c) Short-term incentives and are approved following the completion of the reporting period audit.

No bonuses were forfeited during the year.

2(e) Share Appreciation Rights (SAR) granted during 2014 as remuneration to Directors and senior Executives

Share Appreciation Rights were issued to senior employees of the Consolidated Entity on 15 October 2013. The conversion formula for the rights will be based on the VWAP for the Company's shares for the 20 business days prior to the grant date, being 71 cents.

3 Share-based payments

3(a) Share-based payment arrangements granted as remuneration

Details on SAR that were granted as compensation to each key management personnel during the reporting period and details of SAR that vested during the reporting period are as follows:

		Number of rights granted during 2014(ii)	Grant date	Fair value per option at grant date $	Exercise price $	Expiry date(i)	Number of rights vested during 2014
Directors							
Matthew Melhuish	SAR	1,000,000	15 Oct 2013	0.16 – 0.29	0.71	30 Sept 2016	–
Executives							
Brendan York	SAR	600,000	15 Oct 2013	0.16 – 0.29	0.71	30 Sept 2016	–
Stephen Watson	SAR	600,000	15 Oct 2013	0.16 – 0.29	0.71	30 Sept 2016	–

(i) The last expiry date of the rights is 20 business days after the release of the Consolidated Entity's financial report for the year ended 30 June 2016, which is estimated to be around 30 September 2016.

(ii) All SAR refer to rights over ordinary shares of Enero Group Limited, which are exercisable on a one-for-one basis under the SAR plans.

3(b) Analysis of share-based payments granted as remuneration

Details of the vesting profile of the options granted as remuneration to each Director of the Company, and each of the key management personnel, are detailed below:

Company and Consolidated Entity	Number of options/rights granted	Type of option/right granted	Grant date	% vested in year	% expired in year	% remaining to vest	Vesting date(i)
Directors							
Matthew Melhuish	333,334	SAR	18 Aug 2011	33	33	45	30 Sep 2012 30 Sep 2013 30 Sep 2014
	888,889	SAR	16 Jan 2012	22	22	78	30 Sep 2013 30 Sep 2014 30 Sep 2015
	1,000,000	SAR	15 Oct 2013	–	–	100	30 Sep 2014 30 Sep 2015 30 Sep 2016

Company and Consolidated Entity	Number of options granted	Type of option granted	Grant date	% vested in year	% expired in year	% remaining to vest	Vesting date[i]
Executives							
Brendan York	2,222	ESOS	1 Oct 2008	–	100	–	1 Oct 2010 1 Oct 2011 1 Oct 2012
	55,556	SAR	18 Aug 2011	33	33	45	30 Sep 2012 30 Sep 2013 30 Sep 2014
	600,000	SAR	15 Oct 2013	–	–	100	30 Sep 2014 30 Sep 2015 30 Sep 2016
Stephen Watson	600,000	SAR	15 Oct 2013	–	–	100	30 Sep 2014 30 Sep 2015 30 Sep 2016

(i) The dates reflected in the table above represent all of the vesting dates for each tranche of options/rights. The vesting date of the SAR is 20 business days after the release of the Consolidated Entity's preliminary financial report for the relevant financial year. This is estimated to be around 30 September each year.

3(c) Analysis of movements in share-based payments

The movement during the reporting period in the number of options/rights over ordinary shares in Enero Group Limited held, directly, indirectly or beneficially, by each key management personnel, including their related entities, is as follows:

2014	Granted held at 1 July 2013	Granted as remuneration in year	Cancelled	Expired	Granted held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
Director							
Matthew Melhuish	1,148,149	1,000,000	–	(308,642)	1,839,507	–	–
Executives							
Brendan York	45,432	600,000	–	(20,741)	624,691	–	–
Stephen Watson	–	600,000	–	–	600,000	–	–

No share-based payments were exercised during the year.
No share-based payments held by key management personnel are vested but not exercisable at 30 June 2014.
No share-based payments were held by key management personnel related parties.

3(d) Analysis of movements in shares

The movement during the reporting period in the number of ordinary shares in Enero Group Limited, held directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

	Held at 1 July 2013	Purchases	Issued as remuneration	Received on exercise of option/right	Sales	Held at 30 June 2014
Directors						
John Porter	270,833	–	–	–	–	270,833
Matthew Melhuish	737,242	–	–	–	–	737,242
Susan McIntosh	122,223	–	–	–	–	122,223
Roger Amos	7,556	–	–	–	–	7,556
Max Johnston	77,778	–	–	–	–	77,778
Executives						
Brendan York	119	–	–	–	–	119

3(e) Loans to key management personnel

No loans were outstanding at the reporting date to key management personnel and their related parties.

3(f) Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or the prior period.

4 Services from remuneration consultants

No consultants were used during the year ended 30 June 2014.

Lead Auditor's independence declaration

The lead auditor's independence declaration is set out on page 77, and forms part of the Directors' Report for the year ended 30 June 2014.

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

Dated at Sydney this 26th day of August 2014.

John Porter

Chairman

Consolidated income statement
for the year ended 30 June 2014

In thousands of AUD	Note	2014	2013
Gross revenue	3	212,623	247,970
Directly attributable costs of sales	3	(93,130)	(120,655)
Net revenue	3	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	14	–	(75,931)
Present value interest expense		–	(121)
Other net finance costs		(44)	(551)
Total net finance costs	4	(44)	(672)
Profit/(loss) before income tax		1,202	(80,486)
Income tax expense	6	(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)
Basic earnings per share (AUD cents)	7	(3.6)	(102.8)
Diluted earnings per share (AUD cents)	7	(3.8)	(102.9)

The notes on pages 34 to 73 are an integral part of these consolidated financial statements.

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 interests		1,415	959
		3,845	(72,676)

The notes on pages 34 to 73 are an integral part of these consolidated financial statements.

Consolidated statement of changes of equity
as at 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	21	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	21	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

The notes on pages 34 to 73 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
as at 30 June 2014

In thousands of AUD	Note	2014	2013
Assets			
Cash and cash equivalents	8	22,513	19,426
Trade and other receivables	9	26,542	30,895
Other assets	10	4,905	8,466
Income tax receivable	11	263	60
Total current assets		54,223	58,847
Receivables	9	50	227
Deferred tax assets	12	2,546	2,985
Plant and equipment	13	7,240	7,631
Other assets	10	750	937
Intangible assets	14	76,697	73,177
Total non-current assets		87,283	84,957
Total assets	2	141,506	143,804
Liabilities			
Trade and other payables	15	30,467	36,159
Deferred consideration payables	16	–	104
Interest-bearing loans and borrowings	17	1,658	636
Employee benefits	18	2,826	3,678
Income tax payable	11	713	72
Provisions	20	633	1,103
Total current liabilities		36,297	41,752
Trade and other payables	15	–	33
Interest-bearing loans and borrowings	17	24	1,070
Employee benefits	18	522	642
Provisions	20	1,158	1,169
Total non-current liabilities		1,704	2,914
Total liabilities	2	38,001	44,666
Net assets		103,505	99,138
Equity			
Issued capital	21	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

The notes on pages 34 to 73 are an integral part of these consolidated financial statements.

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	26	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	27	–	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	8	22,513	19,426

The notes on pages 34 to 73 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 30 June 2014

1. Significant accounting policies

Enero Group Limited (**the Company**) is a for-profit Company domiciled in Australia. The address of the Company's registered office is Level 3, 1 Buckingham Street, Surry Hills, NSW 2010. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Consolidated Entity").

The financial statements for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 26 August 2014.

(a) Statement of compliance

The consolidated financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001.* The consolidated financial statements comply with International Financial Reporting Standards (**IFRS**) and interpretations adopted by the International Accounting Standards Board (**IASB**).

(b) Basis of preparation

(i) Basis of measurement

The financial statements are prepared on the historical cost basis except for the items as described in Note 1(t).

(ii) 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.

(iii) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

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 consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(iv) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 1(u) for further details on critical accounting estimates and judgements.

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 Note 16 Deferred Consideration.

(v) Changes in accounting policies

Except for adoption of the following new accounting standards and amendments to the standards, the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

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(b)(iv).

1. Significant accounting policies (continued)

(c) Basis of consolidation

(i) Business combinations

The Consolidated Entity has applied the acquisition method for the business combinations disclosed in Note 25 Acquisitions of subsidiaries and non-controlling interests.

For every business combination, the Consolidated Entity identifies the acquirer, which is the combining entity that obtains control of other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Consolidated Entity takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The Consolidated Entity measures goodwill at fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Consolidated Entity to the previous owners of the acquiree, and equity interests issued by the Consolidated Entity. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

Business combinations between 1 July 2004 and 30 June 2009

All business combinations between 1 July 2004 and 30 June 2009 are accounted for by applying the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the time of exchange, of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control of the acquiree, plus any costs attributable to the business combination.

Goodwill represents the difference between the cost of the acquisition and the fair value of net assets, liabilities and contingent liabilities acquired.

Deferred consideration on acquisitions is provided based on management's best estimate of the liability at the reporting date. The liability is discounted using a market interest rate for the liability and a present value interest charge is included in the income statement as the discount unwinds. Changes to estimates of amounts payable are made by adjusting deferred consideration using the original interest rate, together with goodwill.

Business combinations prior to 1 July 2004

As part of the transition to AASBs, the classification and accounting treatment of business combinations that occurred prior to 1 July 2004 has been recognised under the Consolidated Entity's previous accounting framework, Australian GAAP.

Contingent liabilities

A contingent liability of the acquiree assumed in a business combination is recognised only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interests

The Consolidated Entity measures any non-controlling interests at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the Consolidated Entity incurs in connection with a business combination, such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Consolidated Entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies of the Consolidated Entity.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iv) Loss of control

Upon the loss of control, the Consolidated Entity derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Consolidated Entity retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

(v) Discontinued operations

A discontinued operation is a component of the Consolidated Entity's business that represents a separate major line of business or geographical area of operation that has been disposed of or held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Consolidated Entities at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies of the Consolidated Entity at the foreign exchange rate ruling at that date. Foreign exchange differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available-for-sale equity instruments and a financial liability designated as a hedge of the net investment in a foreign operation, which are recognised directly in equity (see (iii) below). Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. Since 1 July 2004, the date of transition to AASBs, such differences have been recognised in the foreign currency translation reserve (**FCTR**). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

(iii) Hedge of net investment in foreign operations
Foreign currency differences arising from the retranslation of a financial liability designated as a hedge of the net investment in foreign operations are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the FCTR. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the FCTR is transferred to profit or loss as an adjustment to the profit or loss on disposal.

(e) Financial instruments

Non-derivative financial assets
The Consolidated Entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated as fair value through the profit and loss) are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Consolidated Entity has the following non-derivative financial assets: loans and receivables, work in progress, and cash and cash equivalents.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables. Trade and other receivables are stated at their cost less impairment losses (see Note 1(h)). The collectability of debts is assessed at reporting date, and specific provision is made for any doubtful accounts. Bad debts are written off as incurred.

Work in progress represents accrued revenue recognised in accordance with Note 1(l) together with rechargeable disbursements.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial liabilities
The Consolidated Entity initially recognises debt securities issued and subordinated liabilities on the date they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Entity has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Consolidated Entity has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade, other payables and deferred consideration.

1. Significant accounting policies (continued)

Financial liabilities, other than deferred consideration, are recognised initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Deferred consideration

Deferred consideration is classified as a financial liability and is measured at fair value through profit or loss. Deferred consideration on acquisitions is provided based on management's best estimate of the liability (up to any relevant cap) at the reporting date. The liability is discounted using a market interest rate for the liability and a present value interest charge is included in the income statement as the discount unwinds. Fair value adjustments through the income statement are made in relation to changes to estimates of the fair value of amounts payable of the deferred consideration.

Derivative financial instruments including hedging accounting

The Consolidated Entity uses derivative financial instruments to hedge its exposure to interest rate risks and foreign currency exposure arising from operational, financing and investment activities. In accordance with its treasury policy, the Consolidated Entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

On initial designation of the hedge, the Consolidated Entity formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Consolidated Entity makes an assessment, both at the inception of the hedge relationship and on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised.

If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit and loss. In other cases, the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(f) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see Note 1(h)). The cost of plant and equipment at 1 July 2004, the date of transition to AASBs, was measured on the basis of deemed cost and was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" in profit or loss.

(ii) Leased assets

Leases in terms of which the Consolidated Entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases; the leased assets are not recognised on the Consolidated Entity's statement of financial position.

The Consolidated Entity recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on both a straight-line and diminishing value basis, as indicated below, over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Consolidated Entity will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

	2014		2013	
	Straight-line	Diminishing Value	Straight-line	Diminishing Value
Computer equipment	25%–40%	20%–40%	25%–40%	20%–40%
Office furniture and equipment	5%–25%	5%–40%	5%–25%	5%–40%
Plant and equipment	10%–25%	–	10%–25%	–
Leasehold improvements	Life of lease	Life of lease	Life of lease	Life of lease
Plant and equipment under finance lease	Life of lease	Life of lease	Life of lease	Life of lease

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(g) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost, less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of the investment and an impairment loss on such an investment is not allocated to any assets, including goodwill, that form part of the carrying amount of equity accounted investees.

Goodwill allocation to cash generating units

Goodwill is allocated to cash generating units expected to benefit from synergies created by the business combination and is tested for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired.

Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes (including internally developed software), is capitalised only if development costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and the Consolidated Entity intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is measured at cost, less accumulated amortisation (see below) and impairment losses (see Note 1(h)).

(iii) Other intangible assets

Other intangible assets that are acquired by the Consolidated Entity are stated at cost less accumulated amortisation (see below) and impairment losses (see Note 1(h)). For each business combination, a review is completed to identify any intangible assets and a valuation of fair value is performed for all intangible assets identified.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Goodwill is systematically tested for impairment each year at the same time. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives in the current and comparative periods are as follows:

IT related intellectual property – 2 to 8 years;

Customer contracts – 3 to 4 years;

Customer relationships – 2 to 8 years;

Brand names – 6 years; and

Internally generated intangibles – 2 to 5 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(h) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

1. Significant accounting policies (continued)

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Consolidated Entity on terms that the Consolidated Entity would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit and loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

The Consolidated Entity considers evidence of impairment for receivables at a specific asset level. In assessing impairment the Consolidated Entity uses historical trends of the probability of default, timing of recoveries, and the amount of loss incurred/adjusted for management's judgement. The remaining financial assets are assessed collectively, which share similar credit risk characteristics.

(ii) Non-financial assets

The carrying amounts of the Consolidated Entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value, less costs to sell. In assessing value in use, the estimated future post-tax cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, cash generating units (CGUs) to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of tax effects.

(ii) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(iii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(j) Employee benefits

(i) Long-term employee benefits

The Consolidated Entity's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates, including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating to the terms of the Consolidated Entity's obligations.

(ii) Wages, salaries, annual leave, and non-monetary benefits

Liabilities for employee benefits for wages, salaries, and annual leave, that are due to be settled within 12 months of the reporting date, represent present obligations resulting from employees' services provided to reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date, including related on-costs, such as workers' compensation insurance, statutory superannuation and payroll tax.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Consolidated Entity has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be reliably estimated.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Consolidated Entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Consolidated Entity has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Share-based payment transactions
The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related services and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(k) Provisions
A provision is recognised in the statement of financial position when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

(i) Make good provision
The Consolidated Entity has made provision for make good on all operating leases for premises which require make good expenditure at completion of the lease. The amount of the provision for make good is capitalised and then amortised over the remaining term of the individual leases. The provision is the best estimate of the expenditure required to settle the make good obligation. Future make good costs are reviewed annually and any changes are reflected in the provision at the end of the reporting period.

(ii) Lease incentive provision
The Consolidated Entity has made provision for lease incentives received. Lease incentives received are recognised in the income statement as an integral part of the total lease expense spread over the lease term.

(iii) Restructuring
A provision for restructuring is recognised when the Consolidated Entity has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(iv) Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Consolidated Entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Consolidated Entity recognises any impairment loss on the assets associated with that contract.

(l) Revenue
All operating revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is determined by reference to outputs and deliverables in connection with the completion of the service. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, or if the costs incurred or to be incurred cannot be measured reliably.

Gross revenue represents billings to clients, inclusive of directly attributable costs of sales, relating to Consolidated Entity subsidiaries where a principal relationship exists between the entity and its client. Where the Consolidated Entity subsidiaries act as an agent, the amount included as revenue is recognised net of amounts collected/paid on behalf of clients.

Net revenue is the amount that flows to the Consolidated Entity net of directly attributable cost of sales. Directly attributable cost of sales includes any project-related costs and rechargeable disbursements.

(i) Advertising and production revenues
Advertising and production revenues are recognised net of directly attributable cost of sales.

(ii) Retainer fees and commissions
Retainer fees which arise as part of a contract to provide services to a client are recognised over the term of the contract on a straight-line basis, unless there is some other method that better represents the stage of completion.

Commissions-based client revenue is recognised as the service is performed.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred, or to be incurred, cannot be measured reliably, there is a risk of return of goods, or there is continuing management involvement to the degree usually associated with ownership or effective control of the goods.

(iii) Interest
Interest income is recognised in the income statement as it accrues, using the effective interest method.

(m) Lease payments

(i) Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

1. Significant accounting policies (continued)

(ii) Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(iii) Determining whether an arrangement contains a lease
At inception of an arrangement, the Consolidated Entity determines whether such an arrangement is, or contains, a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specific asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Consolidated Entity the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Consolidated Entity separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Consolidated Entity concludes, for a finance lease, that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Consolidated Entity's incremental borrowing rate.

(n) Finance income and expenses
Finance income comprises interest income on funds invested, dividend income, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Consolidated Entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, present value interest charges with respect to the deferred consideration of acquisitions, unwinding of the discount on provisions and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(o) Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(p) Segment reporting
The Consolidated Entity determines and presents segments based on the information that is provided internally to the CEO, who is the Consolidated Entity's chief operating decision maker.

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity's other components. All operating segments' operating results are regularly reviewed by the Consolidated Entity's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items consist mainly of costs associated with the centralised management and governance of the Consolidated Entity, such as interest-bearing loans, costs of borrowings and related expenses, and corporate head office assets and expenses.

Segment capital expenditure, development expenditure and acquisition of intangibles are the total cost incurred during the period to acquire plant and equipment, and intangible assets other than goodwill.

(q) Goods and services tax
Revenue, expenses and assets are recognised net of the amount of goods and services tax (**GST**), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (**ATO**) is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(r) Earnings per share
The Consolidated Entity presents basic and diluted earnings per share (**EPS**) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible share options granted to employees.

(s) 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 2014, 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.

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

(t) Determination of fair values
A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Intangible assets
The fair value of other intangible assets acquired is based on valuation techniques generally using the excess earnings method.

(ii) Trade and other receivables
The fair value of other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes only.

(iii) Derivatives
The fair value of interest rate swaps is based on market valuation, which includes estimated future cash flows based on the terms and maturity of each contract. The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

(iv) Share-based payment transactions
The fair value of employee share options is measured using the Black-Scholes, Binomial model or Monte Carlo sampling. Measurement inputs include share price on measurement date, exercise price of the instruments, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(v) Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease arrangements.

(u) 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) Estimated impairment of goodwill
The Consolidated Entity tests annually whether there is any impairment of goodwill. The recoverable amounts of cash generating units have been determined by applying a value in use method using assumptions of future profit margins and cash flows. Refer to Note 14 for the details of these assumptions and the potential impact of changes to the assumptions.

1. Significant accounting policies (continued)

(ii) Intangible assets and business combinations

AASB 3 *Business Combinations* and AASB 138 *Intangible Assets*, the Australian standards on business combinations and intangibles respectively, require the acquirer to separately identify the acquiree's identifiable assets and liabilities, including other intangibles arising on acquisition. This means that the acquirer must recognise other intangible assets, separately from goodwill, where the definition of an intangible asset is met and the fair value of the intangible asset can be measured reliably.

Where significant business acquisitions are undertaken, the Directors commission an independent expert, having satisfied themselves that the expert is appropriately qualified to form a view and to assist them in determining the valuation of intangible assets separately identified and recognised as part of the business combination.

For further details refer to Note 14 Intangible assets.

(iii) Share-based payments

The grant date fair value of 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, the probability of occurrence of certain events and the exercise price. Certain of these inputs are estimates.

The Directors review the methodologies used by the expert and make enquiries with management to assure themselves that the factual information used by the expert is correct prior to relying on the expert's opinion. Refer to Note 18 for further details.

(iv) 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 of the Consolidated Entity subsequent to the reporting date versus the targets. Actual future payments may exceed the estimated liability.

(v) 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 account in the calculation of impairment. Future events may occur which change these estimates of the future cash inflows related to impaired trade receivables.

(vi) 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 judgements and assumptions and actual results may differ from estimates as at the reporting date.

(vii) 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.

(v) Change in classification

During the 2014 financial year, the Consolidated Entity reclassified various expense items in the Consolidated Income statement to provide more accurate disclosure of expense categories of the Consolidated Entity. These included the movement of contractor/freelance costs from Consultancy fees to Employee Expenses, the combining of Insurance Expenses and Equipment hire charges with Other Operating Expenses and subsequent renaming to Administrative Expenses, and the renaming of Consultancy Fees to Compliance expenses. All reclassifications were made to either remove immaterial cost categories from the face of the Income Statement or more accurately describe the nature of the disclosed expense categories. Total comparative amounts in the Income Statement of $5,945,000 were reclassified for consistency.

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.

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 and 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.

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

3. Revenue

In thousands of AUD	2014	2013
Gross revenue from the rendering of services	212,623	247,970
Directly attributable cost of sales	(93,130)	(120,655)
Net revenue	119,493	127,315

4. Net finance costs

In thousands of AUD	2014	2013
Net finance costs		
Present value interest charges on deferred consideration for business combinations	–	(121)
Interest and finance costs on external loans	(147)	(935)
Finance lease interest	(158)	(83)
Interest income	261	467
Net finance costs	(44)	(672)

Foreign exchange loss of $118,000 (2013: gain of $43,000) have been recognised in the consolidated income statement and have been included in administration expenses.

5. Auditors' remuneration

In AUD	2014	2013
Audit services – auditors of the Company		
KPMG Australia	256,000	295,000
Overseas KPMG firm	134,000	137,000
	390,000	432,000
Other services – auditors of the Company		
Taxation compliance services:		
KPMG Australia	30,000	–
Overseas KPMG firm	197,000	199,000
Transaction and due diligence service:		
KPMG Australia	7,000	–
Overseas KPMG firm	3,000	–
	237,000	199,000

6. 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

In thousands of AUD	2014	2013
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

7. Earnings per share

Profit attributable to ordinary shareholders

In thousands of AUD	2014	2013
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

	2014	2013
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

	2014	2013
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 periods, 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.

8. Cash and cash equivalents

In thousands of AUD	Note	2014	2013
Cash at bank and on hand		18,913	15,600
Bank short-term deposits		3,600	3,826
Cash and cash equivalents in statement of financial position and statement of cash flows	26	22,513	19,426

The Consolidated Entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 24 Financial risk management/financial instruments.

9. Trade and other receivables

In thousands of AUD	Note	2014	2013
Current			
Trade receivables		26,524	30,671
Less: provision for impairment loss	24	(134)	(481)
		26,390	30,190
Other receivables		152	705
		26,542	30,895
Non-current			
Other non-current receivables		50	227
		50	227
Total trade and other receivables		26,592	31,122

No interest is charged on trade debtors. The Consolidated Entity's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in Note 24.

10. Other assets

In thousands of AUD	2014	2013
Current		
Work in progress	1,460	4,643
Prepayments	3,251	3,531
Other current assets	194	292
	4,905	8,466
Non-current		
Deposits	403	272
Other non-current assets	347	665
	750	937

11. Current tax assets and liabilities

The Consolidated Entity has a net current tax payable of $450,000 (2013: payable $12,000). The net current payable is comprised of current tax payables of $713,000 (2013: $72,000) and current tax receivables of $263,000 (2013: $60,000).

12. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of AUD	2014	2013
Deferred tax assets		
Tax losses carried forward	3,918	4,295
Employee benefits	909	1,166
Impairment of doubtful debts	12	25
Accruals and income in advance	652	578
Lease make good	216	292
Lease incentive	77	76
Deductible share issue costs	769	1,815
Plant and equipment	474	343
Identifiable intangibles	–	88
Other	25	96
Gross deferred tax assets	7,052	8,774
Set-off of deferred tax assets	(4,506)	(5,789)
Net deferred tax assets	2,546	2,985
Deferred tax liabilities		
Identifiable intangibles	244	605
Lease make good asset	95	103
Work in progress	175	747
Fair value gain	3,887	4,150
Plant and equipment	15	12
Other	90	172
Gross deferred tax liabilities	4,506	5,789
Set-off of deferred tax liabilities	(4,506)	(5,789)
Net deferred tax liabilities	–	–

Deferred tax assets/liabilities not taken into account

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits:

Revenue losses	45,472	39,440
Capital losses	198,553	113,654
Gross tax losses carried forward	244,025	153,094

13. Plant and equipment

In thousands of AUD	2014	2013
Computer equipment		
At cost	6,998	7,327
Accumulated depreciation	(4,931)	(5,277)
	2,067	2,050
Office furniture and equipment		
At cost	3,683	3,420
Accumulated depreciation	(2,696)	(2,448)
	987	972
Plant and equipment		
At cost	402	507
Accumulated depreciation	(270)	(377)
	132	130
Leasehold improvements		
At cost	5,991	6,254
Accumulated depreciation	(2,502)	(2,802)
	3,489	3,452
Plant and equipment under finance lease		
At cost	2,114	2,167
Accumulated amortisation	(1,549)	(1,140)
	565	1,027
Total plant and equipment, net written-down value	7,240	7,631

In thousands of AUD	2014	2013
Reconciliations		
Reconciliations of the carrying amounts of each class of property, plant and equipment are set out below:		
Computer equipment		
Carrying amount at the beginning of the year	2,050	1,987
Disposal of subsidiaries	–	(8)
Additions	1,236	1,367
Depreciation	(1,256)	(1,368)
Effect of movements in exchange rates	51	75
Disposals	(14)	(3)
Carrying amount at the end of the year	2,067	2,050
Office furniture and equipment		
Carrying amount at the beginning of the year	972	1,073
Additions	487	408
Depreciation	(498)	(546)
Effect of movements in exchange rates	31	55
Disposals	(5)	(18)
Carrying amount at the end of the year	987	972
Plant and equipment		
Carrying amount at the beginning of the year	130	135
Additions	85	52
Depreciation	(79)	(62)
Effect of movements in exchange rates	2	6
Disposals	(6)	(1)
Carrying amount at the end of the year	132	130
Leasehold improvements		
Carrying amount at the beginning of the year	3,452	1,694
Disposal of subsidiaries	–	(31)
Additions	980	2,363
Depreciation	(1,012)	(742)
Effect of movements in exchange rates	69	183
Disposals	–	(15)
Carrying amount at the end of the year	3,489	3,452
Leased plant and equipment		
Carrying amount at the beginning of the year	1,027	1,148
Additions	2	382
Amortisation	(414)	(503)
Disposals	(50)	–
Carrying amount at the end of the year	565	1,027

14. 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:

	2014	2013
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

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 rate
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 rate
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 of cash flows. The five years of cash flows are discounted to present value. The growth rate is based on analysis of organic growth expectations and industry 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 rate of 2.5% (30 June 2013: 3.0%) are used into perpetuity, based on expected long-range growth rate 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	2.50	12.32	14.79	3.00

14. Intangible assets (continued)

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 range 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.

15. Trade and other payables

In thousands of AUD	2014	2013
Current liabilities		
Trade payables	11,484	12,431
Other trade payables and accrued expenses	8,690	11,360
Unearned income	10,293	12,368
	30,467	36,159
Non-current liabilities		
Other payables	–	33
	–	33

The Consolidated Entity's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 24 Financial risk management/financial instruments.

16. Deferred consideration payables

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 of 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.

17. Loans and borrowings

This Note provides information about the contractual terms of the Consolidated Entity's interest-bearing loans and borrowings. For more information about the Consolidated Entity's exposure to interest rate risk, liquidity risk and foreign currency risk, see Note 24 Financial risk management/financial instruments.

In thousands of AUD	2014	2013
Current liabilities		
Hire purchase lease liabilities	1,658	636
	1,658	636
Non-current liabilities		
Hire purchase lease liabilities	24	1,070
	24	1,070

Financing facilities

In thousands of AUD	2014	2013
The Consolidated Entity has access to the following lines of credit:		
Total facilities available:		
Bank overdrafts	724	666
Lease finance facility	2,229	1,706
Indemnity guarantee facility	3,000	2,180
Earn out bank guarantee facility	–	88
Credit card facility	1,742	1,701
	7,695	6,341
Facilities used at reporting date:		
Bank overdrafts	–	–
Lease finance facility	1,682	1,706
Indemnity guarantee facility	2,290	2,180
Earn out bank guarantee facility	–	88
Credit card facility	265	235
	4,237	4,209
Facilities not utilised at reporting date:		
Bank overdrafts	724	666
Lease finance facility	547	–
Indemnity guarantee facility	710	–
Earn out bank guarantee facility	–	–
Credit card facility	1,477	1,466
	3,458	2,132

Financing arrangements

All finance facilities, with the exception of a portion of the bank overdrafts, are negotiated by the Company on behalf of the Consolidated Entity. The carrying amount of amounts drawn down on facilities as at the reporting date equates to face value. The indemnity guarantee facility and lease finance facility are secured by cash deposits held with Westpac.

Bank overdrafts
The bank overdraft of Naked Communications Limited is secured by a debenture over the assets of Naked Communications Limited. The bank overdraft is payable on demand and subject to annual review. Interest on the bank overdraft is charged at prevailing market rates.

Lease finance facility
The lease finance facility is subject to annual review and is in place to assist with capital expenditure requirements.

Indemnity guarantee facility
The indemnity guarantee facility is in place to support financial guarantees outstanding at any one time. Specific guarantee amounts are $2,290,000 (2013: $2,180,000) supporting property rental and other obligations.

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

17. Loans and borrowings (continued)

In thousands of AUD	2014	2013
Finance lease and hire purchase payable commitments		
Finance lease commitments are payable:		
Within one year	1,697	706
One year or later and no later than five years	24	1,197
	1,721	1,903
Less: Future lease finance charges	(39)	(197)
	1,682	1,706
Finance lease and hire purchase liabilities provided for in the financial statements		
Current	1,658	636
Non-current	24	1,070
Finance lease commitments are payable	1,682	1,706

The Consolidated Entity leases plant and equipment under finance leases expiring from one to five years (2013: one to five years). At the end of the lease term, the Consolidated Entity has the option to purchase the equipment at a substantial discount to market value. The terms of the leases require that additional debt and further leases are not undertaken without prior approval of the lessor.

18. Employee benefits

In thousands of AUD	2014	2013
Aggregate liability for employee benefits, including on-costs		
Current		
Employee benefits provision	2,826	3,678
Non-current		
Employee benefits provision	522	642

		Consolidated
	2014	2013
The present values of employee entitlements not expected to be settled within 12 months of reporting date have been calculated using the following weighted averages:		
Assumed rate increase in salary and wage rates (%)	3-5	3–5
Discount rate (%)	3.85	3.16

The Consolidated Entity has recognised $1,924,000 (2013: $1,962,000) as an expense in the income statement for defined contribution plans during the reporting period.

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Equity-based plans

During the financial year, long-term incentives (LTI) were provided as equity-based incentives in the Company under the Share Appreciation Rights plan (**SAR**). The Share Appreciation Rights granted during the current year are in addition to Share Appreciation Rights granted in prior financial years which remain outstanding at 30 June 2014. The exercise price of all Share Appreciation Rights outstanding at 30 June 2014 is lower than the current price of ordinary shares in the Company.

Options over ordinary shares in the Company which were granted in prior financial years under the terms of the Executive Share Option Scheme (**ESOS**) remain outstanding; however given the exercise price of such options relative to the current price of ordinary shares in the Company, they are no longer considered to provide any meaningful LTI.

Share Appreciation Rights (SAR)

The Share Appreciation Rights plan is designed to incentivise the Company's senior Executives and other senior management of the Consolidated Entity.

The fair value of the SAR is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service conditions attached to the transactions are not taken into account in determining fair value.

The plan allows for the Board to determine who is entitled to participate in the SAR and it may grant rights accordingly. Enero's Board may determine whether or not the grant of rights is conditional on the achievement of performance hurdles, and if so the nature of those hurdles.

The exercise of each right will entitle the rights holder to receive a fraction of an ordinary share based on a conversion formula of E = (A – B)/A, where:

- E is the share right entitlement;
- A is the volume weighted average price (**VWAP**) for the Company's shares for the 20 business days prior to the vesting date of the rights; and
- B is the VWAP for the Company's shares for the 20 business days before the rights were granted.

If A – B is less than or equal to zero, the share right will not vest and will immediately lapse on the applicable vesting date.

One share right shall never convert into more than one share in the capital of the Company. Rights expire at 15 business days after the relevant vesting date or the termination of the individual's employment. The Board may exercise discretion on early vesting of rights in the event of a change of control of the Consolidated Entity.

Refer to the table below for a summary of SAR's on issue.

Executive Share Option Scheme (ESOS)

The Company has an Executive Share Option Scheme (**ESOS**).

The plan allows for the Board to determine who is entitled to participate in the ESOS and to grant options accordingly. The exercise of an option will entitle the option holder to subscribe for one share.

The fair value of options issued under the ESOS is measured using the Black-Scholes formula or the Binomial model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

No options were granted under the ESOS during the financial year; however as at 30 June 2014, 6,251 ESOS options over unissued shares remain outstanding. The ESOS outstanding have an average exercise price of $19.98 and therefore are not considered to provide any LTI.

Details of options over unissued ordinary shares held by Executives of the Consolidated Entity are set out in the Remuneration Report.

Subsidiary equity plan

During the year ended 30 June 2013, the Company granted an equity plan over a 25% equity interest of its subsidiary, Frank PR Limited, to the existing management. The plan aims to incentivise the senior executives of the business. The rights to equity vest as follows:

- 6.25% at 1 July 2011;
- 6.25% at 1 July 2012;
- 6.25% at 1 July 2013; and
- 6.25% at 1 July 2014.

The plan allows for the equity holders to participate in dividend distributions from profit generated by the subsidiary on a truncated profile to the vesting profile. The fair value of the Frank PR equity plan was determined using a Discounted Cash Flow valuation model adjusted for minority interest.

Summary of Share Appreciation Rights on issue:

Issue Date	18 August 2011	16 January 2012	15 October 2013
SAR issued	5.292,208	888,889	11,150,000
Participants	CEO and senior Executives	CEO	CEO and senior Executives
VWAP for the 20 business days prior to the grant (B)	63 cents	53 cents	71 cents
Vesting dates: 20 business days after the release of the Consolidated Entity's financial report for the year ended:			
Tranche 1	30 June 2012 – 2/9ths	30 June 2013 – 2/9ths	30 June 2014 – 1/3rd
Tranche 2	30 June 2013 – 3/9ths	30 June 2014 – 3/9ths	30 June 2015 – 1/3rd
Tranche 3	30 June 2014 – 4/9ths	30 June 2015 – 4/9ths	30 June 2016 – 1/3rd
Expiry	30 September 2014	30 September 2015	30 September 2016
Outstanding SAR as at 30 June 2014	661,313	691,358	11,150,000

18. Employee benefits (continued)

*Share Appreciation Rights (**SAR**) and Employee Share Option Scheme (**ESOS**)*

Summary of options over unissued ordinary shares

								Number of Options/Rights at year end					
Grant date	Expiry date	Weighted average exercise price	Number of Options/Rights outstanding at beginning of year	Options/ Rights granted during year	Options/ Rights exercised during year	Options/ Rights expired during year	Options/ Rights forfeited during year	Outstanding	Vested	Proceeds received	Date issued	Number of shares issued	Expected life (years)
2014													
17 Oct 2006	30 Sep 2011– 30 Sep 2012	$65.52	13,889	–	–	13,889	–	–	–	–	–	–	3.5–6.5
1 Oct 2008	30 Sep 2013	$33.12	5,279	–	–	5,279	–	–	–	–	–	–	2–5
30 Jun 2009	30 Jun 2014	$11.16	8,333	–	–	–	8,333	–	–	–	–	–	2–5
26 Oct 2009	26 Oct 2014	$19.98	6,251	–	–	–	–	6,251	6,251	–	–	–	2–5
18 Aug 2011(i)	30 Sep 2014	$0.63	1,840,737	–	–	788,885	390,539	661,313	–	–	–	–	1.1–3.1
16 Jan 2012(i)	30 Sep 2015	$0.53	888,889	–	–	197,531	–	691,358	–	–	–	–	1.9–3.9
15 Oct 2013(i)	30 Sep 2016	$0.71	–	11,150,000	–	–	–	11,150,000	–	–	–	–	0.9–2.9
			2,763,378	11,150,000	–	1,005,584	398,872	12,508,922	6,251	–		–	

(i) Relates to SAR.

*Share Appreciation Rights (**SAR**), Employee Share Option Scheme (**ESOS**), and Jeremy Philips Long-term Incentive Plan (**Jeremy Philips LTIP**).*

Summary of options over unissued ordinary shares

								Number of Options/Rights at year end					
Grant date	Expiry date	Weighted average exercise price	Number of Options/Rights outstanding at beginning of year	Options/ Rights granted during year	Options/ Rights exercised during year	Options expired during year	Options/ Rights forfeited during year	Outstanding	Vested	Proceeds received	Date issued	Number of shares issued	Expected life (years)
2013													
17 Oct 2006	30 Sep 2011– 30 Sep 2012	$65.52	27,778	–	–	13,889	–	13,889	13,889	–	–	–	3.5–6.5
1 Jul 2007	1 Jul 2012	$87.30	17,224	–	–	17,224	–	–	–	–	–	–	3.5–4.5
27 Aug 2007	26 Aug 2012	$93.06	5,556	–	–	5,556	–	–	–	–	–	–	3.5–4.5
5 Feb 2008	28 Feb 2013	$80.82	834	–	–	556	278	–	–	–	–	–	2–5
1 Oct 2008	30 Sep 2013	$33.12	8,558	–	–	–	3,279	5,279	5,279	–	–	–	2–5
30 Jun 2009	30 Jun 2014	$11.16	8,333	–	–	–	–	8,333	8,333	–	–	–	2–5
26 Oct 2009	26 Oct 2014	$19.98	14,587	–	–	–	8,336	6,251	4,167	–	–	–	2–5
20 Apr 2010(i)	30 Jun 2015	$20.34	388,889	–	–	–	388,889	–	–	–	–	–	2–5
17 Sep 2010(i)	30 Jun 2015	$1.80	3,608,134	–	–	–	3,608,134	–	–	–	–	–	2–5
18 Aug 2011(ii)	30 Sep 2014	$0.63	3,836,539	–	–	679,243	1,316,559	1,840,737	–	–	–	–	1.1–3.1
16 Jan 2012(ii)	30 Sep 2015	$0.53	888,889	–	–	–	–	888,889	–	–	–	–	1.9–3.9
			8,805,321	–	–	716,468	5,325,475	2,763,378	31,668	–		–	

(i) Relates to subscription to ordinary shares through a LTIP (Jeremy Philips LTIP) which are accounted for as in-substance options.

(ii) Relates to SAR.

The number and weighted average exercise price of share options is as follows:

	Weighted average exercise price 2014 $	Number of options 2014	Weighted average exercise price 2013 $	Number of options 2013
Outstanding at 1 July	0.94	2,763,378	2.49	8,805,321
Forfeited during the period	0.85	(398,872)	2.92	(5,325,475)
Expired during the period	1.33	(1,005,584)	5.17	(716,468)
Exercised during the period	–	–	–	–
Granted during the period	0.71	11,150,000	–	–
Outstanding at 30 June	0.71	12,508,922	0.94	2,763,378
Exercisable at 30 June	19.98	6,251	28.93	31,668

The options outstanding at 30 June 2014 have an exercise price in the range of $0.53 to $19.98 (30 June 2013: $0.53 to $93.06) and a weighted average contractual life of 1.18 years (30 June 2013: 1.03 years).

There were no options exercised during the year (2013: Nil).

The fair value of services received in return from share options granted is based on the fair value of share options granted, measured using:

– the Black-Scholes model: options under ESOS and SAR; and
– the Binomial model: options under ESOS and Jeremy Philips LTIP.

The fair values of share options are disclosed in the Remuneration Report within the Directors' Report. The total net expenses recognised in the Consolidated Entity for the financial year 30 June 2014 for share-based payment transactions was $1,453,000 (2013: $1,158,000).

Inputs for measurement of grant date fair value

The following factors and assumptions were used in determining the fair value of the SAR on the grant date:

Grant date	Expiry date	Value per option $	Exercise price $	Price of shares on grant date $	Expected volatility %	Risk-free interest rate %	Dividend yield %	Expected life (years)
15 Oct 2013[i]	30 Sept 2016	0.16 – 0.29	0.71	0.70	60	2.49–2.91	0.0	0.9–2.9

(i) Grant is in relation to SAR provided to senior employees of the Consolidated Entity which were issued on 15 October 2013. The last expiry date of the rights is 20 business days after the release of the Consolidated Entity's financial report for the year ended 30 June 2016, which is estimated to be around 30 September 2016.

19. Key management personnel and other related party disclosures

In addition to Executive and Non-Executive Directors, the following were key management personnel of the Consolidated Entity at any time during the reporting period.

Name	Position
Brendan York	Group Finance Director
Stephen Watson	Group Strategy and Operations Director

Other transactions with the Company or its controlled entities

A number of the key management personnel, or their related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

There were no transactions with the Company or its subsidiaries and key management personnel in the current or prior reporting period.

Director related party transactions

During the prior reporting period:

– The Company paid $20,830 in fees to BlueOX Australia Pty Limited in relation to secretarial services provided. BlueOx Australia Pty Limited is controlled by John Porter.
– A controlled entity, The Precinct Group Pty Limited, provided videography services to Telenet Group Holding NV and received a fee of $9,950. John Porter is a Key Management Personnel of Telenet Group Holding NV.

The key management personnel compensation (including all Directors) is as follows:

In AUD	2014	2013
Short-term employee benefits	2,355,000	2,164,504
Other long-term benefits	29,187	41,413
Post-employee benefits	99,401	93,582
Share-based payments – Share Appreciation Rights	298,469	148,293
Share-based payments – Options granted under ESOS	–	224
Total share-based payments	298,469	148,517
Total key management personnel compensation	2,782,057	2,448,016

The prior year comparative totals include key management personnel in 2013 who were not key management personnel in 2014 and have therefore not been disclosed in the Remuneration Report while being included in the total above in accordance with AASB 124 *Related Party Disclosures*.

During the 2014 financial year, the Consolidated Entity has reclassified the movement in key management personnel annual leave entitlement from short-term employee benefits to other long-term benefits in accordance with AASB 119 *Employee Benefits (revised)*. A reclassification of $15,482 was adjusted in the prior year comparative.

20. Provisions

In thousands of AUD	2014	2013
Current		
Lease make good	–	385
Lease incentive	187	184
Rent straight-line	71	49
Restructure provision	375	485
	633	1,103
Non-current		
Lease make good	1,015	1,114
Lease incentive	–	1
Rent straight-line	143	54
	1,158	1,169
Total provisions current and non-current	1,791	2,272

Reconciliations

Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:

	2014	2013
Lease make good		
Carrying amount at beginning of year	1,499	1,074
Increase due to new provision	223	538
Effect of movement in exchange rates	38	65
Released during the year	(745)	(178)
Carrying amount at end of year	1,015	1,499
Lease incentive		
Carrying amount at beginning of year	185	69
Increase due to new incentive	24	155
Effect of movement in exchange rates	–	2
Used during the year	(22)	(41)
Carrying amount at end of year	187	185
Rent straight-line		
Carrying amount at beginning of year	103	65
Net rental benefit recognised in period	(33)	–
Increase due to new provision	148	33
Effect of movement in exchange rates	(4)	5
Carrying amount at end of year	214	103
Restructure provision		
Carrying amount at beginning of year	485	1,379
Increase due to new provision	375	333
Provision used during the year	(485)	(1,227)
Carrying amount at end of year	375	485
Total provisions current and non-current	1,791	2,272

21. Capital and reserves

In thousands of AUD	2014	2013
Share capital		
85,604,954 (2013: 85,604,954) ordinary shares, fully paid	489,830	489,792

The Company does not have authorised capital or par value in respect of its shares.
All issued shares are fully paid.

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings.

Ordinary shares

Movements during the year		
Balance at beginning of year 85,604,954 (2013: 85,604,954) shares(iii)	489,792	489,391
2014 shares issued:		
– 20,833 shares released from escrow condition pursuant to acquisition of subsidiaries for $1.80 per share(i) (ii)	38	–
2013 shares issued:		
– 222,848 shares released from escrow condition pursuant to acquisition of subsidiaries for $1.80 per share(i) (ii)	–	401
Balance at end of year	489,830	489,792

(i) A total of 14,618,523 shares were issued to deferred consideration beneficiaries pursuant to the deferred consideration element of the recapitalisation completed in September 2010. During the year ended 30 June 2014 a total of 20,833 shares (30 June 2013: 222,848) were released from escrow conditions and recognised as share capital as individual earn out periods have been completed.

(ii) As at 30 June 2014, there were no shares (30 June 2013: 20,833) remaining in escrow conditions awaiting completion of individual earn out periods.

(iii) As at 30 June 2014, a total of 4,784,533 shares (30 June 2013: 4,784,533) were held in trust by the Company.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Options reserve

The options reserve comprises the cumulative expense relating to the fair value of options and equity plans on issue to key management personnel, senior Executives and employees of the Group.

Reserve change in ownership interest in subsidiary

The reserve change in ownership interest in subsidiary relates to the subsidiary equity plan. For details of the plan see Note 18 Employee benefits.

21. Capital and reserves (continued)

Dividends

2014

No dividend was declared during the year ended on 30 June 2014 or after the balance sheet date but before the date of this report.

2013

No dividend was declared during the year ended on 30 June 2013.

Dividend franking account **In thousands of AUD**	**2014**	**Company** **2013**
30% franking credits available to shareholders of Enero Group Limited for subsequent financial years	21,887	22,212

The above amounts represent the balance of the franking account at year end adjusted for:

- franking credits that will arise from the payment of the current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at year end;
- franking credits that will arise from the receipt of dividends recognised as receivables at year end; and
- franking credits that may be prevented from being distributed in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends and any restrictions to paying dividends.

There is no impact on the dividend franking account as no dividends have been proposed after the reporting date.

22. Commitments

Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	**2014**	**2013**
Less than one year	5,655	6,618
Between one and five years	11,867	15,672
Over five years	4,994	5,886
	22,516	28,176

The Consolidated Entity leases property under non-cancellable operating leases generally expiring in two to ten years. Leases generally provide the Consolidated Entity with a right of renewal, at which time terms are renegotiated. Some lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals typically are based on movements in the consumer price index.

Generally operating leases are subject to standard two to five year renewal terms, with no purchase option or escalation clauses included.

During the year ended 30 June 2014, $6,802,000 was recognised as an expense in the income statement in respect of operating leases (2013: $7,078,000).

23. Contingencies

Contingent liabilities

Indemnities

Indemnities have been provided to Directors and certain Executive Officers of the Company in respect to third parties arising from their positions, except where the liability arises out of conduct involving lack of good faith. No monetary limit has been applied to these agreements and there are no known obligations outstanding at 30 June 2014

24. Financial risk management/financial instruments

The Consolidated Entity has exposure to the following risks from its use of financial instruments:

credit risk;

liquidity risk; and

market risk.

The Consolidated Entity's principal financial instruments comprise cash, receivables, payables, interest-bearing liabilities and other financial liabilities.

The Consolidated Entity's exposure to key financial risks is managed as part of the Consolidated Entity's risk management policy. The policy covers the key financial risks, such as interest rate, foreign exchange, counterparty credit and liquidity.

The Consolidated Entity's risk management policies seek to identify and analyse the risks faced by the Consolidated Entity, and to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Entity's activities.

The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates, foreign exchange, liquidity and credit risk. The Consolidated Entity seeks to deal only with creditworthy counterparties and these assessments are regularly reviewed. Liquidity risk is monitored through the use of rolling cash flow forecasts.

The Consolidated Entity considers that there are no changes to the objectives, policies and processes to managing risk and the exposure to risks from the prior reporting period.

Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from a Consolidated Entity's receivables from customers. Each subsidiary is responsible for its analysis of the creditworthiness of new customers and for determining whether the subsidiary's standard payment terms and conditions are offered. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

During the year ended 30 June 2014, the Consolidated Entity entered into transactions with more than 850 unique customers. The 10 largest customers accounted for 36% of net revenue for the year ended 30 June 2014, with no one customer accounting for more than 9% of net revenue. There are no material credit exposures relating to a single receivable or groups of receivables.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

		Carrying amount	
In thousands of AUD	**Note**	**2014**	**2013**
Trade and other receivables	9	26,592	31,122
Cash and cash equivalents	8	22,513	19,426
Deposits	10	403	272
		49,508	50,820

The Consolidated Entity's maximum exposure to trade receivables credit risk at the reporting date was:

		Carrying amount	
In thousands of AUD	**Note**	**2014**	**2013**
Trade receivables	9	26,390	30,190

The Consolidated Entity's credit risk exposure is consistent across the geographic and business segments in which the Consolidated Entity operates.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

In thousands of AUD	**2014**	**2013**
Balance at 1 July	481	186
Bad debts recovered	(111)	–
Impairment loss recognised in income statement	–	398
Provision used during year	(236)	(103)
Balance at 30 June	134	481

Based on historic trading terms, the Consolidated Entity believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 90 days, which represents 98.7% (2013: 89.6%) of the trade receivables balance. For trade receivables which are past due and over 90 days, the Consolidated Entity individually assesses each trade receivable and determines its recoverability. For those trade receivables which are assessed as non-recoverable, an impairment allowance is made, which represents 0.5% (2013: 1.6%) of the total trade receivables balance.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Consolidated Entity is satisfied that no recovery of the amount owing is possible; at that point, the amount is considered irrecoverable and is written off against the financial asset directly.

24. Financial risk management/financial instruments (continued)

Impairment losses

The ageing of the Consolidated Entity's trade receivables at the reporting date was:

In thousands of AUD	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
Not past due	22,715	–	20,749	–
Past due and less than 90 days	3,464	–	6,747	–
Past due and more than 90 days	211	–	2,694	–
Past due, more than 90 days and impaired	134	134	481	481
	26,524	134	30,671	481

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Consolidated Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

The Consolidated Entity enters into derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Consolidated Entity's treasury risk management policy.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The source and nature of this risk arises from operations and translation risks.

The Consolidated Entity generated approximately 50.1% of its net revenue in the year ended 30 June 2014 from outside Australia. The Consolidated Entity's reporting currency is Australian dollars. However, the international operations give rise to an exposure to changes in foreign exchange rates, as the majority of its revenues from outside Australia are denominated in currencies other than Australian dollars, most significantly pounds sterling and US dollars.

The Consolidated Entity has minimal exposure to profit and loss translation risk as the majority of transactions denominated in foreign currencies are transacted by entities within the Group with the same functional currency of the relevant transaction.

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they become due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Consolidated Entity manages liquidity risk by monitoring forecast operating cash flows, and committed unutilised facilities; and re-estimating the value of deferred consideration liabilities semi-annually.

The Consolidated Entity has $724,000 (2013: $666,000) of overdraft facilities available to it which were undrawn at 30 June 2014.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

30 June 2014 In thousands of AUD	Carrying amount	Contractual cash flows	Less than 1 year	1–5 years	Over 5 years
Non-derivative financial liabilities					
Hire purchase liabilities	1,682	1,721	1,697	24	–
Trade and other payables (excluding unearned revenue)	20,174	20,174	20,174	–	–
	21,856	21,895	21,871	24	–

30 June 2013 In thousands of AUD	Carrying amount	Contractual cash flows	Less than 1 year	1–5 years	Over 5 years
Non-derivative financial liabilities					
Hire purchase liabilities	1,706	1,903	706	1,197	–
Trade and other payables (excluding unearned revenue)	23,824	23,824	23,791	33	–
Deferred consideration	104	104	104	–	–
	25,634	25,831	24,601	1,230	–

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Liquidity risk in relation to deferred consideration liabilities
There are critical accounting estimates and judgements in relation to deferred consideration liabilities as noted in Note 1(u)(iv). The estimates and judgements impact the amount of deferred consideration payable such that the final amount payable under acquisition agreements can be different from the estimated contractual cash flow amounts payable at the year-end reporting date.

The Consolidated Entity has estimated the liability for future deferred consideration liabilities based on the achievement of the forecast targets of the Consolidated Entity. There is uncertainty around the actual payments that will be made in respect of the Consolidated Entity forecast versus the targets. The remaining aggregate gross capped deferred consideration liability at 30 June 2014 is $52,148,000 which will only be made if the Consolidated Entity reaches certain financial performance and leverage ratio targets. Actual future payments may be below the capped amounts; however, they may exceed the estimated liability.

There are no other significant uncertainties in the timing or amounts of contractual liabilities.

Interest rate risk
Interest rate risk refers to the risk that the fair value of the future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Consolidated Entity has no significant interest-bearing assets or liabilities at 30 June 2014.

Fair value hierarchy
The Consolidated Entity did not have any financial instrument carried at fair value by valuation method at 30 June 2014 or 30 June 2013.

Capital management
The Consolidated Entity's key sources of capital are available committed facilities and share capital. The Board seeks to maintain a balance between higher returns that might be possible with higher levels of gearing and the advantages afforded by a prudent capital position.

The Consolidated Entity is subject to restrictions on alterations to its capital structure, and payment of dividends such that no dividends can be paid until the contingent deferred consideration payments have been made keeping within certain leverage targets.

Fair values
Fair values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	30 June 2014		30 June 2013	
Consolidated In thousands of AUD	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	18,913	18,913	15,600	15,600
Bank short-term deposits	3,600	3,600	3,826	3,826
Trade receivables	26,390	26,390	30,190	30,190
Trade and other payables	(20,174)	(20,174)	(23,824)	(23,824)
Hire purchase lease liabilities	(1,682)	(1,682)	(1,706)	(1,706)
	27,047	27,047	24,086	24,086

The basis for determining the fair value is disclosed in Note 1(t).

25. Controlled entities

Particulars in relation to controlled entities:

Name	Consolidated Entity interest 2014 %	2013 %	Country of incorporation
Parent entity			
Enero Group Limited			
Controlled entities			
Enero Group UK Holdings Pty Limited	100	100	Australia
Enero Group UK Limited	100	100	UK
Enero Group (US) Pty Limited	100	100	Australia
Enero Group (US) Inc.	100	100	USA
BMF Holdco Pty Limited	100	100	Australia
BMF Advertising Pty Limited	100	100	Australia
Jigsaw Strategic Research Pty Limited	100	100	Australia
The Precinct Group Pty Limited	100	100	Australia
— Ross Barr & Associates Pty Ltd(i)	–	100	Australia
Naked Communications Australia Pty Limited	100	100	Australia
— Naked Breakfast Pty Limited(i)	–	100	Australia
— Naked NZ Limited	100	100	New Zealand
Hotwire Australia Pty Limited	100	100	Australia
The Leading Edge Market Research Consultants Pty Limited	100	100	Australia
— The Leading Edge Market Research Consultants Limited	100	100	UK
— Enero Group Singapore Pte Limited	100	100	Singapore
– Enero Communications India Private Limited	100	100	India
The Digital Edge Online Consultants Pty Limited	100	100	Australia
Brigade Pty Limited	100	100	Australia
The Hotwire Public Relations Group Limited	100	100	UK
— Hotwire Public Relations GMBH	100	100	Germany
— Hotwire Public Relations SARL	100	100	France
— Hotwire Public Relations SL	100	100	Spain
— Hotwire Public Relations SRL	100	100	Italy
— Hotwire Public Relations Limited	100	100	UK
— Skywrite Communications Limited	100	100	UK
— 33 Digital Limited	100	100	UK
CPR Communications and Public Relations Pty Limited	100	100	Australia
— Capital Policy and Trade Pty Limited(i)	–	100	Australia
Naked Communications Limited	100	100	UK
— Naked Ventures Limited	100	100	UK
— Hyper Happen Limited	100	100	UK
— Naked Numbers Limited	100	100	UK
— Ne Kid SAS	100	100	France
— Naked Communications BV	100	100	Netherlands
— Naked Communications AS	100	100	Norway
– Naked Communications Sweden AB	100	100	Sweden
– Naked Communications ApS	100	100	Denmark
— Naked Communications Holdings Inc	100	100	USA
— Naked New York LLC	100	100	USA
Lorica Group Limited	100	100	UK
— Corporate Edge Group Limited	100	100	UK
Frank PR Limited	75	75	UK
— Frank PR Australia Pty Limited	75	75	Australia
— Frank Public Reactions Inc.	75	75	USA
OB Media LLC	51	51	USA
— IdealAds LLC	51	–	USA
The Leading Edge Research & Strategy Consultants LLC	100	100	USA
Hotwire Public Relations Group LLC	100	100	USA
Hotwire New Zealand Limited	100	100	New Zealand
Love Pty Limited	100	100	Australia
Enero (Hong Kong) Limited	100	100	Hong Kong
Domain Active Holdco Pty Limited	100	100	Australia
— Domain Active Pty Limited	100	100	Australia

Name	Consolidated Entity interest 2014 %	2013 %	Country of incorporation
Dark Blue Sea Pty Limited	100	100	Australia
— Dark Blue Sea Enterprises Pty Limited	100	100	Australia
– Fabulous Parking Pty Limited	100	100	Australia
– DarkBlue.com Pty Limited	100	100	Australia
– DBS Administration Pty Limited	100	100	Australia
– Fabulous.com Pty Limited	100	100	Australia
– Pageseeker.com Pty Limited	100	100	Australia
– Protopixel Pty Limited	100	100	Australia
– Roar.com Pty Limited	100	100	Australia
– Fabulous.com.au Pty Limited	100	100	Australia
– Yexa.com Pty Limited	100	100	Australia
– Whois Privacy Services Pty Limited	100	100	Australia
– Drop.com.au Pty Limited	100	100	Australia
– Yexa.com.au Pty Limited	100	100	Australia
– Domain Active Europe Limited	100	100	Australia
Enero Participacoes Ltda	100	100	Brazil
— The Leading Edge Consultores Ltda	100	100	Brazil
Counterpoint Marketing & Sales Pty Limited	100	100	Australia
Belong Pty Limited	100	100	Australia
— SEE Life Differently Holdings Pty Limited(i)	–	100	Australia
– SEE Life Differently Pty Limited(i)	–	100	Australia
The Bailey Group NZ Ltd	100	100	New Zealand
Enero Group NZ Ltd	100	100	New Zealand
Demonstration Plus(NZ) Pty Limited	100	100	New Zealand
ISS Marketing NZ Limited	100	100	New Zealand
Australian Business Theatre Pty Limited	100	100	Australia
— Australian Business Theatre (Hong Kong) Limited	100	100	Hong Kong
– ABT Creative Consulting Co Limited	100	100	China
Media Zoo Pty Limited	99.1	99.1	Australia
Crystal Storm Pty Limited	51	51	Australia
iMega Pty Ltd	100	100	Australia
— iMarketing Pty Limited	100	100	Australia
— Zearch Pty Limited	100	100	Australia
— USA Online Pty Limited(i)	–	100	Australia
— Web Agency Pty Limited(i)	–	100	Australia
— Freegroove Pty Limited(i)	–	100	Australia
— ICM Division Pty Ltd(i)	–	100	Australia
Enero Public Relations Pty Limited(i)	–	100	Australia
DVL Smith Group Pty Ltd(i)	–	100	Australia
— DVL Smith Group Limited(i)	–	100	Australia
SC Division Pty Limited(i)	–	100	Australia
SI Division Pty Limited(i)	–	100	Australia
FM Division Pty Limited(i)	–	100	Australia
ICD Division Pty Limited(i)	–	100	Australia
Found Agency Pty Limited(i)	–	100	Australia
— Yield Media Pty Limited(i)	–	100	Australia
Wardell R C Advertising Pty Ltd(i)	–	100	Australia
Eastern Media Marketing Pty Ltd(i)	–	100	Australia
Element Media Marketing Pty Ltd(i)	–	100	Australia
Bellamy Hayden Pty Limited(i)	–	100	Australia
— Bellamy Hayden SE Asia Pty Limited(i)	–	100	Australia
— Vox Holdings Pty Limited(i)	–	100	Australia
Future House Pty Limited(i)	–	100	Australia
— Geeksville Pty Limited(i)	–	100	Australia
Marching Ants Pty Limited(i)	–	100	Australia
Brass Tacks Pty Limited(i)	–	100	Australia
— Kaleidoscope Marketing Communications Pty Limited(i)	–	100	Australia
AdPartners Pty Limited(i)	–	100	Australia
— AdPartners Media Pty Limited(i)	–	100	Australia

(i) Entities deregistered during the year.

26. Reconciliation of cash flows from operating activities

In thousands of AUD	Note	2014	2013
(i) Reconciliation of cash			
For the purpose of the statements of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash assets	8	22,513	19,426
(ii) Reconciliation of loss after income tax to net cash provided by operating activities			
Loss after income tax		(1,453)	(82,174)
Profit on sale of non-current assets		(5)	(14)
Share-based payments expense		1,453	1,158
Add/(less) non-cash items:			
Depreciation and amortisation		3,259	3,247
Release of lease incentive/rent straight-line		113	144
Lease make good amortisation		481	277
Release of lease make good provision		(745)	(178)
Present value interest charges on deferred consideration of acquisitions		–	121
Amortisation of identifiable intangibles		1,532	1,636
Loss on disposal of subsidiaries		68	340
Impairment loss		–	75,931
Fair value gain on deferred consideration liability		–	(715)
Increase in income taxes payable (net)		439	173
(Increase)/decrease in deferred tax assets and liabilities		436	389
Net cash provided by operating activities before changes in assets and liabilities		5,578	335
Changes in assets and liabilities adjusted for the effects of purchase and disposal of controlled entities during the financial year:			
(Increase)/decrease in receivables		4,353	9,410
(Increase)/decrease in work in progress		3,183	1,258
(Increase)/decrease in prepayments		280	(134)
(Increase)/decrease in other assets		78	706
Increase/(decrease) in payables		(3,737)	(1,842)
Increase/(decrease) in unearned revenue		(2,075)	(1,208)
Increase/(decrease) in provisions		(1,082)	(1,373)
Net cash from operating activities		6,578	7,152

27. Disposal of subsidiaries

2014

There were no disposals during the current reporting period.

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.

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 disposal 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

28. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2014, the parent Company of the Consolidated Entity was Enero Group Limited.

	The Company	
In thousands of AUD	2014	2013
Result of the parent entity		
Profit/(loss) for the period	6,668	(82,642)
Other comprehensive income	–	–
Total comprehensive income for the period	6,668	(82,642)
Financial position of the parent entity at year end		
Current assets	9,683	9,092
Total assets	116,943	108,801
Current liabilities	3,970	3,097
Total liabilities	8,117	7,562
Total equity of the parent entity comprising of:		
Share capital	489,830	489,792
Option reserve	13,932	13,051
Accumulated losses	(394,936)	(401,604)
Total equity	108,826	101,239

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee, and the subsidiaries subject to the deed, are disclosed in Note 30 Deed of Cross Guarantee.

Contingent liabilities

Indemnities

Indemnities have been provided to Directors and certain Executive Officers of the Company in respect to 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 30 June 2014.

29. Subsequent events

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to 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.

30. Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of financial statements, and a Directors' Report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- The Leading Edge Market Research Consultants Pty Limited; and
- BMF Holdco Pty Limited.

Belong Pty Limited and Counterpoint Marketing and Sales Pty Ltd were released from the Deed of Cross Guarantee on 10 December 2013 as both companies were no longer trading.

A consolidated income statement and consolidated statement of financial position, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2014, is set out as follows:

Summarised income statement and retained profits

In thousands of AUD	2014	2013
Loss before tax	(8,670)	(82,775)
Income tax benefit/(expense)	220	(364)
Loss after tax	(8,450)	(83,139)
Accumulated losses at beginning of year	(402,238)	(319,099)
Accumulated losses relating to entities disposed during the year	848	–
Accumulated losses at end of year	(409,840)	(402,238)
Attributable to:		
Equity holders of the Company	(8,450)	(83,139)
Loss for the period	(8,450)	(83,139)

Statement of financial position

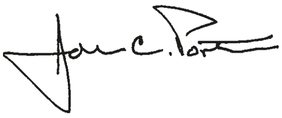
In thousands of AUD	2014	2013
Assets		
Cash and cash equivalents	8,679	8,758
Trade and other receivables	9,023	9,291
Other assets	1,044	1,382
Total current assets	18,746	19,431
Receivables	57,571	61,811
Other financial assets	8,088	8,415
Deferred tax assets	1,802	2,908
Plant and equipment	2,872	2,987
Other assets	168	229
Intangible assets	17,211	18,253
Total non-current assets	87,712	94,603
Total assets	106,458	114,034
Liabilities		
Trade and other payables	8,668	8,801
Interest-bearing loans and borrowings	1,153	374
Employee benefits	1,827	2,163
Provision	222	208
Deferred consideration	–	104
Total current liabilities	11,870	11,650
Interest-bearing loans and borrowings	–	976
Employee benefits	331	334
Provisions	335	469
Total non-current liabilities	666	1,779
Total liabilities	12,536	13,429
Net assets	93,922	100,605
Equity		
Issued capital	489,830	489,792
Reserves	13,932	13,051
Accumulated losses	(409,840)	(402,238)
Total equity	93,922	100,605

Directors’ Declaration

1. In the opinion of the Directors of Enero Group Limited (**the Company**):
   (a) the consolidated financial statements and notes, set out on pages 29 to 73 and the Remuneration Report in the Directors’ Report, set out on pages 16 to 28, are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the Consolidated Entity’s financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe the Company and entities identified in Note 30 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014 pursuant to section 295A of the *Corporations Act 2001*.
4. The Directors draw attention to Note 1(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Sydney this 26th day of August 2014.

Signed in accordance with a resolution of the Directors:



John Porter

Chairman

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

Report on the financial report

We have audited the accompanying financial report of Enero Group Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 20 to 28 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Enero Group Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kevin Leighton
Partner

Sydney

26 August 2014

Lead Auditor's independence declaration
under section 307 of the *Corporations Act 2001*

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 audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Kevin Leighton
Partner

Sydney

26 August 2014

ASX additional information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The shareholder information set out below was applicable at 4 August 2014.

Substantial shareholders

The number of ordinary shares held by substantial shareholders and their associates is set out below:

Shareholder	Number
RG Capital Multimedia Limited	20,823,268
Perpetual Limited	10,042,513
NAOS Asset Management	7,028,973

Unquoted equity securities

As at 4 August 2014 there were 6,251 options granted over unissued ordinary shares in the Company. Details of holders of 20% or more of those options are set out in the Directors' Report.

Voting rights

Ordinary shares – refer to Note 21 Capital and reserves.

Options – refer to Note 18 Employee benefits and the Remuneration Report included in the Directors' Report.

Distribution of equity security holders:

	Number of equity security holders	
Range	Ordinary shares	Options
1–1,000	1,232	10
1,001–5,000	390	–
5,001–10,000	150	–
10,001–100,000	218	–
100,001 and over	56	–

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,008.

Twenty largest shareholders

Rank	Name	Units	% of issued capital
1	Citicorp Nominees Pty Limited	8,195,724	9.57
2	National Nominees Limited	8,043,074	9.40
3	Equitas Nominees Pty Limited <2946694 A/C>	6,759,020	7.90
4	RBC Investor Services Australia Nominees Pty Ltd <PICREDIT>	5,992,952	7.00
5	Love Pty Limited <Enero Employee A/C>	4,784,533	5.59
6	Bell Potter Nominees Ltd <BB Nominees A/C>	4,624,993	5.40
7	RG Capital Multimedia Limited	4,511,945	5.27
8	Equitas Nominees Pty Limited <821471 A/C>	3,703,272	4.33
9	RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	3,623,588	4.23
10	Rbc Investor Services Australia Nominees Pty Limited <PI Pooled A/C>	3,035,148	3.55
11	CH Global Pty Ltd <The ABC Investment A/C>	2,548,301	2.98
12	J P Morgan Nominees Australia Limited	2,311,948	2.70
13	Felice Testini <GAT Family A/C>	1,632,000	1.91
14	BNP Paribas Noms Pty Ltd <DRP>	1,555,275	1.82
15	Sandhurst Trustees Ltd <TBF Small Cap Val Grwth A/C>	1,430,000	1.67
16	Bond Street Custodians Limited <Intelligent Inv Wholesale>	1,249,687	1.46
17	Teldar Corporation Pty Limited <Teldar Investment A/C>	1,100,000	1.28
18	Henawall Pty Limited	722,000	0.84
19	Irish Global Equity Limited	632,629	0.74
20	RG Capital Multimedia Limited	600,000	0.70
Total		**67,056,089**	**78.33**

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Corporate Directory

Company Secretary
Brendan York

Principal Registered Office
Enero Group Limited
Level 3, 1 Buckingham Street
Surry Hills NSW 2010 Australia
Telephone: +61 2 8213 3031
Facsimile: +61 2 8213 3030

Share Registry
Computershare Investor Services
Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000 Australia
Telephone: 1300 855 080
Outside Australia: +61 3 9415 4000
Facsimile: +61 2 8234 5050

Securities Exchange
The Company is listed on the
Australian Securities Exchange
(ASX Code: EGG).
The home exchange is Sydney.

Other Information
Enero Group Limited, incorporated
and domiciled in Australia, is a
publicly listed company limited
by shares.

Solicitors
Gilbert + Tobin
2 Park Street
Sydney NSW
2000 Australia

Auditors
KPMG
10 Shelley Street
Sydney NSW
2000 Australia